

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Establishment of)	
4901:1-10-10(B) Minimum Reliability)	Case No. 16-1511-EL-ESS
Performance Standards for Ohio Power)	
Company.)	

**REPLY COMMENTS
BY
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL**

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I. INTRODUCTION

This case is to determine whether Ohioans could be at risk for more frequent and longer duration of electric service outages while paying hundreds of millions of dollars to a utility to improve its reliability. Ohio Power Company (“AEP Ohio”) is proposing to lower the standards of reliability for electric service provided to its residential customers. This proposal comes as AEP Ohio has been collecting and is collecting millions of dollars from residential customers for projects to improve its distribution system. Under the law, Ohioans are entitled to adequate utility service at just and reasonable rates.¹

The Public Utilities Commission of Ohio (“PUCO”) has sought comment from interested persons regarding the proposed reliability standards.² In Initial Comments filed on January 26, 2017, the Office of the Ohio Consumers’ Counsel (“OCC”) presented reasons why the PUCO should reject the new standards proposed by AEP Ohio. OCC noted that the proposed standards could harm Ohioans by placing them at

¹ R.C. 4905.22.

² Entry (December 14, 2016) at 2.

risk for longer and more frequent outages, and for less reliable service than they are paying for.³ OCC also demonstrated that AEP Ohio's proposed standards do not comply with PUCO rules and PUCO Staff Guidelines ("Guidelines") for electric service reliability standards.⁴ Because AEP Ohio's proposals are unjust and unreasonable, OCC asked the PUCO to conduct hearings on the Application, where AEP Ohio will have the burden of showing that its proposals are just and reasonable.

On February 10, 2017, the PUCO Staff filed its Review and Recommendations in this case. The PUCO Staff recommends that the PUCO calculate the standards differently from AEP Ohio's methodology.⁵ The PUCO Staff also recommends that the PUCO reject the 12 percent adder meant to account for yearly variances in system performance.⁶

In these Reply Comments, OCC discusses the PUCO Staff's recommendations. OCC agrees with the PUCO Staff that AEP Ohio has not justified the 12 percent adder, and the PUCO should reject it. And although the PUCO Staff's recommended reliability standards are "better" than AEP Ohio's proposal, the PUCO should improve upon the PUCO Staff's recommendations. In addition to rejecting the proposed 12 percent adder, the PUCO should use AEP Ohio's performance for the past five years as a baseline. Not the three years proposed by AEP Ohio, or the PUCO Staff's recommendation that is based on four years of historical performance plus a 10 percent adder. AEP Ohio should also be required to file an application for new standards in three years.

³ OCC Initial Comments at 4-9, 16-17.

⁴ *Id.* at 10-16.

⁵ *See* PUCO Staff Review and Recommendations at 11.

⁶ *Id.* at 10.

II. RECOMMENDATIONS

A. AEP Ohio’s proposal for a 12 percent adder to the performance baseline for its reliability standards should be rejected because it would unnecessarily add to the number and duration of interruptions that consumers could endure before AEP Ohio might be considered to be in violation of the standards.

AEP Ohio proposed establishing reliability standards by using 2013 through 2015 reliability performance data, plus a 12 percent adder to account for annual variation in system performance.⁷ The adder adjusts the system reliability thresholds upwards, so that consumers would be at risk of more frequent or longer outages before a violation occurs.

AEP Ohio claimed that a 12 percent adder was appropriate because only three years of average historical performance was being used to establish a performance baseline.⁸ But AEP Ohio *chose* to use three years of historical performance data, rather than the five years required by the Guidelines. Deviating from the Guidelines does not justify the adder.

An adder to the historical performance baseline benefits only the utility. An adder ostensibly accounts for variations in system performance. But in practice it is used only to negate (or mask) system performance that reflects poorly on the utility. There is no symmetrical proposal to include a “subtractor” to the standards to account for the years where there was less strain on the distribution system. Adders can also obscure systemic declines in reliability because the performance of the distribution system must degrade to the point of missing a standard (that has been artificially inflated or relaxed) before regulatory enforcement action is considered. An adder that only adjusts the system

⁷ Application at 19.

⁸ *Id.*

reliability thresholds upwards, so that consumers may be at risk of more frequent or longer outages before a violation occurs, is patently unfair to consumers.

In its review, the PUCO Staff determined that the 12 percent adder was inappropriate and unnecessary.⁹ The PUCO Staff stated that AEP Ohio did not justify the proposed 12 percent adder.¹⁰ The PUCO Staff noted that AEP Ohio's historical data show that its reliability performance is not worsening,¹¹ and thus the adder is not needed. In fact, according to the PUCO Staff, there was a "marked reliability improvement attributable to gridSMART technology" in 2011-2015.¹² The PUCO Staff also noted that the customer perception survey conducted in 2015 showed that 87 percent of AEP Ohio customers expect the same or improved reliability over the next five years.¹³

OCC agrees with the PUCO Staff that the 12 percent adder should be rejected. AEP Ohio did not provide sufficient support for the 12 percent variation adjustment proposed in the Application.¹⁴ In addition, there will be a significant expansion of gridSMART technology in AEP Ohio's service territory,¹⁵ which should improve AEP Ohio's system reliability. But AEP Ohio did not consider the impact of gridSMART expansion in calculating its proposed reliability standards.¹⁶ It should have.

⁹ PUCO Staff Review and Recommendations at 10.

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.* at 5. The PUCO Staff did note a decline in overall impact of gridSMART technology, in both avoided customer interruptions and avoided customer minutes interrupted. *Id.*

¹³ *Id.* at 10.

¹⁴ OCC Initial Comments at 12.

¹⁵ *See* PUCO Staff Review and Recommendations at 6.

¹⁶ *Id.*

Further, a 12 percent adder is not supported by AEP Ohio’s historical reliability performance. Over the past decade, there has not been a great overall fluctuation in AEP Ohio’s reliability performance. Table 1 compares AEP Ohio’s average historical reliability performance for the past three, five, and ten years.

Table 1: Comparison of AEP Ohio Average Historical Reliability Performance

	Average AEP Ohio Performance 2013-2015 ¹⁷	Average AEP Ohio Performance 2011-2015 ¹⁸	Average AEP Ohio Performance 2006-2015 ¹⁹
SAIFI	1.10	1.09	1.19
CAIDI	142.20	142.72	141.11

Comparing the five-year average historical performance with the three-year average yields a slightly lower System Average Interruption Frequency Index (“SAIFI”) and a slightly higher Customer Average Interruption Duration Index (“CAIDI”).²⁰ Comparing AEP Ohio’s reliability performance for 2006-2015 with each of the other averages shows a slightly lower CAIDI and a SAIFI increase of approximately eight percent. The consistency of the above comparisons dispels AEP Ohio’s claim that a 12 percent adder is necessary for annual variability. The PUCO should reject AEP Ohio’s proposed 12 percent adder.

¹⁷ Application at 19.

¹⁸ OCC Initial Comments at 13.

¹⁹ Application at Attachment 1.

²⁰ SAIFI reflects the number of sustained interruptions in electric service the average consumer experiences over a predefined period of time. CAIDI represents the average number of minutes required to restore electric service to residential customers. Institute of Electrical and Electronic Engineers (“IEEE”) Guide for Electric Power Distribution Reliability Indices, IEEE Std 1366-2012, (Revision of IEEE Std 1366-2003) at 5 (May 31, 2012). Higher thresholds for SAIFI or CAIDI as minimum reliability standards mean that service to customers will be less reliable – interruptions could be longer and service restorations could be slower.

B. To better protect consumers from unreasonable standards that place consumers at risk of more frequent and longer outages, the PUCO should base AEP Ohio's reliability standards on the average of five years of historical reliability performance data that may be adjusted with explicit and quantifiable factors.

Ohio Adm. Code 4901:1-10-10(B)(4)(a) requires that reliability performance standards reflect the historical system performance, system design, technological advancements, service area geography, and a customer perception survey. The Guidelines use the average of at least five years of historical performance data as a baseline for further adjustments.

AEP Ohio used a three-year historical performance average, and proposed a single adjustment to the baseline to reflect reliability improvements being funded by customers through the Distribution Investment Rider ("DIR"). AEP Ohio proposed a reduction in SAIFI of 0.01 and a reduction in CAIDI of 0.036 minutes to reflect system improvements resulting from DIR expenditures.

The PUCO Staff supported the methodology proposed by AEP Ohio in calculating the DIR adjustment.²¹ But unlike AEP Ohio, the PUCO Staff also proposed an adjustment based on the reliability improvement customers should receive on a going-forward basis resulting from projects funded by the Enhanced Service Reliability Rider ("ESRR"). Such projects included tree trimming, widening of right-of-ways, and removal of hazardous trees.²² The PUCO Staff proposed reductions of 0.07 for SAIFI and 9.96 minutes for CAIDI.

²¹ PUCO Staff Review and Recommendations at 11.

²² *Id.* at 2.

The ESRR program and the additional \$140 million that customers have paid since 2011 for vegetation management should improve the performance reliability of AEP Ohio. The effects of the ESRR program should also result in an adjustment to the reliability standards.²³ OCC appreciates that the PUCO Staff proposed that AEP Ohio's standards recognize reliability improvements due to the ESRR.

However, the PUCO Staff has recommended the same reduction in SAIFI and CAIDI for the DIR that AEP Ohio proposed in its Application. This proposed reduction in SAIFI and CAIDI is inadequate. The proposed DIR adjustment in the reliability standards is miniscule compared to the vast amount of money customers are paying for the DIR. After all, AEP Ohio has supposedly spent approximately \$738 million that has been collected and is being collected from customers through the DIR. Yet, the proposed standards benefit consumers by only a 0.01 reduction in the average number of sustained power outages and a 0.036 minute reduction in the average duration of outages. The investments being made through the DIR do not appear to be focused on reliability programs.²⁴

Although OCC supports the PUCO Staff's recommendation that there should be adjustments for both the DIR and the ESRR, OCC disagrees with the PUCO Staff's methodology for applying the adjustments. Table 2 summarizes the PUCO Staff's proposed reliability standards.

²³ See OCC Initial Comments at 9.

²⁴ *Id.* at 8.

Table 2: PUCO Staff Methodology for Proposed Reliability Standards²⁵

Staff Proposal	SAIFI	CAIDI (Minutes)
Baseline Current Standards	1.20	150.00
DIR Adjustment	(0.01)	(0.036)
ESRR Adjustment	(0.07)	(9.96)
Adjusted New Standard	1.12	140.0

The PUCO Staff's recommendation in this case is inconsistent with its own Guidelines for establishing reliability standards.²⁶ Instead of using a five-year historical average, as set forth in the Guidelines, the PUCO Staff started with AEP Ohio's current reliability standards. The PUCO Staff then made DIR and ESRR adjustments from the current reliability standards.

The current reliability standards, however, were established in a settlement in AEP Ohio's previous reliability standards case. The settlement in that case used a four-year average performance baseline (2009-2012) with a ten percent adder for SAIFI and an eight percent adder for CAIDI.²⁷ Therefore, the existing standards already include variability that is not necessarily an accurate and current reflection of the reliability performance of AEP Ohio's distribution system. As a result, the current reliability standards have a much higher SAIFI and CAIDI, and thus are more relaxed than historical performance.

²⁵ PUCO Staff Review and Recommendations at 1.

²⁶ The Guidelines state that service reliability standards for CAIDI and SAIFI should be calculated by averaging historical performance and using the average as a baseline for adjustments that would result in a proposed standard. The Guidelines also state that historical performance should include at least five years of reliability performance data.

²⁷ *In the Matter of the Establishment of 4901:1-10-10(B) Minimum Reliability Performance Standards for Columbus Southern Power Company and Ohio Power Company*, Case No. 12-1945-EL-ESS, Stipulation and Recommendation (December 16, 2013) at 3.

The baseline for reliability performance should be five years of average historical performance, not the three years proposed by AEP Ohio or the adjusted four-year performance in the PUCO Staff’s proposal. Using average historical performance data from the last five years (2011-2015) provides an accurate and more reasonable reflection of AEP Ohio’s current reliability performance.²⁸ More importantly, the use of the most recent five years of historical performance data provides significantly more confidence in determining reliability expectations in the future than the data used by the PUCO Staff and AEP Ohio.

Table 3 demonstrates how the reliability standards should be established using an average of the most recent five years of reliability performance data, with adjustments for the DIR and the ESRR.

Table 3: OCC Recommendations Using the PUCO Staff’s Guidelines

OCC Proposal	SAIFI	CAIDI (Minutes)
Five Year Average Performance (2011-2015)	1.09	142.72
DIR Adjustment ²⁹	(0.01)	(0.036)
ESRR Adjustment	(0.07)	(9.96)
Adjusted New Standard	1.01	132.72

The reliability standards shown in Table 3 are more realistic and reasonable than either AEP Ohio’s proposed standards or the PUCO Staff’s recommended standards. The PUCO should adopt reliability standards for AEP Ohio that are consistent with those shown in Table 3, with additional reductions for the DIR funded by consumer money.

²⁸ OCC Initial Comments at 13.

²⁹ Although OCC supports *an* adjustment for the DIR, OCC does not concede that the DIR adjustment proposed by the PUCO Staff is reasonable. The adjustment in Table 3 is provided for illustrative purposes only to demonstrate how the standards should be calculated.

C. So that the reliability standards for consumers' electric service reflect system improvements from gridSMART deployment and DIR expenditures, the PUCO should require AEP Ohio to file an application to amend the reliability standards in no more than three years.

In Case No. 13-1939-EL-RDR, the PUCO granted AEP Ohio authority to initiate a gridSMART Phase 2 program,³⁰ at a total cost to consumers of more than \$500 million.³¹ Among other things, gridSMART Phase 2 includes the installation of 894,000 advanced meters on consumers' homes and Distribution Automation Circuit Reconfiguration ("DACR") on approximately 250 circuits.³² DACR is expected to improve reliability of AEP Ohio's distribution system by reducing the number of customers affected by each outage. AEP Ohio currently has DACR technology installed on 70 circuits.³³ AEP Ohio proposed no adjustments to the reliability standards associated with gridSMART Phase 2.³⁴

In its Review and Recommendations, the PUCO Staff discusses the reliability benefits associated with gridSMART Phase 2.³⁵ The PUCO Staff, however, recommends no Phase 2-related adjustment to the standards at this time.³⁶ The PUCO Staff further recommends that the PUCO require AEP Ohio to file an updated standards application in

³⁰ *In the Matter of the Application of Ohio Power Company to Initiate Phase 2 of Its gridSMART Project and to Establish the gridSMART Phase 2 Rider*, Case No. 13-1939-EL-RDR, Opinion and Order (February 1, 2017) ("Phase 2 Order").

³¹ See Case No. 13-1939-EL-RDR, Direct Testimony of Scott S. Osterholt (April 20, 2016), Exhibit SSO-1 at 9.

³² See Phase 2 Order at 8.

³³ PUCO Staff Review and Recommendations at 6.

³⁴ Application at 15.

³⁵ PUCO Staff Review and Recommendations at 7.

³⁶ *Id.*

three to six years to reflect the impact of gridSMART expansion and other technological advancements.³⁷

The deployment of the DACR technology on 250 circuits will occur over 72 months³⁸ and at a cost to consumers of over a \$107 million dollars.³⁹ In addition, customers are continuing to pay for the DIR that appears to be providing minimal reliability benefits for customers. Between 2016 and 2018, AEP Ohio has plans to spend well over \$600 million in investments that will ultimately be paid by consumers. Consumers should not have to wait longer than three years before these investments that are touted to improve reliability are reflected in the AEP Ohio reliability standards.

III. CONCLUSION

Given the hundreds of millions of dollars consumers have paid for AEP Ohio system improvements, the reliability standards adopted by the PUCO should be more protective of consumers than those proposed by AEP Ohio. The standards should also be better than those recommended by the PUCO Staff.

The PUCO should adopt reasonable standards that reflect the programs consumers have paid hundreds of millions of dollars for to improve AEP Ohio's distribution system. Thus, in accordance with Ohio Adm. Code 4901:1-10-10(B)(6)(e), the PUCO should set this matter for hearing.

³⁷ *Id.*

³⁸ Phase 2 Order at 8.

³⁹ AEP Ohio has estimated that DACR costs \$427,000 per circuit. *See* Case No. 13-1939-EL-RDR, Application (September 13, 2013), Attachment A at 8.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of these Reply Comments was served on the persons stated below via electronic transmission, this 23rd day of February 2017.

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