

## **THE PUBLIC UTILITIES COMMISSION OF OHIO**

**IN THE MATTER OF THE APPLICATION OF  
OHIO POWER COMPANY TO UPDATE ITS  
STORM DAMAGE RECOVERY RIDER  
RATES.**

**CASE No. 17-1083-EL-RDR**

### **FINDING & ORDER**

Entered in the Journal on May 2, 2018

#### **I. SUMMARY**

{¶ 1} The Commission finds that the application of Ohio Power Company d/b/a AEP Ohio to update its storm damage recovery rider rates should be approved, with specified modifications and the tariff amended to include language to clarify that the rider is subject to reconciliation, including, but not limited to, refunds to customers.

#### **II. DISCUSSION**

{¶ 2} Ohio Power Company d/b/a AEP Ohio (AEP Ohio or 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. 11-346-EL-SSO, et al., the Commission modified and approved AEP Ohio's application for a second ESP, effective with the first billing cycle of September 2012 through May 31, 2015. Among other proposals, the Commission approved AEP Ohio's request to establish a storm damage recovery rider (SDRR) to enable the Company to

recover incremental expenses incurred due to major storm events. Specifically, AEP Ohio was authorized to defer incremental distribution expenses above or below an annual amount of \$5 million that are related to major events as defined in Ohio Adm.Code Chapter 4901:1-10. *In re Columbus Southern Power Co. and Ohio Power Co.*, Case No. 11-346-EL-SSO, et al. (*ESP 2 Case*), Opinion and Order (Aug. 8, 2012) at 68-69, Entry on Rehearing (Jan. 30, 2013) at 54-55.

{¶ 5} In Case No. 12-3255-EL-RDR, the Commission adopted a joint stipulation and recommendation filed by AEP Ohio, Staff, and several other parties and, thereby, approved the Company's request to establish initial SDRR rates to recover major storm restoration costs associated with the June 29, 2012 derecho, as well as two other major storm events that occurred in July 2012. *In re Ohio Power Co.*, Case No. 12-3255-EL-RDR, Opinion and Order (Apr. 2, 2014), Entry on Rehearing (May 28, 2014).

{¶ 6} In Case No. 13-2385-EL-SSO, et al., the Commission approved, pursuant to R.C. 4928.143, AEP Ohio's application for a third ESP for the period of June 1, 2015, through May 31, 2018. Among other matters, the Commission approved AEP Ohio's proposal to continue the SDRR, including the Company's request to file an annual true-up in April of each year. Further, the Commission reiterated that the SDRR is subject to audit, and costs recovered through the SDRR must be reasonably and prudently incurred and incremental to any cost recovery through base rates. *In re Ohio Power Co.*, Case No. 13-2385-EL-SSO, et al. (*ESP 3 Case*), Opinion and Order (Feb. 25, 2015) at 55-56.

{¶ 7} On May 17, 2017, in Case No. 16-821-EL-RDR, the Commission approved AEP Ohio's application to update its SDRR rate for the twelve months ended December 31, 2016, as modified to incorporate Staff's recommendations, including an adjustment for reimbursed mutual storm assistance. *In re Ohio Power Co.*, Case No. 16-821-EL-RDR, Finding and Order (May 17, 2017) at 3-6.

{¶ 8} On April 17, 2017, in the above-captioned case, AEP Ohio filed an application to update its SDRR rates. In the application, AEP Ohio proposes to refund the approximately \$4.0 million over-recovered SDRR balance as of December 31, 2016. AEP Ohio proposes the over-collection be passed back over a one-month period. Based on AEP Ohio's calculations, the Company recommends a credit of \$1.95 for residential customers and \$8.08 for non-residential customers.

{¶ 9} Staff filed its review and recommendations on July 28, 2017. AEP Ohio filed its correspondence in reply on April 13, 2018. No other comments or motions for intervention were filed in this case.

**A. *Summary of Staff Report and Reply Comments***

{¶ 10} In its review and recommendations, Staff notes that AEP Ohio's application includes a proposal to refund to customers approximately \$4.0 million that the Company proposes to be credited to customers over a one-month period. Based on its review, Staff recommends that AEP Ohio's application be approved, subject to Staff's recommended adjustments. Staff recommends an adjustment for the revenues that AEP Ohio has received from other jurisdictional utility companies for the Company's provision of mutual storm assistance. Staff explains that the adjustment is recommended to reflect the straight-time labor costs and overhead that have been included in AEP Ohio's base rates and that are related to mutual storm assistance for which the Company was reimbursed by other utility companies. Specifically, Staff recommends recognition of \$343,599 for labor and overhead for associated mutual assistance revenues received in 2016. Staff calculated an overhead rate of 42.22 percent that is not incremental to AEP Ohio's base rates. The SDRR is intended only to recover operations and maintenance expenses. Based on the Company's SDRR accounting procedure to capitalize 40.16 percent of all labor and to expense the remaining 59.84 percent, Staff recommends a total adjustment of \$205,609, which would result in a credit of \$2.05 for residential customers and \$8.50 for non-residential customers for a one-month period.

{¶ 11} In its correspondence dated April 13, 2018, AEP Ohio states that, while it does not agree with all of the statements and recommendations in Staff's review, the Company accepts Staff's position as a reasonable resolution of this case.

**B. Commission Conclusion**

{¶ 12} Upon review of AEP Ohio's application to update its SDRR rates and Staff's recommendations, the Commission finds that the application does not appear to be unjust or unreasonable and that it should be approved, with modifications. As we have previously stated, AEP Ohio must demonstrate that major storm costs sought to be recovered through the SDRR are incremental to any cost recovery through base rates. *ESP 2 Case*, Opinion and Order (Aug. 8, 2012) at 68-69; *ESP 3 Case*, Opinion and Order (Feb. 25, 2015) at 56. AEP Ohio must also show that any mutual assistance revenues are not a reimbursement of labor hours that are already reflected in base rates. *ESP 3 Case* at 56. The Commission, therefore, consistent with its decision in AEP Ohio's prior SDRR case, adopts Staff's recommended adjustment. *In re Ohio Power Co.*, Case No. 16-821-EL-RDR, Finding and Order (May 17, 2017) at 6.

{¶ 13} Further, the Commission finds that AEP Ohio should revise its tariff to include language to clarify that the rider is subject to reconciliation, including, but not limited to, refunds to customers, as ordered by the Commission as the result of audits. Accordingly, the Commission authorizes AEP Ohio to file revised tariffs to implement the updated SDRR rates and tariff language, consistent with this Finding and Order. Finally, the Commission finds that it is unnecessary to hold a hearing in this matter.

**III. ORDER**

{¶ 14} It is, therefore,

{¶ 15} ORDERED, That AEP Ohio's application be modified and 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,

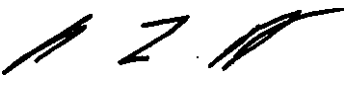
{¶ 17} ORDERED, That the effective date of the new tariffs shall be a date not earlier than the date upon which the final tariff pages are filed with the Commission. It is, further,

{¶ 18} ORDERED, That AEP Ohio shall notify all affected customers via a bill message or bill insert within 30 days of the effective date of the tariffs. A copy of the customer notice shall be submitted to the Commission's Service Monitoring and Enforcement Department, Reliability and Service Analysis Division, at least ten days prior to its distribution to customers. It is, further,

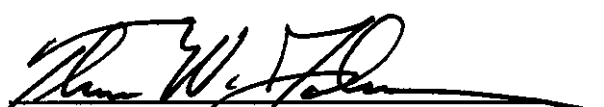
{¶ 19} ORDERED, That nothing in this Finding and Order shall be binding upon this Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

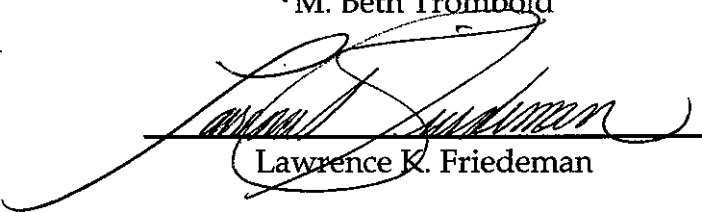
{¶ 20} ORDERED, That a copy of this Finding and Order be served upon all parties of record.

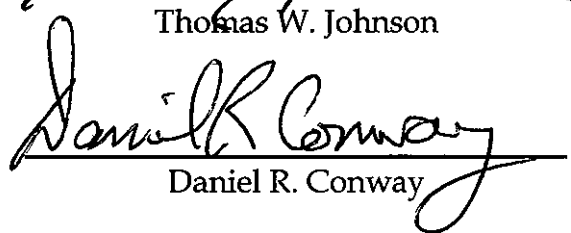
THE PUBLIC UTILITIES COMMISSION OF OHIO

  
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MAY - 2 2018

  
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