

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Review of the)	
Power Purchase Agreement Rider)	Case No. 18-1003-EL-RDR
of Ohio Power Company.)	

**INITIAL COMMENTS OF OHIO POWER COMPANY
IN RESPONSE TO THE POWER PURCHASE AGREEMENT RIDER COMPLIANCE
AUDIT REPORT**

Pursuant to the Attorney Examiner’s December 13, 2019 Entry, Ohio Power Company (“AEP Ohio” or the “Company”) hereby files the following initial comments regarding the compliance audit reports that Vantage Energy Consulting, LLC (“Vantage” or the “Auditor”) filed on January 11, 2019 as docketed August 8, 2019, regarding Vantage’s review of costs associated with AEP Ohio’s contractual entitlement to a share of the electrical output of generating units owned by the Ohio Valley Electric Corporation (OVEC) for the period of June 1, 2016 through December 31, 2017. Overall, AEP Ohio notes that the Auditor found no instances of imprudence and recommends continuation of many practices and activities already being implemented by OVEC. AEP Ohio will address each recommendation below.

I. Response to Vantage PPA Audit Report Recommendations

Recommendation II-R1:

The Auditor recommends “At least once each year, the OVEC Operating Committee meetings should be dedicated to the review of the prior year’s operational and financial performance and address strategies to improve such performance in the following year. This review should be chronicled in the meeting minutes”. (Audit Report at 6.)

Response:

As a threshold matter, AEP Ohio submits that the form of this recommendation is overly specific and constitutes improper micro-managing. Recommending that OVEC continue to work to develop performance improvement strategies is one thing; but recommending that a separate meeting be scheduled solely for that purpose at a specific time interval and requiring that certain things be chronicled in meeting minutes reflects an unnecessary and arbitrary level of detail and improperly invades the Company's management and discretion. As such, the Commission should not adopt the recommendation as written. With respect to the underlying substantive issue relating to this recommendation, the Company states as follows. The OVEC Operating Committee, per its Rules of Procedure, is required to meet at least annually. The Agenda includes a review of operating performance, financial results and forecasts. This information is also provided to the Sponsors upon request. For example during the review period, the Operating Company met annually and the minutes (provided to the auditor in a data request response) reflect a review of operating performance, financial results, and forecasts, and the Company submits that no additional action is required.

Recommendation II-R2:

Vantage recommends, "The OVEC Operating Committee should, in addition to its periodic meetings that address issues that are critical at that time, formalize the process by which alternative opportunities are raised by Sponsoring Companies". (Audit Report at 6.)

Response:

This process is documented in the Rules of Procedure of the Operating Committee, which state that special meetings may be called by an officer of the Committee or by the request of two members of the committee. As one of several members, AEP Ohio does not control the activities

of the committee and can only make its own recommendation to the OVEC sponsors to include this additional information. The result of this audit recommendation is not under the exclusive control of AEP Ohio.

Recommendation II-R3:

Vantage recommends “AEP Ohio should prepare a report of the Ohio PUC detailing the potential ancillary services that these plants could provide to PJM, along with the projected annual revenue. In addition, the report should discuss the reasons why these plants are not suitable to provide certain ancillary service, if applicable”. (Audit Report at 6)

Response:

OVEC discussed the ancillary services market at its Operating Committee meeting in May 2019, and OVEC plans to conduct a study to determine the potential opportunities as well as the operational risks associated with participating in this market.

Recommendation III-R1:

Vantage recommends “The Ohio staff should continue to aggressively monitor the Company’s quarterly filings pursuant to the Commission’s Opinion and Order dated March 1, 2016, page 89 for completeness, computational accuracy and consistency with any prior Commission determination regarding the adjustments”. (Audit Report at 6).

Response:

On page 38 of the Audit Report, it was noted that the forecasted kilowatt hours used to determine the rate were not changed from the previous filing. The Company agrees that there was an error in the forecasted kilowatt hour data as noted by the Auditor. However, the rider is trued up to actuals and the error noted changes the rate applied to that particular period which would impact the over/under recovery of that quarter; the over/under balance reflects only the

actual costs and actual recovery, ensuring that customers are only charged for the actual costs to be collected through the rider. The error would have created a timing difference, but the overall charges to customers would be correct – which is a normal part of the rider reconciliation process. Subsequent to issuing the audit report, the Commission adopted the Legacy Generation Rider (LGR) under R.C. 4928.148 to collect the net costs associated with the OVEC units. *In the Matter of Establishing the Nonbypassable Recovery Mechanism for Net Legacy Generation Resource Costs Pursuant to R.C. 4928.148*, Case No. 19-1808-EL-UNC, Entry (Nov. 21, 2019). As part of the process established for the LGR going forward, the Ohio electric distribution utilities work with the Commission Staff to calculate the rates and will help ensure that such errors are not reflected in future filings relating to OVEC cost recovery.

Recommendation III-R2:

Vantage recommends “AEP should take the following actions to minimize the effects on rates of over/under recovery balances and promote rate stability”. (Audit Report at 6)

Response:

As referenced above, the Commission approved the LGR to collect the costs or credits of the OVEC units after the Audit Report was issued. As such, the timing of the costs and recovery were changed rendering this recommendation moot.

Recommendation V-R1:

Vantage recommends “Continue to closely monitor EPA regulatory activities as associated with the finalization of Effluent Limitation Guidelines. (Audit Report at 6.)

Response:

The Company agrees with this recommendation. No further action is required as noted by the Auditor, the monitoring is already occurring.

Recommendation V-R2:

Vantage recommends “Finalize the ongoing EPA 316 (b) study to include a closed cooling water system and fish entrainment study”. (Audit Report at 6.)

Response:

OVEC completed these studies and filed with the respective State Regulatory agencies in November 2018 for Kyger Creek and January 2019 for Clifty Creek.

Recommendation VI-R1:

Vantage recommends “Continue to closely monitor and operate each facility within the manufacturer’s temperature and pressure limitations during cycling conditions”. (Audit Report at 6.)

Response:

AEP Ohio agrees with this recommendation that OVEC continue its current process.

Recommendation VI-R2:

Vantage recommends “Consider implanting a sliding pressure control strategy, to be utilized during low load periods, in order to reduce unit heat rate and the thermal stress across the turbine”. (Audit Report at 6.)

Response:

AEP Ohio agrees to address this with OVEC and the sponsoring parties to evaluate whether this recommendation would be appropriate

Recommendation VI-R3:

Vantage recommends “Continue the current “Lean Initiative” process and seek to expand the preventive and predictive maintenance programs that are imbedded in the Ventyx Asset and Work Management System to assure dependable availability and reduce forced outages as the units enter this period of low load and cycling operation”. (Audit Report at 6.)

Response:

OVEC has implemented the work management systems, and the Company submits that no further action is required.

Recommendation VI-R4:

Vantage recommends “utilize the JBR team to develop a comprehensive predictive maintenance program for all the Jet Bubble Reactor (JBR) scrubbers to reduce the risk that a failure of any given scrubber could impact the operation of multiple units”. (Audit Report at 6)

Response:

This process was implemented at the plant during the review period, and the Company submits that no additional action is required.

Recommendation VI-R5:

Vantage recommends “Add a Performance Engineer position to the Clifty Creek and Kyger Creek organization”. (Audit Report at 6)

Response:

This recommendation is already being implemented through the engineering staff within the Technical department at Kyger Creek and the Operation department at Clifty Creek, and the Company submits that no additional action is required.

CONCLUSION

Consistent with the above explanations, AEP Ohio requests that the Commission address the Auditor's recommendations as set forth in these comments.

Respectfully submitted,

/s/ Steven T. Nourse

Steven T. Nourse (0046705), Counsel of Record
Christen M. Blend (0086881)

American Electric Power Service Corporation

1 Riverside Plaza, 29th Floor

Columbus, Ohio 43215

Telephone: (614) 716-1608

Fax: (614) 716-2950

Email: stnourse@aep.com

cmbblend@aep.com

Counsel for Ohio Power Company

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 was sent by, or on behalf of, the undersigned counsel to the following individuals this 17th day of January, 2020, via electronic transmission.

/s/ Steven T. Nourse
Steven T. Nourse

Steven.beeler@ohioattorneygeneral.gov
William.michael@occ.ohio.gov
Terry.etter@occ.ohio.gov
Christopher.healey@occ.ohio.gov
Bryce.mckenney@occ.ohio.gov

Attorney Examiners:

Sarah.parrot@puc.state.oh.us
Greta.see@puc.state.oh.us

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

1/17/2020 3:13:56 PM

in

Case No(s). 18-1003-EL-RDR

Summary: Comments - Initial Comments of Ohio Power Company in Response to the Power Purchase Agreement Rider Compliance Audit Report electronically filed by Mr. Steven T Nourse on behalf of Ohio Power Company