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November 7, 2018

PUCO

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

RE: *In the Matter of application of Ohio Power Company to updated its Storm Damage Recovery Rider Rates, Case No. 18-0731-EL-RDR.*

Dear Docketing Division:

Enclosed please find the Review and Recommendations of the Staff of the Public Utilities Commission of Ohio (Staff) regarding the application filed by Ohio Power Company to adjust its Storm Damage Recovery Rider rates in Case No. 18-0731-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

Enclosure  
Cc: Parties of Record

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**Ohio Power Company**  
**Case No. 18-0731-EL-RDR**

**SUMMARY**

On April 19, 2018, Ohio Power Company (Company) filed its application (Application) for the review of costs attributable to major storms during the calendar year 2017. The Company's Storm Damage Recovery Rider (SDRR) is a non-bypassable rider, approved by the Commission in Case No. 11-346-EL-SSO (ESP II) as the mechanism for recovery (or refund) of deferred incremental distribution expenses over or under \$5.0 million annually relating to "Major Events" as defined by Rule 4901:1-10-10(B) of the Ohio Administrative Code beginning January 1, 2012.

On February 25, 2015, the Commission issued an Opinion and Order in the Company's ESP III, Case No. 13-2385-EL-SSO, in part providing for the continuation of the SDRR, which requires a true-up application to be filed in April of each year.

In this Application, the Company is proposing to refund an over-collection of approximately \$1.5 million during the year 2017. The Company proposes that the over-collection be credited to customers over a one-month period on a fixed customer charge basis.

**FINANCIAL AUDIT**

In its review, Staff examined the as-filed schedules for consistency with previous storm rider 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.

During the course of the review, Staff identified an error in the Company's Schedule 1 as filed as part of its application. The Company included in its revenue requirement calculation the prior period under recovery of \$8,382 twice. Embedded in the total incremental Major Storm damage expense as of December 2017 (Line 1) is the prior period under-collection of \$8,382, which is also included in Line 2, prior period under recovery. Staff has addressed this error as described below.

Staff has completed its review of the filing and finds that the Company has appropriately included in its SDRR only those restoration costs incurred due to major storms in Ohio, with the exception of the following recommended adjustments totaling \$23,325.32. Detailed below are Staff's recommended adjustments.

## **STAFF REVIEW AND RECOMMENDATIONS**

### **Maintenance of Underground Lines**

During the February 28<sup>th</sup>, 2017 storm, a fuse feeding a 3,500' span of underground cable malfunctioned. While repairing the fuse, the Company discovered multiple faults on the cable and this resulted in the Company replacing the cable and charging that expense to the SDRR. Staff recommends recovery of the costs associated with repairing the fuse, but does not recommend recovery of \$21,132.52 associated with the replacement of cable, as the cable was not damaged as a result of the storm. The Company's base distribution rates are intended to compensate the Company for such repairs.

### **Miscellaneous Distribution Expense**

In response to a Staff data request, the Company identified a clerical error where \$2,077.57 of an expense totaling \$6,883.51 was incorrectly charged to AEP Ohio rather than Southwestern Gas and Electric Company. In its response to the data request, the Company confirmed the expense is inappropriate for inclusion in the SDRR; therefore, Staff recommends \$2,077.57 be disallowed.

### **Customer Orders and Inquires**

In response to a Staff data request, the Company found a clerical error in the amount of \$84.06. According to the Company, the expense was incorrectly coded as a "major event" instead of a "non-major event". Through further investigation, Staff found two more expenses miscoded in the same manner totaling \$31.17. In total, the Staff recommends an adjustment of \$115.23.

### **Correction of Schedule 1**

As shown on Attachment 1, Staff has applied the recommendations as described above totaling \$23,325.32 to Line 1, total incremental Major Storm damage expense as of December 2017, resulting in a credit of \$1,522,507. Applying the prior period under recovery of \$8,382 results in total storm damage expense for refund of \$1,524,226.

## **CONCLUSION**

Staff recommends that the SDRR be approved subject to Staff's recommended adjustments as listed above, which reduce the major storm expenses for 2017 by \$ 23,325.32 and increases the credit to \$1,524,266. The monthly credit for residential customers is increased to \$(.72) and the non-residential customers will receive a credit of \$(3.13).

AEP Ohio  
Major Storm Cost Recovery Rider December 2017

Line

<u>No.</u>	<u>Description</u>	<u>AEP Ohio as</u> <u>Filed</u>	<u>Staffs</u> <u>Recommended</u>
1	Total Incremental Major Storm Damage Expense (Over) / Under \$5 million annual base as of December 2017	\$ (1,490,800)	\$ (1,522,507)
2	Authorized May 17, 2017 Finding and Order in Case No. 16-821-EL-RDR 2016 Rider (Pass Back)	\$ (1,438,293)	\$ (1,438,293.00)
	Actual Rider Pass Back	\$ (1,446,675)	\$ (1,446,674.55)
	(Over) / Under Recovery	\$ 8,382	\$ 8,382
3	Total (Over) / Under annual base as of December 2017	(1,499,182)	\$ (1,514,126)
4	Gross Up Factor	100.667%	100.667%
5	Storm Damage Expense for Recovery/(Refund)	\$ (1,509,183)	\$ (1,524,226)
6	2017 Base Distribution Revenue*	\$619,292,173	\$ 619,292,173
7	Residential Base Distribution* \$ 378,002,804 Residential Revenue Requirement	\$ (920,602)	\$ (929,778)
8	Non- Residential Base Distribution* \$ 241,289,369 Non- Res Revenue Requirement	\$ (588,581)	\$ (594,448)
9	Residential Customers*	1,282,558 \$ (0.72)	\$ (0.72)
10	Non-Residential Customers*	190,212 \$ (3.09)	\$ (3.13)