

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the 2016 :
Review of the Distribution:
Investment Rider Contained: Case No. 17-38-EL-RDR
in the Tariff of Ohio :
Power Company. :
:
In the Matter of the 2017 :
Review of the Distribution:
Investment Rider Contained: Case No. 18-230-EL-RDR
in the Tariff of Ohio :
Power Company. :

- - -

PROCEEDINGS

before Ms. Greta See and Ms. Sarah Parrot, Attorney
Examiners, at the Public Utilities Commission of
Ohio, 180 East Broad Street, Room 11-C, Columbus,
Ohio, called at 9:05 a.m. on Friday, August 30, 2019.

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On behalf of the Applicant.

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Assistant Consumers' Counsel
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On behalf of the Residential Utility
Customers of AEP.

Dave Yost, Ohio Attorney General
By Mr. Steven Beeler,
Assistant Section Chief
Public Utilities Commission
30 East Broad Street, 16th Floor
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On behalf of the Staff of the PUCO.

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1 Friday Morning Session,
2 August 30, 2019.

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4 EXAMINER SEE: Let's go on the record.

5 Scheduled for hearing today at this time
6 are our Case Nos. 17-38-EL-RDR being entitled in the
7 Matter of the Review of the Distribution Investment
8 Rider of Ohio Power Company -- I'm sorry, Investment
9 Rider Contained in the Tariff of Ohio Power Company
10 and Case No. 18-230-EL-RDR entitled in the Matter of
11 the Review of the Distribution Investment Rider
12 Contained in the Tariff of Ohio Power Company.

13 My name is Greta See, and to my left is
14 Sarah Parrot. And we are the Attorney Examiners
15 assigned by the Commission to hear these cases.

16 At this time I would like to take
17 appearances of the parties. On behalf of Ohio Power
18 Company.

19 MR. NOURSE: Thank you, your Honor. On
20 behalf of Ohio Power Company, Steven T. Nourse,
21 Andrea -- excuse me, Christen M. Blend, 1 Riverside
22 Plaza, Columbus, Ohio 43215.

23 EXAMINER SEE: On behalf of Ohio
24 Consumers' Counsel.

25 MR. MICHAEL: Good morning, your Honor.

1 On behalf of AEP's residential utility consumers, the
2 Office of the Ohio Consumers' Counsel by Bill
3 Michael.

4 EXAMINER SEE: And on behalf of Staff of
5 the Public Utilities Commission.

6 MR. BEELEER: Thank you, your Honor. On
7 behalf of the Staff of the Public Utilities
8 Commission of Ohio, Attorney General Dave Yost, I'm
9 Assistant Attorney General Steven Beeler, 30 East
10 Broad Street, 16th Floor, Columbus, Ohio 43215.
11 Thank you.

12 EXAMINER SEE: Okay. Mr. Nourse.

13 MR. NOURSE: Thank you, your Honor. If
14 we could mark a couple of exhibits before we call the
15 first witness, I think that would be helpful.

16 EXAMINER SEE: Yes.

17 MR. NOURSE: We do have Joint Exhibit 1
18 which is the Stipulation and Recommendation filed in
19 these dockets on July 2 this year. Does the Bench
20 already have copies?

21 EXAMINER SEE: Yes.

22 MR. NOURSE: Okay. And Mr. Beeler.

23 MR. BEELEER: Your Honor, the parties have
24 agreed to stipulate the audit reports into the
25 record. So I would -- I would move for the admission

1 and have marked as Staff Exhibit 1 the audit report
2 from Case No. 17-0038-EL-RDR, and that was submitted
3 on August 9, 2017; and then to have marked and
4 admitted as Staff Exhibit 2 the audit report in Case
5 No. 18-230-EL-RDR and that was submitted in the
6 docket on August 23, 2018.

7 EXAMINER SEE: The exhibits are so
8 marked.

9 (EXHIBITS MARKED FOR IDENTIFICATION.)

10 MR. NOURSE: Thank you, your Honor.
11 Ms. Blend will call our first witness.

12 MS. BLEND: Thank you, your Honor. The
13 Company calls Andrea E. Moore.

14 Your Honor, may I approach briefly?

15 EXAMINER SEE: Yes.

16 (Witness sworn.)

17 EXAMINER SEE: Thank you. Have a seat.

18 MS. BLEND: Does the Bench need copies of
19 Ms. Moore's testimony?

20 EXAMINER SEE: No.

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ANDREA E. MOORE

being first duly sworn, as prescribed by law, was
examined and testified as follows:

DIRECT EXAMINATION

By Ms. Blend:

Q. Good morning, Ms. Moore.

A. Good morning.

Q. Would you please state and spell your
name for the record.

A. My name is Andrea Moore, A-N-D-R-E-A
M-O-O-R-E.

Q. And by whom are you employed and in what
capacity?

A. I'm employed by Ohio Power Company as the
Director of Regulatory Services.

Q. And do you have before you a copy of your
supplemental testimony filed in these cases on July
15, 2019?

A. Yes.

MS. BLEND: At this time, your Honor, I
would like to mark Ms. Moore's supplemental testimony
filed July 15, 2019, as AEP Ohio Exhibit No. 1.

(EXHIBIT MARKED FOR IDENTIFICATION.)

Q. Ms. Moore, was AEP Ohio Exhibit No. 1
prepared by you or under your direction?

1 A. Yes.

2 Q. Do you have any changes or corrections to
3 your testimony at this time?

4 A. No.

5 Q. And if I were to ask you the questions
6 contained in AEP Ohio Exhibit No. 1 today, would your
7 answers be the same?

8 A. Yes.

9 MS. BLEND: Thank you. At this time the
10 Company moves for admission of AEP Exhibit No. 1,
11 subject to cross-examination.

12 EXAMINER SEE: Any -- any cross for this
13 witness?

14 MR. MICHAEL: Not from OCC, your Honor.

15 EXAMINER SEE: Mr. Beeler?

16 MR. BEELE: No cross, your Honor. Thank
17 you.

18 EXAMINER SEE: Okay. The Bench has no
19 questions either so thank you very much, Ms. Moore.
20 You may step down.

21 MR. NOURSE: And the Company calls Thomas
22 Kratt.

23 EXAMINER SEE: Are there any objections
24 to the admission of AEP Exhibit 1?

25 MR. MICHAEL: Not from OCC, your Honor.

1 MR. BEELEER: No objections from Staff,
2 your Honor. Thank you.

3 EXAMINER SEE: AEP Exhibit 1 is admitted
4 into the record.

5 (EXHIBIT ADMITTED INTO EVIDENCE.)

6 EXAMINER SEE: Mr. Nourse, go ahead.

7 MR. NOURSE: Thank you, your Honor. The
8 Company calls Thomas Kratt.

9 Your Honor, first -- I'm sorry.

10 (Witness sworn.)

11 EXAMINER SEE: Thank you. Have a seat.

12 MR. NOURSE: Your Honor, I would just
13 like to mark the prefiled supplemental testimony of
14 Thomas Kratt filed July 15 in these two dockets as
15 Company Exhibit No. 2. Does the Bench need copies?

16 EXAMINER SEE: No. Thank you.

17 (EXHIBIT MARKED FOR IDENTIFICATION.)

18 - - -

19 THOMAS A. KRATT

20 being first duly sworn, as prescribed by law, was
21 examined and testified as follows:

22 DIRECT EXAMINATION

23 By Mr. Nourse:

24 Q. Good morning, Mr. Kratt.

25 A. Good morning.

1 Q. Do you have the document we just marked
2 as AEP Ohio Exhibit No. 2 with you, your supplemental
3 testimony?

4 A. Yes, I do.

5 Q. And is this your testimony prepared by
6 you under your direction?

7 A. Yes.

8 Q. Do you have any -- actually let me back
9 up and ask you to state your name and business
10 address, please.

11 A. My name is Thomas Kratt. I'm Vice
12 President of Distribution Operations for AEP Ohio.
13 My address is 700 Morrison, Gahanna, Ohio.

14 Q. Okay. Turning back to Exhibit 2, do you
15 have any changes, corrections, or additions to your
16 prefilled written testimony you would like to make at
17 this time?

18 A. No.

19 Q. Okay. With that, if I ask you all the
20 same questions in your testimony, would your answers
21 be the same today?

22 A. Yes.

23 MR. NOURSE: Thank you, your Honor.
24 Company would move for the admission of Exhibit No.
25 2, subject to cross-examination.

1 EXAMINER SEE: Any cross-examination for
2 this witness? Mr. Etter?

3 MR. ETTER: Thank you, your Honor.

4 - - -

5 CROSS-EXAMINATION

6 By Mr. Etter:

7 Q. Good morning, Mr. Kratt. I am trying to
8 find the spot in your testimony. I thought it was on
9 page 9, but I believe in your testimony you discuss
10 the amount of money that AEP has spent on the danger
11 tree program; is that correct?

12 A. Can you tell me what page you are talking
13 about here?

14 Q. Yeah. I thought it was on page 9, but I
15 don't see it on page 9.

16 MR. NOURSE: Well, Mr. Etter, there is no
17 page 9, I don't think.

18 MR. ETTER: Pardon?

19 MR. NOURSE: There is no page 9 to
20 Exhibit 2.

21 Q. Oh, it is on page 7, I'm sorry. Starting
22 on line 6 you discuss the amount of money that AEP
23 has spent on the danger tree program. Do you see
24 that there?

25 A. That's correct, on line 6 I do, yes.

1 Q. Yeah. And you state in 2018, AEP spent
2 \$14.1 million on the program, correct?

3 A. Correct.

4 Q. Did all that money come from the DIR?

5 A. Yes.

6 Q. And you state there that -- on line 8
7 that AEP projects that it will spend \$50 million in
8 2019. Do you see that?

9 A. Yes.

10 Q. Will all that money come from the DIR?

11 A. Yes.

12 Q. Now, on page 8, lines 1 through 10 of
13 your testimony, you discuss data that AEP will
14 provide to the PUCO Staff, correct?

15 A. On page 8, what lines did you say again?

16 Q. 1 through 10.

17 A. Yes.

18 Q. And the time frame covering this data is
19 two years before the transition period through --
20 through the transition period; is that corrected?

21 A. I'm not sure I -- from -- help round me
22 here. I am not sure I understand your question.

23 Q. Well, on line 17 you state that the
24 amount of improvement will be measured by comparing
25 the number of outages caused by trees outside the

1 right-of-way during the transition period to the two
2 years subsequent to the two year trans -- transition
3 period.

4 A. Correct. Correct. I understand that to
5 mean that we are going to continue to provide data
6 until such time that we -- we file and finalize a
7 base case.

8 Q. Okay. And the base rate case is due to
9 be filed in June of 2020; is that correct?

10 A. I don't know that. I would have to defer
11 to Witness Moore for that.

12 Q. Okay. And when you discuss the
13 transition period, then you are talking about the
14 same period that Ms. Moore was talking about in her
15 supplemental testimony?

16 A. Yes, I believe.

17 Q. Okay. And the settlement was signed on
18 July 15 of 2019 so how far back will AEP provide
19 information to -- to the Staff?

20 A. So I haven't -- I haven't been asked that
21 question, but I'm willing to say as far back as 2018,
22 since we started the program, we would be willing to
23 provide that data to Staff.

24 Q. And so you're basically providing data
25 for 2018, 2019, and 2020 if the rate case is filed in

1 2020; is that correct?

2 A. So we -- I don't know exactly when the
3 filing is, okay? I am fairly new to AEP Ohio, okay?
4 My assumption would be not just to when we file the
5 case but until everything gets resolved, I will
6 continue to file the data with Staff to make sure
7 that you have the information you need to be able to
8 clearly see the program.

9 MR. ETTER: That's all I have, Mr. Kratt.
10 Thank you.

11 EXAMINER SEE: Mr. Beeler?

12 MR. BEELER: No questions, thank you.

13 EXAMINER SEE: Any redirect, Mr. Nourse?

14 MR. NOURSE: No, thank you, your Honor.

15 EXAMINER SEE: Okay. The Bench doesn't
16 have any questions for you either, Mr. Kratt. Thank
17 you very much.

18 THE WITNESS: Thank you.

19 EXAMINER SEE: Are there any objections
20 to the admission of AEP Exhibit 2?

21 MR. ETTER: No objection, your Honor.

22 MR. BEELER: No objections.

23 EXAMINER SEE: With that, AEP Ohio
24 Exhibit 2 is admitted into the record.

25 (EXHIBIT ADMITTED INTO EVIDENCE.)

1 MR. NOURSE: Thank you, your Honor.

2 MR. BEELER: At this time the Staff would
3 call Doris McCarter to the stand.

4 (Witness sworn.)

5 EXAMINER PARROT: Please have a seat.

6 MR. BEELER: May I approach?

7 EXAMINER PARROT: You may.

8 MR. BEELER: I would like to have marked
9 as Staff Exhibit 3 the testimony in support of the
10 Stipulation of Doris McCarter filed in the docket on
11 July 15, 2019.

12 EXAMINER PARROT: So marked.

13 (EXHIBIT MARKED FOR IDENTIFICATION.)

14 - - -

15 DORIS McCARTER

16 being first duly sworn, as prescribed by law, was
17 examined and testified as follows:

18 DIRECT EXAMINATION

19 By Mr. Beeler:

20 Q. Good morning.

21 A. Good morning.

22 Q. Please state your name for the record.

23 A. My name is Doris McCarter.

24 Q. By whom are you employed and what is your
25 position?

1 A. I am employed by the Public Utilities
2 Commission. I am the Division Chief for the Capital
3 Recovery and Financial Analysis Division.

4 Q. Okay. Do you have in front of you what
5 has been previously marked as Staff Exhibit 3?

6 A. Yes.

7 Q. What is that document?

8 A. That is my testimony in -- my filed
9 testimony in support of the Stipulation.

10 Q. Do you have any changes or corrections to
11 that testimony?

12 A. No.

13 Q. Is this testimony true and accurate to
14 the best of your knowledge?

15 A. Yes.

16 Q. If I asked you these same questions
17 today, would your answers be the same?

18 A. Yes.

19 MR. BEELER: At this time, your Honor, I
20 would move for the admission of Staff Exhibit 3,
21 subject to cross-examination.

22 EXAMINER PARROT: Thank you, Mr. Beeler.
23 Any cross from the Company?

24 MR. NOURSE: No, your Honor.

25 EXAMINER SEE: Mr. Etter?

1 MR. ETTER: Thank you, your Honor.

2 - - -

3 CROSS-EXAMINATION

4 By Mr. Etter:

5 Q. Good morning, Ms. McCarter.

6 A. Good morning.

7 Q. If you will turn to page 4 of your
8 testimony.

9 A. I'm there.

10 Q. On that page you list several ways that
11 you believe the settlement is in the public interest;
12 is that correct?

13 A. Yes.

14 Q. And the first thing you list is that "The
15 Stipulation results in an acknowledgment that several
16 operational areas will continue to be examined in the
17 next audit to determine AEP Ohio's adherence to good
18 business practices." Do you see that?

19 A. Yes, I do.

20 Q. What operational areas are you referring
21 to there?

22 A. If you go into the Stipulation, it lays
23 out the areas that Blue Ridge had recommended be
24 further examined in the next audit. And there -- and
25 there is an explicit acknowledgment in the

1 Stipulation that those will continue to be reviewed.

2 Q. And where is that located in the
3 Stipulation?

4 A. Let's see, it begins -- there is a few of
5 them. I am going to have to read them now. In terms
6 of operational, I think one of the things was -- I am
7 continuing to look. There was the capital spares
8 program that was going to be continued to be looked
9 at. There was the scoping of major projects that
10 were going to be continued to look at or in terms of
11 budget controls and also to make sure that the work
12 plan is complete before a project starts, looking at
13 the timely closure of inactive work orders, that kind
14 of operational things.

15 Q. Okay. And is that in the Stipulation
16 like from page 3 to -- whereabouts in the Stipulation
17 is that?

18 A. That's fine, that's fine. They are a
19 little bit spread out so that's a fair question. I
20 think the addressing of the auditor's recommendations
21 does begin on page 3 and for operational procedures
22 does continue to move through to 7.

23 Q. 3 through 7, okay. Thank you.

24 A. Let me just take a little bit of a look
25 beyond that because I am looking for operational, not

1 just things like filing and filing when they change
2 an out of retirement unit or make an on-top
3 adjustment to the filing. Just give me one second.

4 Yeah, and then the rest that come after
5 that are just sort of repeating since we have just
6 two cases involved, repeat them again but, yeah, 3
7 through 7.

8 Q. And did the -- are these the same
9 operational areas that the PUCO required to be
10 included in the annual DIR audits during the AEP's
11 last ESP case?

12 A. I do not recall that level of detail.

13 Q. But it's -- they were the operational
14 areas that were required to be audited in the RFP
15 that was issued in this case?

16 A. It takes a couple flavors. So, first,
17 when the audits start out, the auditors will tend to
18 look at operational areas, accounting issues, that
19 kind of thing, and then if they find something
20 that -- that they don't -- while I don't think that
21 AEP necessarily has a business practice issue like
22 maybe they are at least in their policies having best
23 business practices, they might find one or two work
24 orders or whatever that seem to have not adhered to
25 that. And so they tend to follow up.

1 It's not necessarily that they find it a
2 systemic issue. It's just something they recommend
3 keep being looked at, sort of probe it and grow it
4 over time, and see if there is a systemic error but
5 it hasn't seemed to raise to that level yet but we
6 just keep an eye on it every year. And so when I do
7 the RFPs, I reference the previous auditor
8 recommendations as a signal to whoever the next
9 auditor is include these in your review.

10 Q. And the ESP decision, the last ESP
11 decision, that required audits of the DIR?

12 A. Yes.

13 Q. And those audits were to continue through
14 the term of the ESP which is -- it ends on May 31,
15 2024; is that correct?

16 A. I think that's the right date. Yes.

17 Q. Okay.

18 A. They will run through the SSO.

19 Q. Subject to check.

20 A. Subject to check on the date.

21 Q. Okay. So the settlement pretty much just
22 tracks what the PUCO had already approved in the ESP
23 IV case as far as audits are concerned?

24 A. I guess I don't know what you mean by it
25 just tracks, the settlement just tracks.

1 Q. The ESP IV case had ordered audits and
2 through 2024 and this -- this settlement also orders
3 audits. How far into the future will -- will those
4 audits occur under the settlement?

5 A. Well, what the settlement is saying,
6 well, I guess I'm still not -- the audits continue
7 until the end of the SSO, so I'm sorry. I am not
8 understanding.

9 Q. Well, the settlement doesn't include any
10 additional audits that weren't already required by
11 the ESP IV case; is that correct?

12 A. Oh, you are talking a special audit
13 outside the annual audit?

14 Q. Yes.

15 A. Yes? No.

16 Q. Thank you. Now, your second bullet point
17 on page 4 of your testimony involves an agreement
18 with AEP to change its policy regarding the
19 capitalization and vegetation management costs,
20 especially regarding tree removal; is that correct?

21 A. Correct.

22 Q. And that accounting change will take
23 effect when the PUCO issues its order in AEP's next
24 rate case; is that correct?

25 A. Yes.

1 Q. Does -- do you know whether AEP currently
2 capitalizes vegetation management costs and charges
3 customers for it through the DIR?

4 A. If you mean the danger trees that we are
5 talking about here?

6 Q. Yeah.

7 A. Yeah.

8 Q. The capitalized costs, yes.

9 A. The capitalized costs associated with
10 this program are recovered through the DIR currently.

11 Q. And that includes tree trimming costs,
12 correct?

13 A. Yeah. For this program, yes.

14 MR. NOURSE: I'm sorry, your Honor.
15 Could I have that question and answer read back,
16 please.

17 (Record read.)

18 Q. (By Mr. Etter) So the settlement allows
19 AEP to continue charging customers for capitalized
20 tree trimming and other vegetation management costs
21 through the DIR until the PUCO order in the next rate
22 case; is that correct?

23 A. Yes.

24 Q. And just to be clear, the next rate case
25 is supposed to be filed by June 1 of 2020?

1 A. There is supposed to be a rate case by
2 June 1, 2020. Otherwise the DIR will go to zero. So
3 I assume that is a strong enough incentive to AEP,
4 yes.

5 Q. Is there an order that requires AEP to
6 file a distribution rate case by June 1 of 2020, a
7 PUCO order?

8 A. I believe it's that the DI -- for me it's
9 that the DIR will go to zero if they don't file June
10 1, 2020. All the indications that I have gotten from
11 the Company is that they will be filing but.

12 Q. And do you -- I'm sorry. Do you know
13 when that order was issued?

14 A. I'm not even sure of the year any more.
15 I don't know.

16 Q. Okay. Now, the third bullet point on
17 page 4 of your testimony is that AEP Ohio has
18 committed to provide information showing the
19 reduction of outages caused by the removal of trees
20 outside of the right-of-way and an explanation for
21 any circuit on which there has not been an
22 improvement. Do you see that?

23 A. Yes, I do.

24 Q. And you state there that the information
25 will permit the PUCO to monitor and confirm that

1 these expenditures are benefiting AEP Ohio customers
2 by reducing charges -- outages, excuse me, caused by
3 outside the right-of-way failures; is that correct?

4 A. Yes.

5 Q. Are outages caused by trees outside the
6 right-of-way a big problem for AEP Ohio in your
7 estimation?

8 A. From my discussions with SMED, they are a
9 leading cause of outages. And SMED is the Surface
10 Monitoring and Enforcement Department.

11 Q. But really there is no way to be sure
12 that removing trees outside the right-of-way actually
13 contributes to fewer outages, is there?

14 A. Could I have the question?

15 Q. There's no real way to measure, to
16 correlate the removal of trees outside the
17 right-of-way with fewer outages because there may be
18 many other factors, correct?

19 A. My understanding is that the causes for
20 outages are coded, so trees outside the right-of-way
21 are a code that is used when AEP explains what
22 activity is causing which outage.

23 Q. So it could be like what you are looking
24 for is a reduction of outages actually caused by
25 trees outside the right-of-way but there could be

1 many other factors that cause outages in AEP's
2 service territory; is that correct?

3 A. Yes.

4 Q. And clearing what are called danger trees
5 outside the right-of-way is part of AEP Ohio's
6 current vegetation management plan, correct?

7 A. Yes, it is.

8 Q. And AEP Ohio's customers pay for that
9 vegetation management plan, in part, at least through
10 base rates, correct?

11 A. Yes.

12 Q. Are you the Staff person who had
13 responsibility for the audits that were conducted by
14 Blue Ridge regarding the 2016 and 2017 DIR?

15 A. Yes.

16 Q. And are you the Staff person who has
17 responsibility for the 2018 DIR audit?

18 A. Yes.

19 Q. And the audit -- the audit report for the
20 2018 DIR was filed in Case No. 19-65 on July 30 of
21 this year, correct?

22 A. That sounds about right.

23 Q. And have you had the opportunity to
24 review that audit report?

25 A. Yes. Yes. If you ask me too many

1 detailed questions, I may not retain them all; but,
2 yes, I have reviewed it.

3 Q. Okay. Are you familiar with the findings
4 of the auditor in that report?

5 A. In general.

6 Q. And the auditor specifically reviewed
7 AEP's danger tree policy in that audit, correct?

8 A. Yes.

9 Q. And isn't it true that the auditor found
10 there was inadequate documentation analysis and
11 policies surrounding aspects of the capitalized tree
12 removal?

13 MR. NOURSE: Your Honor, I object if we
14 are going to get into the contents of the 2018 audit
15 report which hasn't been -- hasn't been litigated and
16 involves issues being presented in a separate case.
17 I was waiting for the connection to this case.

18 MR. BEELER: Yeah, I would join in that
19 objection, your Honor.

20 EXAMINER PARROT: Response?

21 MR. ETTER: Pardon?

22 EXAMINER PARROT: Response?

23 MR. ETTER: Well, your Honor, this is all
24 part of the ongoing audit and analysis of the DIR,
25 and this settlement will have an effect on future

1 collection under the DIR so that audit report is
2 relevant.

3 MR. NOURSE: But, again, your Honor, this
4 is not the case for that. The auditor is not here.
5 Company hasn't presented its view of that tentative
6 finding; and, you know, I don't think we can litigate
7 that question through Ms. McCarter today.

8 EXAMINER PARROT: The objection is
9 sustained.

10 Q. (By Mr. Etter) Ms. McCarter, do you know
11 whether the danger trees that are discussed in the
12 settlement were trimmed by AEP during previous
13 cycles, previous tree-trimming cycles?

14 A. I do not.

15 MR. ETTER: That's all we have, your
16 Honor. Thank you.

17 EXAMINER PARROT: Thank you, Mr. Etter.
18 Any redirect?

19 MR. BEELER: May we have one moment?

20 EXAMINER PARROT: You may.

21 (Off the record.)

22 EXAMINER PARROT: Whenever you are ready.

23 MR. BEELER: Thank you, your Honor. Just
24 one question on redirect.

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REDIRECT EXAMINATION

By Mr. Beeler:

Q. Ms. McCarter, you were asked a question by Mr. Etter about whether tree trimming costs were capitalized and included in the DIR. Would you like to clarify your answer from earlier?

A. Yeah. I didn't know if we were talking past each other or not. So when I am talking tree trimming, I'm -- I was assuming that you were talking about tree removal, and the tree removal is capped -- is capitalized in the DIR. That might be a nomenclature thing. That's it.

MR. BEELER: No further questions, your Honor.

EXAMINER PARROT: Any recross from the Company?

MR. NOURSE: No, thank you.

EXAMINER PARROT: Mr. Etter?

MR. ETTER: No further questions, your Honor.

EXAMINER PARROT: Thank you.

Are there any objections to the admission of Staff Exhibit 3?

Hearing none, Staff Exhibit 3 is admitted.

1 (EXHIBIT ADMITTED INTO EVIDENCE.)

2 MR. BEELER: Did we admit Staff Exhibits
3 1 and 2 as well? I think we marked them.

4 EXAMINER PARROT: They've been marked.

5 MR. BEELER: I would move for the
6 admission of Staff Exhibits 1 and 2.

7 EXAMINER PARROT: Mr. Beeler has
8 represented that those have been stipulated in terms
9 of their admission; is that correct, Mr. Etter?

10 MR. ETTER: I think so.

11 EXAMINER PARROT: No objections?

12 All right. With that, Staff Exhibits 1
13 and 2 are also admitted into the record.

14 (EXHIBITS ADMITTED INTO EVIDENCE.)

15 MR. BEELER: Thank you, your Honor.

16 MR. NOURSE: And, your Honor, I can't
17 remember, I think I moved for Joint Exhibit 1, but
18 now that we have the sponsoring testimony on and off
19 the stand, I would renew that motion.

20 EXAMINER PARROT: All right. Are there
21 any objections to the admission of Joint Exhibit 1?

22 MR. ETTER: No, your Honor.

23 EXAMINER PARROT: Hearing none, Joint
24 Exhibit 1 is also admitted into the record at this
25 time.

1 (EXHIBIT ADMITTED INTO EVIDENCE.)

2 EXAMINER SEE: Mr. Michael, do you want
3 to call your first witness?

4 MR. MICHAEL: Yes, your Honor. OCC calls
5 Jeff Hecker.

6 (Witness sworn.)

7 EXAMINER SEE: Thank you. Have a seat.

8 MR. MICHAEL: Your Honor, OCC would
9 request that the direct testimony of Jeffrey P.
10 Hecker in opposition to the Joint Stipulation and
11 Recommendation be marked as OCC Exhibit 1.

12 EXAMINER SEE: The exhibit is so marked.

13 (EXHIBIT MARKED FOR IDENTIFICATION.)

14 - - -

15 JEFFREY P. HECKER

16 being first duly sworn, as prescribed by law, was
17 examined and testified as follows:

18 DIRECT EXAMINATION

19 By Mr. Michael:

20 Q. Would you state your name, please.

21 A. Yes. My name is Jeffrey P. Hecker

22 Q. And where are you employed?

23 A. The Ohio Consumers' Counsel.

24 Q. And do you have before you what was
25 previously marked as OCC Exhibit 1?

1 A. Yes.

2 Q. Can you identify that document, please.

3 A. Yes. It's the direct testimony of
4 Jeffrey P. Hecker in opposition to the Joint
5 Stipulation and Recommendation.

6 Q. And it was prepared by or at your -- by
7 you or at your direction?

8 A. Yes, it was.

9 Q. And do you have any modifications to that
10 testimony, Mr. Hecker?

11 A. Yes. I have two. On page 6 misspelled
12 the word "precedent" on question 9. It should be an
13 E between the D and the N.

14 And on page 11 in the answer to question
15 16, I added a few words there for clarity. The
16 question 16, fourth line down "To earn a return" --
17 I'm sorry, third line down, "To earn a return on and
18 of vegetation management costs in the DIR and To
19 collect over \$50 million annually in vegetation
20 management costs in base rates and the ESRR" after
21 the word "rates." And then No. 3 "To collect tree
22 trimming costs that exceed the cap through the ESRR
23 rider." Is that clear?

24 Q. Okay. Thank you.

25 EXAMINER SEE: Just a minute. Please go

1 through and read the way --

2 THE WITNESS: The way it should?

3 EXAMINER SEE: -- it should state in your
4 answer.

5 THE WITNESS: Okay. Beginning with No. 1
6 on question 16, "To earn a return on and of
7 vegetation management costs in the DIR, and 2) To
8 collect over \$50 million annually in vegetation
9 management costs in base rates and the ESRR, and 3),
10 To collect tree trimming costs that exceed the cap
11 through the ESRR rider." That's all I have.

12 Q. (By Mr. Michael) Mr. Hecker, with those
13 modifications, were I to ask you the questions
14 reflected in OCC Exhibit 1, would your answers be the
15 same?

16 A. Yes, they would.

17 MR. MICHAEL: Your Honor, I move for the
18 admission of OCC Exhibit 1, subject to cross.

19 EXAMINER SEE: Mr. Nourse?

20 MR. NOURSE: Thank you, your Honor.

21 - - -

22 CROSS-EXAMINATION

23 By Mr. Nourse:

24 Q. Good morning, Mr. Hecker.

25 A. Good morning, Mr. Nourse.

1 Q. Just a few questions for you. On page 6
2 of your testimony, you're discussing incentive
3 compensation, and you reference the FirstEnergy base
4 case there in answer 9. Do you see that?

5 A. Yes, I do.

6 Q. And is it your understanding that AEP's
7 incentive compensation is based exclusively on
8 financial goals?

9 A. No. No.

10 Q. And would you agree that AEP's incentive
11 compensation has components for safety and
12 reliability, if you know?

13 A. Yes, I do. That's correct.

14 Q. Okay. And then shifting topics to
15 your -- your next topic is capital spare. I think it
16 begins on question 11.

17 A. Yes.

18 Q. Do you see that?

19 A. Uh-huh.

20 Q. Just a couple of general questions about
21 this, you know, about this topic. Do you know
22 whether capital spares are considered plant
23 in-service from an accounting perspective?

24 A. From what I understand they are
25 capitalized when they are purchased in plant

1 in-service.

2 Q. Okay. Thank you. Now, does OCC believe
3 it's prudent to have no spare transformers, for
4 example?

5 A. No, I don't believe so.

6 Q. Stated differently you would agree it is
7 prudent to have spare transformers, correct?

8 A. I would say yes but that's also something
9 that we were asking for the -- to be addressed in the
10 future is what is a reasonable amount.

11 Q. And is the crux of your recommendation in
12 this topic, I guess this is in answer 12 to -- I
13 mean, part of your recommendation is the next auditor
14 should look at it, right?

15 A. That's part of it, that's correct.

16 Q. And that's actually consistent with the
17 Joint Stipulation in this case too, correct?

18 A. Correct.

19 Q. All right. And so then I guess your
20 additional recommendations to disallow charges based
21 on excessive spend by AEP on spare parts there in
22 lines 5 and 6 on page 9.

23 A. Yes.

24 Q. Okay. And have you identified the ex --
25 excessive spend that you are referring to?

1 A. No, I have not.

2 Q. Okay. Change topics again, I think your
3 final -- yeah, your final area is the danger tree
4 topic. And I guess let me ask you to turn to page
5 14. And in question and answer 20, you talk about
6 the cost to consumers through the DIR of the danger
7 tree mitigation program. Do you see that?

8 A. Yes, I do.

9 Q. And would you agree that in terms of
10 immediate rate impact, that would be greater if these
11 expenses were -- these costs were expensed as opposed
12 to capitalized?

13 A. Immediately, yes.

14 Q. And let me just ask you order of
15 magnitude, I guess. If you are taking an amount of
16 costs, let's just say \$50 million, and you're
17 capitalizing it on the one hand versus expensing it
18 on the other hand, would you -- would you have an
19 opinion on what the order of magnitude of rate impact
20 for that cost would be?

21 A. Sounds like there is two options there,
22 the -- between the two, initially expensing it versus
23 capitalizing it. The capitalizing, I think, has a
24 higher cost long term because you get a return on and
25 of the investment, whereas, the expense upfront, it's

1 a lot less because you don't have the return on the
2 cost.

3 Q. I understand your position on that. I am
4 just asking about the initial rate impact, and so
5 with \$50 million, I guess with expensing it, the rate
6 impact would be \$50 million, right?

7 A. Correct.

8 Q. And then if you capitalize it, you have
9 an idea of what the capital costs would be in that
10 additional rate impact?

11 A. I want to say like, you know, overall
12 rate of return 8 or 9 percent, let's say you are
13 looking at, you know, each year adding that amount to
14 it.

15 Q. It would be a fraction of 50 million,
16 perhaps?

17 A. Right.

18 Q. One-fifth or something like that?

19 A. However long it's depreciated over.

20 MR. NOURSE: Okay. Thank you. That's
21 all I have, your Honor. Thank you.

22 Thank you, Mr. Hecker.

23 EXAMINER SEE: Mr. Beeler?

24 MR. BEELE: No questions, thank you.

25 EXAMINER SEE: Any redirect?

1 MR. MICHAEL: No, your Honor.

2 EXAMINER SEE: Thank you very much,

3 Mr. Hecker.

4 THE WITNESS: Thank you.

5 EXAMINER SEE: Are there any objections
6 to the admission of OCC Exhibit 1?

7 MR. NOURSE: No.

8 MR. BEELEER: No objections.

9 EXAMINER SEE: OCC Exhibit 1 is admitted
10 into the record.

11 (EXHIBIT ADMITTED INTO EVIDENCE.)

12 EXAMINER PARROT: Mr. Michael.

13 MR. MICHAEL: OCC would call Mr. Jim
14 Williams to the stand.

15 (Witness sworn.)

16 EXAMINER PARROT: Have a seat, please.

17 THE WITNESS: Thank you.

18 MR. MICHAEL: Your Honor, we would like
19 to have marked as OCC Exhibit 2 the direct testimony
20 of James D. Williams in opposition to the Joint
21 Stipulation and Recommendation.

22 EXAMINER PARROT: So marked.

23 (EXHIBIT MARKED FOR IDENTIFICATION.)

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JAMES D. WILLIAMS

being first duly sworn, as prescribed by law, was
examined and testified as follows:

DIRECT EXAMINATION

By Mr. Michael:

Q. Would you state your name, please.

A. Yes. My name is James D. Williams.

Q. And where are you employed, Mr. Williams?

A. I am employed with the Office of the Ohio
Consumers' Counsel, 65 East State Street, Suite 7,
Columbus.

Q. And do you have before you what was
previously marked as OCC Exhibit 2?

A. I do.

Q. And can you identify that document.

A. Yes. This is my direct testimony in
opposition to the Joint Stipulation and
Recommendation in this proceeding.

Q. And it was prepared by you or at your
direction?

A. Yes, it was.

Q. And do you have any modifications to that
testimony, Mr. Williams?

A. I do not.

Q. And if I were to ask you the questions

1 reflected in Exhibit 2, would your answers be the
2 same?

3 A. Yes, they would.

4 MR. MICHAEL: Your Honor, I move for the
5 admission of OCC Exhibit 2, subject to
6 cross-examination.

7 EXAMINER PARROT: Thank you, Mr. Michael.
8 Ms. Blend?

9 MS. BLEND: Thank you, your Honor.

10 - - -

11 CROSS-EXAMINATION

12 By Ms. Blend:

13 Q. Good morning, Mr. Williams.

14 A. Good morning.

15 Q. Mr. Williams, you are not an arborist,
16 correct?

17 A. I am not.

18 Q. And you are not a forestry expert,
19 correct?

20 A. No, I am not.

21 Q. And you have no utility tree trimming
22 experience, correct?

23 A. No, I don't.

24 Q. All else being equal, would you agree
25 that increased future spending focused on addressing

1 danger trees outside of right-of-way will improve
2 reliability?

3 A. My opinion is that the Company has an
4 inspection, maintenance, repair, and replacement
5 program that requires a four-year -- upon a four-year
6 cycle base -- basis tree trimming, full tree trimming
7 along every circuit of its distribution system. I
8 believe that adherence with that maintenance proposal
9 will have an impact on -- on improving the
10 reliability. I don't think of this as danger trees
11 or non-danger trees. I think of this as the Company
12 simply maintaining its distribution system.

13 Q. Okay. All else being equal, would you
14 expect that an increased future spending focused on
15 addressing vegetation management will improve
16 reliability?

17 A. I don't know whether or not increased
18 spending is going to improve the number of
19 vegetation-type outages. I've seen practically
20 unlimited resources being spent on reliability and a
21 utility company that's not even meeting its minimum
22 reliability standards.

23 Q. Mr. Williams, on page 18 of your
24 testimony that's been marked as OCC Exhibit 2, you
25 contend that AEP Ohio has not complied with its

1 four-year cycle tree trimming program since 2015, and
 2 you base Table 3, which is -- appears on page 19 of
 3 your testimony, on AEP Ohio's Rule 26 reports for the
 4 years 2013 through 2018, correct?

5 A. That is correct.

6 MS. BLEND: Your Honor, at this time I
 7 would like to request administrative notice of the
 8 Company's 2015 through 2018 Rule 26 reports which
 9 were filed in Case No. 16-996-EL-ESS, 17-996-EL-ESS,
 10 18-996-EL-ESS, and 19-996-EL-ESS cited on Footnote 34
 11 on page 9 of Mr. Williams' testimony.

12 MR. MICHAEL: No objection, your Honor.

13 EXAMINER PARROT: And the Bench will take
 14 administrative notice of those four reports.

15 MS. BLEND: Thank you, your Honor.

16 Q. (By Ms. Blend) Mr. Williams, if you will
 17 turn to page 24 of your testimony, at the top of that
 18 page continuing on from the previous page, you
 19 discuss major event days, correct?

20 A. Yes, I do.

21 Q. You have not actually analyzed the number
 22 of storms that occurred each year before and after
 23 the DIR was implemented, have you?

24 A. No, I have not, but I'm saying that the
 25 major impact on DIR is going to be the number of

1 storms and just for proper context is that this is
2 responding to an allegation that somehow DIR has
3 improved the resiliency of the distribution system,
4 and I've said I believe that storms are going to have
5 more of an impact on that.

6 MS. BLEND: Your Honor, I move to strike
7 Mr. Williams' testimony after the sentence "No, I
8 have not." I asked a yes or no question, and his
9 testimony after that direct answer is not responsive
10 to the question asked.

11 MR. MICHAEL: I think Mr. Williams made
12 pretty clear that he was providing context for the
13 part of his testimony upon which he was being
14 cross-examined and the question was a little
15 misleading and I think, therefore, in the interest of
16 a proper record, context should be given for the
17 response. And the Bench has historically allowed
18 expert witnesses to provide a yes or no answer but
19 after that provide context and explain what they are
20 saying, and we would request that that precedent
21 would be followed; and, therefore, the objection
22 should be -- the motion should be denied.

23 EXAMINER PARROT: The motion is denied.

24 Q. (By Ms. Blend) Mr. Williams, have you
25 done an analysis of the severity of storms that

1 occurred in the years prior to the DIR implementation
2 compared to the severity of storms that have occurred
3 since the DIR was implemented?

4 A. I have not performed that type of an
5 analysis.

6 Q. Have you compared the number of MEDs,
7 major event days, that AEP Ohio reports annually to
8 the number of MEDs reported by other EDUs?

9 A. I've seen this type of data. I have not
10 done an analysis on it or a verification of those
11 types of numbers.

12 Q. Okay.

13 A. Nor have I looked at the number of storms
14 in different service areas and all the other things
15 that would have to be considered to try to validate
16 whether or not that that's true.

17 Q. So you don't know whether AEP Ohio
18 reports fewer MEDs than other EDUs in Ohio annually?

19 A. I just know what I have seen in the
20 testimony of AEP witnesses. The exact numbers, no, I
21 have not analyzed it.

22 MS. BLEND: I have no further questions.
23 Thank you.

24 EXAMINER PARROT: Mr. Beeler?

25 MR. BEELEER: No questions, thank you.

1 EXAMINER PARROT: Any redirect?

2 MR. MICHAEL: No, your Honor.

3 EXAMINER PARROT: Thank you,
4 Mr. Williams.

5 THE WITNESS: Thank you.

6 EXAMINER PARROT: Are there any
7 objections to OCC Exhibit 2?

8 MS. BLEND: No, your Honor.

9 MR. BEELER: No, your Honor.

10 EXAMINER PARROT: OCC Exhibit No. 2 is
11 admitted into the record.

12 (EXHIBIT ADMITTED INTO EVIDENCE.)

13 EXAMINER PARROT: Let's go off the
14 record.

15 (Discussion off the record.)

16 EXAMINER PARROT: Let's go back on the
17 record.

18 The parties have agreed to a briefing
19 schedule. Initial briefs will be due on Friday,
20 October 4, with reply briefs due on Thursday, October
21 24.

22 Is there anything else to come before the
23 Bench this morning?

24 MR. NOURSE: No, your Honor.

25 MR. BEELER: No, your Honor.

EXAMINER PARROT: All right. Thank you.

We are adjourned.

(Thereupon, at 10:03 a.m., the hearing
was adjourned.)

- - -

CERTIFICATE

I do hereby certify that the foregoing is
a true and correct transcript of the proceedings
taken by me in this matter on Friday, August 30,
2019, and carefully compared with my original
stenographic notes.

Karen Sue Gibson

Karen Sue Gibson, Registered
Merit Reporter.

(KSG-6806)

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This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

9/13/2019 9:34:30 AM

in

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

Summary: Transcript In the Matter of the 2016 Review of the Distribution Investment Rider Contained in the Tariff of Ohio Power Company and In the Matter of the 2017 Review of the Distribution Investment Rider Contained in the Tariff of Ohio Power Company, hearing held on August 30th, 2019. electronically filed by Mr. Ken Spencer on behalf of Armstrong & Okey, Inc. and Gibson, Karen Sue Mrs.