

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio Power Company for an Increase in Electric Distribution Rates.)	Case No. 20-585-EL-AIR
)	
In the Matter of the Application of Ohio Power Company for Tariff Approval.)	Case No. 20-586-EL-ATA
)	
In the Matter of the Application of Ohio Power Company for Approval of Certain Accounting Authority.)	Case No. 20-587-EL-AAM
)	

**OBJECTIONS TO
THE PUCO STAFF'S REPORT OF INVESTIGATION
BY
OFFICE OF THE OHIO CONSUMERS' COUNSEL**

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I. INTRODUCTION

In this base rate case, Ohio Power Company (“AEP” or the “Utility”) seeks to increase the amount that it charges customers for base electric distribution service.¹ The Staff of the Public Utilities Commission of Ohio (“PUCO”) filed its report of investigation (the “Staff Report”) in this case on November 18, 2020 and a Corrected Staff Report on November 25, 2020. The Staff Report’s recommendations, if adopted by the PUCO, would go a long way to benefit customers by lowering rates. The Office of the Ohio Consumers’ Counsel (“OCC”) appreciates the Staff Report’s recommendations that benefit consumers. However, the Staff Report falls short of fully protecting residential consumers in a number of ways, as explained in these objections.

¹ See generally Application of the Ohio Power Company to Increase its Rates for Electric Distribution (June 1, 2020 and updated July 31, 2020) (the “Application”).

OCC is the statutory representative of over 1.2 million residential customers of AEP who will pay the charges determined in this case.² OCC supports the following findings, conclusions, and recommendations in the Staff Report, among others:

- The PUCO Staff correctly excluded certain Plant-In-Service related to prior distribution rate case adjustments, an incorrect reversed accrual to Account 361, certain gridSMART electric exclusions, fitness equipment, electric vehicle charging stations, and meals and entertainment expenditures capitalized to Intangible Plant.³
- The PUCO Staff correctly excluded the Working Capital request because AEP failed to file a lead-lag study.⁴
- The PUCO Staff correctly excluded a prepaid pension asset from Other Rate Base Items.⁵
- The PUCO Staff correctly removed incentive compensation from the test year operating expenses.⁶
- The PUCO correctly recommended amortization of rate case expenses over a five-year period.⁷
- The PUCO Staff correctly recommended that the PUCO review the most recent updated information regarding AEP's rate case expense before issuing its final Opinion and Order.⁸
- The PUCO Staff correctly recommended denial of AEP's request to defer storm costs above the test year amount.⁹

² See R.C. Chapter 4911.

³ Corrected Staff Report, at 10-11.

⁴ *Id.* at 15.

⁵ *Id.* at 16.

⁶ *Id.* at 18.

⁷ *Id.* at 19.

⁸ *Id.* at 19.

⁹ *Id.* at 19-20.

- The PUCO Staff correctly excluded credit card processing fees included in the test year.¹⁰
- The PUCO Staff correctly rejected the request to include Demand Side Management expenses in the test year operating expenses.¹¹
- The PUCO Staff correctly rejected AEP's proposed administrative fee to implement DSM programs.¹²
- The PUCO Staff correctly rejected AEP's proposed PJM bidding program.¹³
- The PUCO correctly rejected AEP's Communication Plan expense.¹⁴
- The PUCO correctly reflected the latest known actual rates and valuation percentages and removed the West Virginia property tax expense in calculating the property tax expense.¹⁵
- The PUCO Staff correctly included residential late fees in test year miscellaneous revenues.¹⁶
- The PUCO Staff correctly removed expenses incurred outside the test year.¹⁷
- The PUCO Staff correctly removed Promotional Advertising expenses included in the test year.¹⁸
- The PUCO Staff correctly removed expenses deemed inappropriate for ratemaking purposes.¹⁹

¹⁰ *Id.* at 20.

¹¹ *Id.* at 20-21.

¹² *Id.* at 20.

¹³ *Id.* at 20.

¹⁴ *Id.* at 21-22.

¹⁵ *Id.* at 22.

¹⁶ *Id.* at 22.

¹⁷ *Id.* at 23.

¹⁸ *Id.* at 23.

¹⁹ *Id.* at 23.

- The PUCO Staff correctly decreased test year baseline expenses related to Enhanced Service Reliability.²⁰

OCC reserves the right to amend and/or supplement its objections in the event that the PUCO Staff changes, modifies, or withdraws its position, at any time prior to the closing of the record, on any issue contained in the Staff Report. Additionally, if the PUCO Staff has indicated that its position on a particular issue is not known at the date of the Staff Report, OCC reserves the right to later supplement its objections once the PUCO Staff's position is made known. OCC also reserves the right to file additional expert testimony, produce fact witnesses and introduce additional evidence. OCC also submits that the lack of an objection in this pleading to any aspect of the Staff Report does not preclude OCC from cross-examination or introduction of evidence or argument in regard to issues on which the PUCO Staff changes, modifies, newly raises or withdraws its position on any issue between the issuance of the Staff Report and the close of the record. Moreover, the OCC reserves the right to contest other aspects of AEP's Application not specifically addressed by the Staff Report.

The Staff Report should have made additional recommendations for the benefit of AEP's customers. OCC asks the PUCO to adopt the following objections to the Staff Report when deciding how much AEP's customers should pay for electric distribution service.

²⁰ *Id.* at 23.

II. OBJECTIONS²¹

A. REVENUE REQUIREMENT

Objection No. 1: The PUCO Staff erred by failing to base its recommendations in the Staff Report on data contained in AEP's Two-Month Update which harms consumers.

OCC objects to the PUCO Staff Report because it is based on estimated data from AEP's initial Application filed on June 8, 2020, rather than updated, actual data from the Two-Month Update AEP filed on July 31, 2020 to comply with the PUCO's Standard Filing Requirements. The PUCO Staff's error impacts both the operating income schedules and the revenue requirement in ways that cannot be accurately quantified.

AEP's June 8, 2020 Application consisted of a test year that used one month of actual test year data and 11 months of projected data. Schedule A-1 to that filing reflects a revenue requirement of \$1,065,876,000.²² This Utility-proposed revenue requirement is the same as that reflected in the Staff Report.²³ This data is insufficient and inconsistent with the PUCO's Standard Filing Requirements, which provide that "if estimated valuation data and/or more than nine months of estimated operating income data is provided in the application, the utility must provide, within two months of the date of filing, actual valuation data and operating income statements which include no less than three months of actual data."²⁴

AEP did not request a waiver to file less than three months of actual data. Instead, on July 31, 2020, AEP properly filed its Two-Month Update to comply with the

²¹ See R.C. 4909.19; Ohio Adm. Code 4901-1-28(B).

²² AEP Application (June 8, 2020), Schedule A-1, Line A-11.

²³ Corrected Staff Report, at Schedule A-1, Line A-11.

²⁴ Chapter 4901-7 Ohio Administrative Code Appendix A, pp. 11-12 Definition of Terms "Projected test year data".

PUCO's Standard filing Requirements. AEP's Two-Month Update contains a test year based on four months of actual data and eight months of estimated data, which reflects a lower revenue requirement of \$1,051,749,000.²⁵ This updated revenue requirement is \$14,127,000 less than the Utility proposed revenue requirement reflected in the Staff Report.

There is no basis for the Staff Report to rely on this higher revenue requirement from AEP's initial filing, which is based on fewer months of actual data. The PUCO Staff should update and refile the schedules supporting the Staff Report to reflect the information in AEP's Two-Month Update.

B. RATE BASE

Objection No. 2: The PUCO Staff erred by not recommending \$50,290,181 be removed from Plant-In-Service related to incentive compensation, which will lead to higher rates charged to consumers.

According to the Staff Report, the PUCO Staff reviewed FERC Account 303 Miscellaneous Intangible Plant and found \$11,520 related to capitalized incentive that it excluded.²⁶ The PUCO Staff stated that it "recommends that starting with the Commission's Opinion and Order in this case and going forward, the Company exclude from rate base all capitalized incentive compensation."²⁷

OCC agrees with the PUCO Staff that capitalized incentive compensation should be excluded from rate base in this case and in any going forward. However, OCC disagrees with the PUCO Staff about the magnitude included in plant-in-service. AEP has capitalized approximately \$50.3 million since August 31, 2010 (the date certain in the

²⁵ AEP Two-Month Update (July 31, 2020), Schedule A-1, Line A-11.

²⁶ Corrected Staff Report, at 11.

²⁷ Corrected Staff Report, at 11.

last rate case),²⁸ and to protect consumers from higher rates that amount should be excluded from rate base.

Objection No. 3: The PUCO Staff erred by recommending the continuation of nondiscretionary programs under the Distribution Investment Rider (“DIR”) which results in higher charges to consumers.

AEP proposes a \$71 million rate cap for 2021 (prorated based on whenever the PUCO approves this case), \$117 million for 2022, \$164 million for 2023, and \$211 million in 2024.²⁹ The PUCO Staff recommends that the PUCO reject AEP’s proposal and instead adopt revenue caps of \$57 million (prorated for 2021), \$78 million for 2022, \$96 million for 2023, and \$46 million through May 31, 2024.³⁰

OCC supports the PUCO Staff’s proposed reduction in the revenue caps, but OCC objects to the Staff Report’s recommendation to continue funding for nondiscretionary programs by customers under the DIR.³¹ The Staff Report should have limited DIR funding in an amount not to exceed \$277 million to include only those programs that provide a demonstratable and quantifiable benefit in improving reliability as required under R.C. 4928.143(B)(2)(h). Customers pay for improved reliability through the DIR and should receive the level of service that they are paying for.

OCC further objects to the Staff Report because it fails to require that charges collected under the DIR be subject to refund to customers if the reliability programs funded by the DIR fail to produce the reliability benefits proposed by AEP. Customers should no longer be required to pay for programs that are intended to improve reliability

²⁸ OCC Interrogatory 4-02 Attachment 1.

²⁹ Corrected Staff Report, at 11.

³⁰ Corrected Staff Report, at 12.

³¹ Corrected Staff Report, at 12.

when there are no improvements. AEP should file an updated DIR reliability improvement plan within 90 days of an Order in this proceeding.

Objection No. 4: The Staff Report should not permit AEP to include any vegetation management costs for collection from customers under the DIR.

AEP proposes to include vegetation management costs, if any, in the DIR for collection from customers.³² The PUCO Staff Report permits AEP to recover vegetation management capital costs through the DIR. OCC objects to AEP collecting any vegetation management costs from customers through the DIR.

Objection No. 5: The Staff Report erred by accepting AEP's proposed adjustment to the theoretical reserve under the DIR.

OCC objects to the Staff Report's recommendation accepting AEP's proposal for adjusting the theoretical reserve under the DIR. The PUCO Staff should have recommended options including the elimination of the adjustment for the theoretical reserve in the DIR as opposed to addressing the matter in the base rate case.³³

C. OPERATING INCOME

Objection No. 6: The PUCO Staff erred by not recommending that \$20,780 associated with travel and entertainment expenses of the governmental affairs group and \$485,949 associated with dues and memberships expenses, which should be removed from test-year expenses that consumers are asked to pay.

OCC adjusted test year operating income to exclude eight months of travel and entertainment expenses of the governmental affairs group. AEP also indicated that it would voluntarily exclude the full amount spent during the test year with a supplement to OCC INT-3-009 confidential. OCC also excluded AEP's dues and memberships from

³² Corrected Staff Report, at 13.

³³ *Id.*, at 14.

the test year by annualizing the eight months of actual information contained in OCC-INT-03-001 confidential attachment 1. These expenses are unnecessary in the provision of electric utility service, and consumers should not be required to pay for them through their rates for electric utility service. OCC did recognize the Electric Edison Institute (EEI) dues during the test year.

Objection No. 7: The PUCO Staff erred by not recommending a depreciation expense adjustment related to the plant-in-service incentive compensation.

To protect consumers from paying higher rates, OCC adjusted and reduced the PUCO Staff depreciation expense that will result from the plant-in-service adjustment related to capitalized incentive compensation.

Objection No. 8: OCC reserves the right to object to AEP's rate case expenses charged to consumers.

The Staff Report recommends that the PUCO review AEP's rate case expenses (to be submitted through a late-filed exhibit) before issuing an opinion and order in this case.³⁴ OCC reserves the right to review AEP's rate case expenses and provide objections if necessary for consumer protection. OCC does not otherwise oppose the PUCO Staff's recommendation to allow AEP to amortize rate case expenses over a five-year period.³⁵

Objection No. 9: The PUCO Staff erred by recommending continuation of the Pilot Throughput Balancing Adjustment Rider ("PTBAR") that results in higher charges to consumers.

The Staff Report unreasonably recommends the continuation of the PTBAR.³⁶ The PTBAR should be discontinued for several reasons. First, to the extent there was

³⁴ Corrected Staff Report, at 19.

³⁵ Corrected Staff Report, at 19.

³⁶ Corrected Staff Report, at 29 ("Staff supports the continuation of the PTBAR for residential and small general service customers ...").

ever any need for the PTBAR, that need no longer exists. In 2011, a decoupling rider might have made sense given that the Ohio General Assembly had recently implemented mandates for energy efficiency. A properly-designed decoupling rider can mitigate the impact that lower usage resulting from energy efficiency has on a utility. But energy efficiency mandates are set to end in 2021, so there is no longer a need for PTBAR decoupling. Second, the PTBAR was approved in 2011 as part of AEP's last base rate case. As the name suggests, it is a "pilot" that has now been ongoing for nine years. No pilot needs to run for anywhere near nine years, let alone be renewed after the ninth year.

Third, if anything has been learned from the PTBAR "pilot," it is that the PTBAR is poorly designed. The point of a decoupling rider is to balance the interests of utilities and customers: when the utility's revenues are low, decoupling is a charge to make up for it, but when the utility's revenues are high, decoupling is a credit to customers. Because the rate design of the PTBAR is based on "revenue per customer," it is virtually guaranteed to be a charge to customers and never a credit. If the PUCO allows the PTBAR to continue (which it shouldn't) or approves any other form of decoupling, it should be modified to be tied to AEP's approved revenue requirement in this case, not the revenue per customer.

Objection No. 10: The Staff Report fails to address additional reasons for rejecting AEP's Demand Side Management ("DSM") Plan for consumer protection.

The PUCO Staff properly opposed AEP's proposal to charge customers up to \$40.3 million per year in base rates for non-mandated, energy-efficiency programs.³⁷ In support of its opposition, the PUCO Staff cited (i) the inability to provide credits to

³⁷ Corrected Staff Report, at 21.

customers through the economic development recovery rider (“EDR”) if that rider ends, (ii) the uncertainty surrounding the potential repeal of House Bill 6, (iii) the fact that energy efficiency should be offered in the competitive retail market, and (iv) the lack of a proper framework that places unnecessary risk on consumers.³⁸ The PUCO Staff is correct that these factors justify rejection of AEP’s DSM Plan proposal.

OCC objects, however, on the grounds that there are additional reasons to reject AEP’s DSM Plan. AEP’s proposed plan lacks accountability, as the only basis on which it would be judged is cost-effectiveness. While programs should be cost-effective, that is a relatively low bar. And a DSM Plan should be part of a larger Integrated Resource Plan (“IRP”) that properly evaluates demand-side resources (such as energy efficiency and demand reduction programs) that can be used for distribution planning purposes in determining the least-cost method of providing distribution service. But AEP did not incorporate an IRP as part of its DSM Plan. And if the PUCO allows utilities to continue to offer energy efficiency and demand reduction programs under a DSM Plan, additional consumer protections are needed so that customer charges are spent only on things causally related to programs. Consumer protections are needed in rules that specify exactly what types of expenses are allowed and not allowed. In developing those rules, the PUCO Staff need look no further than its recommended disallowances in the various energy efficiency rider audits over the past 12 years for AEP, Duke, DP&L and FirstEnergy.

³⁸ Corrected Staff Report, at 21.

Objection No. 11: The PUCO Staff erred by endorsing energy efficiency programs provided solely to standard service offer customers and funded through bypassable riders.

The Staff Report improperly stated that AEP “could offer [energy efficiency] programs for customers who elect to stay on the standard service offer, for which the associated costs could be recovered on a bypassable basis.”³⁹ The PUCO Staff appropriately rejected AEP’s proposal to charge customers for energy efficiency/demand side management programs through base rates (including rejecting the proposal to profit on such programs). But the Staff Report is incorrect that AEP could instead offer a SSO-only energy efficiency program through a bypassable rider. There is no legal authority for such a rider in a base rate case, there is no statewide policy basis for such programs, and there is no justification for subsidies supporting such programs during a global pandemic where many consumers are challenged to afford basic necessities. Energy efficiency is available in the competitive market at stores like Home Depot and Lowes and from HVAC contractors and other companies. These products and services are equally available to SSO and shopping customers. The PUCO should reject any proposal to offer a SSO-only energy efficiency program, funded through a bypassable rider or otherwise.

Objection No 12: The Staff Report erred by not specifically protecting consumers by opposing AEP’s proposed Electric Transportation Program as outlined by Witness Jeffrey Lehman.

OCC objects to the Staff Report because it does not specifically address the Electric Transportation program (a component of AEP’s DSM Plan) as described in the direct testimony of Jeffrey Lehman.⁴⁰ Consumer subsidies that fund services not related

³⁹ Corrected Staff Report, at 21.

⁴⁰ <https://dis.puc.state.oh.us/DocumentRecord.aspx?DocID=f84f4ff3-1f50-4eea-bd7b-26a8de1c79d2>

to safe and reliable service are unreasonable, especially during a global pandemic emergency. Given the financial and economic impacts resulting from massive job losses beginning in March 2020, the PUCO should deny any investment by AEP to support the transportation industry.

D. RATE OF RETURN

Objection No. 13: The Staff Report erred by proposing a higher rate of return than is just and reasonable, which will result in higher rates and charges to consumers.

OCC objects to the Staff Report because it inappropriately and unreasonably increased the proposed rate of return for AEP by using data and methodology that are inconsistent with current financial market conditions, recognized financial analysis, and established regulatory principles and state policies. Specifically, the cost of long-term debt and the risk-free rate and the equity risk premium used in the CAPM model should be adjusted lower. The results of the DCF model are also higher than reasonable. In addition, there is no basis to include a generic equity issuance cost of 3.5% or the 2019 earned return on equity in estimating AEP's cost of equity.

Objection No. 14: The Staff Report erred by recommending a higher than reasonable rate of return range, which will result in higher rates and charges to consumers.

OCC objects to the Staff Report because it inappropriately and unreasonably proposed a higher than reasonable range of rate of return of 7.43% to 7.70% for AEP. This range of rate of return is not justified by current financial market conditions and sound regulatory analysis.

E. RATES AND TARIFFS

Objection No. 15: The Staff Report erred by failing to prohibit AEP from modifying its riders as part of this base distribution rate case.

The Staff Report should have stated that AEP is not permitted to modify riders that were approved as part of AEP's electric security plan. Single-issue ratemaking is not permitted in base rate cases like this one. Nothing in R.C. Chapter 4909 allows the PUCO to engage in single-issue ratemaking. And because the PUCO is a creature of statute, it cannot exercise authority beyond that explicitly permitted under R.C. Chapter 4909.⁴¹

In its application, AEP sought to modify riders that were approved in its most recent electric security plan case. This includes riders like the Distribution Investment Rider and the Enhanced Service Reliability Rider where the purpose and scope of the riders have been expanded for purposes that are unrelated to distribution infrastructure modernization as specified in R.C. 4928.143(B)(2)(h), and for routine vegetation management activities along distribution right of ways. The Staff Report should have stated that riders cannot be modified unless and until AEP files its next electric security plan case.

Objection No. 16: The Staff Report should have required AEP to provide shopping customers billing information to show a comparison to what they would pay under a standard service offer.

OCC objects to the Staff Report because it does not recommend requiring AEP to provide informative "shadow billing" information to residential shopping customers. The Staff Report should have proposed, for the benefit of customers, that AEP's bills be modified to show residential shopping customers what they paid to their marketer and what they would have paid that month had they been on the standard service offer.

⁴¹ *In re Ohio Power Co.*, 144 Ohio St. 3d 1, 9 (2015).

Objection No. 17: The Staff Report erred by continuing the Enhanced Service Reliability Rider (“ESRR”) to the detriment of AEP’s customers.

OCC objects to the Staff Report’s recommendation to continue the ESRR.⁴²

While OCC recognizes that the PUCO Staff recommended substantial reductions in the amounts that could be collected from customers under the ESRR from those proposed by AEP, the ESRR has morphed into far more spending and for increasingly questionable purposes than what was intended when the PUCO authorized the ESRR. AEP has long completed the transition required under its ESP 1 for adopting a four-year cycle-based vegetation management program across its entire distribution system. The expenses that are required to maintain the four-year cycle-based tree-trimming program should be included in base distribution rates and within the \$35.1 million recommended by the PUCO Staff.

OCC further objects to the Staff Report recommendation that supports customers paying \$15 million per year for the Danger Tree Program, which has proven to be a failure in improving AEP distribution reliability.

Objection No. 18: The Staff Report fails to recommend a distribution (allocation) of revenue by customer class if the PUCO grants a revenue increase.

AEP proposed a revenue increase of \$402.1 million in base distribution revenues, which results in a net increase of \$42.3 million after removing the \$359.8 million impact of riders. The PUCO Staff recommends a decrease in revenue generated by rates as proposed in Tables 6 and 8 of the Staff Report.⁴³ OCC supports the distribution of the revenue decrease as proposed by the PUCO Staff in Table 8, which will move the classes

⁴² Corrected Staff Report, at 29.

⁴³ Corrected Staff Report, at 39.

to a levelized rate of return. However, OCC objects to the PUCO Staff's failure to recommend a distribution of the revenue change to the various classes of tariff customers if the PUCO grants some level of a revenue increase in this case.

Objection No. 19: The PUCO Staff erroneously recommends a residential customer charge of \$8.11 when its calculations support a customer charge of \$6.01.

AEP has proposed a \$14.00 customer charge for the residential class. Rather than including all of AEP's fixed costs in the customer charge, the PUCO Staff used a "minimally compensatory" approach that resulted in calculating a customer charge of \$6.01.⁴⁴ The PUCO Staff, however, recommends a residential customer charge of \$8.11. While OCC supports the PUCO Staff's use of a minimally compensatory method to determine the residential customer charge, OCC objects to the PUCO Staff's recommendation to impose a residential customer charge of \$8.11 when calculations support a lower customer charge of \$6.01.

Objection No. 20: The Staff Report erred in recommending adoption of a delayed payment fee which is harmful to consumers.

AEP proposes a delayed payment fee for residential customers of 1.5% of the total bill if payment is not received within 15 days of the mailing of the bill.⁴⁵ The PUCO Staff recommends approval of the delayed payment fee provided that: the delayed payment fee will be applied if payment is not received within 21 days of the mailing date; the fee is only applied to the unpaid portion of the current bill; the fee is not applied to

⁴⁴ Corrected Staff Report, at 40.

⁴⁵ Corrected Staff Report, at 28.

customers on Percentage of Income Payment Plans (“PIPP”); and the fee does not apply to competitive retail electric service or any third party or non-jurisdictional service.⁴⁶

OCC objects to the imposition of any delayed payment fee for residential customers, particularly in these times when so many residential customers suffer economic hardships due to the coronavirus pandemic. Further, there is no evidence that delayed payment fees will result in more timely bill payments. However, if the PUCO adopts a delayed payment fee for residential customers, the conditions recommended by the PUCO Staff should apply.

Objection No. 21: The Staff Report erred by not recommending separate Reconnect at the Meter charges for Advanced Metering Infrastructure (“AMI”) and non-AMI customers.

AEP has proposed a Reconnect at the Meter charge of \$27 for regular business hours, \$58 for overtime hours, and \$71 for Sundays. This calculation includes a 55% AMI credit. The PUCO Staff recommends approval of Reconnect at the Meter charges of \$23 for regular business hours, \$47 for overtime, and \$58 for Sundays, using a 63% AMI credit.⁴⁷ OCC recommends a separate Reconnect at the Meter charge for AMI customers and non-AMI customers.

OCC objects to the PUCO Staff’s failure to recommend separate Reconnect at the Meter charges for AMI and non-AMI customers. The Reconnect at the Meter charge for AMI customers should be drastically reduced to recover only the costs of a remote disconnect. However, if the PUCO does not order separate charges for AMI and non-

⁴⁶ *Id.*

⁴⁷ Corrected Staff Report, at 33.

AMI customers, OCC supports the PUCO Staff recommended Reconnect at the Meter charges.

F. SERVICE MONITORING AND ENFORCEMENT

Objection No. 22: The Staff Report erred by not addressing AEP's failure to meet reliability performance standards for utility service to consumers.

OCC objects to the lack of any analysis in the Staff Report regarding AEP's failure to meet reliability performance standards and failure to comply with Ohio Adm. Code 4901:1-10-10(E).

AEP failed to provide customers with reliable electric service in 2018 and 2019 and did not comply with the PUCO approved reliability standards. The Staff Report mentions that AEP was issued a letter of probable non-compliance.⁴⁸ However, the Staff Report ignores the fact that AEP has spent massive amounts of customer money on programs that were supposed to improve distribution reliability. This includes AEP's very expensive gridSMART Phase 1 and Phase 2 programs, DIR, and the ESRR that have done very little (if anything) to improve reliability. AEP has filed an application to amend its reliability standards that now reflect worse reliability for customers. The Staff Report should have examined the root cause factors contributing to AEP's failure to comply with PUCO reliability standards with recommended corrective actions.

⁴⁸ Corrected Staff Report, at 52.

G. MANAGEMENT AND OPERATIONS REVIEW

Objection No. 23: The Staff Report erred by not requiring AEP to provide justification for capital spares projects.

The PUCO Staff reviewed AEP's capital spares program as part of its management and operations review.⁴⁹ OCC objects to the Staff Report's failure to recommend that AEP support investments in large capital spares projects with a cost benefit analysis and a demonstration that the least cost option (including leasing equipment) is considered prior to procuring major capital spares. Furthermore, the Staff Report should have recommended that large capital spares investments be collected through base rates and not through a DIR.

Objection No. 24: The Staff Report fails to require AEP to file and seek PUCO approval of its vegetation management accounting policy and procedures to better protect consumers from potential over-charges.

OCC objects to the Staff Report's failure to explicitly require AEP to publicly file updated vegetation management accounting Policy and Procedures for approval by the PUCO in this proceeding that identify AEP's specific obligations based on the recommended \$35.1 million expense level in base rates. The Staff Report merely requires AEP to submit a plan to the PUCO.⁵⁰ In addition, the Staff Report creates ambiguity regarding which vegetation management costs can be expensed and those costs that can be capitalized. The Staff Report should have recommended that AEP follow FERC accounting policy in determining which vegetation management costs are expensed as O&M and which costs should be capitalized.

⁴⁹ Corrected Staff Report, at 54-55.

⁵⁰ Corrected Staff Report, at 57.

III. CONCLUSION

To protect consumers from paying unjust and unreasonable rates, OCC respectfully requests that the PUCO adopt OCC's recommendations as set forth in these objections and in OCC's supporting testimony.

Respectfully submitted,

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CERTIFICATE OF SERVICE

It is hereby certified that a true copy of the foregoing Objections was served by electronic transmission upon the parties below this 18th day of December 2020.

/s/ Angela O'Brien

Angela O'Brien
Counsel of Record

The PUCO's e-filing system will electronically serve notice of the filing of this document on the following parties:

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Summary: Objection Objections to the PUCO Staff's Report of Investigation by Office of the Ohio Consumers' Counsel electronically filed by Ms. Deb J. Bingham on behalf of O'Brien, Angela Ms.