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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the Application of)
Columbus Southern Power)
Company and Ohio Power)
Company to Update Their)
Enhanced Service Reliability)
Riders.)

Case No. 10-163-EL-RDR

PUCO

COMMENTS ON AEP'S APPLICATION
TO UPDATE ITS ENHANCED SERVICE RELIABILITY RIDER
BY
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL

I. INTRODUCTION

On February 11, 2010, the Columbus Southern Power Company ("CSP") and the Ohio Power Company ("OP") (collectively, "AEP" or the "Companies") filed an application ("Application") proposing new Enhanced Service Reliability Riders ("ESR") for both of its operating companies.¹ The ESR is a rate that customers pay for what the PUCO determined is an incremental vegetation management initiative which ultimately will result in fewer outages by AEP's customers.² The ESR rider results in higher rates for residential customers of OP and CSP over the 3-year term of the ESP.

AEP attached ESR true-up calculations to the Application regarding its ESR expenditures for the two electric distribution utilities. AEP's Application states that the Company and the PUCO Staff:

¹ Application at 3.

² *In re the Application of Columbus Southern Power Company For Approval of its Electric Security Plan Including Related Accounting Authority; an Amendment to its Corporate Separation Plan; and the Sale or Transfer Certain Generating Assets*, Case No. 08-917-EL-SSO et al., Opinion and Order (March 18, 2009) ("ESP Case") at 34. OCC participated in all aspects of the AEP's ESP Case, including the hearing with the filing of expert testimony and the cross-examination of witnesses.

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* * * have agreed that the Companies should update their calculation of baseline spending to cover the period 2005-2008 (equal to approximately \$23 million) and then reflect an additional measure of baseline spending so that the total of \$24.2 million will be used as the baseline vegetation spending for purposes of calculating the incremental vegetation spending to be recovered under the ESR Rider.

CSP's proposed ESR Rider is 3.34395% of Distribution charges and OP's proposed ESR Rider is 5.59907% of Distribution charges.³

OCC files these comments regarding AEP's Application to increase the ESR rider that is paid by its approximately 1.3 million residential distribution customers.⁴

II. THE APPLICATION SHOULD BE DENIED FOR FAILURE TO PROVIDE SUFFICIENT INFORMATION REGARDING THE PROCESS AND CONTENT OF THE COMPANIES' ENHANCED VEGETATION MANAGEMENT INITIATIVE PLAN AND THE BASELINE VEGETATION SPENDING.⁵

A. The Application fails to explain which of the PUCO Staff's recommendations from the Electric Security Plan ("ESP") case were incorporated into the Companies' enhanced vegetation management plan.

The Commission found that AEP's proposed "enhanced vegetation initiative" combined with "Staff's additional recommendations" should be approved and paid for by the ESR rider.⁶ The Commission also stated, however, "that while R.C. 4928.143(B)(2)(h) permits the Companies to provided for infrastructure modernization as part of its ESP, there was no intention to provide a "blank check" to the utilities to carry out such

³ Application, CSP Schedule 1 and OPco Schedule 1.

⁴ Per a conversation with the Attorney Examiner, held subsequent to a discussion with AEP, OCC is permitted to supplement its initial comments by May 5, 2010.

⁵ AEP Application at 2-3.

⁶ ESP Case Opinion and Order at 34.

provisions.⁷“ The Application filed by AEP, lacks the information needed for OCC and other parties to determine if AEP has, in fact, been granted a blank check and lacks the specificity needed to determine what Staff-recommended programs it has implemented. . In its summation of testimony provided in the case, the Commission made reference to certain vegetation management enhancements supported by Staff Witness Roberts which include:

- “End-to-end” circuit rights-of-way inspections and maintenance;
- Mid-point circuit inspections to review vegetation clearance from conductors, equipment and facilities;
- Greater clearance of all overhang above three-phase primary lines and single-phase lines;
- Removal of danger trees located outside of the companies’ rights-of-ways where property owner’s permission can be secured; and
- Using technology to collect tree inventory data to optimize planning and scheduling.⁸

However, due to the lack of clarity in the Commission Order and Entry on Rehearing in the ESP OCC in confined to reviewing the testimony of Mr. Roberts to attempt to determine just what PUCO Staff’s recommendations are. AEP in its Application, neglected to provide the necessary information for OCC to determine whether the Companies’ incremental vegetation management adopted the recommendations of Staff Witness Roberts, or any other Commission Staff

⁷ ESP Case, OCC Application for Rehearing at 57.

⁸ ESP Order at 33 referencing Mr. Roberts’ testimony in Staff Ex. 2 at 13.

recommendations as required by the Commission's Order⁹ The Entry on Rehearing was also silent on the issue of which PUCO Staff recommendations regarding vegetation management that AEP should adopt. Finally, the Companies' Application did not indicate which of the PUCO Staff's recommendations were integrated into the final vegetation management plan.

B. An explanation for how AEP's "baseline" vegetation management expenditures were determined is not provided in AEP's Application.

The PUCO ordered that the costs for the additional vegetation management must be incremental to "costs embedded in rates."¹⁰ After the conclusion of the ESP Case, AEP and the PUCO Staff have decided to base the Companies' baseline vegetation spending on the period from 2005-2008 in lieu of the 2004-2007 timeframe.¹¹

Additionally AEP and the PUCO Staff have agreed that the Companies should update the calculation of baseline spending from approximately \$23 million to \$24.2 million.¹²

The Commission's Entry on Rehearing directed "the Companies to work with Staff to strike the correct balance within the cost level established by our Order."¹³ The Commission's directive, however, remains unclear and the recalculation of AEP's "baseline" vegetation management spending has not been explained by the PUCO Staff, AEP, or the Commission. OCC was excluded from the discussion between the PUCO Staff and AEP. The Commission's Entry on Rehearing directed only AEP to work with

⁹ ESP Case, Order at 34. The Commission stated that the "enhanced vegetation initiative, proposed by the Companies, with Staff's additional recommendations, is a reasonable program that will advance the state policy."

¹⁰ Id. at 33.

¹¹ Application at 3.

¹² Id. at 3.

¹³ ESP Case, Entry on Rehearing at 18.

Staff to determine certain vegetation management expenditures. It is impossible to determine from AEP's Application or from discovery responses provided by the Companies whether the O&M expenses and capital spending filed by the Companies are indeed incremental in nature. There is also no method to determine whether the expense and capital investment are prudently incurred, and in the public interest of the Companies' 1.3 million customers.¹⁴

The Commission's Order appears to accept the incremental costs of AEP's enhanced vegetation management initiative as set forth in the testimony of AEP Witness Boyd.¹⁵ OCC, however, still cannot determine expressly what the Commission intended with this directive and whether the change in baseline vegetation management spending will change the incremental spending which, in turn, is supported by the ESR.

C. The Companies have not provided proper support for their proposed carrying charges.

Ohio law places the "burden of proof" on AEP Ohio in this proceeding that the service it provides is adequate and that its ESP Application should be approved.¹⁶ It follows that the burden of proof in determining AEP's appropriate carrying charges in an annual prudency review should lie with the Companies. The Companies' explanation of the 2009 carrying charges for calculating the ESRs is confusing at best. The Commission must determine the appropriate rate for the collection of carrying charges, if any.¹⁷ The

¹⁴ ESP Case, Entry on Rehearing at 17.

¹⁵ ESP Case. AEP Ex. 11 at 31. The incremental expenditures for vegetation management were \$31.5 million in year 1, \$34.8 million in year 2 and \$38.1 million in year 3.

¹⁶ R.C. 4928.143(C)(1).

¹⁷ Application at 2.

Companies claim the carrying charge is based on 2009 monthly long-term debt rate and actual depreciation expenses (see CSP Schedule 1 and OP Schedule 1).

In response to OCC interrogatories, OCC-INT 1 and OCC INT-16, the Companies claimed that the 2009 carrying charges are from Exhibit PJN-10, in the AEP ESP cases. A review of the Exhibit and the testimony supporting the Exhibit does not assist the Commission in determining whether the carrying charges are appropriate. For instance, the Companies fail to justify the inclusion of the “Property Taxes, General & Admin Expenses” in the annual carrying charges for enhanced vegetation management investments. There is no support provided in the Application or discovery responses for the Companies’ proposed cost rates for “Property Taxes, General & Admin Expenses” to be included in the annual carrying charges. The proposed annualized cost for this particular item are 2.95% for CSP and 2.00% for OP and both are significant portions of the total carrying charges.¹⁸

III. THE COMMISSION SHOULD HOLD A HEARING ON THE APPLICATION.

The Companies dismissed outright that a formal hearing may be necessary in this proceeding.¹⁹ The Companies, however, have failed to provide sufficient detail in their Application and discovery responses for the Commission to make a reasoned determination regarding the Application. AEP also claimed that “[t]he Companies have

¹⁸ These rates are annualized for property taxes, general and administrative expenses but do not comprise the total carrying charge.

¹⁹ Id. at 1-2.

provided, as part of their application in the present case *substantial supporting data* regarding the calculation of each Company's proposed rider."²⁰ That is not the case.

In its memorandum contra, AEP stated, "The Companies believe that the Commission's Staff can and should analyze the data provided by the Companies and provide the Commission and intervenors with the results of its analysis."²¹ OCC agrees that the PUCO Staff should provide a formal report of its investigation to all intervenors in this case. Intervenors should be given sufficient time to analyze the PUCO Staff report in order to support or contest this report through written testimony and a hearing.

R.C. 4828.143(B)(2)(h) provides that the Commission "shall examine the reliability of the electric distribution utility's distribution system" while ensuring that customers' expectations are aligned with that of the Companies. During this first prudency review, the Commission and its Staff must ensure that the reliability of AEP's distribution system has improved and provide documentation that the interests of the Companies' customers are aligned with the interests of AEP.

Under Section 4903.09 of the Revised Code, the PUCO must make findings of fact and written opinions setting forth the reasons prompting the decisions arrived at, based upon said findings. The Commission will have an incomplete record on which to base its findings in this case if it fails to hold a hearing. The Commission needs to be fully informed about the agreements arrived at between the PUCO Staff and AEP, including how the baseline expenditures were determined and what carrying charges are appropriate.

²⁰ Id. (emphasis added).

²¹ Id.

The Commission should not make the determinations in this case based solely on AEP's Application and the comments filed by the parties in the docket, especially when CSP customers may be required to pay about \$10.9 million and OP customers will be required to pay approximately \$17.6 million in 2010 alone for the Companies' incremental enhanced vegetation management.²² A hearing is needed for the Commission to make the necessary determinations. It is not sufficient that the compliance with the Commission's Order is "verified by the Commission's Staff."²³

The calculations supporting the riders have not been examined. The fact that the Commission Staff has discussed with AEP, adjustments to the Companies' vegetation management program and the appropriate baseline expenditures is not sufficient oversight for approving the requested ESR riders. The fact that the PUCO Staff and AEP have privately agreed²⁴ on certain adjustments to vegetation management plan expenditures should not preclude the opportunity for the Commission and intervenors to cross-examine Company personnel regarding the calculations behind the proposed riders. The residential consumers of AEP which OCC represents will pay ESR riders and deserve to know if these expenditures were justified.

III. CONCLUSION

The Commission should adopt OCC's comments, and order that the Commission Staff file a formal report on its findings regarding AEP's ongoing vegetation management performance and related expenditures. The Commission should then schedule an

²² See CSP Schedule 1 and OPco Schedule 1 attached to AEP's Application.

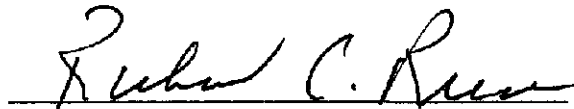
²³ Application at 4.

²⁴ Application at 2.

evidentiary hearing to determine the prudence of AEP's baseline and incremental vegetation management expenditures so that the increase in residential customers' can be justified.

Respectfully submitted,

JANINE L. MIGDEN-OSTRANDER
CONSUMERS' COUNSEL

A handwritten signature in cursive script, reading "Richard C. Reese", is written over a horizontal line.

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CERTIFICATE OF SERVICE

I hereby certify that a copy of these Comments have been served upon the persons listed below via first class U.S. Mail, postage prepaid, this 30th day of April 2010.



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