

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the 2016 Review of the)
Distribution Investment Rider Contained) Case No. 17-38-EL-RDR
in the Tariff of Ohio Power Company.)

In the Matter of the 2017 Review of the)
Distribution Investment Rider Contained) Case No. 18-230-EL-RDR
in the Tariff of Ohio Power Company.)

**COMMENTS
SUBMITTED ON BEHALF OF THE STAFF OF
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In Case No. 13-2385-EL-SSO, et al., the Commission modified and approved an Electric Security Plan (ESP) for Ohio Power Company d/b/a AEP Ohio (AEP Ohio), including modification and approval of continuation of the Distribution Investment Rider (DIR), for the period of June 1, 2015, through May 31, 2018. *In re Ohio Power Co.*, Case No. 13-2385-EL-SSO, et al., Opinion and Order (Feb. 25, 2015) at 45-47, Second Entry on Rehearing (May 28, 2015) at 23-25, Fourth Entry on Rehearing (Nov. 3, 2016) at 50-51, Seventh Entry on Rehearing (Apr. 5, 2017) at 14.

On March 22, 2017, in Case No. 17-38-EL-RDR, the Commission selected Blue Ridge Consulting Services, Inc. (Blue Ridge) to perform the annual audit of AEP Ohio's DIR for 2016. Blue Ridge filed its compliance audit report for 2016 on August 10, 2017.

On March 28, 2018, in Case No. 18-230-EL-RDR, the Commission selected Blue Ridge to perform the annual audit of AEP Ohio's DIR for 2017. Blue Ridge filed its compliance audit report for 2017 on August 23, 2018.

On August 30, 2018, the Attorney Examiner issued an Entry directing the filing of initial comments in response to the Blue Ridge compliance audit reports for 2016 and 2017 to be made no later than October 26, 2018, and for the filing of reply comments to be made no later than November 16, 2018. Herein are Staff's comments to the Blue Ridge compliance audit reports of 2016 and 2017.

In each audit the auditor is requested to follow-up on the implementation of any previous DIR compliance audit recommendations. As a result, the audit conducted in 2017 determined which of the recommendations made in the 2016 audit had been implemented by AEP Ohio. Staff's comments will summarize the recommendations made in the 2016 audit, but then focus discussion on all the outstanding recommendations which are valid for 2017, which will include the recommendations made in the 2016 audit which were found not to have been made during the 2017 audit, as well as new audit recommendations made in 2017.

I. The 2016 Compliance Audit Recommendations

Below are the recommendations made by Blue Ridge Consulting in the 2016 DIR Compliance Audit in Case No. 17-38-EL-RDR.

- Rec – 01** Blue Ridge recommends work order costs in cost elements 141, 143, 145, 154, and 155 be removed from the DIR, as they are not payroll related or an appropriate overhead cost that benefits the project.
- Rec – 02** Blue Ridge recommends that, provided it is still in use in its current form, the Distribution Business Rules for Authorizing Capital Projects mention the superseding status of the 2016 new Improvement Requisition Policy and Procedures.
- Rec – 03** Blue Ridge recommends that AEP Ohio highlight and quantify the capitalization change regarding the establishment of a retirement unit for Energy Control Devices and Displays, as well as any other changes to the capitalization policy, in the DIR filings preceding the implementation of the change.
- Rec – 04** Blue Ridge recommends AEP Ohio reconcile the DIR account balances to the FERC Form 1.
- Rec – 05** Blue Ridge recommends that AEP Ohio corrects the \$145,000 retirement error on work order 42263333 and reclassifies the \$145,000 to the proper work order.
- Rec – 06** Blue Ridge recommends the vegetation management schedule in the DIR include plant accounts and subaccounts.

- Rec – 07** Blue Ridge recommended Staff review whether capital spares that are currently being recovered in the DIR should be recovered, as they are not used nor useful. Blue Ridge also recommends AEP Ohio to look in if borrowing capital spares or renting them makes economic sense.
- Rec – 08** Blue Ridge recommends that when justifying a project, AEP Ohio document all alternatives considered, providing the reasons why the selected project is better than the alternatives and the savings compared to the alternative projects. If no alternatives were considered, document the reasons why.
- Rec – 09** Blue Ridge recommends AEP Ohio to document reasons for overages or underages of actual charges compared to budget. AEP Ohio should also state whether the reason is outside or within their direct control to demonstrate that the variance was not from a lack of budget management control.
- Rec – 10** Blue Ridge recommends that when large projects are developed, AEP Ohio place greater emphasis on ensuring the work plan is complete and contractors performing the work understand the work and safety requirements of the job.
- Rec – 11** Blue Ridge recommends that AEP Ohio continues to monitor inactive work order appearing on their report and strive to resolve outstanding issues within six months to reduce the value of inactive orders.

Rec – 12 Blue Ridge recommends that AEP Ohio correct the Standard Fringe Factor that includes the non-productive time rate twice. This resulted in an overstatement of the fringe benefit loading rate by about 15 percent. This also resulted in overstatements in the capitalized meter and line transformer installations and removal cost accounts. Blue Ridge recommends AEP Ohio calculate the impact of the overstatement and adjust the DIR.

II. Outstanding Compliance Audit Recommendations

Below are the totality of Blue Ridge's outstanding recommendations, which include (1) recommendations made in Case No. 18-230-EL-RDR, as a result of the 2017 Compliance Audit and (2) prior recommendations that remain unexecuted by AEP Ohio from 2016.

A. The 2017 Compliance Audit Recommendations

Rec – 01 Blue Ridge recommends AEP Ohio better define capital and expense work, in their vegetation management policy, associated with clearing Right-of-Ways to be in compliance with the FERC Code of Accounts. Any vegetation management activity on an existing Right-of-Way, other than due to storm restoration, should be expensed.

Rec – 02 Blue Ridge recommends that AEP Ohio reconcile the DIR account balances to the FERC Form 1. (Case No. 17-38-EL-RDR, Rec – 04)

Rec – 03 Blue Ridge recommends the Commission consider the capital status of cost element 148 along with other incentive compensation associated cost elements in the next rate case. (Case No. 17-38-EL-RDR, Rec – 01)

Rec – 04 Blue Ridge recommends large projects be more closely scoped out in the field to attempt to mitigate potential impediments that could increase the timeline or costs.

Rec – 05 Blue Ridge recommends the next DIR audit review AEP Ohio’s compliance with the Commission’s decision in Case No. 18-1007-EL-UNC (tax reform).

B. Prior Recommendations that Remain Unexecuted by AEP Ohio from 2016.

Prior Rec – 01 Blue Ridge recommended Staff review whether capital spares that are currently being recovered in the DIR should be recovered, as they are not used nor useful. Blue Ridge also recommends AEP Ohio to look in if borrowing capital spares or renting them makes economic sense. (Case No. 17-38-EL-RDR, Rec – 07)

Prior Rec – 02 Blue Ridge recommends that when justifying a project, AEP Ohio document all alternatives considered, providing the reasons why the selected project is better than the alternatives and the savings compared to the alternative projects. If no alternatives were considered, document the reasons why. (Case No. 17-38-EL-RDR, Rec – 08)

Prior Rec – 03 Blue Ridge recommends AEP Ohio to document reasons for overages or underages of actual charges compared to budget. AEP Ohio should also state whether the reason is outside or within their direct control to demonstrate that the variance was not from a lack of budget management control. (Case No. 17-38-EL-RDR, Rec – 09)

Prior Rec – 04 Blue Ridge recommends that when large projects are developed, AEP Ohio place greater emphasis on ensuring the work plan is complete and contractors performing the work understand the work and safety requirements of the job. (Case No. 17-38-EL-RDR, Rec – 10)

Prior Rec – 05 Blue Ridge recommends that AEP Ohio continues to monitor inactive work order appearing on their report and strive to resolve

outstanding issues within six months to reduce the value of inactive orders. (Case No. 17-38-EL-RDR, Rec – 11)

III. Staff Recommendations

Staff notes that Blue Ridge Rec – 03 (incentive compensation) from Case No. 18-230-EL-RDR has been addressed by the Stipulation in Case No. 16-21-EL-RDR and that Blue Ridge Rec – 05 (tax reform) from Case No. 18-230-EL-RDR has been addressed by the Commission in Case No. 18-1007-EL-UNC.

Staff recommends that the Commission adopt the remainder of the Blue Ridge’s recommendations.

Respectfully submitted,

Michael DeWine
Ohio Attorney General

William L. Wright
Section Chief

/s/ Steven L. Beeler

Steven L. Beeler
Assistant Attorney General
Public Utilities Section
30 East Broad Street, 16th Floor
Columbus, OH 43215-3793
614.466.4397 (telephone)
614.644.8764 (fax)
steven.beeler@ohioattorneygeneral.gov

PROOF OF SERVICE

I hereby certify that a true copy of the foregoing **Comments** submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served via electronic mail upon the following Parties of Record, this 26th day of October, 2018.

/s/ Steven L. Beeler

Steven L. Beeler
Assistant Attorney General

Parties of Record:

Terry L. Etter
Christopher Healey
Bryce McKenney
Assistant Consumers' Counsel
Office of the Ohio Consumers' Counsel
65 East State Street, 7th Floor
Columbus, Ohio 43215
terry.etter@occ.ohio.gov
christopher.healey@occ.ohio.gov
Bryce.mckenney@occ.ohio.gov

Steven T. Nourse
American Electric Power Corp.
1 Riverside Plaza
Columbus, OH 43215
stnourse@aep.com

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

10/26/2018 2:40:49 PM

in

Case No(s). 17-0038-EL-RDR, 18-0230-EL-RDR

Summary: Comments electronically filed by Mrs. Tonnetta Y Scott on behalf of PUCO