



# Public Utilities Commission

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August 31, 2023

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

RE: *In the Matter of the Application of Ohio Power Company for Authority to Update its Smart City Rider, Case No. 23-0092-EL-RDR.*

Dear Docketing Division:

Enclosed please find the Staff's Review and Recommendations regarding the application filed in Case No. 23-0092-EL-RDR.

A handwritten signature in black ink, appearing to be "DM".

Devin Mackey  
Grid Modernization & Retail Markets  
Rates & Analysis Department  
Public Utilities Commission of Ohio

Enclosure  
Cc: Parties of Record

**Ohio Power Company**  
**Case No. 23-0092-EL-RDR**

## HISTORY

On April 25, 2018, the Commission issued an Opinion and Order in Case No. 16-1852-EL-SSO (*ESP IV* decision) adopting Ohio Power Company's (Company) proposed Smart City Rider (SCR). Among other things, the *ESP IV* decision approved the construction of Microgrid Technology Demonstration projects with a cap of \$10.5 million and an Electric Vehicle Charging Station rebate program with a cap of \$10 million, including a 5% administration fee.

In its Order, the Commission directed the Company to file a quarterly update to the SCR and stated that updated rates would become effective 30 days after filing unless otherwise ordered by the Commission. The Commission also stated that the SCR would sunset after four years, except for the true up and correction of expenses that occur after the sunset from activities and expenses that occurred during the four-year term. Since the Commission Order occurred on April 25, 2018, the sunset date for the SCR would be April 25, 2022.

Per the Order, recovery of costs included in the SCR should be based on actual spend and be subject to an annual prudency audit with no carrying charges on over or under recoveries due to quarterly collections. The dollars included in the SCR should be grossed up for the commercial activities tax and uncollectibles until the Company's next rate case. The maximum amount to be charged through the rider is \$21.1 million, as shown on Attachment C of the Stipulation, including microgrid costs, the rebates for EV charging stations, administrative fees and research and development costs. The SCR revenue requirement is allocated to residential and non-residential customers based on the percentage of base distribution revenues and charged on a per customer basis.

## SUMMARY OF APPLICATION

The Company filed its thirteenth quarterly update to the Smart City Rider (Case No. 23-0092-EL-RDR) on January 27, 2023, and stated that "due to the limit of the size of collections for the Thirteenth quarterly SCR filing, the Company will set the rates to zero and reevaluate rates during the next filing period",<sup>1</sup> i.e., to prevent a significant over collection given the rider caps. Since this quarterly update to Rider SCR included actual expenses through December 31, 2022, Staff conducted its annual audit to review all expenses charged to this Rider during the year 2022.

On February 28, 2023, the Company re-filed the SCR because "outdated information was submitted with that Application."<sup>2</sup> The revised quarterly SCR calculated \$26,457 in total expenses to be recovered. The Company continued to set the rates for this Rider to zero for both residential and non-residential customers for the revised filing, deferring the recovery of these expenses through this filing. The

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<sup>1</sup> Case No. 23-0092-EL-RDR, Application dated January 27, 2023, pg. 3.

<sup>2</sup> Case No. 23-0092-EL-RDR, Application dated February 28, 2023, pg. 1.

Company originally set their rates to zero in the filing effective December 1, 2022.<sup>3</sup> The previous residential rate in effect was \$0.24 per month<sup>4</sup>, and the previous non-residential rate in effect was \$1.22 per month.

During 2022, rebates were paid for the installation of 35 Level 2 charging stations and 16 DC Fast Charging stations, all occurring before the sunset date of the rider.

## STAFF REVIEW AND RECOMMENDATIONS

In its review, Staff examined the as-filed schedules for consistency with the Commission's Opinion and Order establishing the Smart City Rider and to ensure that proper accounting and regulatory treatment was applied. The audit consisted of a review of the application, tariff sheets, and supporting work papers to confirm the prudence of expenses incurred during the review period and to confirm mathematical accuracy. Staff conducted this audit through a combination of document review, interviews, interrogatories, and on-site physical inspections.

Staff's audit of the rider included a review of how the Gross Revenue Conversion Factor (GRCF) was applied within this filing. As a result of this review, Staff found that the GRCF was applied twice to the Over/Under Collection. Staff notes that in SCR filings, expenses are initially grossed up for GRCF in the "All Filing Information Tab." On Schedule 1 of the SCR, the grossed-up expenses have revenues subtracted to calculate the Over/Under collection amount. However, this Over/Under collection amount is improperly grossed up by the GRCF given it was already grossed up in the "All Filing Information Tab." Therefore, Staff recommends that the Company remove the Gross Up Factor from the calculation of the Over/Under Collection, which results in a reduction of \$69 from the total Over/Under Collection and revenue requirement.

During its review of test year expenses, Staff found that the Company had included several expenses that occurred after the April 25, 2022 sunset date and are therefore inappropriate to be recovered through this rider. Staff found an order from a vendor, that, according to the invoice, was shipped on May 26, 2022, which is after the sunset date of cost authorization for the rider. Therefore, Staff recommends the removal of this cost, totaling \$209,857. Staff also found three invoices from another vendor, totaling \$12,903, for services provided after the sunset date. The three invoices that Staff found for services provided after the sunset date of cost authorization were for the amounts of \$2,416, \$6,871, and \$3,617. Therefore, Staff recommends the removal of the three invoices, totaling \$12,903, from the rider. The total impact of Staff's adjustments to test year expenses is a reduction of \$223,341, including the impact of the GRCF on these expenses.

During the previous annual audit, in Case No. 22-0071-EL-RDR, the Company identified \$162.88 in transactions that should not have been included in this rider and committed to removing these expenses from the SCR filing for the first quarter of 2022. Staff verified that these expenses were properly removed through a reduction to the July 2022 expenses included in this rider, in compliance with the Commission Order in Case No. 22-0071-EL-RDR.<sup>5</sup>

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<sup>3</sup> Case No. 22-1010-EL-RDR, Application dated October 27, 2022, pg. 5.

<sup>4</sup> Case No. 22-0737-EL-RDR, Application dated August 1, 2022, pg. 6.

<sup>5</sup> Case No. 22-0071-EL-RDR, Commission Order dated July 26, 2023, pg. 4.

Staff has completed its review of the filing and recommends a total revenue requirement reduction to the SCR of \$223,410, which is a combination of the impact of the adjustment to expenses and the removal of the Gross Revenue Conversion Factor from the calculation of the Total Over/Under Collection.

**This foregoing document was electronically filed with the Public Utilities  
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**in**

**Case No(s). 23-0092-EL-RDR**

Summary: Staff Review and Recommendation of the 2023 AEP Smart City Rider filings electronically filed by Mr. James W Schweitzer on behalf of PUCO Staff.