BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Columbus Southern Power Company for Approval of Its Program Portfolio Plan and Request for Expedited Consideration.	**)))))**	**Case No. 09-1089-EL-POR**
In the Matter of the Application of Ohio Power Company for Approval of Its Program Portfolio Plan and Request for Expedited Consideration.	**))))**	**Case. No. 09-1089-EL-POR**

COMMENTS IN REPLY TO OBJECTIONS BY THE INDUSTRIAL ENERGY USERS OF OHIO BY THE OHIO ENVIRONMENTAL COUNCIL

On November 12, 2009, Columbus Southern Power Company ("AEP Ohio") along with intervenors in the case, including the Ohio Environmental Council ("OEC"), signed a Joint Stipulation and Recommendation ("Stipulation") to the Commission to resolve the issues involved in AEP Ohio's energy efficiency and peak demand reduction portfolio plan application. The Industrial Energy Users of Ohio ("IEU") was not among the signatory parties and has filed Initial Objections to Stipulation. The OEC believes that the Stipulation should be approved, notwithstanding IEU's objections. Accordingly, the OEC submits the following Reply Comments to IEU's Objections.

I. IEU Confuses "Rate Increase" with "Bill Increase"

At the outset of its Objections, IEU argues that, as a consequence of AEP's portfolio plan, "Ohio retail customers will experience total bill rate increases."[1] This contradictory sentence conflates "bill increases" with "rate increases." While it is obvious that a customer's ***rate*** will increase as a result of the energy efficiency programs within AEP's portfolio plan, the

[1] IEU Initial Objections at 3.

customer's ***bill*** will not. This distinction is crucial. The bill is the amount of money a customer pays per month for electricity, while the rate is the valuation per unit of electricity purchased, which is used to calculate the bill. If customers embrace the energy efficiency programs in AEP's portfolio plan, they will save energy and save money.[2] As a result of the plan's energy efficiency programs, customers will see a monthly rate increase, but a decrease in their bill amount. In short, as a result of AEP's portfolio plan, customers' electricity bills will go down.

IEU's confusion on the difference between "rate" and "bill" colors the remainder of its argument on this issue. Because electric bills will go down as a result of energy efficiency, the adverse consequences warned of by IEU will not occur. Accordingly, the Commission may disregard many of the assertions and calculations made by IEU on pages 2 through 4 of its Initial Objections and Recommendations.[3]

II. AEP's Portfolio Plan Has Been Thoroughly Reviewed

IEU argues that "the portfolio plan must be reviewed to ensure that the planned expenditures will be prudent."[4] Not only has the plan been reviewed by interested parties through AEP's collaborative process, but the residential and commercial lighting programs have been operating since last year, with no negative publicity. IEU cannot argue, as it nonetheless does in text and in a footnote, that these programs were developed with "haste."[5] As an active member of the collaborative, IEU has had access to drafts of the plan since early April. It is hard

[2] AEP projects that a $161.9 million investment, procured through rate increases, will yield $631 million in ***bill*** savings for customers. Stipulation at 7-9.

[3] Nonetheless, we note that "economic conditions" would not be a justification for weakening of the portfolio plan as IEU suggests. IEU Initial Objections at 4. Although IEU's confusion on the difference between "rate" and "bill" may moot the issue, we point out that an economic downturn is not a reason to stop investment in the future. For example, high-yield investments such as commercial lighting retrofits will have an economic benefit that cannot be understated.

[4] Initial Objections at 5.

[5] Initial Objections at 6.

to imagine how AEP could have afforded IEU and other interested parties more time or a more meaningful opportunity to review the contents of the portfolio plan.

Further, IEU's comparison of AEP's portfolio plan filing to FirstEnergy's CFL program is inapt.[6] FirstEnergy's CFL program was rushed through the collaborative process in skeleton form, over objections of active members of the collaborative and without adequate time for input from other members. The analogous program outlined in AEP's portfolio plan filing was the result of meaningful stakeholder input and has been operating without incident, saving energy since the spring of 2009. Just because IEU chose not to participate in the lengthy development of the portfolio plan, it does not follow that the plan was drafted with "haste."

III. Recovery of Shared Savings and Lost Distribution Revenue is Not Unreasonable

IEU argues that "AEP's request to increase rates for shared savings, incentives, and lost distribution revenue is unreasonable" and that "there is no statutory basis for shared savings, incentives and lost distribution revenues."[7] To the contrary, AEP's request is both reasonable and properly based on Ohio law and past Commission precedent. First, the recovery mechanisms were the result of significant deliberation among collaborative members and those parties choosing to participate in the Stipulation negotiations. This deliberation and negotiation produced a reasonable mean calculation agreeable to all parties. Second, there is an ample statutory basis for cost recovery. Cost recovery is allowed pursuant to Rule 4901:l-39-07(A), which authorizes a utility to recover "appropriate lost distribution revenues, and shared savings." This rule is further reinforced by R.C. 4928.66(D), which allows for the "recovery of revenue that otherwise may be foregone by the utility as a result of or in connection with the implementation by the electric distribution utility of any energy efficiency or energy

[6] Initial Objections at 6, note 10.
[7] Initial Objections at 12.

conservation programs and reasonably aligns the interests of the utility and of its customer in favor of those programs." Finally, the Commission approved Duke Energy's "save-a-watt" program in its ESP Application, which allowed for utility cost recovery.[8]

Incentives and shared savings are designed to encourage utilities to deploy as much new efficiency as possible. More new savings produce a host of associated system benefits, including deferral of new generation investment and construction, reductions in transmission congestion, increased investments in local communities, new jobs at a variety of income levels, and as noted above, reductions in overall electricity bills. This electricity bill reduction is pronounced when the price of creating traditional new generation sources, like coal based energy, are compared with the price to create the program associated kwh savings. Incentives are appropriate in conjunction with increased savings because ratepayers of all classes will accrue increased benefits.

Conclusion

In conclusion, the OEC submits that the objections raised by IEU are in large part without merit. AEP Ohio's energy efficiency and peak demand reduction portfolio plan, agreed to by the signatory parties after a thorough and inclusive review process, is reasonable and should be approved.

Respectfully Submitted,

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[8] See Case No. 08-920-EL-SSO.

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CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing has been served upon the following parties by first class or electronic mail this 26th day of January, 2010.

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