BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of	**)**	
Ohio Power Company to Update Its	**)**	**Case No. 17-1914-EL-RDR**
Enhanced Service Reliability Rider	**)**	

OHIO POWER COMPANY'S REPLY COMMENTS

I. Introduction

Ohio Power Company ("AEP Ohio" or the "Company") files the following reply comments in response to the comments that the Office of the Ohio Consumers' Counsel (OCC) filed in this proceeding on January 4, 2019. As set forth below, the Public Utilities Commission of Ohio ("Commission") should approve the Company's Application, as filed on September 5, 2017 in this docket, and disregard OCC's errant and unsupported claims.

II. Background

The Commission initially approved the Company's Enhanced Service Reliability Rider (ESRR) in the Company's first electric security plan ("ESP") proceeding. *See* Case No. 08-917-EL-SSO, *et al.*, Opinion and Order at 30-34 (Mar. 18, 2009). The Commission has continued to approve the ESRR in each of the Company's subsequent ESP proceedings, and most recently in its April 25, 2018 Opinion and Order in the Company's ESP IV case, Case No. 16-1852-EL-SSO, *et al*. In accordance with the Commission's orders in the foregoing cases, the Company files the ESRR annually, and the rider is subject to annual audit and reconciliation.

III. AEP Ohio's Response to OOCC's Comments

OCC misrepresents and disregards the success of AEP Ohio's Enhanced Service Reliability Rider. The Company has performed consistent with its proposals for the rider and has incurred prudent costs to maintain its four-year trim cycle. Contrary to OCC's comments, AEP Ohio has trimmed all circuits within the four-year cycle successfully within a reasonable period of time. In addition, AEP Ohio's customers have seen drastic improvements with respect to outages caused by trees inside of Right of Way (ROW), with continuing reduced levels of outages caused by such events.

A. The Company's filing seeks recovery of its prudently incurred costs to maintain the four-year trim cycle.

OCC has erred in assuming the O&M and Capital forecast authorized by the Commission in Case No. 13-2385-EL-SSO, *et al.* ("*ESP III")* imposed a firm cap on ESRR costs. Although the February 25, 2015 Opinion and Order in *ESP III* approved the Company's estimate of O&M and capital costs that was based on current knowledge at the time of the filing (December 20, 2013), it did not specifically set an authorized spending limit. In fact, the testimony of Company witness Selwyn J. Dias in *ESP III* stated that forecast dollars do not represent a firm spending obligation, and that a long-term forecast can change based on a number of factors including the evolution of work plans, changing priorities, the availability of resources or an unexpected major storm that diverts resources. *ESP III*, Dias Direct Test. (AEP Ohio Ex. 4) at 20. These types of mitigating factors have caused increased ESRR spending in 2016.

Further, in its *ESP III* Opinion and Order, the Commission agreed with the Company's 2016 $26 million vegetation management cost forecast. Notably, the Commission ordered that the ESRR would be subject to a prudency review rather than setting a cap on vegetation management spending. Moreover, the Commission consistently and repeatedly referred to the $26 million as "projected" and forecasted" throughout the discussion of the ESRR in the February 25, 2015 Opinion and Order. *Id.* at 47-49. The Commission's *ESP III* Order reflects that the Commission, in approving the Company's ESRR proposal, understood that the Company's actual vegetation management costs would be measured and evaluated by prudence and not strictly limited to the Company's December 2013 cost projection. Finally, the Commission has granted recovery of costs levels above the forecast in the past. In Case No. 13-1063-EL-RDR, for example, the Commission adopted Staff's recommend approval of expenditures in excess of the forecasted amount due to a greater than expected quantity of capital tree removals bush growing and tree regulator applications. *See* Case No. 13-1063-EL-RDR, Finding & Order at ¶ 11 (Feb. 26, 2014). Also, in the same case, the Commission adopted Staff's higher-than-forecasted O&M recommendation due to a delay in tree trimming circuits due to major storm events. *Id.* at ¶ 16.

The Company reiterates, as it noted in its comments in response to Staff's Review and Recommendation in this proceeding, that Staff has not recommended that any of the costs that the Company incurred in the ESRR in 2016 were imprudent – nor has the OCC provided any evidence of imprudence here. The Company has managed its costs in a prudent manner.

It is a matter of general industry knowledge that tree trimming contractor costs have increased significantly across the State of Ohio. When tree trimming contractor costs increase, an electric utility can trim fewer circuits with the same amount of money. Recently, the Commission agreed with Staff and Duke that "third party vegetation management recently spiked."[1] Similarly, DP&L sought and received increases to its

[1] Case No. 17-32-EL-AIR, *et. al.*, Opinion and Order at ¶ 234 (Dec. 19, 2018).

vegetation management recoveries in its most recent distribution rate case.[2] OCC's Table 1 demonstrates that AEP Ohio's tree trimming costs have increased every year since 2015. That is not an unknown or unexplainable fact. Instead, that is exactly what AEP Ohio has been experiencing and explaining to regulators and interested parties that request information.

Additionally, OCC's comments apply and rely upon incorrect math that needs to be addressed. The amounts included in the OCC's calculation inappropriately include the value of the carrying costs of capital additions in an attempt to over inflate the amount it claims AEP Ohio has exceeded. OCC references the forecasted amounts of spend for both O&M as well as capital. These forecasted amounts are "spend". There was never any reference to carrying costs on capital being included in these amounts. The forecasted values were just that, a forecast and not a cap, and they are compared to previous historical spend included in base rates, not compared to previous historical spend included in base rates plus the carrying charge value on the capital. OCC's comments on this point, therefore, are both misguided and incorrect.

B. The Company has completed the four-year trim cycle.

With a goal of trimming approximately 8,000 circuit miles each year, no two years are the same and several factors can and do affect the annual outcomes. These include but are not limited to budgets constraints, changes in work plan mileage, availability and cost of maintaining qualified workforce, workforce redirection due to hurricane restoration efforts, and prior year carryover mileage. In fact, as explained in detail below, AEP Ohio achieved 100% compliance with the four-year cycle based tree trimming program in 2014, 96.5% in

[2] Case No. 15-1830-EL-AIR, *et al.*, Opinion and Order at pages 25 and 29 (Sept. 26, 2018).

2015, 98.2% in 2016, and 99% in 2017. Remaining circuit miles from 2015, 2016, and 2017 were completed within the first quarter of the following year, which is a reasonable time frame and further supports that the Company has performed its plan in a reasonable and prudent manner.

<u>2014 - 100% Compliance</u>

AEP Ohio distribution forestry trimmed 8,631 circuit miles or 100% of the planned vegetation management, tree trimming, and maintenance work plan for the four-year cycle based tree trimming program.

<u>2015- 96.5% Compliance</u>

AEP Ohio distribution forestry trimmed 7,826 of the 8,106 circuit miles associated with the planned vegetation management, tree trimming, and maintenance work plan. The remaining 280 circuit miles, or 3.5%, were completed within the first quarter of 2016. Factors contributing to carrying over miles included 2015 being the first year in the second 4-year cycle utilizing a reduced budget and reduced work force and an increase in the work plan mileage within the Western Ohio district related to the split of the district into two forestry areas.

<u>2016 – 98.2% Compliance</u>

AEP Ohio distribution forestry trimmed 7,975 of the 8,121 circuit miles associated with the planned vegetation management, tree trimming and maintenance work plan. The remaining 146 circuit miles, or 1.8%, were completed within the first quarter of 2017. Factors contributing to carrying over miles included that outside services experienced labor resource constraints due to the lack of qualified tree trimmers, district-level work order activities required that tree trimming resources be reallocated from the maintenance work plan, and the initiation of a concerted focus on mitigation of off ROW trees.

2017 – 99% Compliance

AEP Ohio distribution forestry completed 8,112 of the 8,218 circuit miles associated with the planned vegetation management, tree trimming and maintenance work plan. The remaining 106 circuit miles, or 1%, were completed within the quarter of 2018. Factors contributing to carrying over miles included that outside services experienced labor resource constraints due to the lack of qualified tree trimmers, district-level work order activities required that tree trimming resources be reallocated from the maintenance work plan, and tree trimming resources were re-directed to hurricane storm restoration efforts.

In addition, Staff has conducted a thorough audit that includes field inspections verifying that the work plan for the ESRR was conducted consistent with the Company's records. Staff further inspected invoices, contracts, and additional detail to determine that the costs associated with the ESRR were prudent in 2016. The Company reiterates that it has performed its duties, maintaining costs to the best of its ability, while performing the plan for the ESRR. OCC did not participate in the audit and did not request a copy of a single invoice in this case. In fact, no party has argued that the costs associated with the ESRR were imprudent. Consistent with the Commission's *ESP III* Order, which requires a prudency review, the Commission should find that the Company completed its four-year trim cycle and the amounts spent under the ESRR were prudent and reasonable.

C. Although the four-year trim cycle allows for some removal of trees outside of the right of way, the outages caused by trees inside of Right of Way are a much more accurate gauge of the benefit of the ESRR.

OCC's Table 2 purports to demonstrate that when analyzing trees both in and outside of ROW combined (excluding major events and transmission outrages) tree caused outages, customers interrupted, and minutes of interruption have increased between 2013 and 2017. However, OCC incorrectly combines trees inside and outside of right of way and takes it even a step further by assuming that all of the trees outside of right of way were within the scope of the ESRR. Outages caused by trees outside of ROW are not always from danger trees and when high winds, lightning strikes, or other unforeseeable events outside of the Company's control cause a healthy tree outside of ROW to cause an outage that will not be addressed by the ESRR.

The history of the ESRR will show that the bulk of the rider's historical and forecasted spend has been focused on O&M-related expenses and more directly towards trees inside of right of way. It is not appropriate to ascertain that a one million dollar forecast would be sustainable to achieve the results to address the increased number of trees outside of right of way. Although the Company would take the opportunity to remove danger trees outside of ROW during its four year trim cycle, the vegetation management dollars spent on such trees, both presently and in the past, is minimal. The increase in the number of danger trees outside of ROW has increased to a level far beyond the historical trend, due in part by the ash borer devastation in the State of Ohio. That activity was never within the scope of the ESRR. The Company addresses outages caused by trees outside of ROW through a different program, funded through a different mechanism. OCC's conclusion that the ESRR's funding has not improved reliability is unsupported and wrong. The number of outages caused by trees inside of the ROW has been reduced drastically since the implementation of the ESRR.

AEP Ohio notes that some outages caused by trees outside of ROW are not under the Company's direct control, and weather is a random and uncontrollable event that is different each year. However, the Company understands that reliable service is a benefit to customers and is in the public interest. With that in mind, AEP Ohio has recently implemented a program focused on removal of hazardous trees outside of ROW, but the

Company must first obtain the property owner's permission to do so. Under this program, the Company has removed over 40,000 outside of ROW hazard trees in 2018 and plans to continue the program in 2019. Although the Company cannot say for certain which out of ROW trees will cause the next outage or other reliability event, the goal of the Company's proactive mitigation program is to reduce the likelihood of future outages. Without proactive mitigation of hazards associated with trees outside of ROW, reliability would most likely decline. Moreover, major events are not included as inside or outside ROW events. As the Company makes tree trimming improvements, the number of major events is diminished. This in turn can increase the number of non-major events and can give the appearance that reliably is getting worse when in fact overall reliability is improving.

Tree-caused outages inside of ROW over which the Company has control have been reduced by 56% from 1,121[3] in 2013 to 494[4] in 2017. This alone demonstrates that the ESRR has delivered significant reliability value to customers.

D. An evidentiary hearing is not needed in this case.

An evidentiary hearing is not needed in this case. The Company has maintained its four-year trim cycle as shown in the data provided to Staff and discussed above, and Staff has found that all ESRR costs were prudently incurred. Although the Company was not able to clear 100% of its approximately 8,000 circuit miles of vegetation in certain years before and after 2016 – the year that is the sole subject of this proceeding – due to circumstances listed by the Company, the Company has completed a full four-year trim on all circuits. OCC's assertions regarding outages caused by trees outside of ROW are not

[3] In the Matter of the Annual Report of Electric Distribution System Reliability Pursuant to Rule 4901:1-10-10(C), Case 14-517-EL-ESS (Mar. 31, 2014).

[4] In the Matter of the Annual Report of Electric Distribution System Reliability Pursuant to Rule 4901:1-10-10(C), Case 18-992-EL-ESS (Mar. 29, 2018).

within the scope of the ESRR plan and are not relevant due to the Company completing the trimming of all circuits within the four-year cycle. In addition, OCC's allegations of double recovery of vegetation management costs through the ESRR and Distribution Investment Rider (DIR) are proven incorrect in the cases, which OCC cites, where the external auditor has reviewed DIR data through 2017 and has not determined that there has been double recovery[5]. The Company has already addressed those arguments in the DIR cases cited below, and it has demonstrated no double recovery has occurred.

IV. Conclusion

In this proceeding, AEP Ohio is requesting approval of its prudently incurred costs in 2016 to maintain its four year trim cycle. There was not a cap on such costs in that year, but rather a Commission order requiring a prudency review. Neither Staff nor OCC has questioned the prudency of any costs that the Company incurred in connection with its vegetation management activities in the ESRR. The Company has completed its four-year trim cycle and the activities it has undertaken through the ESRR both have improved and continue to improve reliability for customers. For these reasons and those set forth in the Company's June 25, 2018 Comments, the Commission should approve the Company's application as filed.

Respectfully submitted,

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[5] Case No. 17-0038-EL-RDR, Compliance Audit at 58 (Aug. 10, 2017); Case No. 18-0230-EL-RDR, Compliance Audit at 62 (Aug.t 23, 2018).

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 *Ohio Power Company's Reply Comments* was sent by, or on behalf of, the undersigned counsel to the following parties of record this 18th day of January 2019, via electronic transmission.

/s/Steven T. Nourse
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