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September 1, 2016

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

RE: *In the Matter of the Application of Ohio Power Company to update its Storm Damage Recovery Rider rates, Case No. 16-0821-EL-RDR*

Dear Docketing Division:

Enclosed please find the Staff's Review and Recommendations regarding the application filed by Ohio Power Company to adjust its Storm Damage Recovery Rider rates in Case No. 16-0821-EL-RDR.

Tamara S. Turkenton	David Lipthratt
Chief, Regulatory Services Division	Chief, Research and Policy Division
Public Utilities Commission of Ohio	Public Utilities Commission of Ohio

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Enclosure
Cc: Parties of Record

Ohio Power Company
Case No. 16-0821-EL-RDR (SDRR)

SUMMARY

On April 16, 2016, Ohio Power Company ("Ohio Power" or "Company") filed its application (Application) for the review of costs attributable to major storms during the period from December 2012 to December 2015. The Company's Storm Damage Recovery Rider (SDRR) is a non-bypassable rider, approved by the Commission in Case No. 11-346-EL-SSO (ESP II) as the mechanism for recovery (or refund) of deferred incremental distribution expenses over or under $5,000,000 annually relating to "Major Events" as defined by Rule 4901:1-10-10(B) of the Ohio Administrative Code beginning January 1, 2012.

On April 2, 2014, the Commission issued an Opinion and Order in Case No. 12-3255-EL-RDR adopting the Company's stipulation allowing for collection of 2012 storm damage expenses through November 2012.

On February 25, 2015, the Commission issued an Opinion and Order in the Company's ESP III, Case No. 13-2385-EL-SSO, in part providing for the continuation of the SDRR, which requires a true-up application to be filed in April of each year.

Included in this Application is the under-recovered portion authorized for recovery in Case No. 12-3255-EL-RDR, which totals $71,610, plus annual incremental storm repair expenses over or under $5,000,000 dating back to December 2012, resulting in a total credit deferral of approximately $1.2 million that the Company proposes to be credited to customers over a one-month period on a fixed customer charge basis.

STAFF REVIEW

In its review, Staff examined the as-filed schedules for consistency with the Commission's Opinion and Orders in previous storm recovery related cases and to ensure proper accounting treatment was applied. The audit consisted of a review of the financial statements for completeness, occurrence, presentation, valuation, allocation, and accuracy. Staff conducted this audit through a combination of document review, interviews, and interrogatories. Staff requested documentation as needed to determine that the costs were substantiated or to conclude that an adjustment was warranted.

RECOMMENDATION

Staff recommends an adjustment for a portion of the revenues the Company has received from other jurisdictional utility companies for providing mutual storm assistance. Staff recommends an adjustment to reflect the straight-time labor costs that have been included in the Company's base rates and also used to provide mutual storm assistance for which the Company also receives revenues from the utility companies receiving the mutual assistance. Furthermore, the Company's customers were receiving no benefit for those dollars spent for work being done in another electric company's service territory by those employees during the period of time in which the Company's crews were providing mutual storm assistance.

Based on responses to a Staff Data Request[1], the total quantity of hours of mutual storm assistance for which the Company received payment included 5,842 labor hours ($165,454) in 2014 and 4,588 hours ($148,235) in 2015 for which the Company was reimbursed by those companies, while the Company's own customers were also paying for this labor in base rates, resulting in double-recovery. Staff recommends that these amounts be deducted from the SDRR. Also, from the Company's response to another Staff Data Request[2], Staff calculated an overhead rate of 36% ($112,928) that is not incremental to the Company's base rates. Therefore, Staff recommends this amount be deducted from the SDRR. The total recommended adjustment is $426,617, resulting in a credit of $0.79 for residential customers and $3.30 for non-residential customers in one month.

With the exception of the adjustment mentioned above, Staff recommends that Ohio Power Company's application filed on April 16, 2016 be approved.

[1] Company responses to Staff Data Request No. 6.
[2] Company response to Staff Data Request No. 13.