

BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application                    )  
of Ohio Power Company                            )  
to Update its gridSMART Rider Rates            )            Case No.        15-240-EL-RDR

In the Matter of the Application                    )  
of Ohio Power Company                            )  
to Update its gridSMART Rider Rates            )            Case No.        15-1513-EL-RDR  
  )

REPLY COMMENTS OF OHIO POWER COMPANY

On February 2, 2015 Ohio Power Company’s (“AEP Ohio” or the “Company”) filed its application to update its gridSMART rider rates in Case No. 15-240-EL-RDR reflecting actual project spending and recovery from 2014 and forecast O&M spending for 2015.

On February 25, 2015 the Commission issued its Opinion and Order in the *ESP III* Cases (Case Nos. 13-2385-EL-SSO et al.) and granted (at 50-52) the Company’s request to continue the gridSMART rider with certain modifications. Consistent with the Commission's directive in the *ESP II* proceeding (Case No. 11-346-EL-SSO January 30, 2013 Entry on Rehearing at 53.), the Company, within 90 days after the expiration of *ESP II*, was required to file an application for review and reconciliation of the final year of the gridSMART Phase 1 rider. Additionally, in the *ESP III* Opinion and Order the Commission approved AEP Ohio’s request to transfer the approved capital cost balance into the DIR, and to also transfer any unrecovered O&M balance into the gridSMART Phase 2 rider, after the Commission has reviewed and reconciled gridSMART Phase 1 costs.

On August 8, 2015 the Company filed its Final gridSMART Phase 1 rider update application in Case No. 15-1513-EL-RDR, reflecting actual project spending and recovery from January through May 2015 and capital carrying costs from June through December 2015. On January 21, 2016, the Staff filed comments on the Company's Applications. On April 19, 2016 the Company filed its reply Comments to the Staff's recommendation.

On February 9, 2017, the Attorney examiner issued an Entry that established a deadline of March 6, 2017 for filing Initial Comments and March 20, 2017 for filing Reply Comments. On March 6, 2017 the Office of Consumers' Counsel (OCC) filed its Initial Comments. AEP Ohio hereby responds to the comments filed by the OCC.

#### **RESPONSE TO OCC'S RECOMMENDATIONS**

The OCC's recommendations are flawed and should be ignored by the Commission. In addition, the comments are an attempt for rehearing of the gridSMART audit cases already approved by the Commission in past years.

- A. OCC is wrong in arguing (at 7) that “[c]ustomers should not continue to pay for gridSMART Phase I investments in the Distribution Investment Rider that have not been found to be used and useful in providing service to customers, consistent with R.C. 4909.15”**

The premise of OCC's argument – that R.C. 4909.15 applies here – is incorrect. Both the gridSMART riders and the Distribution Investment Rider (DIR) were created in Electric Security Plan (ESP) cases pursuant to R.C. 4928.143(B)(2)(h). The ESP statute permits alternative regulation for distribution infrastructure investments and the traditional ratemaking statute, R.C. 4909.15, has no application. In any case, as shown below, OCC's factual claim – that the equipment is not used and useful – is simply

wrong. Further, OCC's claim in this regard is also an untimely rehearing argument since the *ESP III* Opinion and Order previously approved AEP Ohio's requests: (1) to transfer the approved capital cost balance into the DIR for final recovery, and (2) to also transfer any unrecovered O&M balance into the gridSMART Phase 2 rider, after the Commission has reviewed and reconciled gridSMART Phase 1 costs. Thus, OCC's present claims amount to an untimely and improper challenge in a legal sense. Moreover, the OCC's claims are misguided from a factual standpoint.

For example, the OCC incorrectly asserts (at 7) that the Phase I investments have not been determined to be cost effective. The Phase I investments have been installed and were thoroughly examined through the Commission audit process for that past eight years. The OCC has participated in the audit hearings before this Commission throughout the years and have chosen this case to incorrectly assert that there was no benefit or cost effectiveness of the Phase I project. However, the Phase I project was summarized in a final technical report that summarized the technologies, including the benefits.<sup>1</sup>

Specifically, the project impact section of that report states "AEP Ohio's gridSMART initiative integrated a suite of advanced grid technologies into the existing electric network that improved service quality and reliability, lowered energy consumption, and saved money for consumers and AEP Ohio. The new technologies helped AEP Ohio improve efficiencies, identify and respond to outages more quickly, and better monitor and control the operation of the distribution grid.

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<sup>1</sup> The OCC and Staff were supplied AEP Ohio's Final Technical Report that was submitted to DOE in June 2014 in connection with the federal funding that helped enable gridSMART Phase I. (Case No. 13-1939-EL-RDR, AEP Ohio response to OCC Interrogatory 39, Set 3.) The Final Technical Report is still online: [https://www.smartgrid.gov/files/AEP\\_Ohio\\_DE-OE-0000193\\_Final\\_Technical\\_Report\\_06-23-2014.pdf](https://www.smartgrid.gov/files/AEP_Ohio_DE-OE-0000193_Final_Technical_Report_06-23-2014.pdf)

Overall, the Project showed that implementing AMI technology provided significant cost, reliability, and environmental benefits for the utility and its consumers.” (final technical report p. 2)

Similarly, the OCC also questions the used and useful determination of the Phase I project. The gridSMART assets as of the time of this filing are all used and useful as verified through not only the gridSMART audit but also the Company’s DIR by an outside auditor. The used and useful concept as it is today with this final true-up can be verified through the current removal of the Net Book Value of the gridSMART assets through the DIR. Upon Commission approval in this case, the Net Book Value of the gridSMART assets will not be excluded from the DIR calculation but rather included for recovery through the DIR rider. The Company’s accounting policy requires that assets cannot be placed into service until they are in place, fully tested and being used for their intended purpose, otherwise known as used and useful.

**B. OCC incorrectly claims (at 9) that “[a]n examination of the reliability benefits that customers receive from the gridSMART Phase I is necessary to determine if customers should continue paying for the Distribution Automation capabilities through the DIR.”**

While the OCC factual premise here is correct in that a circuit with a Distribution Automation Circuit Reconfiguration (DACR) system does interrupt fewer customers when outages occur as compared to circuits where DACR is not installed on the system, AEP Ohio currently has only about 8% of its customer base located in the gridSMART Phase 1 territory. The customers located in gridSMART Phase 1, small amount as it may be, do see a reliability improvement versus not having a DACR system installed. The OCC mentions that AEP Ohio filed for updated reliability standards and that because the

standards filed were not lowered to their expectations, they infer that gridSMART DACR is not a prudent spend of customer dollars. The fact that DACR is related to such a small group of customers clearly shows there is no significant relationship between the overall AEP Ohio Reliability Standards Filing and actual reliability improvement seen for the DACR customers. What the OCC should have pointed out is the actual customer minutes of interruption saved by having DACR installed. The true reliability benefits of DACR can be seen on the chart below. Chart 1 shows the Customer Minutes of Interruption (CMI) saved each year through 2015 by having DACR installed excluding Major Event Days.

**Chart 1**

Year	Exclusions	Customers Served	DACR Savings	
			Avoided CI	Avoided CMI
2009	Excl OMEDs	108,658		
2010	Excl OMEDs	110,843		
2011	Excl OMEDs	110,301	7,427	616,441
2012	Excl OMEDs	111,489	19,309	1,602,647
2013	Excl OMEDs	112,348	31,407	2,606,781
2014	Excl OMEDs	113,060	26,816	2,225,728
2015	Excl OMEDs	114,138	14,681	1,218,523

In addition to pointing out the entire system reliability values, that of AEP Ohio's 1.45 million customers, the OCC points out that AEP Ohio met each of its reliability standards for 2013 – 2015 as shown in Table 1 from OCC's comments. While the OCC displays the gridSMART Phase 1 DACR SAIFI they do not show what that SAIFI would have looked like had it not had a DACR system installed. For 2014, the OCC's table shows that SAIFI was 1.28 and speaks to that value in a negative connotation, when in fact the DACR saved customers 2,225,728 minutes of interruption in 2014.

While the OCC argues that the data to claim reliability benefits do not exist, AEP Ohio argues otherwise. Data showing improvements due to the DACR should be looked at for only the circuits where DACR is installed and the 114,000 customers who benefit from it. Values reflecting the entire AEP Ohio system should not be looked at since it would not represent the true value of a DACR system. Instead, AEP Ohio urges the Commission to review data from the DACR area only, such as that reflected in Chart 1, and determine the actual improvement value of a DACR system.

SAIFI and other reliability performance metrics can increase and decrease from year to year due to factors that are outside the Company’s control and completely unrelated to DACR performance. The key point in response to OCC’s selective use of SAIFI data is that DACR tends to make SAIFI performance *better than it would have been without DACR*, as shown on Table 2

**Table 2**

AEP-OH Phase 1 DACR Impacts (70 Circuits)  
All outage causes

Year	Exclusions	Customers Served	With DACR				DACR Savings		Without DACR					DACR Impact			
			Customers Interrupted	Customer Minutes	SAIDI	CAIDI	SAIFI	Avoided CI	Avoided CMI	Customers Interrupted	Customer Minutes	SAIDI	CAIDI	SAIFI	SAIDI	CAIDI	SAIFI
2009	Excl OMEs	108,658	146,665	14,642,859	134.8	99.8	1.35										
2010	Excl OMEs	110,843	159,770	17,245,941	155.6	107.9	1.44										
2011	Excl OMEs	110,301	198,858	21,134,859	191.6	106.3	1.80	7,427	616,441	206,285	21,751,300	197.2	105.4	1.87	-2.8%	0.8%	-3.6%
2012	Excl OMEs	111,489	136,741	17,989,775	161.4	131.6	1.23	19,309	1,602,647	156,050	19,592,422	175.7	125.6	1.40	-8.2%	4.8%	-12.4%
2013	Excl OMEs	112,348	94,979	10,419,833	92.7	109.7	0.85	31,407	2,606,781	126,386	13,026,614	115.9	103.1	1.12	-20.0%	6.4%	-24.9%
2014	Excl OMEs	113,060	145,903	22,059,206	195.1	151.2	1.29	26,816	2,225,728	172,719	24,284,934	214.8	140.6	1.53	-9.2%	7.5%	-15.5%
2015	Excl OMEs	114,138	155,786	18,921,044	165.8	121.5	1.36	14,681	1,218,523	170,467	20,139,567	176.4	118.1	1.49	-6.1%	2.8%	-8.6%
2009	No Exclusions	108,658	173,432	29,796,340	274.2	171.8	1.60										
2010	No Exclusions	110,843	204,742	27,094,923	244.4	132.3	1.85										
2011	No Exclusions	110,301	242,429	40,312,088	365.5	166.3	2.20	8,615	715,045	251,044	41,027,133	372.0	163.4	2.28	-1.7%	1.7%	-3.4%
2012	No Exclusions	111,489	299,284	356,309,272	3,195.9	1,190.5	2.68	22,427	1,861,441	321,711	358,170,713	3,212.6	1,113.3	2.89	-0.5%	6.9%	-7.0%
2013	No Exclusions	112,348	106,431	14,574,711	129.7	136.9	0.95	31,407	2,606,781	137,838	17,181,492	152.9	124.6	1.23	-15.2%	9.9%	-22.8%
2013	No Exclusions	113,060	153,526	23,456,316	207.5	152.8	1.36	26,816	2,225,728	180,342	25,682,044	227.2	142.4	1.60	-8.7%	7.3%	-14.9%
2015	No Exclusions	114,138	164,717	20,575,864	180.3	124.9	1.44	17,737	1,472,171	182,454	22,048,035	193.2	120.8	1.60	-6.7%	3.4%	-9.7%

In sum, AEP Ohio's investment has produced meaningful and demonstrable reliability improvements. But the establishment of the appropriate reliability threshold/standard is not for resolution in this case. Rather, OCC’s arguments regarding the appropriate reliability standards associated with gridSMART investment should be

pursued in the separate case that is pending for that purpose. (Case No. 16-1511-EL-ESS.)

- C. OCC is also misguided in arguing (at 11) that “[a]n examination of the costs and benefits of the AMI meters that Ohio Power purchased under the gridSMART Phase I program is necessary to justify charging customers for those costs through the DIR.”**

As mentioned above, the success and benefits of the AMI deployment of Phase I was outlined in the final technical report. Additionally, the Phase II project and rider was approved over OCC’s objection in the ESP III cases, aided in part by the successful operation of certain technologies, including AMI, in the Phase I project. Once again, OCC’s general objection is untimely and without merit.

Perhaps even more concerning is that the OCC continues to attempt to mislead the Commission in its comments. On page 12 of its Initial Comments the OCC states, “Ohio Power has not filed an application to reduce the reconnection fee for AMI disconnections to reflect the lower cost of service associated with automated remote disconnections.” OCC’ claim is uninformed and false.

By the time of the test year for AEP Ohio’s last distribution base case, the gridSMART Phase 1 AMI deployment had been completed for eleven months. Moreover, because the Phase 1 AMI deployment was complete, the rates approved in AEP Ohio’s last distribution base case included a reduction for meter reconnection charges related to gridSMART operational savings – a 7% cost reduction relating to the Phase I service area was applied to the benefit of all customers by generally reducing the charge \$4 below cost. *See* Case No. 11-351-EL-AIR, Report by the Staff of the Public Utilities Commission of Ohio at 24 (Sept. 15, 2011); *see also* Case No. 11-351-EL-AIR,

Joint Stipulation and Recommendation at 10, Attachment TC (reflecting the lower charge) (Nov. 23, 2011, PDF at page 86 of 200 for CSP and page 137 of 200 for OP); Case No. 11-0351-EL-AIR, Opinion and Order (Dec. 14, 2011) (adopting the stipulation). The OCC was involved in both the base distribution case as well as the annual Phase I filings and should be well aware of the basis of the Company's reconnection fee.

As AEP Ohio witness Moore explained in the gridSMART Phase II Case (No. 13-1939-EL-RDR), OCC witness Williams confirmed, the Company's reconnection fee approved in the last base distribution rate case was discounted for all customers to reflect the cost savings associated with AMI deployment in Phase 1. (Tr. I at 215-217; Tr. III at 553-54.) Importantly, by the time of the test year for that base case, the gridSMART Phase 1 AMI deployment had been completed for eleven months. Thus, any gridSMART Phase 1 operational savings were necessarily incorporated in the Company's application as reductions to the Company's test year expenses and incorporated into a stipulated resolution *that OCC* ended up not opposing. Moreover, even though the reduced reconnection charge was effective January 1, 2012, the Company was not able to experience the cost reductions until August 1, 2015 due to a necessary prerequisite of getting a waiver from the Commission. *See* Case No. 13-1938-EL-WVR, Finding and Order (March 18, 2015) at 13. OCC is not the party that should be complaining about this situation. And it is both surprising and disappointing that OCC continues to claim that the savings have not been realized by customers when the record supporting the rate reduction is so clear and OCC's own witness has acknowledged these developments through sworn testimony.

## CONCLUSION

The Company has provided the details necessary to support its entire gridSMART Phase I project and has summarized all of the successes and benefits through a technical report. The Commission Staff has participated in a thorough audit each year the Company filed for collection of its prudently incurred costs as they related to the Phase I project. The Commission should deny OCC's recommendations in this proceeding as being untimely, flawed and without merit.

Respectfully submitted,

/s/ Steven T. Nourse

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## **CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a true and correct copy of the foregoing has been served upon the below-named counsel via electronic mail, this 20<sup>th</sup> day of March, 2017.

s/ Steven T. Nourse  
Steven T. Nourse

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Summary: Comments - Reply Comments of Ohio Power Company electronically filed by Mr. Steven T Nourse on behalf of Ohio Power Company