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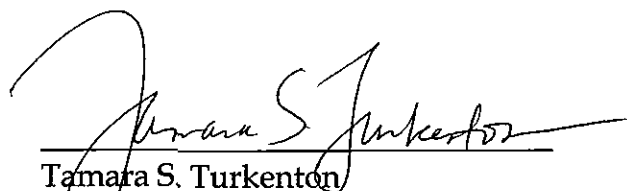
May 1, 2018

Docketing Division
Public Utilities Commission of Ohio
180 East Broad Street
Columbus OH 43215

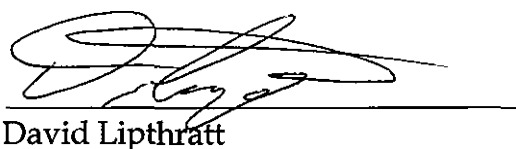
RE: *In the Matter of the Review of the Application of Ohio Power Company to Update Its
Pilot Throughput Balancing Adjustment Rider, Case No. 18-375-EL-RDR*

Dear Docketing Division:

Enclosed please find the Staff's Review and Recommendations in regard to the update
to the Pilot Throughput Balancing Rider in Case No. 18-375-EL-RDR.



Tamara S. Turkenton
Director, Rates and Analysis Dept.
Public Utilities Commission of Ohio



David Lipthrott
Chief, Research and Policy Division
Public Utilities Commission of Ohio

Enclosure

Cc: Parties of Record

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AEP Ohio

Case No. 18-375-EL-RDR (Rider PTBAR)

Overview

On December 14, 2011, in Case No. 11-351-EL-AIR et al., the Commission modified and approved the establishment of the pilot throughput balancing adjustment rider (PTBAR) for Residential Service (RS) and General Service – Small (GS-1) tariff customers in both the Columbus Southern Power (CSP) and Ohio Power (OP) rate zones. As approved, American Electric Power Ohio (AEP or Company) is to make a monthly calculation comparing base distribution revenues actually collected by a customer class to the authorized base distribution revenues designed to be collected. Any annual increases are subject to a 3% cap based on the total annual distribution revenues for a customer class, with additional amounts being deferred with carrying charges based on its long-term debt rate.

On February 28, 2018, the Company filed its sixth PTBAR application (2017 PTBAR filing), which compares 2017 actual data with the test year data from the distribution rate case and adjusts auto on July 1, 2018 unless suspended by the Commission. Actual energy revenue in 2017 was 13.7% lower than the targeted energy revenue resulting in a \$39.2M deficit. Together with carrying charges of \$4.7M, an under-recovery of \$1.8M, and \$6.4M from 2016 balances in excess of the cap, the total to be collected from Ohio's RS and GS-1 customers is approximately \$52M.

The proposed rider rates are as follows: \$0.0014555 per kWh for a CSP residential customers, \$0.0014525 per kWh for an OP residential customer, \$0.0012995 per kWh for CSP GS-1 customers, and \$0.0003209 for OP GS-1 customers. The 2017 calculation of the caps results in a deferral of \$14,507,781 in the CSP balancing account and \$17,432,642 in the OP balancing account to be included in the Company's 2018 PTBAR filing.

Staff Review

Staff is continuing to review the 2017 PTBAR filing prior to the July 1, 2018 auto date. Staff's investigation has involved a series of data requests and meetings with the Company to verify the actual energy revenues included in the calculation. Staff confirmed that the 2017 PTBAR filing appears consistent with previous applications; however, Staff needs additional time to verify that it comports with the Commission's Finding and Order and is just and reasonable.

Staff will continue to investigate the contributing factors to the extraordinary deferral balance. Historically, the balances in excess of the cap have ranged from \$2.3M - \$4.4M. The 2017 balances in excess of the 3% cap are approximately \$32M.

Staff Recommendation

In reference to Attachment Y of the Stipulation in Case Nos. 11-351-EL-AIR and 11-352-EL-AIR, Staff comments are to be filed by May 1. Staff anticipates its review will not jeopardize the Company's ability to place the proposed rates into effect on a bills rendered basis beginning on July 1, 2018. However, if Staff's investigation results in recommended adjustments, Staff reserves the right to file additional comments or ask the Commission to suspend the application prior to the July 1, 2018 auto date.