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OCC EXHIBIT ____

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Self-Complaint of Columbus Southern Power Company and Ohio Power Company Regarding the Implementation of Programs to Enhance Distribution Service Reliability.	)))))	Case No. 06-222-EL-SLF

TESTIMONY
OF
KAREN J. HARDIE

ON BEHALF OF
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL
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Dated: January 19, 2007

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I. INTRODUCTION

Q1. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND POSITION.

A1. My name is Karen J. Hardie. My business address is 10 West Broad Street, Suite 1800, Columbus, Ohio 43215-3485. I am employed by the Office of the Ohio Consumers' Counsel ("OCC") as a Principal Regulatory Analyst.

Q2. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL HISTORY.

A2. I received an Associate degree in Accounting from Columbus Technical Institute (now known as Columbus State Community College) in June of 1978.

I have been with the OCC since August of 1981. I have worked closely with consultants and OCC staff in making detailed analyses of policy and accounting issues in various cases. In addition, I direct and participate in research and investigation of utility companies' operations.

Q3. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THIS COMMISSION?

A3. Yes. I have prepared and presented testimony in several rate cases and other proceedings. Attachment KJH-1 provides a list of these cases.

II. PURPOSE OF TESTIMONY

Q4. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A4. I provide information showing that Columbus Southern Power ("CSP") and Ohio Power ("OPC") (collectively "the Companies" or "AEP Ohio") have not expended appropriate amounts under rates authorized in their last rate cases for the maintenance of their distribution facilities. Based on advice of counsel, I understand that AEP Ohio must provide efficient, sufficient and adequate facilities at just and reasonable rates.[1] As OCC witness Peter Lanzalotta's testimony shows, the reliability of the Companies' distribution service is inadequate. AEP Ohio's customers have been paying the Companies to maintain their distribution facilities, and customers should not now be held responsible for the Companies' failure to do so. AEP Ohio's customers should not be required to pay higher rates in order to fund the Companies' promise that reliability will improve if rates increase. AEP Ohio should be held accountable for not maintaining its distribution facilities. The Commission should order AEP Ohio to use the money that it has been collecting but not spending on distribution maintenance before considering any request for additional ratepayer funding.

On October 6, 2006, AEP Ohio filed an Enhanced Distribution Service Reliability Plan ("Plan") that does not address the reporting of actual program costs or tracking and measuring the effectiveness of the Plan's programs. I recommend

[1] Ohio Revised Code §§ 4905.22 and 4909.152.

that AEP Ohio be ordered to prepare and docket periodic status reports on its efforts to improve distribution reliability, whether those efforts are undertaken according to its Plan or according to other directives by the Commission. AEP Ohio's proposals are noticeably inadequate regarding the Companies' accountability for improving reliability. AEP Ohio should provide information such as the progress of each reliability program and the effectiveness of each program in improving its reliability. AEP Ohio should be required to prepare reports which track the costs of its reliability improvement programs so that AEP Ohio can more readily be held accountable for its actions. These reports should be filed and docketed with the Public Utilities Commission of Ohio ("Commission" or "PUCO").

Additionally, whether or not the Commission grants AEP Ohio's request for a Reliability Cost Recovery Rider ("Rider"), an enforcement mechanism (such as a self-effectuating penalty[2]) should be implemented.

Finally, my testimony has important implications for the $10 million forfeiture ordered by the Commission in Case No. 03-2570-EL-UNC which dealt with AEP Ohio's failure to meet its reliability obligations under a stipulation signed with the Commission staff and adopted by the Commission.[3] This forfeiture will not have

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[2] A self-effectuating penalty can be thought of as a "self-executing" penalty such that the penalty becomes immediately effective without further action.

[3] *In the Matter of a Settlement Agreement between the Staff of the Public Utilities Commission of Ohio and Columbus Southern Power Company and Ohio Power Company*, Case No. 03-2570-EL-UNC ("03-2570"), Finding and Order at 5-6 (July 26, 2006).

a real affect on the Companies' service reliability to customers if AEP Ohio continues to set funding levels for its distribution maintenance expenses below those that are available to it in existing rates. The $10 million will have no impact unless the Commission directs AEP Ohio to reach specified spending levels. Otherwise, the "forfeiture" could be spent on activities that have no impact on or relationship to improving distribution reliability service to AEP Ohio customers.

Q5. WHAT DOCUMENTS HAVE YOU REVIEWED IN THE PREPARATION OF YOUR TESTIMONY?

A5. I have reviewed the reports by the PUCO staff in PUCO Case No. 03-1570-EL-UNC ("2003 Staff Report"), the Staff report in the present case ("2006 Staff Report"), the Companies' May 23, 2006 response to the 2006 Staff Report, the Companies' responses to OCC discovery, as well as to PUCO staff inquiries, AEP Ohio's Plan, the Companies' testimony, and Entries and Orders filed in this docket.

III. DISTRIBUTION CAPITAL EXPENDITURES AND MAINTENANCE EXPENSES

A. *The Companies have not been spending the money that is currently being collected in rates for distribution maintenance expenses.*

Q6. WHAT AMOUNTS HAVE THE COMPANIES BEEN RECOVERING IN RATES FOR ANNUAL DISTRIBUTION MAINTENANCE EXPENSE?

A6. CSP was authorized in Case No. 91-418-EL-AIR ("91-418")[4] to recover $28,850,000 annually from its customers and OPC was authorized in Case No. 94-996-EL-AIR ("94-996")[5] to recover $37,189,000 annually from its customers for distribution maintenance expenses.[6] CSP's rates from the 91-418 case became effective in 1992 and OPC's rates from the 94-996 case became effective in 1995.[7]

Q7. WHAT ARE THE COMPANIES' ACTUAL EXPENDITURES FOR DISTRIBUTION MAINTENANCE SINCE THE EFFECTIVE DATES FOR CURRENT RATES?

A7. I have prepared two schedules providing this information which are attached to this testimony as Schedules KJH-1 and KJH-2. As can be seen from these schedules, the annual distribution maintenance expenses for CSP and OPC were less than the amount that was authorized in the last rate cases until 2003. CSP's

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[4] 2003 Staff Report at 5.

[5] Id. at 6.

[6] Id. at 5-6.

[7] Id.

customers overpaid a net amount of $59,725,000 over 14 years and OPC's customers overpaid a net amount of $36,883,000 over 11 years for the Companies' distribution maintenance expenditures. Thus, the total AEP Ohio under-spending on distribution facilities maintenance in Ohio for the period since rates were last set through 2005 is more than $96.6 million.

Since 2003 the Companies' annual distribution maintenance expenses have been higher than the amounts authorized from the last rate cases. In 2004, CSP's expenses increased dramatically (by 58%) over 2003 expense levels. OPC experienced its largest level of distribution maintenance expense in 2003 when expenses shot up 41% over 2002 levels.

Q8. WHAT HAVE YOU OBSERVED REGARDING THE TIMING OF THE COMPANIES' RECENTLY INCREASED LEVEL OF SPENDING ON THEIR DISTRIBUTION SYSTEMS?

A8. These increased levels of expenditures coincide with the PUCO staff's investigation into AEP Ohio's service reliability and OCC's request for an investigation. An initial Staff report regarding AEP Ohio's provision of electric service is dated March 26, 2003. A second Staff report, which I previously identified as the 2003 Staff Report, is dated May 1, 2003 and was filed with the stipulation in the 03-2570-EL-UNC case. The 2006 Staff Report was filed on April 17, 2006. For distribution maintenance expenses, it appears that AEP Ohio spends the amounts it is collecting from customers through rates only when regulatory oversight increases.

Q9. IS AEP OHIO REQUESTING THAT DISTRIBUTION RATES BE INCREASED TO RECOVER AMOUNTS THAT MAY BE SPENT ON DISTRIBUTION SYSTEM RELIABILITY?

A9. Yes. CSP and OPC are asking the PUCO to approve rate increases that the Companies believe would allow them to collect from customers an additional $71.2 million in revenues over 18 months to correspond to implementation of the Companies' Plan.[8] This increase in revenues would come through the Rider as described in the Plan and by AEP Ohio witnesses Roush and Jensen.

Q10. SHOULD THE COMPANIES BE ALLOWED TO RECOVER THE AMOUNTS THAT THEY HAVE EXPENDED SINCE 2003 THAT ARE GREATER THAN THE AMOUNT THAT WAS AUTHORIZED IN THE LAST RATE CASES?

A10. No. Schedule KJH-1 shows that CSP spent more than the amount that was authorized in its last rate case by $19.5 million[9] in 2003 through 2005. However, CSP *under-spent* the amount that was authorized in its last rate case by more than $79.2 million during the 1992 through 2002 time period -- a net under-spending of $59.7 million. Schedule KJH-2 shows that OPC spent more than the amount

[8] See Roush DMR Exhibit 2, page 4 ($28.4 million) and page 7 ($42.8 million).

[9] $38,000 (2003) + $16.8 million (2004) + $2.7 million (2005) = $19.5 million.

that was authorized in its last rate case by $31.8 million[10] in 2003 through 2005. OPC also *under-spent* the amount that was authorized in its last rate case by more than $68.7 million during the 1995 through 2002 time period -- a net under-spending of approximately $36.9 million.

Thus, AEP Ohio has under-spent a total of $96.6 million for distribution maintenance expenses. However, AEP Ohio's Rider is designed to recover $71.2 million in additional funds from customers. As noted above the Commission should not consider AEP Ohio's request for a rider until it has spent the $106.6 million that it currently "owes" its customers ($96.6 million of under-spending plus the $10 million penalty from 03-2570).

B. *The Companies have not been spending the amounts they budgeted for capital additions to distribution facilities.*

Q11. FOR WHICH YEARS WERE YOU ABLE TO REVIEW AEP OHIO'S DISTRIBUTION CAPITAL BUDGETS?

A11. I was limited to reviewing budget information for years 2001 to the present. In discovery OCC asked the Companies for capital expenditure budgets for distribution facilities for 2000 through 2006 to date. The Companies' response was that no data was available prior to 2002; figures for 2002 through February 2006 were provided.[11] In another interrogatory, OCC asked for capital

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[10] $2.3 million (2003) + 13.4 million (2004) + $16.1 million (2005) = $31.8 million.

[11] See OCC Interrogatory No. 76, 2nd Set (Attachment KJH-2).

expenditure budgets for the years 1995 through 1999. The Companies' response stated to see the response to OCC Interrogatory 76.[12]

Q12. HOW HAVE THE COMPANIES' CAPITAL EXPENDITURES FOR DISTRIBUTION FACILITIES CHANGED SINCE 2001?

A12. As shown on Schedules KJH-1 and KJH-2 the capital expenditures for distribution facilities followed almost the same pattern as the capital budgets and maintenance expenses. The Companies waited until the 2003-2004 timeframe to increase their spending. CSP's capital expenditures decreased by 11% between 2001 and 2002 and OPC increased its capital expenditures by less than 1% (0.62%) in 2002. By 2005, CSP's capital expenditures had increased by $27 million over expenditures in 2001 (a 68% increase) with the bulk of the increase occurring in 2004 and 2005. By 2005, OPC's capital expenditures had increased by almost $33 million over expenditures in 2001 with 2004 experiencing the greatest increase (28% over 2003 expenditures).

Q13. HOW HAVE THE COMPANIES' CAPITAL BUDGETS FOR DISTRIBUTION FACILITIES CHANGED SINCE 2001?

A13. The distribution facilities capital budgets for both CSP and OPC declined from 2001 to 2004.[13] In 2001, CSP budgeted $78 million and in 2003 the budget fell to $57 million -- a $21 million (27%) decline. OPC's budget was $64 million in 2001 and approximately $49 million in 2003 -- a $15 million (24%) reduction. In

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[12] See OCC Interrogatory No. 131, 4th Set (Attachment KJH-3).

[13] See Schedules KJH-1 and KJH-2.

2004 the distribution facilities capital budgets for both companies increased. CSP's budget increased by almost 14% over the 2003 budget, but still was more than $13 million less than the 2001 budget. OPC's 2004 budget increased by almost 27% over the 2003 budget, and was close to the 2001 budget ($1.8 million lower). The budgets for 2005 were the highest of the five years (2001-2005). CSP's budget climbed to $82 million -- a $25 million (44%) increase over the lowest budget ($57 million in 2003). OPC's budget grew the most -- an increase of almost $40 million (81%) over the lowest budget ($49 million in 2003).

Q14. HAVE CSP AND OPC BEEN EXPENDING THE AMOUNTS THEY BUDGETED FOR CAPITAL ADDITIONS?

A14. No. According to the Companies' ESSS Rule 26 reports, neither CSP nor OPC have spent the amounts these Companies' budgeted for capital additions since 2001. As shown on Schedule KJH-1, CSP spent less than budgeted for capital expenditures by $20 million (25.7%) in 2001. Between 2001 and 2005, CSP's under-spending was $27.5 million (8%) in comparison to its capital budget for that period. As shown on Schedule KJH-2, OPC spent less than budgeted for capital expenditures by $13.5 million (21%) in 2001 and $11.6 million (18.6%) in 2002. However, OPC's capital expenditures exceeded its capital budget by 20% and 21% in years 2003 and 2004 respectively.

Q15. DO YOU HAVE ANY OTHER OBSERVATIONS ABOUT THE COMPANIES' CAPITAL BUDGETS?

A15. Yes. The ESSS Rule 26 Reports show distribution capital budgets as "planned" and "projected." The planned and projected budget amounts for CSP and OPC for 2003 through 2009 are shown on Schedule KJH-3. As shown on that schedule the projected budget amounts fluctuate wildly from year to year. These fluctuations are another indication of questionable budgeting processes and planning on the part of AEP Ohio.

IV. RATEMAKING PRINCIPLES SHOULD BE APPLIED TO AEP OHIO'S APPLICATION

Q16. ARE THERE RATEMAKING PRINCIPLES AND PRACTICES THAT SHOULD BE APPLIED TO AEP OHIO'S APPLICATION?

A16. Yes. Basic ratemaking principles that have been used in Ohio for decades should not be cast aside because the Companies filed this case as a self-complaint. AEP Ohio proposes to seek recovery through the Rider of items that would conflict with basic ratemaking principles if they were considered in the context of a distribution rate case in Ohio. A distribution rate case is the proper forum for a full and complete review of distribution maintenance expenses. The Companies' requested treatment of these items should not be adopted by the Commission.

Q17. WHAT RATEMAKING PRINCIPLES AND PRACTICES SHOULD BE APPLIED TO AEP OHIO'S APPLICATION?

A17. The Companies propose that entirely projected operating and maintenance ("O&M") expense and capital expenditure amounts be recovered in the Rider. The Commission's standard filing requirements state that the utility must provide actual valuation data and operating income statements which include no less than three months of actual data.[14] AEP Ohio should file updated actual O&M expense and capital expenditure information for each reliability improvement program which the Commission may order be implemented. This information should be part of the evaluation and monitoring that I discuss below.

AEP Ohio witness Roush recommends that the weighted average cost of capital ("WACC") be adjusted every month. It is ironic that AEP Ohio proposes to update the cost of capital every month but does not propose making the same adjustment for O&M expense and capital expenditure amounts. The cost of capital in a rate case is determined as of a certain time period. The Commission's instructions for rate of return information to be included in a standard rate case filing states that actual data as of the date certain must be filed within two months after the date of filing.[15] Thus, the Commission should not adopt AEP Ohio's recommendation to adjust the WACC every month.

[14] Appendix A, Section (A)(5)(d) to O.A.C. 4901-7-01.

[15] Appendix A, Section D to O.A.C. 4901-7-01.

V. EVALUATING THE RELIABILITY IMPROVEMENT PROGRAMS

A. *AEP Ohio does not indicate whether the effectiveness of the plan's programs will be measured or monitored.*

Q18. DOES AEP OHIO PROPOSE THAT THE PLAN INCLUDE PERFORMANCE MEASUREMENTS THAT WOULD INDICATE THE EFFECTIVENESS OF ITS PROPOSED PROGRAMS?

A18. No. AEP Ohio does not mention reviewing or monitoring the implementation of the Plan. This is confirmed in AEP Ohio's response to several PUCO staff data requests. For example, the responses to PUCO staff data requests 1.1 and 1.2 state that "until the work is performed, the level of system improvement cannot be estimated in any meaningful manner."[16] The responses to PUCO staff data requests 1.7 and 1.8 state that the "Company had not made projections of expected SAIFI and CAIDI" and the "actual impact on SAIFI and CAIDI … cannot be determined."[17]

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[16] See Attachment KJH-4.

[17] See Attachment KJH-5.

Q19. IF THE COMMISSION ORDERS AEP OHIO TO IMPLEMENT ANY RELIABILITY IMPROVEMENT PROGRAMS, SHOULD THE EFFECTIVENESS OF THESE PROGRAMS BE EVALUATED AND MONITORED?

A19. Yes. These programs should be evaluated in order to determine whether the programs are indeed improving service reliability for customers. The decline in the reliability of AEP Ohio's service to customers during the pendency of the 03-2570 case illustrates why any reliability improvement programs that AEP Ohio may be ordered to implement should be monitored and evaluated. Even though AEP Ohio claims to have spent $60.5 million in incremental expenses in order to improve service reliability,[18] the Commission found that AEP Ohio's reliability actually decreased since it failed to meet the terms of the stipulation.[19] OCC witness Lanzalotta's testimony discusses the specifics of how AEP Ohio's reliability has declined.

Additionally, if the Commission grants AEP Ohio's request for the Rider (which I am recommending against), an enforcement mechanism (such as a self-effectuating penalty[20]) should be part of the reliability programs. The need for such a mechanism is demonstrated by AEP Ohio's history of under-spending for

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[18] Self-Complaint at 2.

[19] Entry in 03-2570 dated February 6, 2006 at paragraph 6.

[20] See, e.g., the self-effectuating penalty system that was part of Ameritech's performance assurance plan in the SBC/Ameritech merger case. *In the Matter of the Joint Application of SBC Communications Inc., SBC Delaware, Inc., Ameritech Corporation, and Ameritech Ohio for Consent and Approval of a Change of Control*, Case No. 98-1082-TP-AMT, Stipulation and Recommendation at 9-14 (February 23, 1999).

distribution maintenance and capital expenditures as documented in the PUCO staff reports and my testimony in this case.

Q20. HAVE CSP AND OPC PREVIOUSLY BEEN ORDERED TO PROVIDE EVALUATION AND MONITORING REPORTS?

A20. Yes. In the 91-418 case, the Commission granted CSP's proposal to increase its tree trimming budget and to implement additional quality of service programs. CSP was ordered to report on the success in meeting the objectives for each program. The Commission also required CSP to prepare semiannual reports in order to show that the additional money granted for these programs was being spent as intended.[21]

In Case No. 85-726-EL-AIR, OPC was granted an additional allowance to increase its budget for painting of its steel towers and for inspecting and treating its wood poles. The Commission required OPC to make quarterly reports to show that the allowance was being spent as intended.[22] PUCO staff was ordered to inform OPC what information was to be included in the reports.

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[21] 91-418 Opinion and Order at 65-66 (May 12, 1992).

[22] *In the Matter of the Application of Ohio Power Company to Increase Certain of its Filed Schedules Fixing Rates and Charges for Electric Service,* Case No. 85-726-EL-AIR, Opinion and Order at 45-46 (July 10, 1986).

B. ***AEP Ohio should be required to docket periodic status reports on the implementation of any commission ordered reliability improvement programs.***

Q21. IF THE COMMISSION ORDERS AEP OHIO TO IMPLEMENT ANY RELIABILITY IMPROVEMENT PROGRAMS, SHOULD AEP OHIO BE REQUIRED TO DOCKET PERIODIC STATUS REPORTS AS THESE PROGRAMS ARE IMPLEMENTED?

A21. Yes. I recommend that AEP Ohio be ordered to prepare and docket periodic (i.e., monthly or quarterly) status reports on the implementation of the reliability improvement programs. This is especially important if AEP Ohio is permitted to charge its customers for "enhanced" reliability (though I recommend against allowing the Companies to make customers pay such a charge). Without periodic status reports, AEP Ohio's customers will not know whether the increased revenues they are paying through the Rider are actually being spent on improving service reliability. Additionally, at the end of the 5-year Plan only AEP Ohio will know whether the programs were successful or not in "enhancing" reliability, unless there is a sharing of information. Five years is a long time to be paying for programs that may turn out to be ineffective. Additionally, as noted above, CSP and OPC have performed such reporting in the past.

As noted above, AEP Ohio does not propose that the implementation of the Plan be monitored or evaluated. This is disturbing since AEP Ohio states that the Plan is subject to change and that only PUCO staff will be informed of modifications to the Plan prior to any "significant" program changes.[23] Other stakeholders (including representatives of the customers that are supposed to be receiving the benefits of "enhanced" reliability) should not only be aware of any changes -- significant or not -- to the reliability improvement programs but should be given an opportunity to participate in discussions and decisions regarding changes in the reliability improvement programs.

Q22. DO YOU HAVE ANY OTHER COMMENTS ON WHY AEP OHIO SHOULD BE REQUIRED TO FILE PERIODIC STATUS REPORTS AS THE RELIABILITY IMPROVEMENT PROGRAMS ARE IMPLEMENTED?

A22. Yes. Three examples show why AEP Ohio should file periodic status reports. First, the Plan proposes an Incremental Vegetation Management Program which would require additional resources during the ramp-up of the program and then, once the distribution system has been totally cleared and inventoried, AEP Ohio expects the number of tree crews to decrease.[24] Second, the Plan proposes that an Incremental Overhead Line Inspection Program be implemented with work that would range from no action to full structure, hardware and equipment replacement.[25] Third, the proposed advanced meter infrastructure ("AMI")

[23] See the Plan at 48 and Jensen Testimony at 6.

[24] Plan at 23.

[25] Id. at 24.

program is severely lacking in detail and specifics which is particularly troubling since the range of direction AEP Ohio could take is broad on this subject.[26]

Periodic status reports will provide the progress of each program like these three so that stakeholders will know whether (and when) the distribution system is totally cleared and inventoried, whether (and when) the number of tree crews has decreased, whether or not resulting action was taken on the Incremental Overhead Line Inspection Program and whether the AMI program is providing the benefits that are described in the Plan. Periodic status reports are needed since the Plan's descriptions of the other programs are similarly vague as to specific details of how each program will be carried out.

Q23. WHAT INFORMATION SHOULD BE INCLUDED IN PERIODIC STATUS REPORTS?

A23. These reports should provide information such as the progress of each reliability program ordered by the Commission (i.e., any problems encountered or emerging issues identified), the effectiveness of each program in improving AEP Ohio's reliability for service to customers and tracking of the actual O&M expense and capital expenditure costs for each program such that its customers can be assured that they are getting the "enhanced" reliability that they are paying for. This information should be provided in a format similar to the information that AEP

[26] Id. at 45. OCC witness Gonzalez provides information on the deficiencies in the proposed AMI program.

Ohio provided in response to PUCO staff Data Request 3 and in AEP Ohio's Final Report in the 03-2570 case.

Tracking the cost of each of the reliability improvement program is especially necessary if AEP Ohio is permitted to implement a rate increase in the form of its proposed Rider. As discussed previously, AEP Ohio is proposing that only projected expense amounts be used and that the WACC be updated monthly using "the then most recent available information when determining actual costs."[27] Thus, it appears that the actual costs that would be collected from customers through the Rider may vary or fluctuate each month. Stakeholders should be assured there is a mechanism and process by which these actual costs will be monitored and reviewed. AEP Ohio might even try to request an increase to the Rider if actual costs are higher than the current projected costs. Stakeholders will be aware of this situation well before AEP Ohio makes such a request if the reliability improvement program's costs are monitored. Moreover, stakeholders should be aware of whether such a Rider is over-collecting AEP Ohio's costs.

VI. SUMMARY AND CONCLUSION

Q24. PLEASE SUMMARIZE YOUR TESTIMONY AND RECOMMENDATIONS.

A24. The Commission should not grant AEP Ohio's request for the Rider. CSP and OPC have not expended appropriate amounts under rates authorized in their last rate cases for the maintenance of their distribution facilities. AEP Ohio's

[27] Roush Testimony at 5.

customers should not be required to pay higher rates in order to fund the Companies' promise that reliability will improve if rates increase.

The Commission should require AEP Ohio to expend the money that it has already collected from customers to improve its distribution reliability. In the event the Commission requires AEP Ohio to implement programs to improve distribution service reliability, I recommend that AEP Ohio be ordered to prepare and docket periodic status reports on its efforts to improve distribution reliability. These reports should provide information such as the progress of each reliability program and the effectiveness of each program in improving AEP Ohio's reliability. AEP Ohio should also be required to prepare reports which track the costs of its reliability improvement programs so that AEP Ohio can more readily be held accountable for its actions. These reports should be filed and docketed in the instant case. Additionally, whether or not the Commission grants AEP Ohio's request for the Rider, an enforcement mechanism (such as a self-effectuating penalty) should be part of any reliability improvement program(s).

Q25. DOES THIS CONCLUDE YOUR TESTIMONY?

A25. Yes. However, I reserve the right to modify, amend, or add to this testimony based on additional information that may become available.

Columbus Southern Power
Distribution System/Facilities
Capital Budget, Capital Expenditures and Maintenance Expenses
($ in thousands)

			$ Annual Difference	% Annual Difference	$ Difference Budget vs. Expenditures	% Difference Budget vs. Expenditures
Capital Budget (a)						
2001	78,420	(b)			-20,120	-25.66%
2002	62,014	(b)	(16,406)	-20.92%	-10,161	-16.39%
2003	57,174	(c)	(4,840)	-7.80%	-4,318	-7.55%
2004	65,100	(e)	7,926	13.86%	3,900	5.99%
2005	82,300	(e)	17,200	26.42%	3,200	3.89%
Total	345,008		3,880		-27,499	-7.97%
Capital Expenditures						
2001	58,300	(b)				
2002	51,853	(c)	(6,447)	-11.06%		
2003	52,856	(d)	1,003	1.93%		
2004	69,000	(e)	16,144	30.54%		
2005	85,500	(f)	16,500	23.91%		
Total	317,509		27,200	68.19%		

			$ Annual Difference	% Annual Difference	$ Difference from Base Rates	% Difference from Base Rates
Maintenance Expenses						
Last Rate Case	28,850	(g)				
1992	18,648	(h)			(10,202)	-35.36%
1993	20,715	(h)	2,067	11.08%	(8,135)	-28.20%
1994	22,521	(h)	1,806	8.72%	(6,329)	-21.94%
1995	22,185	(h)	(336)	-1.49%	(6,665)	-23.10%
1996	21,425	(h)	(760)	-3.43%	(7,425)	-25.74%
1997	22,119	(h)	694	3.24%	(6,731)	-23.33%
1998	20,003	(h)	(2,116)	-9.57%	(8,847)	-30.67%
1999	22,495	(h)	2,492	12.46%	(6,355)	-22.03%
2000	25,867	(i)	3,372	14.99%	(2,983)	-10.34%
2001	19,882	(i)	(5,985)	-23.14%	(8,968)	-31.08%
2002	22,273	(i)	2,391	12.03%	(6,577)	-22.80%
2003	28,888	(i)	6,615	29.70%	38	0.13%
2004	45,633	(i)	16,745	57.97%	16,783	58.17%
2005	31,521	(i)	(14,112)	-30.92%	2,671	9.26%
Total	344,175		12,873	3.74%	(59,725)	-207.02%

Footnotes:

(a) - Amounts shown are "planned." See Schedule KJH-3 for the "projected" figures.

(b) - per AEP Rule 26 filing dated March 28, 2002 at page 4.

(c) - per AEP Rule 26 filing dated March 31, 2003 at page 4.

(d) - per AEP Rule 26 filing dated March 31, 2004 at page 5.

(e) - per AEP Rule 26 filing dated March 31, 2005 at page 2.

(f) - per AEP Rule 26 filing dated March 31, 2006 at page 10.

(g) - per May 2003 Staff Report. AEP Ohio's response to OCC Interrogatory 95 states that annual distribution expense in last rate case (91-418) was $21,967,000.

(h) - per FERC Form 1.

(i) - per FERC Form 1. Also see AEP Ohio supplemental response to OCC Interrogatory No. 198.

Ohio Power
Distribution System/Facilities
Capital Budget, Capital Expenditures and Maintenance Expenses
($ in thousands)

			$ Annual Difference	% Annual Difference	$ Difference Budget vs. Expenditures	% Difference Budget vs. Expenditures
Capital Budget (a)						
2001	64,264	(b)			-13,501	-21.01%
2002	62,729	(b)	(1,535)	-2.39%	-11,653	-18.58%
2003	49,224	(c)	(13,505)	-21.53%	9,854	20.02%
2004	62,400	(e)	13,176	26.77%	13,400	21.47%
2005	89,200	(e)	26,800	42.95%	-5,600	-6.28%
Total	327,817		24,936		-7,500	-2.29%
Capital Expenditures						
2001	50,763	(b)				
2002	51,076	(c)	313	0.62%		
2003	59,078	(d)	8,002	15.67%		
2004	75,800	(e)	16,722	28.30%		
2005	83,600	(f)	7,800	10.29%		
Total	320,317		32,837	60.72%		

					$ Difference from Base Rates	% Difference from Base Rates
Maintenance Expenses						
Last Rate Case	37,189	(g)				
1994	31,419	(h)				
1995	32,002	(h)	583	1.86%	(5,187)	-13.95%
1996	30,223	(h)	(1,779)	-5.56%	(6,966)	-18.73%
1997	28,368	(h)	(1,855)	-6.14%	(8,821)	-23.72%
1998	30,882	(h)	2,514	8.86%	(6,307)	-16.96%
1999	26,124	(h)	(4,758)	-15.41%	(11,065)	-29.75%
2000	26,405	(i)	281	1.08%	(10,784)	-29.00%
2001	26,885	(i)	480	1.82%	(10,304)	-27.71%
2002	27,965	(i)	1,080	4.02%	(9,224)	-24.80%
2003	39,460	(i)	11,495	41.10%	2,271	6.11%
2004	50,595	(i)	11,135	28.22%	13,406	36.05%
2005	53,287	(i)	2,692	5.32%	16,098	43.29%
Total	403,615		21,868		(36,883)	-99.18%

Footnotes:

(a) - Amounts shown are "planned." See Schedule KJH-3 for the "projected" figures.

(b) - per AEP Rule 26 filing dated March 28, 2002 at page 4.

(c) - per AEP Rule 26 filing dated March 31, 2003 at page 4.

(d) - per AEP Rule 26 filing dated March 31, 2004 at page 5.

(e) - per AEP Rule 26 filing dated March 31, 2005 at page 2.

(f) - per AEP Rule 26 filing dated March 31, 2006 at page 14.

(g) - per May 2003 Staff Report. AEP Ohio response to OCC Interrogatory 97 states that last rate case (94-996) was settled and did not specify an amount.

(h) - per FERC Form 1.

(i) - per FERC Form 1. Also see AEP Ohio supplemental response to OCC Interrogatory No. 198.

Schedule KJH-3

CSP Distribution Capital Budget
Planned and Projected
per ESSS Rule 26 Reports

	Projected in 2002 Report	Planned in 2003 Report	Planned in 2004 Report
2003	58,560	57,174	57,174

	Projected in 2002 Report	Projected in 2003 Report	Planned in 2004 Report	Planned in 2005 Report
2004	65,895	69,649	65,090	65,100

	Projected in 2002 Report	Projected in 2003 Report	Projected in 2004 Report	Planned in 2005 Report	Planned in 2006 Report
2005	56,175	64,898	66,133	82,300	89,200

	Projected in 2003 Report	Projected in 2004 Report	Projected in 2005 Report	Planned in 2006 Report
2006	65,529	68,205	89,100	80,900

	Projected in 2004 Report	Projected in 2005 Report	Projected in 2006 Report
2007	70,069	90,700	101,100

	Projected in 2005 Report	Projected in 2006 Report
2008	93,300	87,100

	Projected in 2006 Report
2009	92,500

OP Distribution Capital Budget
Planned and Projected
per ESSS Rule 26 Reports

	Projected in 2002 Report	Planned in 2003 Report	Planned in 2004 Report
2003	63,296	49,224	49,224

	Projected in 2002 Report	Projected in 2003 Report	Planned in 2004 Report	Planned in 2005 Report
2004	59,353	52,198	62,350	62,400

	Projected in 2002 Report	Projected in 2003 Report	Projected in 2004 Report	Planned in 2005 Report	Planned in 2006 Report
2005	55,383	52,488	71,806	89,200	89,200

	Projected in 2003 Report	Projected in 2004 Report	Projected in 2005 Report	Planned in 2006 Report
2006	53,177	66,758	72,200	74,100

	Projected in 2004 Report	Projected in 2005 Report	Projected in 2006 Report
2007	66,452	73,400	76,000

	Projected in 2005 Report	Projected in 2006 Report
2008	75,600	75,900

	Projected in 2006 Report
2009	72,300

VII. Testimony and Affidavits of Karen Hardie as of June 2006

March 25, 1982	United Telephone	81-627-TP-AIR
February 23, 1983	Central Telephone	82-636-TP-AIR
February 7, 1986	Cleveland Electric Illuminating	85-675-EL-AIR
December 14, 1989	Columbia Gas of Ohio	89-616-GA-AIR
October 15, 1990	Cincinnati Gas & Electric	90-390-EL-AIR
December 16, 1991	Columbus Southern Power	91-418-EL-AIR
December 18, 1991	Cincinnati Gas & Electric	91-410-EL-AIR
January 22, 1993	Ohio Energy Strategy Public Forum	
November 15, 1993	Western Reserve Telephone	93-230-TP-ALT
February 2, 1998	U.S. Telco	97-397-TP-ACE
September 20, 1999	Prepaid telephone providers – generic/public policy issues	98-1466-TP-ACE
December 28, 2000	Ameritech Ohio service quality	99-938-TP-COI
August 30, 2002	Sprint elective alternative regulation	02-2117-TP-ALT
October 29, 2002	CenturyTel elective alternative regulation	02-2612-TP-ALT
February 24, 2003	Before the FCC's Federal-State Joint Conference on Accounting on behalf of The National Association of State Utility Consumer Advocates (NASUCA)	
January 30, 2004	CenturyTel elective alternative regulation	04-62-TP-ALT
February 26, 2004	Implementation of the FCC's Triennial Review Regarding Local Circuit Switching in CBT's Mass Market (the Impairment Proceeding)	04-35-TP-ALT
October 4, 2004	FCC UNE unbundling proceeding – Affidavit	WC Docket 04-313/ CC Docket 01-338

COLUMBUS SOUTHERN POWER COMPANY'S AND OHIO POWER COMPANY'S RESPONSE TO OHIO CONSUMERS' COUNSEL DISCOVERY REQUESTS SECOND SET CASE NO. 03-2570-EL-UNC CASE NO. 06-222-EL-SLF

INTERROGATORY REQUEST

76. What were CSP's and OPC's capital expenditure budgets for distribution facilities for the following years:

a. 2000?
b. 2001?
c. 2002?
d. 2003?
e. 2004?
f. 2005?
g. 2006 to date?

RESPONSE:

AEP Ohio objects to providing the requested information for any year prior to 2002. Pre-2002 data is neither relevant nor likely to lead to the discovery of admissible evidence. Without waiving its objection, AEP Ohio provides pre-2002 data to the extent it is readily available. No data was available prior to 2002

	2002	2003	2004	2005	Feb 2006 YTD
CSP	45,505,481	50,144,284	54,157,115	75,183,218	10,589,167
OPCo	50,452,936	56,566,802	61,940,446	79,655,830	11,813,302

Prepared by: Matt Kyle

COLUMBUS SOUTHERN POWER COMPANY'S AND OHIO POWER COMPANY'S RESPONSE TO OHIO CONSUMERS' COUNSEL DISCOVERY REQUESTS
FOURTH SET
CASE NO. 03-2570-EL-UNC
CASE NO. 06-222-EL-SLF

INTERROGATORY REQUEST

131. Referring to the AEP response to OCC Interrogatory 76, what were CSP's and OPC's capital expenditure budgets for distribution facilities for each year between 1995 and 1999?

RESPONSE:

See response to OCC Interrogatory 76.

Prepared by: Matt Kyle

COLUMBUS SOUTHERN POWER COMPANY'S AND OHIO POWER COMPANY'S RESPONSE TO COMMISSION STAFF'S DISCOVERY REQUESTS FIRST SET CASE NO. 06-222-EL-SLF

DATA REQUEST 1.1 AND 1.2

Please estimate the incremental system SAIFI and CAISI impact of each program listed below after the first 5 years (as compared to performance immediately prior to program initiation), and describe in detail the methodology used to develop that estimate.

1. Incremental Vegetation Management Program
2. Incremental Overhead Line Inspection Program
3. Accelerated Equipment & Hardware Replacement Program
4. Incremental Recloser Protection Program
5. Incremental 34.5 kV Protection Program
6. Incremental Fault Indicator Program
7. Incremental Power Cable Program
8. Incremental URD Cable Program
9. Incremental Distribution Station Animal Mitigation Program
10. Incremental Distribution Station Breaker & Relay Replacement Program
11. Incremental Distribution Station Mobile Transformer Program
12. Incremental Distribution Automation Program
13. Accelerated SCADA Program
14. Advanced Meter Infrastructure Program

Please estimate the incremental system SAIFI and CAIDI impact of the Companies' Incremental Distribution Reliability Plan (as a whole) after the first 5 years (as compared to performance immediately prior to Plan initiation), and describe in detail the methodology used to develop that estimate. Make a separate estimate for each of the operating companies.

RESPONSE:

The Company is confident the customers' experience will significantly improve with the approval and implementation of the EDSR plan. The Company does not have a meaningful way of estimating the SAIFI and CAIDI impact of the programs listed in this question, individually or collectively. Some of these programs, for instance those programs numbered above 7 and 8, as well as 10 through 14, are designed to proactively address system performance rather than specific outage causes. Programs 2-6, as explained in the Introduction to the Company's responses, will be performed in a collective manner rather than as discrete programs. With respect to programs 1-6 and program 9, the improvements will be experienced on a circuit-by-circuit basis. Until the work is performed, the level of system improvement cannot be estimated in any meaningful manner. The Company anticipates gauging individual circuit improvements by comparing the performance prior to the work beginning to the performance after the work is completed. The work performed will address specific outage causes, while system indices are an aggregate of all outage causes, including those that can be mitigated as well as those that cannot.

**COLUMBUS SOUTHERN POWER COMPANY'S
AND OHIO POWER COMPANY'S RESPONSE
TO COMMISSION STAFF'S DISCOVERY REQUESTS
FIRST SET
CASE NO. 06-222-EL-SLF**

DATA REQUEST 1.7

In planning to perform the overhead line inspection program during each of the years 2000 through 2006, what was the expected impact on SAIFI and CAIDI, by operating company, by year, by indice?

RESPONSE:

The proposed overhead line inspection program is an incremental program and was not in place during years 2000 through 2006. Regarding the base overhead line inspection activities under ESSS Rule 27, the Company had not made projections of expected SAIFI and CAIDI.

**COLUMBUS SOUTHERN POWER COMPANY'S
AND OHIO POWER COMPANY'S RESPONSE
TO COMMISSION STAFF'S DISCOVERY REQUESTS
FIRST SET
CASE NO. 06-222-EL-SLF**

DATA REQUEST 1.8

In completing the overhead line inspection program during each of the years 2000 through 2006, what was the actual impact on SAIFI and CAIDI, by operating company, by year, by indice?

RESPONSE:

See response to 1.7. In addition, the actual impact on SAIFI and CAIDI associated with base overhead line inspection activities under ESSS Rule 27 cannot be determined.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the testimony of Karen J. Hardie by the Office of the Ohio Consumers' Counsel was served by first class United States Mail, postage prepaid, to the persons listed below, on this 19th day of January 2007.

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