April 20, 2020

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 for Approval of a Reasonable Arrangement, Case No. 20-734-EL-AEC.*

Dear Docketing Division:

The Review and Recommendations of the Staff of the Public Utilities Commission of Ohio (Staff) filed on April 15, 2020, in Case No. 20- 602-EL-UNC, et al. should have also been filed in Ohio Power Company's application for reasonable arrangement, Case No. 20-734-EL-AEC. Please file the Review and Recommendations of the Staff in Ohio Power Company's application for reasonable arrangement, Case No. 20-734-EL-AEC.

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

Barbara Bossart
Chief, Reliability and Service Analysis Division
Service Monitoring and Enforcement Department

Enclosure
Cc: Parties of Record

Ohio | Public Utilities Commission
Mike DeWine, Governor
Sam Randazzo, Chairman

Commissioners

M. Beth Trombold
Lawrence K. Friedeman
Dennis P. Deters
Daniel R. Conway

April 15, 2020

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 for Approval of its Temporary Plan for Addressing the COVID-19 State of Emergency, Case Nos. 20-0602-EL-UNC, 20-603-EL-WVR, 20-604-EL-AAM*

Dear Docketing Division:

Enclosed please find the Staff Recommendation in the Matter of the Application of Ohio Power Company for Approval of its Temporary Plan for Addressing the COVID-19 State of Emergency, Case Nos. 20-602-EL-UNC, et al.

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

Barbara Bossart
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Cc: Parties of Record

Ohio Power Company
Case No. 20-0602-EL-UNC
Case No. 20-0603-EL-WVR
Case No. 20-0604-EL-AAM

SUMMARY

On March 12, 2020, the Public Utilities Commission of Ohio (Commission) initiated Case No. 20-591-AU-UNC, *In the Matter of the Proper Procedures and Process for the Commission's Operations and Proceedings During the Declared State of Emergency and Related Matters*, (State of Emergency Proceeding) and issued an Entry that, due to the declaration of a state of emergency, "directs all public utilities under its jurisdiction to review their service disconnection policies, practices, and tariff provisions and to promptly seek any necessary approval to suspend otherwise applicable requirements that may impose a service continuity hardship on residential and nonresidential customers or create unnecessary COVID-19 risks associated with social contact."

On March 17, 2020, Ohio Power Company (AEP Ohio or Company) filed an application proposing a comprehensive plan (Plan) to implement the Commission's directives in the State of Emergency Proceeding, seeking the Commission's approval of the Plan and associated relief.

On March 24, 2020, AEP Ohio filed an amended application (Amended Application) to update its emergency plan and waiver process, in the following respects: making clarify edits to Section C; adding to Section D a funding mechanism to support Ohio hospitals in the Company's service territory; creating a new Section G (prior Section G becomes Section H) for Field; and Operations Restrictions, Call Center Provision and Supply Chain Provision.

On April 9, 2020, AEP Ohio filed a second amended application (Second Amended Application) to further update its emergency plan and waiver process, primarily to update Section C (with a corresponding change to the prayer for relief) to incorporate a request to adopt a reasonable arrangement under R.C. 4905.31 to support the proposed demand charge relief program and to add Case No. 20-734-EL-AEC to the case captions.

STAFF REVIEW OF DISCONNECTION AND CONTIUTIY OF SERVICE PLAN

The Company is requesting to alter the Company's disconnection policies and practices by suspending disconnection during the COVID-19 emergency. In addition, the Company is deferring or eliminating some fees to assist customers with reconnection or continuity of service. The Company is also expanding its Neighbor to Neighbor customer assistance program and requesting the use of a $2.1 million dollar regulatory liability to make funds available to the Ohio Hospital Association. And finally, the Company is requesting waivers of several administrative rules as set forth in the table below.

Rule	Rule Description	Reason	AEP Action
4901:1-10-05(I)	Meter Reading	Social Contact	AEP will not read meters (non-AMI and Non-AMR) in person.
4901:1-10-09(B)	Minimum Standards	Social Contact	AEP requests not to be held to a 90 second response time for customer calls
4901:1-10-27	Inspections	Social Contact	AEP requests to suspend field inspection requirements
4901:1-37-04(A)	Safeguards for Electric Utility and Affiliates	Service Continuity	AEP requests suspension of regulatory prohibitions regarding the sharing of supplies, equipment and associated labor between an EDU and its affiliates

STAFF RECOMMENDATION - DISCONNECTION AND SERVICE CONTINUTIYY PLAN AND WAIVERS OF ADMINISTRATVE RULES

Staff does not have any concerns with the Company's disconnection and continuity of service plan and believes suspending disconnections and removing financial barriers to reconnection or continuity of service such as charging deposits, late fees for commercial customers, and reconnection fees are appropriate actions under the circumstances. Staff also supports the expansion of the customer assistance program, Neighbor to Neighbor.

The Company proposed that a current regulatory liability of $2.1 million be made accessible to the Ohio Hospital Association (OHA) for coordination of energy-related challenges to hospitals during the COVID-19 pandemic Staff believes those funds should be used to assist residential customers due to the COVID 19 pandemic and whose energy usage may have increased due to the stay at home orders. Staff believes that this assistance could help residential customers maintain service, preventing an increase in the bad debt and/or Universal Service Fund (USF) riders.

Staff does not oppose the temporary waiver of administrative rules referenced above or related tariff requirements regarding in person meter reading or the suspension of the call center answer time requirement. Staff recommends that for customers who request an initial or final meter reading, that AEP Ohio request that customers provide a customer meter reading during the COVID-19 pandemic, if able. In addition, Staff is not opposed to the information technology changes to suspend the removal of PIPP Plus customers at the anniversary date because some customer may not be able to stay current on their PIPP Plus payments in order to maintain eligibility. The request for suspensions of field inspections rule referenced above was not specific to which inspections would be suspended. Staff avers that most field inspections do not necessarily require social contact, however, Staff recognizes that some inspections may lead to social contact. Staff recommends the Company record, track and proactively provide to Staff the inspections that have been delayed and a time for when the inspection has been rescheduled on a monthly basis. Finally, Staff does not object to the sharing of supplies, equipment, and associated labor with affiliates during the emergency contingent upon the Company treating non-incremental labor expense in accordance with storm mutual assistance revenue recognition.

STAFF REVIEW OF THE APPLICATION FOR A REASONABLE ARRANGEMENT

On April 9, 2020, AEP Ohio filed its Second Amended Application in the above dockets and opened a new docket in Case No. 20-734-EL-AEC, for approval of a reasonable arrangement under Section R.C. 4905.31. The proposed reasonable arrangement will allow minimum demand charges for Commercial and Industrial Customers to be temporarily reset at lower usage levels. Specifically, it will eliminate or offset through a bill credit the minimum billing demand charges for wires charges. This provides relief to customers by allowing them to avoid demand ratchet charges that may occur as a result of operational curtailments during the declared emergency.

Exhibit A attached to the Second Amended Application is the interim rate schedule, Supplement No. 22, that provides the credit amounts to be applied to a customer's monthly bill. The credits will be applied to the difference between the billed and metered demand for base distribution per kW charges as well as the Basic Transmission Cost Rider per kW charge for customers that pay those rates. The credit will expire 90 days after it becomes effective but can be extended upon Commission approval.

STAFF RECOMMENDATION - REASONABLE ARRANGEMENT

Staff has reviewed the reasonable arrangement application as well as Exhibit A, and avers that the Company's proposal to provide relief to Commercial and Industrial customers that would be negatively impacted by the minimum billing demand provisions in the Company's tariff is reasonable and recommends that the Commission approve the application as filed for a period of 90 days, unless extended by Commission approval.

STAFF REVIEW OF DEFERRAL REQUEST

The Company is requesting authority to defer as a regulatory asset for subsequent recovery, the incremental operating costs incurred and foregone revenue that result from implementing the various components of the Plan. Staff acknowledges the Plan is currently in its early stages of implementation, and the scope of incremental costs and foregone revenues that may result is not known at this time. Additionally, the exact amount of incremental costs and revenues to be deferred is unknown. The Company has provided Staff examples of potential incremental expenses and foregone revenues which may be included in the deferred amounts[1]:

- Expenses related to potential sequestering of employees;
- Reconnection fees waived for customers that were already disconnected for non-payment;
- Labor and fleet expenses required to do reconnections
- Special cleaning and personal protective equipment (PPE) costs
- Minimum billing demand credit, reconnection fees, and late payment fees that were temporarily suspended as part of the Plan

Staff historically evaluates applications for authority to defer expenses by applying the following six criteria in its evaluation:

1. *Whether the current level of costs included in the last rate case is insufficient*

[1] See response to Staff DR #1

2. *Whether the costs requested to be deferred are material in nature.*
3. *Whether the problem was outside of the Company's control.*
4. *Whether the expenditures are atypical and infrequent*
5. *Whether the costs would result in financial harm to the Company.*
6. *Whether the Commission could encourage the utility to do something it would not otherwise do through the granting of the deferral authority.*

Given the unique circumstances facing the Company in responding to the COVID-19 pandemic, Staff's evaluation of the six criteria must be modified to accommodate the various uncertainties associated with the implementation of the Plan, such as the fact that the total costs to be deferred is unknown. Additionally, the Company's Plan is still fluid in order to adapt to changes as the State of Emergency evolves over the duration of the pandemic. With this in mind, Staff's evaluation of the six criteria is as follows:

Whether the current level of costs included in the last rate case is insufficient.

Staff finds that the costs included in rates are insufficient. Although the exact amount of the deferral is unknown, Staff's position is that many of the expenses incurred as part of the Plan are above and beyond what is included in base rates; however, Staff avers that some expenses incurred in implementing the Plan may represent costs currently collected in rates, and thus not incremental to rates. An example would be an IT employee, whose labor cost is fully recovered base rates, works on implementing the necessary IT changes to suspend disconnection notices as part of the Plan. Staff finds that although this is new work directly attributable to the Plan, deferring this cost would result in double-recovery of the employee's labor expense.

With this concern in mind, Staff notes that the Company has advised it will work with Staff to ensure that all costs are indeed incremental to base rates.[2] Staff agrees that this approach is reasonable, as a significant portion of the costs incurred as part of the Plan will be incremental to base rates; however, Staff must perform its due diligence to ensure double-recovery does not occur as result of the deferral while simultaneously avoiding any hindrance to the implementation of the Plan.

Whether the costs requested to be deferred are material in nature.

At this time, Staff cannot determine whether or not the costs are material in nature; however, Staff avers that there is a reasonably probable chance that the total costs will end up being material. The potential for the deferred amounts to be material is even more likely given that a portion of the deferral request represents foregone revenues associated with the Company's plan to temporarily eliminate or offset minimum billing demand charges for commercial and industrial customers. Staff has concluded that combining the effects of the expenses incurred and revenues foregone as part of the Plan will more likely than not be material in nature.

Whether the problem was outside of the Company's control.

Staff finds that the COVID-19 pandemic is not within the Company's control. As the implementation of the Plan represents the actions the Company can control in its response to the

[2] *Id*

pandemic taken by the Company. At the time recovery is sought, Staff will review the expenses to ensure they are prudent and incremental in nature and that the foregone revenue are appropriate for recovery

Whether the expenditures are atypical and infrequent.

Pandemics of this scale are exceedingly rare, therefore, Staff finds the expenditures and foregone revenues that result from implementing the Plan are atypical and infrequent.

Whether the costs would result in financial harm to the Company.

At this time, Staff cannot conclude whether not the expenses and foregone revenues will result in financial harm to the Company; however, Staff finds that there is a realistic chance the Company would be financially harmed if deferral is denied.

Whether the Commission could encourage the utility to do something it would not otherwise do through the granting of the deferral authority.

Staff finds that granting deferral authority could encourage utilities to undertake certain actions in response to the pandemic that would not otherwise be done.

Regarding foregone revenues attributable to demand charges, Staff agrees with the Company that these represent deferrals of revenue, and not expenses. Thus, Staff concurs that the Financial Accounting Standards Board (FASB) requirements for revenue deferral contained in Accounting Standards Codification (ASC) 980-605 apply to any forgone revenues that result from implementation of the Plan. Consequently, a clear recovery mechanism is necessary in order to satisfy the requirements detailed in ASC 980-605-25-4. The Company proposes to recover through the Economic Development Rider (EDR) these foregone revenues that result from implementation of Plan.

The Company's proposed recovery of foregone revenues through the EDR rider would socialize the recovery of foregone revenues to all customer classes as is typically done with foregone revenues associated with Reasonable Arrangements under R.C. 4905.31. However, this is not a typical reasonable arrangement, but rather, is a result of the current COVID-19 Emergency. If the Commission believes the recovery of the foregone revenue resulting from the proposed reasonable arrangement should not be recovered from all customers through the EDR, then the Commission could consider other options for recovery, such as recovering through the EDR from the non-residential classes that were provided relief as part of the reasonable arrangement. Another potential option, if administratively feasible, would be a payment plan mechanism, whereby the customers receiving relief under the reasonable arrangement during the COVID-19 Emergency would ultimately repay the benefits they received at some point in the future.

In addition, Staff finds that other components of the Plan represent foregone revenues. Examples include reconnection fees and late payment fees. Therefore ASC 980-605 applies to these components as they represent a request to defer revenues.

STAFF RECOMMENDATION - DEFERRAL REQUEST

Based on Staff's analysis of the Company's application, responses to Staff data requests, and evaluation of the six criteria, Staff recommends that deferral authority be granted both expenses and revenues. Staff recommends that the Commission order that recovery of deferred revenues be in compliance with ASC 980-605-25-4. Staff recommends that the Company track costs associated with the Plan in a separate FERC account. Finally, Staff requests that the Commission emphasize through its order that recovery is not guaranteed until the deferred amounts have been reviewed and addressed in the appropriate future proceeding(s) before the Commission. The question of recovery of the deferred amounts, including, but not limited to, issues such as prudence, proper computation, proper recording, reasonableness, and any potential double-recovery, will be considered when AEP Ohio files the application(s) to recover the deferred amounts.