

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of )  
Columbus Southern Power Company and )  
Ohio Power Company to Update Each ) Case No. 11-1361-EL-RDR  
Company's Enhanced Service Reliability )  
Rider. )

FINDING AND ORDER

The Commission finds:

On March 18, 2009, the Commission issued its opinion and order in Columbus Southern Power Company's (CSP) and Ohio Power Company's (OP) (jointly, AEP-Ohio or the Companies) electric security plan (ESP) cases (ESP Order).<sup>1</sup> By entries on rehearing issued July 23, 2009 (First ESP EOR), and November 4, 2009 (Second ESP EOR), the Commission affirmed and clarified certain issues raised in AEP-Ohio's ESP Order. As ultimately adopted by the Commission, AEP-Ohio's ESP permits the Companies to recover the cost of the enhanced vegetation initiative via the enhanced service reliability plan (ESRP) rider.<sup>2</sup>

Since adoption of the ESRP rider, AEP-Ohio has requested that the rider be updated in an application filed in Case No. 10-163-EL-RDR. The application in 10-163 was modified and approved by Finding and Order issued August 25, 2010, as affirmed in the Entry on Rehearing issued October 22, 2010. Pursuant to the Commission's rulings in 10-163, CSP's ESRP rider was set at 3.30537 percent of distribution charges and OP's ESRP rider was set at 5.89939 percent of distribution charges effective with the first billing cycle of September 2010.

AEP-Ohio filed the current application to update its ESRP riders on March 18, 2011. AEP-Ohio states that in the ESP cases the Commission approved its incremental spending plan for \$31.5 million in 2009, \$34.8 million in 2010, and \$38.1 million in 2011, subject to annual reconciliation based on the Companies' prudently incurred costs.<sup>3</sup> AEP-Ohio worked with Staff to develop its enhanced vegetation management initiative plan and to develop the baseline level of incremental costs included in the ESRP rider. AEP-Ohio proposes that for 2011 CSP's ESRP rider be updated to 3.394187 percent, an increase of .63650 percent, and OP's ESRP rider be updated to 6.72393 percent, an increase of .82454 percent, of each company's distribution charges. In support of the proposed ESRP rider

<sup>1</sup> *In re AEP-Ohio ESP cases*, Case Nos. 08-917-EL-SSO and 08-918-EL-SSO, Opinion and Order (March 18, 2009).

<sup>2</sup> ESP Order at 30-34; First ESP EOR at 15-18.

<sup>3</sup> *In re AEP-Ohio ESP case*, Order at 33-34 (March 18, 2009); Entry on Rehearing at 17-18 (July 23, 2009).

rates, the Companies filed schedules for CSP and OP, which set forth 2010 actual vegetation spending, carrying costs, and incremental investments for its vegetation plan and projected spending for 2011. The Companies request that the updated ESRP rider rates commence with the first billing cycle in July 2011.

By entry issued April 1, 2011, as revised by entry issued April 18, 2011, a procedural schedule was established whereby interested persons were directed to file comments to this and/or the other two rider applications by May 20, 2011. Reply comments were due by May 31, 2011. Comments were filed by Staff. Reply comments were filed by the Companies.

A. Audit Process, Recommendations and Comments

1. Staff Audit Process

Staff's investigation of AEP-Ohio's ESRP application includes a review of actual incurred costs, including operations and maintenance (O&M) expenses and capitalized vegetation management costs, and review of the calculation of the revenue requirement.

2. Vegetation Management

In its comments, Staff notes that pursuant to the ESP Orders and the decision in 10-163, AEP-Ohio needed to clear end-to-end 262 circuits in 2010 to stay on target of transitioning to a four-year clearing cycle.<sup>4</sup> According to Staff, AEP-Ohio reports that the Companies cleared 266 circuits in 2010, four circuits more than the two-year commitment of 500 circuits. From the circuits for which AEP-OH presented significant expenditures, Staff selected a random sample of circuits. Staff then verified that the Companies had cleared the randomly selected sample of circuits from end-to-end. Staff commends the Companies for not only catching up but getting ahead of the circuit clearing cycle during 2010 and for taking the opportunities to remove trees outside of the right-of-way that pose a danger to the facilities. (Staff Comments at 2, 4.)

The Commission finds that AEP-Ohio has cleared circuits, end-to-end, in compliance with the approved vegetation management plan.

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<sup>4</sup> In re AEP-Ohio, Case No. 10-163-EL-RDR at 5 (August 25, 2010); Entry on Rehearing at 2 (October 22, 2010).

### 3. Financial Audit

As part of its financial review, Staff secured a detailed list of all the charges included in the current ESRP application. Staff then selected a random sample and reviewed the documentation supporting the charges.

In the ESP cases, the Commission approved the Companies' request for incremental spending for 2010 of \$34.8 million, subject to annual reconciliation based on the Companies' prudently incurred costs.<sup>5</sup> Pursuant to the Commission's decision in 10-163, AEP-Ohio's ESRP rider was increased by \$1.64 million to facilitate compliance with the four-year vegetation management cycle. Thus, AEP-Ohio's total 2010 ESRP rider amounted to \$36.44 million (\$34.8 million + \$1.64 million). In this application, AEP-Ohio requests an ESRP rider for 2010 of \$37.65 million, \$1.21 million more than estimated in the ESP cases. According to Staff, AEP-Ohio offered two reasons for the additional spending. The Companies trimmed additional circuits in 2010 and are now ahead of schedule in the vegetation management cycle. The Companies also state they took advantage of opportunities to remove danger trees outside of the right-of-way that could fall on wires or poles and offer that such work was difficult to include in the original estimates upon which the approved spending levels are based. Staff notes that the calculation of the revenue requirement is consistent with the factors as previously approved by the Commission in 10-163. Based upon its review, Staff concludes that the Companies' 2010 incremental vegetation management costs were reasonable and prudently incurred and recommends that the Commission approve \$37.65 million request for 2010 vegetation management. (Staff Comments at 3-4.)

In 10-163, the Commission directed the Companies to reduce the 2009 ESRP rider by \$751,908 to correct for an over-accrual of contractor charges for December 2009. Based on its review, Staff found that the Companies had a similar over-accrual of \$1,073,349 for December 2010. Upon further investigation, Staff determined that AEP-Ohio had corrected the over-accrual with a corresponding reduction. (Staff Comments at 3.)

The Commission finds this to be a reasonable resolution of the issue. The Commission is aware that it is a standard accounting practice for utilities to accrue charges for vendor work performed or products received in December but where the invoice will not be paid until January. Such accruals in December involve a corresponding reversal in January. The Commission finds that, with these corrections, no further action is necessary.

After considering the application and the comments, the Commission finds that the application does not appear to be unjust or unreasonable and, therefore, concludes that a hearing on the application is not necessary. Further, the Commission finds that sufficient

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<sup>5</sup> *In re AEP-Ohio ESP case*, Order at 33-34 (March 18, 2009); Entry on Rehearing at 17-18 (July 23, 2009).

information has been presented for the Commission to determine the issues raised by the parties in this case. Thus, AEP-Ohio's ESRP rider application to adjust its rates, as filed on March 18, 2011, should be approved and the tariffs adopted, consistent with the Commission's decision in this finding and order, to be effective for the first billing cycle of July 2011.

It is, therefore,

ORDERED, That AEP-Ohio's application to update the ESRP rider is approved. It is, further,

ORDERED, That AEP-Ohio is authorized to file, in final form, four complete copies of the tariffs to be effective with the first billing cycle of July 2011 consistent with this order. AEP-Ohio shall file one copy in its TRF docket (or may make such filing electronically as directed in Case No. 06-900-AU-WVR) and one copy in this case docket. The remaining two copies shall be designated for distribution to the Rates and Tariffs, Energy and Water Division, of the Commission's Utilities Department. It is, further,

ORDERED, That a copy of this finding and order be served upon all persons of record in this case.

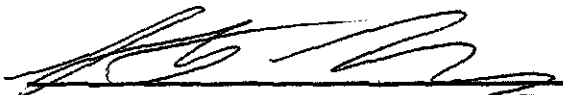
THE PUBLIC UTILITIES COMMISSION OF OHIO

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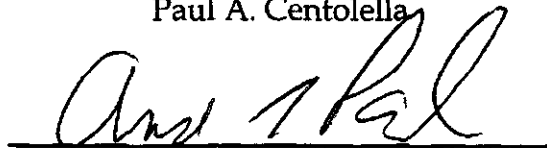
Todd A. Snitchler, Chairman



Paul A. Centolella



Steven D. Lesser



Andre T. Porter



Cheryl L. Roberto

GNS/vrm

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JUN 15 2011



Betty McCauley  
Secretary