BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of	)	Case No. 12-3285-EL-RDR
Ohio Power Company to Update its	)	Case No. 13-1063-EL-RDR
Enhanced Service Reliability Rider	)	

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

I. Introduction

On December 21, 2012 Ohio Power Company (OP) filed Case No. 12-3285-EL-RDR and on the same day filed a motion for this filing to be held in abeyance so that it could be processed simultaneously with the application for Case No. 13-1063-EL-RDR, which was filed on April 29, 2013. In total between the two cases, OP has requested an increase of 1.24820% to its Enhanced Service Reliability Rider (ESR) from the 2010 approved rider. The filing also proposed rates to be effective with the first billing cycle of September, 2013.

II. Background

In Case Nos. 08-917-EL-SSO and 08-918-EL-SSO (ESP1 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 ESP1 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.

3. CSP and OP filed an application for their first review on February 11, 2010 and rates were effective the first billing cycle of September, 2010. The Companies filed an application for their second review on March 18, 2011 and rates were effective the first billing cycle of July 2011.

4. Due to the 2011 merger between OP and CSP, one application with proposed tariffs was filed by OP for Case No. 12-3285-EL-RDR on December 21, 2012 for its review. As stated above, on the same date, OP also filed a motion for this filing to be held in abeyance so that it could be processed simultaneously with the application for Case No. 13-1063-EL-RDR, which was filed on April 29, 2013.

In Case Nos. 11-346-EL-SSO and 11-348-EL-SSO (ESP2 Cases), the Companies proposed to complete a transition from a performance-based program to a four-year, cycle-based trimming program for all of the Company's distribution circuits as approved by the Commission in the ESP1. The Company noted that the vegetation management plan was implemented as a five-year transition program and, as a result of the delay in adopting the second ESP and increases in the expected costs to complete implementation of the cycle-based trimming program, it was necessary to extend the implementation period to include an additional year into 2014. Staff supported this continuance of the ESR through 2014, after which Staff reasons that the Company's transition to a four-year, cycle-based vegetation management program will be complete and regular maintenance pursuant to the program will be part of the Company's normal operations for which the costs would be recovered through base rates and not through the ESRR

III. Staff's Review

The annual reconciliation of the Company's incurred costs 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 verify the accuracy of the revenue requirement calculation.

A. Program Progress

The purpose of the ESR Rider is to enable AEP to convert its vegetation management program to a four-year cycle whereby all circuits would be trimmed end-to-end every four years. The conversion involves a five-year catch-up period (2009 through 2013), which involves the trimming of all AEP's circuits before the four-year cycle begins. At the end of 2012, AEP had 31,078 miles of overhead distribution circuits that are subject to vegetation management activities. On average, Staff expects AEP to trim 20 percent of this mileage each year in order to complete the catch-up program over the planned five-year period. The chart below depicts AEP's actual progress compared to Staff's expectation.

Table 1 - Analysis of Mileage Trimmed

	2009	2010	2011	2012	2013
Annual Mileage Trimmed	5,839	6,766	6,251	5,866	
Percent of Total Mileage	19%	22%	20%	19%	
Cumulative Percent of Total		41%	61%	80%	
Expected Cumulative Percent	20%	40%	60%	80%	100%

This chart indicates that although AEP trimmed fewer miles on circuits during each successive year after 2010, the cumulative mileage trimmed as a percent of total mileage is equal to the expected 80 percent (see shaded percentages). Staff concludes that as of the end of 2012, AEP was still on track to complete the five-year catch-up program by the end of 2013 as originally planned.

B. Physical Verification of 2011 Activity

Staff selected a sample of 20 circuits from the Companies' seven districts to physically verify that vegetation line clearance was performed as scheduled in 2011. This sample was based on circuits the Companies had planned to clear during 2011 and where paid invoices indicated significant expenditures for such clearance. The circuits audited showed evidence that vegetation line clearance work was completed. No vegetation encroachment issues were found.

C. Physical Verification of 2012 Activity

Staff audited vegetation clearance work completed in 2012 on 21 circuits throughout AEP's service territory. Nineteen of the circuits reflected minor or no vegetation concerns, while two circuits required a second review with an AEP forester present. Several locations had live uncut vines on poles which have been addressed and other locations have significant re-growth from non-compatible tree types. Staff and the AEP forester will jointly reassess these circuits in July 2014 to determine if spot trimming is necessary. In addition, Staff will review all tree-related outages on these circuits prior to reassessment. As described in AEP's Vegetation Management Program, soft wooded, fast-growing tree species are removed where possible. Staff recommends that AEP aggressively seek customer permission to remove non-compatible / fast-growing tree types. For those trees that can only be trimmed, Staff expects maximum clearance such that these trees will withstand the four year cycle.

D. Financial Audit

Staff began its financial 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. Staff also reconciled any differences between actual costs incurred and costs appearing in the application. Finally, Staff analyzed any variances between actual and projected expenditure levels and those authorized by the Commission.

1. Rider Adjustment Error

During the process of reconciling differences between 2011 costs incurred vs. costs appearing in AEP's application for that year, Staff identified a variance involving a Company error in adjusting the ESR Rider for the impact of accounts payable accruals made in December 2011 but not paid by the end of 2012. This error resulted in a $407,120 understatement of O&M expenses recoverable through the ESR Rider. AEP corrected this error by making an adjustment to the schedules supporting its succeeding ESR Rider application covering 2012 costs. Staff considers the delayed correction acceptable due to the favorable rate impact on customers.

2. Variances

In comparing AEP's 2011 expenditures against authorized levels, Staff noted that AEP's capital expenditures exceeded authorized levels by $248,348. AEP explained that the overage was due to a greater-than-expected quantity of capital tree removals, brush clearing, and tree growth regulator applications. Staff endorses such actions as they reduce future tree growth and thereby reduce future O&M costs for tree trimming. Staff therefore recommends approval of these additional expenditures.

In its application for 2012, AEP projected 2013 O&M expenses to be $3.5 million over the authorized amount, and explained that the increase represents the projected cost of trimming circuits previously planned for 2012, but delayed due to the June 29th derecho, Hurricane Isaac, and Hurricane Sandy. Staff is aware that AEP released its contract tree-trimming crews to help restore tree-caused outages related to each of these major storm events and that as a result, AEP trimmed fewer miles in 2012 than during any of the previous three years (See Table 1), and spent less on vegetation management than authorized. Staff believes it is important for AEP to complete the five-year conversion in 2013, so it can begin implementing its approved four-year cyclical vegetation management program in 2014. In addition, it is Staff's understanding that the remainder of circuits to be trimmed tend to have more trees per mile, which will increase vegetation management expenditures in 2013. Staff therefore recommends that the

Commission approve the $3.5 million increase in 2013 vegetation management O&M expenses to ensure completion for the five-year conversion as originally planned.

IV. Recommendation

The review of the calculations verified that the factor utilized for developing the revenue requirement is consistent with the factor approved in Case Nos. 10-163-EL-RDR and 11-1361-EL-RDR. Including the recommendations and for the reasons noted above, Staff proposes that the filing on April 29, 2013 be accepted.

Respectfully submitted,

Mike DeWine
Ohio Attorney General

William L. Wright
Section Chief, Public Utilities Section

/s/Thomas G. Lindgren
Thomas G. Lindgren
Assistant Attorney General
Public Utilities Section
180 East Broad Street, 6th Floor
Columbus, Ohio 43215
(614) 466-4395
Fax: (614) 644-8764
thomas.lindgren@puc.state.oh.us

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 6th day of September, 2013.

/s/Thomas G. Lindgren
Thomas G. Lindgren
Assistant Attorney General

PARTIES OF RECORD:

Steven T. Nourse
Columbus Southern Power Company
1 Riverside Plaza
Columbus, Ohio 43215