

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)
Ohio Power Company to Update its) **Case No. 18-783-EL-RDR**
gridSMART Phase 2 Rider rates.)

OHIO POWER COMPANY’S REPLY COMMENTS

I. Introduction

On October 31, 2019 the Staff of the Public Utilities Commission of Ohio issued its Review and Recommendation in regard to Ohio Power Company’s (“AEP Ohio” or the “Company”) 2018 quarterly gridSMART Phase 2 Rider filings in Case No. 18-783-EL-RDR. AEP Ohio hereby responds to the comments filed by Staff.

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

A. Maintenance of Station Equipment – Various Expenses

Staff agreed with the Company removing various expenses from the rider related to maintenance of station equipment that the Company discovered while answering a data request. These expenses totaled \$105,015.

B. Travel & Entertainment Expense

Staff recommended that charges of \$7,389 for travel expenses, \$868 for flights booked in 2018 for a conference occurring in 2019, and \$727 for meals served at lunch meetings should be removed from the filing. In addition, in response to a Staff data request the Company agreed to remove an additional \$78 in meal expenses.

Staff’s recommendation that the Company remove travel expenses of \$7,389 and flights to the DistribuTECH conference for \$868 stated that, “the conferences pertained to general utility concepts and did not have a strong focus on gridSMART related issues.” The

Company disagrees with Staff's recommendation as these conferences did have a clear-cut focus on gridSMART related issues. These expenses were nominal in relation to both the value they provided, as well as, total 2018 gridSMART expenses. The travel expenses were associated with five conferences that occurred in 2018. Each conference had a solid relationship to the Company's gridSMART program, as demonstrated below:

1. 2018 Esource Forum (Cost \$1,215)

A gridSMART Distribution Project Management employee from AEP Ohio attended the Esource Forum conference. The conference was beneficial to the employee's position to deploy, manage and continue to improve valuable online tools to both residential and non-residential customers. The conference focused on how to drive value to the customer in how they understand their energy usage ranging from the residential customer to the large C&I customers. The employee has used the knowledge gained to improve the existing residential portal and reports program and has worked with the Company's vendor to deploy several additional benefits to the customer that continue to drive the value of their AMI meter. For all non-residential customers, understanding how they want their interval data has provided the employee with the awareness to work with the Company's vendor to deploy a tool that will be valuable to a wide range of non-residential customers instead of specific segments. Overall, the conference focus was on the research and marketing for the utility industry and their customers. Understanding the customer and their needs helps to make the online portal and energy reports AEP Ohio provides more valuable.

2. 2018 Smart Energy Consumer Collaborative (Cost \$1,232)

The Smart Energy Consumer Collaborative is a group of mostly Electric Utility Companies and Public Utility Commissions who work together with a common goal of delivering a solid customer experience through the deployment of new Smart Grid

deployments. Members include AEP Ohio as well as the Public Utility Commission of Ohio. This biannual collaborative meeting covered summaries of the groups recent research on topics such as engaging customer activities before during and after the deployment of smart meters, interactive customer tools powered by interval data enabled by the smart meters, and many others. The direct learning from this event helped AEP Ohio with development and refinement of customer engagement activities and tools to maximize customer use of these AMI power tools.

3. 2018 Schweitzer Engineering laboratories (SEL) Modern Solutions (Cost \$1,391)

The Schweitzer Engineering laboratories (SEL) Modern Solutions is a group of electric utility companies who are engaged in some stage of development or deployment of new modern distribution solutions such as Distribution Automation Circuit Reconfiguration (DACR). The agenda included numerous topics on tools and techniques to maximize the effectiveness of these deployments. These topics ranged from formal presentations to informal discussions with a plethora of other utilities engaged in similar Distribution Automation Activities. Significant learning to aid in maximizing the effectiveness of the DA deployment activities where the outcome of attending this event.

4. 2018 Mot MacDonald Resilience challenge (Cost \$787)

The 2018 Mot MacDonald Resilience challenge conference focused on different aspects of Resilience with regards to utility critical infrastructure. AEP Ohio's Distribution Automation Manager attended this conference as a presenter to share the Electric Utility resiliency perspective focusing on DACR (Distribution Automation Circuit Reconfiguration). The concept and benefits of DACR were explained including a review of the Phase 2 program. Presentations and information sharing of the other critical infrastructures and how resiliency of the utility electrical system were valuable for AEP

Ohio to understand to become more successful in its deployments of DACR.

5. 2018 DistribuTECH Conference (Cost \$2,764)

DistribuTECH International is the utility industry's leading annual electric distribution event—with tracks covering automation and control systems, advanced metering, and smart grid. DistribuTECH is one of the largest Utility conferences in the world and through attending and networking, AEP Ohio is able to stay on the cutting edge of utility practices which also contributes to providing service at the best possible price.

AEP Ohio's Smart Grid Systems Manager attended this conference and leveraged the knowledge attained to the Phase 2 deployment of AMI Meters, as the Company was able to explore vendors who offered Analytics solutions. AEP Ohio has since implemented an Operations Optimizer which assists with managing the 1 million AMI meters we will have deployed after Phase 2. The Company was also able to explore Machine Learning solutions offered by multiple vendors which will help AEP Ohio become more pro-active with AMI Meter data and reduce the amount of reactive responses. The Company has since negotiated an agreement to do some of this analytics in a pilot fashion prior to incurring costs from the vendor. AEP Ohio is also exploring a second solution to ensure the Company is making the right decision for its customers. This conference also allowed the Company to explore other AMI Meter vendors for its Phase 3 Deployment and Business Case. This is crucial to keep our current AMI Meter vendor competitive and keep costs as low as possible for our customers.

AEP Ohio's Advanced Meter Infrastructure Manager also attended with a focus on the Silver Spring Networks (SSNI) / Itron user conference conducted in conjunction with DistribuTECH 2018. This manager attended several AEP specific meetings with SSNI staffers. The topics covered included, Product and software roadmaps, System/hardware

upgrades, Utility revenue protection via AMI, Network utility beyond reading meters and Data analytics.

Finally, AEP Ohio's Distribution Automation Manager attended as well and presented on the AEP Ohio Smart Grid Phase 2 project experience. The manager also met with and attended presentations by other utilities and vendors related directly to Smart Grid. This exchange of Smart Grid information and experience helps AEP Ohio be more knowledgeable and successful for its current and future Smart Grid programs.

In regard to the \$868 for flights booked in 2018 for a conference occurring in 2019. The Staff stated that, "this conference was outside the audit period". The Company disagrees with Staff's recommended removal of these costs. The Company followed its standard and prudent practice of booking flight reservations far enough in advance (in August and September of 2018) to take advantage of lower prices, rather than wait until closer to the January 2019 distribuTECh conference date when prices are typically higher. Therefore, although 2019 conference was outside the audit period the cost of the flights for the conference were properly and prudently incurred in the 2018 audit period and should not be removed.

Lastly, while the Company does not agree with all of the Staff's statements and recommendations regarding meals for \$727, and \$78 of additional meal expense, AEP Ohio can accept the Staff's position as a reasonable outcome to this case.

C. Depreciation Rate for Communication Equipment

During its investigation, Staff discovered an error with the depreciation rate used in the Company's over/under calculation. For Account 397 Communication Equipment, the Company used an annual depreciation rate of 3.85%. However, per the Stipulation in Case No. 16-1852-EL-SSO, for Account 397, the Company should have used an annual

depreciation rate of 2.86%. Staff recommended that the Company adopt this correction and recalculate the depreciation expense so that the cumulative effective depreciation would be reflected in the Company's next quarterly filing submitted to the Commission. However, the Company had previously discovered this error and implemented a correction that amounted to a reduction of \$1,002 in depreciation carrying charges. This correction was included in the 1st quarterly gridSMART Phase 2 2019 filing in case number 19-1029-EL-RDR, filed on April 30, 2019. The Company recommends that since the correction has already been applied, no further action is required since this adjustment will be subject to Staff audit in the 2019 gridSMART Phase 2 cases.

D. Reclassification of Servers

During the audit, the Staff discovered that the Company recorded in Account 391 Office Furniture and Equipment servers, which are being used to support the computational requirements of the Company's gridSMART Phase 2 project. Staff recommended that the servers should be recorded in a subaccount of Account 391 since computer hardware such as servers are depreciated at a rate that is different from the rate the Company applies to standard office furniture and equipment. The Staff recommended that a depreciation rate of 20% be used for the servers and that the Company reflect these changes in the next quarterly filing submitted to the Commission.

The Company disagrees with Staff's recommendation. The software licenses' associated with servers are primarily booked to account 303 – Intangible Property that carries a depreciation rate of 20% (5-year life). However, this issue relates to Server hardware which has a longer depreciable life because the hardware can continue to be used after the software has become obsolete. Therefore, hardware is properly recorded to

Account 391- Office Furniture and Equipment with a depreciation rate of 3.33% (30-year life) per the Stipulation in Case No. 16-1852-EL-RDR (ESP 4).

Moreover, the Company uses the group plan prescribed by FERC for calculating depreciation rates applicable to individual utility accounts. Use of the group plan is standard practice within the utility industry and is in accordance with Generally Accepted Accounting Principles. The group plan of depreciation is particularly applicable to utility property because of the large number of assets that a utility has and the level of accounting detail that would be required if depreciation was kept at an individual asset level. Rather than depreciating each item of property by itself (item depreciation) or depreciating one single group that contains all utility property, a group contains homogenous units of plant which are alike in character, used in the same manner throughout the utility's service territory, and operated under the same general conditions. A depreciation study is performed on each group to determine the group's depreciable life, retirement patterns, and net salvage characteristics. For the reasons stated above the Company recommends no change to the depreciation rates for the servers.

E. Other

Additionally, the Company agreed to remove \$22 in Advertising and Marketing expense in a data reply that was not included in the Staff Report.

III. CONCLUSION

As the Company and Staff agree, maintenance of station equipment should be reduced by \$105,015. The Company disagrees with the Staff recommended removal of travel expenses of \$7,389 and flights to the DistribuTECH conference for \$868. As these expenses were gridSMART related. In regard to meals for \$727, and \$78 of additional meal expense, AEP Ohio can accept the Staff's position as a reasonable outcome to this case. The

correction for the Communication Equipment depreciation rate has already been applied, and for the reasons stated above the Company disagrees with the Staff's recommendation to change the depreciation rate for Servers. Finally, the Company agreed to remove \$22 in Advertising and Marketing expense in a data reply that was not included in the Staff Report.

In sum, AEP Ohio respectfully requests the Commission consider the comments provided in response to the Staff's recommended adjustments and reduce Staff's recommended adjustments from \$114,077 to \$105,842.

Respectfully submitted,

/s/ Steven T. Nourse _____

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