

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Review of the : Case No. 15-66-EL-RDR
Distribution Investment Rider Contained :
in the Tariff of Ohio Power Company. :

**REPLY COMMENTS
SUBMITTED ON BEHALF OF THE STAFF OF
THE PUBLIC UTILITIES COMMISSION OF OHIO**

On August 6, 2015, Baker Tilly Virchow Krause, LLP (Baker Tilly), an independent auditor selected by the Staff of the Public Utilities Commission (Staff), with the consent of Ohio Power Company (the Company), filed its Compliance Audit Report (Report) of the Distribution Investment Rider (DIR) of the Company for the period of January 1, 2014 through December 31, 2014. On November 19, 2015, the Attorney Examiner issued an entry setting a deadline of December 10, 2015 for the filing of Initial Comments and December 28, 2015 for Reply Comments. On December 10, 2015, Staff filed notice stating that it would not be filing initial comments but reserving the right to file reply comments. Staff hereby files its Reply Comments.

On page 12 of the Report, Baker Tilly recommends that the Company should consider recalculating the meter portion of the DIR calculation due to the imbalance between the meter quantities in PowerPlant and those in the Meter Data System. Staff has reviewed the Company's response to this issue, namely that the Company has already made adjustments to plant and depreciation expenses to correct the imbalance. Therefore, at this time Staff does not believe it is necessary for any recalculations to be made.

Although not discussed in the Report, the Company indicated in a response to a data request made by the Office of the Ohio Consumer's Counsel (OCC)¹ that as of 2014 the Company now capitalizes a portion of employee time spent in safety meetings. While this accounting treatment of employee safety training time could be appropriately treated as a capital cost, Staff notes that at the time of its last rate case the Company was expensing employee time spent in safety meetings. Therefore, the effect of allowing the Company to recover this expense in the DIR, coupled with its recovery through base rates (as part of the O&M calculation used in establishing those rates), would have the effect of recovering these costs twice. Therefore, Staff concurs with OCC's recommendation that the Company should quantify the impact of this capitalization policy change and eliminate it from the plant additions included in the DIR revenue requirement.

OCC recommends the Commission order the Company to quantify the effect of implementing the tax accounting changes pursuant to the final Tangible Property Regulations adopted by the IRS in September 2013. OCC further recommends that the accumulated deferred income tax (ADIT) benefits of this foregone tax deduction should be imputed in the calculation of the DIR revenue requirement. Staff shares OCC's concern that the Company should pursue tax opportunities that are beneficial to the Company's customers. However, Staff is aware that the Company is actively working toward taking

¹

Response to OCC INT-3-055.

advantage of this opportunity.² Staff encourages the Company to expeditiously take advantage of this tax opportunity if it can be demonstrated that the cost of updating the property accounting software produces an overall benefit that would accrue to the Company's customers. Therefore, Staff recommends that the Commission direct the Company to incorporate the tax deduction into the upcoming Annual DIR Compliance Audit if the cost/benefit analysis is favorable.

OCC asserts that the mechanics of the DIR mechanism have resulted in an over-recovery of property taxes in 2014. Staff notes that this stipulated rate was first adopted by the Commission in its Opinion and Order in Case No. 11-346-EL-SSO and again as recently in its Opinion and Order in Case No. 13-419-EL-RDR. Therefore, Staff does not concur with the recommendation made by OCC.

Lastly, on pages 3 and 4 of the Report, Baker Tilly makes a series of recommendations regarding the organization and content of the quarterly filings, namely those contained in Sections 4.1, 4.5, and 4.6. Staff has reviewed these recommendations and supports their adoption by the Commission.

²

OCC Data Request INT-4-060.

Respectfully submitted,

Michael DeWine
Ohio Attorney General

William L. Wright
Section Chief

/s/ Steven L. Beeler

Steven L. Beeler
Assistant Attorney General
Public Utilities Section
180 East Broad Street, 6th Floor
Columbus, OH 43215-3793
614.466.4397 (telephone)
614.644.8764 (fax)
steven.beeler@puc.state.oh.us

PROOF OF SERVICE

I hereby certify that a true copy of the foregoing **Reply Comments** submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served via electronic mail upon the following Parties of Record, this 28th day of December, 2018.

/s/ Steven L. Beeler

Steven L. Beeler

Assistant Attorney General

Parties of Record:

Jodi J. Bair
Assistant Consumers' Counsel
Office of the Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, OH 43215
jodi.bair@occ.ohio.gov

Steven T. Nourse
American Electric Power Corp.
1 Riverside Plaza
Columbus, OH 43215
stnourse@aep.com

Mark S. Yurick
Devin D. Parram
Taft Stettinius & Hollister
65 East State Street
Suite 1000
Columbus, OH 432125
myurick@taftlaw.com
dparram@taftlaw.com

Kimberly J. Bojko
Ryan P. O'Rourke
Carpenter Lipps & Leland
280 North High Street
280 Plaza Suite 1300
Columbus, OH 43215
bojko@carpenterlipps.com
orourke@carpenterlipps.com

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

12/28/2015 3:31:52 PM

in

Case No(s). 15-0066-EL-RDR

Summary: Reply Comments submitted by Assistant Attorney General Steven Beeler on behalf of the Staff of the Public Utilities Commission of Ohio. electronically filed by Kimberly L Keeton on behalf of Public Utilities Commission of Ohio