

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Commission’s)	
Review of the Ohio Power Company’s)	Case 13-2394-EL-UNC
Distribution Investment Rider Work)	
Plan Resulting from Commission)	
Case No. 11-346-EL-SSO et al.)	

OHIO POWER COMPANY’S REPLY COMMENTS

I. Introduction

Ohio Power Company (“Ohio Power” or “Company” of “AEP Ohio”) filed its DIR Work Plan (Work Plan) on December 16, 2013 as a result of the May 29, 2013 Opinion and Order (O&O) in Case No. 12-3129-EL-UNC. The plan filed was the result of months of collaboration with the Commission Staff to develop a comprehensive investment strategy which would ensure the Work Plan met both the Company’s and Staff’s expectations as well as customer expectations. The Company believes this plan to be a prudent Work Plan for both improving current reliability on a program basis as well as the important step of maintaining performance of components by proactively replacing various aging infrastructure across the system. The Company filed these plans in this docket, as instructed by the Commission, to provide notice to interested parties and to provide an opportunity for input.

The Office of the Ohio Consumers’ Counsel (OCC), Belden Brick Company, and the Staff of the Commission (Staff) filed comments regarding the Company’s 2014 DIR plan. The comments below are in reply to comments filed and are intended to clarify the

issues discussed by the parties to the case to provide the Commission the necessary comments to allow the DIR plan to be implemented as noticed in the initial filing.

II. Responses

A. The Company's Response to the Comments Raised by the Commission Staff:

The Company agrees that Staff's chart included in its comments (Staff Comments at 4) is a representative sample of planned expenditures for 2014, that provides for a good comparison of past and planned expenditures. Staff also recommended that each quarterly progress report compare (for each program) activity and expenditure levels planned specifically for that quarter against the levels actually achieved that quarter, and include explanations for any variances exceeding 10 percent. (Staff Comments at 4-5). Otherwise Staff indicated that it is satisfied with the level of cooperation by the Company in developing the DIR Work Plan for 2014. (Id. at 5.)

B. The Company's Response to Comments Raised by OCC:

1. The 2014 Workplan developed by the Company and Staff properly addresses the elements requested by the Commission to both maintain and improve reliability.

OCC comments on its perception of the plan incorrectly arguing that the plan fails to adhere to prior Commission orders. It is OCC that is not fully incorporating the Commission prior discussion on the DIR and the importance of both maintaining and improving reliability.

The 2014 Plan filing addresses the quantification of reliability improvements for the DIR as stated in the order:

The proactive distribution infrastructure plan shall quantify reliability improvements expected, ensure no double recovery, and include a demonstration of DIR expenditures over projected expenditures and recent

spending levels. The DIR plan will be reviewed annually for accounting accuracy, prudence and compliance with the DIR plan developed by the Staff and AEP Ohio.

ESP II, August 8, 2012 Opinion and Order at 47. In fact, the Company included an expected reliability improvement, where applicable, based on each individual program in the Work Plan. Where a reliability improvement would not be expected, in such cases as proactive distribution infrastructure replacement, no improvement was reflected since that work would instead address future outages and ensure system performance does not deteriorate. The delineation is the improvement versus the maintenance that is also clearly contemplated by the authorization for the DIR based on aging infrastructure. There are reliability improvement programs developed by Staff and the Company and those elements indicate expected reliability improvements. For instance, under the program Lightning Mitigation, the company states that for circuits in which lightning mitigation is performed, lightning caused outages will be reduced by 50%. This is a clear statement of reliability improvement from the program level as required to be included in the DIR plan. This type of reliability quantification allows the company to demonstrate improvement on circuits where work has been completed and not use some arbitrary improvement number which may not be achieved if the work is not completed in that program due to various reasons. The Company quantified the expected improvements based on each program of the DIR Work Plan.

OCC's concern with components of AEP Ohio's 2014 plan which do not address any reliability improvements defies prior Commission discussions. As supported by the Commission, the DIR is designed to allow timely recovery of capital spend without the

need for continuous distribution rate cases, even for items that have no immediate reliability impact. In fact the Commission in the DIR Plan Order stated:

Although AEP Ohio's DIR spending should be focused on those components that will best improve or maintain reliability, **we disagree with OCC's argument that components with no reliability impact should not be included in the DIR plan.** Although a primary objective of the DIR is to enable AEP Ohio to improve or maintain its service reliability, **the DIR also provides the Company with a timely cost recovery mechanism for its prudently incurred distribution infrastructure investment costs and is expected to reduce the frequency of base distribution rate cases.** Accordingly, as proposed by AEP Ohio and approved by the Commission in the ESP Case, the DIR consists of net capital additions to gross plant in service occurring after August 31, 2010, as adjusted for accumulated depreciation (ESP Case Order at 42), and is not limited to investment in distribution assets that are expected to improve or maintain service reliability.

12-3129-EL-UNC (2013 DIR Work Plan Case), March 29, 2013 Finding and Order at para 35 pg 12.

Again as an example, programs such as the transformer blanket program are prudent programs which allow AEP Ohio to purchase transformers for customers and store them for when they are needed. While these programs state zero initial reliability benefits, it is unimaginable what detrimental impact customers would experience if AEP Ohio waited to order a transformer until a failure occurred and allowed customers to be out of power for days while a new piece of equipment was delivered and installed. The DIR allows for proactive placement and replacement of aging infrastructure so the Company is positioned to maintain a productive distribution system.

The OCC also mischaracterizes AEP Ohio's statements in various programs such as the Distribution Asset Improvement Program. A review of the Company's actual filing shows that this program contains a multitude of various improvement programs with details. When the OCC mentions that AEP Ohio only says this program "may" reduce

customer interruptions at a \$20M program, they are only sharing part of the details shared by the Company. What AEP Ohio actually states for that program is that, “May reduce customer interruptions and outages; varies by work completed.” That detail is then listed in the next row over which states:

“Reliability improvements vary based on the type of work performed and can be measured on a circuit or line segment basis. The small wire replacement work **should reduce outages** due to Equipment/Hardware and conductor failure **by fifty percent** on those line segments addressed beginning in the year following installation. Projects such as line relocation and reconductoring segments **should reduce outages** due to Equipment/Hardware and conductor failure **by fifty percent** on those line segments addressed beginning in the year following installation. Load balancing when completed on a circuit **will reduce overload outages by fifty percent** beginning the following year after installation. Projects which take overhead lines to underground lines **will reduce** weather related outages, animal outages, and tree related outages on those segments **by fifty percent** in the year following when work was completed. Upgrading of overcurrent protection devices (changing from hydraulic to electronic protection devices, changing from three phase to single phase isolation and fuse size and coordination changes) **can reduce customer outages by impacting fewer customers affected by an outage**. Some projects under this program are solely asset renewal projects with only minor reliability impact related to the prevention of future outages, but are intended for proactive equipment replacement.”

AEP Ohio, with the cooperation of Staff, placed detail around the improvements the various work will have on the system. OCC’s assertions that AEP Ohio merely stated that this program “may” reduce customer interruptions is incorrect.

OCC has pulled only certain elements out of the plan filed to present an incomplete picture to the Commission. Another example can be found under the program Animal Mitigation Station. Here OCC shows a chart with a column header as “Measure for Reliability Improvements” and what they saw in that row states, “Should reduce non-avian animal caused outages.” In all actuality this is not what AEP Ohio filed. The actual wording in that column that AEP Ohio filed is much more extensive, stating, “This should

reduce non-avian related animal caused outages **inside distribution stations by approximately fifty percent for those stations where mitigation was installed beginning in the year following installation.**” OCC fails to show the relevant pieces of information that they themselves state are not included in the plan. The Company and Staff developed Work Plan is appropriate and should be implemented as presented with the ongoing reporting already contemplated and the typical Staff interaction on an ongoing basis.

The OCC also claims that reliability to customers during the DIR existence have actually worsened. Again the facts do not support this contention. The first year when an incremental DIR Plan was filed and approved was for the year of 2013. However, results for 2013 will not be filed until March of 2014. OCC is incorrectly applying data from years prior to the year the incremental DIR Program was started. OCC also claims that an increased CAIDI shows worse reliability to customers. AEP Ohio was able to demonstrate that in the time period prior to the DIR, that AEP Ohio reduced larger shorter customer outages and because of that CAIDI did increase even though reliability for all customers improved. Regardless, the time periods discussed by the OCC are prior to the incremental DIR plan timeframe and have no relevance to this case.

2. The 2014 DIR Work Plan is just and reasonable and a hearing is not required to implement the filed plan or deal with issues from the prior plan.

OCC contends that the PUCO should deny the 2014 DIR plan because the OCC believes that AEP Ohio will not be able to comply with demonstrating reliability improvements on February 28, 2014 as ordered. (OCC comments at 7-8.) Instead of focusing on the merits of the 2014 DIR Plan the OCC is pointing to the 2013 DIR Plan and arbitrarily predicting an incorrect outcome on a future event. As stated previously, AEP

Ohio has included reliability components in the 2014 DIR Plan and although the OCC chose to not focus on those facts they are present in the plan filed.

A hearing is not necessary in this case in which the Company and Staff worked together closely in development of the plan and discussions of implementation of the Commission directives. OCC seeks to make this docket more than it was intended. The plan developed already provides the guidelines for improvement with ongoing interaction between the Staff and the Company to ensure the ability to address issues as they arise. A hearing would only unnecessarily delay the work needed on the system in 2014. The Commission has the plan reviewed and developed by Staff and the Company and no alternative elements are proposed by commenting parties to consider adding the plan. Therefore, the Commission should adopt the plan as developed cooperatively between Staff and the Company that resulting in the filing in this case.

C. The Company's Response to Comments Raised by Belden Brick:

1. The program descriptions contained in AEP Ohio's 2014 Work Plan are appropriate and provide adequate detail for a system-wide plan.

Belden Brick contends that AEP Ohio's 2014 DIR Plan lacks the necessary detail around each program which would allow the Commission to fully evaluate the Plan. AEP Ohio contends, as discussed above, that the description with each program gives a very clear picture of what each program addresses. AEP Ohio in addition has discussed each program at length with Staff to ensure Staff's understanding of each program and have edited program descriptions based on Staff's guidance. AEP Ohio also submits that Staff audits all of AEP Ohio's programs and that Staff ensures that AEP Ohio's program descriptions are accurate to the work being performed.

Belden Brick also remarks that the lack of information does not allow them to analyze their surrounding system and the affect the DIR will have on them as a customer. AEP Ohio contends that the plan is not required to have information down to the customer level. The Commission would likely agree that absent some showing of an issue in a prior year that the Company or Staff specifically was recommending a customer specific solution that the DIR plan development is intended to look at the overall system and not independent customer's preferences. Such a process would be burdensome. While Belden Brick asks the Commission to require AEP Ohio to make further targeted disclosures on expenditures in the plan itself, they do not provide any examples of additional information needed above what is already provided. The plan provides the requested detail as bolstered by the process followed in coordination with the Commission Staff.

Conclusion

Ohio Power respectfully requests the Commission consider the comments provided in response to the notice provided by Ohio Power and allow the plan to be applied with the oversight already determined by the Commission.

Respectfully submitted,

//ss//Matthew J. Satterwhite

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing Filing has been served, via first class mail and/or electronic service, to the counsel identified below this 31st day of January 2014.

/s/ Matthew J. Satterwhite

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Summary: Reply Comments electronically filed by Mr. Matthew J Satterwhite on behalf of Ohio Power Company