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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Establishment of)	Case No. 09-0756-EL-ESS
4901:1-10-10(B) Minimum Reliability)	
Performance Standards for Columbus)	
Southern Power Company and Ohio)	
Power Company.)	

COMMENTS
SUBMITTED ON BEHALF OF THE STAFF OF
THE PUBLIC UTILITIES COMMISSION OF OHIO

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**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Establishment of 4901:1-)	
10-10(B) Minimum Reliability Performance)	
Standards for Columbus Southern Power)	Case No. 09-0756-EL-ESS
Company and Ohio Power Company.)	

**COMMENTS
OF THE STAFF OF
THE PUBLIC UTILITIES COMMISSION OF OHIO**

BACKGROUND

On June 29, 2009, the amended Chapter 4901:1-10 of the Ohio Administrative Code (O.A.C.), entitled the Electric Service and Safety Standards (ESSS) went into effect. The amended Rule O.A.C. 4901:1-10-10 (B), changes the previous requirement that each electric utility have performance targets to the more stringent requirement that each electric utility shall have minimum performance standards. Previously, a miss of the targets themselves was not considered to demonstrate that the utility was providing service below minimally acceptable levels. The amended ESSS rules state that a failure to meet a performance standard for two consecutive years shall constitute a rule violation. While the Commission expects the companies to continue to provide reliable service, in recognition of the changed emphasis to minimum service standards, it directed the companies to file a proposal for minimum service standards within sixty days of the effective date of the amended rules.

O.A.C. Rule 4901:1-10-10(B) requires electric utility applications to include: a proposed methodology for establishing reliability standards, proposed company-specific reliability performance standards for each service reliability index based on the proposed methodology, and supporting justification for the proposed methodology and resulting performance standard. The rule further requires that performance standards reflect historical system performance, system design, technological advancements, service area geography, and customer perception survey results. In addition, the rule requires that performance data resulting from major events and transmission outages be excluded from the calculation of historical performance and proposed standards.

In an entry issued on July 29, 2009, the Commission directed Staff to post on the PUCO website a list of guidelines for electric utilities to use in developing their reliability standards applications. These guidelines included the following points:

- That the average of historical performance should be used as the baseline for adjustments that would result in a proposed standard;
- That the historical performance should cover at least a five-year period; and
- That the application should address all factors affecting performance and separately quantify each adjustment to the historical average.

The guidelines also provided a detailed listing of required working papers to support the application.

On August 27, 2009, the Columbus Southern Power Company (CSP) and the Ohio Power Company (OP) (collectively, "Companies") filed an application to establish reliability standards for each company in Case No. 09-0756-EL-ESS.

Staff's Analysis of Companies' Application

The objective of Staff's analysis is to determine whether the Companies:

- Correctly calculated their historical performance and major event exclusions;
- Selected the appropriate years of historical performance to include in the historical average;
- Allowed for a reasonable amount of variability above the average; and
- Included appropriate adjustments to the historical average to produce a reasonable reliability standard.

Each of these topics is discussed below.

Accuracy of historical data – O.A.C. Rule 4901:1-10-10(B)(4)(a) requires electric utility requested standards to reflect historical performance. The Companies proposed methodology included historical performance for the three years 2006 through 2008. Staff reviewed the Companies' submitted historical data to ensure that only major events and transmission outages were excluded from the calculation of the historical performance. Staff further reviewed the Companies' methodology for calculation of major event thresholds to ensure that their methodology complies with the definition of a Major Event as stated in O.A.C. Rule 4901:1-10-1(Q). Based on its review, Staff is satisfied with the calculation of the historical performance as presented in the Companies' application.

Selection of years for the historical average – O.A.C. Rule 4901:1-10-10(B)(3)(a) requires the electric utilities to file with the Commission an application with a proposed methodology to establish reliability standards. The Companies' proposed methodology begins with calculating a three-year average (2006-2008) for the customer average interruption duration index (CAIDI) and the system average interruption frequency index (SAIFI) and then adding 1.5 standard deviations. Next, the Companies further adjusted their proposed standards to reflect the impact of their Enhanced Vegetation Management Program¹ which the Companies' indicated will lead to a significant reduction in tree caused outages thus resulting in better reliability performance.

As a general principle, Staff believes that the most recent five years of annual performance should be used to calculate the average historical performance. However in the specific case of CSP and OP, Staff agrees with the Companies' application, using only the most recent three years of annual performance data. In December of 2003, the Companies and Staff entered into a stipulation² to address service quality issues within the Companies Ohio service territory. As part of the stipulation, the Companies committed to improving service quality on certain poor performing circuits while maintaining the service quality on remaining circuits. The Companies failed to meet all terms of the stipulation, and the Commission ordered an additional \$10 million to be

¹ The Companies' Enhanced Vegetation Management Program was approved by the Commission in Case No. 08-917-EL-SSO.

² The Stipulation was approved by the Commission in Case No. 03-2570-EL-UNC

spent on vegetation management activities³. In recognition of the reliability concerns and remedial actions, Staff agrees with the Companies' exclusion from the historical average of annual performance during 2004 and 2005.

Variability around the historical average – Previously, electric utility performance targets typically were set at one standard deviation above the average to allow for a reasonable amount of variability from year to year. In analyzing the electric utilities' historical data in their current applications, however, Staff noted that a standard deviation provided little room for variance for those companies with historically consistent performance. In contrast, those electric utilities whose historical performance varied more widely enjoyed an excessive amount of variance for their performance standards.

Staff believes that a more reasonable and uniform approach to account for annual variation in system performance under the amended O.A.C. Rule 4901:1-10-10 (B), is to use the most recent five year average plus ten percent. This methodology produces a more consistent result across all utilities regardless of the range of the variability in the historical data. Under this methodology, the maximum degradation in service the system will experience before the company misses a performance standard will be ten percent when compared to historical experience.

Applying the above rationale, Staff believes that the Companies' methodology of adding 1.5 standard deviations to their historical averages is inconsistent with the goals of performance standards based on the wide variability of the annual data. In OP's case for

³ Case No. 06-222-EL-SLF

example, the annual CAIDI performance ranges from 144.09 minutes to 179.88 minutes over a three year period. This large variability produces a standard deviation of 19.57 minutes, which is significantly larger as compared to an electric utility with more stable annual performance. Instead of adding 1.5 standard deviations, Staff recommends adding ten percent to the Companies' three-year averages as indicated in the tables below.

CAIDI			
	3 Year Average (2006-2008)	10% of 3 Year Average	3 year Average +10%
CSP	125.45	12.55	138.00
OP	157.41	15.74	173.15

SAIFI			
	3 Year Average (2006-2008)	10% of 3 Year Average	3 year Average +10%
CSP	1.55	0.16	1.71
OP	1.25	0.12	1.37

Adjustments to the historical performance -- The Companies also adjusted their historical performance to reflect the projected reliability improvement resulting from their recently-approved enhanced vegetation management program. To make this adjustment, the Companies utilized the reduction in outage frequency and duration for circuits that received extensive trimming during 2004 and 2005, and used this reduction as the basis for calculating the system-wide impact of the new enhanced vegetation management program. Accordingly, the Companies compared outage data prior to vegetation management activities on these circuits to outage data each year following vegetation management activities. The expected improvement for each year should be the percentage improvement as compared to the "base year" system performance in 2008

(prior to vegetation management activities). Staff analyzed the Companies' calculations and found that they did not consistently use 2008 as a baseline. Staff recommends that these calculations be revised to consistently utilize 2008 as a baseline for calculating the reliability impact of the Companies' enhanced vegetation management program.

In addition to the impacts discussed above, the Companies' calculations also assumed that a certain number of circuits would be trimmed each year under the enhanced vegetation management program. Subsequent to filing their application, the Companies discussed with Staff the implementation of their enhanced vegetation management program and have increased the number of circuits that will be completed during the first three years of transition to the new program. As a result of this increase as well as the corrected calculation discussed above, Staff recommends the following adjustments to more accurately reflect the impact of the enhanced vegetation management program:

CAIDI Adjustments			
	2009	2010	2011
CSP	0.58	1.81	2.64
OP	0.86	2.75	3.93

SAIFI Adjustments			
	2009	2010	2011
CSP	0.05	0.10	0.15
OP	0.02	0.07	0.11

Staff's Recommended Standards

Based on Staff's methodology for calculating performance standards and adjustments discussed above, staff is recommending the following performance standards:

CAIDI Standard			
	2009	2010	2011
CSP	137.42	136.19	135.36
OP	172.29	170.40	169.22

SAIFI Standard			
	2009	2010	2011
CSP	1.66	1.61	1.56
OP	1.35	1.30	1.26

Although Staff believes its recommended minimum performance standards properly reflect decisions previously rendered by the Commission regarding matters such as gridSMART and the enhanced vegetation management program, Staff expects that any future decisions by the Commission impacting the minimum reliability performance would require that those impacts be recognized in the established minimum standards.

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PROOF OF SERVICE

I hereby certify that a true copy of the foregoing **Comments** submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served by U.S. Mail Service, postage prepaid upon the following parties of record this 3rd day of December, 2009.



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