BEFORE
THE PUBLIC UTILTIES COMMISSION OF OHIO

In the Matter of the Commission's Review of the Ohio Power Company's Distribution Investment Rider Work Plan Resulting from Commission Case No. 13-2394-EL-UNC et al.	)))))	Case No. 14-2275-EL-UNC

INITIAL COMMENTS BY THE OFFICE OF THE OHIO CONSUMERS' COUNSEL

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I. INTRODUCTION

On December 15, 2014, Ohio Power Company ("AEP Ohio" or "the Utility") filed its Distribution Investment Rider ("DIR") Work Plan to propose a framework for spending approximately $192 million dollars in 2015 that it would collect from customers through the DIR Rider.[1] The DIR program was approved as a provision in the Utility's 2011 electric security plan.[2] It provides the Utility an extraordinary mechanism to accelerate collection from customers of the costs for replacing or repairing aging distribution infrastructure. It is an example of the too often used single issue ratemaking.

The Utility's DIR Rider is yet another instance of single-issue ratemaking through a rider. Riders allow utilities to collect certain costs from consumers outside of base rate cases. In base rate cases, all elements of cost-of-service are examined and, thus, consumer protection is enhanced. Riders act as a disincentive for utilities to control costs

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[1] The initial DIR work plan for 2013 was filed in *In the Matter of the Commission's Review of the Ohio Power Company's Distribution Investment Rider Work Plan Resulting from Commission Case No. 11-346-EL-SSO et al.*, Case No. 12-3129-EL-UNC, Distribution Investment Rider Work Plan (December 3, 2012) (Case No. 11-346-EL-SSO is referred to as the "*AEP Ohio ESP II Case*").

[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 Section 4928.143, Revised Code, in the Form of an Electric Security Plan*, Case No. 11-346-EL-SSO, Opinion and Order (August 8, 2012 at 42-47).

and potentially incentivize uneconomic choices. Riders should be limited to costs that are large, volatile, and not within utilities' control, such as purchased gas costs for a gas distribution utility and fuel and purchased power for an integrated electric utility. The DIR Rider here is not one that necessarily fits this description, despite the fact that the PUCO authorized it in the context of the Utility's ESP.

In addition to not providing consumers with the protections afforded by a base rate case, single-issue rate making through riders increases the complexity of consumers' bills.[3] They cannot be understood.[4]

When the Public Utilities Commission of Ohio ("PUCO") first authorized the DIR, it required AEP Ohio to work with the PUCO Staff to develop a plan to emphasize proactive distribution system maintenance and improvement program focusing on areas where it will have the greatest impact on service reliability for customers.[5] Through a Finding and Order in the 2013 DIR Work Plan Case,[6] the PUCO found that AEP Ohio had failed to quantify the reliability benefit associated with many of the DIR investments. The PUCO directed AEP Ohio to quantify the actual reliability benefit associated with

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[3] In 2008, AEP-Ohio had 7 riders. It now has 21. Simplifying rate structures in base rate cases does not work, practically, since single-issue ratemaking obviates the need for base rate cases.

[4] Wal-Mart Stores East, LP and Sam's East, Inc., have recently filed testimony in Duke's and Ohio Power's ESP cases confirming the complexity that riders contribute to utility bills, rendering them unintelligible. *See* September 26, 2014 Direct Testimony of Steve W. Chriss, in Case No. 14-841; May 5, 2014 Direct Testimony of Steve W. Chriss, in Case No. 13-2385. To the extent that large, commercial consumers have difficulty understanding utility bills riddled with riders serves to highlight and underscore the complexity faced by residential consumers.

[5] *AEP Ohio ESP II Case*, Opinion and Order at 47 (August 8, 2012), See also *In the Matter of the Commission's Review of Ohio Power Company's Distribution Investment Rider Plan*, Case 12-3129-EL-UNC, Finding and Order at 10 (May 29, 2013) ("*2013 DIR Work Plan Case*"). Even though the PUCO determined that because AEP Ohio is now performing at or above established reliability standards the utility no longer has to file DIR Work Plans with Staff on a going forward basis, the fact remains that the 2015 DIR work plan is pursuant to the PUCO's Order in the Utility's prior ESP case, Case No. 11-346-El-SSO.

[6] *2013 DIR Work Plan Case*, Finding and Order at 10 (May 29, 2013").

implementing the 2013 DIR Work Plan and to file this data in conjunction with the PUCO Staff review of the Utility's compliance with the 2013 DIR Work Plan. Furthermore, AEP Ohio was directed to file a 2014 DIR Work Plan that included specific requirements for quantifying reliability benefits.[7]

The PUCO again repeated this directive in its Finding and Order in the AEP Ohio 2014 DIR Work Plan case, when it stated:

> Finally, the 2014 DIR plan should address how AEP Ohio intends to ensure that the DIR expenditures are sufficient to result in improved reliability performance across the Company's entire service territory, based on the combined impact of the DIR investments.[8]

Finally, in its Finding and Order in the 2014 DIR Work Plan Case, the PUCO concluded:

> The Company provided little information regarding its strategy for replacing aging infrastructure and focusing DIR spending on where it will best improve or maintain reliability. Neither does the DIR plan sufficiently address how AEP Ohio intends to ensure that its DIR expenditures are sufficient to result in improved reliability performance across the Company's entire service territory, based on the combined impact of the DIR investments.[9]

In the 2014 DIR Work Plan Case, the PUCO also directed AEP Ohio to do specific things:

> Accordingly, the Commission directs AEP Ohio to quantify the actual reliability improvements achieved as a result of implementing the 2014 DIR plan and to file this data in conjunction with Staff's review of the Company's compliance with the 2014 DIR plan. For any program that is expected to reduce the

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[7] *2013 DIR Work Plan Case*, Finding and Order at 13-14 (May 29, 2013).

[8] *2013 DIR Work Plan Case*, Finding and Order at 13 (May 29, 2013).

[9] *In the Matter of the Commission's Review of Ohio Power Company's Distribution Investment Rider Plan*, Case No. 13-2394-EL-UNC, Finding and Order at 8 (May 24, 2014) ("2014 DIR Work Plan Case").

> frequency and/or duration of outages, AEP Ohio should quantify the actual reliability improvements achieved. For any program that is expected to maintain reliability, AEP Ohio should quantify the outages avoided by implementation of the DIR plan in 2014.[10]

The PUCO also concluded that the Utility's 2015 DIR plan should comply with its directives in the 2012 ESP Case and its finding and Order in the 2014 DIR Work plan case.[11] Despite these repeated directives from the PUCO, AEP Ohio's 2015 DIR Work Plan filing does not comply with the PUCO's expectations in at least one significant aspect -- AEP Ohio has not quantified the reliability benefits from its DIR.

Through a PUCO Attorney Examiner Entry on May 12, 2015, a procedural schedule was established whereby parties were required to file motions to intervene by May 20, 2015, PUCO Staff and interveners file initial comments by June 4, 2015 and reply comments by all parties filed by June 18, 2015.[12]

The Office of the Ohio Consumers' Counsel ("OCC") appreciates the opportunity to file these initial comments on behalf of the approximate 1.3 million residential customers provided electric service by AEP Ohio. These Comments demonstrate that the record lacks information that assures consumers are receiving reliability benefits from the $192 million they will pay for 2015 DIR investments. OCC requests the PUCO to find that the AEP Ohio 2015 DIR Work Plan is unjust and unreasonable. The Utility has failed to show that the benefits of the DIR Work plan are sufficient to justify collecting $192 million from customers.

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[10] *2014 DIR Work Plan Case,* Finding and Order at 8 (May 24, 2014).

[11] Id. at 10.

[12] *In the Matter of the Commission's Review of the Ohio Power Company's Distribution Investment Rider Plan,* Case 14-2275-EL-RDR, AE Entry at 2 (May 12, 2015).

The PUCO should require AEP Ohio to resubmit a DIR Work Plan that identifies what customers are getting (in terms of maintaining or improving reliability) for paying $192 million. More specifically, as explained below, the PUCO should require that a significant portion of the $103 million in DIR spending set forth in the 2015 DIR Work Plan under Section B be reallocated to projects that are designed to maintain or improve service reliability. As noted by the PUCO, AEP Ohio's DIR spending should be focused on those components that will best improve or maintain reliability.[13] AEP Ohio should not be permitted to collect, through the DIR Rider, for investment in plant that does not maintain or improve service reliability through the DIR Rider.[14] General collection of distribution infrastructure investment should be relegated to distribution rate cases, not to the DIR. There the PUCO can examine all elements of cost-of-service, and allow a full review of costs and expenses that may otherwise negate the need for specific funding of distribution investment.

II. COMMENTS

A. General Comments

The PUCO has repeatedly and consistently directed AEP Ohio to focus its DIR spending on components that will maintain or improve service reliability as noted above. Despite these clear directives, over half of AEP Ohio's 2015 DIR Work Plan relates to

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[13] See *2013 DIR Work Plan Case*, Opinion and Order, at 12 (May 29, 2013).

[14] In fact the PUCO has recently ruled in the AEP Ohio and Duke ES Cases that general plant should not be included as part of an infrastructure plan because general plant was beyond the intent of the statute and was better addressed in a general distribution base rate case. See, *In the Matter of the Application of Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to R.C. 4928.143, in the Form of an Electric Security Plan*, Case No. 13-2385-El-SSO, Opinion and Order at 46 (February 25, 2015), and *In the Matter of Application of Duke Energy Ohio, Inc. for Authority to Establish a Standard Service Offer Pursuant to R.C. 4928.143 in the Form of an Electric Security Plan, Accounting Modifications, and Tariffs for Generation Service*, Opinion and Order at 72 (April 2, 2015).

programs that are not expected to maintain or improve service reliability.[15] Thus, there is little evidence to show that the benefit customers receive from the DIR justifies the $192 million collected from them.

While the PUCO approved the DIR in the ESP under R.C. 4928.143(B)(3)(h), it has correctly determined that the focus of the infrastructure modernization should be on improving or maintaining reliability.[16]

But the proposed Work Plan includes 12 programs that have little if anything to do with improved reliability. The twelve DIR Components listed under Section B of the 2015 DIR Work Plan all indicate that under "Expected Reliability Improvements" the expected improvements are not applicable -- "n/a".[17] The Utility indicated that these 12 Components will not impact service reliability, but nonetheless allocated $103,050,000 or almost 53.7% of the total DIR funds to these Components. More importantly, under "Measures for Reliability Improvements" nine of the Components indicate that "there is no reliability impact."[18] Thus, Utility concedes that those Components will not maintain or improve service reliability. Therefore, the PUCO should not authorize the Utility to expend dollars that do not further maintaining or improving service reliability.

AEP Ohio based the 2015 DIR Work Plan funding on the PUCO's approval of its Electric Security Plan in Case No. 13-2385-EL-SSO. The Utility indicated that it would

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[15] Notice at AEP Ohio 2015 DIR Work Plan Components at page 1-3 of 3.

[16] *2014 DIR Work Plan Case*, Finding and Order at 9 (May 21, 2014).

[17] Notice at AEP Ohio 2015 DIR Work Plan Components at Section B at page 2-3 of 3.

[18] Notice at AEP Ohio 2015 DIR Work Plan Components at Section B at page 2-3 of 3.

file an amended document [19] to extend the DIR Program that was modified in the ESP III case.[20] The PUCO modified the DIR in the ESP III Case including, an annual funding cap, and the type of investments that would qualify for the DIR Program.[21]

However, the Utility has not yet filed the amended plan, and updated information, that it indicated it would. The PUCO should require AEP Ohio to file its amended plan and comply with its prior commitment. Until the Utility does so, any approval of the 2015 DIR Work Plan would be premature. Approval of the amended DIR Work Plan should then be conditioned on a full review of all expenditures for prudency and a demonstrating that the expenditures resulted in improved reliability for consumers.

1. Integrated Volt Var

The Utility remains obligated to expend $20 million on the Turning Point project or other similar project, pursuant to PUCO orders issued in Case No. 10-1261-EL-UNC. In that proceeding, the PUCO gave consideration to Ohio Power's future committed expenditure of $20 million in the Turning Point project in its annual application of the significantly excessive earnings test of R.C. 4928.143(F).[22]

The Utility proposed to invest the $20 million in Volt Var technology that will allow Ohio Power to optimize approximately 80 circuits, and receive return on and return

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[19] See *In the Matter of the Annual 2009 Filing of Columbus Southern Power Company and Ohio Power Company Required by Rule 4901:2-35-10, Ohio Administrative Code*, Case No. 10-1261-EL-UNC, Entry on Rehearing at 10 (March 9, 2011).

[20] *In re AEP GridSmart II Case*, Case No. 13-1939-EL-RDR. Application, Attachment A at 9.

[21] *In the Matter of the Application of Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to R.C. 4928.143, in the Form of an Electric Security Plan*, Case No. 13-2385-El-SSO, Opinion and Order at 40-47 (February 25, 2015).

[22] *In the Matter of the Application of Ohio Power Company to Initiate Phase 2 of its gridSMART Project and to Establish the gridSMART Phase 2 Rider*, Case No. 13-1939-EL-RDR. Comments by the OCC at 22-23 (November 1, 2013).

of that investment.[23] The Utility describes the Integrated Volt Var Program as providing, "improved efficiency through voltage optimization. The program's primary focus is to reduce electrical demand and/or accomplish energy conservation."[24] In Comments filed in Case No. 13-1939-EL-RDR, the OCC opposed the Utility's proposal to include a $20 million obligation to spend on the Turing Point project or similar projects,[25] as part of the Utility's gridSMART Phase 2 Program. In the Utility's ESP Case in Case No. 11-346-EL-SSO, the PUCO determined that Integrated Volt Vart is not related to gridSMART, but should instead be part of the Utility's DIR program.[26] To the extent that the PUCO has determined that the $20 million obligation should be part of the DIR, OCC recommends that the $20 million obligation should result in AEP Ohio collecting $20 million less from customers (not earn a return on and a return of this investment) during the 2015 DIR Work Plan recovery period.

2. Forestry

The Utility describes the Forestry Program as, "all capital vegetation management work performed in AEP Ohio."[27] AEP Ohio is proposing to spend $4.5 million in Forestry in 2015 which is 50% less than what the Utility spent in 2013 when the DIR was initiated. Yet there is no explanation provided in the Work Plan for why a forestry program that can have a substantial impact on reliability is not being prioritized for

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[23] *In re AEP GridSmart II Case,* Case No. 13-1939-EL-RDR, Application, Attachment A at 9.

[24] Notice at AEP Ohio 2015 DIR Work Plan Components at Section B at page 2 of 3.

[25] *In the Matter of the Application of Ohio Power Company to Initiate Phase 2 of Its gridSMART project and to Establish the gridSMART Phase 2 Rider*, Case No. 13-1939-EL-RDR, Comments by the OCC at 22-23 (November 1, 2013).

[26] *In the Matter of the Application of Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to R.C. 4928.143, in the Form of an Electric Security Plan,* Case No. 11-346-EL-SSO, Opinion and Order at 62 (August 8, 2012).

[27] Notice at AEP Ohio 2015 DIR Work Plan Components at Section B at page 3 of 3.

funding. Not all that long ago, the PUCO Commission Ordered AEP Ohio to spend an additional $10 million in vegetation management programs to address significant short-falls in the reliability AEP Ohio was providing consumers.

3. Customer Meter Blanket

The Utility describes the Customer Meter blanket program as, "for the purchase of customer meters for providing customers electric service in AEP Ohio. It includes standard and AMR meters."[28] There is no indication in the DIR Work Plan that this Component will help maintain or improve service reliability, and thus appears to be beyond the intent of the DIR Program.

III. CONCLUSION

AEP Ohio was directed by the PUCO to file a 2015 DIR Work Plan that would quantify reliability benefits and would result in reliability improvements across its service territory.[29] AEP Ohio did not comply. OCC requests the PUCO to find that the AEP Ohio 2015 DIR Work Plan is unjust and unreasonable and not approve the plan as filed. Instead, the PUCO should require AEP Ohio to resubmit a DIR Work Plan that complies with the PUCO's directives. More specifically, as explained above, the PUCO should require that a significant portion of the $103 million in DIR spending set forth in the 2015 DIR Work Plan under Section B should be reallocated to projects that are designed to maintain or improve service reliability. AEP Ohio should not be permitted to recover investment through the DIR rider that does not maintain or improve service reliability through the DIR Rider.

[28] Notice at AEP Ohio 2015 DIR Work Plan Components at Section B at page 3 of 3.

[29] *2014 DIR Work Plan Case*, Finding and Order at 8 (May 24, 2014).

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of these Initial Comments was served on the persons stated below via electronic transmission, this 4th day of June 2015.

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