

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the 2016 Review of)
the Distribution Investment Rider) Case No. 17-0038-EL-RDR
Contained in the Tariff of Ohio)
Power Company.)

In the Matter of the 2017 Review of)
the Distribution Investment Rider) Case No. 18-0230-EL-RDR
Contained in the Tariff of Ohio)
Power Company.)

**DIRECT TESTIMONY
OF
JEFFREY P. HECKER
IN OPPOSITION TO THE JOINT STIPULATION AND RECOMMENDATION**

On Behalf of
The Office of the Ohio Consumers' Counsel
65 East State Street, 7th Floor
Columbus, Ohio 43215-4213

August 20, 2019

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PUCO Case No. 17-0038-EL-RDR et al.*

1 **I. INTRODUCTION**

2

3 ***Q1. PLEASE STATE YOUR NAME AND PLACE OF EMPLOYMENT.***

4 ***A1.*** My name is Jeffrey P. Hecker. My business address is 65 East State Street, 7th
5 Floor, Columbus, Ohio 43215. I am a Senior Regulatory Analyst with the Office
6 of the Ohio Consumers' Counsel ("OCC").

7

8 ***Q2. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND***
9 ***PROFESSIONAL EXPERIENCE.***

10 ***A2.*** I achieved a Bachelor of Science Degree in Business with a major in Accounting
11 from Miami University in Oxford, Ohio, in May 1980.

12

13 After graduation, I worked as an accountant/analyst at several companies until
14 December 2004, when I joined the Public Utilities Commission of Ohio
15 ("PUCO"). At the PUCO, I was a Utility Specialist II until November 2017. I was
16 mostly responsible for audits of base rate and rider cases (such as the Enhanced
17 Service Reliability Rider from prior years, grid modernization riders, storm
18 recovery riders, and many others) and utility financing cases (often called
19 Applications to Issue Stocks/Securities).

20

21 I joined the OCC in January 2018 as a Senior Regulatory Analyst. My primary
22 responsibility at OCC is to assist it in participating in various electric and gas

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1 industry regulatory proceedings before the PUCO. These proceedings include
2 rate cases, rider cases, cost of capital, alternative regulation, and other types of
3 cases filed by Ohio's regulated utilities.

4

5 ***Q3. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THE PUBLIC***
6 ***UTILITIES COMMISSION OF OHIO?***

7 ***A3.*** Yes. A list of these cases is shown in Attachment JPH-1.

8

9 ***Q4. WHAT IS THE PURPOSE OF THIS TESTIMONY?***

10 ***A4.*** The purpose of this testimony is to explain and support OCC's recommendation
11 that the PUCO should reject the Joint Stipulation and Recommendation
12 ("Settlement") filed on July 2, 2019, by Ohio Power Company ("AEP") in this
13 proceeding concerning the collection from certain customers 2016 and 2017
14 Distribution Investment Rider ("DIR")¹ charges. I will explain why the
15 Settlement fails to meet the three-prong test used by the PUCO to evaluate
16 settlements.

¹ *In the Matter of the Review of the Distribution Investment Rider Contained in the Tariff of Ohio Power Co., Case 17-38-EL-RDR et al*, Joint Stipulation and Recommendation (July 2, 2019).

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II. ANALYSIS AND RECOMMENDATIONS

***Q5. WHAT IS YOUR UNDERSTANDING OF HOW THE PUCO DETERMINES
THE REASONABLENESS OF A SETTLEMENT?***

A5. From my years of experience at the PUCO and OCC doing audits and preparing testimony, I understand that the PUCO judges the reasonableness of a settlement under the following three-prong test:

- (1) Is the proposed settlement a product of serious bargaining among capable, knowledgeable parties?
- (2) Does the proposed settlement, as a package, benefit customers and the public interest?
- (3) Does the proposed settlement package violate any important regulatory principle or practice?²

***Q6. DOES THE SETTLEMENT BENEFIT CUSTOMERS AND THE PUBLIC
INTEREST?***

A6. No. The proposed Settlement does not benefit customers and the public interest. Were the Settlement adopted, AEP would be overcharging customers for 2016

² See, e.g., Case No. 12-1230-EL-SSO, In the Matter of Ohio Edison Company, The Cleveland Electric Illuminating Company and the Toledo Edison Company for Authority to Provide a Standard Service Offer Pursuant to Section 4928.143, Revised Code in the Form of an Electric Security Plan, July 18, 2012, Opinion and Order at p. 24.

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1 and 2017 through the DIR for incentive pay, capitalization of excessive spare
2 equipment, and capitalization of tree trimming costs.

3
4 ***Q7. HOW DOES THE PROPOSED SETTLEMENT ADDRESS THE BLUE***
5 ***RIDGE FINDING THAT AEP OVER-CHARGED CUSTOMERS THROUGH***
6 ***THE DIR APPROXIMATELY \$1.7 MILLION FOR INCENTIVE***
7 ***COMPENSATION?***

8 ***A7.*** PUCO Staff and AEP agree that the issue of including incentive compensation in
9 the DIR is best addressed in a future rate case.³ Therefore, the Settlement permits
10 AEP to retain the overcharges (as found by Blue Ridge) to customers for
11 incentive compensation (\$1.7 million from inception of the rider until 2016) until
12 the resolution of the rate case that AEP is expected to file in 2020.

13
14 But the PUCO should take note that there is no guarantee that AEP will actually
15 file a rate case in 2020 or that the results would eliminate incentive compensation
16 from the DIR. Accordingly, the proposed Settlement does not resolve the
17 Auditor's finding that AEP overcharged customers through the DIR
18 approximately \$1.7 million for incentive compensation through 2016.⁴ Therefore,

³ *In the Matter of the Review of the Distribution Investment Rider Contained in the Tariff of Ohio Power Co., Case 17-38-EL-RDR et al*, Joint Stipulation and Recommendation (July 2, 2019) at 3.

⁴ *In the Matter of the Review of the Distribution Investment Rider Contained in the Tariff of Ohio Power Co., Case 17-38-EL-RDR et al*, Compliance Audit of the 2016 Distribution Investment Rider (August 9, 2017) at 23.

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1 this does not benefit customers or the public interest and violates regulatory
2 principle and practices.

3
4 ***Q8. PLEASE EXPLAIN WHY CHARGING CONSUMERS FOR INCENTIVE***
5 ***COMPENSATION IS NOT IN THE PUBLIC INTEREST AND SHOULD BE***
6 ***EXCLUDED NOW FROM THE DIR.***

7 ***A8.*** The reason why incentive pay, especially as it relates to financial incentives,
8 should not be included in the revenue requirement is because these financial
9 incentives are paid to AEP employees when established profitability (or other)
10 targets are met. Perversely, the profitability targets can be met by charging
11 customers more in rates or riders such as the DIR. The primary beneficiary of
12 meeting the targets is AEP's shareholders – *not* consumers. This is why OCC (and
13 usually PUCO Staff) dispute charges to utility consumers that include utility
14 incentive pay, especially if the incentives are based on financial performance of
15 the utility.⁵ Therefore, this also does not benefit customers or the public interest
16 and violates regulatory principal and practices. Blue Ridge concluded in this case
17 that \$353,207 in inappropriate incentive-related costs were included in the DIR
18 and charged to consumers in 2016. It calculated that \$1.7 million has been
19 included and charged to consumers since the DIR was initiated through 2016.

⁵ See, e.g., *In the Matter of the Application of Duke Energy Ohio, Inc. for Recovery of Program Costs, Lost Distribution Revenue, and Performance Incentives Related to its Energy Efficiency and Demand Response Programs*, Case Nos. 16-664-EL-RDR and 17-781-EL-RDR, Finding and Order (May 15, 2019) at 3 and 4.

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1

2 Also, charging customers for incentive compensation in the DIR is especially
3 problematic given that the DIR investments are not resulting in AEP achieving
4 reliability benefits that were intended by the established standards, as explained
5 more thoroughly by OCC Witness James Williams.

6

7 ***Q9. HAS THERE BEEN PRECEDENT FOR COMMISSION RULINGS***
8 ***REGARDING DISALLOWANCE OF INCENTIVE PAYMENTS?***

9 ***A9.*** Yes. In FirstEnergy's last base rate case, 07-551-EL-AIR, the Commission ruled
10 that "to the extent that financial incentives are awarded for achieving financial
11 goals, the primary benefit of such financial incentives accrues to shareholders and
12 that portion of incentive compensation should not be recovered from ratepayers."⁶

13

14 ***Q10. WHAT ARE YOUR RECOMMENDATIONS REGARDING INCENTIVE***
15 ***COMPENSATION BEING INCLUDED IN THE DIR?***

16 ***A10.*** The PUCO should protect consumers and the public interest by rejecting the
17 Settlement. The PUCO Staff or an independent auditor should calculate the
18 actual amount of incentive compensation that AEP has charged to consumers

⁶ *In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company for Authority to Increase Rates for Distribution Service, Modify Certain Accounting Practices, and for Tariff Approvals*, Case No. 07-551-EL-AIR et al, Opinion and Order (January 21, 2009) at 17.

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1 through the DIR since its inception in 2012, including \$353,207 in incentive
2 compensation that Blue Ridge calculated for 2016 as being inappropriately
3 included in the DIR. This refund of the incentive compensation is permitted by
4 the tariff language.⁷ AEP should be instructed to refund that amount to customers
5 with interest through adjustments to the DIR's quarterly revenue requirements
6 until customers are made whole, consistent with AEP's tariff.

7

8 ***Q11. DOES THE PROPOSED SETTLEMENT ADDRESS THE AUDITOR'S***
9 ***CONCLUSION THAT AEP COULD HAVE PROCURED ALMOST \$1.9***
10 ***MILLION IN SPARE EQUIPMENT IN A MORE COST-EFFECTIVE***
11 ***MANNER?***

12 ***A11.*** No. The Settlement does not address that issue. Blue Ridge recommended and
13 the Settlement provides that "a further review by the next DIR auditor of the
14 capital spares activity will be conducted in a future DIR audit."⁸ That
15 recommendation is necessary for future audits.

16

17 But AEP's efforts to charge consumers for spare parts in *this case* needs to be
18 addressed. So Blue Ridge's recommendation does not go far enough. To leave
19 the full amount (\$1.9 million) of equipment currently in stock and already

⁷ See Ohio Power Company Tariff Sheet No. 489-1.

⁸ *In the Matter of the Review of the Distribution Investment Rider Contained in the Tariff of Ohio Power Co., Case 17-38-EL-RDR et al*, Joint Stipulation and Recommendation, July 2, 2019 at 5.

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1 capitalized is unreasonable. Transformers and other capital equipment have been
2 capitalized by AEP upon purchase. That has created an incentive for AEP to
3 purchase large quantities of spare transformers, meters, and other potentially
4 expensive capital equipment on which it can earn a return of and on investment –
5 and as a result, charge customers through the DIR.

6
7 But the statutory purpose of the DIR is to support distribution
8 infrastructure modernization.⁹ Allowing AEP to charge consumers in this
9 case through the DIR for large quantities of expensive spare equipment is
10 fundamentally unfair to them and unlawful because the equipment is not
11 used and useful or providing customers service, and it is not necessarily
12 for infrastructure modernization. Therefore, this does not benefit
13 customers and the public interest and violates regulatory principle and
14 practices. These types of charges should be ineligible for collection from
15 Ohio customers through the DIR.

16
17 ***Q12. WHAT IS YOUR RECOMMENDATION REGARDING THE***
18 ***PROCUREMENT OF CAPITAL SPARES THROUGH THE DIR?***

19 ***A12.*** The PUCO should adopt Blue Ridge's recommendation and require an analysis to
20 be performed of AEP's capital spares policy on a going-forward basis. This

⁹ Ohio Revised Code 4928.143(B)(2)(h).

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1 analysis should be performed by Blue Ridge (or another independent auditor) and
2 involve a comprehensive examination of AEP's policy during the next
3 compliance audit to ensure that only spare parts that are procured in a cost-
4 effective manner are included in the DIR. But in this case, the PUCO should go
5 further. It should disallow charges to the DIR based on excessive spend by AEP
6 on spare parts.

7
8 ***Q13. DOES THE PROPOSED SETTLEMENT PROVIDE A REASONABLE***
9 ***RESOLUTION OF BLUE RIDGE'S FINDINGS REGARDING THE***
10 ***POTENTIAL THAT AEP IS CHARGING CUSTOMERS MULTIPLE TIMES***
11 ***FOR CERTAIN VEGETATION MANAGEMENT COSTS IN VIOLATION OF***
12 ***THE ORDER APPROVING THE DIR?***

13 ***A13.*** No. The proposed Settlement permits AEP to continue capitalizing tree-trimming
14 costs and charge consumers for them through the DIR. The PUCO approved
15 AEP's DIR spending conditioned upon several factors. The PUCO's factors
16 included an annual prudence review and the assurance of no double charges to
17 customers of amounts included in base rates and amounts charged to customers
18 through other riders.¹⁰ For this reason, the Settlement does not benefit customers

¹⁰ *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 (August 8, 2012) at 47.

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1 and is not in the public interest, and violates important regulatory principles and
2 practices.

3
4 ***Q14. DO YOU THINK THAT AEP'S POLICY OF CAPITALIZING CERTAIN***
5 ***TREE TRIMMING COSTS IS JUST AND REASONABLE?***

6 ***A14.*** No. AEP's capital policy states that costs for the initial clearing inside the right of
7 way are eligible for capitalization. After the initial clearing, removal of trees can
8 be capitalized based on the diameter of the tree being removed. If the diameter is
9 greater than 18 inches, the assumption is that the tree was not removed when the
10 initial clearing was performed and should have been capitalized at that time.

11
12 This policy is not just and reasonable and harms consumers because it creates an
13 incentive for AEP to remove trees of greater than 18 inches in diameter – whether
14 they need to be removed or not – so it can earn a return on and of investment on
15 associated expenditures. Further, this policy makes it is very difficult, if not
16 impossible, for an auditor to verify that AEP's vegetation management costs are
17 accurately recorded in the DIR as required by the PUCO. Because the tree
18 purportedly with a diameter of greater than 18 inches is gone, there is no objective
19 evidence to confirm that the tree was properly recorded in the DIR.

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1 ***Q15. WAS BLUE RIDGE ABLE TO CONFIRM THAT AEP WAS NOT***
2 ***PROPERLY SEPARATING THE COSTS BETWEEN CAPITAL AND***
3 ***EXPENSE?***

4 ***A15.*** No. Blue Ridge stated in its comments that it is “impossible for Blue Ridge to
5 determine whether some costs are in the DIR that the Company designated as
6 capital but which, according to Blue Ridge’s interpretation of the Federal Energy
7 Regulatory Commission (FERC) definition, should be expense.”¹¹

8
9 ***Q16. IS IT POSSIBLE THAT THE SAME COSTS COULD BE COLLECTED***
10 ***MULTIPLE TIMES IN DIFFERENT RIDERS?***

11 ***A16.*** Yes. There is a possibility that customers are paying multiple times for the same
12 vegetation management projects; therefore, the PUCO should not allow AEP the
13 following: 1) To earn a return on and of vegetation management costs in the DIR;
14 2) To collect over \$50 million annually in vegetation management costs in base
15 rates; and 3) To collect tree trimming costs through the ESRR rider. AEP has the
16 money it needs to fund its vegetation management program and to provide
17 customers with safe and reliable service without reliance on the DIR. If it
18 determines in a future base rate proceeding that it spends more than it collects

¹¹ *In the Matter of the Review of the Distribution Investment Rider Contained in the Tariff of Ohio Power Co., Case 18-230-EL-RDR et al*, Compliance Audit of the 2017 Distribution Investment Rider (DIR) (August 23, 2018) at 12.

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1 through base rates and the ESRR, then its base rates can be adjusted so it can
2 collect the appropriate tree trimming costs.

3
4 ***Q17. DO YOU AGREE WITH AEP'S TESTIMONY REGARDING WHETHER***
5 ***THESE COSTS SHOULD BE EXPENSED OR CAPITALIZED?***

6 ***A17.*** No. Ms. Moore stated that if tree-trimming costs are expensed rather than
7 capitalized it "will have a customer bill impact that would immediately recognize
8 the full cost of the expense in rates rather than a smaller amount over time."¹² I
9 disagree. Capitalizing more costs results in AEP earning a return on and of the
10 investment, which is generally greater than the time value of money. Over time,
11 this will add up to a much larger charge to customers than expensing the costs up
12 front.

13
14 ***Q18. DOES THE PROPOSED SETTLEMENT END THE PRACTICE OF AEP***
15 ***INAPPROPRIATELY CAPITALIZING TREE-TRIMMING COSTS AND***
16 ***CHARGING CONSUMERS FOR THEM THROUGH THE DIR RIDER?***

17 ***A18.*** No. The proposed Settlement states that during a "transition period," which is "the
18 period between the date of this settlement and the date the new rates become

¹² *In the Matter of the Review of the Distribution Investment Rider Contained in the Tariff of Ohio Power Co., Case 17-38-EL-RDR et al, Direct Testimony of Andrea E. Moore on Behalf of Ohio Power Company (May 17, 2019) at 11.*

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1 affective as a result” of the next rate case, AEP “will continue its current
2 accounting approach for tree removal . . . as well as capitalize ‘danger trees.’”¹³

3

4 ***Q19. IS IT JUST AND REASONABLE FOR AEP TO CAPITALIZE COSTS FOR***
5 ***“DANGER TREES” THROUGH THE DIR?***

6 ***A19.*** No. Just like capitalizing trees over 18-inch diameter after the initial
7 clearing, the incentive is too great for AEP to capitalize as many danger
8 trees as it possibly can without any real “check” by auditors (there is no
9 meaningful way that an auditor can confirm, after the fact, whether it was
10 a “danger tree” that was removed). Therefore, the Settlement is not in the
11 public interest and is not consistent with PUCO practices and policies.

12

13 It also goes against the rules for capitalization in the FERC Uniform
14 System of Accounts. Account 365, Overhead Conductors and Devices,
15 includes “tree trimming, initial cost including the cost of permits.”
16 Account 360, Land and Land Rights, says “do not include cost . . . to trim
17 trees.” The determination of what are “danger trees” would typically not
18 be in the initial cost of clearing. For these reasons the proposal does not
19 benefit customers and violates regulatory practices and principles.

20

¹³ *In the Matter of the Review of the Distribution Investment Rider Contained in the Tariff of Ohio Power Co., Case 17-38-EL-RDR et al*, Joint Stipulation and Recommendation, July 2, 2019 at 9.

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1 ***Q20. HOW MUCH IS THE DANGER TREE MITIGATION PROGRAM***

2 ***EXPECTED TO COST CONSUMERS THROUGH THE DIR?***

3 ***A20.*** According to AEP's responses to OCC STP INT-1-024 and OCC STP-INT-2-049
4 (attached as Attachments JPH-4 and JPH-5), the danger tree mitigation program is
5 expected to cost consumers over \$113 million between 2018 and 2021.

7 ***Q21. WHAT IS YOUR RECOMMENDATION REGARDING AEP CAPITALIZING***
8 ***TREE-TRIMMING COSTS UNDER THE DIR?***

9 ***A21.*** My recommendation is that the PUCO should reject the proposed Settlement. It
10 should order AEP to cease capitalizing tree-trimming costs after the initial tree
11 clearing is completed for the construction of the distribution line under the DIR.
12 Additionally, the PUCO should disallow the \$14,114,051 that AEP spent through
13 the DIR for danger tree removal in 2017. In addition, the 2019 amount of
14 \$23,396,667 (and other additional amounts that might be charged to capital this
15 year) should not be charged to the DIR. Further, AEP has stated that it had
16 capitalized about \$142.2 million for tree-trimming from 2009 to 2019.¹⁴ PUCO
17 Staff or an independent auditor should determine how much of this was for a tree-
18 trimming purpose other than initial tree clearing for the construction of the
19 distribution line. If any such other purpose is found, the PUCO should require
20 AEP to make correcting journal entries to remove the amounts from the DIR.

¹⁴ See AEP's supplemental response to OCC STIP INT-1-017 (attached herein as Attachment JPH-3).

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1 ***Q22. DOES THE PROPOSED SETTLEMENT VIOLATE ANY***

2 ***IMPORTANT REGULATORY PRINCIPLE OR PRACTICE?***

3 ***A22.*** Yes. State regulatory policy says that customers should not pay any more than is
4 just and reasonable for utilities to cover expenses and earn a reasonable profit. If
5 the PUCO allows AEP to include all of the charges it proposes in the DIR, in spite
6 of the recommendations by the Auditor selected by the PUCO, customers would
7 be paying more than just and reasonable rates for electric services. This is
8 because (as I discuss in more detail above) of the inclusion of financial incentives,
9 the costs of procuring large amounts of capital spares, and the capitalization of
10 certain tree trimming costs. Also, capitalizing tree trimming after the initial
11 clearing violates the capitalization guidelines in the FERC Uniform System of
12 Accounts. For these reasons, the Settlement violates regulatory principles and
13 practices and should be rejected.

14
15 **III. CONCLUSION**

16
17 ***Q23. PLEASE SUMMARIZE YOUR RECOMMENDATIONS?***

18 ***A23.*** Customers shouldn't be expected to pay any more than what is just and
19 reasonably necessary to support AEP's operations and a reasonable profit.
20 Incentive compensation should not be included as part of the charges to
21 consumers through the distribution investment rider, the amount of capital spares
22 should be analyzed to bring it to a more reasonable charge to be collected from

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1 consumers, and other than initial tree clearing for the construction of a
2 distribution line, AEP should not be authorized to capitalize tree trimming costs.
3 Anything capitalized after the initial tree clearing should be expensed as a
4 maintenance cost.

5

6 ***Q24. DOES THIS CONCLUDE YOUR TESTIMONY?***

7 ***A24.*** Yes. However, I reserve the right to supplement my testimony in the event that
8 additional testimony is filed, or if new information or data in connection with this
9 proceeding becomes available.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Direct Testimony of Jeffrey P. Hecker* on behalf of the Office of the Ohio Consumers' Counsel has been served upon those persons listed below via electronic service this 20th day of August, 2019.

/s/ William J. Michael
William J. Michael
Assistant Consumers' Counsel

SERVICE LIST

Steven.beeler@ohioattorneygeneral.gov

stnourse@aep.com
cmblend@aep.com

Attorney Examiners:

Sarah.parrot@puco.ohio.gov
Greta.see@puco.ohio.gov

Jeffrey P. Hecker
List of Testimonies Filed Before the PUCO

1. *In the Matter of the Application of Columbia Gas of Ohio, Inc. for Authority to Amend its Filed Tariffs to Increase the Rates and Charges for Gas Services and Related Matters*, Case No. 08-0072-EL-AIR (October 9, 2008).
2. *In the Matter of the Application of Duke Energy Ohio, Inc. for an Increase in Electric Distribution Rates*, Case No. 08-709-EL-AIR (March 30, 2009).
3. *In the Matter of the Application of Ohio American Water Company to Increase its Rates for Water and Sewer Services Provided to its Entire Service Area*, Case No. 09-391-WS-AIR (January 21, 2010).
4. *In the Matter of the Application of Duke Energy Ohio, Inc. to Establish and Adjust the Initial Level of its Distribution Reliability Rider (Hurricane Ike damages)*, Case No. 09-1946-EL-RDR (May 19, 2010).
5. *In the Matter of the Application of Duke Energy Ohio to Adjust Rider DR-IM and Rider AU for 2009 SmartGrid Costs*, Case No. 10-867-GE-RDR (December 20, 2010).
6. *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 4928.143, Ohio Rev. Code in the Form of an Electric Security Plan (Modified ESP)*, Case Nos. 11-346-EL-SSO, et al (August 4, 2011).
7. *In the Matter of the Application of Duke Energy Ohio, Inc., for an Increase in Electric Distribution Rates*, Case No. 12-1682-EL-AIR (March 19, 2013).
8. *In the Matter of the Application of Ohio Power Company to Update Its Transmission Cost Recovery Rider Rates*, Case No. 13-1406-EL-RDR (October 22, 2013).
9. *In the Matter of the Application of Duke Energy Ohio for Authority to Establish a Standard Service Offer Pursuant to 4928.143, Revised Code, in the Form of An Electric Security Plan, Accounting Modifications and Tariffs for Generation Service*, Case No. 14-841-EL-SSO (October 2, 2014).

10. *In the Matter of Application of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company for Authority to Provide for a Standard Service Offer Pursuant to R.C. 4928.143, in the Form of an Electric Security Plan, Case No. 14-1297-EL-SSO (September 18, 2015)*
11. *In the Matter of Application of Vectren Energy Delivery of Ohio, Inc. for Approval of an Increase in Gas Rates, Case No. 18-0298-GA-AIR (November 7, 2018).*
12. *In the Matter of the Application of Ohio Power Company to Updates Its Enhanced Service Reliability Rider for 2016, Case No. 17-1914-EL-RDR (May 3, 2019).*

INTERROGATORY

OCC STIP INT-2-047

What is the total dollar amount spent in 2017, 2018 and year-to-date in 2019 for each of the following:

- a. Danger trees: Capital and O&M?
- b. Inside ROW: Capital and O&M?
- c. Outside ROW: Capital and O&M?
- d. In what FERC account or subaccounts are these costs recorded?

RESPONSE

The Company objects to a request to identify analysis or calculation(s) that do not exist in the form requested or are not documented and cannot be discovered through an interrogatory or request for production. Without waiving the foregoing objection(s) or any general objection the Company may have, the Company states as follows. The calculation or analysis requested has not been completed. The Company only started tracking capital spend by inside and outside of ROW in 2018. In 2018 Danger Tree capital was \$14,114,051. Outside of ROW would only include capital for danger trees. All other capital and O&M for 2018 was inside ROW. For 2019 to date, the Company has spent \$23,396,667 capital on danger trees (outside of ROW). Capital is recorded to account 365 while O&M is recorded to account 593.

Prepared by:

Thomas A. Kratt

**OHIO POWER COMPANY'S RESPONSE TO
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL'S
DISCOVERY REQUEST
PUCO CASE NOS. 17-0038-EL-RDR AND 18-230-EL-RDR
SUPPLEMENTAL FIRST SET (OCC-STIP-1-017)**

INTERROGATORY

OCC STIP INT-1-017 On an annual basis between 2009 and 2019, what is the total amount that the company spent for tree-trimming as:
A. O&M expense;
B. Capital?

RESPONSE

The Company objects to the extent the request seeks information which is outside the scope of the case and is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence. Without waiving the foregoing objection or any general objection the Company may have, the Company states as follows.

For 2016, the post allocated spend was \$48,568,959 for O&M and \$8,297,788 for capital.

For 2017, the post allocated spend was \$51,625,550 for O&M and \$8,096,377 for capital.

Prepared by:

Andrea E. Moore

SUPPLEMENTAL RESPONSE

	Capital	O&M
2009	\$ 9,951,372.75	\$ 46,959,195.45
2010	\$12,415,734.31	\$ 51,342,305.80
2011	\$12,429,627.40	\$ 52,101,122.05
2012	\$ 9,655,966.15	\$ 47,891,522.48
2013	\$13,390,787.90	\$ 57,122,169.15
2014	\$18,723,797.05	\$ 56,303,056.72
2015	\$11,873,412.89	\$ 45,445,471.89
2016	\$ 8,297,788.35	\$ 48,568,958.49
2017	\$ 8,096,376.83	\$ 51,625,549.77
2018	\$19,819,519.21	\$ 49,210,334.44
2019	\$17,499,857.12	\$ 20,752,313.93

Prepared by:

Andrea E. Moore

**OHIO POWER COMPANY'S RESPONSE TO
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL'S
DISCOVERY REQUEST
PUCO CASE NOS. 17-0038-EL-RDR AND 18-230-EL-RDR
FIRST SET (STIP)**

INTERROGATORY

OCC STIP INT-1-024

Under the joint Stipulation and Recommendation on Page 9, how many danger trees does the company expect to remove on an annual basis between 2019 and 2021?

RESPONSE

During 2019, the Company expects to remove approximately 135,000 danger trees. During years 2020 and 2021, the Company expects to remove approximately 61,000 trees each year. These estimates are preliminarily based on current forecasted spend amounts and are subject to change (2019 = \$50 million, 2020 & 2021 = \$22.5 million).

Prepared by:
Thomas A. Kratt

INTERROGATORY

OCC STIP INT-2-049

Referring to the Company response to OCC STIP RPD-1-001, the AEP Ohio Rule 10 Action Plan discusses the trees outside ROW budget for 2018 and 2019 as \$17 million for 2018 and \$30 million for 2019.

- a. For 2019, how was the \$30 million budget for trees outside ROW calculated?
- b. Was the \$17 million for 2018 funded entirely through the DIR?
- c. What alternatives were considered for funding the \$17 million in 2018 and \$30 million in 2019 other than through the DIR rider?
- d. Are property owners asked to fund any portion of the outside ROW danger tree removal?
- e. Are outages caused by danger trees typically limited to a single customer or are multiple customers impacted by the outage?
- f. If a property owner does not provide permission to remove the danger tree, what actions are taken by the Company to secure removal of the tree?
- g. Are property owners compensated for the removal of the danger trees outside the ROW?
- h. Does AEP Ohio remove all of the debris from the property after danger trees outside the ROW have been removed?
- i. Is the stump of the danger tree removed from the property along with other debris?
- j. Is the ROW considered to have been expanded when and if danger trees are removed from outside the current ROW?

RESPONSE

- a. Danger trees are a leading cause of outages, and removing them is the best way of addressing this issue. For initial 2019 budget projections for danger trees, the Company utilized data from 2018. For 2019, the Company's initial forecast was to spend \$30 million associated with the danger tree program. At this forecasted spending level, the Company intended to keep all the dedicated danger tree crews from the 2018 for the entirety of 2019. After evaluating the initial 2019 plan, resource availability and historical reliability data related to danger trees, the Company increased the danger tree spending plan to \$50 million for 2019. At the \$50 million spending level for danger trees, the Company expects to remove approximately 135,000 danger trees.
- b. Yes.
- c. None.
- d. No, property owners are not asked to fund the mitigation of danger trees.
- e. Outages caused by danger trees may impact a single customer, but typically impact multiple customers.
- f. If a property owner does not provide permission to remove an identified danger tree, AEP Ohio forestry personnel discuss the safety and reliability hazards associated with not

mitigating the hazard. If the property owners continues to refuse, the Company will not remove the danger tree(s).

- g. No. Property owners are not compensated for danger tree removal.
- h. No. However, AEP Ohio may remove debris in maintained or landscaped areas as agreed upon with the property owner.
- i. No. See response to OCC STIP INT-2-049-h.
- j. No, danger tree removal is not considered expanding the RoW.

Prepared by:

Thomas A. Kratt

Andrea E. Moore

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Case No(s). 17-0038-EL-RDR, 18-0230-EL-RDR

Summary: Testimony Direct Testimony of Jeffrey P. Hecker in Opposition to the Joint Stipulation and Recommendation on Behalf of the Office of the Ohio Consumers' Counsel electronically filed by Ms. Deb J. Bingham on behalf of Michael, William J. Mr.