

AEP Ohio – Standard Service Offer Application (PUCO Case No. 13-2385-EL-SSO, et al.)

Update: On December 20, 2013, Ohio Power Company (AEP Ohio or the Company) filed an application for authority to establish a standard service offer (Application. In its Application, AEP Ohio seeks the Commission's approval of an electric security plan (ESP) for a term commencing on June 1, 2015 and ending May 31, 2018.

In addition to focusing on its rate plan for 2015 through 2018, the Application addresses provisions regarding AEP Ohio's distribution service, provisions that promote retail electric competition, economic development and job retention, alternative energy resource and energy efficiency requirements, preserving and expanding the development of competition for retail electric services in its territory, and other matters.

Generation and Applicable Riders

The Application proposes utilizing full auction-based pricing for the Company's standard service offer (SSO) customers beginning in June 2015 through the full term of the proposed ESP. AEP Ohio contends that the proposed procurement plan increases diversity of electricity supplies and suppliers, which supports reasonably priced retail electric service.

AEP Ohio contends that certain riders proposed in its Application will provide consumers with a price that they can use to compare information when determining whether to select an alternative retail electric supplier for generation. AEP Ohio also contends that its Application seeks to stabilize customer rates by providing a hedge against market volatility through the establishment of a nonbypassable Power Purchase Agreement rider. Like the current ESP, the proposed ESP also makes use of a bypassable Alternative Energy Rider (AER).

In contrast to the ESP currently in effect, the Application proposes to eliminate Schedule IRP-D, Supplement No. 18, Schedule Standby Service (SBS), and its Standard Time of Use tariffs. The Company argues that these changes are the result of the implementation of full auction-based pricing for SSO customers and the continued development of the competitive marketplace.

Distribution and Applicable Riders

A major focus of the Application is a distribution reliability strategic plan. The foundation of this plan is a group of programs which include the replacement of aging infrastructure through AEP Ohio's Distribution Investment Rider (DIR), continued cyclic vegetation maintenance through the Enhanced Service Reliability Rider (ESRR), further implementation of advanced technologies through Phase 2 of the gridSMART program, and continued recovery of major storm costs through the Storm Damage Recovery (SDR) Mechanism and Rider. In addition, the Company is proposing to implement a new program designed to ensure the availability of a sustained and skilled workforce,

the Sustained and Skilled Workforce Rider (SSWR). The purpose of the SSWR is to provide a mechanism to recover incremental operations and maintenance (O&M) labor costs incurred to remedy the projected shortfall of internal labor resources, both in front-line construction and construction support, in order to execute the planned distribution infrastructure investment.

The Application also proposes, in response to recent compliance and cybersecurity activities, a Compliance and Cybersecurity Rider (NCCR) to serve as a placeholder for significant future increases in compliance costs. With regard to the previously-approved establishment of the Pilot Throughput Balancing Adjustment Rider (PTBAR), which is a revenue decoupling mechanism, the Company proposes to continue the PTBAR for residential and GS-1 tariff schedules, as currently implemented, throughout the term of the proposed ESP.

Transmission and Applicable Rider

As part of the new ESP, AEP Ohio proposes to establish a nonbypassable Basic Transmission Cost Rider (BTCR) through which it will recover non-market based transmission charges from all of its customers, both shopping and non-shopping. Certain transmission charges would be included as part of the auction product offering for SSO customers, and competitive retail electric service (CRES) providers would be responsible for paying certain transmission charges for their shopping customers.

Other Nonbypassable Charges

The ESP Application includes modification and continuation of AEP Ohio's Energy Efficiency/Peak Demand Reduction Rider (EE/PDR). The Application also proposes to continue AEP Ohio's Economic Development Rider (EDR). The Company further proposes to establish a Purchase of Receivables (POR) program and a new Bad Debt Rider (BDR) which, it contends, is an integral component of the POR program.

Under the Application, AEP Ohio plans to continue collecting the Retail Stability Rider (RSR) through the term of the proposed ESP. The purpose of the RSR will allegedly shift to being in place exclusively to recover capacity charge deferrals, inclusive of carrying charges, and will continue for three years or until fully recovered. While the Application proposes to continue the RSR, AEP Ohio intends to file a case within the next month to set new RSR rates.

Accounting Deferrals and Recovery of Existing Regulatory Assets

The proposed ESP requests authority to record regulatory liabilities and regulatory assets and, thus, to perform regulatory deferral over/under recovery true-up accounting for a number of the riders explained above. The ESP also requests continued deferral accounting authority for its proposed major storm damage recovery mechanism and additional deferral authority related to the proposed NCRR, detailed above.

Early Termination and Reopener Provision Included

In the Application, the Company reserves the right to terminate the proposed ESP one year early (i.e., by June 1, 2017) based upon the following circumstances: (a) a substantive change in Ohio law (including rules or orders of the Commission) affecting SSO obligations and/or SSO rate plan options under Chapter 4928 of the Revised Code, or (b) a substantive change in federal law (including FERC rules or orders) or PJM tariffs or rules with respect to capacity, energy or transmission regulation or pricing that has an impact on SSO obligations, and/or rate plan options. The Company notes that it may exercise this early termination right by giving written notice to the Commission no later than October 1, 2016. If the Company exercises the right to early termination, it will propose a new SSO rate plan to encompass the June 1, 2017 through May 30, 2018 period (or a longer time period consistent with applicable law).

Rate Impacts

The forecasted impact of AEP Ohio's proposed ESP on customers' total bills is summarized in the following chart:

Columbus Southern Power Rate Zone							
Household	Summer Monthly Bills			Winter Monthly Bills			Tariff
	Current	Proposed	Change	Current	Proposed	Change	
1,000 kWh usage	\$156	\$144	-8%	\$143	\$133	-7%	R-R Bill
2,000 kWh usage	\$306	\$281	-8%	\$230	\$232	1%	R-R Bill
3,000 kWh usage	\$455	\$418	-8%	\$316	\$330	4%	R-R Bill
4,000 kWh usage	\$604	\$555	-8%	\$402	\$428	6%	R-R Bill
Small Business							
1,000 kW demand and 100,000 kWh usage	\$17,749	\$14,238	-20%	\$17,749	\$13,816	-22%	GS-2 Primary
1,000 kW demand and 300,000 kWh usage	\$37,245	\$29,876	-20%	\$37,245	\$28,910	-22%	GS-3 Primary
Industrial Business							
20,000 kW demand and 6 million kWh usage	\$507,465	\$423,228	-17%	\$507,465	\$404,268	-20%	GS-4
20,000 kW demand and 12 million kWh usage	\$832,612	\$775,112	-7%	\$832,612	\$737,192	-11%	GS-4
Ohio Power Rate Zone							
Household	Summer Monthly Bills			Winter Monthly Bills			Tariff
	Current	Proposed	Change	Current	Proposed	Change	
1,000 kWh usage	\$141	\$137	-3%	\$141	\$133	-5%	RS Bill
2,000 kWh usage	\$265	\$261	-2%	\$265	\$254	-4%	RS Bill
3,000 kWh usage	\$389	\$384	-1%	\$389	\$374	-4%	RS Bill
4,000 kWh usage	\$513	\$507	-1%	\$513	\$494	-4%	RS Bill
Small Business							
1,000 kW demand and 100,000 kWh usage	\$16,896	\$15,521	-8%	\$16,896	\$15,189	-10%	GS-2 Primary
1,000 kW demand and 300,000 kWh usage	\$35,403	\$30,715	-13%	\$35,403	\$29,749	-16%	GS-2 Primary
Industrial Business							
20,000 kW demand and 6 million kWh usage	\$584,463	\$443,688	-24%	\$584,463	\$424,738	-27%	GS-4 Transmission
20,000 kW demand and 12 million kWh usage	\$897,802	\$816,035	-9%	\$897,602	\$778,115	-13%	GS-4 Transmission

OMAEG Participation

Given that the rate impacts arising from this Application will affect OMA's members, OMAEG intervened in the proceeding on January 7, 2014, and will be actively participating in the case in the months ahead.