

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)	
Ohio Power Company to Update Its)	Case No. 14-1578-EL-RDR
Enhanced Service Reliability Rider)	

REPLY COMMENTS

On September 9, 2014, Ohio Power Company (“AEP Ohio” or the “Company”) filed its 2014 application to update its Enhanced Service Reliability Rider (“Application”). The Application reflects actual vegetation management project spending and revenue recovery during 2013 and projected costs for 2014. On January 15, 2015, the Attorney Examiner in this case set a procedural schedule which set forth due dates of February 17, 2015 for initial comments and March 3, 2015, for reply comments. On February 17, 2015, Staff filed comments on the Company’s Application. AEP Ohio submits these reply comments in accordance with the Attorney Examiner’s January 15, 2015 Entry.

AEP Ohio disagrees with Staff’s recommendation that the Company reduce O&M expenses for meals, computer and cellular equipment, and other miscellaneous expenditures. Staff’s primary argument incorrectly interprets the Company’s Travel and Entertainment policy to conclude that meals totaling \$4,323.87 are considered excessive and should be excluded from recovery. AEP Ohio’s fourteen foresters oversee tree-trimming and other activities throughout the Company’s 10,374 square-mile service territory. The work entails frequent travel to job sites and continuing coordination with contract crews. The Company’s foresters are tasked first with ensuring that vegetation management activities are performed in a manner that ensures the safety of both workers and customers. They also need to be good stewards of ratepayers’ funds by ensuring

activities are completed efficiently and thoroughly. The Appendix to Staff's comments shows that virtually all of the meal expenses were for safety, business planning, or operational purposes. In addition, the Staff has included in its Appendix nearly all meals charged by the entire department for the year. The Staff then states that the amounts "appear" to be frequent and excessive and recommends removing all meals from the rider. The Staff's recommendation does not support their reason. If the charges "appear" to be repetitious and excessive, Staff should assume that some level of meals would be required yet they recommend disallowing all charges. Staff coordination meetings, safety meetings, and similar work gatherings are not excessive.

Staff's next argument incorrectly concludes that the cost of various computer and cellular equipment is not recoverable because such equipment has not been shown to be solely exclusive to the Enhanced Service Reliability Rider activities. The Application calculates the ESRR revenue requirement as total expenditures less the amount included in base rates, as shown on Schedule 1. The Company provides the Staff with the total expenditures of the forestry group. Of those total expenditures, there is a base amount that is collected through base distribution rates and any incremental costs over that level are recovered through the vegetation management rider. Staff has not challenged the prudence of the computer and cellular equipment expense and these items are required by the foresters to do the work necessary to plan, track, and communicate the forestry activities. For instance, many of the reports requested by the Staff through data requests were sent from the computer systems of the forestry group. Staff's recommendation should be rejected.

Staff's final argument again incorrectly concludes that various other costs are not properly recoverable through the rider. The costs are for normal operation of the forestry

department. The costs are properly recorded to the vegetation management project so that they are only recoverable through base distribution rates or the rider. Again, determining whether the costs are for incremental ESRR activities or for base operations of the distribution company is not possible. The Company's forestry department incurs various administrative costs for normal operation, in support of vegetation management work. Such costs are prudent expenditures and should not be excluded from the O&M expense reported in the Application.

Finally, if the Commission does accept Staff's recommendation for an O&M expense reduction, a modification to Staff's calculation is necessary. The Enhanced Service Reliability Rider only recovers a portion of the Company's vegetation management expenditures. The other portion is recovered through the Company's base distribution rates. The Application reflects 2013 O&M expenditures of \$58,024,776, of which \$20,570,412 is recovered through base distribution rates and \$37,454,364 is requested for recovery through the rider. Individual charges are not assignable to either the base distribution or incremental rider portion. Therefore, if the Commission accepts the thrust of Staff's recommendation, the actual O&M expense reduction should be a pro-rata of the \$5,905.18. The Company submits the proper calculation is \$37,454,364 divided by \$58,024,776 multiplied by \$5,905.18, for a reduction of \$3,811.73.

CONCLUSION

In sum, the Company disagrees with Staff's impractical recommendation of a reduction to the O&M expense filed with this case. Staff's position does not recognize the real-world logistical challenges of forestry work performed in the Company's service territory, which necessitates frequent travel and coordination with contractor crews. Additionally, Staff does not fully recognize the mechanics of the ESRR revenue

requirement in the Application, which is the total vegetation management expense less the expense included in base distribution rates. If the Commission agrees in principle with the Staff's recommendation, it should adjust the expense reduction to reflect the methodology of including for recovery in the rider only the incremental expense.

Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and accurate copy of the foregoing *Reply Comments* was served this 3rd day of March, 2015 by electronic mail, upon the persons listed below.

//s// Steven T. Nourse _____

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Commission of Ohio Docketing Information System on

3/3/2015 1:35:49 PM

in

Case No(s). 14-1578-EL-RDR

Summary: Comments -Reply Comments electronically filed by Mr. Steven T Nourse on behalf of Ohio Power Company