

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Commission’s	:	Case No. 13-2394-EL-UNC
Review of Ohio Power Company’s	:	
Distribution Investment Rider Plan.	:	

**COMMENTS ON OHIO POWER’S DIR WORK PLAN FOR 2014
FILED ON BEHALF OF THE STAFF OF
THE PUBLIC UTILITIES COMMISSION OF OHIO**

Background

In its August 8, 2012 Opinion and Order (O&O) in Case No.11-346-EL-SSO, the Commission approved, with certain modifications, the Distribution Investment Rider (DIR) proposed by Columbus Southern Power Company and Ohio Power Company. The companies have subsequently merged to form a combined Ohio Power Company (OP or Company). The Commission directed the Company to “work with Staff to develop a plan to emphasize proactive distribution maintenance that focuses on spending where it will have the greatest impact on maintaining and improving reliability for customers” and to “file the plan for Commission review in a separate docket ” *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 Nos. 11-346-EL-SSO, *et al.* (Opinion and Order) (Aug. 8, 2012) at 47.

OP filed its DIR Work Plan (for 2013) in Case No. 12-3129-EL-UNC on December 3, 2012. After considering comments filed by Staff and the parties, the Commission issued its Finding and Order (F&O) approving OP's plan on May 29, 2013. Among other requirements, that F&O directed OP to work with Staff again in 2013 to develop the DIR Work Plan for 2014 (the Plan), and reiterated a previous Commission directive to include a demonstration that the 2014 planned expenditures are higher than recent spending levels. In addition, the Commission gave specific instructions for the content of quarterly reports of OP's progress.

Objectives

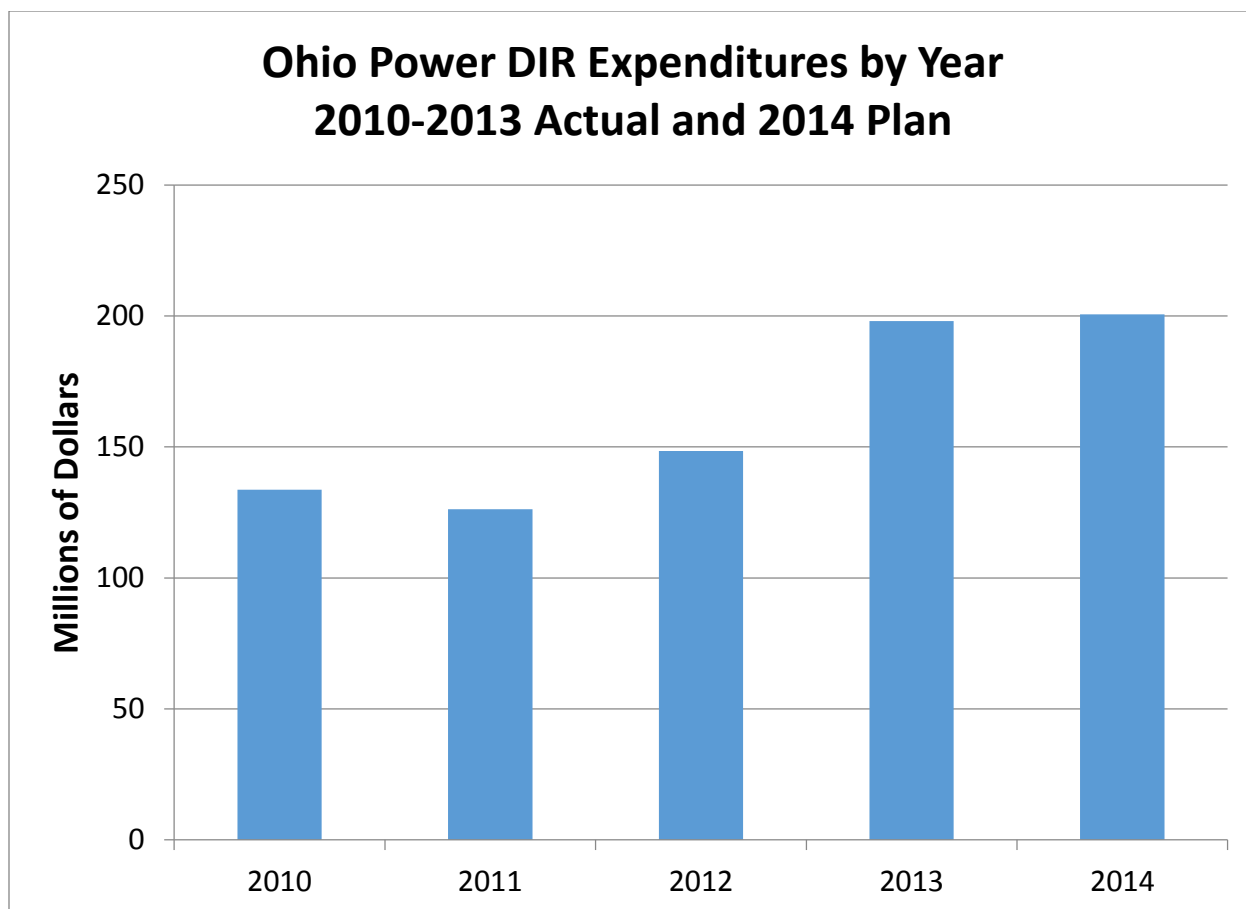
Staff submits these comments to: (1) clarify Staff's perception of the level of cooperation achieved by AEP in working with Staff to develop Plan; (2) clarify OP's demonstration that the 2014 planned expenditures are higher than recent spending levels; and (3) recommend a modification to the content of OP's quarterly progress reports. Each of these topics is discussed below.

OP's Cooperation with Staff

Staff is satisfied with OP's level of cooperation in working with Staff to develop the DIR Work Plan for 2014. The multi-step process described by OP on pages 2 and 3 of its Plan submission is accurate. At each meeting, OP managers were considerate of Staff's views and took the time needed to explain their rationale for the activities and expenditures associated with each of the Plan's component programs.

Expenditure Comparison

One of the Commission's directives was for OP to include in its DIR Plan a demonstration that planned expenditures are higher than those in recent years. It appears that OP intended to make such a comparison in the bar chart on page 6 of its Plan submission. Staff sees two problems with this chart. First, the chart does not include a bar for planned 2014 expenditures. This omission prevents a comparison against expenditures in recent years. Second, the chart uses a measure that is inappropriate for evaluating the Plan. Contrary to its title, OP's chart depicts annual levels of plant in service instead of expenditures. While net plant in service is used in the DIR rider recovery mechanism, Staff believes it is an inappropriate measure for evaluating the Plan. Both the planning process and the evaluation of the Plan's execution concern expenditures rather than plant in service. Staff is therefore restating the chart to include the year 2014 and to restate all dollar amounts in terms of expenditures instead of plant in service. That restated chart appears below.



The restated chart indicates a general upward trend in DIR (or DIR equivalent) expenditures that peaks in 2014. Staff believes the chart demonstrates that OP's planned 2014 expenditures are higher than those for recent years, and that the restated chart satisfies the Commission requirement for such a demonstration.

Quarterly Progress Reporting

Based on Staff's recommendations, the Commission directed OP to provide quarterly progress reports, and that directive specified certain requirements for their content. These reports must explain, for each program, any quarterly variance exceeding 10 percent based on an assumption that DIR construction activity and expenditures would

occur evenly throughout the year. This assumption has turned out to be incorrect. For several of the DIR programs, OP spends the first part of the year planning construction activities that are carried out during subsequent portions of the year. It is unrealistic to expect an equal amount of construction activity to occur each quarter. Staff therefore recommends that each quarterly progress report compare (for each program) activity and expenditure levels planned specifically for that quarter against the levels actually achieved that quarter, and include explanations for any variances exceeding 10 percent.

Summary

Staff is satisfied with OP's level of cooperation in developing the DIR Work Plan for 2014. Staff restated OP's chart demonstrating that 2014 planned expenditures are higher than those in recent years. Finally, Staff recommends a revised method for quarterly comparisons between planned and actual DIR expenditures.

PROOF OF SERVICE

I hereby certify that a true copy of the foregoing **Staff Comments** submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served by email upon the following Parties of Record, this 16th day of January, 2014.

/s/Werner L. Margard

Werner L. Margard

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Summary: Comments electronically filed by Mrs. Tonnetta Y Scott on behalf of PUCO