

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Commission's)	
Review of the Ohio Power Company's)	Case 12-3129-EL-UNC
Distribution Investment Rider Work)	
Plan Resulting from Commission)	
Case No. 11-346-EL-SSO et al.)	

**INITIAL COMMENTS
OF
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL**

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I. INTRODUCTION

On December 3, 2012, Ohio Power Company ("AEP Ohio" or "the Utility") filed a Distribution Investment Rider ("DIR") Work Plan ("DIR Work Plan") required pursuant to the Commission Order in Case 11-346-EL-SSO.¹ The DIR is the mechanism for AEP Ohio to recover the costs from consumers of capital funding and associated carrying costs for replacing or repairing aging distribution infrastructure that, according to AEP Ohio, is the primary cause of electric outages and reliability issues.²

According to the 11-346-EL-SSO Opinion and Order, AEP Ohio was required "to work with Staff to develop a plan to emphasize proactive distribution maintenance that focuses spending on where it will have the greatest impact on maintaining and improving reliability for customers."³ Through a Public Utilities Commission of Ohio ("PUCO")

¹ *In the Matter of the Commission's Review of the Ohio Power Company's Distribution Investment Rider Work Plan Resulting from Commission*, Case No. 12-3129-EL-UNC, Distribution Investment Rider Work Plan (December 3, 2012).

² *In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to §4928.143, Ohio Rev. Code, in the Form of an Electric Security Plan*. Case No. 11-346-EL-SSO et. al., Opinion and Order at 42 (August 12, 2012).

³ *Id.* at 47.

Entry on December 12, 2012, a procedural schedule was established. Parties were required to file motions to intervene by January 11, 2013. The PUCO Staff and interveners were invited to file initial comments by January 18, 2013, and all parties were invited to file reply comments by February 1, 2013.⁴

The Office of the Ohio Consumers' Counsel ("OCC") appreciates the opportunity to file these initial comments on behalf of the 1.3 million residential customers of AEP Ohio. These comments demonstrate that customers are not receiving the quantified benefits in reliability that AEP Ohio is required to provide. OCC urges the PUCO to reject the AEP DIR work Plan, or in the alternative to set the matter for hearing.

II. COMMENTS

A. The PUCO Should Enforce The Order In Case No. 11-346-EL-SSO And Require AEP Ohio To Quantify, For PUCO And Parties' Review, The Reliability Improvements For Projects That Are Proposed Within The DIR Work Plan Before Any Customer Dollars Are Expended On The DIR.

The Distribution Investment Rider was a contested part of the recent AEP Ohio Electric Security Plan ("ESP II") case. OCC and other parties questioned the Utility proposed spending of \$365.7 million in incremental distribution infrastructure without any project details, without providing an analysis of customer reliability improvements or an analysis of how customer reliability expectations are aligned with the Utility's. The lack of quantifiable performance improvements was also questioned.⁵ However, the Commission approved the DIR with certain expectations and requirements. Specifically,

⁴ Case 12-3129-EL-UNC, AE Entry at 2 (December 12, 2012).

⁵ *In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Revised Code, in the Form of an Electric Security Plan*, Case No. 11-346-EL-SSO et al, Opinion and Order at 42-47 (August 8, 2012).

the Commission required AEP Ohio to work with the PUCO Staff to develop a DIR Plan.⁶

The Commission further ordered that the Utility must quantify its reliability improvements:

The proactive distribution infrastructure plan **shall quantify reliability improvements** expected, ensure no double recovery, and include a demonstration of DIR expenditures over projected expenditures and recent spending levels. The DIR plan will be reviewed annually for accounting accuracy, prudence and compliance with the DIR plan developed by the Staff and AEP Ohio.⁷ (Emphasis added).

The DIR Work Plan filed by AEP Ohio in this proceeding includes a hodgepodge of twenty-seven different programs that identify a way to spend approximately \$187 million of customer dollars without any quantifiable reliability improvement. For example, the Utility plans to expend \$15 million in capital costs in 2013 for a program titled Distribution Circuit Asset Improvements. While this program appears to be primarily oriented towards replacing equipment⁸, the Utility is unable or unwilling to quantify the impact the replacement of equipment will have on service reliability. Instead, AEP Ohio included only a broad general statement concerning the measure of reliability improvement:

Reliability improvements vary based on the type of work performed and is measured on a circuit basis.⁹

⁶ The DIR Work Plan filed by Ohio Power Company lists the various projects that are part of the DIR and the projected 2013 capital costs for each project.

⁷ Case No. 11-346-EL-SSO et al, Opinion and Order at 47 (August 8, 2012).

⁸ Included in the types of equipment being replaced are cutouts, arrestors, underground cable, overhead wire conductors, poles, and various types of substation equipment.

⁹ AEP Ohio 2013 DIR Work Plan Components at 1 (December 3, 2012).

AEP Ohio's statement is deficient because the Utility should know the number of outages that have occurred in the last several years due to equipment/ hardware failures and should be able to determine where investments in equipment and hardware can help reduce outages and thus improve reliability. AEP Ohio knows and reports on an annual basis the average remaining life of the distribution equipment, poles, towers, overhead facilities, station equipment, and underground facilities.¹⁰

If AEP Ohio is unable or unwilling to quantify the service reliability improvements, then customers should not be expected to pay for the projects using DIR funding because AEP Ohio will not be in compliance with the terms and conditions set forth in the PUCO's Opinion and Order in Case No. 11-346-EL-SSO.¹¹ Table 1 and Table 2 provide a summary of the number of equipment/ hardware failures that occurred in 2010 and 2011 for both Columbus Southern Power ("CSP") and the Ohio Power ("OP") along with the associated total number of customers that were interrupted and the number of customer minutes interrupted (excluding transmission-related outages as noted in the Tables 1 and 2 below).

¹⁰ Ohio Adm. Code 4901:1-10-26(B)(3)(e).

¹¹ Case No. 11-346-EL-SSO et al, Opinion and Order at 47 (August 8, 2012).

Table 1: Equipment/ Hardware Failures CSP			
	2010 ¹²	2011 ¹³	Total
Number of Equipment/ Hardware Failures	5,250	5,803	11,053
Number of Customers Interrupted	291,511	351,994	643,505
Customer Minutes Interrupted	35,565,231	56,122,287	91,687,518
Average Outage Duration	122 Minutes	159 Minutes	142 Minutes

Table 2: Equipment/ Hardware Failures OP			
	2010 ¹⁴	2011 ¹⁵	Total
Number of Equipment/ Hardware Failures	4,453	4,899	9,352
Number of Customers Interrupted	154,502	151,741	306,243
Customer Minutes Interrupted	20,927,197	18,320,614	39,247,811
Average Outage Duration	135 Minutes	121 Minutes	128 Minutes

Based on the historical records of failures associated with equipment/ hardware, AEP Ohio should be able to identify the specific equipment or hardware that is prone to failure and to quantify the reliability improvement that would occur through proactive replacement of this equipment. For example, AEP Ohio identified the need for a Cutout & Arrester Program where the Utility plans to spend \$3.5 million in capital funds replacing 3,000 to 3,500 cutouts and their associated arresters in 2013.¹⁶ Inasmuch as AEP Ohio proposed to replace some equipment before its fails as part of the DIR, the

¹² *In the Matter of the Annual Report of The Columbus Southern Power Company Pursuant to Rule 10 of the Electric Service and Safety Standards, Ohio Administrative Code 4901:1-10-10, Case 11-1914-EL-ESS, Annual Report at 29-31 (September 1, 2011).*

¹³ *In the Matter of the Annual Report of The Columbus Southern Power Company Pursuant to Rule 10 of the Electric Service and Safety Standards, Ohio Administrative Code 4901:1-10-10, Case 12-1132-EL-ESS, Corrected Electric Service Distribution Reliability Report at 30-33 (April 9, 2012).*

¹⁴ Id.

¹⁵ Id.

¹⁶ AEP Ohio 2013 DIR Work Plan Components, at page 1.

Utility should be aware of the expected lifetime and failures rates for cutouts and arresters and the impact those failures had on past customer reliability. Accordingly, the Utility should be able to make some projections on how service reliability would be improved. The Utility claimed that a sharp increase in premature failures of a certain brand of fuse cutouts was noticed in 2004 and that these devices had an eight to ten times higher failure rate than expected.¹⁷

AEP Ohio also claimed that there were approximately 83,000 cutouts in service in 2004. By 2006, AEP Ohio had already replaced 18,250 (or 22 percent) of the high failure rate fused cutouts.¹⁸ If the cutouts were being replaced at the same rate that AEP Ohio was replacing these cutouts in 2006, then all of the high-failure rate cutouts should have already been replaced and there should not be any of the high failure rate cutouts left to replace using the DIR. Because the DIR Work Plan included no specific information about the type of cutouts and arresters that are planned for replacement in 2013, there is no way to know if this program is a continuation of the program that was initiated in 2004 to replace high failure rate cutouts and arresters, or if AEP Ohio is now using the DIR to replace other cutouts and arresters. This is but one example of why the prudence review of the projects funded using the DIR is so critical.

If AEP Ohio is planning to use the DIR to fund the same program that was initiated after the high failure rate cutouts and arresters were identified in 2004, either the Utility miscalculated the original number of cutouts and arresters to be replaced,

¹⁷ *In the Matter of the Self-Complaint of Columbus Southern Power Company and Ohio Power Company Concerning the Implementation of Programs to Enhance Distribution Service Reliability*, Case No. 06-222-EL-SLF, Enhanced Distribution Service Reliability Plan at 27-29 (October 6, 2006).

¹⁸ *Id.*

overstated the failure rate of these devices, or the Utility has not been prioritizing the replacement in the capital budget at the 2006 level. Regardless, there should be no high failure rate cutouts and arresters left to replace if the information that was provided to the Commission in the 2006 self-complaint was accurate.

The Utility should be aware of the actual failures rates for these types of devices and the impact that the replacement of cutouts and arresters will have on future reliability. Yet, AEP Ohio's attempt to quantify the reliability improvement is once again limited to a general statement concerning the measure of reliability improvement as follows:

The majority of this work is proactive asset renewal that will reduce the probability of future outages related to cutout and arrester failures.¹⁹

AEP Ohio should be able to differentiate the outages caused by cutouts and arresters from the equipment/ hardware outages identified in Table 1 and 2 and quantify the reliability improvement for replacing cutouts and arresters. If AEP Ohio is unable to quantify the reliability improvement, then AEP Ohio will have failed to meet the requirements imposed by the Commission regarding the DIR in the ESP order.²⁰ Absent the required quantified benefits to service reliability, the so-called "reliability improvement programs" proposed by AEP Ohio should not be funded with customer dollars through the DIR.

¹⁹ AEP Ohio 2013 DIR Work Plan Components at 1 (December 3, 2012).

²⁰ Case No. 11-346-EL-SSO et al, Opinion and Order at 47 (August 8, 2012).

B. The PUCO Should Enforce The Order In Case No. 11-346-EL-SSO And Require AEP Ohio To Identify, For PUCO And Parties' Review, The Level Of Incremental Spending Being Planned For Each DIR Project Separate From Baseline Projected Expenditures.

As shown above, the Commission's ESP II Opinion and Order required the DIR Work Plan to demonstrate that there would be no double recovery from customers. The DIR expenditures to be collected from customers should be limited to expenditure above and beyond the normal projected expenditures and recent spending levels. However, the AEP Ohio Work Plan only includes a single 2013 projected capital requirement for each Component within the Work Plan. Since AEP Ohio has not demonstrated that the projected baseline capital spending is "over projected expenditures and recent spending levels" as ordered by the Commission, there is no way to assure that the Utility is not double recovering costs from consumers.

Moreover, the Commission explicitly required the DIR Work Plan ensure there was no double recovery.²¹ AEP Ohio claims that the overall spending on similar distribution efforts over the last five years has averaged approximately \$154 million.²² This means that at most, only \$32 million should be assigned to DIR spending. AEP also claims that \$150 million was projected for 2012.²³ However, the Utility's claim for \$150 million in projected 2012 spending is also not supported within the DIR Work Plan or other reports that AEP Ohio has filed with the Commission.

Ohio Adm. Code 4901:1-10-26 requires each electric utility to file an annual system improvement plan regarding its compliance with the minimum electric service

²¹ Id.

²² AEP Ohio 2013 DIR Work Plan Components at 2 (December 3, 2012).

²³ Id.

and safety standards. Part of the annual system improvement plan is a report of the electric utility's budgeted and actual reliability-specific capital expenditures for the past and current year.²⁴ Table 3 provides a summary of the AEP Ohio budgeted and actual capital expenditures for reliability specific programs for 2010 through 2011. In addition, Table 3 provides the projected budget for 2012 as reflected in the 2011 annual system improvement plan report.

Table 3: Reliability-Specific Capital Budget CSP and OPC 2009-2012				
Type of Expenditure	2009²⁵	2010²⁶	2011²⁷	2012 Budget²⁸
CSP Capital Expenditure	93,095,753	62,419,068	98,066,926	
OPC Capital Expenditures	124,380,366	95,921,729	90,950,993	
Total	217,476,119	158,340,797	189,017,919	205,271,607

Based on the information contained in Table 3, the average level of capital spending for AEP Ohio on reliability-specific programs for 2009 through 2011 was approximately \$188 million annually. The 2012 budget for reliability specific programs was approximately \$205 million as seen in Table 3. The actual expenditure for 2012 will be available when the Utility files its annual system improvement plan on March 30, 2012.

²⁴ Ohio Adm. Code 4901:1-10-26(B)(2)(d).

²⁵ *In the Matter of the Annual Report of Ohio Power Company and Columbus Southern Power Company Pursuant to Rule 26 of the Electric Service and Safety Standards, Ohio Administrative Code 4901:1-10-26, Case No. 10-996-EL-ESS (March 30, 2010).*

²⁶ *In the Matter of the Annual Report of Ohio Power Company and Columbus Southern Power Company Pursuant to Rule 26 of the Electric Service and Safety Standards, Ohio Administrative Code 4901:1-10-26, Case No. 11-996-EL-ESS (March 30, 2011).*

²⁷ *In the Matter of the Annual Report of Ohio Power Company and Columbus Southern Power Company Pursuant to Rule 26 of the Electric Service and Safety Standards, Ohio Administrative Code 4901:1-10-26, Case No. 12-996-EL-ESS (March 30, 2012).*

²⁸ Id. at 53 of 86. AEP Ohio did not separate the budget projection for CSP and OPC.

As shown in Table 4, the 2013 projected capital budget for reliability programs as reflected in the DIR Work Plan is approximately \$187 million.²⁹ Therefore, it remains unclear what projects AEP Ohio intends to fund using capital that was projected for 2013 in the normal course of the AEP Ohio capital budget plan and what projects are being incrementally funded using the DIR. Without this determination, customers of AEP Ohio are no longer protected against the double recovery of costs as previously intended by the Commission. Without this detail, the DIR Work Plan appears to provide the Utility a “blank check” to decide for itself throughout the year how it intends to spend the additional customer dollars that the Commission authorized in the ESP. The DIR Work Plan exhibits a lack of accountability and transparency on the part of AEP Ohio that the PUCO should find is inconsistent with its authorization and unreasonable as a basis for collecting the costs at issue from customers.

The Order specified additional regulatory review processes that could be rendered meaningless if the Commission approves the DIR Work Plan. Specifically, the Order requires:

The DIR mechanism will be reviewed annually for **accounting accuracy, prudence and compliance** with the DIR plan developed by the Staff and AEP Ohio.³⁰ (Emphasis added)

If the incremental DIR expenditures are not identified and tracked separately from other reliability-specific expenditures, the annual review of DIR for accounting accuracy will not be possible. In addition, if the incremental DIR expenditures are not tracked separately from other expenditures, the annual review of the prudence of DIR

²⁹ \$186,980,000.

³⁰ Id., Case No. 11-346-EL-SSO et al, Opinion and Order at 47 (August 8, 2012).

expenditures will not be possible. Finally, if the DIR Work Plan does not separate projects being funded with incremental DIR funds from other projects, the Commission must clarify its expectations concerning the purpose of the annual compliance review.

Given the lack of detail for programs that are included in the DIR Work Plan, AEP Ohio is making no commitments short of an expectation to spend approximately \$187 million of customer funds on projects that provide no quantifiable reliability improvements. Based on the average annual capital expenditures for 2009 through 2011, AEP Ohio would have reasonably been expected to spend approximately \$188 million in 2013.

Unfortunately, AEP Ohio's customers pay the highest electric bills in the state and yet receive the lowest level of service reliability.³¹ The PUCO should have strong proof of the viability of the DIR before allowing the DIR program to be yet another contributing factor to the costs of its customers' electric bills. There was a failure or absence of such proof in AEP Ohio's filing.

Table 4 provides a summary of the components that are included in the AEP Ohio DIR Work Plan and the level of capital that is projected in the 2013 capital budget. Table 4 also demonstrates the lack of substance in the DIR Wok Plan. The Utility's description of the different Components provides very little useful information necessary to understand how the project would impact – let alone improve service reliability. Basic information about the number of historical outages associated with each Component of the Work plan is missing as noted below. Contrary to the Commission's Order which

³¹ Ohio Utility Rate Survey, A Report by the Staff of the PUCO (December 14, 2012); Electric Reliability Performance Data found at www.puco.gov.

required to "quantify reliability improvements expected," there is also no quantified reliability improvement associated with any Component of the Work Plan.

Table 4: DIR Work Plan Components³²

DIR Component	Projected 2013 Capital Budget (\$)	AEP Ohio Description of Reliability Improvement	Historical Number of Outages by Outage Cause	Quantified Reliability Improvement as Required by Commission
Distribution Circuit Asset Improvement	\$15,000,000	Varies based on the work performed	Not provided	None
Cutout & Arrester Program	3,500,000	Reduce probability of future outages	Not provided	None
Animal Mitigation-Station	200,000	Reduce animal caused outages inside distribution stations by fifty percent.	Not provided	None
Lightning Mitigation	20,000	Reduce the number of lighting caused outages by fifty percent.	Not provided ³³	None
Underground Cable Replacement	20,000,000	Reduce URD cable failures by fifty percent.	Not provided	None
Small Wire Replacement	10,000,000	Reduce outages due to equipment/hardware and conductor failure by fifty percent	Not provided	None

³² AEP Ohio 2013 DIR Work Plan Components, 12/1/2012, pages 1-5.

³³ The total number of lightning outages is reported to the PUCO in the Annual Report with Reliability Performance. In 2011, a total of 1,681 outages were caused by lightning in the OPC service territory and another 1,215 lightning caused outages occurred in the CSP service area.

OVHD Circuit Inspection and Repair	2,500,000	Reduce equipment caused outages by thirty percent	Not provided	None
Station Breaker Replacement	1,800,000	Some positive impact to reliability	Not provided	None
Distribution Asset Improvement Associated with Transmission Work	3,000,000	Reduce the probability of future outages	Not provided	None
Pole Replacement	7,500,000	Some positive impact to reliability	Not provided ³⁴	None
Line Recloser Maintenance	4,360,000	Some positive impact to reliability	Not provided	None
Sectionalizing	1,000,000	Can reduce SAIFI by impacting fewer customers	Not provided	None
URD Inspection Program	400,000	Reduce probability of future outages	Not provided	None
Network Rehab	10,000,000	Some positive impact to reliability	Not provided	None
Station Regulator Replacements	1,000,000	Some positive impact to reliability	Not provided	None

³⁴ In the AEP Ohio 2013 DIR Work Plan Components on page 2, the Utility claims one percent of equipment/ hardware outages are caused by poles.

Forestry – Ash Borer	4,000,000	Some reliability impact	Not provided	None
Pole Reinforcement	300,000	Some positive impact to reliability	Not provided ³⁵	None
Underground Duct and Manhole Inspection	2,000,000	Some positive impact to reliability	Not provided	None
Network Capacity	2,000,000	There is no reliability impact	Not provided	None
Capacity Additions	12,000,000	There is no reliability impact	Not provided	None
Integrated Volt Var Systems	-	There is no reliability impact	Not provided	None
Customer Service Work	25,000,000	There is no reliability impact	Not provided	None
Third Party Work Request	5,600,000	There is no reliability impact	Not provided	None
Public Project Relocation	6,000,000	There is no reliability impact	Not provided	None
Service Restoration	9,000,000	There is no reliability impact	Not provided	None
Forestry	8,800,000	There is no reliability impact	Not provided	None
Other	32,000,000	There is no reliability impact	Not provided	None
Total	\$186,980,000³⁶			

³⁵ Id.

³⁶ The average amount of capital spending for reliability-specific programs 2009 – 2011 was \$188,278,278. The Utility has not itemized the amount of incremental capital it plans to seek through the DIR. However, there does not appear to be a need for DIR funding if the Utility continues to fund these programs at the same level it was funding 2009 through 2011.

Table 4 demonstrates the lack of specificity in the program descriptions for all of the programs listed in the DIR Work Plan that the PUCO should be concerned with. OCC discussed the lack of detail with the cutout and arrester program earlier in these comments and the inability to determine what cutouts and arresters the Utility now intends to replace. However, this is one small example of the much larger problem prevalent throughout the DIR Work Plan.

Because of the lack of detail which is necessary to evaluate the DIR Work Plan Components with any level of reasonable scrutiny, there should be no acceptance of the prudence or the cost effectiveness of any project listed on the DIR Work Plan. There simply is insufficient information provided in the DIR Work Plan to make such determination. Yet, this is exactly what AEP Ohio is asking the Commission to approve.

The Commission should reject the DIR Work Plan, or in the alternative set the matter for hearing. In any hearing, the utility should be required to bear the burden of proving that its Work plan complies with the PUCO directives

C. The PUCO Should Reject Any Component Of The Utility's DIR Work Plan That Does Not Demonstrate An Improvement In Service Reliability.

Based on the Utility's own description of the impact from some Components of the DIR Work Plan, the Utility has failed to demonstrate that service reliability would be improved. Table 4 above, indicates that the Utility does not even claim any service reliability improvement from the following DIR Work Plan Components:

Network Capacity	\$2,000,000
Capacity Additions	\$12,000,000
Integrated Volt Var Systems	
Customer Service Work	\$25,000,000
Third Party Work Request	\$5,600,000
Public Project Relocation	\$6,000,000
Service Restoration	\$9,000,000

Forestry	\$8,800,000
Other	<u>\$32,000,000</u>
TOTAL	\$101,400,000

Thus based on the Utility's own description, the \$101,400,000 associated with these DIR Work Plan Components should be rejected.

D. The PUCO Should Require AEP Ohio To Separate The Components In The DIR Work Plan For The CSP Rate Zone And The OP Rate Zone.

The distribution rates for the Columbus Southern Power Rate Zone are different from the distribution rates for the Ohio Power Rate Zone. These differences in the distribution rates are attributed to a number of factors related to the unique nature of the service territories, the different operations and maintenance costs for each zone, and different capital investments made in each area that are typically evaluated in base rate cases.

Recognizing these differences when the Utility proposed merging Ohio Power and Columbus Southern, the Utility agreed to propose single distribution rates in the next base rate case.³⁷ In the same settlement, the Commission approved a Stipulation and Recommendation that impacts the manner in which the DIR Work Plan is prepared.

In recognition of the different distribution rates, both CSP and OPC have different reliability standards that were established in 2010 and are in effect until new reliability standards are approved by the Commission.³⁸ The DIR Work Plan does not identify by service area which projects are related to CSP and which projects are related to OP.

³⁷ *In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company, Individually and, if Their Proposed Merger is Approved, as a Merged Company (collectively, AEP Ohio) For an Increase in Electric Distribution Rates*, Case No. 11-351-EL-AIR, Opinion and Order at 8 (December 14, 2011).

³⁸ Case No. 09-756-EL-ESS, Opinion and Order at 7 (July 22, 2010).

Without this information, there is no ability to determine the effect that DIR is having on the reliability standards for CSP and OP.

However, the Commission approved the DIR with specific language that expressed the expectation by the Commission that the DIR would be used to prevent degradation in reliability performance standards. Until and unless the Commission requires AEP Ohio to submit a DIR Work Plan that quantifies reliability improvements for both CSP and OP individually, the Commission can have no idea of the impact that the DIR is having on reliability performance standards. Specifically, the order states:

We believe that it is detrimental to the state's economy to require the utility to be reactionary or allow the **performance standards to take a negative turn** before we encourage the electric utility to proactively and efficiently replace and modernize infrastructure and, therefore find it reasonable to permit the recovery of prudently incurred distribution infrastructure investment costs.³⁹
(Emphasis added)

AEP filed an Application to establish new reliability standards that is currently pending before the Commission.⁴⁰ The Application in the 12-1945-EL-ESS case did not include any information about the DIR and the impact that the DIR would have on reliability standards even though the Utility agreed to provide the information in the last rate case.⁴¹

OCC filed extensive comments opposing AEP Ohio's proposed reliability standards because the Utility proposed retroactive 2012 standards for CSP and OP as a

³⁹ Id. at 47.

⁴⁰ *In the Matter of the Establishment of 4901:1-10-10(B) Minimum Reliability Performance Standards for Ohio Power Company*, Case No. 12-1945-EL-ESS, Application (June 29, 2012).

⁴¹ Id.

single entity, even though the distribution rates and service areas are different.⁴² OCC has also requested in this case that the Commission enforce the Opinion and Order from the 09-758-EL-ESS case and compel AEP Ohio to provide the DIR information it agreed to provide in the settlement of the rate case. Because both the distribution rates and the reliability standards are different for each service area, the Commission must require AEP Ohio to separate the DIR Work Plan for both CSP and OP and quantify the impact that DIR will have on the reliability performance for each area.

E. The Commission Should Reject The Auto-Approval Process Proposed by AEP Ohio for the 2014 DIR Work Plan Because It Is Unjust And Unreasonable.

AEP Ohio proposed that the Commission adopt an auto-approval process for reviewing the 2014 DIR Work Plan. AEP Ohio recommended that the plan be automatically approved on the thirty-first day after a filing with the PUCO Staff and the Commission unless there are disagreements provided by the PUCO Staff or Commission within the thirty-days.⁴³ AEP Ohio reasons that inspection, maintenance, repair, and replacement plans filed pursuant to Ohio Adm. Code 4901:1-10-27 have similar auto-approval processes.

OCC submits that this proposal for automatic approval is very misdirected. AEP already is the recipient of an alternative process to “accelerate”⁴⁴ the collection of money from customers for alleged reliability improvements. Now, AEP Ohio wants to layer on top of its exception to traditional ratemaking an automatic approval process (in denial of

⁴² Case 12-1945-EL-ESS, Initial Comments at 14-16 (January 4, 2012).

⁴³ AEP Ohio DIR Work Plan at 4 (December 3, 2012).

⁴⁴ Case No. 11-346, Opinion and Order at 46 (August 8, 2012).

due process) for getting tens or hundreds of millions of dollars of costs onto customer bills without adequate justification.

Rather than approve a process for the 2014 DIR Work Plan, the Commission should establish a fair and transparent process and timeline for approving the 2013 DIR Work Plan, including the annual review, prudence review, and compliance review. Since the DIR is intended to maintain or enhance reliability performance, the PUCO should be requiring and adapting parts of its rules concerning reliability standards for the approval of the DIR Work Plan.

F. If The PUCO Does Not Reject The 2013 DIR Work Plan, Then The PUCO Should Set The Matter For Hearing Pursuant To Ohio Admin. Code 4901:1-10-10(B)(6).

Ohio Adm. Code 4901:1-10-10(B)(6) outlines a process for establishing a procedural schedule that includes an opportunity for initial and reply comments, and comments by the PUCO Staff. While the Commission has established a process for the filing of comments concerning the 2013 DIR Work Plan, there is not an established process for a hearing if the work plan is found to be unjust and unreasonable similar to reliability standards cases.⁴⁵ The OCC's comments demonstrate that the AEP Ohio DIR Work Plan is unjust and unreasonable. OCC now requests that the Commission reject the DIR Work Plan or in the alternative schedule this matter for hearing.

The PUCO should address significant issues such as the level of baseline and incremental funds, quantifying reliability improvements, and ensuring the DIR is kept separate for the CSP and OP rate zones. Additionally, the timeline for an annual review of the DIR spending for accounting accuracy, prudence, and compliance with the plan

⁴⁵ Ohio Adm. Code 4901:1-10-10(B)(6)(e).

must be addressed.⁴⁶ The annual review should be performed in a publicly open and transparent manner with an opportunity for due process to address customer concerns that the DIR Work Plan is cost effective and the plan actually improves service reliability in a measurable manner.

G. The PUCO Staff's Comments About The Reliability Survey Conducted By AEP Ohio In Case No. 12-1945-EL-ESS, Indicate That Customer And Utility Expectations Concerning Reliability Are Not Aligned.

The PUCO Staff commented that AEP Ohio had failed to comply with Ohio Adm. Code 4901:1-10-10(B)(4)(b) concerning the administration of the customer perception survey⁴⁷. Specifically, the customer perception survey is supposed to be conducted under the Staff's oversight which includes the wording for the questions, determining the sample size of residential and small commercial customers, and the administration within four consecutive quarters.⁴⁸ Instead of following these requirements, AEP Ohio performed the survey in a single quarter rather than over four consecutive quarters and did not comply with the PUCO Staff-required sample size.⁴⁹ The Staff apparently brought these deficiencies to the attention of the Utility in a letter and is now recommending that the Commission order the Utility to comply with the Staff guidelines.⁵⁰

OCC supports the Staff recommendation that the Commission order AEP Ohio to comply with the rules. The issue of failure to comply with the service reliability rules is

⁴⁶ Case 11-346-EL-SSO, et al, Opinion and Order at 47.

⁴⁷ Staff Initial Comments at 2-3 (January 14, 2013).

⁴⁸ Id.

⁴⁹ Id.

⁵⁰ Id.

demonstrated by the inability to align the Utility and customer expectations concerning service reliability. Specifically, Ohio law explicitly requires the Commission to ensure that customer and Utility expectations concerning reliability be aligned as a condition for approval of distribution infrastructure modernization programs.⁵¹ AEP Ohio proposed and the Commission approved a \$365.7 million DIR in the last AEP Ohio Electric Security Plan (“ESP”) case supported largely by the very same customer survey data that Staff is now questioning.⁵²

While the issue of AEP Ohio not complying with the Commission’s rules concerning the Staff’s oversight of the customer perception survey should have best been addressed in the ESP case, prior to the Commission’s order approving the DIR, the Commission is still statutorily mandated to ensure that the Utility and customer expectations for reliability are aligned. In case 11-346-EL-SSO et al, OCC and other parties have pending Applications for Rehearing concerning a multitude of issues -- including the approval of the DIR because the interests of customers and the Utility are not aligned as required.⁵³ Thus far the Commission granted the various pending Applications for Rehearing for the purpose of additional time to consider the issues.⁵⁴

As the Commission reconsiders the DIR on rehearing, OCC recommends that additional analysis of the customer and Utility expectations concerning AEP Ohio reliability be performed **before** further money is collected from customers through the DIR rider. While not an endorsement for J.D. Power and Associates, OCC is aware that

⁵¹ R.C. 4928.143(B)(h).

⁵² Case 11-346-EL-SS0, Opinion and Order at 43-45 (August 8, 2012).

⁵³ 11-346, Application for Rehearing by the Office of the Ohio Consumers’ Counsel and the Appalachian Peace and Justice Network at 99-104 (September 7, 2012).

⁵⁴ 11-346-EL-SSO, Entry (October 3, 2012).

this organization performed surveys in 2012 that were evaluating electric utility customer service matters including reliability.⁵⁵ AEP Ohio was rated number 14 out of 16 in customer satisfaction before the June 29, 2012 storm.⁵⁶ The Commission may also consider the results of other survey data, or initiate additional surveys to ensure that the Utility and customer perceptions concerning reliability are not mis-aligned, before requiring customers to continue paying more money for the DIR.

III. CONCLUSION

On behalf of the residential electric customers served by AEP Ohio, the OCC appreciates the opportunity to provide comments concerning AEP Ohio's 2013 DIR Work Plan. The Commission should find AEP Ohio's proposed DIR Work Plan to be contrary to the public interest and unjust and unreasonable.⁵⁷ AEP Ohio failed to quantify the reliability improvements that were expected to occur with the DIR. Furthermore, AEP Ohio failed to properly reflect baseline and incremental capital expenditures for reliability-specific programs.

The Utility has failed to identify programs to be funded using the DIR for both the CSP and OP rate zones even though each of these areas has different distribution rates and different reliability performance standards. The Utility also failed to provide data to demonstrate that customer expectations and the Utility's expectations regarding service reliability are aligned. Finally, the Utility failed to include any measure of cost-effectiveness of implementing each proposed DIR Work Plan Component.

⁵⁵ <http://www.jdpower.com/content/article-base/du1j0Tm/j-d-power-2012-electric-utility-residential-customer-satisfaction-study.htm>

⁵⁶ AEP Ohio slips in customer satisfaction survey, The Columbus Dispatch, July 11, 2012.

⁵⁷ Oho Admin. Code 4901:1-10-10(B)(6)(a).

Based on the Utility's failure to comply with the PUCO's Opinion and Order from the 11-346-EL-SSO case, the OCC requests that the PUCO reject the Utility's DIR Work plan, or in the alternative set a hearing to ensure due process for residential customers who pay for the DIR.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of these Comments was served on the persons stated below via electronic transmission, this 18th day of January 2013.

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