

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)	
Ohio Power Company to Update Its)	Case No. 19-1747-EL-RDR
Enhanced Service Reliability Rider)	

OHIO POWER COMPANY’S COMMENTS

I. Introduction and Background

On September 5, 2019, Ohio Power Company (“AEP Ohio” or the “Company”) filed its annual application to update its Enhanced Service Reliability Rider (“ESRR”). The Application reflects actual vegetation management project spending and revenue recovery during 2018 and projected costs for 2019. On December 31, 2019, Staff of the Public Utilities Commission of Ohio (“Staff”) filed a Review and Recommendation regarding the Company’s Application. AEP Ohio responded to Staff’s Review and Recommendation on February 25, 2020. On April 9, 2020 the Office of the Ohio Consumers’ Counsel (“OCC”) filed comments on the Company’s Application. By Entry dated April 21, 2020, the Attorney Examiner established a procedural schedule and directed that parties file initial comments by May 15, 2020. On April 28, 2020, Staff filed reply comments amending its original recommendation regarding capital carrying charges. Thus, for purposes of resolving the matters in this case, the Company and Staff are now in agreement regarding the 2018 revenue requirement.¹ (*Compare* AEP Ohio Reply Cmts. at 5 (Feb. 25, 2020), *with* Staff Reply Cmts. at 2 (Apr. 28, 2020) (both recommending a 2018 revenue requirement of \$34,216,608).)

¹ The Company also notes that the sum of its initial differences with Staff’s positions regarding incremental spending, O&M, and capital for purposes of calculating the ESRR cap would equate to a difference of \$0.93 per month for a typical residential customer using 1,000 kWh per month.

AEP Ohio hereby files these initial comments directed to OCC's April 9, 2020 comments.

II. AEP Ohio's Response to OCC's April 9, 2020 Comments

A. OCC's suggestion that the Commission should order a \$9 million refund in this case misapprehends the mechanics of the ESRR and ignores the Company's and Staff's previous comments in this docket.

OCC notes that, "AEP Ohio omitted from the tree trimming charge revenue requirement requested in this case the amount that it has overcharged consumers from 2009 to 2016 – approximately \$21,629,582" and that both the Company and the Staff agreed that this is inconsistent from previous tree trimming rider revenue requirement calculations. (OCC Cmts. at 2.) OCC goes on to state that, "AEP Ohio's requested departure from previous tree trimming rider revenue requirement calculations means that consumers would not get credit in this case for all the overpayments they have made to AEP Ohio in the past." OCC's assertion that the Company's departure from previous tree trimming rider revenue requirement calculations means that consumers would not get credit in this case for all the overpayments they have made to AEP Ohio in the past ignores the mechanics of the ESRR's over/under reconciliation. The pass back of the over-recovery in rates that became effective in January 2020² will return \$21,629,592 (\$8,249,820+13,379,772) to customers during the year of 2020. Further, when Case No. 18-1371-EL-RDR is approved, it will return an additional \$30,537,134 (\$21,629,592+\$8,907,531) during the subsequent year, and if this case is approved as filed customers will receive credit for an additional \$19,061,196 (8,907,531+10,153,665) for the years of 2017 and 2018. A total of \$71,227,911 could be passed back to customers in the three cases. Therefore, customers are already receiving credits for past over-collections and could receive credits of \$49,598,319

² See Case No. 17-1914-EL-RDR, Opinion and Order (Dec. 4, 2020).

more than the \$21,629,582 that OCC said the Company omitted from this filing if the appropriate calculation is not implemented. It is important that the Company work with the Staff to take into consideration all past filings and outstanding proceedings, as well as the amount of the current pass back of accumulated over-collection and the timing those rates are in place, to get the balance back on track and avoid future disruptions in bill impacts.

Additionally OCC argues that, the Company “should also be required to recalculate the tree trimming charge so that customers pay for actual tree trimming expenses not accrued tree trimming expenses.” (OCC Cmts. at 3-4.) In the initial ESRR Order on August 25, 2010 in Case No.10-163-EL-RDR, at page 6, the Commission ordered that the Company adjust current rider expense for accrued charges to include work performed in December where invoices were paid in January of the next year rather than using the Company’s accrued liabilities amounts. The adjustments are then reversed in January for the next filing. Nonetheless, in regard to OCC’s argument that the Company recalculate the cap using the actual costs (cash basis) instead of accrued costs, the Company has already addressed this issue:

Staff’s calculation includes an increase to the revenue requirement based on invoices paid in 2019 related to work performed in 2018. This additional value is \$1,236,682.42, which would be subtracted from the 2019 revenue requirement in the Company’s next filing to reflect the reversal of the charge. The Company’s filing recognized that this amount reflects a timing issue and as such excluded it for purposes of calculating the cap. It is the Company’s understanding that the 2019 spend would be reduced by \$1,236,682.42 based on Staff’s methodology and as such, shifts spend between years. Although the Company does not necessarily agree with the Staff’s position, for purposes of resolving this case, the Company can agree to Staff’s position on this point.

(AEP Ohio Cmts. at 2 (Feb. 25, 2020).)

B. The Company has not failed to meet its annual tree-trimming goals, and additional physical audits are not necessary.

OCC suggests that Staff should examine why AEP Ohio is failing to meet its annual cycle-based trimming goals and also indicates that even with the trimming the Company has done, outages associated with trees inside of rights-of-way (“ROW”) continue. (OCC Cmts. at 5-6.) The only way to reduce inside of ROW outages is to increase the frequency in which the Company clears end to end cycles or increase the amount or frequency of the application of regrowth inhibitor, both of which would require additional funds to complete. The Company has tried to strike the right balance when it comes to the number of outages that are associated with trees inside of ROW and the costs associated with the current level of outages caused by trees outside of ROW. Once again, Staff has found that the Company was prudent with its expenditures in this audit period and has verified that the work paid for was completed.

The four-year tree trimming cycle goal is not a compliance requirement but a target for performance. With a goal of trimming approximately 8,000 circuit miles each year, no two years are the same, and several factors can and do affect the annual outcomes. These include but are not limited to budget constraints, changes in work plan mileage, availability and cost of maintaining qualified workforce, workforce redirection due to major storm restoration efforts and prior year carryover mileage. In any given year, if the Company misses the vegetation management work plan cycle miles by a small fraction, it is made up early within the next year, a reasonable amount of time for completion. That the Company cleared approximately 96%³ of the circuit miles planned for 2018 is not reflective of a Company that is not performing its trimming responsibilities.

³ (See OCC Cmts. at 5.) 7,479 miles cleared / 7,826 circuit miles = 95.56%

OCC suggests that the Commission should require Staff to perform physical verification of tree trimming on more circuits in future audits. (OCC Cmts. at 6.) OCC alludes that the moderate regrowth Staff observed on certain circuits included in its physical verification could be an indicator that Company is not performing its tree trimming adequately or that additional measures may be necessary. When the auditor reports that it observed trees that it has concerns about, the Company goes back and reviews such cases. The Company may re-trim or remove a tree depending on the severity of its condition. However, in general, when a tree is trimmed for line clearance and a large percentage of the canopy is removed, the tree's response is different depending on the species. Fast growing trees tend to grow very rapidly to replace the loss of the canopy. A silver maple's regrowth, for example, can be 8 feet or more in a single growing season. The following years there will be less growth each year until the canopy and root system come into balance. Depending on how much clearance the tree was trimmed from the conductors, in one growing season a tree could have grown back close to or into the conductors.

In general, a tree's growth depends on species, soil conditions, and health. Untrimmed fast growing trees such as silver maple, elm, cottonwood, and sycamore can grow 3-4 feet/year or more even in poor soil condition. Different tree species respond to line clearance trimming differently also. The OCC suggests, with no basis of proof, that the regrowth could be an indicator that the company is not performing its functions, or that additional steps may be necessary. However, left out of the OCC's suggestion is how if additional steps are needed, that would require additional work and expense associated with tree trimming. It is also important to note that the Staff report indicated moderate regrowth, not that required clearing work was not performed. As OCC's suggestion on this issue

highlights, tree clearing in AEP Ohio's service territory is a major area of expense for the Company, and reducing trimming schedules or budgets is not an option.

C. AEP Ohio's recommendation to coordinate with Staff to stabilize over / (under) recovery balances is reasonable and appropriate.

Finally, the OCC argues that the Commission should reject AEP Ohio's proposal to have discussions with Staff on "an ESRR rider rate to recommend to the Commission that would drive and stabilize the Over/ (Under Recovery) balance as close to zero as possible," alleging that this is a stalling tactic by AEP Ohio to avoid giving back money owed to customers and is "unnecessary". (OCC Cmts. 6-7.) OCC then contends that the best way to drive and stabilize the over/under collection balance as close to zero as possible would be to return the over collections to customers as soon as possible. (*Id.* at 7.)

AEP Ohio's suggestion to work with Staff regarding the ESRR's over/(under) recovery balance is not a stalling tactic to avoid giving money back. Far from it. As spelled out in the Company's February 25, 2020 reply comments to the Staff's Report and Recommendation (at 4) and as mentioned above, customers are already receiving a refund. Unlike other riders, the ESRR is not subject to automatic approval. Moreover, litigated ESRR issues have caused delays in rider implementation. This regulatory lag caused the rates that were effective to stay in place and can cause large over or under recovery balances. OCC refers to these over recoveries as "overcharges", implying that the Company is purposely charging customers extra, when the current over-recovery is actually a byproduct of the process. Because the current method can cause such large swings in over and under recoveries, the Company's intention was to suggest this change to stabilize rates. Further, if the Commission approves of the Company's suggestion to discuss this issue with

Staff, the Company would recommend passing back the full over recovery, along with implementing a stabilization mechanism for future rates.

Finally, OCC notes that given the coronavirus crisis, a refund to customers is very much needed and appropriate. (OCC Cmts. at 7.) However, collectively OCC's recommendation could have the impact of past ESRR rider rates being approved and implemented for a period of time as stated above. This would create a significant under collection in the balance of the ESRR and require a large increase to remedy the under collection in the future. The Company and the Staff agreeing on the level of over/under to be passed back to customers while taking into account all outstanding ESRR rider cases as well as the timing of the current credit that is already being passed back through rates will eliminate future bill impacts. The Company is more than willing to pass back the over collection but is also trying to avoid unnecessary future rate increases that could be substantial. If a credit is provided and the other outstanding cases ordered and rates in effect for any period of time, the next true up would be looking at reversing a credit (which would have the impact of increasing rates) as well as collecting an accumulated under-recovery balance which could create an adverse impact to customers. The Company has provided the Commission with the information necessary to take a pause and work with the Staff to implement the appropriate amount of over recovery that will ensure that customers receive that balance quickly and also ensure that there will not be future adverse impacts on rates. OCC's arguments opposing that proposal are misplaced and should be disregarded.

III. Conclusion

Customers are already receiving credits for past over collections; therefore, OCC's argument that the effect of making the proposed adjustments would result in consumers getting a nearly \$9 million credit (instead of a \$13.6 million charge) is invalid. With

respect to OCC's argument to recalculate the \$27.6 million cap, the Company has already agreed in its reply comments to Staff's recommendations that for purposes of resolving this case, the Company is willing to agree with the Staff's position and remove \$1,236.682.42 due to timing. Finally, because the current method can cause such large swings in over and under recoveries, and in order to stabilize rates, the Company recommends that the Commission should agree with the Staff's December 31, 2019 recommendation and Order the Company to work with Staff to update rates subject to Commission orders in Case Nos. 17-1914-EL-RDR and 18-1371-EL-RDR.

Respectfully submitted,

/s/ Steven T. Nourse

Steven T. Nourse (0046705), Counsel of Record

Christen M. Blend (0086881)

American Electric Power Service Corporation

1 Riverside Plaza, 29th Floor

Columbus, Ohio 43215

Telephone: (614) 716-1608 / 1915

Email: stnourse@aep.com

cblend@aep.com

(willing to accept service by e-mail)

Counsel for Ohio Power Company

CERTIFICATE OF SERVICE

In accordance with Rule 4901-1-05, Ohio Administrative Code, the PUCO's e-filing system will electronically serve notice of the filing of this document upon all parties of record. In addition, I hereby certify that a service copy of the foregoing Comments was sent by, or on behalf of, the undersigned counsel to the following parties of record and attorney examiners this 15th day of May, 2020, via electronic transmission.

/s/ Steven T. Nourse

E-MAIL SERVICE LIST

William.michael@occ.ohio.gov
Amy.botschner.obrian@occ.ohio.gov

Attorney Examiners:

Sarah.Parrot@puc.state.oh.us
Greta.See@puc.state.oh.us

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

5/15/2020 11:35:02 AM

in

Case No(s). 19-1747-EL-RDR

Summary: Comments - Comments submitted by Ohio Power Company electronically filed by Ms. Christen M. Blend on behalf of Ohio Power Company