**BEFORE**

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

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| **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 14-2275-EL-UNC** |

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# OHIO POWER COMPANY'S REPLY COMMENTS

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## I. Introduction

Ohio Power Company ("Ohio Power" or "Company" of "AEP Ohio") filed its DIR Work Plan (Work Plan) on December 15, 2014 as a result of the May 21, 2014 Finding Opinion and Order (O&O) in Case No. 13-2394-EL-UNC. The plan filed was the result of months of collaboration with the Commission Staff to develop a comprehensive investment strategy which would ensure the Work Plan met both the Company's and Staff's expectations as well as customer expectations. The Company believes this plan to be a prudent Work Plan for both improving current reliability on a program basis as well as the important step of maintaining performance of components by proactively replacing various aging infrastructure across the system. The Company filed these plans in this docket, as instructed by the Commission, to provide notice to interested parties and to provide an opportunity for input.

The Examiner issued a procedural schedule in this case with a comment cycle to consider the elements of AEP Ohio's filing. Intervention was due by May 20, 2015. The Office of the Ohio Consumers' Counsel (OCC) and the Ohio Hospital's Association

(OHA) were the only two parties to seek intervention in that timeframe. The Examiner set June 4, 2015 as the deadline for comments and June 18, 2015 as the deadline for party replies. OCC is the only party to file comments regarding the Company's 2015 DIR plan by June 4, 2015.

This filing provides AEP Ohio's reply to OCC's comments filed. The purpose of these comments is to address OCC's concerns and ensure accuracy of the record while providing the Commission the necessary comments to allow 2015 DIR plan already underway to be implemented as noticed in the initial filing as developed by the Company and Staff.

## II. The Company's Response to the Comments Raised by OCC:

### A. OCC's General comments are nothing more than a collateral attack on the Commission's prior approval of the DIR.

OCC begins its comments by attacking the nature of the DIR mechanism. OCC attacks the rider mechanisms with the negative connotation of the "too often used single issue ratemaking." (OCC @ 1.) OCC's comments point out that the Commission already approved the DIR mechanism, yet cites testimony from the most recent AEP and Duke proceedings arguing against riders in general. OCC's attacks on the mechanism are clearly misplaced in this case. This is not the proceeding to attack Duke's or AEP's request to establish a rider mechanism. OCC's arguments amount to an improper collateral attack on prior AEP and Duke orders and should be denied outright by the Commission with instructions to focus only on the topic under consideration by the Commission in future comments.

OCC also includes in its introduction and general comments a reiteration of its past comments related to its preference for the DIR spending focused on improvements to reliability. (OCC @ 5-7.) OCC rehashes past arguments related to the enumeration of improvements in reliability from past DIR plan considerations. The Commission, OCC and AEP Ohio have had this discussion each year. The Commission clarified what support it would like to see and how such benefits are reviewed in the audit of the plan. But more importantly, even as recently as the May 2014 Entry on the 2014 plan the Commission debunked the OCC mantra that DIR investments must only be related to quantifiable improvements in reliability. The Commission has made it clear that it wants DIR investments to focus on components that improve or maintain reliability, but that is not exclusive. The Commission recognizes that the DIR is related to net capital additions after August 31, 2010. Specifically, the Commission stated:

> In response to OCC's concern that a significant portion of AEP Ohio's planned DIR spending in 2014 is expected to have no reliability impact, the Commission notes that the DIR, as approved in the ESP Case, consists of net capital additions to gross plant in service occurring after August 31, 2010, as adjusted for accumulated depreciation, **and is not limited to investment in distribution assets that are expected to improve or maintain service reliability**. ESP Case, Opinion and Order (Aug. 8, 2012) at 42.

Likewise in the 2013 Order the Commission stated:

> Although AEP Ohio's DIR spending should be focused on those components that will best improve or maintain reliability, **we disagree with OCC's argument that components with no reliability impact should not be included in the DIR plan**. Although a primary objective of the DIR is to enable AEP Ohio to improve or maintain its service reliability**, the DIR also provides the Company with a timely cost recovery mechanism for its prudently incurred distribution infrastructure investment costs and is expected to reduce the frequency of base distribution rate cases.** Accordingly, as proposed by AEP Ohio and approved by the Commission in the ESP Case, the DIR consists of net capital additions to gross plant in service occurring after August 31, 2010, as adjusted for accumulated depreciation (ESP Case Order at 42), and is not limited to investment in distribution assets that are expected to improve or maintain service reliability.

12-3129-EL-UNC (2013 DIR Work Plan Case), March 29, 2013 Finding and Order at para 35 pg 12. The Commission has addressed this same OCC argument time and again.

The 2015 DIR Plan has a significant impact on maintaining and improving reliability for the AEP Ohio distribution system and its customers, but despite OCC's repeated mantra that is not the exclusive requirement. Ongoing investment in the distribution system is allowed and appropriate as part of the DIR process.

OCC argues that the 2015 Plan includes programs that "have little if anything to do with improved reliability." (OCC @ 6.) The programs OCC refers to as having little or no impact on improved reliability are vital programs, necessary to complete customer work and to be responsive to customer needs. One example is the Capacity Addition Program which allows for the addition of new customers onto the system. It is not difficult to imagine customer frustration if AEP Ohio did not allow for the addition of a new manufacturing facility which brings jobs and/or income to the local economy. The designation of N/A is not intended to insinuate that the programs are not important to reliable and safe distribution service. The programs are all related directly to the customer service through safe and reliable service.

The 2015 DIR Plan is a collection of efforts discussed and determined by the Commission Staff and AEP Ohio to provide that proper balance of system investment, maintenance and improvement. OCC's all or nothing recommendations ignore the realities of running a distribution utility and should be rejected and the 2015 DIR Plan approved.

Finally, OCC seeks an adjustment to the plan based on the results of the latest ESP proceeding. OCC asserts that the Commission modified the DIR caps and type of investment that qualifies for the DIR program. (OCC @ 7.) OCC ignores the fact that the Commission is still in the rehearing process and addressed a number of the concerns raised by the Company on May 28, 2015. The Commission did not change the type of investment in the recent ESP proceeding. The Commission declined to change the structure of the DIR to add certain property the Company enumerated in its request (namely a radio system). The Commission did not abandon its earlier proclamations concerning the type of investment recovered in the DIR. The 2015 DIR Plan categories were vetted with and resulted from discussions with Commission Staff and should be approved.

**B. The 2015 DIR Plan complies with the DIR approval and benefits customers with improvements in reliability.**

AEP Ohio developed the plan, in consultation with Staff, by looking at causes of outages on the system, looking for opportunities for proactive replacement and reliability improvement. The 2015 Plan also applies lessons learned from programs in prior DIR years. The Company has and will continue to provide guidance on the improvements resulting from DIR workplan performance. AEP Ohio is well aware of the Commission's instructions to provide Staff with updates on the impact of its DIR spending and has complied with all filing requirements and showing of improvements related to the program. The 2015 Plan developed by the Commission Staff and Company includes both the quantifiable improvements in service and the necessary system upgrades. As discussed in the plan filing the Company will track reliability improvements in specific asset categories.

The goal again is to be proactive and prevent outages so customers are not interrupted and the Company can measure the reliability impact. The Company views the DIR as a tool provided by the Commission to implement programs to impact long-term reliability. The Commission has elevated the focus on Worst Performing Circuits in its rules, and the Company added a column to the 2015 plan to show the number of Worst Performing Circuits being addressed by the DIR plan. The focus of the DIR plan on these circuits helps address the Commission's direction to show the impact of DIR spending on performance. In addition, the Company has been able to show Staff that DIR work completed in 2013 and 2014 has improved reliability for those categories with a reliability improvement component. Without the DIR in place, these customers would have experienced additional outages.

### C. This DIR Plan does not and should not be used as a vehicle to conflate and incorporate offers from other unrelated cases.

OCC improperly reaches outside of the DIR Plan provided as a result of the Staff and Company discussions and seeks to incorporate an offer to address a prior SEET obligation in the AEP gridSMART II Case, Case No. 13-1939-EL-RDR ("gridSMART case") as part of the 2015 DIR Plan.

OCC's proposal is factually flawed and improper. First, the gridSMART case is still an active pending case in settlement discussion with the parties. The Company made a filing in the gridSMART case that dealt with the 2009 SEET issue, not in this present case. It is inappropriate to try and move that issue to this case. More importantly, OCC's application of the issue in the 2015 DIR plan review is improper and conveniently ignores many of the issues related to the SEET commitment, not the least of which is that the 2009 SEET Order does not impose a $20 million refund obligation on the Company. To avoid unnecessarily bringing the entire 2009 SEET issue into this case, the Company simply points out OCC's faulty position would not allow the investment to earn a return on and a return of the investment. Therefore, OCC's proposal is wholly inconsistent with the 2009 SEET commitment made by the Company and should be rejected to allow the other pending Commission proceeding to address the issue.

### D. AEP Ohio has the appropriate forestry investment in the 2015 DIR plan.

The Company provided the appropriate level of forestry capital spending in the 2015 DIR Plan. OCC's concern is focused on the lack of an explanation for the decrease in the forestry program. The explanation OCC seeks relates to the nature of forestry spending and successful prior efforts by the Company.

There are two types of forestry spending, Capital and O&M. Clarification of the differences should assist OCC's understanding of the nature of forestry spending and why there is a lower amount in the 2015 DIR plan. O&M spending deals with ongoing trimming of areas and forestry that was previously cleared. The O&M portion of the clearing is captured in part under a separate rider (ESRR) to allow for continued tree trimming. Conversely, the capital spending involves the removal of new parts of the clearance zone, outside of the zone and vegetation with a larger diameter. Since the Company has completed a full cycle clearing of the Distribution System, it was expected that capital spend would decrease through the second clearing cycle due to less opportunity to trim or remove capital trees which were captured in the first cycle. The lower spend based on expected capital forestry opportunities is not only necessary but inevitable.

### E. The Customer Meter Blanket Program is good for reliable customer service and authorized by the DIR mechanism.

OCC argues that the Company's Customer Meter Blanket program for the purchase of customer meters for providing electric service is not a component to maintain or improve service reliability. OCC's argument ignores the fact that this program does impact customers and their reliable service related to their meter. Regardless of OCC's failure to recognize the customer benefit the argument raised also ignores the totality of the Commission's approval of the DIR mechanism discussed above.

The Customer Meter Blanket program does have a direct impact on customers. Although this may be considered a different kind of reliability then OCC includes in its mantra opposing the DIR mechanism. Customers are very interested in receiving a reliable bill. Replacing aging meters or meters that have failed is an important piece of customer service. Neither standard nor AMR meters are considered as an advanced meter and should be allowed recovery under the DIR for the importance of accurately and reliably billing customers. AMR meters also allow additional benefits by picking up reads and removing human error from readings. If the OCC expects the Company to only order meters after they fail or are stolen, customers would be harmed by either having to wait to start service when a meter arrives or deal with estimated bills for an extended period of time until the meter could be replaced. Meter replacement is both maintaining the current system and improving reliability for customers we serve.

If the Commission sees any value in OCC's argument that meeting customer expectations for safe, reliable and accurate service is a not a valuable service eligible for recovery under the DIR, then the Company incorporates its earlier discussion concerning the items eligible for recovery. As the Commission clearly stated in the previous DIR plan, the DIR is not limited to investment in distribution assets that are expected to improve or maintain service reliability. However, this program meets both of those criteria.

## III. Conclusion

The Company developed the 2015 DIR Plan in consultation with Commission Staff to balance necessary investment along with the maintenance and improvement in reliability for customers. The Company has offered to continue to work with Staff in the future to develop future DIR work plans. Ohio Power respectfully requests the Commission consider the comments and documents provided in the record to approve the 2015 DIR Workplan.

Respectfully submitted,

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## CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing Filing has been served, via first class mail and/or electronic service, to the counsel identified below this 18th day of June 2015.

*/s/ Matthew J. Satterwhite*
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