BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of **Ohio Power Company** for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Revised Code, in the Form of an Electric Security Plan.	:	Case No. 13-2385-EL-SSO
In the Matter of the Application of **Ohio Power Company** for Approval of Certain Accounting Authority.	:	Case No. 13-2386-EL-AAM

PREFILED TESTIMONY
OF
PETER K. BAKER

SERVICE MONITORING & ENFORCEMENT DEPARTMENT
RELIABILITY & SERVICE ANALYSIS DIVISION
PUBLIC UTILITIES COMMISSION OF OHIO

Staff Exhibit _____

May 20, 2014

1. Q. Please state your name and your business address.

A. My name is Peter Baker. My address is 180 E. Broad Street, Columbus, Ohio 43215-3793.

2. Q. By whom are you employed?

A. I am employed by the Public Utilities Commission of Ohio.

3. Q. What is your present position with the Public Utilities Commission of Ohio and what are your duties?

A. I am a section chief in the Reliability and Service Analysis Division of the Service Monitoring and Enforcement Department. My section analyzes reliability and service quality performance, and enforces reliability, service quality, and consumer protection rules for electric, gas, and water utilities. This includes analyzing and assessing the electric reliability and maintenance performance of electric distribution utilities. In addition, my section audits expenditures for cost recovery through electric smart grid riders, and also audits Ohio Power Company (OPC)[1] vegetation management costs for recovery through its Enhanced Service Reliability Rider (ESRR).

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[1] Effective January 2012, Columbus Southern Power and Ohio Power Company were merged, and the surviving entity was named Ohio Power Company. Throughout this testimony, the newly-merged entity will be designated as OPC while the previously separate entities will be designated as CSP and OP.

Finally, my section has also collected and analyzed data concerning the vegetation management performance of Ohio's six investor-owned electric utilities.

4. Q. Would you briefly state your educational background and work history?

A. I have bachelor's degrees in Psychology (1967) and Philosophy (1971) from the University of Oklahoma, and a 1987 bachelor's degree in Business Administration (with major in Accounting) from Franklin University. From 1972 to 1986, I was employed by Dowell Division of Dow Chemical Company (an oil field service operation later called Dowell Schlumberger) where I functioned as clerk/dispatcher and administrative assistant. In 1987, I joined the PUCO, where I worked as an analyst and coordinator in the Performance Analysis Division of the Utilities Department. In December of 1994, I was promoted to Administrator in the Consumer Services Department (now called the Service Monitoring and Enforcement Department), and assigned to the Compliance Division (now the Facilities and Operations Field Division). In that organization, I enforced electric, gas, and telephone service quality, customer service, and consumer protection rules. In 1997, I was transferred to the Service Quality and Analysis Division (now called the Reliability and Service Analysis Division), and in 2000, I was promoted to my current position and duties.

5. Q. What is the purpose of your testimony is this case?

A. My testimony has two objectives. The first is to recommend whether the Commission should find that OPC's reliability expectations are aligned with those of its customers. The second is to recommend whether the Commission should approve OPC's proposal for additional O&M expenditures to be recovered through the ESRR.

RELIABILITY EXPECTATIONS

6. Q. Please describe your working knowledge of what R.C. 4928.143(B)(2)(h) requires.

A. This statute requires that before approving an electric utility's distribution infrastructure or modernization incentive as part of its Electric Security Plan, the Commission must examine the reliability of the utility's distribution system to ensure that customers' and the utility's reliability expectations are aligned.

7. Q. How does the Staff perform such an examination?

A. Ohio Adm. Code 4901:1-10-10-(B)(2), requires each electric utility in the state to file with the commission an application to establish company-specific minimum reliability performance standards. As part of that application, electric utilities are to include supporting justification for the proposed methodology and each resulting performance standard. The performance standards should reflect historical system performance, system design, technological advancements, service area geography, customer perception surveys, and other relevant factors. Staff's review mainly involves two steps. The first step is to work with the company and other interested parties in establishing commission approved reliability standards that incorporate a consideration of historical performance, customer survey results, and input from consumer groups. Once the performance standards are set, the second step is to monitor the utility's performance against its reliability standards to ensure that the standards are met. If the electric utility meets its standards, Staff considers the utility's reliability expectations to be in alignment with those of its customers. This methodology is appropriate because the establishment of standards includes a consideration of reliability survey results and participation of consumer groups.

8. Q. Please discuss OPC's performance against its reliability standards over the past three years.

A. During 2011 and 2012, OPC had separate reliability standards for its two operating companies, called Ohio Power Company (OP) and Columbus Southern Power Company (CSP). During 2011 and 2012, OP met its SAIFI and CAIDI standards, whereas CSP missed its CAIDI standard. The Commission addressed CSP's 2011 CAIDI performance in OPC's last ESP proceeding (ESP II) in Case No. 11-346-EL-SSO, and found that the Company's reliability expectations were consistent with those of its customers. The Commission, however, has not yet considered CSP's 2012 CAIDI miss. Staff has investigated that miss, and Staff's analysis indicated that it was caused by a substantial reduction in the number of short-duration customer interruptions. That reduction was a result of the Company's various programs aimed at reducing the number of customers affected by outages. That same year, CSP achieved its best SAIFI performance on record. Staff concluded that the CAIDI miss was not a reliability issue but rather a mathematical side-effect of the Company's efforts to reduce the number of customer interruptions.

9. Q. Did OPC meet its reliability standards in 2013?

A. Yes, it did. The Commission established new reliability standards for OPC in Case No. 12-1945-EL-ESS. These standards apply not to the old operating companies but to the single merged Company, and are based on the historical performance of the combined entity. Although the new standards were approved in 2014, they became effective for performance beginning in 2013. OPC filed its 2013 reliability performance on March 31, 2014 in Case No. 14-517-EL-ESS. That report indicated that OPC met both its SAIFI and CAIDI standards.

10. Q. Please describe how reliability survey results were involved in the process of establishing OPC's new standards.

A. OPC's reliability survey results indicated that its customers were generally satisfied with the Company's ability to provide service without interruption, and that satisfaction levels were higher than those supporting the Company's prior reliability standards. Based a consideration of these results, no survey-related adjustment was made to the standards.

11. Q. Please describe how consumer groups were involved in the standard-setting process.

A. The Ohio Consumers' Counsel filed comments (and reply comments) on OPC's proposed new standards, and also participated in related discussions with Staff and OPC.

12. Q. Based on your analysis, do you believe that OPC's reliability expectations are in alignment with those of its customers?

A. Yes, I do. Based on its 2013 reliability performance, Staff recommends that the Commission find that OPC's reliability expectations are in alignment with those of its customers.

ESR RIDER

13. Q. What is OPC proposing with respect to the ESR Rider (ESRR)?

A. OPC is proposing to continue the ESRR and to increase O&M funding in this Rider for its new vegetation management program, which requires the Company to trim trees on all of its distribution circuits on an end-to-end basis at least once every four years.

14. Q. How much of an increase in O&M expenses is OPC requesting for the ESRR?

A. OPC is requesting an additional $ 7 million for a total of $25 million of incremental O&M to fund its new four-year cycle-based vegetation management program. Previously in ESP II, OPC had requested, and the Commission approved, $18 million in annual O&M expense to recover through the ESRR the incremental cost above the base amount deemed to be already recovered through base distribution rates.

15. Q. Why is OPC requesting the additional O&M?

A. OPC maintains that its earlier estimate was insufficient to fund the Company's new 4-year cycle-based vegetation program, which began in 2014.

16. Q. How did OPC develop its earlier estimate?

A. The earlier estimate involved a number of factors, including AEP's system-wide historical trim cost, inflation of material and labor, the volume of forestry work, the type of vegetation scheduled for clearing, the amount of "hotspotting" required, and the growth rates that impact vegetation during any given year. OPC's trained and experienced foresters weighed and assessed these factors to develop the earlier estimate of incremental O&M costs to fund the new (four-year cycle) vegetation management program.[2]

17. Q. What is the basis for OPC's new higher estimate?

A. The new higher estimate is based on OPC's average cost per mile (during the years 2009 through 2012)[3] of transitioning to a four-year cycle based vegetation management program; and OPC reduces that average by 30 percent to compute its new estimate.

[2] This description of the methodology OPC used to develop the earlier estimate is based on OPC's response to Staff Data Request No. 7-1 in Case Nos. 11-346-EL-SSO and 11-348-EL-SSO as well as OPC's response to Staff Data Request No. 5-1 in Case No. 13-2385-EL-SSO.

[3] The transition period was originally planned to end in 2013, but was extended into 2014, when OPC also began implementing its new four-year cycle-based vegetation-management program.

18. Q. Do you have an issue with OPC's new estimate?

A. Yes, I do. I believe is inappropriate to use the transition period as a basis for estimating the costs of the new four-year cycle program. The transition period involved a catch-up program to trim trees on all of OPC's circuits in preparation for implementing the four-year trim cycle. A catch-up program was needed because many of OPC's circuits had not been trimmed end-to-end in many years. Catching up on these circuits involves more trimming and higher costs than the more routine trimming in required to maintain a four-year trim cycle.

19. Q. Do you support OPC's 30-percent reduction to the catch-up program costs?

A. No. I do not support it for two reasons. First, I do not believe OPC has a sound basis for the 30-percent reduction because it is not based on any actual experience implementing a four-year cycle program. Second, OPC's trimming during the transition period has had a very substantial impact on tree clearance across its Ohio distribution system. Staff therefore believes any reduction factor should be greater than 30 percent.

20. Q. What is Staff's position on OPC's proposal to increase incremental O&M by $7 million from $18 million to $25 million?

A. Staff does not support it. Staff believes that OPC's earlier estimate (approved in its last is ESP filing), is more representative of costs associated with a cycle-based vegetation management program because it is based on the AEP's routine vegetation management costs nation wide instead of a special (more expensive) catch-up project. Staff also believes the earlier estimate is more accurate because it takes several different factors into consideration. Finally, there has been a very substantial improvement in tree clearance as a result of OPC's catch-up program. This degree of improvement supports a conclusion that the costs of maintaining tree clearance going forward will be substantially less than that implied by OPC's request for additional vegetation O&M. Staff therefore recommends that the Commission not approve OPC's request for the additional $7 million in O&M expense.

21. Q. If, during the term of OPC's proposed ESP, the Company files actual ESRR O&M expenses that exceed the earlier estimate, would Staff recommend approval for such excess?

A. If OPC's incremental expenditures (either O&M or Capital) exceeded the earlier estimate, Staff would assess those expenditures to determine whether they were prudently incurred and whether they involved vegetation management activities that Staff considers beneficial, then Staff would recommend that the Commission approve such additional expenditures.

22. Q. Does the Staff believe that OPC should refine its projected costs in annual ESRR filings?

A. Yes. Once the actual costs of the four-year maintenance program are known, Staff believes that those actual costs should be used to improve the accuracy of OPC's cost projection for the following year, which is included in OPC's annual ESRR true-up filing.

23. Q. Does this conclude your testimony?

A. Yes, it does. However, I reserve the right to submit supplemental testimony as described herein, as new information subsequently becomes available or in response to positions taken by other parties.

PROOF OF SERVICE

I hereby certify that a true copy of the foregoing Prefiled Testimony of **Peter K. Baker** submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served by regular U.S. mail, postage prepaid, hand-delivered, and/or delivered via electronic mail, upon the following parties of record, this 20th day of May, 2014.

/s/ Devin D. Parram

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