

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)
Columbus Southern Power Company for)
Approval of its Electric Security Plan; an) Case No. 08-917-EL-SSO
Amendment to its Corporate Separation)
Plan; and the Sale or Transfer of Certain)
Generating Assets)

In the Matter of the Application of)
Ohio Power Company for Approval of its) Case No. 08-918-EL-SSO
Electric Security Plan; and an Amendment)
to its Corporate Separation Plan)

PREPARED TESTIMONY

Of

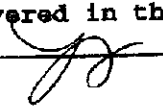
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RELIABILITY AND SERVICE ANALYSIS DIVISION
OF THE SERVICE MONITORING AND ENFORCEMENT DEPARTMENT
PUBLIC UTILITIES COMMISSION OF OHIO

STAFF EXHIBIT__

November 7, 2008

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1 1. Q. Please state your name and business address.

2 A. My name is Peter Baker. My address is 180 E. Broad Street, Columbus, Ohio
3 43215-3793.

4

5 2. Q. By whom are you employed?

6 A. I am employed by the Public Utilities Commission of Ohio.

7

8 3. Q. What is your present position with the Public Utilities Commission of Ohio
9 and what are your duties?

10 A. I am a section chief in the Reliability and Service Analysis Division of the
11 Service Monitoring and Enforcement Department. My section analyzes
12 reliability and service quality performance, and enforces reliability, service
13 quality, and consumer protection rules for electric, gas, and water utilities.
14 This includes analyzing and assessing the electric reliability and maintenance
15 performance of electric distribution utilities. My section also reviews the
16 general terms and conditions in the tariffs of electric, gas, and water utilities to
17 ensure compliance with consumer protection rules.

18

19 4. Q. Would you briefly state your educational background and work history?

20 A. I have bachelor's degrees in Psychology (1967) and Philosophy (1971) from
21 the University of Oklahoma, and a 1987 bachelor's degree in Business
22 Administration (with major in Accounting) from Franklin University. From
23 1972 to 1986, I was employed by Dowell Division of Dow Chemical

1 Company (an oil field service operation later called Dowell Schlumberger)
2 where I functioned as clerk/dispatcher and administrative assistant. In 1987, I
3 joined the PUCO, where I worked as an analyst and coordinator in the
4 Performance Analysis Division of the Utilities Department. In December of
5 1994, I was promoted to Administrator in the Consumer Services Department
6 (now called the Service Monitoring and Enforcement Department), and
7 assigned to the Compliance Division (now the Facilities and Operations Field
8 Division). In that capacity, I enforced electric, gas, and telephone service
9 quality, customer service, and consumer protection rules. In 1997, I was
10 transferred to the Service Quality and Analysis Division (now called the
11 Reliability and Service Analysis Division), and in 2000, I was promoted to my
12 current position and duties.
13

14 5. Q. What is the subject matter of your testimony in this case?

15 A. My testimony concerns distribution automation (DA) projects and the new
16 hospital net metering tariff (Schedule NEMS-H) that were proposed in this
17 case by Columbus Southern Power Company and Ohio Power Company
18 (collectively, the companies).
19

20 6. Q. Please describe what DA does.

21 A. DA involves the installation of switches (and other equipment) that would
22 activate automatically and/or remotely during certain outages and thereby
23 switch selected customers to another power source (usually another circuit).

1 Automated switches reduce the number of customers experiencing a sustained
2 interruption on the distribution circuit. Customers protected by automated
3 switching would experience momentary service interruptions instead of
4 sustained interruptions when faults occur on certain parts of the circuit. As an
5 example, during the time it takes a trouble crew to drive to a manual switch
6 and activate it, customers would experience a sustained interruption. With
7 automated switches, however, the crew would not have to drive to the switch,
8 since it would activate automatically in less than five minutes, thereby
9 avoiding a sustained interruption for those customers protected by the switch.
10 Automated switches would also reduce restoration time for customers not
11 protected by the switch. This is because the repair crew would not have to
12 take the time to physically move to an open switch to close it after repairing
13 the fault. Instead, the automated switch could be closed remotely, thus
14 reducing the duration of the interruption.

15
16 7. Q. Would automated switching protect all customers against all outages on a
17 circuit?

18 A. No. Whether a customer is protected depends on where that customer is
19 located in relationship to the fault and to the switches involved. Automated
20 switching also would not protect customers if the alternate power source were
21 out of service, which may occur in the event of a transmission or substation
22 outage.

1 8. Q. Do the companies already have an automated switching program?

2 A. Although the companies do have two DA projects in Ohio, they currently do
3 not have a DA program in operation in this state.¹
4

5 9. Q. What parts of the companies' ESP involve DA?

6 A. The companies include DA in their gridSMART Phase 1 proposal and also as
7 one of the initiatives in their Enhanced Service Reliability Plan.
8

9 10. Q. Where do the Companies plan to implement DA?

10 A. The DA for gridSMART Phase 1 would affect 70 circuits located in the
11 northeast area of central Ohio (in Columbus Southern Power's service
12 territory). By contrast, the DA outside of the gridSMART Phase 1 area would
13 affect only about 20 circuits in various localized areas (not yet identified)
14 scattered around both companies' service territories.
15

16 11. Q. What is the expected reliability impact of the companies' DA proposals?

17 A. For the seventy circuits in the area covered by gridSMART Phase 1, the
18 companies estimate that for the year following completion of the program,
19 SAIDI² performance will be reduced from 147 minutes (logged during 2007)
20 to 82 minutes, which represents a 44 percent improvement.³ By contrast, the

¹ See companies' response to Staff Data Request 3, Items 81 and 82

² SAIDI (System Average Interruption Duration Index) represents the average time each customer is interrupted.

³ See companies' response to Staff Data Request 3, Item 73

1 companies project no SAIDI performance improvement for the DA that would
2 be installed outside the gridSMART Phase 1 area.

3
4 12. Q. What are the estimated costs of the companies' DA proposals?

5 A. For the seventy circuits in the area covered by gridSMART Phase 1, the
6 companies estimate that implementing DA as planned will cost \$34,649,500.⁴
7 For circuits outside of the gridSMART Phase 1 area, the Companies estimate
8 a total DA cost of \$11.7 million.⁵

9
10 13. Q. How do the companies plan to recover the costs of these DA initiatives?

11 A. The companies propose to recover these costs by adjusting their current
12 distribution rates.

13
14 14. Q. Does Staff support the companies' proposal to install DA outside the
15 gridSMART Phase 1 area?

16 A. No. The program outside the gridSMART Phase 1 area would benefit only 20
17 circuits (1.5 percent of total circuits) spread across both companies. These
18 circuits have not been identified, and the companies therefore cannot project
19 the reliability improvement that is expected to result from those DA
20 installations. Staff therefore does not consider this plan to be a significant,
21 fully-developed modernization program with quantified benefits to customers.
22 If the companies would increase the number of circuits, and quantify the

⁴ See Karen Sloneker's testimony, Exhibit KLS-1

⁵ See Karl Boyd's testimony, Exhibit KGB-1

1 expected reliability improvement along with the estimated cost, Staff would
2 consider recommending approval of a special cost-recovery mechanism for a
3 DA program outside of the gridSMART Phase 1 area.
4

5 15. Q. Does Staff support DA portion of gridSMART Phase 1?

6 A. Yes. Staff believes the DA portion of gridSMART Phase 1 represents a
7 modernization program that benefits a significant number of circuits by
8 substantially improving their reliability performance. The seventy circuits
9 affected represent 12 percent of total Columbus Southern Power Company
10 circuits, for which the companies project a 44 percent reliability improvement.
11

12 16. Q. Does Staff support the DA cost-recovery method that the Companies propose?

13 A. No. Staff considers a distribution-rate adjustment inappropriate for single-
14 issue rate making, and considers a rider to be more appropriate in this
15 situation. Staff recommends that the Commission approve a DA rider as a
16 placeholder and set it at zero.
17

18 17. Q. Why does Staff support a DA rider as opposed to a distribution rate
19 adjustment as the companies propose?

20 A. Staff believes a rider has several advantages over a distribution rate
21 adjustment. Among these advantages are the following:

- 22 ▪ Separate accounting and cost recovery for special projects vs. routine
23 operations;
- 24 ▪ Opportunity to approve an updated plan each year;
- 25

- Assurance that expenditures are made before cost recovery occurs; and
- Opportunity to audit expenditures prior to recovery.

18. Q. If the Commission were to approve a DA rider as a placeholder and set it at zero, what does Staff recommend should be part of the initial rider filing?

A. Staff recommends that the companies be required to file a DA deployment plan for Year 1 (2009) within 60 days following the Commission's order in this case. The deployment plan should include the number of circuits proposed for DA deployment in 2009, the estimated improvement in reliability performance for that set of circuits, the estimated cost for 2009, revenue requirement, estimated customer bill impact, estimated un-depreciated value of plant that would be removed and/or replaced as part of the DA installation, and a description of the DA rider mechanism. Subsequent deployment plans should be filed in August of 2009 and 2010 for the subsequent calendar years.

19. Q. What process do you recommend for approving the deployment plan?

A. Any party should be able to intervene and seek discovery relating to the deployment plan. Staff would conduct an investigation of the deployment plan, and, if Staff finds it to be unjust or unreasonable, or if any other party granted intervention by the Commission files an objection that is not resolved by the companies, the Commission would schedule a hearing on an expedited

1 basis. Absent a Commission order to the contrary, the DA rider expenditures
2 would be deemed prudent.

3
4 20. Q. Does Staff recommend a DA rider mechanism similar to other riders the
5 Commission has approved for other utilities?

6 A. Yes, Staff recommends a rider mechanism similar to those approved for Duke
7 Energy Ohio's Accelerated Main Replacement Program (AMRP) in Case No.
8 07-589-GA-AIR and for East Ohio Gas Company's Pipeline Infrastructure
9 Replacement (PIR) program in Case No. 08-169-GA-ALT.

10
11 21. Q. Do you have any other recommendations concerning DA?

12 A. Yes, Staff's support of the DA concept is based on the substantial reliability
13 performance improvements that DA can produce. Staff therefore expects the
14 companies to project such performance improvements for their DA projects,
15 and expects projected improvements to be realized after the projects are
16 completed. Accordingly, Staff recommends that the Commission hold the
17 companies accountable for achieving the projected reliability improvements
18 associated with the companies' DA projects. Staff also recommends that the
19 companies' system performance targets should be revised to reflect the
20 expected performance improvements.

21
22 **Hospital Net Metering**

23 22. Q. What is the Staff's recommendation concerning the Companies proposed
24 Hospital Net Metering Tariff?

1 A. Staff believes the Companies were premature in filing this tariff before the
2 new Hospital Net Metering requirements⁶ have become effective. Even
3 though the Commission did adopt the new requirements on November 5, 2008
4 in Case No. 06-653-EL-ORD, interested parties may yet file applications for
5 rehearing. Even if they do not, the rules will still need to complete the process
6 established by the Joint Committee on Agency Rule Review.
7 Staff recommends that the companies withdraw their proposed Schedule
8 NEM-H and re-file a version consistent with the new requirements either after
9 the rule becomes effective or along with its next base rate case application,
10 whichever comes first.

11

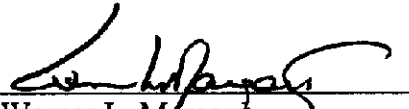
12 23. Q. Does this conclude your testimony?

13 A. Yes it does.

⁶ See Rule 4901:1-10-28 (B) of the Ohio Administrative Code, as adopted on November 5, 2008 in Case No. 06-653-EL-ORD.

PROOF OF SERVICE

I hereby certify that true copy of the foregoing Testimony submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served by regular U.S. mail, postage prepaid, hand-delivered, and/or delivered via electronic mail, upon the following parties of record, this 7th day of November, 2008.


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