

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio )  
Power Company to Update Its Enhanced ) Case No. 14-1578-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 an electric distribution utility as defined in R.C. 4928.01(A)(6) and a public utility as defined in R.C. 4905.02, and, as such, is subject to the jurisdiction of this Commission.
- (2) R.C. 4928.141 provides that an electric distribution utility shall provide consumers within its certified territory a standard service offer (SSO) of all competitive retail electric services necessary to maintain essential electric services to customers, including a firm supply of electric generation services. The SSO may be either a market rate offer in accordance with R.C. 4928.142 or an electric security plan (ESP) in accordance with R.C. 4928.143.
- (3) In Case No. 08-917-EL-SSO, et al., the Commission modified and approved AEP Ohio's application for an 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 Co. and Ohio Power Co.*, Case No. 08-917-EL-SSO, et al., Opinion and Order (Mar. 18, 2009) at 34.
- (4) 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, effective with the first billing cycle of September 2012 through May 31,

2015.<sup>1</sup> *In re Columbus Southern Power Co. and Ohio Power Co.*, Case No. 11-346-EL-SSO, et al., Opinion and Order (Aug. 8, 2012) at 65.

- (5) On September 9, 2014, in the above-captioned proceeding, AEP Ohio filed an application to revise its tariff and to reconcile its ESRR rates for 2013. In the application, AEP Ohio proposes to increase the ESRR rate by 0.78436 percent, specifically from 6.55776 percent to 7.34212 percent of base distribution revenues.
- (6) By Entry dated January 15, 2015, the attorney examiner established a procedural schedule in order to assist the Commission in its review of AEP Ohio's application.
- (7) In accordance with the established procedural schedule, Industrial Energy Users-Ohio (IEU-Ohio) filed a motion to intervene in this proceeding on February 5, 2015. No memoranda contra were filed. The Commission finds that IEU-Ohio's motion is reasonable and should be granted.
- (8) On February 17, 2015, Staff filed comments and recommendations addressing AEP Ohio's application. AEP Ohio filed reply comments on March 3, 2015. No other comments were filed in this case.

#### Summary of Comments

##### Staff

- (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 (2009 through 2013), during which all of the Company's circuits are trimmed. Staff reports that, as of the end of

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<sup>1</sup> The Commission has also extended the ESRR for the period of June 1, 2015, through May 31, 2018. *In re Ohio Power Co.*, Case No. 13-2385-EL-SSO, et al., Opinion and Order (Feb. 25, 2015) at 49.

2013, AEP Ohio had 1,831 miles remaining to be trimmed in 2014, in order to complete the trimming activities that were originally planned to be completed by the end of 2013. Additionally, Staff reports that it audited vegetation clearance work completed in 2013 on a sample of AEP Ohio's circuits. Staff states that 26 of 28 circuits reflected no vegetation concerns, with moderate regrowth detected in a few locations on the other two circuits. According to Staff, AEP Ohio has been made aware of the locations with moderate regrowth and intends to seek permission from the property owners to remove the trees during the next vegetation clearance cycle in 2016.

- (10) As a result of its financial audit, Staff reports that it identified a total of \$5,905.18 in operations and maintenance (O&M) expense that should not be included in the ESRR. First, Staff notes that \$4,323.87 is related to expenditures made for lunches, meals served at internal business meetings, coffee and donuts, and other food and beverages. Staff asserts that, in light of the considerable number of lunches and local business meetings at which lunch was served, it appears that these charges are repetitious and excessive, in violation of AEP Ohio's Travel and Entertainment policy. Staff believes that such costs should be the responsibility of AEP Ohio or its employees rather than customers. Next, Staff notes that there are expenses of \$839.84 for a docking station, two computer monitors, and several cellular accessories that have not been shown to be solely associated with the ESRR and, therefore, are not appropriate for recovery through the rider. Finally, the remaining \$741.47 is for other miscellaneous expenses that Staff believes are not appropriate for recovery through the ESRR, consisting of charges for an office chair (\$105.99); an association membership documented only by a handwritten receipt (\$135.00); hats and clothing used as awards (\$158.23); shelter and gym rentals for outings (\$133.25); and a tree donation to the city of Granville (\$209.00). Staff reports that its recommended adjustments would result in an ESRR rate of 7.34119 percent of base distribution revenues.

- (11) As a final matter, Staff notes that the total amount spent by AEP Ohio in 2013 for the ESRR was \$37,454,364 in O&M and \$4,515,851 in capital (before adjustments, carrying charges, and under-collection from prior years), which was under the authorized spending level in both categories.

AEP Ohio

- (12) In its reply comments, AEP Ohio disagrees with Staff's recommendation that the Company reduce O&M expenses for meals, computer and cellular equipment, and other miscellaneous expenditures. With respect to the meals, AEP Ohio argues that the work of its foresters involves frequent travel to job sites and that nearly all of the meal expenses were for safety, business planning, or operational purposes. AEP Ohio further argues that, although Staff claims that the meal expenses are repetitious and excessive, which would seem to suggest that Staff finds some level of meal expenses to be appropriate for recovery through the ESRR, Staff nevertheless recommends that all of the forestry department's meal expenses for the entire year be removed from the rider. Regarding the computer and cellular equipment, AEP Ohio asserts that Staff has not challenged the prudence of costs associated with these items, which are needed by the foresters to plan, track, and communicate their activities. Finally, in terms of the other miscellaneous expenditures, AEP Ohio claims that the costs incurred for hats, shirts, and other items relate to the normal operation and administration of the forestry department and are properly recorded to the Company's vegetation management program.
- (13) Further, in response to Staff's claim that AEP Ohio has not demonstrated that its computer and cellular equipment and other miscellaneous expenses relate exclusively to the ESRR, the Company emphasizes that it is not possible to determine whether the costs are for incremental ESRR activities or for base distribution operations. AEP Ohio explains that it provides Staff with the total expenditures

of the forestry department and, from that total, there is a base amount that is collected through base distribution rates, while any incremental costs over that amount are recovered through the ESRR.

- (14) AEP Ohio concludes that, if the Commission agrees in principle with Staff's recommendations, Staff's calculation of the total adjustment should be modified. Specifically, AEP Ohio contends that the Commission should adjust Staff's recommended O&M expense reduction to reflect the proper methodology of including for recovery in the ESRR only the incremental expense, which would result in an adjusted O&M reduction of \$3,811.73.

#### Conclusion

- (15) Upon review of AEP Ohio's application to adjust the ESRR rate, the Commission finds that the application is reasonable and should be approved, as modified by this Finding and Order to reduce O&M expense by \$5,905.18. Consistent with Staff's recommendations, we find that adjustments should be made to remove from O&M expense the food and beverage, computer and cellular equipment, and other miscellaneous expenditures identified by Staff in its comments. AEP Ohio has the burden of proof in this proceeding and we agree with Staff that the Company has not met its burden of proof to demonstrate how these expenditures relate to the types of expenses that are properly recoverable through the ESRR. With respect to the food and beverage expenditures in particular, the Commission notes that, although per diem expenses for meals and other travel-related expenditures may be reasonable and appropriate for recovery in some circumstances, AEP Ohio has not shown that any of the food and beverage expenses identified by Staff should be considered travel-related expenditures. *See, e.g., In re Ohio Power Co.*, Case No. 13-345-EL-RDR, Finding and Order (Feb. 19, 2014) at 6-7. Rather, many of the food and beverage costs are described as having been incurred for the purpose of routine business lunches and meetings, which appear to have no specific relation to the ESRR or

offer any direct and primary customer benefit and, therefore, should not be borne by ratepayers. *In re Ohio American Water Co.*, Case No. 09-391-WS-AIR, Opinion and Order (May 5, 2010) at 27-28. Because AEP Ohio has not sustained its burden of proof to show a direct and primary benefit to customers from the food and beverage, computer and cellular equipment, and other miscellaneous expenditures identified by Staff in its comments, the Commission finds that AEP Ohio's proposed adjustment to Staff's recommended O&M expense reduction should not be adopted.

- (16) AEP Ohio's ESRR rate, as adjusted by the Commission, does not appear to be unjust or unreasonable and, therefore, we find that it is unnecessary to hold a hearing in this matter. Accordingly, the Commission authorizes AEP Ohio to file revised tariffs to implement the adjusted ESRR rate.

It is, therefore,

ORDERED, That AEP Ohio's application to adjust the ESRR rate be modified and approved. It is, further,

ORDERED, That AEP Ohio be authorized to file tariffs, in final form, consistent with this Finding and Order. AEP Ohio shall file one copy in this case docket and one copy in its TRF docket. It is, further,

ORDERED, That the effective date of the new tariffs shall be a date not earlier than the date upon which the final tariff pages are filed with the Commission. It is, further,

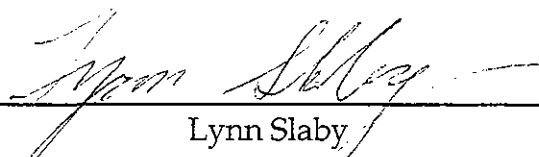
ORDERED, That AEP Ohio notify all customers of the changes to the tariffs via a bill message or bill insert within 45 days of the effective date of the tariffs. A copy of this customer notice shall be submitted to the Commission's Service Monitoring and Enforcement Department, Reliability and Service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

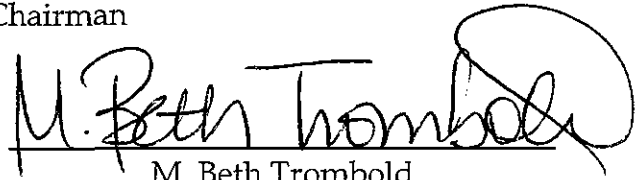
ORDERED, That IEU-Ohio's motion to intervene be granted. It is, further,

ORDERED, That a copy of this Finding and Order be served upon all parties of record.


THE PUBLIC UTILITIES COMMISSION OF OHIO

  
Andre T. Porter, Chairman

  
Lynn Slaby

  
M. Beth Trombold

  
Asim Z. Haque

  
Thomas W. Johnson

SJP/sc

Entered in the Journal **JUN 03 2015**



Barcy F. McNeal  
Secretary