

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio)
Power Company to Revise its Reliability) Case No. 20-1111-EL-ESS
Performance Standards Pursuant to Ohio)
Adm.Code 4901:1-10-10.

**REPLY COMMENTS
OF
THE OHIO MANUFACTURERS' ASSOCIATION ENERGY GROUP**

I. INTRODUCTION

The amended application filed by the Ohio Power Company (AEP Ohio or Company) on April 29, 2022 (Application) proposed revising AEP Ohio's reliability performance standards to the lowest minimum since the creation of the standards in 2012. These revisions would permit AEP Ohio to subject its customers to significantly less reliable service, amounting to an increase of up to 188,000 additional customer outages per year, without consequence to AEP Ohio. AEP Ohio's proposed changes come in the wake of significant outages in AEP Ohio's service territory that left nearly 250,000 Ohio residents, hospitals, and businesses without power during a dangerous heat wave.¹

Pursuant to Ohio Adm.Code 4901:1-10-10(B)(6), the Public Utilities Commission of Ohio (Commission) invited stakeholders to submit comments on AEP Ohio's proposal by September 28, 2022, and reply comments by October 28, 2022.² The Ohio Manufacturers' Association

² Entry at ¶ 10 (Aug. 2, 2022).

Energy Group (OMAEG)³ and the Office of the Ohio Consumers' Counsel (OCC)⁴ each submitted initial comments expressing concern regarding AEP Ohio's proposed decreased reliability standards. Additionally, Commission Staff filed comments on October 7, 2022.⁵ Importantly, AEP Ohio did not file initial comments, stating that it would stand by its Application.⁶

The initial comments filed by OMAEG, OCC, and Staff outline how the new, relaxed reliability standards proposed by AEP Ohio are unreasonable. Pursuant to the Commission's August 2, 2022 Entry, OMAEG hereby submits the following reply comments.

II. REPLY COMMENTS

A. **AEP Ohio's new reliability standards should reflect improved performance standards and expectations from customers, rather than degrade reliability.**

Ohioans expect, and deserve, increased reliability from their electric distribution utilities (EDUs).⁷ Despite this, and despite the substantial customer dollars AEP Ohio has purportedly spent on distribution reliability,⁸ AEP Ohio's Application proposes *lowering* AEP Ohio's distribution reliability standards. These proposed standards would subject customers to 10 percent more outages and outages that are ten minutes longer per interruption on average.⁹ Staff argued "that the company should strive for continuous improvement and not arbitrarily loosen the reliability standards."¹⁰ OMAEG agrees.

³ See Comments of the Ohio Manufacturers' Association Energy Group (Sept. 28, 2022) (OMAEG Comments).

⁴ See Comments by the Office of the Ohio Consumers' Counsel (Sept. 28, 2022) (OCC Comments).

⁵ See Comments Submitted on Behalf of the Staff of the Public Utilities Commission of Ohio (Sept. 28, 2022) (Staff Comments).

⁶ See Correspondence Regarding Ohio Power Company's Initial Comments (Sept. 28, 2022).

⁷ OMAEG Comments at 2.

⁸ *Id.* at 2, 10-13.

⁹ OCC Comments at 4.

¹⁰ Staff Comments at 14.

As OMAEG noted in its comments, given these investments, “[i]t stands to reason that Ohio ratepayers and manufacturers would desire increased reliability as measured by CAIDI and SAIFI.”¹¹ Input from actual customers shows this is accurate. According to Staff’s research, customer expectations about reliability from their EDUs are increasing.¹² Simply put, in terms of reliability, customers have paid more to their EDUs, and therefore expect more from their EDUs.

OCC noted that “Ohio law explicitly requires the PUCO to protect consumers through rules that specify minimum service quality, safety, and reliability requirements for retail electric service.”¹³ AEP Ohio’s attempts to *lower* these minimum standards flies in the face of Ohio law, and customers’ expectations given the increased customer funding for distribution reliability projects. As such, the Commission should adopt Staff’s recommendation and require AEP Ohio to strive for continuous improvement relating to AEP Ohio’s reliability standards.

B. The Commission should reject AEP Ohio’s proposed baseline and adjustments.

AEP Ohio’s proposed baseline and adjustments result in unreasonable proposed reliability standards that are below customer expectations, as OMAEG noted in its initial comments.¹⁴ The Commission should reject the adjusted baseline proposed by AEP Ohio and adopt more reasonable reliability standards.

First, the Commission should exclude years for which AEP Ohio failed to meet existing standards from the historical baseline. AEP Ohio failed to meet its SAIFI and CAIDI standards in 2018 and failed to meet its SAIFI standard in 2019.¹⁵ These failed years were included in AEP

¹¹ OMAEG Comments at 3.

¹² Staff Comments at 14-15.

¹³ OCC Comments at 2, *citing* R.C. 4928.11(A).

¹⁴ OMAEG Comments at 7-10.

¹⁵ OMAEG Comments at 7; OCC Comments at 7-8; Staff Comments at 10-11.

Ohio's proposed historical baseline calculation, which would significantly weaken future minimum performance standards.¹⁶

AEP Ohio should not be allowed to use its own failures to meet existing standards as an excuse to create lower future standards. Allowing AEP Ohio to do so would facilitate decreased reliability, as it would "allow worsening performance to result in worsening standards."¹⁷ As such, Staff and OMAEG both recommended removing these years from the historical calculation.¹⁸

As a reasonable alternative, Staff proposed to replace historical performance with the existing reliability standards for years in which AEP Ohio failed to meet its reliability targets.¹⁹ This represents an acceptable method of excluding failed years from the historical baseline while also including reasonable adjustments. Thus, the Commission should adopt Staff's proposed method to adjust the historical baseline to account for missed performance years.

Second, AEP Ohio arbitrarily and unreasonably proposed adding two standard deviations to the historical baseline. According to AEP Ohio, this proposal adjusts its five-year average to account for year-to-year fluctuations. However, as Staff notes, adding two standard deviations results in standards which are inclusive of essentially all performance variation over the five test years, which "all but guarantees that the Company would never miss its approved reliability standards."²⁰ Additionally, AEP Ohio's proposed methodology would give equal weight to a test year five years past compared with the most recent year. Given that AEP Ohio has consistently

¹⁶ *Id.*

¹⁷ Staff Comments at 4.

¹⁸ *Id.*; OMAEG Comments at 8.

¹⁹ Staff Comments at 11 ("Staff believes that the baseline should be adjusted so as to not allow worsening performance to result in worsening standards. To calculate the adjustment while also taking into account the ESSS rule change, Staff calculated the differences between reported performance and recalculated performance for those years, and then applied the difference to the approved standards.").

²⁰ Staff Comments at 4.

invested in reliability improvements, the Commission should expect a general increase in reliability over the years.²¹

The purpose of these standards is to ensure minimum reliability for Ohio customers.²² As Staff correctly noted, “[p]erformance standards are not calculated such as to guarantee that the company meets the standards every year without fail.”²³ Doing so would essentially render the standards meaningless as a method of holding EDUs accountable for distribution reliability.²⁴ As such, “Staff does not believe that a cushion of two standard deviations is necessary or appropriate.”²⁵

Staff recommended replacing AEP Ohio’s proposed adjustment of two standard deviations with one standard deviation.²⁶ OMAEG agrees with Staff’s recommendation to use one standard deviation. This recommendation represents a more appropriate degree of allowable variability. Thus, the Commission should reject AEP Ohio’s proposal and adopt Staff’s recommendation to utilize one, rather than two, standard deviations.

C. The Commission should adjust proposed standards to reflect ongoing improvements attributable to the Distribution Investment Rider (DIR), the Danger Tree Program, and gridSMART Phase 2.

Despite significant investments, AEP Ohio proposes excluding specific adjustments to the proposed reliability standards to account for increased reliability from a variety of guaranteed cost-recovery riders.²⁷ Although AEP Ohio committed to making improvements to distribution

²¹ OMAEG Comments at 3; Staff Comments at 14-15.

²² OCC Comments at 2, *citing* R.C. 4928.11(A).

²³ Staff Comments at 4

²⁴ *See* R.C. 4928.11; Ohio Adm. Code 4901:1-10-10.

²⁵ Staff Comments at 5.

²⁶ *Id.*

²⁷ OMAEG Comments at 10-13; Staff Comments at 5-8; OCC Comments at 14-18.

reliability when it requested Commission authority to implement these programs, it does not propose to fully address these alleged improvements in its distribution reliability standards.

For example, “Staff examined the outage causes...most impacted by the DIR and found that SAIDI resulting from these causes is trending downward.”²⁸ As such, any revised standards should include an adjustment to reflect the downward trend.²⁹ According to Staff, “the Company has erred by not including adjustments to reflect the Distribution Investment Rider and Danger Tree Program.”³⁰ Since “the danger tree removal program is intended to continue through 2023,” standards for 2023 and beyond should “reflect the impact that the additional consumer funding through the ESRR had on removing danger trees.”³¹

As such, Staff proposed an adjustment to estimated customer minutes of interruption (CMI) as a reflection of these reliability improvements.³² This adjustment will promote improved ongoing system improvement and improve the DIR’s increased revenue cap trigger by better incorporating the impacts of the investments through the DIR.

Similarly, AEP Ohio’s proposed adjustment to its SAIFI standard does not accurately reflect the reliability commitment agreed to in the gridSMART Phase 2 stipulation.³³ As such, Staff proposes an adjustment to reflect an increase in circuits equipped with DACR technology, based on the historical performance of such circuits.³⁴ Again, this represents a just and reasonable adjustment, and the Commission should adopt Staff’s proposed methodology.

²⁸ Staff Comments at 12-13.

²⁹ *Id.*

³⁰ *Id.* at 7.

³¹ OCC Comments at 16.

³² Staff Comments at 13.

³³ *Id.* at 5.

³⁴ *Id.*

Overall, AEP Ohio’s proposed standards fail to account for improvements to AEP Ohio’s reliability standards that should occur due to investment funded through guaranteed cost recovery riders. Given that AEP Ohio has purportedly spent more than \$2.8 billion in investments in distribution reliability over the past decade,³⁵ reliability standards should be adjusted to reflect these improvements and investments.

D. The Commission should further investigate AEP Ohio’s response to the June power outages.

Recently, significant outages left nearly 250,000 Ohio residents, hospitals, and businesses without power during a dangerous heat wave.³⁶ An identification of issues, remedy of weaknesses, and implementation of improvements in response to this crisis requires a clear understanding of the failures that occurred within both the transmission and distribution systems. The reliability standards at issue in this proceeding are an important tool to evaluate the AEP Ohio’s investments in reliability. The increased transparency and confidence that would result from a public investigation will help ensure compliance from AEP, a regulated, investor-owned utility.

As such, in its comments, OCC called for a public investigation of the June outage as it relates to the current review of AEP Ohio’s reliability standards.³⁷ This would allow the Commission to address the questions that remain about what occurred and whether past investments mitigated or prevented further outages. An investigation would ensure full

³⁵ OMAEG Comments at 2, citing *In the Matter of the Commission’s Review of the Ohio Power Company’s Distribution Investment Rider Work Plan for 2022*, Case No. 22-0037-EL-RDR, Notice of Ohio Power Company’s Distribution Investment Rider Work Plan (Jan. 14, 2022) (Compiled from a review of AEP Ohio DIR expenditures from 2010 to 2022. This excludes reliability investments funded by the gridSMART or ESRR riders and thus does not completely capture AEP Ohio’s historical investment in distribution system “reliability.”).

³⁶ Mark Williams, *AEP documents 18 minutes before the lights went out for 150,000 customers*, DISPATCH (July 15, 2022), <https://www.dispatch.com/story/business/2022/07/15/18-minutes-then-lights-went-out-150-000-aep-customers/10058236002/>.

³⁷ OCC Comments at 4.

understanding of the issues identified for Ohio citizens, whose homes and businesses are beholden to the Company and its preparedness for such outages.

The system failures in central Ohio in June 2022 should produce a range of prudent changes to regulation and operation of both the transmission system and the distribution system. A clear understanding of what occurred will provide Ohio customers with confidence in the system and ensure that AEP Ohio serves their interests in distribution reliability moving forward. As OMAEG noted in its initial comments, change is necessary to protect Ohio customers from repeated system failures stemming from the same underlying conditions of extreme weather, lack of proper documentation, and lack of coordination with customers and their power resources.³⁸

Furthermore, EDUs are already required to capture system failures and their causes, as well as the impact of newer infrastructure such as DACR, and systems to do so are already in place.³⁹ For example, AEP Ohio's distribution work management system "is used to schedule and track pole replacements and reinforcements."⁴⁰ As such, data collection efforts will not be burdensome for AEP Ohio. In fact, much of this information should have already been collected as the Company identified and corrected any disruptions to its system during the June event.

III. CONCLUSION

Overall, as noted by Staff, "the standards proposed by the company are unreasonable."⁴¹ As such, the Commission should reject AEP Ohio's proposal, and instead and revise the Company's standards to ensure minimum service quality, safety, and reliability. Staff's recommended standards will allow for significantly fewer outages and outage durations compared

³⁸ OMAEG Comments at 18-19.

³⁹ See, e.g., *In the Matter of the Update to Ohio Power Company's Program for Maintenance, Repair and Inspection of Transmission and Distribution Lines*, Case No. 22-367-EL-ESS, Application (Apr. 12, 2022).

⁴⁰ *Id.* at 7.

⁴¹ Staff Comments at 3.

to AEP Ohio's proposal. This is the baseline that the State of Ohio expects, Ohio law and Commission standards require, and the citizens, businesses, and public entities that make this state their home deserve.

Respectfully submitted,

/s/ Kimberly W. Bojko

Kimberly W. Bojko (0069402) (Counsel of Record)

Jonathan B. Wygonski (100060)

Carpenter Lipps & Leland LLP

280 North High Street, Suite 1300

Columbus, Ohio 43215

Telephone: (614) 365-4100

bojko@carpenterlipps.com

wygonski@carpenterlipps.com

(willing to accept service by e-mail)

*Counsel for the Ohio Manufacturers' Association
Energy Group*

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/s/ Kimberly W. Bojko
Kimberly W. Bojko

Service List:

john.jones@ohioAGO.gov
Steven.Beeler@ohioattorneygeneral.gov
thomas.lindgren@ohioago.gov
rhiannon.plant@ohioago.gov
william.michael@occ.ohio.gov
amy.botschner.obrien@occ.ohio.gov
sjagers@ohiopoveritylaw.org
mwalters@proseniors.org
stnourse@aep.com
mjschuler@aep.com

Attorney Examiners:

sarah.parrot@puco.ohio.gov
greta.see@puco.ohio.gov

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