

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Commission’s)	
Review of the Standard Filing)	Case No. 19-2103-AU-ORD
Requirements for Rate Increases)	
In Ohio Adm.Code Chapter 4901-7)	

INITIAL COMMENTS OF OHIO POWER COMPANY

INTRODUCTION

By Entry dated December 16, 2020, the Public Utilities Commission of Ohio (“Commission”) proposed amendments to Ohio Administrative Code (“Ohio Adm.Code”) Chapter 4901-7, which are Commission rules on the standard filing requirements for rate increases. Ohio Power Company (“AEP Ohio” or the “Company”) appreciates the opportunity to comment in this docket. AEP Ohio’s comments are generally limited to clarifying or seeking clarification on a few of the amendments proposed by Commission Staff (“Staff”). Additionally, the Company proposes a limited amount of additions and edits to Staff’s proposed amendments.

COMMENTS

Chapter II (A)(6)(a)

AEP Ohio recommends that the Commission modify Staff’s proposed amendment to subsection (A)(6)(a) to make clear that the “proposed adjustment(s) made to operating income items” refers to the adjustments included in Schedule C-3, which is the Summary of Jurisdiction Adjustments to Operating Income. The Company understands Staff’s proposed addition to (A)(6)(a) to require the utility to individually identify, quantify, and justify the adjustments to operating income that the Company includes in its Schedule C-3. Thus, in order to eliminate any ambiguity or vagueness as to which “adjustments” to operating income the proposed addition is

referencing, AEP Ohio recommends adding “reflected in Schedule C-3” after “operating income items” so the revised sentence reads as follows:

Any proposed adjustment(s) made to operating income items reflected in Schedule C-3, and included in the company’s application pursuant to R.C. 4909.15(D), that the company believes is reasonably expected to occur during the 12-month period following the test period shall be individually identified, quantified, and justified as just and reasonable.

Conversely, if the intent of this provision was to reflect “proposed adjustment(s)” other than those included in Schedule C-3, AEP Ohio recommends that the Commission clarify which “proposed adjustment(s)” would be required by this amendment.

Chapter II (B)(9)

Although AEP Ohio does not object to the proposed amendment to subsection (B)(9) to allow Staff to file a letter in the docket setting forth *any* functional areas a utility must discuss, as opposed to the three functional areas that are currently permitted under the rules, the Company would emphasize the importance that the Staff letter be filed within ten business days after the Company files its notice of intent to afford the Company a fair opportunity to address each of the functional areas Staff includes in its letter.

Chapter II (C)

AEP Ohio does not object to Staff’s proposed amendments to this section. However, the subsection numbering does not reflect the deletions proposed by Staff. As such, the Company recommends that the numbering of this subsection be adjusted to reflect Staff’s proposed changes.

Chapter II (D)

AEP Ohio recommends that the Commission modify Staff's proposed changes to subsections (D)(11) and (12) to account for instances when an applicant files its case prior to a budget approval for a portion of the test period, to ensure consistency between subsections (D)(11) and (12), and to provide flexibility to ensure that the Company's current budget approval process can meet the requirements of the rule.

Specifically, the Company recommends the following modification to subsection (D)(11):

(11)Corporate budget, approved by upper management and utilized to operate the company, by month for each fiscal year that is included in any part of the test year will be provided at the time of filing or within 30 days of its completion. A description of this budget's approval process should be included along with a statement on company letterhead signed by the president attesting to the fact that the budget(s) ~~used to prepare test year information~~ provided is (are) the actual budget utilized to operate the company. ~~that was approved by the President and the Board of Directors.~~ It should also include a description of how the data in the budget was allocated to the test year expenses and should be in such detail as to allow the staff to interview individual department managers about their use and input into the budgeted data. A witness to support the budget should be identified.

Although the Company does not object to providing the corporate budget approved by upper management and utilized by the Company for each fiscal year that is included in the test year, the rule, as amended, does not appear to allow an applicant to file its case until the corporate budget is approved for each fiscal year that is included in any part of the test year, including forecasted periods for which the budget may not be approved at the time of filing. A prohibition on filing a rate case until a budget for forecasted data is approved serves no purpose other than to create an unnecessary and unreasonable barrier to a utility filing its case given that the applicant is already required to reconcile the forecasted data to the budget data under subsection (D)(12).

Furthermore, such a requirement would be inconsistent with the rules permitting the use of forecasted data and, more specifically, subsection (D)(12), which, as previously noted, permits

the applicant to submit forecasted data that is different than budgeted data provided the applicant provides a reconciliation of the corporate budget and the forecasted data. To not allow an applicant to file prior to a budget being approved for the forecasted data would essentially render subsection (D)(12) invalid. As such, the Company recommends that the Commission add language to (D)(11) to allow the applicant to provide the corporate budget either at the time of filing, if it is available, or within 30 days of the budget completion for forecasted data included in the filing for which there is not an approved budget at the time of filing. For similar reasons, the Commission should remove, “used to prepare test year information” from the second sentence of subsection (D)(11) and incorporate the associated grammatical changes proposed by the Company above.

AEP Ohio also recommends that the Commission reject the requirement that the applicant’s president attest to the fact that the budget used to prepare test year information is the actual budget that was approved by the president and the board of directors. Based on the proposed language, the Company would be unable to comply with this requirement because AEP Ohio’s Board of Directors does not approve the Company’s corporate budget. Thus, to account for the fact that Ohio utilities subject to the standard filing requirements have different corporate structures and budget approval processes, AEP Ohio recommends that the Commission strike, “that was approved by the President and the Board of Directors” from the proposed amendment as shown above. This modification serves the purpose of Staff’s amendment by still requiring the Company President to attest to the validity of the budget(s) while providing some flexibility to ensure the individual utilities can comply with the rules based on their existing internal budget approval process and to avoid any otherwise unnecessary changes to the Company’s internal processes.

AEP Ohio recommends that the Commission modify Staff's proposed amendment to subsection (D)(12) to clarify that the applicant is to provide, where applicable, a reconciliation of forecasted data used in the test year and the corporate budget, which the Company understands is the intent of Staff's proposed changes. Therefore, the Company recommends subsection (D)(12) be amended as follows:

(12) If ~~budgeted~~ data used in the forecasted portion of the test year is different from that reflected in the corporate budget provided above, the annual ~~budget~~ forecast data which was used in the test year should be provided by month for each fiscal year that is included in any part of the test year. A reconciliation of the corporate budget and the ~~budget~~ forecast data used in the test year should be provided and a witness to support the reconciliation should be identified. The testimony should explain and provide support for the differences.

Finally, the Company would note that subsections (D)(3)-(22) need to be renumbered to reflect the inclusion of Staff's proposed subsection (D)(3). Staff's proposed subsections (D)(3)(e)-(h) should also be changed to subsections (D)(3)(a)-(d) to be consistent with the structure of the rest of this section.

Section A (C)

AEP Ohio recommends the Commission reject Staff's proposed amendment to Section A (C) which would require the utility to exclude the Commission and Ohio Consumers' Counsel ("OCC") assessment fees from the gross revenue conversion factor. Excluding Commission and OCC assessment fees from the gross revenue conversion factor would be inappropriate because doing so would ignore the direct relationship between the revenues collected by a utility and the assessment fees the utility incurs. The Commission and OCC assessment fees are allocated to all entities based on revenue. Specifically, when the utility reflects additional revenues in base rates, the revenues of that utility are increased and the allocation of the assessment fees are then

increased accordingly. Thus, if Commission and OCC assessment fees are excluded from the gross revenue conversion factor, the utilities would not be properly reflecting increases in the assessment fees tied to the additional revenues reflected in base rates. As such, the Company recommends the Commission reject Staff's proposed addition to Section A(C) and continue to allow the utilities to properly account for increases in Commission and OCC assessment fees for additional revenue reflected in base rates, as provided for under the current rules.

Section B (F)(1)

Finally, AEP Ohio recommends that the Commission adopt an addition to Staff's amendments to Section B (F)(1) to include "unamortized deficit deferred income taxes." Just as a reduction in the corporate tax rates creates unamortized excess deferred income taxes, an increase in the corporate tax rate would give rise to a situation where a utility has under recovered its federal income taxes, thereby creating deficit deferred income taxes. Therefore, to avoid any ambiguity in the future, the Company recommends that the Commission include "unamortized deficit deferred income taxes" in the list of items to be included in column (1) of Schedule B-6 and to update Schedule B-6 to include an "unamortized deficit deferred income taxes" line item under the "deferred income taxes" heading.

CONCLUSION

AEP Ohio appreciates the opportunity to provide the foregoing comments and respectfully requests, for the reasons set forth above, that the Commission adopt them in its final amendments to Ohio Adm. Code Chapter 4901-7 in this proceeding.

Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing was electronically filed through the Docketing Information System of the Public Utilities Commission of Ohio on this 15th day of January, 2021. In accordance with Ohio Adm. Code 4901-1-05, the Commission's e-filing system will electronically serve notice of the filing of this document on counsel for all parties.

Respectfully submitted,

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Summary: Comments -Initial Comments of Ohio Power Company electronically filed by
Tanner Wolfram on behalf of Ohio Power Company