BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio	)	
Power Company to Update Its Enhanced	)	Case No. 15-1549- EL-RDR
Service Reliability Rider.	)	

OHIO POWER COMPANY'S REPLY COMMENTS

Filed April 21, 2016

I. Introduction

On September 1, 2015, Ohio Power Company ("AEP Ohio" or the "Company") filed its 2015 application to update its Enhanced Service Reliability Rider ("Application"). The Application reflects actual vegetation management project spending and revenue recovery during 2014 and projected costs for 2015. On March 22, 2016, the Attorney Examiner in this case set a procedural schedule which set forth due dates of April 7, 2016 for initial comments and April 21, 2016, for reply comments. On April 7, 2016, Staff of the Public Utilities Commission of Ohio ("Commission") as well as the Office of the Ohio Consumers' Council ("OCC") filed comments on the Company's Application. AEP Ohio hereby responds to the comments filed by Staff and by OCC. The failure to address any specific argument should not be taken as agreement with those comments. In fact, as discussed below there are comments provided that are based on information and arguments made in subsequent proceedings that are not properly applied to this the 2014 rider under review.

II. Responses

A. The Company's Response to Comments Raised by Commission Staff:

In advocating for an O&M expense reduction, Staff continues to confuse the calculation methodology of this rider. As approved by the Commission, and agreed to by the Company and the Staff, the rider recovers the costs of the vegetation management program less the amount recovered through base rates. This methodology makes sense because the alternative to including total spend less base spend is to track incremental spend exclusively. This alternative would be unduly administratively burdensome on the Company and would present significant audit challenges for Staff and other interveners.

The transaction detail the Company provides to the Staff through the discovery process includes the total vegetation management spend, though the Company does not seek to recover that entire amount because it is getting some recovery through base rates. Therefore any question of what is properly included in the rider must necessarily consider what is properly included for recovery in the combination of the rider and base rates.

Cellphone and pager expense is properly included in the Company's base distribution rates. The Company's employees need cell phones to effectively and efficiently conduct their work processes. This is especially true of foresters, who must manage work activities of multiple crews in various geographic regions. The Company purchases phones for its foresters and bills the costs of using those phones to the forestry group. Prior to the start of the ESRR in 2009, the cellphone expense of the Company's foresters was included only in base rates. Now it is included in the combination of base rates and the rider. The advent of the ESRR did not eliminate the necessity of cellphones for conducting forestry work. If the Commission adopts Staff's recommendation to reduce the ESRR revenue requirement for $9,092.99 in phone expense, then the Company is not getting full recovery of the costs of its forestry program, i.e. its foresters.

Of the 89 meal transactions listed in Staff's report, 10 are for food at safety meetings. The Company conducts safety meetings and training to protect its employees and contractors, which ensures continued operations on vegetation management work. Meeting attendees may be travelling away from their home base and may be meeting at facilities without sufficient food-storage capabilities. Providing food can allow the meetings to continue without a break, which would likely entail attendees leaving the facility to obtain meals elsewhere, a prospect that could waste both time and mileage expense. Safety meetings are a prudent use of employee and contractor time, and the meal expense associated with safety meetings are prudent expenditures. Similar reasoning applies to the three transactions for meals expense at forestry staff meetings. Interactions over meals between trainers and staff provide valuable opportunities to trade best practices and keep employees focused on safety and learning in an informal setting. These actions are just part of prudent management and training and should be recognized as such by the Staff and approved by the Commission. Other transactions listed in the meal category reflect normal and necessary operational expense. Three transactions are for gasoline, as foresters must drive around their operational territory to oversee crew work. One transaction is for water, a necessary consumable for the Company's contractors. This support relates directly to 17 of the 89 expense transactions.

Staff seeks to deny the remaining 72 transactions based on the Company policy against entertainment that is repetitious and excessive. (Staff at 4) But the remaining meal expenses relate not to entertainment but to employee meals when they are traveling in the field across AEP Ohio's large service territory. Likewise, the meals are neither repetitious nor excessive. The Company's forestry group has 12 foresters and two forestry supervisors, all of whom travel extensively in the course of their normal workdays. All fourteen employees have substantially more meetings with contractors than an average Company employee, because the Company's vegetation management work is carried out by contractor crews. This has been the case for the life of the ESRR and is reflected in the transactions and financial data Staff reviews every year. The expenses included in the filing averages out to five business meals per forester over the entire year. This expense is not repetitive or excessive. Rather, it reflects the actual work done by the Company's foresters to carry out the ESRR program across the State of Ohio.

B. The Company's Response to Comments Raised by OCC:

OCC's comments in this case are another attempt to relitigate a process that the Company has fully supported and has already underwent the scrutiny of all interveners, including the OCC, in Case No. 11-346-EL-SSO ("ESP2"),. OCC claims that the Commission and others cannot determine whether and to what extent the filed Schedules accurately reflect AEP Ohio's spending on vegetation management (OCC Comments p. 2). However, in the Company's ESP 2 filing the Company supported and the Commission approved the vegetation management program with a guideline of the amount of incremental spend for the vegetation management program for each of the ESP years from 2012 through May of 2015. The Company has appropriately included the costs of the incremental forestry spend and, as further described below a prudency audit has been performed in this case.

OCC ignores past Commission action and argues that AEP Ohio has not provided evidence in support of the application in this case. The Company filed testimony, answered discovery, and received Commission approval to continue its ESRR program in its ESP 2 Opinion and Order. For the 2014 vegetation management activity that is the subject of this case, the Company answered discovery requests to support the costs included for collection as well as the calculations utilized in the rate design. Included in this discovery were approximately 5,000 transactions and nearly 500 pages of invoices. As indicated in Staff's review letter, "Staff conducted this audit through a combination of document review, interviews, interrogatories and requested documentation as needed ….” The Company has supported its application.

OCC also seeks to relitigate the basis of the carrying charge applied to this rider. OCC claims that the Company has not provided the backup to the carrying charge rate included in the rider calculation. The carrying charge rate used in the ESRR has always been the Company's carrying charge rate for capital assets with a 40-year life. That calculation for the rate applicable in 2015 was approved by the Commission in Case No. 13-2385-EL-SSO, as Exhibit RVH-4. The Commission modified the WACC rate that is an input to the carrying charge calculation, so the flow-through effect on the 40-year carrying charge rate yields the 15.02% rate used in the application in this case.

Finally, OCC fails to provide accurate data related to the 2014 period under review in this proceeding. Instead, OCC provides a figure of 72 million minutes of tree-related outages, which is based on 2015 data and not 2014 data. (OCC at 3.) The information also erroneously includes major storm events. Major storm events are not normal weather conditions and therefore impact the Company's distribution infrastructure to a degree not entirely manageable by the Company and are typically excluded from reliability metrics.

OCC also provides a number of arguments criticizing the effectiveness of the Company's program due to numbers based on trees out of the right-of-way. (OCC at 3-4) Perhaps unrecognized by OCC is the compliment the argument makes to the ESRR program. As the Company has discussed with Staff and the Commission multiple times in the past, trimming trees out of the right-of-way is a matter not under the unilateral control of the Company. To trim such trees, the Company must receive permission from property owners, who do not always grant it. The fact that OCC relies almost exclusively on the area outside of the control of the Company as the big area of concern highlights the high quality job the Company is doing in the area under its control.

The Company will continue to work with property owners collaboratively to address trees out of the right-of-way and continue its quality work within the right-of-way. As reported in Case No. 10-439-EL-ESS, in 2009 the Company had 2,508 tree-related outages for non-major events inside the right-of-way, with over 21 million Customer Minutes of Interruption. In 2015, as reported in Case No. 16-550-EL-ESS, the same data points are 643 outages (a 74% reduction) and under 3 million Customer Minutes of Interruption (an 86% reduction). Despite OCC's attempts to undermine the impact of the program, the ESRR has been successful in delivering reliability results for Ohio customers.

Conclusion

Ohio Power respectfully requests the Commission consider the comments provided in response to the Commission Staff and Office of the Ohio Consumers' Counsel and approve the 2014 rider as filed.

Respectfully submitted,

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CERTIFICATE OF SERVICE

In accordance with Rule 4901-1-05, Ohio Administrative Code, the PUCO's e-filing system will electronically serve notice of the filing of this document upon the following parties. In addition, I hereby certify that a service copy of the foregoing *Reply Comments* was sent by, or on behalf of, the undersigned counsel to the following parties of record this 21st day of April 2016, via electronic transmission.

/s/ Matthew J. Satterwhite
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