

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)	
Ohio Power Company to Update its)	Case No. 17-1156-EL-RDR
gridSMART Phase 2 Rider rates.)	

OHIO POWER COMPANY’S COMMENTS

I. Introduction

On July 3, 2018 the Staff’s Issued its Review and Recommendation in regard to the Company’s 2017 quarterly gridSMART Phase 2 Rider filings in Case No. 17-1156-EL-RDR. AEP Ohio hereby responds to the comments filed by Staff.

II. The Company’s Comments in Response to Comments Raised by Commission Staff

Employee Memberships

The Staff recommended that charges of \$451 for employee memberships should be removed from the filing. During the audit, in reply to DR 12-003 the Company agreed that \$451 for employee memberships should be removed from the filing. However, Staff’s exclusion is made up of two adjustments; one for \$150 and for \$300.80. The adjustment for \$300.80 is already included in the \$4,068 that the Company agreed to remove as part of the Meals and Miscellaneous Charges below. Therefore, the AEP Ohio recommends only \$150 be removed from Employee memberships.

Meals & Misc. Charges

The Staff recommended that meals and other miscellaneous expenses totaling \$2,454 that the Company charged to the rider are not appropriate for recovery. The Staff stated that “[t]hese 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.” The Company continues to disagree with the Staff’s consistent elimination of Meals and Miscellaneous expenses and submits that the Staff should recognize that there are times when meals and other miscellaneous expenses are reasonably incurred directly in conjunction with conducting business.

Additionally, in response to Staff DR 7-001, the Company identified \$4,068 in miscellaneous transactions that should be removed. The Staff recommended removing these charges. Therefore, the Company agrees with this portion of Staff’s adjustment.

Fleet Services

Through its investigation the Staff determined that expenses related to fleet services are not incremental, and are being recovered through base rates. The Staff recommended a reduction totaling \$59,556.

The Company disagrees with Staff’s recommendation. The Staff claimed that fleet services are already recovered in base rates but offered no basis in support of that assertion. In fact, gridSMART-related fleet services are not included in base rates and have been included as recoverable costs since the inception of the gridSMART rider, starting with 2009 costs. As stated in the Company’s reply to Staff DR 15-001, all employee related gridSMART costs were excluded from the Company’s last base distribution case in 2011 (Case No. 11-351-EL-AIR). This can be verified by the adjustment made on Schedule C-3.22 to remove the full effect of the gridSMART rider from the test year, including applicable fleet costs. Since gridSMART costs were removed from the Company’s last base rate case they are incremental to base rates and should be included in the rider.

Other Use Tax

Staff stated that 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 recommended a reduction totaling \$623.

The Staff's adjustment consists of tax accruals of \$22.56 and \$600. The Company agrees that the tax accrual of \$22.56 was related to an item that was removed from the filing and therefore agrees that this amount should be removed. However, in regard to the Company's accrued an amount of \$600 in December 2017 for a non-taxable purchase that was removed in January 2018 business, the Company disagrees with this portion of Staff's recommendation. This adjustment has already been made in the normal course of business since it was included in December 2017 business and removed in January 2018 business. Therefore, the Company submits that \$600 of the Staff's recommended adjustment has already taken place and respectfully requests that the Commission decline this portion of Staff's recommended adjustment.

The Company's recommendation is a more practical solution. Otherwise, the \$600 will be removed from the 2017 audit and added back to the 2018 audit.

III. CONCLUSION

Staff's recommended Employee Membership exclusion should be reduced from \$451 to \$150 because \$301 of this adjustment was already removed from the Meals and Miscellaneous Charges. Regarding Staff's proposed Meals and Miscellaneous adjustment of \$2,454, this recommended elimination of this expense should be rejected because meals

and other miscellaneous expense are prudent costs reasonably incurred in conducting business. Staff's Fleet Services Adjustment of \$59,556 should be rejected by the Commission as Fleet Services are incremental because all gridSMART related costs were excluded from base rates AEP Ohio's last distribution case. Regarding Staff's Ohio Use Tax recommended adjustment, the adjustment should be reduced by \$600 because it has already been removed through the normal course of business.

In sum, AEP Ohio respectfully requests the Commission consider the comments provided in response to the Staff's recommended adjustments and reduce them from \$67,152 to \$4,241.

Respectfully submitted,

/s/ Steven T. Nourse

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CERTIFICATE OF SERVICE

In accordance with Rule 4901-1-05, Ohio Administrative Code, the PUCO's e-filing system will electronically serve notice of the filing of this document upon the following parties. In addition, I hereby certify that a service copy of the foregoing *Ohio Power Company's Comments* was sent by, or on behalf of, the undersigned counsel to the following parties of record this 24th day of July 2018, via electronic transmission.

/s/ Steven T. Nourse
Steven T. Nourse

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This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

7/24/2018 4:37:59 PM

in

Case No(s). 17-1156-EL-RDR

Summary: Comments - Ohio Power Company's Comments electronically filed by Mr. Steven T Nourse on behalf of Ohio Power Company