



**Public Utilities  
Commission**

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FILE

May 29, 2018

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 Enhanced Service Reliability Rider, Case No. 17-1914-EL-RDR*

Dear Docketing Division:

Enclosed please find the Staff's Review and Recommendations in regard to the application filed by the Ohio Power Company for the update of its Enhanced Service Reliability Rider, in Case No. 17-1914-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. 17-1914-EL-RDR (ESRR)**

**SUMMARY**

On September 5, 2017, Ohio Power Company (Company) filed an application in Case No. 17-1914-EL-RDR to update its Enhanced Service Reliability Rider (ESRR) rates. This application was filed to recover the operation and maintenance (O&M) and capitalization costs that the Company annually incurred in the ESRR. The Company requested total recovery of \$9,187,763 which includes carrying charges and an over-recovery credit of \$13,379,772. The Company requested a rate of 1.44775% of base distribution revenue for its ESRR, a decrease of 5.89344% from the current rate of 7.34119%. A customer's monthly ESRR charge would be determined by multiplying the new rate of 1.44775% by the base distribution charges on the customer's monthly bill.

**STAFF REVIEW**

Staff's annual review of the Company's ESRR program consists of three parts:

- 1) a financial audit that consists of a prudence review of the incurred costs, including O&M expenses and capitalized vegetation management costs, and to ensure the accuracy of the revenue requirement calculation,
- 2) a physical verification of the 2016 tree trimming activities, and
- 3) a comparison of the Company's spending to authorized amounts.

**FINANCIAL AUDIT**

In its review, Staff examined the as-filed schedules for consistency with previous ESRR cases and to ensure proper accounting treatment was applied. The audit consisted of a review of the schedules regarding completeness, occurrence, presentation, valuation, allocation, and accuracy. Staff conducted this audit through a combination of document review, interviews, and interrogatories and requested documentation as needed until it was either satisfied that the costs were substantiated or concluded that an adjustment was warranted.

Staff makes no recommendations as a result of the financial audit.

**PHYSICAL VERIFICATION OF 2016 ACTIVITY**

Staff selected a sample of 56 circuits from five of the Company's districts to physically verify that vegetation line clearance was performed as scheduled in 2016. Circuits were verified in and around Canton, Columbus, Chillicothe, Scioto County, Athens, Mt. Sterling, Sunbury, Hillsboro, Seaman, Tiffin, Freemont, New Riegel, and North Bascomb. All of the circuits audited showed evidence that vegetation line clearance work was conducted. Fifty-three of the fifty-six circuits reflected no vegetation concerns. Moderate re-growth was detected on three circuits, however, no vegetation

was making contact with the electric conductors. Staff notes that the locations with moderate re-growth were trimmed approximately thirteen to twenty-five months prior to the circuit being audited. The Company has been made aware of these locations and Staff has requested that the Company visit the sites to assess whether additional trimming is needed prior to the next scheduled clearing cycle in 2020.

#### **AUTHORIZED SPENDING**

Staff found that the Company had exceeded the amounts for O&M and capital expenditures that were approved by the Commission in Case No. 13-2385-EL-SSO. In that case, the Commission authorized the Company to spend up to \$25 million in O&M expenses along with \$1 million in recoverable capital costs, totaling to \$26 million. Additionally, the Company has \$24.2 million embedded in its base rates for vegetation management. Therefore, the total amount authorized for the Company to recover for the ESSR is \$50.2 million. The Company spent \$48,647,290 for O&M expenses and \$6,862,516 in capital expenditures in the test year. These expenses exceeded the amount authorized by the Commission by \$5,309,806. Staff recommends removal of this amount from the revenue requirement.

#### **CONCLUSION**

Staff recommends that the ESSR be approved subject to Staff's recommended adjustment of \$5,309,806 as described above. The effect of Staff's recommended adjustment would result in a rate of 0.61106%, instead of the proposed 1.44775%, of base distribution revenues.