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BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)
Columbus Southern Power Company)
(CSP) and Ohio Power Company (OPCo) to) Case No. 11-1361 -EL-RDR
Update Their Enhanced Service Reliability)
Riders)

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COMMENTS
AND
RECOMMENDATIONS
Submitted on Behalf of the Staff of
The Public Utilities Commission of Ohio

I. Introduction

On March 18, 2011, Columbus Southern Power Company and Ohio Power Company (AEP Ohio or the Companies) filed the above case and requested an increase of .63650% to CSP's Enhance Service Reliability Rider (ESRR or ESR), and an increase of .82454% to OPCo's ESSR from their 2010 approved riders. Their filing also proposed rates be effective with the first billing cycle of July, 2011.

II. Background

In Case Nos. 08-917-EL-SSO and 08-918-EL-SSO (ESP Cases), AEP Ohio proposed four major programs to enhance service reliability. The Commission found that the Companies' enhanced vegetation initiative, with Staff's additional recommendations, was a reasonable program for potential future adoption.

- 1 The Commission approved the ESR incremental spending plan presented in the ESP cases at a level of \$31.5 million in year one of the program (2009), \$34.8 million in year two (2010), and \$38.1 million in year three (2011).
- 2 Accordingly, the Commission approved the ESR Rider, subject to annual reconciliation, to recover the Companies' prudently incurred costs.

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CSP and OPCo filed an application for their first review on February 11, 2010 and recovery rates were effective the first billing cycle of September, 2010.

III. Staff's Review

The annual reconciliation of the Companies' incurred cost consists of two parts. The first is the review of the actual incurred costs, including Operation and Maintenance (O&M) expenses and capitalized vegetation management costs. The second part is the review of the calculations to determine the revenue requirement.

IV. Progress of Enhanced Program

Pursuant to the Commission's Entry on Rehearing in the ESP cases, the Companies agreed to complete end-to-end vegetation clearance on 250 circuits during each of the years 2009 and 2010. However, the Companies only achieved such clearance on 238 circuits during 2009. The Staff Comments in Case No. 10-163-EL-RDR included a recommendation that the Companies complete trimming on the twelve-circuit shortfall during 2010. The Commission, in its Finding and Order approved an additional \$1.64 million requested by AEP Ohio to carry out this task, which increased the 2010 commitment to 262 circuits. In response to a Staff data request in the current case, the Companies provided Staff a list of circuits on which they completed full-circuit trimming during 2009 and 2010. The list indicates that the Companies not only completed trimming on the 262 circuits Staff recommended for 2010, but also completed additional trimming that placed them four circuits ahead of the 500-circuit goal for the two-year period.

V. Physical Verification

Staff made on-site inspections for a sample of 34 circuits to physically verify that vegetation line clearance was performed as scheduled in 2010. This sample was based on circuits the Companies had planned to clear during 2010 and where paid invoices indicated significant expenditures for such clearance. The circuits audited showed evidence that vegetation line clearance work was completed in accordance with the Companies' approved vegetation management program.

VI. Financial Audit

Staff began its audit by obtaining a detailed list of all charges included in the Companies' application, grouped those charges by cost category, and selected samples based on relative dollar value. Staff then requested documentation supporting the samples it selected. After reviewing this documentation, Staff requested additional documentation as needed until it was either satisfied that the costs were substantiated or concluded that an adjustment was warranted.

VII. Year-end Accruals

In Case No. 10-163-EL-RDR, the Commission approved a \$751,908 reduction to the Companies' 2009 ESR Rider costs to correct an over-accrual of contractor charges in December of that year. During its audit in the current case, Staff identified a similar over-accrual in December 2010 that amounted to \$1,073,349. Upon further investigation, however, Staff learned that AEP had already corrected this over-accrual by making a corresponding reduction in its application for this case.

VIII. Spending Level

In its Opinion and Order in the ESP Cases, the Commission approved the Companies' proposed ESR spending plan at a level of \$34.8 million for year 2010. Subsequently in its Finding and Order in Case No. 10-163-EL-RDR, the Commission approved an additional \$1.64 million to complete trimming in 2010 on 12 circuits carried over from 2009. These approved amounts total \$36.44 million, which is \$ 1.21 million less than the \$37.65 million included in the Companies' application. This situation is summarized in the table below.

Incremental Vegetation Management Spending	(\$ millions)
Amount approved for 2010 per ESP Cases	\$ 34.80
Plus additional amount approved in Case No. 10-164-EL-163	\$ 1.64
Total amount approved for 2010	\$ 36.44
Amount in ESR Rider application for 2010	\$ 37.65
Excess of application amount over approved amount	\$ 1.21

The Companies gave two reasons for the additional spending. The first is the fact that the Companies trimmed additional circuits during 2010 and are now ahead of schedule. The second reason is that during 2010, the Companies took advantage of opportunities to remove danger trees outside of the right-of-way that could fall on

wires or poles, and that such work was difficult to include in the original estimate upon which the approved spending levels are based.

Staff commends the Companies for not only catching up but getting ahead of schedule during 2010. Staff also commends the Companies for taking advantage of opportunities to remove danger trees from outside the right-of-way. As the result of its audit in this case, Staff concludes that the Companies' 2010 incremental vegetation management costs were reasonable and prudently incurred. For these reasons, Staff recommends that the Commission approve the additional \$1.21 million of incremental vegetation management costs for year 2010.

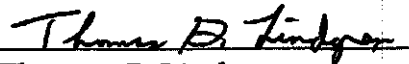
RECOMMENDATION:

The review of the calculations verified that the factor utilized for developing the revenue requirement is consistent with the factor approved in Case No. 10-163-EL-RDR. Based on the reasons noted above, Staff proposes the filing be accepted as filed on March 18, 2011.

Respectfully submitted,

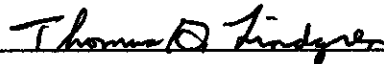
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CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing **Comments** was served by regular U.S. mail postage prepaid and by electronic mail upon the parties listed below this 20th day of May, 2011.



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