

FILE



**Public Utilities
Commission**

Asim Z. Haque, Chairman

Commissioners

M. Beth Trombold
Thomas W. Johnson
Lawrence K. Friedeman
Daniel R. Conway

2017 JUL 28 PM 4:30

July 28, 2017

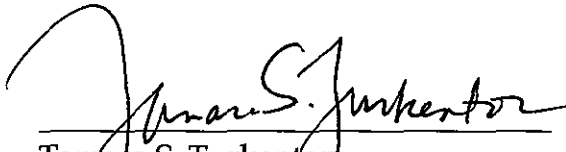
PUCO

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 Storm Damage Recovery Rider rates, Case No. 17-1083-EL-RDR*

Dear Docketing Division:

Enclosed please find the Staff's Review and Recommendations regarding the application filed by Ohio Power Company to adjust its Storm Damage Recovery Rider rates in Case No. 17-1083-EL-RDR.



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



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

Enclosure
Cc: Parties of Record

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business.
Technician My Date Processed JUL 28 2017

180 East Broad Street
Columbus, Ohio 43215-3793

(614) 466-3016
www.PUCO.ohio.gov

An equal opportunity employer and service provider

Ohio Power Company
Case No. 17-1083-EL-RDR (SDRR)

SUMMARY

On April 17, 2017, Ohio Power Company ("Company") filed its application (Application) for the review of costs attributable to major storms during the calendar year 2016. The Company's Storm Damage Recovery Rider (SDRR) is a non-bypassable rider, approved by the Commission in Case No. 11-346-EL-SSO (ESP II) as the mechanism for recovery (or refund) of deferred incremental distribution expenses over or under \$5.0 million annually relating to "Major Events" as defined by Rule 4901:1-10-10(B) of the Ohio Administrative Code beginning January 1, 2012.

On April 2, 2014, the Commission issued an Opinion and Order in Case No. 12-3255-EL-RDR adopting the Company's stipulation allowing for collection of 2012 storm damage expenses through November 2012.

On February 25, 2015, the Commission issued an Opinion and Order in the Company's ESP III, Case No. 13-2385-EL-SSO, in part providing for the continuation of the SDRR, which requires a true-up application to be filed in April of each year.

On May 17, 2017, the Commission issued an Opinion and Order in Case No. 16-0821-EL-RDR, approving the Company's application along with Staff's adjustment for mutual assistance labor, which resulted in \$1.2 million to be credited to customers over a one month period.

In this Application, the Company is proposing to refund an overpayment by customers of approximately \$4.0 million. The Company proposes that the overpayment be credited to customers over a one-month period on a fixed customer charge basis.

STAFF REVIEW & RECOMMENDATION

In its review, Staff examined the as-filed schedules for consistency with the Commission's Opinion and Orders in previous storm recovery related cases and to ensure proper accounting treatment was applied and the expenses were prudently incurred. The audit consisted of a review of the financial statements for completeness, occurrence, presentation, valuation, allocation, and accuracy. Staff conducted this audit through a combination of document review, interviews, and interrogatories. Staff requested documentation as needed to determine that the costs were substantiated or to conclude that an adjustment was warranted.

Based on prior Commission order in Case No. 16-0821-EL-RDR, Staff recommends an adjustment for a portion of the revenues the Company has received from other jurisdictional utility companies for providing mutual storm assistance. Staff recommends an adjustment to reflect the straight-time labor costs that have been included in the Company's base rates and also used to provide mutual storm assistance for which the Company also receives revenues from the utility companies receiving the mutual assistance. Furthermore, the Company's customers were receiving no benefit for those dollars spent for work being done in another electric company's service territory by those employees during the period of time in which the Company's crews were providing mutual storm assistance.

Based on responses to a Staff Data Request¹, in 2016 the total quantity of mutual assistance labor hours for which the Company received revenues for was 8,530.95. The average hourly rate for these labor hours was \$28.32², as determined in Case No. 11-0352-EL-AIR. Applying the average hourly rate to the mutual assistance labor hours results in \$241,597 that was paid by other utility companies to the Company. The Company's own customers were also paying for this labor in base rates, resulting in double-recovery. Staff recommends an adjustment of \$241,597 to account for the duplicative revenue.

The calculation of the adjustment also includes overheads (42.22%) applied to the mutual assistance labor hours, which is charged to the SDRR. The overhead rate was calculated by dividing total overhead of \$1,914,206 by total labor of \$4,533,785, as indicated in the invoices provided by the Company³. Applying this percentage to the \$241,597 labor adjustment calculated above, results in a total overhead adjustment of \$102,002.

The Company's SDRR accounting procedures is to capitalize 40.16% of all labor and to expense the remaining 59.84%. The SDRR is intended to allow recovery of only O&M expenses. In order to insure that any capitalized costs were not included in Staff's adjustments, Staff's recommended revenue adjustments were multiplied by 59.84% in order to determine an adjustment of \$205,609 that only reflects O&M expenses.

In summary, Staff recommends the SDRR be adjusted to reflect \$205,609⁴ in additional revenue dollars, which increases the credit to be issued by the Company. Staff's recommendation results in a credit of \$2.05 for residential customers and \$8.50 for non-residential customers in one month.

¹ Company response to Staff Data Request No. 3.

² Calculated from WPC-3.11a in Case No. 11-351-EL-AIR/Case No. 11-352-EL-AIR

³ Company response to Staff Data Request No. 4.

⁴ Illustration of Staff's recommended adjustment.

Breakdown of the calculation of Staff's recommended adjustment:

Mutual Assistance Hours	8,530.95	
Wage Rate	\$ 28.32	
Subtotal	<u>241,597</u>	
Plus Overhead of 42%	\$ 102,002	
Total	<u>\$ 343,599</u>	
O&M Percent	59.84%	
Total Staff Adjustment	<u>\$ 205,609</u>	
Original Revenue Requirement (Credit)	\$ (4,023,888)	
Total Staff Adjustment	<u>(205,609)</u>	
Total Staff Revenue Requirement (Credit)	<u><u>\$ (4,229,497)</u></u>	
Rates:	\$ (2.05)	Residential
	\$ (8.50)	Non Residential