

THE PUBLIC UTILITIES COMMISSION OF OHIO

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 NO. 20-602-EL-UNC

IN THE MATTER OF THE APPLICATION OF
OHIO POWER COMPANY FOR A WAIVER
OF TARIFFS AND RULES RELATED TO THE
COVID-19 STATE OF EMERGENCY.

CASE NO. 20-603-EL-WVR

IN THE MATTER OF THE APPLICATION OF
OHIO POWER COMPANY FOR APPROVAL
OF CERTAIN ACCOUNTING AUTHORITY.

CASE NO. 20-604-EL-AAM

IN THE MATTER OF THE APPLICATION OF
OHIO POWER COMPANY FOR APPROVAL
OF A REASONABLE ARRANGEMENT.

CASE NO. 20-734-EL-AEC

FINDING AND ORDER

Entered in the Journal on May 6, 2020

I. SUMMARY

{¶ 1} The Commission finds that the second amended application of Ohio Power Company d/b/a AEP Ohio for approval of its plan for addressing the COVID-19 state of emergency should be approved, subject to Staff's recommendations and modifications, and consistent with this Finding and Order.

II. DISCUSSION

A. *Procedural History*

{¶ 2} Ohio Power Company d/b/a AEP Ohio (AEP Ohio or the Company) is an electric light company as defined by R.C. 4905.03 and a public utility as defined by R.C. 4905.02, and, as such, is subject to the jurisdiction of this Commission.

{¶ 3} R.C. 4909.16 provides, in part, that, in the event of an emergency, when the Commission finds it necessary to prevent injury to the business or interests of the public or

of any public utility, it may temporarily alter, amend, or suspend any existing rates or schedules.

{¶ 4} R.C. 4905.31 authorizes the Commission to approve schedules or reasonable arrangements between a public utility and one or more of its customers. The statute provides that every such schedule or reasonable arrangement shall be under the supervision and regulation of the Commission, and is subject to change, alteration, or modification by the Commission.

{¶ 5} R.C. 4905.13 authorizes the Commission to establish systems of accounts to be kept by public utilities and to prescribe the manner in which these accounts will be kept. Pursuant to Ohio Adm.Code 4901:1-9-05, the Commission adopted the Uniform System of Accounts (USOA), which was established by the Federal Energy Regulatory Commission (FERC), for electric utilities in Ohio, except to the extent that the provisions of the USOA are inconsistent with any outstanding accounting orders of the Commission. Additionally, the Commission may require the creation and maintenance of such additional accounts as may be prescribed to cover the accounting procedures of electric utilities.

{¶ 6} On March 9, 2020, the governor signed Executive Order 2020-01D (Executive Order), declaring a state of emergency in Ohio to protect the well-being of Ohioans from the dangerous effects of COVID-19. As described in the Executive Order, state agencies are required to implement procedures consistent with recommendations from the Department of Health to prevent or alleviate the public health threat associated with COVID-19. Additionally, all citizens are urged to heed the advice of the Department of Health regarding this public health emergency in order to protect their health and safety. The Executive Order was effective immediately and will remain in effect until the COVID-19 emergency no longer exists. The Department of Health is making COVID-19 information, including information on preventative measures, available via the internet at coronavirus.ohio.gov/.

{¶ 7} Pursuant to R.C. 3701.13, the Ohio Department of Health has supervision of “all matters relating to the preservation of the life and health of the people” and the

“ultimate authority in matters of quarantine and isolation.” On March 12, 2020, the Director of the Ohio Department of Health issued an Order indicating that “all persons are urged to maintain social distancing (approximately six feet away from other people) whenever possible.”

{¶ 8} On March 12, 2020, the Commission opened Case No. 20-591-AU-UNC and directed all utility companies in this state to review their disconnection procedures in light of the state of emergency. *In re the Proper Procedures and Process for the Commission’s Operations and Proceedings During the Declared State of Emergency and Related Matters*, Case No. 20-591-AU-UNC (*Emergency Case*), Entry (Mar. 12, 2020) at ¶ 7. On March 13, 2020, the Commission extended its winter reconnection order through May 1, 2020, and directed all utility companies in this state to review their reconnection procedures. *Emergency Case*, Entry (Mar. 13, 2020) at ¶ 6. In the March 12, 2020, and March 13, 2020 Entries, the Commission also directed all utility companies to promptly seek any necessary approval, for the duration of the emergency, to suspend otherwise applicable disconnection or reconnection requirements that may impose a service continuity or service restoration hardship on residential and non-residential customers or create unnecessary COVID-19 risks associated with social contact. The Commission determined that such filings shall be deemed approved on an emergency basis for a period of at least 30 days effective as of the filing date or until such date as the Commission may otherwise specify, which shall not be less than 30 days.

{¶ 9} On March 17, 2020, in the first three of the above-captioned cases, AEP Ohio filed an application for approval of its temporary plan for addressing the COVID-19 state of emergency.

{¶ 10} On March 20, 2020, in the *Emergency Case*, the Commission directed all utility companies to suspend in-person, actual meter readings in circumstances where a meter is located inside a customer’s home or similar location, as well as all other non-essential functions that may create unnecessary COVID-19 risks associated with social contact. The

Commission also clarified that requests for accounting authority or incremental cost recovery related to the emergency will be addressed in each utility's individual case by subsequent entry. *Emergency Case*, Entry (Mar. 20, 2020) at ¶¶ 10-11, 13.

{¶ 11} On March 24, 2020, AEP Ohio filed an amended application for approval of its temporary plan for addressing the COVID-19 state of emergency.

{¶ 12} On April 8, 2020, in the *Emergency Case*, the Commission, among other things, extended the 30-day automatic approval period for filings to suspend otherwise applicable disconnection requirements for an additional 30 days, unless otherwise ordered by the Commission. *Emergency Case*, Finding and Order (Apr. 8, 2020) at ¶ 9.

{¶ 13} AEP Ohio filed a second amended application on April 9, 2020. In the second amended application, AEP Ohio requested approval of its emergency plan, as well as a reasonable arrangement, and initiated Case No. 20-734-EL-AEC.

{¶ 14} On April 15, 2020, in the first three of the above-captioned cases, Staff filed its review and recommendations in response to AEP Ohio's request for approval of its emergency plan, as amended. Staff's filing was also docketed in Case No. 20-734-EL-AEC on April 20, 2020.

{¶ 15} By Entry dated April 17, 2020, the attorney examiner directed that motions for intervention and comments be filed in these proceedings no later than April 27, 2020.

{¶ 16} On various dates, motions for intervention were filed by Industrial Energy Users-Ohio (IEU-Ohio), Ohio Consumers' Counsel (OCC), Ohio Partners for Affordable Energy (OPAE), Ohio Energy Group (OEG), Interstate Gas Supply, Inc. (IGS), Ohio Hospital Association (OHA), Natural Resources Defense Council (NRDC), Ohio Environmental Council (OEC), Kroger Co. (Kroger), and Ohio Manufacturers' Association Energy Group (OMAEG). No memoranda contra were filed. The Commission finds that the motions are reasonable and should be granted.

{¶ 17} On April 27, 2020, comments were filed by OEG, OP&E, I&E-Ohio, I&S, Kroger, O&A, O&A&E&G, and O&C&C, as well as jointly by NRDC and O&E&C.

B. Review of the Second Amended Application and the Comments

{¶ 18} In the second amended application, AEP Ohio states that, unless otherwise indicated, the operational components of its proposed emergency plan are intended to be in effect during the declared state of emergency, starting on March 12, 2020, and lasting for the entire duration of the declared emergency. AEP Ohio further states that it seeks affirmative Commission approval of its plan and request for associated relief, although the Company acknowledges that some or all of the components of its plan may be deemed automatically approved pursuant to the Commission's Entries in the *Emergency Case*. AEP Ohio also notes that it plans to commence implementation of the plan immediately, subject to further direction from the Commission. Finally, AEP Ohio reserves the right, following consultation with Staff, to modify or supplement its plan based on developing conditions during the declared state of emergency.

{¶ 19} In its comments, I&E-Ohio extends its support for AEP Ohio's application, as amended, and recommends that it be adopted by the Commission. Although the other intervenors and Staff generally support aspects of AEP Ohio's emergency plan, they oppose other components or offer recommendations for the Commission's consideration, as discussed below.

1. SUSPENSION OF DISCONNECTIONS

{¶ 20} With respect to the specific details of the plan, AEP Ohio requests that the Commission exercise its authority under R.C. 4909.16 and 4905.31 to approve seven plan components. First, AEP Ohio explains that, for the duration of the emergency, it has ceased all residential and non-residential disconnections, except as necessary to prevent or resolve a presently or imminently hazardous situation, or where requested by a customer. Although customers may continue to receive disconnection notices by mail, AEP Ohio notes that it will use various channels of communication to explain to customers that such notices

can be disregarded during the emergency. AEP Ohio adds that, with respect to percentage of income payment plan (PIPP) customers, the Company will implement information technology modifications to ensure that such customers maintain their eligibility status at their anniversary date during the state of emergency and that any dropped customers are reenrolled. AEP Ohio also states that the Ohio Development Services Agency has reportedly suspended the dismissal of PIPP customers from the program for failure to reverify their continued eligibility. Finally, AEP Ohio proposes to defer for subsequent recovery any costs that are not covered through PIPP or Neighbor-to-Neighbor bill assistance and that are not collected from affected customers.

{¶ 21} Staff supports AEP Ohio's suspension of disconnections. In addition, Staff does not oppose the information technology changes necessary to suspend the removal of PIPP customers from the program at their anniversary date, given that some customers may not be able to stay current on their PIPP payments to maintain eligibility. OPAE also supports AEP Ohio's suspension of disconnections and annual PIPP eligibility reverification.

{¶ 22} Although NRDC/OEC generally support the disconnection and continuity of service components of AEP Ohio's emergency plan, NRDC/OEC recommend that the Company's suspension of disconnections and removal of financial barriers to reconnection or continuity of service only be discontinued after a reasonable period of time in which Staff, the Company, and stakeholders are able to assess whether it is appropriate to return processes to normal operation. NRDC/OEC state that it is critical to ensure that there is a stable environment for utility customers before lifting the important measures in the disconnection and service continuity plan proposed by AEP Ohio.

{¶ 23} OCC offers two recommendations in this area. First, OCC recommends that disconnections for non-payment for all customers be suspended for a reasonable period after the state of emergency has ended. Second, OCC advises that additional protections should be extended to PIPP customers, including the suspension of disconnections for non-

payment, collection waivers, and continued eligibility for the program even if reverification is disrupted during the emergency.

{¶ 24} The Commission finds that AEP Ohio's proposal for the suspension of disconnections and related matters is reasonable and consistent with the Commission's directives in the *Emergency Case*. In the March 12, 2020 Entry, the Commission directed all public utilities under its jurisdiction, for the duration of the emergency, to promptly seek any necessary approval to suspend otherwise applicable requirements that may impose a service continuity hardship on residential and non-residential customers. *Emergency Case*, Entry (Mar. 12, 2020) at ¶¶ 1, 7. In its emergency plan, AEP Ohio states that it has implemented the system changes required to suspend disconnections for all customers, except where disconnection is necessary due to an imminently hazardous situation or is prompted by the request of a customer. AEP Ohio further states that these changes will remain in place for the duration of the declared state of emergency. OCC, NRDC, and OEC, however, recommend that the suspension of disconnections for non-payment continue for a reasonable period after the declared state of emergency has ended. Since the state has begun efforts to responsibly relax requirements of the Department of Health's Amended Stay at Home Order (Stay at Home Order), the Commission finds that this issue – how to responsibly return to otherwise applicable protocols related to maintenance and restoration of service – requires further consideration and should be addressed.

{¶ 25} The Commission recognizes that, even in light of the emergency, service disconnections for non-payment cannot be suspended indefinitely. Therefore, at this time, consistent with the Executive Order and the Commission's emergency authority under R.C. 4909.16, the Commission directs AEP Ohio to work with Staff to develop a plan for the resumption of meter reading and of service disconnections, including timelines and provisions for extended payment plans for both residential and non-residential customers impacted by this emergency. This plan should be filed in these dockets at least 45 days prior to the resumption of service disconnections. Interested persons may file comments regarding the plan within ten days after the filing of the plan.

{¶ 26} Regarding OCC's second recommendation, we find that AEP Ohio's emergency plan incorporates protections for PIPP customers, including a suspension of disconnections for non-payment, information technology changes to ensure continued program eligibility, and other measures addressed below.

2. SUSPENSION OF DEPOSITS, RECONNECTION FEES, AND LATE PAYMENT FEES

{¶ 27} Addressing its second emergency plan component, AEP Ohio states that, consistent with the March 13, 2020 Entry in the *Emergency Case*, the Company will continue to implement the Commission's winter reconnect order, as issued in Case No. 19-1472-GE-UNC, through May 1, 2020. AEP Ohio also notes that it has begun to temporarily forego customer deposits and reconnection fees for customers that have been recently disconnected and that, upon getting a customer contact to its call center, the Company will begin reconnection for customers that are currently disconnected for non-payment. AEP Ohio adds that no reconnection fee will be charged on such accounts, although customers will be advised that reconnection fees and deposits may be assessed on a future bill when payment terms are determined. In addition, AEP Ohio states that it will not charge late fees to commercial and industrial customers during the declared state of emergency and will instead defer these foregone charges as a regulatory asset for subsequent recovery. After the declared state of emergency ends, AEP Ohio will reassess deposits as appropriate and address deferred payments that are not already subject to a payment plan through billing or additional payment plans, while waived reconnection and late fees will be deferred for subsequent cost recovery. AEP Ohio advises that it will work with customers on a case-by-case basis to determine reasonable payment plans based on the current past due balance.

{¶ 28} Staff supports AEP Ohio's removal of financial barriers to reconnection or continuity of service, including deposits, late fees, and reconnection fees.

{¶ 29} OCC recommends that AEP Ohio be required to reconnect service for customers that were disconnected for non-payment 30 days before the declaration of the emergency on March 9, 2020. In addition, OCC requests that the Commission direct that all

reconnection fees, deposits, and accumulated late fees that have been collected during the emergency, as well as the 30-day period prior to the declaration of the emergency, be waived, deferred, and refunded to customers. OCC also recommends that the Commission provide specific directives for flexible customer payment plans, including imposing a reasonable time period during which AEP Ohio's customers will be permitted to enter into extended payment plans for paying back any past due amounts that accrue during the emergency. With respect to the suspension of certain fees, OCC contends that AEP Ohio should not be permitted to add all of the waived fees to the customer's bill after the emergency ends. OCC adds that all late fees, credit card fees, and returned check fees should be waived for all customers as of March 9, 2020, and deferred for subsequent collection. OCC also argues that AEP Ohio's residential customers should not be required to subsidize any costs incurred or benefits provided to commercial and industrial customers during the emergency.

{¶ 30} The Commission finds that AEP Ohio's proposal for the temporary avoidance of customer deposits, reconnection fees, and certain late fees is reasonable and consistent with the Commission's directives in the *Emergency Case*. *Emergency Case*, Entry (Mar. 13, 2020) at ¶ 6. Under AEP Ohio's proposal, customers will be notified that any fee or deposit that is postponed may be assessed on a future bill when payment terms are determined. We find that this plan component will provide immediate bill relief, while affording flexibility to AEP Ohio and each customer to enter into an extended payment plan that includes payment of the fee or deposit at a later date. Any fee or deposit that is not subsequently recovered from the customer, or through other means such as Neighbor-to-Neighbor bill assistance, should be deferred, with the issue of recovery to be addressed by the Commission in a future proceeding, as discussed further below.

{¶ 31} We find that AEP Ohio's emergency plan already sufficiently addresses many of OCC's concerns. As directed by the Commission, AEP Ohio acted promptly in taking the steps necessary to extend the winter reconnect order, as issued in Case No. 19-1472-GE-UNC, through May 1, 2020. *Emergency Case*, Entry (Mar. 13, 2020) at ¶ 8. Upon customer

request received by its call center, AEP Ohio has also reconnected service for customers that have recently experienced a disconnection for non-payment. With respect to OCC's request that reconnection of service and the suspension of related fees and deposits be required for a 30-day period prior to the declaration of the state of emergency, we find it unnecessary to adopt OCC's overly strict "look-back period," although we certainly encourage AEP Ohio, now that the extended winter reconnect order has expired, to work with its customers to agree on terms to reconnect service, regardless of when disconnection occurred, and to temporarily forego the collection of deposits and fees, where it is reasonable to do so under the circumstances.

3. REASONABLE ARRANGEMENT TO RESET MINIMUM DEMAND CHARGES

{¶ 32} As the third component of the emergency plan, AEP Ohio seeks approval of a reasonable arrangement under R.C. 4905.31 and corresponding interim rate schedule that would reset minimum demand charges for commercial and industrial customers for a period of 90 days, subject to extension upon consultation with Staff and approval of the Commission. Under the proposed reasonable arrangement, AEP Ohio would temporarily eliminate or offset through a bill credit mechanism the minimum billing demand charges for commercial and industrial customers' wires service, in order to assist such customers with the consequences of operational curtailments during the emergency. AEP Ohio asserts that its proposal constitutes an economic development program under R.C. 4905.31(E), as it would enable businesses to retain jobs and manage the impacts of the crisis. Consistent with other reasonable arrangements approved for AEP Ohio, the Company proposes that the foregone revenues be deferred for recovery through its economic development rider (EDR), without carrying charges. AEP Ohio adds that, pursuant to Accounting Standards Codification (ASC) 980-605 of the Financial Accounting Standards Board, it is necessary to specify the recovery mechanism for the foregone revenues at this time, in contrast to the costs associated with the other components of the emergency plan, which can be captured

for the time being in a regulatory asset deferral.¹ Accordingly, if the Commission is not inclined to approve recovery of foregone revenues through the EDR, AEP Ohio states that its demand charge proposal should be deemed withdrawn. Finally, to the extent necessary to facilitate the expeditious implementation of the reasonable arrangement, AEP Ohio requests a waiver of the filing requirements in Ohio Adm.Code Chapter 4901:1-38.

{¶ 33} Staff states that it has reviewed AEP Ohio's proposed reasonable arrangement and interim rate schedule. Staff notes that, pursuant to the schedule, credits would be applied to the difference between the billed and metered demand for base distribution per kilowatt (kW) charges, as well as the basic transmission cost rider per kW charge for customers that pay those rates. Staff advises that AEP Ohio's proposal to provide relief to commercial and industrial customers is reasonable and recommends that the Commission approve the reasonable arrangement application, as filed, for a period of 90 days, unless extended by the Commission. Staff also states that ASC 980-605 applies to any foregone revenues that result from implementation of the emergency plan and that a clear recovery mechanism is necessary to satisfy the requirements in ASC 980-605-25-4. Staff indicates, however, that the proposed reasonable arrangement is not the typical type of arrangement with foregone revenues that are socialized across all customer classes through the EDR. Staff notes that an alternative approach would be for recovery to be provided through the EDR from the non-residential classes that were provided relief as part of the reasonable arrangement. Staff adds that another potential option, if administratively feasible, would be a payment plan mechanism, whereby the customers receiving relief under the reasonable arrangement would repay the benefits that they receive at some point in the future.

{¶ 34} OEG states that, as an existing rate mechanism, the EDR provides a reasonable and administratively efficient means of recovery of the costs associated with the proposed

¹ According to AEP Ohio, ASC 980-605 requires that the Commission issue an order that allows for automatic adjustment to future rates, which could be subject to verification by the Commission; that additional revenue be determinable and probable of recovery; and that additional revenue be collected within 24 months following the end of the annual period in which it is recognized.

minimum demand credit reasonable arrangement. OEG, therefore, urges the Commission to adopt either AEP Ohio's recovery proposal or Staff's alternative proposal under which deferred minimum demand credit costs would be recovered only from non-residential customer classes through the EDR.

{¶ 35} OPAE does not oppose the provision of a credit to AEP Ohio's commercial and industrial customers, but only if those customers pay for that benefit. OPAE asserts that AEP Ohio's proposal to recover its foregone revenues through the EDR would disproportionately and negatively impact the residential customer class, which would experience no benefit from this proposal, despite carrying 60 percent of the burden of funding the demand credit. OPAE concludes that any recovery should follow traditional cost allocation principles, with costs being recovered from the class that benefits.

{¶ 36} OCC argues that any foregone revenues from AEP Ohio's proposal should be collected from those commercial and industrial customers that will benefit from the proposal. OCC notes that AEP Ohio should be required to use the approach offered by Duke Energy Ohio, Inc. for a comparable proposal in Case No. 20-856-EL-AEC, et al. According to OCC, residential customers should not be burdened by the costs associated with a proposal that does not benefit them.

{¶ 37} Similarly, NRDC/OEC oppose AEP Ohio's proposal and contend that industrial and commercial customers should bear the burden of the relief. NRDC/OEC note that residential customers will not benefit from this component of AEP Ohio's emergency plan and, therefore, it is unreasonable to require the residential customer class to provide the greatest share of funding to back the proposal.

{¶ 38} OMAEG states that it questions the prudence and reasonableness of AEP Ohio's proposal to collect foregone revenues through the EDR. OMAEG argues that AEP Ohio's request for approval of a reasonable arrangement to recover foregone revenues associated with the COVID-19 emergency is not the type of economic development arrangement contemplated in Ohio Adm.Code Chapter 4901:1-38. OMAEG also contends

that AEP Ohio's application lacks sufficient information and does not comply with Ohio Adm.Code 4901:1-38-03, which requires that an application for approval of an economic development arrangement include specific information about the proposed arrangement and provide information on all associated incentives, estimated billings without incentives, and annual estimated delta revenues for the term of the incentives. Additionally, OMAEG agrees with Staff's position that there may be more appropriate recovery options, including those that would require repayment by those that receive the benefit of the provided relief. OMAEG requests that the Commission consider whether the economic development arrangement is just and reasonable, furthers state policy in R.C. 4928.02, causes any unreasonable or anticompetitive effects, and properly balances any purported benefits to individual customers with the costs to other customers of achieving such benefits.

{¶ 39} Kroger does not support AEP Ohio's use of a reasonable arrangement under R.C. 4905.31 to recover its costs associated with responding to the COVID-19 pandemic. According to Kroger, the Commission's approval of AEP Ohio's proposal would create a bad precedent of permitting a public utility to seek a reasonable arrangement in any situation where its revenues may not be as anticipated, which is not the purpose and intent of such arrangements. Kroger adds that not all commercial and industrial customers have experienced lower usage levels and, therefore, not all such customers will benefit from AEP Ohio's proposal to reset minimum demand charges. Kroger notes that there are other recovery options, aside from the EDR, that may be more appropriate, including a repayment of the relief received by those that receive it.

{¶ 40} The Commission appreciates AEP Ohio's proposal to temporarily eliminate or offset, through a bill credit, minimum billing demand charges, in order to assist commercial and industrial customers in avoiding demand ratchet wires charges at a time when the operations of, and the cash flow available to, many Ohio businesses have been curtailed by efforts to address the COVID-19 public health emergency. The proposal is a step in the right direction. However, we agree with certain intervenors that AEP Ohio's recovery of the resulting foregone minimum billing demand revenue should be collected from those

commercial and industrial customers that will benefit from the proposal through a reasonable extended payment plan that the Company makes available to non-residential customers. We, therefore, decline to approve AEP Ohio's proposed reasonable arrangement and associated recovery of foregone revenues through the EDR. Consistent with one of Staff's alternative options for cost recovery, the Commission directs AEP Ohio to file in these proceedings, for Staff's review, an optional extended payment plan mechanism. This mechanism should enable any non-residential customer subject to a minimum billing demand provision that has or will have during the pendency of the emergency, for service rendered on or after March 9, 2020, an accumulated bill payment arrearage to maintain service, while eliminating the arrearage over a reasonable period of time measured with reference to the state's phased efforts to responsibly relax the requirements of the Stay at Home Order. AEP Ohio should establish an opt-in process for its industrial and commercial customers to obtain the relief afforded by this proposal.

4. NEIGHBOR-TO-NEIGHBOR PROGRAM AND HOSPITAL ASSISTANCE

{¶ 41} For its fourth proposal, AEP Ohio states that it intends to expand eligibility and funding opportunities for its existing Neighbor-to-Neighbor program. AEP Ohio will issue communications regarding the expanded Neighbor-to-Neighbor program, in order to foster additional donations from customers that are able and willing to contribute to the COVID-19 portion of the program. AEP Ohio will also expand eligibility for the grants to customers experiencing a hardship due to unemployment or illness, as well as to nurses and nursing assistants working with COVID-19 patients. Further, AEP Ohio proposes to repurpose a pre-existing regulatory liability in order to make funds accessible to OHA for coordination of energy-related challenges to hospitals during the COVID-19 crisis. AEP Ohio notes that the \$2.1 million regulatory liability is the final over-collection balance associated with the phase-in recovery rider (PIRR) and is being maintained on the Company's books pursuant to the February 27, 2019 Entry in Case No. 09-872-EL-FAC, et al. According to AEP Ohio, OHA has indicated that the funds could immediately be used by hospitals in the Company's service territory to benefit a program that will support

logistics for distribution, sanitization, and reuse of personal protective equipment and testing kits for hospital workers, as well as a program to help facilitate any changes required to the environment of care due to increased demand, including expansion of negative pressure treatment rooms within hospitals for safer treatment of COVID-19 patients. AEP Ohio commits to update Staff on these activities and to provide a final report to the Commission in the future.

{¶ 42} Staff supports the expansion of the Neighbor-to-Neighbor bill assistance program. However, with respect to the \$2.1 million regulatory liability, Staff recommends that, in lieu of assisting the OHA, the funds should be used to support residential customers in maintaining service, which would prevent an increase in AEP Ohio's bad debt and universal service fund (USF) riders.

{¶ 43} Although OPAE also supports AEP Ohio's Neighbor-to-Neighbor proposal, OPAE requests that the Company increase the administrative fees paid to the community action agencies that qualify customers for benefits, as these agencies have absorbed increased costs to provide benefits due to the COVID-19 emergency. In addition, OPAE supports AEP Ohio's proposal to reallocate its \$2.1 million regulatory liability to OHA, given that it would provide a source of funding and relief for hospitals and provide opportunities for enhanced care for those Ohioans who are at the greatest risk, particularly those in impoverished communities. OPAE adds that Staff's proposal would only provide a small benefit to a limited number of customers.

{¶ 44} In its comments, OHA states that AEP Ohio's proposal to provide funding to OHA would greatly help hospitals within the Company's service territory, which have suffered a significant reduction in revenue, to respond to the pandemic, serve their communities in this time of need, and support effective distribution of personal protective equipment for OHA's members. OHA adds that hospitals will face a difficult challenge to expand COVID-19 treatment capacity, while also managing energy costs in the midst of an extreme revenue shortfall. Although OHA shares Staff's concerns regarding the impact of

the pandemic on residential customers, OHA asserts that AEP Ohio's proposal will provide a greater benefit to the Company's ratepayers at large. OHA contends that the ability to sustain the reopening of Ohio's economy, which will immediately benefit all ratepayers, will be directly related to hospitals' capacity to safely treat patients infected with the coronavirus and to effectively access personal protective equipment. OHA concludes that the Commission should promptly approve AEP Ohio's second amended application.

{¶ 45} OCC asserts that residential and general service customers are owed the \$2.1 million regulatory liability and that such customers cannot be required to fund AEP Ohio's proposed charitable contribution to OHA. OCC recommends that the Commission direct AEP Ohio to return the \$2.1 million to residential and general service customers immediately, with compound interest, beginning on the date on which the PIRR expired for each customer class. Further, OCC asserts that the Commission should promptly act to resolve Case No. 19-963-EL-RDR and Case No. 19-1747-EL-RDR, which, according to OCC, involve over-collections that should be returned to AEP Ohio's customers.

{¶ 46} The Commission finds that AEP Ohio's proposal to expand eligibility and funding opportunities for its Neighbor-to-Neighbor program is reasonable and should be adopted. However, we decline to approve AEP Ohio's request to repurpose its regulatory liability. The \$2.1 million regulatory liability is the result of the final over-collection balance remaining for the PIRR, which was a non-bypassable rider that enabled AEP Ohio to recover fuel costs that were deferred for recovery under its first electric security plan. The PIRR charges were collected by AEP Ohio from all customers, beginning in 2012, on a per-kilowatt hour basis that varied by voltage level. *In re Columbus Southern Power Co.*, Case No. 11-4920-EL-RDR, et al., Finding and Order (Aug. 1, 2012). On February 27, 2019, in Case No. 09-872-EL-FAC, et al., the Commission directed that the PIRR tariffs be expired and that the remaining over-collection be maintained by AEP Ohio as a regulatory liability, until otherwise directed by the Commission. *In re Columbus Southern Power Co. and Ohio Power Co.*, Case No. 09-872-EL-FAC, et al., Entry (Feb. 27, 2019) at ¶ 6.

{¶ 47} Although we support AEP Ohio's goal of finding ways to assist the OHA and its member hospitals during the emergency, we find that the \$2.1 million regulatory liability should be used for a purpose that more directly benefits all customers (including hospitals and other health care entities), given that all customers were assessed PIRR charges. The Commission, therefore, directs that the \$2.1 million balance be applied to AEP Ohio's USF rider revenue requirement for the next collection period. The USF rider funds, among other things, the costs associated with the PIPP program. As the USF rider is funded by all of AEP Ohio's residential, commercial, and industrial customers, the application of the \$2.1 million balance to the USF revenue requirement will benefit all customers and will do so at a time when it is greatly needed. Accordingly, the Commission directs AEP Ohio to work with the Ohio Development Services Agency and Staff, during this year's USF adjustment proceeding, to apply the \$2.1 million balance to the USF revenue requirement. AEP Ohio shall file notice in Case No. 09-872-EL-FAC, et al., once the funds have been applied to the USF rider.

{¶ 48} At this time, we also decline to adopt OPAE's recommendation for increased administrative funding, as OPAE has offered no details with respect to its request for increased fees for the community action agencies that administer the Neighbor-to-Neighbor program or the extent to which such need may be mitigated by federal relief legislation. Finally, OCC's remaining recommendation is moot, as the Commission has already taken steps to either fully resolve or advance toward resolution of the cases noted by OCC.

5. COMMUNICATIONS REGARDING IN-PERSON BILL PAYMENTS AND SCAMS

{¶ 49} AEP Ohio's fifth emergency plan component involves communications to encourage bill payments through mail or electronic means in lieu of in-person payments at the more than 300 payment stations that collect and forward payments to the Company. Although payments continue to be accepted at payment stations located at businesses that remain open, AEP Ohio states that these communications should help to minimize social contact relating to payment centers. In order to further encourage online payment, AEP Ohio is seeking a solution with its vendors to avoid credit card fees for customers that pay

with a credit card when they are being reconnected. AEP Ohio adds that the resulting costs associated with any foregone or reduced charges that are paid or reimbursed by the Company will be tracked and deferred for recovery. Finally, AEP Ohio states that it will continue to monitor scams and increase awareness through communications to customers during the crisis.

{¶ 50} OCC recommends that the details of AEP Ohio's emergency plan be provided to customers through all reasonable methods of communication, in order to enable them to adequately protect their interests during the emergency.

{¶ 51} The Commission finds that AEP Ohio's communications proposal is reasonable and should be approved. To the extent that AEP Ohio has not already done so, it should also notify its customers regarding the relief measures afforded under its emergency plan. With regard to the avoidance of credit card fees associated with the reconnection of service, we find that any such fee that is not subsequently recovered from the customer should be deferred, with the issue of recovery to be addressed by the Commission in a future proceeding, as discussed in more detail below.

6. DEFERRAL OF UNCOLLECTIBLE EXPENSES AND OPERATIONAL COSTS

{¶ 52} As a result of the above components of the emergency plan, AEP Ohio notes that it anticipates that its uncollectible expense will increase beyond the amount reflected in base rates. AEP Ohio, therefore, proposes to implement a rate mechanism to track, defer, and recover uncollectible costs that exceed the current pre-emergency level (approximately \$25.2 million), which is already higher than what is reflected in its base rates (approximately \$22.1 million). Additionally, AEP Ohio states that it will track and defer any incremental operational costs incurred to protect the health and safety of its employees and customers with regard to COVID-19.

{¶ 53} Acknowledging that the scope and exact amount of incremental costs and foregone revenues are unknown at this early stage, Staff states that, in response to a data

request, AEP Ohio provided examples of the types of items that may be included in the deferral, which include 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 costs; and the minimum billing demand credit, reconnection fees, and late payment fees that have been temporarily suspended as part of the emergency plan. Staff further states that it has reviewed AEP Ohio's deferral request based on the six criteria that Staff uses to evaluate requests for deferral authority, while acknowledging the unique circumstances presented by the COVID-19 pandemic:

- (1) Is the current level of costs included in the last rate case insufficient? Staff states that, although the exact amount of the deferral is unknown, many of the expenses incurred as part of the emergency plan are above and beyond the amount included in AEP Ohio's base rates, which is, therefore, insufficient. Staff adds that AEP Ohio has agreed to work with Staff to ensure that all deferred expenses are incremental to base rates so that double-recovery does not occur.
- (2) Are the costs requested to be deferred material in nature? Staff states that, although it cannot determine at this time whether the costs are material in nature, there is a reasonably probable chance that the incurred expenses and foregone revenues will, in fact, be material, particularly in light of AEP Ohio's proposal to eliminate or offset minimum billing demand charges for commercial and industrial customers.
- (3) Is the problem outside of the utility's control? Staff states that the COVID-19 pandemic is not within AEP Ohio's control.
- (4) Are the expenditures atypical and infrequent? Staff states that AEP Ohio's incurred expenses and foregone revenues are atypical and infrequent, as the COVID-19 pandemic is an exceedingly rare occurrence.

- (5) Would the costs result in financial harm to the utility? Staff states that, although it cannot determine at this time whether AEP Ohio will be financially harmed, there is a realistic chance that the Company would experience such harm if its deferral request is denied.
- (6) Could the Commission encourage the utility to do something that it would not otherwise do by granting the deferral authority? Staff states that, by granting the deferral request, the Commission could encourage AEP Ohio to undertake certain actions in response to the COVID-19 pandemic that would not otherwise occur.

{¶ 54} Based on Staff's analysis of AEP Ohio's application, responses to data requests, and evaluation of the six criteria, Staff recommends that deferral authority be granted for both expenses and revenues and that recovery of any deferred revenues (for example, those attributable to demand charges, as well as reconnection and late payment fees) be in compliance with ASC 980-605-25-4. Staff also recommends that AEP Ohio track costs associated with the emergency plan in a separate FERC account. Finally, Staff requests that the Commission emphasize that recovery is not guaranteed until the deferred amounts have been reviewed and addressed in appropriate future proceedings, in which 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.

{¶ 55} OPAE supports AEP Ohio's request for deferral authority, provided the Company remains subject to a standard deferral recovery proceeding to ensure recovery is prudent, reasonable, and lawful. OPAE states that it reserves the right to challenge recovery in the appropriate proceeding.

{¶ 56} In response to AEP Ohio's request for deferral authority, OCC contends that the request is unknown in scope and may lead to cost shifting among rate classes. OCC asserts that the Commission should not approve any charges to customers unless they are,

at a minimum, prudent, necessary, and consistent with other ratemaking standards. OCC adds that the Commission should not permit expenses to be shifted between rate classes. OCC recommends that AEP Ohio be required to track costs that it avoids due to the emergency, such as reductions in salaries, employees, meter readings, travel expenses, and maintenance. OCC proposes that any such cost savings be used to offset the costs associated with AEP Ohio's emergency plan that are not already included in the Company's base rates. Additionally, OCC recommends that any pending rider rate increases be deferred, with minimal carrying charges, until the emergency ends or otherwise determined by the Commission.

{¶ 57} OMAEG argues that the uncertainty of the deferred amounts and the potential for double-recovery are problematic. Because the level and type of costs for which AEP Ohio is seeking deferral authority, as well as how those costs will be allocated and recovered from customers, are unknown and uncertain, OMAEG has significant concerns regarding the impact of the Company's deferral request on customers' rates in the future. OMAEG also agrees with Staff that it is important to protect customers from paying twice for the same costs. OMAEG, therefore, recommends that the Commission adopt Staff's recommendations regarding the recovery of the deferred amounts and direct that recovery is not guaranteed, as only those deferred amounts that are prudent, properly computed, properly recorded, reasonable, and not already recovered in rates will be eligible for subsequent recovery.

{¶ 58} Kroger states that it has significant concerns regarding the unknown level and type of operating costs and foregone revenues for which AEP Ohio is seeking deferral authority and how such costs and foregone revenues will be allocated and recovered from customers in the future. Kroger adds that there is the potential for double-recovery, as it is unclear at this time whether AEP Ohio is seeking to defer costs that are already covered in base rates. Kroger requests that the Commission review all of the costs for which AEP Ohio is seeking deferral authority to ensure that they are not already included in base rates.

{¶ 59} NRDC/OEC support Staff's recommendations as to deferred costs. NRDC/OEC assert that Staff's conditions will ensure that customers are only subject to costs that meet the tests set forth by the Commission, including determination of which customer classes are responsible for which costs. NRDC/OEC emphasize that, because the scope of AEP Ohio's spending under the emergency plan is currently unknown, the Commission should not approve a blanket approval of recovery of deferred costs.

{¶ 60} Addressing AEP Ohio's request for authority to establish a mechanism to track, defer, and recover uncollectible expenses that exceed the pre-emergency level, IGS recommends that the Company be directed to separate the uncollectible expenses associated with its default service generation and to track, defer, and recover such expenses through a bypassable mechanism. IGS notes that AEP Ohio's current base rates include the uncollectible expenses associated with distribution service, as well as the bad debt associated with default service generation receivables; however, the stipulation approved in the Company's most recent electric security plan proceedings requires the Company, in its next base rate case, to propose recovery of bad debt associated with default service generation receivables on a bypassable basis. According to IGS, its recommended approach will ensure that shopping customers in AEP Ohio's service territory do not pay twice for generation-related bad debt, avoid increased hardships on shopping customers, and further the state policy in R.C. 4928.02(H).

{¶ 61} Although we acknowledge the concerns raised by Staff and the intervenors, we find that Staff has generally offered a reasonable approach to AEP Ohio's request for deferral authority. Consequently, as recommended by Staff, the Commission grants deferral authority for both expenses and foregone revenues. AEP Ohio is directed to track the costs associated with the emergency plan in a separate FERC account. Finally, we emphasize that recovery is not guaranteed until the deferred amounts have been reviewed and addressed in an appropriate future proceeding, in which 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

fully considered by the Commission. AEP Ohio is presently required, on or before June 1, 2020, to initiate a review of the reasonableness of its base rates and this review may appropriately include the establishment of a mechanism to amortize deferred expenses and foregone revenue recorded by the Company pursuant to the accounting authority provided herein.

{¶ 62} In response to the intervenors' recommendations, we direct AEP Ohio to separately track and defer the uncollectible expenses associated with its default service generation such that such expenses can potentially be recovered or reconciled through a bypassable mechanism, subject to the Commission's review in future proceedings. The Commission also directs AEP Ohio to track any costs that it avoids due to the emergency.

7. WAIVER OF FIELD ACTIVITY, CALL CENTER, AND SUPPLY CHAIN REQUIREMENTS

{¶ 63} As its seventh plan component, AEP Ohio notes that, consistent with the March 20, 2020 Entry in the *Emergency Case*, the Company has curtailed or implemented restrictions on field activities, including, but not limited to, in-person actual meter readings, particularly where such activities would involve in-person social contact. AEP Ohio requests a waiver of all applicable tariff and rule provisions necessary to implement these restrictions. AEP Ohio also seeks, until further notice, a waiver of applicable rule requirements related to answer time for customers calling the Company, in order to enable the Company to organize and align its resources in a safe and practical manner. Finally, because local and national supply chain resources may be impacted during the emergency, AEP Ohio requests a waiver of any regulatory or tariff requirement that is necessary to share equipment, inventory, and labor resources with its affiliates, which would be documented through appropriate billing and accounting records.

{¶ 64} Staff does not oppose a temporary waiver of certain tariff requirements and rules, in particular Ohio Adm.Code 4901:1-10-05(I) (in-person meter readings), Ohio Adm.Code 4901:1-10-09(B) (response time for customer calls), Ohio Adm.Code 4901:1-10-27

(field inspections), and Ohio Adm.Code 4901:1-37-04(A) (sharing of supplies, equipment, and labor with affiliates). With respect to customers that request an initial or final meter reading, Staff advises that AEP Ohio should seek to obtain a customer-provided meter reading during the emergency. Noting that AEP Ohio's request for a waiver of field inspection requirements was not specific, Staff recommends that the Company record, track, and proactively provide to Staff, on a monthly basis, the inspections that have been delayed and a time for when the inspections have been rescheduled. Regarding the sharing of supplies, equipment, and labor, Staff recommends that AEP Ohio treat non-incremental labor expense in accordance with storm mutual assistance revenue recognition.

{¶ 65} Citing field inspections and repairs necessary to maintain system reliability, OCC asserts that AEP Ohio should not be permitted to lessen safety standards in situations where person-to-person contact is unlikely. OCC recommends that Staff's position be adopted. OCC also recommends that non-essential utility service work and associated charges should be suspended until the emergency ends or otherwise ordered by the Commission. More specifically, OCC suggests that the wind-down under Amended Substitute House Bill No. 6 of AEP Ohio's energy efficiency program, which is to conclude by December 31, 2020, should be accelerated. OCC adds that AEP Ohio's work and associated charges collected through the Smart City and gridSMART riders could be suspended without interrupting the delivery of essential electric service. Finally, OCC urges the implementation of the consumer protections recommended by the National Consumer Law Center, which OCC attached to its comments.

{¶ 66} The Commission finds that AEP Ohio's request for a waiver of certain field inspection, call center, and supply chain requirements is reasonable and should be approved, subject to Staff's recommendations. In response to OCC's request that AEP Ohio suspend non-essential utility service work, the March 20, 2020 Entry in the *Emergency Case* directed all public utilities under the Commission's jurisdiction to suspend, for the duration of the emergency, all non-essential functions that may create unnecessary COVID-19 risks associated with social contact, including in-home energy efficiency audits and

weatherization programs. *Emergency Case*, Entry (Mar. 20, 2020) at ¶¶ 1, 10-11. Consistent with that Entry, any non-essential work that does not create unnecessary COVID-19 spread risks may continue during the emergency. OCC's recommendations regarding the suspension of energy efficiency, Smart City, or gridSMART charges should be raised in an appropriate docket in which AEP Ohio seeks to recover such charges. Regarding OCC's assertion that AEP Ohio should not be permitted to lessen safety standards, the Commission notes that nothing in the March 20, 2020 Entry or any other entry has authorized any public utility to forego work that is necessary to ensure the provision of safe electric service and we have expressly noted that disconnections and inspections must continue where necessary to remedy a safety-related concern. *Emergency Case*, Entry (Mar. 12, 2020) at ¶ 7, Entry (Mar. 20, 2020) at ¶ 10.

C. *Commission Conclusion*

{¶ 67} Upon thorough review of AEP Ohio's second amended application, Staff's recommendations, and the intervenors' comments, the Commission finds that the application is reasonable and should be approved, subject to Staff's recommendations and modifications, and consistent with the above findings.

III. ORDER

{¶ 68} It is, therefore,

{¶ 69} ORDERED, That AEP Ohio's second amended application be approved, subject to Staff's recommendations and modifications, and consistent with this Finding and Order. It is, further,

{¶ 70} ORDERED, That AEP Ohio take all necessary steps to carry out the terms of this Finding and Order. It is, further,

{¶ 71} ORDERED, That the motions to intervene in these proceedings filed by IEU-Ohio, OCC, OPAE, OEG, IGS, OHA, NRDC, OEC, Kroger, and OMAEG be granted. It is, further,

{¶ 72} ORDERED, That a copy of this Finding and Order be served upon all interested persons and parties of record.

COMMISSIONERS:

Approving:

Sam Randazzo, Chairman

M. Beth Trombold

Lawrence K. Friedeman

Daniel R. Conway

Dennis P. Deters

SJP/mef

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5/6/2020 3:41:25 PM

in

Case No(s). 20-0602-EL-UNC, 20-0603-EL-WVR, 20-0604-EL-AAM, 20-0734-EL-AEC

Summary: Finding & Order that the second amended application of Ohio Power Company d/b/ a AEP Ohio for approval of its plan for addressing the COVID-19 state of emergency should be approved, subject to Staff's recommendations and modifications, and consistent with this Finding and Order electronically filed by Heather A Chilcote on behalf of Public Utilities Commission of Ohio