

THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION
OF OHIO POWER COMPANY TO UPDATE
ITS GRIDSMART PHASE 2 RIDER.

CASE NO. 17-1156-EL-RDR

FINDING AND ORDER

Entered in the Journal on February 28, 2018

I. SUMMARY

{¶ 1} The Commission approves the proposed gridSMART Phase 2 Rider tariffs filed by Ohio Power Company d/b/a AEP Ohio on February 23, 2018.

II. DISCUSSION

{¶ 2} Ohio Power Company d/b/a AEP Ohio (AEP Ohio or the Company) is an electric distribution utility as defined in R.C. 4928.01(A)(6) and a public utility as defined in R.C. 4905.02, and, as such, is subject to the jurisdiction of this Commission.

{¶ 3} R.C. 4928.141 provides that an electric distribution utility shall provide consumers within its certified territory a standard service offer (SSO) of all competitive retail electric services necessary to maintain essential electric services to customers, including a firm supply of electric generation services. The SSO may be either a market rate offer in accordance with R.C. 4928.142 or an electric security plan (ESP) in accordance with R.C. 4928.143.

{¶ 4} In Case No. 13-2385-EL-SSO, et al., the Commission modified and approved an ESP for AEP Ohio for the period of June 1, 2015, through May 31, 2018. Among other matters, the Commission approved AEP Ohio's proposal to extend its gridSMART program, which focuses on smart grid technologies, including advanced metering infrastructure and distribution automation. The Commission stated that, as with gridSMART Phase 1, the gridSMART Phase 2 program will be reviewed on an annual

basis, including consideration of the prudence of expenditures and the reconciliation of investments placed in service with revenues collected. *In re Ohio Power Co.*, Case No. 13-2385-EL-SSO, et al. (*ESP 3 Case*), Opinion and Order (Feb. 25, 2015) at 51-52.

{¶ 5} In Case No. 13-1939-EL-RDR, the Commission modified and approved a stipulation and recommendation (Stipulation) regarding the implementation of Phase 2 of AEP Ohio's gridSMART program. The Commission noted that, in accordance with the Stipulation, costs incurred for the gridSMART Phase 2 program will be recovered through the gridSMART Phase 2 Rider. AEP Ohio's gridSMART Phase 2 Rider rates are adjusted on a quarterly basis, with automatic approval 30 days after the filing, unless otherwise ordered by the Commission. Additionally, the gridSMART Phase 2 Rider is subject to an annual audit for prudence. *In re Ohio Power Co.*, Case No. 13-1939-EL-RDR (*gridSMART Phase 2 Case*), Opinion and Order (Feb. 1, 2017) at ¶¶ 33, 37.

{¶ 6} On January 29, 2018, in the above-captioned case, AEP Ohio filed an application to update the gridSMART Phase 2 Rider, effective with the first billing cycle of March 2018. With its application, AEP Ohio filed proposed gridSMART Phase 2 Rider tariffs.

{¶ 7} On February 5, 2018, the Ohio Consumers' Counsel (OCC) filed comments, in addition to a motion to intervene in this proceeding that was previously filed on May 12, 2017. In its comments, OCC asserts that, based on a recent decision of the Ohio Supreme Court, each of AEP Ohio's quarterly gridSMART Phase 2 Rider filings that is automatically approved under the 30-day review process could become a filed rate that cannot be adjusted based on the annual prudence review, which would thwart the intent of the parties to the Stipulation. *In re Rev. of Alternative Energy Rider Contained in Tariffs of Ohio Edison Co.*, Slip Opinion No. 2018-Ohio-229. With respect to riders that are subject to prudence review, OCC offers three recommendations for the Commission's consideration: (1) quarterly rider updates should not be automatically approved;

(2) approval of riders should occur only if the tariff specifies that it is subject to refund; and (3) tariffs for riders that are subject to prudence reviews should be modified to specify that the approved rate is subject to refund. OCC adds that, as a general matter, the Commission should investigate the riders of Ohio utilities that are affected by the Ohio Supreme Court's decision. With respect to AEP Ohio's quarterly gridSMART Phase 2 Rider filing, OCC recommends that the Commission approve the new rates but make the approval subject to refund. OCC also proposes that the gridSMART Phase 2 Rider tariffs be modified to specify that the rider is subject to refund based on the annual prudence review.

{¶ 8} On February 20, 2018, AEP Ohio filed reply comments. Noting that OCC's concerns can be addressed through tariff language, AEP Ohio asserts that the Commission should not suspend or modify the automatic approval process that applies to the Company's quarterly gridSMART Phase 2 Rider filings. AEP Ohio notes that, although it disagrees with OCC's proposed tariff language, the Company continues to work cooperatively with Staff to craft tariff language that will make clear that the gridSMART Phase 2 Rider is subject to reconciliation as a result of the annual prudence review ordered in the *gridSMART Phase 2 Case*, as well as over/under accounting for recovery of costs flowing through the rider. AEP Ohio contends that the phrase "subject to refund" is both technically inaccurate and does not contemplate that future reconciliation of the gridSMART Phase 2 Rider following an audit could result in an upward or downward adjustment to rider rates. In any event, AEP Ohio commits to file proposed new tariff language to address this issue prior to February 28, 2018. AEP Ohio concludes that the remainder of OCC's comments are inappropriate and outside the narrow scope of the present case, which pertains solely to the quarterly update of the Company's gridSMART Phase 2 Rider rates.

{¶ 9} On February 23, 2018, AEP Ohio filed revisions to its proposed gridSMART Phase 2 Rider tariffs. Following consultation with Staff, AEP Ohio proposes to modify

the gridSMART Phase 2 Rider tariffs to provide that the rider “is subject to reconciliation, including, but not limited to, refunds to customers, based upon the impact to the carrying charge rate recovered through this Rider of changes in Federal corporate income taxes due to the Tax Cuts and Jobs Act of 2017 or based upon the results of audits ordered by the Commission in accordance with the February 1, 2017 Opinion and Order in Case No. 13-1939-EL-RDR.” AEP Ohio notes that it has agreed to propose the new tariff language without prejudice to any position taken by the Company in any other proceeding.

{¶ 10} On February 26, 2018, Staff filed its review and recommendations. Following its review of AEP Ohio’s application and proposed tariffs, Staff notes that the Company did not adjust the gridSMART Phase 2 Rider to account for any tax changes related to the Tax Cuts and Jobs Act of 2017. Staff further notes that, based on AEP Ohio’s revised proposed tariffs, the gridSMART Phase 2 Rider will be subject to the outcome of the Commission’s investigation in Case No. 18-47-AU-COI. *In re the Commission’s Investigation of the Financial Impact of the Tax Cuts and Jobs Act of 2017 on Regulated Ohio Utility Companies*, Case No. 18-47-AU-COI, Entry (Jan. 10, 2018). Staff concludes that the revised proposed tariffs appropriately clarify the Commission’s authority with respect to reconciliations and adjustments to the gridSMART Phase 2 Rider. Staff, therefore, recommends that the new tariff language be approved, effective with the first billing cycle of March 2018.

{¶ 11} The Commission finds that AEP Ohio’s proposed gridSMART Phase 2 Rider tariffs, as amended on February 23, 2018, are reasonable, consistent with the *ESP 3 Case* and the *gridSMART Phase 2 Case*, and in the public interest. The Commission has previously directed that the gridSMART Phase 2 Rider be audited on an annual basis for prudence, with the rider subject to reconciliation as a result of the annual audits. *ESP 3 Case*, Opinion and Order (Feb. 25, 2015) at 52; *gridSMART Phase 2 Case*, Opinion and Order (Feb. 1, 2017) at ¶¶ 33, 37. AEP Ohio’s revised proposed tariffs are consistent with the Commission’s prior directives and make clear that the gridSMART Phase 2 Rider is

subject to reconciliation and adjustment. We, therefore, find that AEP Ohio's amended gridSMART Phase 2 Rider tariffs should be approved, effective with the first billing cycle of March 2018. We further find that no hearing is necessary in this proceeding.

{¶ 12} Additionally, the Commission finds that OCC's motion to intervene in this proceeding is reasonable and should be granted. With respect to OCC's comments, we note that AEP Ohio's revised tariffs explicitly clarify that the gridSMART Phase 2 Rider is subject to reconciliation and adjustment, including, but not limited to, refunds to customers, based upon the annual prudency reviews. We find that OCC's remaining comments and recommendations are beyond the scope of this proceeding.

III. ORDER

{¶ 13} It is, therefore,

{¶ 14} ORDERED, That OCC's motion for intervention be granted. It is, further,

{¶ 15} ORDERED, That AEP Ohio's proposed gridSMART Phase 2 Rider tariffs, as filed on February 23, 2018, be approved. It is, further,

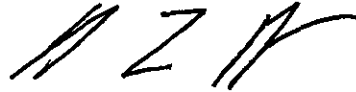
{¶ 16} ORDERED, That AEP Ohio be authorized to file tariffs, in final form, consistent with this Finding and Order. AEP Ohio shall file one copy in this case docket and one copy in its TRF docket. It is, further,

{¶ 17} ORDERED, That the effective date of the new tariffs shall be a date not earlier than the first day of the March 2018 billing cycle. It is, further,

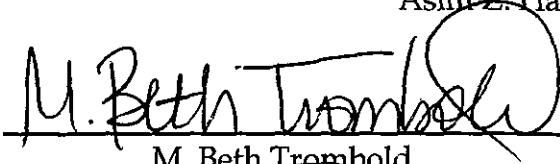
{¶ 18} ORDERED, That nothing in this Finding and Order shall be binding upon this Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

{¶ 19} ORDERED, That a copy of this Finding and Order be served upon all interested persons and parties of record.

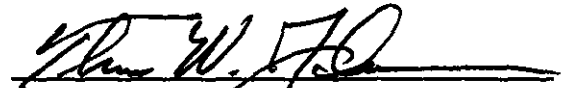
THE PUBLIC UTILITIES COMMISSION OF OHIO



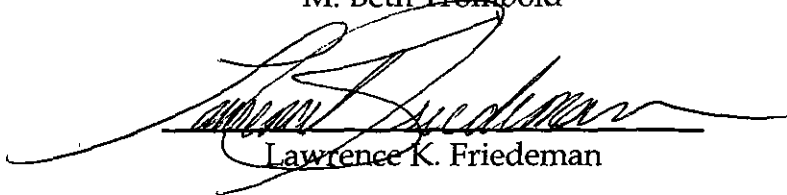
Asim Z. Haque, Chairman



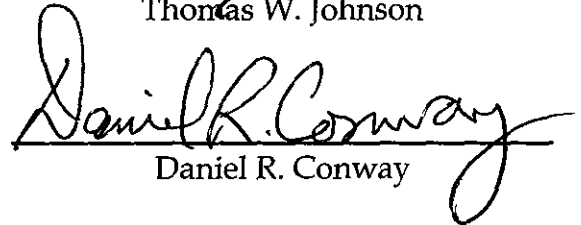
M. Beth Trombold



Thomas W. Johnson



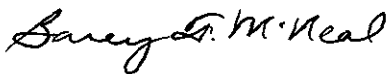
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Secretary