

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

<b>In the Matter of the Application of</b>	)	
<b>the Alternative Energy Rider and</b>	)	<b>Case No. 20-1745-EL-RDR</b>
<b>Auction Cost Recovery Rider for</b>	)	
<b>Ohio Power Company</b>	)	

**APPLICATION**

Ohio Power Company d/b/a AEP Ohio (“AEP Ohio” or the “Company”) submits this application to update its Alternative Energy Rider (AER) and Auction Cost Recovery Rider (ACRR) rates. In support of its Application, AEP Ohio states the following:

1. AEP Ohio is an electric utility as that term is defined in §4928.01(A)(11), Ohio Rev. Code.
2. On February 25, 2015, the Commission Issued an Opinion and Order adopting certain portions of AEP Ohio’s Electric Security Plan in Case Nos. 13-2385-EL-SSO, et.al (ESP III Opinion and Order). The ESP III Opinion and Order provided for the implementation of an auction cost reconciliation rider (ACRR) and the elimination of the Company's current auction phase-in rider (APIR) and fixed cost rider (FCR) in addition to the FAC mechanism, following a final true-up of all costs incurred through May 2015. The ESP III Opinion and Order also provided for continuation of the Alternative Energy Rider (AER).
3. On June 1, 2015, the Company filed its Application to initiate this proceeding for purposes of filing quarterly updates to the ACRR and AER.

Under the Opinion and Order, the adjusted AER and ACRR rates become effective unless the Staff raises issues prior to the billing cycle during which the quarterly adjustments are to become effective.

4. On April 25, 2018, the Commission issued an Opinion and Order adopting the Stipulation in AEP Ohio's Electric Security Plan in Case Nos. 16-1852-EL-SSO, et.al (ESP IV Opinion and Order). The Stipulation removed the Commission and OCC assessment fees from the ACRR collection.
5. On November 21, 2019, the Commission issued an Opinion and Order in this proceeding that established January 1, 2019 as the effective date for baseline reductions to exclude the load and energy usage of mercantile customers as required by Amended Substitute House Bill No. 6 of the 133rd Ohio General Assembly (HB 6). In accordance with that Order, the Company eliminated the AER for any customer that self-assess the kilowatt hour tax rider.
6. In order to develop a long-term plan for compliance with the alternative energy portfolio standard in R.C. 4928.64, AEP Ohio previously entered into three renewable energy purchase agreements (REPAs), which the Commission has found to be prudent and permitted cost recovery for years: (a) the Fowler Ridge REPA, (b) the Timber Road REPA, and (c) the Wyandot solar REPA (collectively, the AEP Ohio REPAs).
7. Increased levels of shopping since initial implementation of the AEP Ohio REPAs and the recent enactment of HB 6 have caused and will cause the Company to possess extra RECs beyond ongoing compliance levels and

accrue a significant REC inventory over time. That REC inventory is maintained as a regulatory asset in conjunction with the AER as approved by the Commission most recently in the *ESP IV* proceeding (Case Nos. 16-1852-EL-SSO et al.). Prior to enactment of HB 6, the renewable standard was perpetual (no expiration or ramp-down date) and the ultimate recovery of the REC inventory costs was not a concern.

8. In initially passing R.C. 4928.641 in 2014 as part of SB 310, the General Assembly provided for ongoing bypassable recovery of the costs of AEP Ohio's REPAs. In amending that statute as part of HB 6 in 2019, the General Assembly again recognized the unique position of AEP Ohio's REPAs and provided for continued bypassable cost recovery through 2032 even in light of the planned ramp down and expiration of the renewable mandate. This statute and its legislative history show that full recovery of AEP Ohio's REPAs from its non-shopping customers has always been intended by the General Assembly and the Company is attempting to continue achieving that goal within the parameters set forth in the statute and an evolving set of factual conditions.
9. In light of the planned expiration of the renewable standard after 2026 and the 2032 deadline for cost recovery under HB 6, AEP Ohio needs to take additional action to achieve timely and full recovery of net costs associated with the REPAs through the bypassable AER. As further described below, the Company proposes to implement future AER rate adjustments designed to recover the existing REC inventory while also managing AER rate impacts for non-shopping customers.

10. Historical AER rates have shown volatility each quarter based on dynamic shopping levels (relatively static costs recovered from a changing set of customers), market prices (the REC price is a residual calculation that is driven by the revenues yielded from liquidating the capacity and energy associated with the REPAs) and reconciliation of current costs to prior quarterly cost projections (driven in part by seasonality of load). This year, for example, the quarterly AER rates ranged from \$1.86/MWh to \$3.90/MWh. In this context, the Company would like to implement recovery of the REC inventory amortization and costs in a manner that also helps make AER rates more stable and predictable.

11. More specifically, the Company proposes to implement a going-forward AER rate of \$4.40/MWh, prior to any voltage adjustments, along with an enhanced methodology for calculating future AER rate changes: (a) the AER will introduce a levelized amortization of the REC inventory between 2021 and the end of 2026 of approximately \$1.17/MWh, (b) the AER will reflect a levelized amortization of the 2021 through 2026 estimated costs of the REPAs netted against the revenues yielded from liquidation of the capacity and energy associated with the REPAs' output as well as any excess RECs that are sold into the market, (c) recovery of the first two categories would be limited to a rate cap of \$5.00/MWh, prior to any voltage adjustments, absent Commission approval to implement a rate above \$5.00/MWh (with any overage being booked as a regulatory asset), and (d) recovery of the REC inventory costs can be temporarily suspended by the Company, in whole or in part, by reducing a quarterly rate

adjustment by up to approximately \$1.17/MWh (*i.e.*, reducing the rate down to approximately \$3.24/MWh). After 2026, the Company proposes to collect the then-current annual costs of the REPAs similar to the current AER Calculations but does recommend an annual adjustment to the rate. All other aspects of the AER remain unchanged, including but not limited to the reconciliation and associated over/under regulatory asset/liability accounting. The rate cap in part (c) above will help mitigate additional rate impacts on non-shopping customers and the downward rate flexibility in part (d) above will help the Company balance recovery of the REC inventory costs with a stabilized level of non-shopping load. In conjunction with the calculations shown on new Schedule 3 (discussed below in Paragraph 16), this enhanced approach to calculating the AER will promote rate stability while ensuring timely recovery of the cost associated with the REPAs.

12. Under the enhanced approach, the Company would no longer provide for a quarterly true-up in the AER rate. Instead, the Company will manage the total balance of the estimated REC Inventory and costs annually and adjust the rate only if necessary. See Schedule 4 in the filing. Schedule 3 will continue to show through an annual informational filing the estimated costs to be recovered compared to actual costs recovered. The rates mentioned above reflect recovery of the total AER costs from total non-shopping kWh and do not represent the cap for the voltage-adjusted rates. This calculation will be verified in any filing the Company may make to update the static rate proposed here.

13. **Schedule 1:** Shows calculation of the ACRR.
14. **Schedule 2:** This schedule will be eliminated going forward.
15. **Formerly Schedule 3 (will now be Schedule 2):** This schedule shows the Company's proposed total AER rate subject to the cap by voltage which will be the AER rate paid for each voltage.
16. **Formerly Schedule 4 (will now be Schedule 3):** This schedule shows the current year forecasted AER rollforward balance. The schedule will be updated with actual balances to review how the actuals compare to the forecasted rollforward amount. These costs include the total AER estimated costs through 2026, reductions for estimated REC sales, the estimated costs of the solar panels installed by the Company, as well as the estimated recovery at approximately \$4.40/MWh starting in January 2021. This schedule will provide a transparent view of whether or not a rate adjustment is needed. The Company will utilize this balance to determine whether to raise the rate s, up to the Commission approved cap of \$5/MWh, or lower the rate if the estimated roll forward balance is significantly ahead of the forecasted results.
17. **Formerly Schedule 5 (will now be Schedule 4):** This schedule shows the redline tariff for the ACRR.
18. **Formerly Schedule 6 (will now be Schedule 5):** This schedule shows the redline tariff for the AER.
19. To the extent needed, the Company also requests any additional accounting authority needed to implement the proposal described above.
20. In parallel to this Application being considered before the Commission, the

Company will file its normal AER update in Case No. 15-1052-EL-RDR by December 1, 2020 and will offer three rate options in that filing: (a) a rate using the existing AER method, (b) a rate using the updated method outlined in this Application, and (c) a rate that would freeze the AER rate at the current level pending the outcome of this Application. To the extent that the Commission does not grant this Application to update the AER method consistent with HB 6 prior to January 1, 2021, the Company requests that the current AER rate (Option C above) be continued until such time that a final decision is rendered in this docket.

WHEREFORE, based on the information and exhibits submitted with this filing, AEP Ohio requests that the Commission approve the Company's Application.

Respectfully submitted,

/s/ Steven T. Nourse

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**OHIO POWER COMPANY and COLUMBUS SOUTHERN POWER COMPANY**  
**Calculation of Quarterly AER For Billing During**  
**January through March**  
**FC Component**

Line	Description	Forecast Period - 1st Qtr 2021		
		January	February	March
	<b><u>TOTAL COMPANY</u></b>			<b>Total</b>
1	AER Costs to be Collected (1st Quarter Revenue)			\$ 14,373,158.34
2	Retail Non-Shopping Sales - Generation Level Kwh	1,273,334,138	1,138,109,007	1,019,988,021
				3,431,431,166
3	FC Component of AER Rate At Generation Level - Cents/kWh			0.0041887
4	FC Component of AER Rate At Generation Level			
5	Loss Factor			
6	FC at the Meter Level - Cents/kWh			
		<b>Secondary</b>	<b>Primary</b>	<b>Sub/Trans</b>
		0.00419	0.00419	0.00419
		1.0604	1.0235	1.0031
		<b>0.00444</b>	<b>0.00429</b>	<b>0.00420</b>
	Line 4 x Line 5			

**OHIO POWER COMPANY and COLUMBUS SOUTHERN POWER COMPANY**  
**Calculation of Quarterly AER For Billing During**  
**January through December 2021 Comparison**  
**RA Component**

Line	Month	Renewable Revenue	Renewable Cost	REC Sales	AER (Over)/Under Recovery
Estimated 2021 AER Balance					
1	Beginning Balance				
2	Jan-21	\$ (5,333,585.99)	\$ 4,976,717.42	\$ (150,047.22)	\$ (506,915.79)
3	Feb-21	\$ (4,767,171.53)	\$ 4,928,017.98	\$ (150,047.22)	\$ 10,799.23
4	Mar-21	\$ (4,272,400.82)	\$ 4,978,702.76	\$ (150,047.22)	\$ 556,254.72
5	Apr-21	\$ (3,717,368.18)	\$ 5,151,314.90	\$ (150,047.22)	\$ 1,283,899.51
6	May-21	\$ (3,226,149.41)	\$ 4,347,622.76	\$ (150,047.22)	\$ 971,426.14
7	Jun-21	\$ (3,784,044.75)	\$ 4,056,193.28	\$ (150,047.22)	\$ 122,101.31
8	Jul-21	\$ (4,613,779.37)	\$ 2,747,884.32	\$ (150,047.22)	\$ (2,015,942.27)
9	Aug-21	\$ (4,703,384.59)	\$ 2,835,365.51	\$ (150,047.22)	\$ (2,018,066.29)
10	Sep-21	\$ (4,436,753.05)	\$ 3,145,068.14	\$ (150,047.22)	\$ (1,441,732.13)
11	Oct-21	\$ (3,434,115.38)	\$ 4,250,261.40	\$ (150,047.22)	\$ 666,098.80
12	Nov-21	\$ (3,441,022.30)	\$ 3,955,570.50	\$ (150,047.22)	\$ 364,500.99
13	Dec-21	\$ (4,487,225.04)	\$ 5,669,356.86	\$ (150,047.22)	\$ 1,032,084.60
14	Ending Balance	\$ (50,217,000.40)	\$ 51,042,075.83	\$ (1,800,566.60)	\$ 2,437,565.12
15	Total AER Costs				\$ (14,373,158.34)
16	Estimated kWh				3,264,920,234
17	AER Rate Subject to Cap				-0.0044023

Actual 2021 AER Balance

REC

Sales

AER (Over)/Under

Recovery

Renewable

Cost

Revenue

Month

Line

1

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

Total AER Costs

Estimated kWh

AER Rate Subject to Cap

Beginning Balance

Jan-21

Feb-21

Mar-21

Apr-21

May-21

Jun-21

Jul-21

Aug-21

Sep-21

Oct-21

Nov-21

Dec-21

Ending Balance

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Summary: Application Application electronically filed by Mr. Steven T Nourse on behalf of Ohio Power Company