

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of <b>Columbus</b>	:	
<b>Southern Power Company and Ohio Power</b>	:	Case Nos. 11-346-EL-SSO
<b>Company</b> for Authority to Establish a	:	11-348-EL-SSO
Standard Service Offer Pursuant to Section	:	
4928.143, Ohio Revised Code, in the Form of	:	
an Electric Security Plan.	:	
In the Matter of the Application of <b>Columbus</b>	:	Case Nos. 11-349-EL-AAM
<b>Southern Power Company and Ohio Power</b>	:	11-350-EL-AAM
<b>Company</b> for Approval of Certain	:	
Accounting Authority	:	

**PREFILED TESTIMONY  
OF  
PETER K. BAKER  
SERVICE MONITORING AND ENFORCEMENT  
PUBLIC UTILITIES COMMISSION OF OHIO**

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**May 9, 2012**

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1. Q. Please state your name and business address.

A. My name is Peter Baker. My address is 180 E. Broad Street, Columbus, Ohio 43215-3793.

2. Q. By whom are you employed?

A. I am employed by the Public Utilities Commission of Ohio.

3. Q. What is your present position with the Public Utilities Commission of Ohio and what are your duties?

A. I am a section chief in the Reliability and Service Analysis Division of the Service Monitoring and Enforcement Department. My section analyzes reliability and service quality performance, and enforces reliability, service quality, and consumer protection rules for electric, gas, and water utilities. This includes analyzing and assessing the electric reliability and maintenance performance of electric distribution utilities. In addition, my section audits expenditures for cost recovery through electric smart grid riders, and also audits Ohio Power Company (OPC)<sup>1</sup> vegetation maintenance costs for recovery through its Enhanced Service Reliability (ESR) Rider. Finally, my

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<sup>1</sup> Effective January, 2012, Columbus Southern Power and Ohio Power Company were merged, and the surviving entity was named Ohio Power Company. Throughout this testimony, the newly-merged entity will be designated as OPC while the previously separate entities will be designated as CSP and OP.

1 section has also collected and analyzed data concerning the vegetation  
2 management performance of Ohio's seven investor-owned electric utilities.

3  
4 4. Q. Would you briefly state your educational background and work history?

5 A. I have bachelor's degrees in Psychology (1967) and Philosophy (1971) from  
6 the University of Oklahoma, and a 1987 bachelor's degree in Business  
7 Administration (with major in Accounting) from Franklin University. From  
8 1972 to 1986, I was employed by *Dowell Division of Dow Chemical Company*  
9 (an oil field service operation later called Dowell Schlumberger) where I  
10 functioned as clerk/dispatcher and administrative assistant. In 1987, I joined  
11 the PUCO, where I worked as an analyst and coordinator in the Performance  
12 Analysis Division of the Utilities Department. In December of 1994, I was  
13 promoted to Administrator in the Consumer Services Department (now  
14 called the Service Monitoring and Enforcement Department), and assigned to  
15 the Compliance Division (now the Facilities and Operations Field Division).  
16 In that organization, I enforced electric, gas, and telephone service quality,  
17 customer service, and consumer protection rules. In 1997, I was transferred  
18 to the Service Quality and Analysis Division (now called the Reliability and  
19 Service Analysis Division), and in 2000, I was promoted to my current  
20 position and duties.

1 5. Q. What is the purpose of your testimony in this case?

2 A. My testimony has three objectives. The first is to recommend whether the  
3 Commission should find that OPC's reliability expectations are aligned with  
4 those of its customers. The second is to recommend enhancements to the  
5 proposed DIR Rider. The third objective is to make recommendations  
6 concerning the continuation and funding of the ESR Rider.

7  
8 **RELIABILITY EXPECTATIONS**

9 6. Q. Please describe your working knowledge of what ORC Sec. 4928.143 (B)(2)(h)  
10 requires.

11 A. This statute requires that, before approving an electric utility's distribution  
12 infrastructure or modernization incentive as part of its Electric Security Plan,  
13 the Commission must examine the reliability of the utility's distribution  
14 system to ensure that customers' and the utility's reliability expectations are  
15 aligned.

16  
17 7. Q. How does the Staff perform such an examination?

18 A. Administrative Code Rule 4901:1-10-10-(B)(2) requires each electric utility in  
19 the state to file with the Commission an application to establish company-  
20 specific minimum reliability performance standards. As part of that

1 application, electric utilities are to include supporting justification for the  
2 proposed methodology and each resulting performance standard. The  
3 performance standards should reflect historical system performance, system  
4 design, technological advancements, service area geography, customer  
5 perception surveys, and other relevant factors.

6  
7 Staff's review mainly involves two steps. The first step is to work with the  
8 company and other interested parties in establishing Commission-approved  
9 reliability standards that incorporate consideration of historical performance,  
10 customer survey results, and input from customer groups. Once performance  
11 standards are set, the second step is to monitor the utility's performance  
12 against its reliability standards to ensure that the standards are met.

13  
14 8. Q. Please describe the historical data that was used to set OPC's reliability  
15 standards.

16 A. OP's original application included six years of reliability data, but only the  
17 more recent years were used for setting the standards, because performance  
18 in these years better reflects the current operating conditions of the system  
19 and results in standards that enforce better reliability.

1 9. Q. Please describe OPC's customer survey results that were considered in the  
2 standard setting process.

3 A. The survey results indicated that a high percentage of OPC customers, both  
4 residential and commercial were satisfied overall with the service reliability  
5 provided by OPC.  
6

7 10. Q. Please describe how consumer groups were involved in the standard-setting  
8 process.

9 A. The Office of the Ohio Consumers' Counsel participated in the standards  
10 proceeding by filing comments (and replies), and also signed the joint  
11 stipulation recommending reliability standards for each of the two OPC  
12 territories. The Commission approved that stipulation on September 8, 2010.  
13

14 12. Q. How did OPC's 2011 reliability performance compare with that for the  
15 previous year?

16 A. Most of OPC's reliability measures showed worse performance in 2011. The  
17 table below analyzes OPC's 2010 and 2011 performance by territory.  
18  
19  
20

<b>OPC Reliability Performance - 2010 vs. 2011</b> <b>(Lower is better)</b>					
<b>Measure</b>	<b>Territory</b>	<b>2010</b>	<b>2011</b>	<b>Change</b>	<b>% Change</b>
SAIFI <sup>2</sup>	CSP	1.21	1.39	0.18	15%
	OP	0.98	1.06	0.08	8%
CAIDI <sup>3</sup>	CSP	123.40	139.42	16.02	13%
	OP	157.51	154.09	-3.42	-2%

The table indicates that for the CSP territory, both SAIFI and CAIDI performance worsened in 2011; and SAIFI got worse for the OP territory while CAIDI improved.

13. Q. Has OPC met its reliability standards?

A. Although both OPC territories met all of their standards in 2010, the CSP territory missed one of its reliability standards in 2011. The table below presents an analysis of OPC's 2011 performance.

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<sup>2</sup> SAIFI, or the System Average Interruption Frequency Index, represents the average number of interruptions per customer. SAIFI is calculated by dividing the total number of customer interruptions by the total number of customers served.

<sup>3</sup> CAIDI, or the Customer Average Interruption Duration Index, represents the average interruption duration or average time to restore service per interrupted customer. CAIDI is calculated by dividing the sum of customer interruption durations by the total number of customers interrupted.



<b>OPC Reliability Performance vs. Standards</b> <b>(Lower is better)</b>					
<b>Territory</b>	<b>Measure</b>	<b>Performance vs. Standard</b>		<b>Variance</b>	<b>% Variance</b>
CSP	SAIFI	Performance	1.39	-0.15	-10%
		Standard	1.54		
	CAIDI	Performance	139.42	4.25	3%
		Standard	135.17		
OP	SAIFI	Performance	1.06	-0.13	-11%
		Standard	1.19		
	CAIDI	Performance	154.09	-15.13	-9%
		Standard	169.22		

As indicated by the shaded portion of the table, the CSP territory missed its CAIDI standard by 4.25 minutes or 3 percent.

14. Q. Does this miss constitute a rule violation?

A. No, it does not. A reliability standard must be missed in two consecutive years to constitute a rule violation. Staff will continue to monitor OPC's reliability performance and take action in the future if necessary.

15. Q. Based on your analysis, do you believe that OPC's reliability expectations are in alignment with those of its customers?

A. No, I do not. Based on its 2011 performance, missing one of its reliability standards, Staff recommends the Commission find that OPC's reliability expectations are not currently in alignment with those of its customers.

**DISTRIBUTION INVESTMENT RIDER (DIR)**

16. Q. Will your testimony address all aspects of the OPC's proposed DIR?

A. No. My testimony will only address the DIR as it relates to capital projects and programs that affect reliability. Other aspects of the DIR will be addressed by Staff witnesses McCarter.

17. Q. Do you have any issues with the DIR?

A. Yes, I am concerned that the DIR is not sufficiently defined. On page 18 of his testimony for OPC's Revised Electric Security Plan (ESP), Company witness Kirkpatrick states that the primary focus of incremental ESP investment would be the replacement of assets that are in danger of failure. His testimony also states (on page 15) that distribution substation circuit breakers, regulators, switches, and power cable systems, as well as feeder exit cables and underground residential cable systems are asset classes that can affect large numbers of customers upon failure. His testimony does not, however, specify the quantity of these assets OPC plans to install during each of the years of the ESP, the planned cost for each asset class, the incremental amount of cost above previous levels, and the quantified improvement in reliability performance estimated to result from the incremental expenditures.

1 18. Q. Are there any enhancements that you recommend that the Commission  
2 should make to the proposed DIR?

3 A. Yes. If the Commission was to find that OPC's reliability expectations are in  
4 alignment with those of its customers, then the Commission should require  
5 OPC to work with Staff to develop a plan to evaluate and identify proactive  
6 distribution maintenance that focuses capital spending where it will have the  
7 greatest impact on maintaining and improving electric reliability  
8 performance. That plan should then be filed in a separate docket for the  
9 Commission's consideration.

10  
11 **ESR RIDER**

12 19. Q. What is the objective of the ESR Rider (ESRR)?

13 A. The ESRR enables OPC to recover the incremental costs associated with  
14 transitioning to a cyclical-based vegetation management program. Under this  
15 program, OPC would trim the trees on all of its distribution circuits at least  
16 once every four years.

17  
18 20. Q. Does Staff have any issues with the ESRR?

19 A. Yes, the Staff has issues with the continuation and funding levels of the ESRR.  
20

1 21. Q. What is Staff's issue concerning the ESRR's continuation?

2 A. Although Staff does support the ESRR's continuation through 2014, it also  
3 believes the ESRR should not recover costs incurred after the end of 2014.  
4

5 22. Q. Why does Staff oppose ESRR recovery of post-2014 vegetation management  
6 costs?

7 A. During 2014, OPC will complete its transition and begin regular maintenance  
8 on a four-year cycle vegetation management program. Although this  
9 transition is a special project meriting accelerated cost recovery, the four-year  
10 cycle vegetation program constitutes a return to normal operations, the cost  
11 of which should be recovered through base rates. Staff therefore  
12 recommends that the Commission not allow ESRR recovery of vegetation  
13 management costs OPC incurs after the year 2014.  
14

15 23. Q. What is Staff's issue with ESRR finding levels?

16 A. Staff believes OPC has overstated the incremental cost of the ESRR for the  
17 years 2012 through 2014 due to its failure to recognize the higher ESRR  
18 baseline that results from the recent distribution base rate case.  
19

20 24. Q. How was the ESRR baseline increased in the recent rate case?

1 A. In Case Nos. 11-351-EL-AIR and 11-352-EL-AIR, Staff recommend that the  
2 Commission grant OPC an additional \$17.8 million in annual O&M Expense  
3 to support its planned four-year cycle vegetation management program. As a  
4 result of this adjustment, the O&M portion of the ESRR baseline was  
5 increased from \$20.6 million to \$38.4 million.

6  
7 25. Q. What does Staff recommend to correct the OPC's overstatement of ESRR  
8 incremental costs?

9 A. Staff recommends an adjustment to remove \$17.8 million from OPC's  
10 requested ESRR O&M amounts for each of years 2012 through 2014. This  
11 adjustment is highlighted in the table below.

12  
13

Incremental Cost of Enhanced Service Reliability Plan (\$ Millions)				
	2012	2013	2014	3-Year Total
O&M (Requested by OPC) <sup>4</sup>	30.0	34.0	34.0	98.0
Staff's O&M Adjustment	(17.8)	(17.8)	(17.8)	(53.4)
O&M (Staff Adjusted)	12.2	16.2	16.2	44.6
Capital	5.0	5.0	5.0	15.0
Total Incremental Cost	17.2	21.2	21.2	59.6

14

15 26. Q. Does the Staff have any other recommendations concerning the ESR Rider?

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<sup>4</sup> See Chart 2 on Page 8 of Mr. Kirkpatrick's testimony of March 30, 2012

1       A.   Yes. In order to ensure that OPC will continue to use the additional  
2       vegetation management O&M that was included in base rates, Staff  
3       recommends that the Commission order OPC to file, before 2014, a revised  
4       vegetation management program<sup>5</sup> that commits OPC to complete end-to-end  
5       trimming on all of its distribution circuits every four years beginning in 2014.

6  
7   27.   Q.   Does this conclude your testimony?

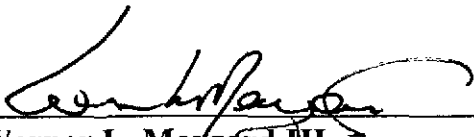
8       A.   Yes, it does.

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<sup>5</sup> Rule 4901:1-10-27 (E)(2) and (3) of the Ohio Administrative Code specifies the required procedures for filing proposed maintenance programs for Commission approval.

## **PROOF OF SERVICE**

I hereby certify that a true copy of the foregoing Prefiled Testimony of Peter K. Baker submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served via electronic mail, upon the following parties of record, this 9<sup>th</sup> day of May, 2012.

  
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