

Ohio

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June 28, 2018

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

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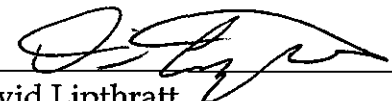
RECEIVED DOCKETING DIV

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 Liphtratt
Chief, Research and Policy Division
Public Utilities Commission of Ohio

Enclosure

Cc: Parties of Record

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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 and GS-1 tariff customers in both the CSP and OP rate zones. As approved, AEP Ohio (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. The Company was authorized to apply a carrying charge based on its long-term debt rate. 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.

On February 28, 2018, the Company filed its sixth PTBAR application comparing 2017 actual data with the test year data from the distribution rate case (2017 PTBAR filing). Actual Energy Revenue in 2017 was 13.7% lower than 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, AEP Ohio's RS and GS-1 are responsible for approximately \$52M. As the PTBAR is capped at 3% of total annual distribution revenue, the proposed rates are designed to recover approximately \$21M from July 2018 through June 2019.

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 filed a letter on May 1, 2018 reserving the right to file additional comments prior to rates going automatically into effect on a bills rendered basis beginning on July 1, 2018. Since that time, Staff held additional conversations with the Company. Staff still has concerns in regard to the methodology being used to calculate the carrying charges and the presentation of the cumulative over/under recovery as of December 31, 2017 and how they impact the overall balance in excess of the 3% cap. Staff does not believe its concerns are material enough to warrant suspending rates in the application. However, Staff would like to continue working with the Company in order to make sure the carrying charges are properly applied and the correct balances over the 3% cap are incorporated into next years application.

Staff Recommendation

Staff recommends the rates as proposed go into effect on a bills rendered basis beginning on July 1, 2018.