Public Utilities Commission

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Mike DeWine, *Governor* Jon Husted, *Lt. Governor* Jenifer French, *Chair*

February 13, 2024

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 to Update the Energy Efficiency Rider and Peak Demand Reduction Rider, Case No. 19-1109-EL-RDR.*

Dear Docketing Division:

Enclosed please find the Review and Recommendations of the Staff of the Public Utilities Commission of Ohio (Staff) in the Matter of the In the Matter of the Application of Ohio Power Company to Update the Energy Efficiency Rider and Peak Demand Reduction Rider, Case No. 19-1109-EL-RDR.

Tammy Turkenton, Director
Public Utilities Commission of Ohio

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Ohio Power Company

Energy Efficiency and Peak Demand Reduction Rider

Case No. 19-1109-EL-RDR

OVERVIEW

On May 15, 2019, Ohio Power Company d/b/a AEP Ohio (AEP or the Company) filed Case No. 19-1109-EL-RDR requesting approval to adjust its Energy Efficiency and Peak Demand Reduction Rider (Rider EE-PDR) rate in order to recover costs related to statutory energy efficiency mandates. The amount AEP seeks to recover includes 2018 actual program and capital costs, 2018 through 2020 forecasted program costs, capital costs, shared savings incentives, and other costs.

STAFF REVIEW

Staff audited the revenues and expenses associated with the Company's Rider EE-PDR to verify that incurred costs were prudent, eligible for recovery, and truly incremental to base rates. Staff also examined filed schedules for accuracy, completeness, occurrence, presentation, valuation and allocation. Staff conducted this audit through a combination of document reviews, interviews, and interrogatories and requested documentation as needed until it was either satisfied that the costs were substantiated or concluded that an adjustment was warranted.

During its review, Staff identified operation and maintenance (O&M) expenses totaling $300,008 that should be deducted from the proposed Rider EE-PDR cost recovery amount. The following generally describes Staff's recommended adjustments.

Incentives

Staff identified $238,692 in bonus incentives. Staff believes that these costs should not be recovered from customers since the criteria used to determine the amount of the bonus incentive was not specific to energy efficiency. For example, part of the bonus incentive contained safety criteria, such as safety meetings, safety walks, etc., which are items that are important to providing distribution service but are not related to the components allowed for recovery in the EER mechanism. Therefore, Staff recommends removal of the $238,692 in expenses from the EER.

Miscellaneous Expenses

Staff identified $56,458 in expenses related to clothing, gifts, awards, and miscellaneous repairs as Staff believes these expenses were not beneficial to Ohio's ratepayers and should be borne by the Company or its employees. Additionally, Staff recommends removal of $3,015 associated with energy efficiency award event at a banquet and conference center and $1,843 associated with a Leadership Ohio conference as Staff considers these expenses as going beyond the scope of expenses that are intended for recovery through the rider. In total Staff recommends removal of $61,316 from Rider EE-PDR.

Shared Savings Review

Staff has reviewed the revenue collected through Rider EE-PDR for the Companies' 2018 shared savings and has confirmed the amount collected was appropriate and was at or below the cap of $20 million after tax annually, as approved in Case 15-0574-EL-POR.

CONCLUSION

Staff has completed its audit in Case No. 19-1109-EL-RDR and recommends that the application be approved with an adjustment of $300,008 including any applicable carrying charges, be returned to customers via a one-month credit as part of a final reconciliation rate in the current rider, then the rider should sunset and set to zero.