

## THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE ESTABLISHMENT  
OF MINIMUM RELIABILITY PERFORMANCE  
STANDARDS, PURSUANT TO OHIO CASE NO. 16-1511-EL-ESS  
ADM.CODE 4901:1-10-10(B), FOR OHIO  
POWER COMPANY.

### OPINION AND ORDER

Entered in the Journal on February 7, 2018

#### I. SUMMARY

{¶ 1} The Commission adopts and approves the Joint Stipulation and Recommendation filed by the parties, in its entirety, to establish new minimum reliability performance standards for Ohio Power Company d/b/a AEP Ohio.

#### I. DISCUSSION

##### *A. Applicable Law*

{¶ 2} Ohio Power Company d/b/a AEP Ohio (AEP Ohio or Company) is an electric distribution utility, as defined in R.C. 4928.01(A)(6), and a public utility, as defined in R.C. 4905.02, and, as such, is subject to the jurisdiction of this Commission.

{¶ 3} Pursuant to Ohio Adm.Code 4901:1-10-10(B), each electric utility shall file an application to establish, and periodically update, company-specific minimum reliability performance standards. Further, Ohio Adm.Code 4901:1-10-10(B)(2) requires that the application include a proposed methodology for establishing reliability standards, a proposed company-specific reliability performance standard for each service reliability index based on the proposed methodology, and supporting justification for the proposed methodology and each resulting performance standard.

##### *B. Procedural Background*

{¶ 4} On June 30, 2016, AEP Ohio filed an application to revise its reliability performance targets, namely its Customer Average Interruption Duration Index

(CAIDI) and System Average Interruption Frequency Index (SAIFI), in accordance with Ohio Adm.Code 4901:1-10-10.

{¶ 5} On August 16, 2016, Ohio Consumers' Counsel (OCC) filed a motion to intervene.

{¶ 6} By Entry issued December 14, 2016, a procedural schedule was established to assist the Commission with its review of AEP Ohio's proposed reliability standards. In accordance with the procedural schedule, a technical conference was held on January 19, 2017.

{¶ 7} Pursuant to the procedural schedule, OCC filed comments on January 26, 2017, Staff filed the Staff Report on February 10, 2017, and AEP Ohio and OCC filed reply comments on February 23, 2017.

{¶ 8} On October 30, 2017, a Joint Stipulation and Recommendation (Stipulation) was filed by AEP Ohio and Staff.

{¶ 9} To assist the Commission in its consideration of the Stipulation, AEP Ohio, Staff, and OCC proposed that testimony in support of or in opposition to the Stipulation be due by December 5, 2017, and the hearing be held on January 10, 2018.

{¶ 10} By Entry issued November 15, 2017, OCC's motion to intervene was granted and the procedural schedule for consideration of the Stipulation was established as agreed to by the parties.

{¶ 11} By correspondence filed November 17, 2017, OCC declared that while OCC did not sign the Stipulation, OCC does not oppose the agreement.

{¶ 12} On December 5, 2017, AEP Ohio filed the testimony of Joel B. Trad, in support of the Stipulation.

{¶ 13} The hearing was held, as scheduled, on January 10, 2018. At the hearing, admitted into the record were: the Stipulation (Joint Ex. 1), the testimony of AEP Ohio witness Joel B. Trad (AEP Ohio Ex. 1) and AEP Ohio's application filed June 30, 2016 (AEP Ohio Ex. 2).

### *C. Summary of the Application*

{¶ 14} According to the application, AEP Ohio operates a distribution system including approximately 1,500 circuits, with approximately 45,500 miles of primary distribution lines at voltages ranging from 4.16 kilovolts to 34.5 kilovolts. The Company's nearly 1.5 million customers in 61 counties in Ohio are served via approximately 470,000 overhead and underground distribution transformers. In this proceeding, AEP Ohio proposes a CAIDI of 159.8 and a SAIFI of 1.22, based on three years of historical data. The Company reasons that using three years of historical data to calculate the baseline for the proposed CAIDI and SAIFI avoids the need to adjust for the Company's forestry program, recent technology, and system design changes or to account for missed reliability standards. The Company acknowledges that the CAIDI value is lower using a three-year average as opposed to a five-year average. AEP Ohio states that the three-year average reflects a period when the Company performed better than the existing reliability standards. Further, the application provides that in calculating the proposed SAIFI, the Company followed the guidelines set forth in Ohio Adm.Code 4901:1-10-10(B)(3)(a), excluding transmission outages and major event outages from its calculation, without any other adjustments. To the three-year historical baseline established for each reliability value, AEP Ohio added 12 percent to set the future standard. In accordance with a stipulation approved by the Commission in AEP Ohio's last reliability standards case, the Company agreed to a SAIFI of 1.20 and a CAIDI of 150.0, and to file an application to update its reliability performance standards by no later than June 30, 2016. *In re Ohio Power Co.*, Case No. 12-1945-EL-ESS (2012 Standards Case), Opinion and Order (Mar. 19, 2014) at 3, 5, 6, Entry on Rehearing (May 7, 2014).

### III. CONSIDERATION OF THE STIPULATION

#### A. *Summary of the Stipulation*

{¶ 15} As previously noted, on October 30, 2017, AEP Ohio and Staff (Signatory Parties) filed a Stipulation which purports to resolve all the issues raised in this proceeding (Joint Ex. 1 at 1). The Stipulation may be summarized as follows:<sup>1</sup>

- (a) The Signatory Parties agree and recommend that the Commission approve and adopt AEP Ohio's application filed on June 30, 2016, as modified by the Stipulation (Joint Ex. 1 at 3).
- (b) The Signatory Parties agree that, for performance year 2018, AEP Ohio's SAIFI will be 1.19 and the CAIDI will be 149.00 (Joint Ex. 1 at 3).
- (c) The Signatory Parties agree that, beginning in performance year 2019 and thereafter, until new reliability standards are effective, AEP Ohio's SAIFI will be 1.18 and the CAIDI will be 148.00 (Joint Ex. 1 at 3).
- (d) The Signatory Parties agree that the reliability standards set forth in the Stipulation will be used for AEP Ohio as a single SAIFI and CAIDI standard; that the standards for performance year 2018 will be applied to the Company's performance for the 2018 calendar year and used as the standards in the March 2019 filing; and that the standards for performance year 2019 will be applied to performance

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<sup>1</sup> This is a summary of the Stipulation and does not supersede or replace the Stipulation.

for the 2019 calendar year and used as the standards beginning in the March 2020 filing (Joint Ex. 1 at 3).

- (e) The Signatory Parties stipulate that the standards for performance year 2019 will remain in effect through at least the 2020 performance year, unless the standards are revised in accordance with Ohio Adm.Code 4901:1-10-10(B)(7) and/or as a result of the Commission's decision in AEP Ohio's pending electric security plan (ESP) proceeding, Case No. 16-1852-EL-SSO, et al. (*ESP 3 Extension Case*) (Joint Ex. 1 at 4).
- (f) The Signatory Parties agree that Ohio Adm.Code 4901:1-10-10(B)(7) will apply, and AEP Ohio may revise its standards, if the annual authorized Distribution Investment Rider (DIR) revenue caps proposed in the Joint Stipulation and Recommendation filed in the *ESP 3 Extension Case* are not approved as proposed in that proceeding (Joint Ex. 1 at 4).
- (g) AEP Ohio agrees to file an application to establish new reliability standards by June 1, 2020, for 2021 and beyond. The Signatory Parties agree the application to establish new reliability standards will include at least five years of current historical reliability performance data to calculate a historical performance baseline. AEP will propose specific adjustments to the baseline, to the extent not already reflected in the baseline data, to account for any increased reliability benefits attributable to the customer funding reflected in the DIR, the Enhanced Service

Reliability Rider, and the gridSMART Rider. (Joint Ex. 1 at 4.)

- (h) Consistent with the stipulation filed in the *2012 Standards Case*, the Signatory Parties agree that to the extent an individual circuit appears on the Ohio Adm.Code 4901:1-10-11 worst performing circuits list for three years consecutively, AEP Ohio will incorporate prudent actions to address the issues under its control that are contributing to that individual circuit's poor performance in the next DIR work plan proposal (Joint Ex. 1 at 4-5).

#### ***B. Review of the Stipulation***

{¶ 16} Ohio Adm.Code 4901-1-30 authorizes parties to Commission proceedings to enter into a stipulation. Although not binding upon the Commission, the terms of such an agreement are accorded substantial weight. *Consumers' Counsel v. Pub. Util. Comm.*, 64 Ohio St.3d 123, 125, 592 N.E.2d 1370 (1992), citing *Akron v. Pub. Util. Comm.*, 55 Ohio St.2d 155, 157, 378 N.E.2d 480 (1978). This is especially true where the stipulation is unopposed by any party and resolves all issues presented in the proceeding in which it is offered.

{¶ 17} The standard of review for considering the reasonableness of a stipulation has been discussed in a number of prior Commission proceedings. *See, e.g., In re Dominion Retail, Inc. v. The Dayton Power and Light Co.*, Case No. 03-2405-EL-CSS, et al., Opinion and Order (Feb. 2, 2005); *In re Cincinnati Gas & Elec. Co.*, Case No. 91-410-EL-AIR, Order on Remand (Apr. 14, 1994); *In re Ohio Edison Co.*, Case No. 91-698-EL-FOR, et al., Opinion and Order (Dec. 30, 1993); *In re Cleveland Elec. Illum. Co.*, Case No. 88-170-EL-AIR, Opinion and Order (Jan. 31, 1989). The ultimate issue for the Commission's consideration is whether the agreement, which embodies considerable time and effort by the signatory parties, is reasonable and should be adopted. In

considering the reasonableness of a stipulation, the Commission has used the following criteria:

- (1) Is the settlement a product of serious bargaining among capable, knowledgeable parties?
- (2) Does the settlement, as a package, benefit ratepayers and the public interest?
- (3) Does the settlement package violate any important regulatory principle or practice?

{¶ 18} The Supreme Court of Ohio has endorsed the Commission's analysis using these criteria to resolve cases in a manner economical to ratepayers and public utilities. *Indus. Energy Consumers of Ohio Power Co. v. Pub. Util. Comm.*, 68 Ohio St.3d 559, 561, 629 N.E.2d 423 (1994), citing *Consumers' Counsel v. Pub. Util. Comm.*, 64 Ohio St.3d 123, 126, 592 N.E.2d 1370 (1992). The Commission may place substantial weight on the terms of a stipulation, although it is not binding upon the Commission. *Consumers' Counsel* at 126.

{¶ 19} AEP Ohio offered testimony that all parties were invited to participate in settlement discussions and participated in multiple meetings and communications in an attempt to reach a resolution of the issues in the case. Further, AEP Ohio witness Trad testified that all parties in the case are capable and knowledgeable in regulatory matters and were represented by experienced, competent counsel. AEP Ohio declared that the Stipulation supports the Company's continued investment in programs designed to improve and maintain electric service reliability, thereby enhancing customers' experiences, as well as ensuring that outages and reliability issues are minimized and, when outages do occur, that the impact and the duration is minimized, to the extent practicable. The witness stated that it is also in the public interest to amicably settle proceedings like this to avoid the uncertainty and costs associated with litigating the

issues resolved in this case. Finally, the witness testified that the Stipulation is consistent with, and does not violate, any regulatory principles or practices. Mr. Trad contends the Stipulation promotes the state policy of ensuring the availability to consumers of adequate, reliable, safe, efficient, nondiscriminatory, and reasonably priced retail electric service. R.C. 4928.02(A). To that end, the witness stated the Stipulation establishes a numeric value to evaluate AEP Ohio's system reliability performance. On that basis, AEP Ohio witness Trad reasoned that the Stipulation is in compliance with each of the criteria used by the Commission to evaluate stipulations. (AEP Ohio Ex. 1 at 2-3, 5-6; Tr. at 10-12.)

### *C. Commission's Conclusion*

{¶ 20} The Commission finds that the Stipulation complies with the criteria used to approve a stipulation. The first criterion, that the process involved serious bargaining by knowledgeable, capable parties, is clearly met. The record demonstrates that all parties were actively involved in negotiations. Further, AEP Ohio and Staff have been involved in numerous cases before the Commission, and are well-informed on regulatory and rate matters coming before this Commission. In addition, the record supports a finding that the Stipulation meets the second criterion. As a package, the Stipulation advances the public interest by resolving all the issues raised in this matter without extensive litigation, supporting AEP Ohio's continued investment in infrastructure to improve and maintain electric service reliability, and, when outages do occur, helping to ensure that the impact and the duration is minimized, to the extent feasible. In addition, we note that the reliability standards in the Stipulation are more stringent, reflecting better service to customers, than the standards proposed by AEP Ohio in its application. Finally, the Commission finds that the Stipulation meets the third criterion because it does not violate any important regulatory principle or practice. (AEP Ohio Ex. 1 at 2-3, 5-6; Tr. at 10-12.) Accordingly, we find that the Stipulation is reasonable and should be adopted in its entirety.



#### IV. FINDINGS OF FACT AND CONCLUSIONS OF LAW

{¶ 21} On June 30, 2016, AEP Ohio filed an application to revise its reliability performance targets, in accordance with Ohio Adm.Code 4901:1-10-10.

{¶ 22} A technical conference on the application was held on January 19, 2017.

{¶ 23} Pursuant to the procedural schedule, OCC filed comments on January 26, 2017, Staff filed the Staff Report on February 10, 2017, and AEP Ohio and OCC filed reply comments on February 23, 2017.

{¶ 24} OCC filed a motion to intervene and was granted intervention by Entry issued November 15, 2017.

{¶ 25} On October 30, 2017, a Stipulation was filed by AEP Ohio and Staff resolving all the issues raised in this case. OCC did not oppose the Stipulation.

{¶ 26} A hearing was held on January 10, 2018, to consider the Stipulation.

{¶ 27} The Stipulation meets the criteria used by the Commission to evaluate stipulations, is reasonable, and should be adopted.

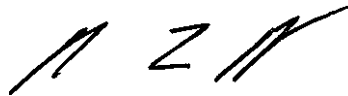
#### V. ORDER

{¶ 28} It is, therefore,

{¶ 29} ORDERED, That the Stipulation filed by AEP Ohio and Staff on October 30, 2017, be approved and adopted in its entirety. It is, further,

{¶ 30} ORDERED, That a copy of this Opinion and Order be served upon all interested persons and parties of record.

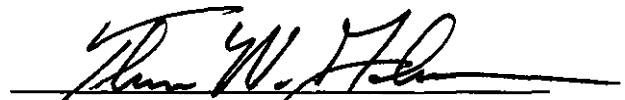
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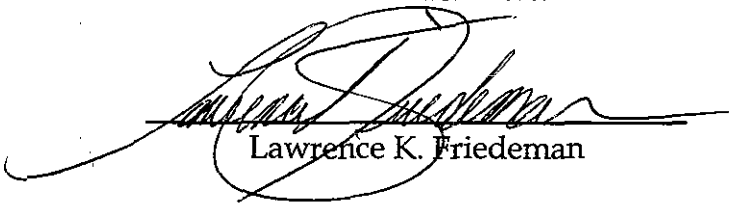
Asim Z. Haque, Chairman



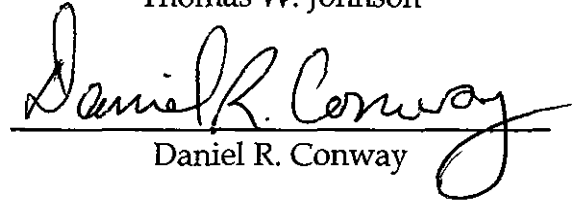
M. Beth Trombold



Thomas W. Johnson



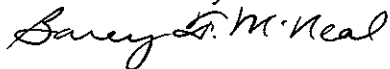
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