



**Public Utilities  
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October 23, 2018

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

RE: *In the Matter of Ohio Power Company's Implementation of the Tax Cuts and Jobs Act of 2017, Case No. 18-1007- EL-UNC; In the Matter of the Application of Ohio Power Company to Amend its Tariffs, Case No. 18-1451- EL-ATA; Ohio Power Company, Case No. 89-6007-EL-TRF*

Dear Docketing Division:

Enclosed please find the Review and Recommendations of the Staff of the Public Utilities Commission of Ohio (Staff) in the Matter of the Ohio Power Company's application for implementation of the Tax Cuts and Jobs Act of 2017, Case No. 18-1007-EL-UNC.

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

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

Enclosure

Cc: Parties of Record

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**Ohio Power Company**  
**Case No. 18-1007-EL-UNC**

**SUMMARY**

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (TCJA) was signed into law. Among other changes, TCJA lowered the federal corporate income tax rate from a maximum 35 percent to a flat 21 percent, effective January 1, 2018. Additionally, the reduction in the federal corporate tax rate may result in excess accumulated deferred income taxes (ADIT) balances because the amount of ADIT that a public utility has recorded in its books will exceed the amount the public utility needs to pay its future federal income tax obligations.

On January 10, 2018, the Public Utilities Commission of Ohio (Commission) opened a Commission-ordered investigation (COI), Case No. 18-47-AU-COI, in order to study the impacts of the TCJA on the Commission's jurisdictional rate-regulated utilities and determine the appropriate course of action to pass benefits on to ratepayers. By Entry issued January 10, 2018, the Commission invited all of the rate-regulated Ohio utilities, as well as other interested stakeholders, to file comments discussing the following: (i) those components of utility rates that the Commission will need to reconcile with the TCJA and (ii) the process and mechanics for how the Commission should do so. Additionally, the Commission directed utilities to record on their books as a deferred liability, in an appropriate account, the estimated reduction in federal income tax resulting from the TCJA, effective January 1, 2018. The utilities were instructed to continue this treatment until otherwise ordered by the Commission.

On June 8, 2018, Ohio Power Company (Company or AEP) initiated Case No. 18-1007-EL-UNC (Tax Case) by filing a motion for a procedural schedule. In its motion, the Company requested that the Commission utilize the docket to facilitate the Company's implementation of the TCJA. In support of its motion, AEP stated that it seeks to move forward in parallel to the Tax COI Case, in order to efficiently resolve the Company's implementation of the TCJA.

On September 26, 2018, all of the parties to the Tax Case submitted, pursuant to Ohio Adm.Code 4901-1-30, a joint stipulation and recommendation (Stipulation) that was intended to resolve the issues related to the Company's implementation of the TCJA. On that same date, in Case No. 18-1451-EL-ATA (Tariff Case), AEP Ohio filed, pursuant to R.C. 4909.18, an application to establish a Tax Savings Credit Rider (TSCR), in order to implement the terms of the Stipulation, if approved by the Commission.

On September 27, 2018, AEP filed and the Commission approved a motion to consolidate the Tax Case and the Tariff Case for the purpose of considering the adoption of the Stipulation filed in both cases.

On October 3, 2018, testimony in support of the Stipulation was filed on behalf of AEP by Andrea E. Moore, on behalf of Ohio Consumers' Counsel by Wm. Ross Willis, and on behalf of Ohio Cable Telecommunications Association by Jonathon L. McGee.

On October 3, 2018, the Commission order that the Stipulation be adopted and approved and for AEP to file tariffs, in final form, consistent with this Finding and Order. On October 15, 2018, AEP filed compliance tariffs. On October 23, 2018, AEP filed updated compliance tariffs.

#### **STAFF REVIEW AND RECOMMENDATION**

Staff performed a review of AEP's compliance tariffs and finds that they are in compliance with the Commission's Order. Staff concludes that the Tax Savings Credit Rider through annual reviews and reconciliations will ensure the appropriate annual amounts are credited to customers and that the tariffs become effective with the first billing cycle for November 2018.