

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio)
Power Company to Update Its Enhanced) Case No. 12-3285-EL-RDR
Service Reliability Rider.)

In the Matter of the Commission's Review)
of Ohio Power Company's Revised) Case No. 12-3320-EL-ESS
Vegetation Management Program.)

In the Matter of the Application of Ohio)
Power Company to Update Its Enhanced) Case No. 13-1063-EL-RDR
Service Reliability Rider.)

FINDING AND ORDER

The Commission finds:

- (1) Ohio Power Company d/b/a AEP Ohio (AEP Ohio or the Company) is a public utility as defined in R.C. 4905.02 and, as such, is subject to the jurisdiction of this Commission.
- (2) In Case No. 08-917-EL-SSO, et al., the Commission modified and approved AEP Ohio's application for an electric security plan (ESP), which included approval of the enhanced service reliability rider (ESRR) through which the Company recovers costs associated with its enhanced vegetation management program. The ESRR is subject to Commission review and reconciliation on an annual basis. *In re Columbus Southern Power Company and Ohio Power Company*, Case No. 08-917-EL-SSO, et al., Opinion and Order (Mar. 18, 2009) at 34.
- (3) In Case No. 11-346-EL-SSO, et al., the Commission modified and approved a second ESP for AEP Ohio, including the continuance of the ESRR, and directed the Company to file a revised vegetation management program by December 31, 2012. *In re Columbus Southern Power Company and Ohio Power Company*, Case No. 11-346-EL-SSO, et al. (ESP Case), Opinion and Order (Aug. 8, 2012) at 65.
- (4) On December 21, 2012, in Case No. 12-3285-EL-RDR (2011 ESRR Case), AEP Ohio filed an application to reconcile its

ESRR rates for 2011, along with a motion to hold the application in abeyance and consolidate the proceeding with a subsequent proceeding in which the Company planned to file its ESRR update for 2012. In the motion, AEP Ohio stated that the Company decided, following consultation with Staff, to file its 2012 ESRR update in April 2013, in order to better coordinate workloads. AEP Ohio asserted that, in light of this filing in April 2013, it would be efficient for the Commission to process the 2011 and 2012 applications on a consolidated basis.

- (5) On December 28, 2012, AEP Ohio filed an amended application in the *2011 ESRR Case*. On that same date, AEP Ohio also filed its revised vegetation management program in Case No. 12-3320-EL-ESS.
- (6) On April 29, 2013, in Case No. 13-1063-EL-RDR (*2012 ESRR Case*), AEP Ohio filed an application to update its ESRR rates for 2012. In the application, AEP Ohio proposes to increase the ESRR rate by 1.24820 percent.
- (7) On September 6, 2013, Staff filed comments and recommendations in both the *2011 ESRR Case* and *2012 ESRR Case*. AEP Ohio filed a response to Staff's comments and recommendations in the *2012 ESRR Case* on November 13, 2013.
- (8) By Entry issued on December 4, 2013, the attorney examiner granted AEP Ohio's motion to consolidate the *2011 ESRR Case* with the *2012 ESRR Case*. Additionally, a procedural schedule was established in order to assist the Commission in its review of AEP Ohio's applications in the *2011 ESRR Case* and *2012 ESRR Case*, as well as the Company's revised vegetation management program. No comments were filed in response to the Entry.
- (9) In its comments and recommendations, Staff notes that the purpose of the ESRR is to enable AEP Ohio to convert its vegetation management program to a four-year cycle in which all circuits will be trimmed end-to-end every four years. Staff further notes that AEP Ohio's transition to a four-year cycle is occurring over a five-year period during which all of the Company's circuits are trimmed. Staff

reports that, as of the end of 2012, AEP Ohio was on target to complete its trimming activities by the end of 2013, as originally planned. Additionally, Staff reports that it audited vegetation clearance work completed in 2011 and 2012 on a sample of AEP Ohio's circuits. With respect to 2011, Staff states that no vegetation encroachment issues were found. For 2012, Staff explains that two circuits out of the 21 circuits reviewed had live uncut vines on poles, which have been addressed, and significant regrowth from non-compatible tree types. Staff notes that it will work with AEP Ohio to reassess these circuits in July 2014 to determine whether spot trimming is necessary. Staff further notes that it will review all tree-related outages on these circuits prior to reassessment. Staff recommends that AEP Ohio aggressively seek customer permission to remove non-compatible or fast-growing tree types. With respect to trees that can only be trimmed, Staff expects maximum clearance such that these trees will withstand the four-year trimming cycle.

- (10) As a result of its financial audit, Staff reports that it discovered an error by AEP Ohio in adjusting the ESRR for the impact of accounts payable accruals made in December 2011, but not paid by the end of 2012, which resulted in an understatement of \$407,120 of operations and maintenance (O&M) expense recoverable through the ESRR. Staff notes that AEP Ohio corrected the error by making an adjustment to the schedules for 2012. Staff believes that the delay in correcting the error is acceptable, in light of the favorable rate impact on customers.
- (11) Staff also notes that AEP Ohio's capital expenditures in 2011 exceeded authorized levels by \$248,348, which is attributed to a greater than expected quantity of capital tree removals, brush clearing, and tree growth regulator applications. Staff recommends approval of the additional expenditures, because they reduce future tree growth and, thereby, decrease future O&M costs associated with tree trimming. Additionally, Staff notes that AEP Ohio projects O&M expense for 2013 to be \$3.5 million over the authorized amount, in light of a delay in trimming circuits planned for 2012 to 2013 due to major storm events. Staff believes it is

important for AEP Ohio to complete the five-year conversion period in 2013, such that the Company can begin to implement its approved four-year cyclical vegetation management program in 2014. Staff adds that the remaining circuits to be trimmed tend to have more trees per mile, which will increase vegetation management expenditures in 2013. Staff, therefore, recommends that the Commission approve the \$3.5 million increase in 2013 vegetation management O&M expense to ensure timely completion of the five-year conversion period.

- (12) In its reply comments, AEP Ohio states that it has no issue with any of Staff's recommendations, although the Company offers three clarifications for the Commission's consideration. First, AEP Ohio points out that the Commission approved, in the *ESP Case*, the continuation of the ESRR through the entire ESP period. AEP Ohio notes that Staff's position that vegetation management program cost recovery should occur through base distribution rates after 2014 appears to be inconsistent with the Commission's approval in the *ESP Case*. AEP Ohio states that it will continue to seek cost recovery via the ESRR through May 2015.
- (13) Second, AEP Ohio points out that its testimony in the *ESP Case* made clear that, although the conversion to a cycle-based vegetation management approach was initially based on a five-year implementation period, it was necessary to extend the implementation an additional year into 2014. AEP Ohio notes that Staff appears to acknowledge this fact in its comments, but nevertheless expects that the Company will complete the implementation by the end of 2013, as originally planned. AEP Ohio states that it will conclude the implementation phase in 2014, consistent with its testimony in the *ESP Case*. AEP Ohio further states that it will also complete the first year of the four-year trimming cycle in 2014. AEP Ohio adds that the requested incremental funding amounts remain unchanged.
- (14) Third, AEP Ohio clarifies that the additional \$3.5 million in O&M expense included in the 2013 forecast is for the sole purpose of allowing the Company to complete 434 circuit miles originally planned for completion in 2012 but delayed

until 2013 due to storm activity. According to AEP Ohio, the \$3.5 million increase in O&M expense projected for 2013 will not facilitate completion of the transition to a cycle-based vegetation management program in 2013.

- (15) Upon review of AEP Ohio's applications in the 2011 *ESRR Case* and 2012 *ESRR Case* to adjust the Company's ESRR rate, the Commission finds that the applications are reasonable and should be approved. The adjusted ESRR rate of 6.55776 percent, as proposed in AEP Ohio's application in the 2012 *ESRR Case*, does not appear to be unjust or unreasonable and, therefore, we find that it is unnecessary to hold a hearing in these matters. Accordingly, the Commission authorizes AEP Ohio to implement the adjusted ESRR rate to be effective with bills rendered in the first billing cycle of March 2014.
- (16) With respect to Staff's financial audit findings, the Commission agrees that the additional capital expenditures in 2011, which exceeded authorized levels by \$248,348, should be approved, consistent with Staff's recommendation. We further approve the \$3.5 million increase projected in 2013 for vegetation management O&M expense, in order to enable AEP Ohio to complete work on the circuit miles originally scheduled for 2012 but delayed until 2013 because of storm activity. Regarding Staff's physical verification and audit of AEP Ohio's vegetation clearance work in 2012, we direct Staff to work with the Company to reassess the circuits in question and to review all tree-related outages on those circuits prior to reassessment. Consistent with Staff's recommendations, AEP Ohio should make every effort to remove non-compatible or fast-growing tree types and, with respect to trees that can only be trimmed, ensure that such trees will withstand the four-year trimming cycle.
- (17) In light of Staff's comments and AEP Ohio's response, the Commission finds it necessary to address the duration of the Company's transition to a cycle-based vegetation management program. In the *ESP Case*, the Commission noted that AEP Ohio proposed to extend the implementation period of the cycle-based trimming program to include an additional year into 2014. We further noted that AEP Ohio

requested incremental funding for 2014 for the completion of the transition to a cycle-based vegetation management program in the amount of \$16 million, as well as an incremental increase of \$18 million annually to maintain the cycle-based program. Although Staff supported the continuance of the ESRR through 2014, Staff argued that any vegetation management costs incurred after 2014 should be recovered through base rates rather than the ESRR. The Commission, however, concluded that the vegetation management program should be continued, via the ESRR, as requested by AEP Ohio for the term of the ESP through May 31, 2015. *ESP Case*, Opinion and Order (Aug. 8, 2012) at 64-65. Therefore, we agree that AEP Ohio's position in the present proceedings, specifically that the implementation phase will not conclude until 2014 and that the ESRR is expected to continue through the entire ESP period, is consistent with our order in the *ESP Case*. Nothing in that order precludes AEP Ohio from seeking cost recovery via the ESRR through May 31, 2015.

- (18) Finally, in the *ESP Case*, the Commission directed AEP Ohio to file a revised vegetation management program, which the Company filed on December 28, 2012, in Case No. 12-3320-EL-ESS. The Commission finds that AEP Ohio's vegetation management program filing complies with our directive in the *ESP Case* and should, thus, be accepted, and that the Company's program has already been deemed approved pursuant to Ohio Adm.Code 4901:1:10-27(E)(3). The revised plan should have an effective date of no earlier than January 1, 2014, as AEP Ohio proposed, or a date that coincides with the commencement of the Company's cycle-based vegetation management program in 2014.

It is, therefore,

ORDERED, That AEP Ohio's applications filed in the 2011 *ESRR Case* and 2012 *ESRR Case* be approved. It is, further,

ORDERED, That AEP Ohio's vegetation management program filing in Case No. 12-3320-EL-ESS be accepted. It is, further,

ORDERED, That the proposed tariffs filed by AEP Ohio on April 29, 2013 be approved and become effective for bills rendered beginning with the first billing cycle of March 2014. It is, further,

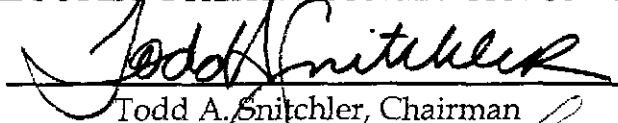
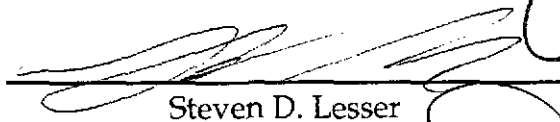
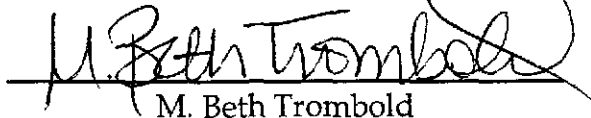
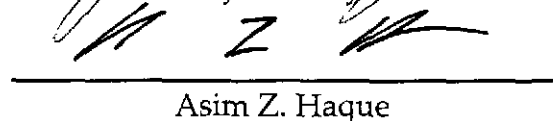
ORDERED, That AEP Ohio be authorized to file, in final form, four complete copies of the tariffs, consistent with this Finding and Order. AEP Ohio shall file one copy in its TRF docket (or make such filing electronically as directed in Case No. 06-900-AU-WVR) and one copy in the 2012 *ESRR Case*. The remaining two copies shall be designated for distribution to the Rates and Tariffs, Energy and Water Division of the Commission's Utilities Department. It is, further,

ORDERED, That AEP Ohio notify all customers of the changes to the tariffs via a bill message or bill insert within 45 days of the effective date of the tariffs. A copy of this customer notice shall be submitted to the Commission's Service Monitoring and Enforcement Department, Reliability and Service Analysis Division, at least 10 days prior to its distribution to customers. It is, further,

ORDERED, That nothing in this Finding and Order shall be binding upon this Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

ORDERED, That a copy of this Finding and Order be served upon all interested persons and parties of record in these proceedings.

THE PUBLIC UTILITIES COMMISSION OF OHIO


Todd A. Snitchler, Chairman
Steven D. Lesser
M. Beth Trombold
Lynn Slaby
Asim Z. Haque

SJP/sc

Entered in the Journal **FEB 26 2014**

Barcy F. McNeal
Secretary