BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of	)	
Ohio Power Company to Update its	)	**Case No. 21-499-EL-RDR**
gridSMART Rider rates.	)	

OHIO POWER COMPANY'S COMMENTS

I. INTRODUCTION

On December 22, 2022 the Staff's Issued its Review and Recommendation (Staff Report) regard the Company's 2021 quarterly gridSMART Phase 2 Rider filings in this proceeding. AEP Ohio hereby submits initial comments in response to Staff's filing.

II. COMMENTS

A. Out of period expenses

The Staff recommended an adjustment to remove $178.11 for out of period O&M expenses. The Company disagrees with Staff's recommendation. Generally, the Company follows an accrual accounting process for unvouchered liabilities in accordance with Generally Accepted Accounting Principles for invoices exceeding $25,000. Considering these invoices were significantly under that threshold, they were not accrued but rather expensed when the invoice was received and approved (i.e. the Journal Date). The following invoices were received and approved on: September 10, 2020 for $18.11 with a Journal Date of January 21, 2021, November 3, 2020 for $80.00 with a Journal Date of March 30, 2021 and December 30, 2020 for $80.00 with a Journal Date of January 14, 2021. Although these invoices are dated in 2020, they were expensed only once on the Journal Date, thereby avoiding double-counting of these amounts. Therefore, although the Company would normally accept changes of this magnitude especially where no other material disallowances are made, the Company maintains that these gridSMART related costs are recoverable as part of its position addressing the entirety of Staff's recommendations.

B. Cancelled Work Order

The Staff recommended an adjustment to remove $965.00 in O&M expenses for a cancelled work order. The Company disagrees with Staff's recommendation. This was not a cancelled work order as described in the Staff Report, but rather a cancelled job. The charges were for road flagging that was part of a project to install 3 Viper reclosers on the St. Clair circuit as part of the DACR project. The job had to be shut down for the day. The Company provided the invoice to the Staff in response to DR 18-001. The Company was charged a 4-hour minimum for 2 crews or 4 people (per the contract) by the flagging company because the Company was unable to cancel prior to the work starting for the day.

The Company's business practice is to try to minimize cancellations, but they do occur as part of normal operations for various reasons outside of the Company's control including weather, unanticipated heavy traffic in the area, customer complaints, or employee illness. As noted above, the vendor contact requires the Company to pay a 4-hour minimum for these types of cancellations.

C. Transmission Related Work

The Staff recommended adjustments to remove $492.76 in O&M and $1,424.70 in Capital for transmission work that had been incorrectly charged to the gridSMART Rider. The Company agrees with Staff's adjustments. As noted in the Staff Report the Company made both adjustments as part of the 2022 quarterly gridSMART flings in Case No. 22-0473-EL-RDR. Additionally, as recommended by Staff the Company agrees that the Capital adjustment mentioned above will be reflected on the "Over Under Summary" tab in subsequent quarterly filings.

D. Financial incentives

Staff recommends adjustments to remove $39,554 from O&M expenses linked to the financial performance of the Company, along with stock-based compensation and restricted stock. Additionally, Staff recommended an adjustment of $256,306 in capital costs related to employee financial incentives, capital costs related to employee financial incentives, stock-based compensation, restricted stock, or were not related to distribution service to customers. The Staff additionally noted that per the Stipulation in 20-585-EL-AIR, there will be no reduction for capitalized incentives after the implementation of new base rates, which occurred in December 2021, since the reduction is now reflected in base rates. Therefore, Staff's adjustment only removed eleven months' worth of capitalized incentives.

The Company disagrees with the Staff's recommendations regarding the disallowance of incentive compensation prior to December 2021. However, the Company agrees with Staff's assessment that per the Stipulation in Case No. 20-585-EL-AIR there will be no reduction for capitalized incentives after the implementation of new base rates. As noted in the Company's reply to a similar adjustment in case No. 20-939-EL-RDR the Company's compensation package includes base wages, as well as short- and long-term compensation that is recognized through the incentive plan. The Staff's recommendation to remove the incentives related to financial goals cannot be utilized here without first studying AEP Ohio's incentive compensation plan for 2021. Because the Company's incentive compensation is part of a reasonable and market competitive compensation package, eliminating it, without an offsetting increase in base pay, would impede the Company's ability to attract and retain employees with the skills and experience needed to provide service to customers efficiently and effectively, which would not be in customers' best interests. Alternatively, eliminating incentive compensation could cause an offsetting increase in base pay. The Staff's aggressive approach to the removal of incentive compensation will require the Company to re-evaluate its compensation plans.

The Staff also erred in its recommendation that a restricted stock unit is financial based. Restricted stock units do not have any performance measures, financial or otherwise. Therefore, with the exception of the inclusion of the December 2021 capitalized incentives (mentioned above), the Commission should deny Staff's recommendations.

E.AMI Meters

The Staff Recommends a reduction in capital costs of $4,900,324, stating that the Phase 2 Order approved the recovery of approximately 894,000 additional AMI meters through the gridSMART Phase 2 program and that as of November 2021 the Company had already booked over 929,000 AMI meters as part of the Phase 2 program. Additionally, the Staff claims that as of November 2021, the Company was recovering an additional 97,192 AMI meters which were not tagged to any gridSMART program in the Phase 2 Rider. Finally, the Staff recommends that the additional meters are more appropriately recovered in the DIR. The Company disagrees with Staff's recommendations.

Number of AMI Meter installations in the Phase 2 footprint

The Staff erred in its interpretation of the Commission's February 1, 2017 Order in Case No. 13-1939-EL-RDR (Phase 2 Order) regarding the number of additional AMI meters the Company would install. Both the Phase 2 Stipulation and Opinion & Order refer to the number of AMI meter installations as "approximately" and do not specifically authorize a firm limit of 894,000 AMI Meters installations. Further, the initial estimate of approximately 894,000 AMI meters was based on the Company's current knowledge at the time of the initial filing (September 13, 2013 based on the customer count at that time) more than six years before October 25, 2019, which was the date of the final meter installations. With the exception of the small quantity of meters the contractor was not able to install due to property access and customer contact issues, the Company completed the installation of AMI meters in the gridSMART Phase 2 footprint as the area continued to grow resulting in a total of approximately 929,000 Phase 2 installations. The clear intent of the settlement adopted by the Commission was to install AMI throughout the Phase 2 deployment area – and that is what the Company did.

The Company has fulfilled its obligation that reflects the installation of approximately 894,000 Meters. Therefore, the Commission should reject Staff's recommendation to exclude any of the AMI meter costs included in the Phase 2 footprint from the rider.

Additional 97,192 AMI meters

Staff also erred in removing the AMI meters that it claimed were not tagged to any gridSMART program, stating that the gridSMART rider was approved to only recover assets specific to that program. The Phase 2 Order (at Page 14) ordered that, "Twenty-two thousand additional AMI meters that were deployed in order to perfect the Phase I pilot project, as well as all replacement and in-stock AMI meters will be moved to the GS2 rider for recovery upon approval of the GS2 Stipulation." Therefore, the plain language of the Order requires the Company to move the 97,192 Meters to the Phase 2 rider. This amount includes the twenty-two thousand AMI Meters mentioned above and the Company's AMI Meter Blanket, which is for Phase 1 and Phase 2 replacement meters. Therefore, these AMI meter costs are within the scope of the Phase 2 Order and it is fully appropriate to recover them through the Phase 2 Rider.

In fact, in March 2019 the Company discovered through an informal Staff inquiry that the replacement and in stock meters had not been included in Phase 2 Rider as the Company was only including the gridSMART Phase 2 meters along with the 22,000 additional AMI meters in the rider. To correct this, the Company coordinated with Staff to implement a solution. Effective with March 2019 Plant and forward, AEP Ohio began to track the total NBV of AMI Meters less the Phase I NBV of meters. This method picked up both the 22,000 meters, along with the replacement and in stock meters that were previously omitted. This methodology was also simultaneously adopted in the DIR to prevent double recovery. If the Staff had an expectation the Company was recovering additional AMI meters not tagged to the gridSMART program, a reasonable expectation would have been to address it in March of 2019 while coordinating a solution with the Company. Further, the Company has been transparent in providing the Staff an accounting of all the AMI meters being recovered the through the Phase 2 Rider in each audit since its inception. Moreover, the Phase 2 Order required them to be moved to the rider.

Therefore, for the reasons stated above, the Commission should reject Staff's recommendation to exclude the AMI meters that it now claims were not tagged to the gridSMART program. Alternatively, if the Commission were to agree with Staff and move any of the 97,192 AMI meters to the DIR, the Company requests that the DIR caps be adjusted by the amount of the transfer as this adjustment was not contemplated at the time the DIR caps were set.

III. CONCLUSION

In sum, the Company agrees with Staff's adjustments to remove $492.76 in O&M and $1,424.70 in Capital for transmission work that had been incorrectly charged to the gridSMART Rider. As noted in the Staff Report the Company made these adjustments in 2022 business. (Therefore, they were not included in the Staff's overall recommended revenue requirement reduction.)

The Company disagrees with Staff's recommended adjustments for out of period expenses of $178.11, cancelled work for $965, incentives including $39,554 of O&M expenses and $256,306 of capital costs, and the AMI Meter capital cost adjustment of $4,900,324 resulting from Staff's recommendation to transfer these costs to the DIR. Therefore, AEP Ohio respectfully requests the Commission consider the comments provided in response to the Staff's recommended adjustments and approved this case filed.

Respectfully submitted,

<u>/s/ Steven T. Nourse</u>

Steven T. Nourse
(0046705) American
Electric Power Service
Corporation
1 Riverside Plaza, 29th Floor
Columbus, Ohio 43215
Telephone: (614) 715-1608
Fax: (614) 716-2950
Email: stnourse@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 6th day of February 2023, via electronic mail.

/s/ Steven T. Nourse

Steven T. Nourse (0046705)

Email Service List:
william.michael@occ.ohio.gov;
ambrosia.wilson@occ.ohio.gov;
Stacie.Cathcart@igs.com;
evan.betterton@igs.com;
Michael.Nugent@igs.com;
John.Jones@OhioAGO.gov