BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio Power Company to Update the Energy Efficiency and Peak Demand Reduction Rider	**))))**	**Case No. 18-874-EL-RDR**

OHIO POWER COMPANY'S REPLY COMMENTS

I. INTRODUCTION

On May 15, 2018, Ohio Power Company ("AEP Ohio" or the "Company") filed its application to update its Energy Efficiency and Peak Demand Reduction Rider (EE/PDR) ("Application"). The Application reflects actual EE/PDR project spending and revenue recovery during 2017 as well as a forecast of the costs of the program for 2018 through 2020. On July 20, 2020, Staff of the Public Utilities Commission of Ohio ("Staff") filed comments on the Company's Application. On September 25, 2020, the Office of the Ohio Consumers' Counsel (OCC) filed comments. AEP Ohio hereby submits reply comments.

II. REPLY COMMENTS

A. Reply to Commission Staff

<u>Incentives</u>

Staff recommends a reduction of $167,019 in incentives from the Company's Application. AEP Ohio (the "Company") disagrees with the recommendations of Staff regarding the disallowance of incentive compensation on the grounds that it is mathematically incorrect and is inconsistent with the past treatment of AEP Ohio's incentive compensation by the Commission, among other reasons.

Specifically, Staff's recommendation is mathematically incorrect because it removes

100% of their recommended portion of the funding goals and then removes 100% of their recommended portion of the AEP Ohio operating goals from the remainder, which is more than the weighting of the goals that Staff recommends disallowing. Short-term incentive compensation for AEP Ohio is determined by multiplying the score for the funding goals by the score for the AEP Ohio operating goals, which gives each of these components an equal 50%/50% weight. However, Staff calculated their recommended disallowance by reducing incentive compensation by 100% of the funding goals they recommend eliminating and then reducing the remaining incentive compensation by 100% of the operating goals they recommend eliminating. As an example of the flaw in this methodology, if 50% of the funding goals and 50% of the operating goals are disallowed, the suggested math would remove 75% of the incentive compensation, even though logically only half should be disallowed and half should be allowed. Correcting this mathematical would result in a 57% disallowance, as opposed to 88.6% based on the incentive goals that Staff recommends disallowing.

Further, Staff's recommendation to disallow any portion of the funding measures is inconsistent with past Commission orders, which have only disallowed a portion of the operating goals. That approach is more appropriate because the funding goals are not the focus of incentive compensation for AEP Ohio employees and because it is prudent and in the interests of AEP Ohio customers for the Company to have a method for ensuring the Company can afford short-term incentive compensation for employees – while still meeting its commitments to other stakeholders or putting the Company in financial distress.

The Company also disagrees with several of Staff's recommended disallowances of specific short-term incentive performance measures. The Company provides incentive compensation as part of a market competitive compensation package, not as a bonus on top of already competitive compensation. Therefore, all of the Company's incentive compensation provides value to customers by enabling the Company to attract, retain and engage the suitably skilled and experienced employees needed to provide service to customers efficiently and effectively. Because the Company's incentive compensation is part of a market competitive compensation package, it does not have any incremental cost beyond the cost of providing market competitive compensation through base pay alone. If the function were outsourced, it would be as expensive (or likely more expensive) to complete the same tasks. It is in this context that any incentive compensation disallowances of should be considered.

The Company disagrees with Staff's recommended disallowance of 72% of incentive compensation associated with AEP's DART (<u>D</u>ays <u>A</u>way, <u>R</u>estricted or <u>T</u>ransfer) Rate improvement, a safety measure that is generally allowed. The portion Staff recommends disallowing is the portion of the score attributable to non-distribution groups, even though none of incentive expense from these groups is included in the rider. Workplace safety is clearly important to customers given the enormous impact serious workplace injuries and fatalities have on the injured employee's family, friends, colleagues, community and society at large. To disallow expense related to the Company's reasonable and appropriate efforts to prevent such serious injuries and fatalities is contrary to the public's interests. Further, disallowing this expense would directly challenge AEP Ohio's ability to manage its workforce as a whole and the economies of scale that provides. In addition, by linking the Staff recommended disallowance to DART Rate Improvement by various groups, such disallowance would vary every period based on each disallowed group's DART rate improvement. This is neither logical nor practical.

The Company disagrees with Staff's recommended disallowances of 100% of funding goals driven by the performance of other business units (Transmission Business Expansion, AEP OnSite Partners, AEP Renewables), even though the cost of incentive compensation for these business units is not charged to AEP Ohio. This again directly challenges AEP's ability to manage its workforce as a whole and the economies of scale that provides. To do otherwise would require a much larger compliment of employees and additional executive time to develop and manage additional more focused funding goals, which would add cost for AEP Ohio customers.

The Company also disagrees with Staff's recommended disallowance of 100% of the AEP Ohio operating goals tied to Economic Development efforts, which is an activity the Company undertakes to support the communities we serve and one that is often not in the Companies' direct or immediate financial interests. Frankly, if the Commission does not allow cost recovery for incentive compensation tied to successful economic development, particularly given that such incentive compensation is part of a market competitive compensation package that has no incremental cost beyond the cost of providing market competitive compensation through base pay alone, then other AEP jurisdictions will receive funding for Ohio's share of AEP Ohio's economic development efforts – to the detriment of Ohio's economy. The Company's efforts on economic development are also a direct benefit to customers as any new load that is brought onto the system will have a contribution to fixed cost riders that lowers bills for all other customers particularly when the system to serve is already in place.

The Company also disagrees with Staff's recommended disallowance of 100% of the AEP Ohio operating goals tied to Regulatory Execution, which is more fully described as "Regulatory, Technology or New Product/Service Development Plan", which for 2018 included the following objectives for AEP Ohio, some of which should clearly be allowed:

a. Return on Equity

b. Implement ESP III Settlement Order

c. Recover current O&M allocation O&M

d. Achieve compliance in Rider Filings

e. AMI installations completed

f. DACR & VVO circuits in service

These goals show the value of bringing benefits to customers through timely and accurate Regulatory filings that ensure the Company is on track to provide the service and implement technologies in a timely manner.

Meals, Snacks, Entertainment and Drinks

The Staff also recommended reductions for meals, snacks, entertainment and drinks indicating that these expenses appeared to be repetitious, excessive and not beneficial to Ohio ratepayers. Staff's recommendations in this regard lack merit and should be overruled.

In the Commission-approved EE/PDR plan, the Company provided estimates of certain types of costs to be included within the rider. In order to achieve the goals set out in the plan, the Company included funds in the Plan's budget to market, promote, educate and train all of our customers in the State of Ohio about energy efficiency. In the filed 2017 plan, there was approved average annual plan budget for targeted advertising in the amount of $4,000,000 and an approved average annual plan budget for education and training budget in the amount of $300,000. (Settlement Exhibit JFW-2 Case No. 16-574-EL-POR.) These expenses were directly part of the Company's approved plan spending and did not exceed the budgets approved by the Commission. Travel and locations throughout the territory for the EE employees is necessary as is collaborative meetings, staff meetings where employees are required to travel from across the service territories as well as many information sessions that bring knowledge to a larger customer base that educates on the benefits of participating in the programs.

Per the language in our Plan:

Education and Training (ongoing) – This program will coordinate AEP Ohio's efforts to create customer, employee, marketer, contractor and supplier awareness for the programs and the proper installation of measures, enhance demand and educate customers on energy efficiency.

• Targeted Advertising (ongoing) – This program is designed to build customer awareness of energy efficiency and opportunities to participate in support of AEP Ohio EE/PDR programs and also to encourage market transformation in support of AEP Ohio's commitment and key goals in this Plan.

(Exhibit JFW-1 Page 45 of 180 Case No. 16-574-EL-POR).

Staff recommended removing $3,240 in meals for Solution Provider meetings. The Company held three Solution Provider meetings at different location in Ohio to accommodate all of our C&I customers and Solution Providers (trade allies working on behalf of our business incentive programs). They were all-day informational sessions conducted annually, early in the year with 593 in attendance for the three locations. These seminars include the EE team explaining to our C&I customers and Solution Providers about 2017 AEP Ohio's EE programs changes, updates, or nuances specific to the Business Program portfolio for 2017 allowing our C&I customers and Solution Provides to have accurate information. The seminars also provide testimonials from C&I customers that have participated in the programs in the past, allowing them to share with other customers the benefits they have experienced through their participation. The Company had industry professionals speak regarding cutting-edge EE technologies and concepts. These seminars also gave our program implementers an opportunity to interact with our customers and explain how they can assist them achieve EE results and save money. In the filed 2017 plan, there was approved average annual plan budget for targeted advertising in the amount of $4,000,000. (Settlement Exhibit JFW-2 Case No. 16-574-EL-POR.) This amount charged to the rider did not exceed the target marketing budget approved by the Commission. The different locations are necessary in order to ensure that the Company was able to provide these sessions throughout its entire service territory.

A portion of the meals ($6,681) was for a recognition program, which had 55 attendees. As part of our customer and partner recognition program, the Company honored specific customers who have gone “above and beyond” regarding the adoption of energy efficient programs and practices. The Company also recognized some of our partners who did exceptional work in the field of energy efficiency. Those recognized were nominated by Customer Representatives and are primarily commercial and industrial customers that participated in our business programs and teachers that participated in our e3smart program. This helps our customers by motivating them to continue to promote our programs (and energy efficiency in general) and it highlights exceptional and creative work as best practices in the industry. In the filed 2017 plan, there was approved average annual plan budget for targeted advertising in the amount of $4,000,000. (Settlement Exhibit JFW-2 Case No. 16-574-EL-POR.) The targeting advertising that was charged to the rider did not exceed the target marketing budget approved by the Commission.

Another portion of the meals ($4,243) was for a builder/rater luncheon. This event had 96 attendees. The builder/rater luncheon is a venue to get builders to attend. The intent of these luncheons is to allow builders to see how other builders have outperformed and move the market to more efficient building practices. Staff’s recommended reduction of this amount is in error. The value included by the Staff was for the total costs associated with the meals for the event. However, AEP Ohio was co-sponsoring this event and was only charged one-half of the amount. In addition, the total amount for the event was already removed from the $17,801 adjustment as discussed below. The $4,243 is incorrect as it was not correctly addressed in Staff's report and it was already included in a separate adjustment made by Staff. In total, the $4,243 should be removed regardless of whether or not the Commission agrees that the Company's prudent spend on a third party to market and promote the EE programs should be removed.

Another $9,793 was for two Customer Seminars. These events included 436 attendees. These are educational seminars conducted annually to help educate our large commercial and industrial customers regarding the latest trends and newest technologies in energy efficiency. The Company strives to keep our customer well informed so they can use the information we provide to help make their businesses more energy efficient. We talk about our programs, but the bulk of the presentations include speakers who discuss energy efficiency technologies.

Another $3,717 was for Combined Heat and Power (CHP) seminars. This seminar conducted helped our large industrial customers who were interested in pursuing CHP projects. We had expert speakers discuss, in detail, what is involved in CHP and we also have CHP customers share their stories. They discuss the challenges and the benefits to doing such projects.

Another portion of meals ($2,129) was related to training for REA Residential Energy Auditing and BOC Building Operator Certification training. This event had 22 attendees for residential energy auditing and 77 attendees for the BOC. REA training is a course offered through AEE (Association of Energy Engineers). This course provides our customer-facing employees with a variety of residential construction and energy systems training concepts to assist us in our interactions with residential customers. After participating in this training, our employees are better equipped to help customers understand how their homes use energy and how their lifestyles contribute to the whole-house energy consumption. The Company is better able to help customers make decisions to improve the energy efficiency qualities of their homes. This training is very comprehensive and takes place over 3.5 days. Lunch/refreshment were provided to the participants during these all-day training events. Building Operator Certification (BOC) is a nationally recognized training/certification program that helps facilities managers become more proficient at operating their facilities in an energy efficient manner. We worked with Midwest Energy Efficiency Alliance (MEEA) to help introduce more students/customers to this program. The training educated our customers on energy efficiency buildings. We also encouraged those customers attending the training to complete an energy efficiency project(s) at their facility. The training includes eight sessions, spread out over an eight month time period. Lunch/refreshments were reasonably provided to the participants at these all-day training sessions. In the filed 2017 plan, there was an approved average annual plan budget for training and education in the amount of $300,000. (Settlement Exhibit JFW-2 Case No. 16-574-EL-POR.) . This amount charged to the rider did not exceed the educational and training budget approved by the Commission.

Another portion of meals ($2,459) was for all-day monthly staff meetings. Once a month there was a mandatory all-day staff meeting to come together as a team to report monthly progress toward goals and collaborate on improvement opportunities for the EE/PDR programs. These team meeting were attended by an average of 21 employees. The EE team traveled throughout the AEP territory to attend the all-day meeting. The EE team is strategically located throughout the State of Ohio to make sure we have EE experts throughout the State to reach all the customers in Ohio and to make sure all the customers have an opportunity to participate. While the Staff mentioned they are repetitious, the Company holds them once a month and provides a meal for the entire team for the all-day event. Lunch was provided to enable us to work through lunch to utilize our time efficiently.

Another portion of meals ($1,625) was for four Collaborative meetings, which are required to be held quarterly according to the approved plan by the Commission and had a total of 90 attendees in 2017. The EE/PDR staff are located throughout Ohio and need to travel for this 6-hour meeting therefore lunch was provided.

Another portion of meals ($4,591) related to overnight travel. The majority of these meals were incurred to attend conferences. Attending conference allows AEP Ohio EE team to network with other utilities and organizations involved in energy efficiency to keep abreast of the latest in energy efficiency ideas, programs, and success stories. They bring together energy efficiency professionals from around the world to share industry best practices and advises colleagues on energy efficiency programs and technologies that can help utilities provide quality, cost-effective programs for rate paying customers. AEP Ohio and its customers benefit from our participation in this conference by assuring that AEP Ohio is running the most effective EE programs and that we utilize the best practices for maximizing the benefit of our EE programs for our customers.

Another portion of meals ($6,114) was for meetings conducted with the vendors that help implement the AEP Ohio energy efficiency programs. Since the vendors and EE team are located throughout our service territory, travel was required for these meetings.

Another portion of meals ($1,394) was for evaluation meetings. Those meetings are held annually. They help facilitate the EM&V changes in our programs by having face to face conversations with the implementers and the evaluation team. Multiple out-of-town attendees were present. Lunch was provided to enable us to work through lunch to utilize our time efficiently.

Sponsorships

Staff recommends reductions related to two sponsorships. The Company disagrees with this recommendation as these sponsorships were included as part of the education and training for EE programs. It is necessary to sponsor events in order to have the opportunity to set up booths at certain venues, have the ability to address the different venues as guest speakers and other opportunities to provide education that will enhance the level of participation in the EE programs.

The first sponsorship recommended for reduction to the rider was $7,500 for Future City Competition. Future City is an annual activity where Ohio grade school students' computer model a city and then build a working model, to scale, of the city. The year culminates with an all-day judging where students explain their design to judges. Each year the theme differs, but energy technology is always an important part of the city design. The morning is judging of all participating schools. The afternoon is the final five teams presenting, with the goal to representing Ohio at nationals in Washington DC. During the final tallying of scores, which takes some time, the sponsors have an opportunity to address the hundreds of students, parents and teachers attending. The sponsorship/advertising provided lunch to the students and teachers in exchange for being able to talk about energy efficiency. In addition, each student and parent received an energy efficiency package with EE program materials. Teachers received the same package with additional information so they could be recruited into the E3smart program with other teachers from their school district. This was a onetime effort as the same schools participate in Future City every year with only one or two new schools each year. In the filed 2017 plan, there was approved budget for education and training of $300,000. (Settlement Exhibit JFW-2 Case No. 16-574-EL-POR.) The Company incurred this education and training expense as an effective way to educate AEP Ohio teachers, parents, and the students.

The second sponsorship recommended for reduction to the EE/PDR rider was for $7,500 for the American Council for an Energy Efficient Economy (ACEEE). ACEEE is a non-profit organization that acts to advance energy efficiency policies, programs, technologies, investment, and behaviors. The ACEEE summer study on buildings takes place every other year. AEP Ohio was a sponsor of the 2017 conference. AEP Ohio has attended this conference to share our EE experiences and successes and to learn from other organizations involved in EE to make our programs better. Our participation in this conference helped shape our Data Center and Continuous Energy Improvement (CEI) programs. Sponsorships in these conferences assist in lowering the costs to organize and run the conference. AEP Ohio values this conference to help us improve the quality and effectiveness of our EE customer programs. Again, the ability to participate in different venues provides the opportunity to educate, train as well as promote the energy efficiency programs in order to gain additional participation. The plan itself provided for budgets for these categories in order to make the program a success and bring benefits to a larger portion of customers, of which the Company was under budget in these categories for 2017.

<u>Miscellaneous</u>

The Staff also recommended a reduction of $59,257 related to miscellaneous expense charges. The $59,257 were comprised of the following expenses categories (with an explanation of why each cost is reasonable for recovery through the EE/PDR Rider):

- $2,535 for Association of Energy Engineers (AEE) - this expense is for a consolidated expense for AEP Ohio employees to join the local chapter of AEE, which is less costly then national membership. The local AEE chapter runs a robust schedule of meetings and AEP Ohio presents EE topics several times during the year. We incur this cost to be members of AEE to share our experiences and successes related to EE activities and to learn from other companies and organizations active in EE. Our goal is to be as successful and effective in achieving our EE goals as we can be.

- $1,200 Columbus Zoo - The Zoo tickets were purchased to complement AEP Ohio's Zoo Lights sponsorship. The tickets were for customers of AEP Ohio. We offered the tickets as prizes for social media energy efficiency campaigns and two nights of educational booths at Zoo lights to educate our customers about our EE programs the tickets were given away to customers visiting the booth. The intent was to educate and create awareness for energy efficiency programs.

- $1,500 Ohio Farm Bureau (OFB) - This is a fee for participation in an annual Ohio Farm Bureau event. AEP Ohio supports farmers in our territory with an EE Agriculture Outreach Program. We participated in this event to educate our customers who are members of the OFB about EE programs available to them.

- $600 event fee - This cost was an event fee to participate in a solution provider event ("Counter days") where customers attend to learn about the distributors' products and energy efficiency options. This cost was incurred to educate customers about AEP Ohio's EE programs. The Company incurred this education and training expense as an effective way to educate AEP Ohio teachers, parents, and the students.

- $10,450 - Louie the Lighting Bug Mascot - The energy efficiency mascot Louie the Lighting Bug was designed as a CFL bulb which we used when we promoted CFL bulb rebates. The technology changed to LED bulbs and our rebates to our customers changed to LED and we needed to change the customer design of Louie to LED. The purpose of this mascot costume is to attract AEP Ohio customers to our booths at community events so that we can educate them about AEP Ohio EE programs.

- $658 - AEP Ohio provides certificates to their non-residential customers detailing their energy efficiency accomplishments from the prior year. These certificates are seen as valuable by the customers and they encourage customers to continue to participate in AEP Ohio EE programs. Many customers hang these in break rooms and board rooms. AEP Ohio has provided low cost reinforced cardboard holders to protect the certificates.

- $5,052 Awards - These costs are associated to the energy efficiency awards that AEP Ohio presents to their high performing customers and solution providers. These awards relate to energy efficiency as they promote, appreciate, and encourage our customers that have participated in our energy efficiency programs. These awards are presented at the Annual Energy Efficiency Awards event. This event provides an opportunity for AEP Ohio customers and solution providers to learn from each other and share successes.

- $160 - This is an individual membership fee to the Association of Energy Engineers (AEE). The local AEE chapter runs a robust program that focuses on energy engineering including trainings and seminars. This membership allows AEP Ohio to speak several times a year to the chapter promoting AEP Ohio's energy efficiency programs and answering questions.

- $8,234 Promotional items - Promotional items at various events to promote energy efficiency. These promotional items attract customers to the table or booth to learn more about our energy efficiency programs. These items are also useful to keep energy efficiency as a reminder that they take away after the event. These promotional items included hand sanitizer, sunglass holders, and snap bracelets for kids. In the filed 2017 plan, there was approved budget for targeted advertising in the amount of $4M.

- $6,185 Promotional items - Promotional items at various events to promote energy efficiency. These items are provided to solution providers who actively promote our programs. These are provided to attendees at our annual solution provider education meeting. Items included aluminum protective card cases, life saving devices and earbuds. In the filed 2017 plan, there was approved budget for targeted advertising in the amount of $4M.

- $656 Building Industry Association - This is a membership to the BIA Building Industry Association which allows AEP Ohio to attend meetings and events to enlist new builders into the New Homes Program. AEP Ohio and AEP Ohio's vendor that runs the Residential New Construction Program, work very closely with BIA to help promote the new homes construction program to builders and buyers.

- $17,801 Marketing - This vendor is hired by AEP Ohio to act as implementation contractor for our New Home Program. The vendor has $150,000 in their annual budget for marketing of this program. The vendor hires a third party to perform these marketing activities. The $17,801 are pass through costs for various activities that the third party is responsible for to promote and advertise the New Homes Construction program to builders and customers. $8,932.25 were costs associated with a builder/ rater recognition event. The event celebrates and acknowledges the achievements from builders and raters in the program - both in terms of quantity of homes built and the homes that achieved the highest efficiency scores. This event is well attended and the builders have an opportunity to learn from each other and to share their successful ideas and practices. $2,451.25 was for the website development promoting the program to builders and buyers, $5,902.36 for a digital ads campaign, $140 for program certification decals for electric boxes in program homes stating this is an energy efficiency home, $150 for marketing planning hours, and $225 for registration for an upcoming event sponsored by Energy Star. All of these marketing costs are split 50/50 with Columbia Gas because the vendor runs a joint New Homes Program for both AEP Ohio and Columbia Gas.

- $2,500, $584, $65, and $100 – Are duplicated by Staff in their adjustments as all of these costs are part of the $17,801 mentioned above. Also, the invoices supporting these charges are the 100% invoices supporting the third party's charges. They only billed 50% of these invoices to the vendor for AEP Ohio's share.

The Commission should reject Staff's recommended adjustment for these categories as they are all reasonable and prudent costs.

B. Reply to OCC's Comments

<u>Shared Savings</u>

The OCC argues that the Commission should reduce the revenue requirement proposed by the Company in order to reflect a change in tax rate that was implemented beginning January 1, 2018 (Comments at 3 and 4). The Company responded on July 2, 2018 to the comments of the IEU regarding the inclusion of shared savings in the EE/PDR rider for 2017. Like the IEU, the OCC incorrectly summarizes the manner in which costs are recorded by the Company for shared savings. The Commission should reject these assertions based on the mechanics of the rider as well as the tax savings credit rider that was implemented in 2018. The Company has appropriately provided the credits and did not increase the amount of shared savings as suggested by the OCC and IEU as the over/under of the EE/PDR appropriately reflected each month in 2017 the calculation of the shared savings.

<u>Additional reduction of expenses based on the Staff's recommendations</u>

First, the Commission should address OCC's baseless accusation that the Company would include costs in hopes that the Staff would not find them during the audit. This is not an accurate representation of how AEP Ohio does business and it is a reckless statement that lacks any basis whatsoever. The OCC refers to the Commission order for a Duke filing as support of these types of costs being disallowed (OCC Comments at 2). The outcome of another utility's' case is not necessarily applicable and the facts and circumstances to the same type of costs for another utility as the very mechanism of recovery in comparison to base is much different. In addition, as mentioned above, the Company has provided in its plan for energy efficiency programs, marketing, promotion and customer education. AEP Ohio has ran a very successful EE/PDR program and that did not happen by chance. The results of the benefits of the savings afforded to the customers of AEP Ohio were based on the hard work and dedication of the EE/PDR team to educate customers as well as advertise and promote the programs in order to gain maximum participation. As stated above, the Company clearly addressed in its four year plan the components of its programs including promoting, advertising and educating customers about the EE/PDR programs. The Company actually underspent the budget for these categories. To cast a broad net of exclusion based on another utility's programs is not a reasonable assumption and would be arbitrary, capricious and improperly punitive. The Company has supported the charges through these comments above. If the Commission does exclude the above charges, that is no basis to impose an additional exclusion just for future motivation or punishment.

OCC's accusations that the Company included incentive pay, a portion of its competitive pay structure, based on Commission orders in other utilities' filings is also not a reasonable assumption. The Commission has never ordered AEP Ohio to exclude compensation dollars in its EE/PDR rider. To insinuate that AEP Ohio should automatically exclude these dollars absent a Commission order ignores the due process afforded AEP Ohio to put its case and costs before the Commission for recovery. The Company should be afforded the ability to prove the costs included for recovery. It is also not a true statement that the Staff has recommended, before these comments, that all incentive pay should be removed. Indeed, the EE/PDR rider is incremental to the Company's last base case, Case No. 11-351-EL-AIR. In that case, the Staff's recommendation was to exclude incentive pay on O&M only, and the portion of the incentives related to financial goals (Staff report at page 10). The Company has no indication that the Commission would adopt a process for incentives that is different than what was included in the Company's last base case. The Commission should, at a minimum, recognize the process adopted in the Company's last base case and maintain that processes prior to having the opportunity to fully develop incentives in the current case. The Company has not received any Commission orders through its EE/PDR rider that would require the removal of incentive pay. The Company has addressed the short and long-term pay in its comments above and maintains that the structure of the competitive pay is appropriate given that the total compensation for employees is based on market studies as well as the alternative, which could lead to higher labor costs to retain and recruit a quality workforce.

The Commission should reject OCC's comments that the Staff should amend its recommendation to ratio disallowances based on the percentage of invoices viewed is not appropriate. The prudency audit of the Company should be based on actual costs and if disallowances are recommended, they should be based on the actual costs, not a mathematical calculation that assumes there are additional costs based on very few eliminations. The Company provided an extremely transparent list of costs by cost component which details the type of expense as well as vendor. etc. The Commission should carefully review the Company's comments in this case as some of the recommendations by the Staff contained errors that need to be corrected. The Commission should also reject OCC's notion that the Staff did not perform a complete audit of the costs included for recovery.

III. CONCLUSION

In summary, the Commission needs to carefully consider the Staff's recommendation for the removal of incentives. The incentive plans are strictly mathematical and it appears that staff's analysis has recommended reductions but did not apply the math correctly. It also appears that the Staff has overlooked the types of costs approved for recovery in the Company's EE/PDR plan which are critical to determining the recovery of the 2017 costs. Many costs, while looking strictly at invoices, are not inherent to the benefits brought to customers and the energy efficiency programs. Promotion of the programs, education and training are all necessary and approved costs of running a successful program. Without these tools, customers would not be aware of the savings that can be achieved through participation in the programs. The number of events as well as employee travel is also necessary as the Company has provided numerous locations in order to ensure that there was state-wide representation for the programs and not concentrated in certain areas. The employee expenses associated with the numerous locations are also a valid cost of doing business. There are expenses associated with the spread out location of the employees that require traveling etc., but this too is necessary to ensure education, promotion and advertising is happening throughout the territory. Employees traveling from their main work location and charging a meal is not an unreasonable expense but a necessary part of doing business. The EE/PDR plan as approved included budgets for these types of activities and most importantly, the 2017 spend was under the budgeted amount for promotion, marketing, education and training.

The Commission should also reject OCC's assertions that an appropriate remedy in this case is to ratio the disallowances of the Staff based on the percentage of invoices viewed as this undermines the transparency of the audit based on using cost components to show in detail every transaction that was requested for recovery. The Commission should reject the notion by both IEU as well as OCC on the tax savings associated with the 2017 EE/PDR programs as the amount of shared savings were appropriately included in the over/under for each month of 2017, not overstating the tax due those revenues in 2017. Lastly, the Commission should reject OCC's notion that disallowances from another utilities' case automatically bind another utility as this does not allow for the Commission to view each case separately and determine the differences between each of the utilities in terms of programs requested, timing of base cases to rider filings to determine incremental costs to base or the difference in the history, timing of Commission orders that would lead a utility to make certain changes such as the case of incentives in this case. The guidance through the last base distribution case was to eliminate 40% of the incentive based on financial goals (Staff Report at 10).

Respectfully submitted,

<u>/s/ Steven T. Nourse</u>
Steven T. Nourse
American Electric Power Service Corporation
1 Riverside Plaza, 29th Floor
Columbus, Ohio 43215
Telephone: (614) 716-1608
Fax: (614) 716-2950
Email: stnourse@aep.com

CERTIFICATE OF SERVICE

In accordance with Rule 4901-1-05, Ohio Administrative Code, the PUCO's e-filing system will electronically serve notice of the filing of this document upon the following parties. In addition, I hereby certify that a service copy of the foregoing *Reply Comments* was sent by, or on behalf of, the undersigned counsel to the following parties of record this 6th day of October 2020, via electronic transmission.

/s/ *Steven T. Nourse*
Steven T. Nourse

EMAIL SERVICE LIST

mpritchard@mwncmh.com;
Christopher.Healey@occ.ohio.gov;

Attorney General

william.wright@ohioattorneygeneral.gov;

Attorney Examiners

Sarah.Parrot@puc.state.oh.us;
Greta.See@puc.state.oh.us;

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Summary: Comments - Ohio Power Company's Reply Comments electronically filed by Mr. Steven T Nourse on behalf of Ohio Power Company