



## Public Utilities Commission

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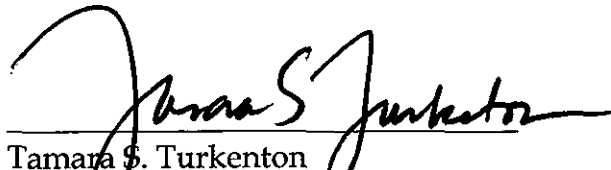
March 3, 2020

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

RE: *In the Matter of the Review of the Auction Cost Reconciliation Rider contained in the tariffs of American Electric Power Company, Case No. 15-1052-EL-RDR*

Dear Docketing Division:

Enclosed please find Staff's Reply in support of Staff's Review and Recommendations in regard to the annual review of American Electric Power Company Auction Cost Reconciliation Rider, Case No. 15-1052-EL-RDR.



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

Enclosure  
Cc: Parties of Record

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**Ohio Power Company**  
**Case No. 15-1052-EL-RDR (ACRR)**

**Background**

On February 25, 2015, in Case No. 13-2385-EL-SSO, the Commission issued its Opinion and Order establishing the Ohio Power Company's (AEP) generation energy rider (GENE), the generation capacity rider (GENC) and the auction cost reconciliation rider (ACRR). AEP updates the ACRR on a quarterly basis in Case No. 15-1052-EL-RDR, and the rider is subject to reconciliation and an annual audit by Staff. On April 25, 2018, in Case No. 16-1852-EL-SSO, the Commission extended the term of the ESP through May 31, 2024 with slight modifications to the ACRR.

The Commission authorized AEP to recover only its prudently incurred competitive bidding process (CBP) related costs through the ACRR. CBP-related costs include incremental auction costs, comprising of costs associated with administering and implementing the CBP and consultant fees. The ACRR also recovers the difference between amounts paid to suppliers for the delivery of standard service offer (SSO) supply as a result of the CBP auctions and amounts billed to SSO customers through GENE and GENC riders.

**Staff Review**

In the third audit of the ACRR, Staff reviewed the period from July of 2018 through June of 2019. Specifically, Staff reviewed supplier charges, consultant fees, revenues collected under the riders, as well as the commercial activity taxes. Staff also verifies that charges and credits billed to the company by PJM and passed through to suppliers do not flow through the ACRR rate. Staff identified several PJM charges and credits that in error flowed through to the ACRR rate calculation. The company has stated that these amounts, which net approximately \$371, will be adjusted out during January 2020 close. The company will be addressing the review process to avoid this error in the future. Staff will follow up in the next review.

During the review, Staff also identified rounding error. The Commercial Activity Tax (CAT) is an annual tax imposed on the privilege of doing business in Ohio, measured by taxable gross receipts from most business activities.<sup>1</sup> The CAT rate is 0.26%. No more than 0.26% of revenues should be adjusted from the true-up calculation. The company agrees to work with Staff to update their true-up calculation.

**Conclusion**

Staff has reviewed the various cost components that flow through the ACRR from July of 2018 through June of 2019. Subject to the recommendations contained in this letter, Staff recommends that the ACRR quarterly filings for the review period be accepted as filed.

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<sup>1</sup> [tax.ohio.gov/commercial\\_activites.aspx](http://tax.ohio.gov/commercial_activites.aspx)