

1. The Commission approved the Enhanced Service Reliability incremental spending plan presented in the ESP1 Cases at a level of \$31.5 million in year one of the program (2009), \$34.8 million in year two (2010), and \$38.1 million in year three (2011).
2. Accordingly, the Commission approved the ESR Rider, subject to annual reconciliation, to recover the Companies' prudently incurred costs.
3. CSP and OPCo filed applications for their first review on February 11, 2010 and rates were effective the first billing cycle of September, 2010. The Companies filed applications for their second annual review on March 18, 2011 and rates were effective the first billing cycle of July 2011.
4. Due to the 2011 merger between OPCo and CSP, one application with proposed tariffs for Case No. 12-3285-EL-RDR was filed by OPCo for Staff's review on December 21, 2012. On the same date, OPCo also filed a motion for this filing to be held in abeyance so that it could be processed simultaneously with the application for Case No. 13-1063-EL-RDR, which was filed on April 29, 2013. The Commission issued its Order approving the Applications on February 26, 2014 and rates were effective the first billing cycle of February 2014.
5. OPCo filed an application with proposed tariffs on September 9, 2014 for its review and with new rates.

In Case Nos. 11-346-EL-SSO and 11-348-EL-SSO (ESP2 Cases), the Companies proposed to complete a transition from a performance-based program to a four-year,

cycle-based trimming program for all of the Company's distribution circuits as approved by the Commission in the ESP1. The Company noted that the vegetation management plan was implemented as a five-year transition program and, as a result of the delay in adopting the second ESP and increases in the expected costs to complete implementation of the cycle-based trimming program, it was necessary to extend the implementation period to include an additional year into 2014. In fact, the Commission approved the continuation of the program, via the ESRR, as requested by the Company for the term of the modified ESP, through May 31, 2015.

In Case No. 12-3285-EL-RDR, OPCo projected 2013 O&M expenses to be \$3.5 million over the authorized amount, and explained that the increase represented the projected cost of trimming circuits previously planned for 2012, but delayed due to the June 29th derecho, Hurricane Isaac, and Hurricane Sandy. Staff believed that it was important for OPCo to complete the five-year conversion in 2013, so it could begin implementing its approved four-year cyclical vegetation management program in 2014. In addition, it was Staff's understanding that the remainder of circuits to be trimmed tended to have more trees per mile, which would increase vegetation management expenditures in 2013. Therefore, Staff recommended that the Commission approve the \$3.5 million increase in 2013 vegetation management O&M expenses to ensure completion for the five-year conversion as originally planned. Commission-authorized amounts for 2013 included this extra \$3.5 million for O&M expenses.

III. Staff's Review-Audit Procedures

Staff's annual review of the Company's ESR program consists of four parts: 1) a review of the actual mileage trimmed and the Company's progress toward the goal of completing the "catch-up" program by the end of 2013; 2) a physical verification of the 2013 tree trimming activity; 3) a review of the incurred costs, including Operation and Maintenance (O&M) expenses and capitalized vegetation management costs and the calculations to verify the accuracy of the revenue requirement calculation; and 4) a comparison of the Company's spending to authorized amounts.

A. Program Progress

The purpose of the ESR Rider is to enable OPCo to convert its vegetation management program to a four-year cycle whereby all circuits would be trimmed end-to-end every four years. The conversion involves a five-year catch-up period (2009 through 2013), which involves the trimming of all AEP's circuits before the four-year cycle begins. At the end of 2013, AEP had 31,568 miles of overhead distribution circuits that are subject to vegetation management activities. On average, Staff expected the Company to trim 20 percent of this mileage each year in order to complete the catch-up program over the planned five-year period. The chart below depicts AEP's actual progress compared to Staff's expectation.

Table 1 - Analysis of Mileage Trimmed*					
	2009	2010	2011	2012	2013
Annual Mileage Trimmed	6,010	6,082	6,373	5,883	7,615
Percent of Total Mileage	19%	19%	20%	19%	25%
Cumulative Percent of Total		38%	58%	77%	101%
Expected Cumulative Percent	20%	40%	60%	80%	100%

* Yearly mileage numbers were revised from prior years' reports per correspondence from the Company.

This chart indicates that through 2013, OPCo had actually trimmed a cumulative percent of 101% of the miles that were subject to vegetation management activities. This is due to the fact that some circuits have been double-trimmed because some trees do not last until the next cycle (prompting "hot spot trimming"). Staff has learned that as of the end of 2013, OPCo had 1,831 miles yet to be trimmed in 2014 to complete the catch-up program that was originally planned to be completed by the end of 2013. Also in 2014, OPCo must begin its new four-year cycle vegetation management program.

B. Physical Verification of 2013 Activity

Staff selected a sample of 28 circuits from the Company's seven districts to physically verify that vegetation line clearance was performed as scheduled in 2013. This sample was based on circuits the Company had planned to clear during 2013 and where invoices indicated significant expenditures for such clearance. All circuits audited showed evidence that vegetation line clearance work was conducted. Twenty-six of the twenty-eight circuits reflected no vegetation concerns, while moderate re-growth was detected in a few locations on two circuits. No location reflected vegetation making contact with the electric conductor. Staff also notes that the locations with moderate re-growth were

trimmed approximately eighteen months prior to the circuit being audited by Staff. The Company has been made aware of the locations with moderate re-growth and indicated that they will seek property owner permission to remove the trees during the next vegetation clearance cycle in 2016.

C. Financial Audit

In its review, Staff examined the as-filed schedules for consistency with the Commission's Finding and Orders in previous ESRR cases and to ensure proper accounting treatment was applied. The audit consisted of a review of the schedules regarding completeness, occurrence, presentation, valuation, allocation, and accuracy. Staff conducted this audit through a combination of document review, interviews, and interrogatories and requested documentation as needed until it was either satisfied that the costs were substantiated or concluded that an adjustment was warranted. Finally, Staff analyzed any variances between actual and projected expenditure levels and those authorized by the Commission. In the process of this review, Staff identified transactions totaling \$5,905.18 in O&M expenses in which it determined should be deducted from the rider request. The following three paragraphs generally describe Staff's recommended adjustments. Please refer to the appendix for a detailed list of these deductions.

a. Meals

Staff's review of the rider identified numerous entertainment expenses for meals and food and drinks. The receipts include charges for lunches, food served at internal business meetings, coffee and doughnuts, and other food. The Company's Travel and Entertainment policy states that, "The entertainment should not become repetitious or

excessive.” Due to the high number of lunches and local business meetings in which lunch was served, it appears that these charges are repetitious and excessive. Staff’s opinion is that these lunches or food and refreshments for meetings are costs that should not be borne by the Company’s customers but by the Company or its employees and believes that these expenses should be removed from the recovery request. The total amount of reduction for this purpose is \$4,323.87.

b. Computer and Cellular Equipment Purchases

The Company included in the rider amounts for a docking station, two computer monitors, and several cellular accessories totaling \$839.84. These are items that have uses beyond this program and have not been shown to be solely associated with the ESRR and therefore not appropriate for recovery in the rider.

c. Other

Staff discovered documentation for other miscellaneous expenses totaling \$741.47, which included an association membership (\$135) in which the only support was a handwritten note, which Staff believes is inefficient for inclusion in the rider; a couple of charges from Touchstone Merchandise for hats and other clothing as awards (\$158.23); shelter and gym rentals for outings (\$133.25); and a tree donation to the city of Granville (\$209), all of which Staff believes are not prudent amounts to be recovered in the rider.

These adjustments result in a rate decrease of .00093%, for an adjusted rate of 7.34119% of base distribution revenues.

D. Variances

With the increased amount authorized for 2013, and the total amount spent in 2013 of \$37,454,364 in O&M and \$4,515,851 in capital (before adjustments, carrying charges and under-collection from prior years), the Company was under the authorized spending level in both categories.

IV. Recommendation

Staff has completed its review and proposes that, with the adjustments outlined above, that the filing on September 9, 2014 be accepted.

Respectfully submitted,

/s/Werner L. Margard III

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CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing **Comments and Recommendations** were served by regular U.S. mail postage prepaid and by electronic mail upon the parties listed below this 17th day of February, 2015.

/s/Werner L. Margard III

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Adjustment for Business Expenses - Meals

Purpose	Date	Vendor	Amount
Meals	11/29/12	Rooster's New Albany	\$ 23.27
Business lunch to discuss changes to Aborline	12/11/12	Villa Nova	17.84
Meals	12/17/12	Pizza Cottage	34.99
Business lunch	1/2/13	Buffalo Wild Wings	48.40
Meals	1/3/13	Chipotle	17.66
Business lunch	1/7/13	Chipotle	18.52
Business lunch to discuss danger tree plan	1/10/13	Logan's	80.42
Business meeting with General Foremen and Work planners	1/14/13	Tim Horton's	31.66
Work plan Discussion	1/15/13	Bob Evans Rest	54.09
Business meeting with General Foremen and Work planners	1/16/13	Steak-N-Shake	24.77
Tip for lunch	1/17/13	Golden Corral	6.00
Meals	1/31/13	Wendy's Maysville	7.47
Meals	1/31/13	Wendy's Maysville	20.62
Safety discussion	1/31/13	Applebee's	92.84
Meals	2/11/13	McDonald's	2.49
Meals	2/12/13	TA # 24 Columbus W	7.59
Local meeting	2/12/13	Crowne Plaza	124.05
Business lunch	2/13/13	Buffalo Wild Wings	26.48
Business lunch to discuss ash tree program issues	2/14/13	Cracker Barrel	36.05
Outage Planning Lancaster Line	2/21/13	Jack's Steak House	66.53
Meals	2/26/13	Chipotle	27.93
Business lunch to discuss ICP award	3/7/13	Noodles Co.	14.66
Pizza	3/8/13	Little Caesar's Pizza	31.69
Donuts	3/9/13	Speedway	26.09
Meals	3/11/13	Pizza Cottage	17.89
Took general foreman to lunch to reward and thank for excellent performance	3/12/13	O'Charley's Georgesville Sq.	50.57
Took crews to lunch for a great job	3/18/13	Bainbridge Timber Res	62.27
Business lunch	3/26/13	Buffalo Wild Wings	75.21
Took general foreman to lunch to thank for excellent work	3/28/13	Chipotle	19.05
Lunch meeting to discuss hotspot database update	4/4/13	Taj Palace	32.80
Meals	4/6/13	Marathon Petroleum	19.24
Pizza for tree crews	4/6/13	Nick's Village Pizza	139.00
Coffee for meeting about safety and production	4/10/13	McDonald's	15.00
Staff meeting lunch	4/10/13	Buehler's Restaurant	104.51
Coffee for meeting about safety and production	4/11/13	McDonald's	20.34
Business lunch	4/15/13	Red Robin	35.08
"Lump Sum Discussion"	4/16/13	Subway	16.26
Safety discussion	4/29/13	Bob Evans Rest	62.36
Safety and Production meeting	4/30/13	Buffalo Wild Wings	51.81
Meals	5/3/13	Rooster's Newark	38.53
Safety and Production meeting	5/7/13	Uno Chicago Grill	32.08
Took general foreman to lunch to thank for meeting mileage goals, etc.	5/14/13	Tres Potrillos	28.57
Athens Lancaster work plan review	5/29/13	Bob Evans Rest	64.79
Business lunch to discuss work plan progress	5/29/13	The Big Cheese	79.17
Meals	6/4/13	Tumbleweed TexMex	40.71
Business lunch	6/5/13	Buffalo Wild Wings	24.36
Business lunch	6/13/13	Tim Horton's	9.57

Adjustment for Business Expenses - Meals

Purpose	Date	Vendor	Amount
Forestry Meeting	6/25/13	Tim Horton's	\$ 45.75
Took general foreman to lunch to thank for excellent work	6/27/13	Chipotle	19.05
Forestry staff meeting lunch	7/5/13	Jordan's Pub & Deli	165.00
Business lunch	7/10/13	Uno Chicago Grill	28.10
Meals	7/11/13	Subway	9.40
Cold drinks for crew	7/16/13	Wal-Mart	66.53
Business meeting	7/17/13	Tim Horton's	6.38
Food for picnic	7/18/13	GFS Marketplace	144.52
Took employee to lunch to thank for work during storm restoration	7/18/13	City BBQ Reynoldsburg	24.49
Safety discussion	7/19/13	Subway	14.84
Business meeting	7/22/13	Uno Chicago Grill	29.48
Safety discussion	7/23/13	Applebee's	78.46
Meals	7/29/13	Chipotle	17.95
Lunch with work planner to discuss Blacklick circuit planning.	7/31/13	The Big Cheese	18.48
Circuit inspection and safety discussion	8/6/13	Pizza Cottage	21.01
Food for tree crew picnic as reward for getting miles	8/6/13	Sam's Club	173.16
Lunch to discuss safety, budget and crew demand	8/7/13	Subway	14.59
Meals	8/7/13	Pizza Cottage	26.89
Took general foreman to lunch to thank for good work	8/14/13	Chipotle	11.32
Business lunch with work planners and general foreman	8/15/13	The Big Cheese	85.35
Lunch with supervisor to discuss safety, budget and driving audits	8/21/13	Honey Creek BBQ	16.01
Business lunch	8/27/13	Uno Chicago Grill	65.45
Business meal	9/3/13	Steak-N-Shake	16.71
Business lunch with forestry group to discuss work plan progress and get ideas	9/9/13	Winking Lizard Tavern	47.21
Lunch following complaint investigation	9/10/13	City BBQ Reynoldsburg	25.07
Business meal	9/11/13	Joe's Original	34.00
Took general foreman to lunch to thank for excellent work	10/3/13	Chipotle	19.10
Business lunch with work planners to discuss issues with maps.	10/9/13	City BBQ Gahanna	46.38
Business lunch	10/24/13	Wendy's	9.57
Cake for safety award	10/25/13	Walmart	14.98
Meals	10/25/13	Rooster's Newark	51.58
Food for picnic as reward for meeting goals and go over safety items	10/25/13	GFS Marketplace	68.21
Food for rewards picnic	10/25/13	Sam's Club	89.64
Business lunch	10/30/13	Uno Chicago Grill	52.69
Business work plan discussion	10/31/13	Chipotle	19.90
Sandwiches for working storm	11/1/13	Subway	42.52
Lunch	11/5/13	Kalis Pizza LTD	28.30
Business work plan discussion	11/6/13	Ole Farmstead Inn	27.08
Safety and budget discussion	11/6/13	Applebee's	101.47
Meals for on-site training	11/11/13	Honeybaked Ham Co.	181.80
Safety and Budget Discussion	11/12/13	Bob Evans Rest	60.59
Meeting meals	11/13/13	Tim Horton's	18.07
Meals	11/16/13	Rooster's Newark	42.38
Business lunch	11/20/13	Chipotle	20.38
Food for crews for outing/reward	11/20/13	Sam's Club	76.30
Business lunch	11/21/13	Uno Chicago Grill	35.95
Business meal	12/4/13	Chipotle	18.14

Adjustment for Business Expenses - Meals

Purpose	Date	Vendor	Amount
Business lunch with General Foreman to discuss equipment needs	12/4/13	El Vaquero	\$ 23.12
Meals	12/4/13	Chipotle	18.14
Business lunch	12/5/13	Cici's Pizza	22.41
Safety and budget discussion for Athens area	12/11/13	Donato's Robust Pizza	61.94
Circuit check for work	12/17/13	Pizza Cottage	19.45
Lunch for safety award	12/19/13	Little Caesar's Pizza	25.00
Business lunch	12/20/13	Chipotle	29.64
Safety and budget discussion for Athens area	12/21/13	Donato's Robust Pizza	12.66
Total Meals			\$ 4,323.87

Adjustment for Business Expenses - Accessories

Purpose	Date	Vendor	Amount
Cell phone screen protectors	11/29/12	Walmart	\$ 71.35
Computer monitors	5/9/13	JP Morgan Chase Corporate Card	300.12
Docking station	5/16/13	JP Morgan Chase Corporate Card	123.96
Two car chargers and cell phone pouch	8/23/13	Radio Hospital	71.85
Charging cord for iPhone	10/3/13	Walmart	29.28
Cell phone accessories	10/3/13	Cellular Accessories	110.91
Charging case for iPhone	10/28/13	Verizon Wireless	104.32
Screen savers for phone	10/28/13	Verizon Wireless	12.03
Digital answering machine	11/7/13	Walmart	16.02
Total Accessories			\$ 839.84

Adjustment for Business Expenses - Other

Purpose	Date	Vendor	Amount
Hats and sweatshirt	1/22/13	Touchstone Merchandise	\$ 67.88
Office Chair	2/3/13	Office Depot	105.99
John Smith membership- handwritten receipt	3/25/13	John Smith	135.00
Tree donation to Granville	4/25/13	JP Morgan Chase Corporate Card	209.00
Shelter rental for picnic	7/16/13	Ohio State Parks	58.25
Safety award shirts for Asplundh crew leaders	10/8/13	Touchstone Merchandise	90.35
Gym rental for crew outing	11/20/13	Adams, Delores J.	75.00
Total Other			\$ 741.47
Total Adjustments			\$ 5,905.18

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

2/17/2015 11:59:57 AM

in

Case No(s). 14-1578-EL-RDR

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