



Public Utilities Commission

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June 23, 2021

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 Review and Recommendations regarding the annual review of American Electric Power Company's Auction Cost Reconciliation Rider, Case No. 15-1052-EL-RDR.

David Lipthrott
Chief, Accounting and Finance Division
Public Utilities Commission of Ohio

Suzanne Williams
Accounting and Finance Division
Public Utilities Commission of Ohio

Enclosure
Cc: Parties of Record

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). The Commission also eliminated the following base generation recovery mechanisms: auction phase-in rider (APIR), the fixed cost rider (FCR), and the fuel adjustment clause (FAC). The ACRR went into effect in June of 2015. 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 associated with administering and implementing the CBP and consultant fees. The ACRR also recovers the difference between amounts paid to suppliers for delivery of the standard service offer (SSO) supply resulting from the CBP auctions and amounts billed to SSO customers through GENE and GENC riders.

Staff Review

This audit was conducted to review ACRR documents, records, and/or transactions for the period of July 2019 through June 2020. More specifically, Staff reviewed supplier charges, consultant fees, revenues collected through the riders, commercial activity taxes (CAT), and performed an examination to detect whether PJM charges and credits, that are passed through to suppliers, were included in the ACRR rate calculation.

In the prior audit, Staff identified several PJM charges and credits, totaling \$371, that flowed through the ACRR rate calculation in error. These charges and credits occur when the cost of energy at the auction clearing price paid to suppliers differs from the load adjustment costs that are recorded at market price. The cost or revenue associated with these incremental adjustments are ultimately settled with the suppliers. During the current audit, Staff verified that the \$371 from the previous audit was adjusted out in January 2020. In the current audit, Staff identified charges and credits totaling \$128,654 that incorrectly flowed through the ACRR rate calculation. The Company indicated that these incremental adjustments along with expected additional costs of \$106,000 in periodic adjustments will be settled with suppliers and recorded and removed in March and April 2021.

In the prior audit, Staff reviewed the Company's CAT true-up calculation and identified a rounding error in the formula. During the current audit, Staff reviewed the Company's calculation of the CAT liability due on the revenues and determined the calculation was correct.

Conclusion

Staff has reviewed the Company's quarterly filings, including but not limited to, portions related to revenues, supplier payments, auction expenses, and CAT for the period of July 2019 through June 2020. Staff is satisfied that these quarterly filings are both consistent with and in compliance with the Commission orders except as noted above. As a result of the above findings, Staff recommends a total

adjustment of \$234,654. Staff will continue to monitor the issue of charges and credits that incorrectly flow through the ACRR rate in future audits.

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Case No(s). 15-1052-EL-RDR

Summary: Staff Review and Recommendation regarding the annual review of American Electric Power Company's Auction Cost Reconciliation Rider electronically filed by Zee Molter on behalf of PUCO Staff