

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)
Columbus Southern Power Company and) Case No. 09-756-EL-ESS
Ohio Power Company for Establishing)
New Reliability Standards.)

ENTRY

The Attorney Examiner finds:

- (1) On August 27, 2009, Columbus Southern Power Company (CSP) and Ohio Power Company (OP) (jointly, AEP-Ohio or the Companies) filed the instant application, requesting approval of its system reliability standards pursuant to Rule 4901:1-10-10, Ohio Administrative Code (O.A.C.). In support of its application, AEP-Ohio states that the proposed standards reflect service area geography, system design, advancements in technology, customer survey results, and historical system performance.
- (2) A technical conference was held in this matter on November 3, 2009.
- (3) On November 6, 2009, the Office of the Ohio Consumers' Counsel (OCC) filed a motion to intervene. No memorandum contra OCC's motion to intervene was filed. In its motion, OCC asserts that, as representative of AEP-Ohio's residential customers, it has a substantial interest in this case, and that the disposition of the case may impair or impede OCC's ability to protect that interest. The Attorney Examiner finds that OCC's motion to intervene is reasonable and should be granted.
- (4) OCC and Staff filed comments on AEP-Ohio's application. AEP-Ohio and OCC filed reply comments.
- (5) In its comments, OCC asserts that AEP-Ohio fails to include in its application an explanation of how the geographic characteristics of its service area affect service reliability, demonstrate how customer perception survey results were incorporated into the Companies' minimum service reliability standards, and explain why it is appropriate to exclude major events and transmission outages from certain of its

performance indices. Further, OCC argues that AEP-Ohio's use of a three-year average to calculate its baseline for the Companies' reliability performance standards is contrary to the Commission's guidelines. OCC also contends that AEP-Ohio's proposed adjustments for historical reliability performance are unreasonable and that the Companies failed to individually quantify adjustments for system design, technological advancements, service area geography, and customer surveys. Finally, OCC asserts that AEP-Ohio has failed to quantify the impact of historic outage causes.

- (6) In its comments, Staff states that, based on its analysis of AEP-Ohio's application and work papers, the Companies' historical performance and methodology for calculating historical performance is satisfactory and complies with the definition of major events as set forth in Rule 4901:1-10-01(Q), O.A.C. Further, Staff states that as a general principle, it believes that the most recent five years of annual performance data should be used to calculate the average historical performance. However, in the case of AEP-Ohio, Staff acknowledges that, as part of a Commission-approved stipulation, AEP-Ohio was directed to improve service quality on certain poor performing circuits and to maintain the service quality on remaining circuits in 2004.¹ Staff notes that as a result of AEP-Ohio failing to meet all the terms of the stipulation, the Commission ordered the Companies to spend an additional \$10 million on vegetation management activities.² In recognition of the reliability concerns and remedial action ordered, Staff agrees with the Companies' exclusion of the years 2004 and 2005 from the historical average of annual performance. AEP-Ohio proposes to establish its performance standards at 1.5 standard deviations above the historic average. Staff disagrees with this method. Staff proposes that, to allow for a reasonable amount of variability from year-to-year in the performance standards, the Companies establish performance standards based on the most recent five-year average plus ten percent. In regard to the

¹ *In the Matter of the 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, Opinion and Order (January 21, 2004).

² *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, Entry (May 16, 2007).

adjustments made to historical performance, Staff notes that AEP-Ohio accounted for the Companies' approved enhanced vegetation management program.³ AEP-Ohio adjusted for its enhanced vegetation management program based on the reduction in outage frequency and duration experienced with the extensive tree trimming conducted in 2004 and 2005. Staff reviewed AEP-Ohio's calculations and determined that the Companies did not consistently use 2008 as a baseline. Staff recommends that the Companies' calculations be revised to consistently use 2008 as a baseline for calculating the reliability impact for the enhanced vegetation management program. Staff also recommends that the Companies revise the number of circuits to be trimmed as part of the enhanced vegetation management program as discussed with the Staff. Thus, incorporating the methodology and revisions proposed by Staff would result in a Customer Average Interruption Duration Index (CAIDI) standard of 136.19 for CSP in 2010 and a CAIDI standard of 170.40 for OP in 2010. Further, the Staff recommends a System Average Interruption Frequency Index (SAIDI) of 1.61 for CSP in 2010 and 1.30 for OP in 2010.

- (7) AEP-Ohio submits that the information describing the geographic characteristics of its service area is intended to demonstrate that tree outages have a significant effect on the Companies' reliability standards. In regard to the customer surveys, AEP-Ohio states that OCC mischaracterizes the level of customer satisfaction, as the surveys reveal that 88 percent of commercial customers and 85 percent of residential customers are satisfied overall with the service provided by AEP-Ohio. AEP-Ohio contends that the exclusion of major event days is implicit in IEEE 1366 and the Commission's rules. Further, AEP-Ohio states that Staff has reviewed the Companies' performance each year under the previous provisions of Chapter 4901:1-10, O.A.C., and the purpose of this docket is to establish performance standards going forward, as opposed to reviewing past performance. AEP-Ohio notes that in comments subsequently filed by Staff, Staff does not raise a

³ *In the Matter of the Application of Columbus Southern Power Company for Approval of an Electric Security Plan; an Amendment to its Corporate Separation Plan; and the Sale or Transfer of Certain Generating Assets, and In the Matter of the Application of Ohio Power Company for Approval of an Electric Security Plan; and an Amendment to its Corporate Separation Plan, Case Nos. 08-917-EL-SSO and 08-918-EL-SSO, Opinion and Order (March 18, 2009) and Entry on Rehearing (July 23, 2009).*

concern as to AEP-Ohio's use of a three-year average to calculate its baseline. Further, AEP-Ohio states that it is willing to accept the Staff's method for determining the reliability standards in this proceeding. Finally, AEP-Ohio states that support for system design and technological advancements were discussed in the application and incorporated into the Companies' CAIDI and SAIFI indices. As for grid modernization, AEP-Ohio notes that improvements from its initial deployment of gridSMART, which is for a defined portion of CSP's territory, will not be known until 2012. AEP-Ohio asserts it can better determine the impact of grid modernization at that time.

- (8) OCC maintains that AEP-Ohio has failed to file documentation supporting its proposed outage standards. While OCC agrees that in AEP-Ohio's case, the exclusion of 2004-2005 historic performance data from the baseline is appropriate, OCC believes utilizing the five-year historic average plus 10 percent is a flawed and unreasonable means to establish CAIDI and SAIFI. Further, OCC states that the Staff does not offer any reason or analysis for the methodology. OCC further asserts that Staff's proposed methodology results in unreasonably lax performance standards and rewards electric utilities with historically poor performance in service reliability. OCC asserts that Staff's proposed methodology does not force poorly performing utilities to improve their distribution reliability. In relation to the adjustments to historical performance, OCC recognizes that incorporating 2008 as the baseline results in somewhat stricter performance reliability standards and mitigates the impact of the 10 percent adjustment to CAIDI and SAIFI, but argues that the enhanced vegetation management adjustments are impossible for OCC to quantify. Finally, OCC argues that Staff unreasonably proposes CAIDI and SAIFI reliability standards that are more relaxed than existing AEP-Ohio targets. For these reasons, OCC argues that AEP-Ohio has not met its burden to support its proposed performance reliability standards, and that the standards proposed by AEP-Ohio and the Staff are unjust and unreasonable. Accordingly, OCC requests a hearing in this matter.
- (9) Rule 4901:1-10-10(B)(6)(e), O.A.C., states that if it appears to the Commission that the proposals in the application may be unjust or unreasonable, the Commission shall set the matter for

hearing. At such hearing, the burden of proof to show that the proposals in the application are just and reasonable shall be upon the electric utility.

- (10) Upon review of the application, including the work papers, the comments, and the reply comments, the Attorney Examiner finds that the proposals in the application may be unjust or unreasonable, and that a hearing in this matter is required.
- (11) Accordingly, the Attorney Examiner finds that the following procedural schedule should be established in this case:
 - (a) Motions to intervene shall be filed by June 2, 2010.
 - (b) A prehearing conference should be held on June 2, 2010, at 10:00 a.m., at the offices of the Commission, 180 East Broad Street, 12th Floor, Room 1247, Columbus, Ohio 43215.
 - (c) The evidentiary hearing shall commence on June 28, 2010, at 10:00 a.m., at the offices of the Commission, 180 East Broad Street, 11th Floor, Hearing Room 11-D, Columbus, Ohio 43215.
- (12) Pursuant to Rule 4901:1-10-10(B)(6)(e), O.A.C., AEP-Ohio should publish legal notice of the scheduled hearing in a newspaper of general circulation in each county in CSP's and OP's service territories. Publication of the notice should be completed by May 26, 2010. The hearing notice should not appear in the legal notices section of the newspaper. The notice should read as follows:

LEGAL NOTICE

The Public Utilities Commission of Ohio (PUCO) has scheduled a hearing in Case No. 09-756-EL-ESS, *In the Matter of the Applications of Columbus Southern Power Company and Ohio Power Company for Establishing New Reliability Standards*. The application was filed pursuant to Section 4928.11 of the Ohio Revised Code and Rule 4901:1-10-10 of the Ohio Administrative Code. Columbus Southern Power Company and Ohio Power Company are seeking PUCO approval of their minimum performance standards for the reliability of their distribution systems. The PUCO has scheduled a hearing to

consider the matters raised in the Companies' application. The hearing will commence on June 28, 2010, at 10:00 a.m., at the offices of the PUCO, 180 East Broad Street, 11th Floor, Hearing Room 11-D, Columbus, Ohio. Any person seeking to participate in the hearing should file a motion to intervene with the PUCO by June 2, 2010. Further information may be obtained by contacting the Public Utilities Commission of Ohio, 180 East Broad Street, Columbus, Ohio 43215-3793; by calling the PUCO hotline at 1-800-686-7826; or by going to the PUCO website at www.puco.ohio.gov, selecting DIS, and inserting the case number referenced above.

It is, therefore,

ORDERED, That OCC's motion to intervene be granted. It is, further,

ORDERED, That the procedural schedule set forth in finding (11) be observed. It is, further,


ORDERED, That AEP-Ohio comply with the legal notice requirements set forth above. It is, further,

ORDERED, That a copy of this entry be served upon all parties of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO



By: Greta See
Attorney Examiner


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Entered in the Journal

MAY 13 2010



Renee J. Jenkins
Secretary