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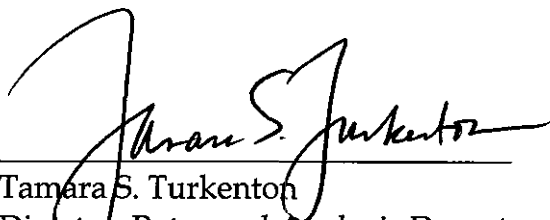
PUCO

Docketing Division
Public Utilities Commission of Ohio
180 East Broad Street
Columbus OH 43215

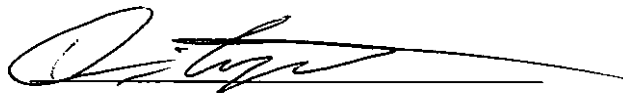
RE: *In the Matter of the gridSMART Phase 2 Rider for Ohio Power Company, Case No. 17-1156-EL-RDR.*

Dear Docketing Division:

Enclosed please find the Staff's Review and Recommendations in regard to the gridSMART Phase 2 Rider for Ohio Power Company in Case No. 17-1156-EL-RDR.



Tamara S. Turkenton
Director, Rates and Analysis Department
Public Utilities Commission of Ohio



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

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Enclosure

Cc: Parties of Record

**Ohio Power Company
Case No. 17-1156-EL-RDR**

SUMMARY

On January 29, 2018, Ohio Power Company (Ohio Power or Company) filed its gridSMART Phase 2 rider update for the fourth quarter 2017 initiating the annual review of its smart grid deployment program (gridSMART Phase 2).

In Case No. 13-2385-EL-SSO, et al., the Commission modified and approved an ESP for Ohio Power for the period of June 1, 2015, through May 31, 2018. Among other matters, the Commission approved Ohio Power'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 Case No. 13-1939-EL-RDR, the Commission modified and approved a stipulation and recommendation (Stipulation) regarding the implementation of Phase 2 of Ohio Power'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.

STAFF REVIEW AND RECOMMENDATIONS

In its review, Staff examined the as-filed schedules for consistency with the Commission's Opinion and Orders in previous gridSMART cases to ensure proper accounting and regulatory treatment was applied. 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 has completed its review of the filing and finds that the Company has appropriately included in its gridSMART rider only those costs that are incurred as a result of serving its retail customers in Ohio, with the exception of the following recommended adjustments totaling \$67,152.

Employee Memberships

The Company included charges for employee memberships that were billed to gridSMART projects. In response to Staff data request (DR) 12, the Company stated that the employee

membership costs should be removed from the rider; therefore, Staff recommends a reduction totaling \$451.

Meals & Miscellaneous Charges

The Company charged to the rider meals and other miscellaneous expenses totaling \$2,454 that are not appropriate for recovery. These charges appeared to be for numerous group lunches and food and refreshments for meetings. Staff considers these items to be expenses that should not be borne by customers. Charges also included a car wash and gift cards. In addition, in response to Staff DR 2, the Company identified \$4,068 in miscellaneous transactions that should be removed. Therefore, Staff recommends a reduction totaling \$6,522.

Fleet Services

The Company included in the rider expenses related to fleet services. Through its investigation, Staff determined that these expenses are not incremental, and are being recovered through base rates. Therefore, Staff recommends a reduction totaling \$59,556.

Ohio Use Tax

The Company incorrectly included two charges for Ohio use tax. One charge was for an amount accrued in December 2017 that was determined to be a non-taxable purchase and reversed in January 2018, but not in this filing. The other charge was for a purchase that was incorrectly booked to this rider. Therefore, Staff recommends a reduction totaling \$623.

CONCLUSION

The Staff has completed its review of the filing and finds that the Company has appropriately included in its gridSMART rider only those costs, with the exceptions noted, that were incurred as a result of serving its customers in Ohio. Staff recommends to the Commission that they direct the Company to reflect in its next quarterly filing the adjustments totaling \$67,152 noted by Staff in this letter.