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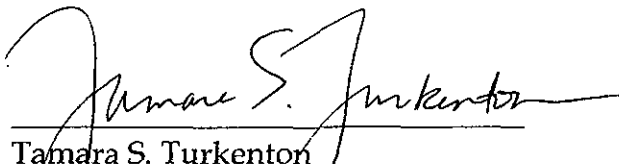
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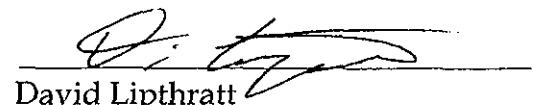
Docketing Division  
Public Utilities Commission of Ohio  
180 East Broad Street  
Columbus OH 43215

RE: *In the Matter of the Application of Ohio Power Company to update its gridSMART rider rates, Case Nos. 15-240-EL-RDR and 15-1513-EL-RDR.*

Dear Docketing Division:

Enclosed please find the Staff's Updated Review and Recommendations in regard to the applications filed by Ohio Power Company, to update its gridSMART Rider Rates, in Case Nos. 15-240-EL-RDR and 15-1513-EL-RDR.

  
Tamara S. Turkenton  
Chief, Regulatory Services Division  
Public Utilities Commission of Ohio

  
David Lipthrott  
Chief, Research and Policy Division  
Public Utilities Commission of Ohio

Enclosure  
Cc: Parties of Record

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**Ohio Power Company  
Case No. 15-240-EL-RDR  
Case No. 15-1513-EL-RDR**

**SUMMARY**

On February 2, 2015, Ohio Power Company (Ohio Power or Company) filed an application in Case No. 15-240-EL-RDR for approval to update its gridSMART Rider (gridSMART). This application was filed to recover 2014 Operation and Maintenance (O&M) and capital-related expenses incurred for the Company's investment in gridSMART technology. The requested revenue requirement was approximately \$25.7 million, which included O&M expenses, carrying charges on capital, forecasted carrying charges for the remainder of 2015, and an under-recovery from past years. The charges included an accrual for a capital to O&M expense adjustment in the amount of approximately \$12.3 million, for which the reversal and actual charges occurred in February 2015.

On August 8, 2015, filed an application in Case No. 15-1513-EL-RDR to recover its investment in gridSMART through the completion of its Phase I gridSMART deployment for the months of January 2015 through May 2015 for O&M expenses, capital carrying charges, and under-recovery from previous years for the amount of \$21.4 million.

On January 21, 2016, Staff filed its Comments recommending various adjustments for both cases. On April 19, 2016, the Company filed its Reply Comments, in which it disputed many of the adjustments that Staff recommended. These are summarized below, as well as Staff's response to the Company's comments.

**CASE 15-240-EL-RDR**

**AEP Service Center Charges**

The Company included charges from the AEP Service Center totaling \$375,052 that were billed to gridSMART projects. Staff concluded that these charges are included within the base rates that customers are currently paying. If they were included in gridSMART charges, it would amount to double-recovery. Therefore, Staff recommended reducing the rider by \$375,052.

In its Reply Comments, the Company disputed these adjustments, claiming that \$150,944 of the \$375,052 was Company labor that was already eliminated from the revenue requirement as it was established within base rates. The remainder is mostly server rentals for the gridSMART project, which is considered to be incremental.

After further analysis, Staff agrees and recommends no adjustment to the gridSMART rider.

**Marketing Charges**

The Company included charges for several invoices from Meijer, the Building Industry Association (BIA) and Event Marketing Strategies (EMS) totaling \$202,025 that were for charges more related to marketing, including shirts for employees. Staff recommended a reduction for these charges of \$202,025.

In its Reply Comments, the Company disputed this recommendation, and stated these expenses were part of customer education related to its "Mobile Interest Center," which the Commission accepted in its Finding and Order in Case No. 10-164-EL-RDR. Expenses were incurred for fees paid to EMS and the BIA for participation in the Parade of Homes and Ohio State Fair, which provided the Company an opportunity for customer outreach and education at each venue. It also included a tent that included displays with gridSMART educational items and a trailer with technical displays showcasing gridSMART technologies, including Distribution Automation Circuit Reconfiguration.

According to the Company, the shirts were for gridSMART employees who wore them at these events. The Company stated that these shirts provided gridSMART employees with a professional look and matched shirts worn by employees of the vendor that worked with them.

After further investigation, Staff agrees with the Company that most of these charges are prudent expenses for the gridSMART project. However, included in these charges are tickets for admission, parking and concerts associated with the events that were given to Company employees and family members. Staff believes these charges should not be borne by customers and recommends that the value of these admissions, totaling \$61,162, should be deducted and not recovered in the gridSMART rider.

**Meals/Miscellaneous Charges**

In Staff's initial Comments, it was noted that the revenue requirement included charges of \$2,060 for meals and other miscellaneous charges that were not appropriate for recovery. These charges appeared to be for numerous group lunches and food and refreshments for meetings for which the cost should not be borne by customers. For example, meetings that could have occurred in the afternoon occurred during lunch. Charges also included a car wash. Therefore, Staff recommended a reduction for this amount totaling \$2,060.

In its Reply Comments, the Company agreed with some of Staff's recommended adjustments. However, the Company claimed that \$824.43 was for meals that were included in the support provided but were not related to gridSMART and should not be included in gridSMART expenses.

Staff agrees and adjusts its recommended adjustment to \$1,236.

## **CASE 15-1513-EL-RDR**

### **AEP Service Center Charges**

The Company included charges from the AEP Service Center totaling \$102,347 that were billed to gridSMART projects. Staff concluded that these charges are included within the base rates that customers are currently paying and if they were to be included in gridSMART charges, it would amount to double-recovery. Therefore, Staff recommended reducing the rider by the amount of \$102,347.

In its Reply Comments, the Company disputed this recommendation, stating that \$26,366 of the \$102,347 was for labor that was already deducted from the request as it was included in base rates and the remainder is mostly for server rentals (similar to the situation in Case 15-240-EL-RDR).

After further analysis, Staff agrees with the Company and recommends no adjustment to the gridSMART rider.

### **Marketing Charges**

The Company included charges from Event Marketing Services for two invoices totaling \$26,151 that were for charges more related to marketing. Staff recommended a reduction for these charges of \$26,151.

The Company stated in its Reply Comments that these charges were for storage of the gridSMART Mobile Unit and Distribution Automation Trailer, for which the cost of purchase and customization were included and accepted by the Commission in gridSMART rider Case No. 14-192-EL-RDR.

After further analysis, Staff agrees with the Company and recommends no adjustment to the gridSMART rider.

### **Meals**

The revenue requirement included credit card charges of \$210 for meals that should not have been part of the rider. Included in this charge was meals for retirees; therefore Staff recommended a reduction for this amount totaling \$210.

The Company replied that these expenses are prudent gridSMART-related expenses and should be allowed in the rider.

These expenses are for lunch and refreshments that Staff concludes should not be borne by customers and continues to recommend the adjustment of \$210. The \$210 should be deducted and recovered in the gridSMART rider.

## CONCLUSION

The Staff has evaluated the Company's Reply Comments and after consideration of these Comments and its initial audit concludes that the Company has appropriately included in its gridSMART rider only those costs, with the exceptions noted, that were incurred as a result of serving its retail customers in Ohio and recommends that the Applications, as amended, be approved and rates become effective on a bills-rendered basis. Staff's revised recommended adjustments total \$62,608 (from both cases), from which the result is a rate of \$0.18 per month for residential customers and \$0.73 per month for non-residential customers.

The chart below shows the proposed monthly rate (after adjustments) compared to the rate currently in effect:

Residential Current Rate	Residential Proposed Rate	Change
\$1.01	\$0.18	(\$0.83)
Non- Residential Current Rate	Non- Residential Proposed Rate	Change
\$4.22	\$0.73	(\$3.49)