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BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of )  
Columbus Southern Power Company )  
for Approval of a Mechanism to Recover )  
Costs in Relation to the Department of ) Case No. 11-148-EL-RDR  
Development's Update to the Percentage )  
of Income Payment Plan Plus and )  
Deferral of Costs. )

In the Matter of the Application of )  
Ohio Power Company for Approval )  
of a Mechanism to Recover Costs in ) Case No. 11-149-EL-RDR  
Relation to the Department of )  
Development's Update to the Percentage )  
of Income Payment Plan Plus and )  
Deferral of Costs. )

In re the Application of Columbus )  
Southern Power Company and Ohio )  
Power Company, Individually and, if )  
Their Proposed Merger is Approved, as a ) Case No. 11-351-EL-AIR  
Merged Company (collectively AEP )  
Ohio) for an Increase in Electric )  
Distribution Rates. )

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MOTION TO CONSOLIDATE AND COMMENTS  
BY  
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL

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The Office of the Ohio Consumers' Counsel ("OCC") files this motion to  
consolidate these applications for riders with Columbus Southern Power Company's and  
Ohio Power Company's (jointly "Companies" or "AEP") currently pending rate case.<sup>1</sup> In

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<sup>1</sup> AEP recently filed an Application for a rate increase. See *In re the Application of Columbus Southern Power Company and Ohio Power Company, Individually and, if Their Proposed Merger is Approved, as a Merged Company (collectively AEP Ohio) for an Increase in Electric Distribution Rates*, Case No. 11-351-EL-AIR et al., Application (January 27, 2011).

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addition, OCC files comments in these cases. In the applications in the rider cases AEP is seeking Commission approval to establish new non-bypassable distribution riders, to collect from customers the incremental uncollectible expenses associated with the new PIPP Plus program administered by the Ohio Department of Development ("ODOD"). OCC filed to intervene in this case on February 3, 2011. OCC has authority under Ohio law to represent the interests of all the approximately 1,277,000 residential utility customers of AEP pursuant to R.C. Chapter 4911. OCC's motion for consolidation is supported in the attached memorandum in support.

Respectfully submitted,

JANINE L. MIGDEN-OSTRANDER  
CONSUMERS' COUNSEL



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**MEMORANDUM IN SUPPORT**

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**I. MOTION FOR CONSOLIDATION**

First, as mentioned in OCC's motion to intervene, OCC's position is that the Commission should consider any uncollectible expenses associated with AEP's implementation of ODOD's PIPP Plus program subject to ratemaking standards. A rate case proceeding is the appropriate proceeding to address AEP's proposed rider. In fact,

AEP currently has a rate case pending<sup>2</sup> and the Commission would achieve significant efficiency and prevent delay by consolidating this case with the rate case.

Ohio Revised Code 4903.22 identifies the rules of practice that the Commission should abide by:

Except when otherwise provided by law, all processes in actions and proceedings in a court arising under Chapter 4901., 4903., 4905., 4906., 4907., 4909., 4921., 4923., and 4925. of the Revised Code shall be served, and the practice and rules of evidence in such actions and proceedings shall be the same, as in civil actions.

The Commission has no specific rule addressing the consolidation of cases and must turn to the Ohio Civil Rules for guidance.

Ohio Civil Rule 42(A)(1) provides for the consolidation of cases, accordingly:

When actions involving a common question of law or fact are pending before a court, that court after a hearing may order a joint hearing or trial of any or all the matters in issue in the actions; it may order some or all of the actions consolidated; and it may make such orders concerning proceedings therein as may tend to avoid unnecessary costs or delay.

Included in the rate case application is a request for recovery of uncollectible costs,<sup>3</sup> which is exactly the same cost item AEP seeks to recover through these rider applications, although the uncollectible costs that are the subject of the instant cases are attributable to PIPP customers whereas the cost item included in the rate case is for uncollectibles attributable to the rest of the body of customers. By filing these rider cases, AEP is attempting to treat separately one portion of uncollectible expense and creating unnecessary additional procedures that should be dealt with through the

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<sup>2</sup> Id.

<sup>3</sup> *In re the Application of Columbus Southern Power Company and Ohio Power Company, Individually and, if Their Proposed Merger is Approved, as a Merged Company (collectively AEP Ohio) for an Increase in Electric Distribution Rates*, Case No. 11-351-EL-AIR et al., Application (January 27, 2011), Schedule C-2.1, Account No. 904.

procedure that already exists, the pending rate case. All issues involving uncollectible costs should be reviewed in the context of the uncollectible costs recovery mechanism traditionally sought through a rate case under R.C. 4909.18. This is the appropriate way for the Commission to ensure due process while avoiding unnecessary procedural costs and delay. For these reasons, the Commission should consolidate these cases into the currently pending rate case.

## **II. COMMENTS**

The ODOD filed comments in this case on April 29, 2011.<sup>4</sup> ODOD identified 2 issues in those comments that ODOD believes must be addressed: AEP's application undermines an objective that ODOD attempted to accomplish through its new PIPP rules and AEP's calculation of the increase in incremental uncollectible expense AEP must collect based upon the changes in ODOD PIPP rules is overstated. OCC agrees with ODOD.

### **A. AEP Must Have Some Incentive to Collect Receivables From PIPP Customers.**

ODOD pointed out in its Motion to Intervene<sup>5</sup> that before ODOD's PIPP rules were enacted, AEP and other electric utilities traditionally collected through the Universal Service Fund ("USF") Rider the accumulated arrearage at the time the customer enrolls in PIPP and the difference between the PIPP customer payment and the cost of electricity delivered to the PIPP customer. The difference between the PIPP customer payment and the cost of electricity delivered to the PIPP customer included both the difference

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<sup>4</sup> Comments of the Ohio Department of Development.

<sup>5</sup> Motion to Intervene of the Ohio Department of Development (February 25, 2011) at 6-8.

between the cost of the electricity delivered and the PIPP payment amount and the PIPP payment amounts that customers did not pay. Under the traditional practice before ODOT's PIPP rules, AEP and other electric utilities were guaranteed recovery of all PIPP costs through the USF rider. Under that traditional practice utilities had little or no incentive to pursue collection aggressively when the customer begins to fail to pay the PIPP payment amount or to disconnect a defaulting PIPP customer promptly.<sup>6</sup>

ODOD perceived that because the utilities had no incentive to pursue receivables from PIPP customers, the uncollectible costs going through the USF were higher than necessary.<sup>7</sup> ODOT concluded in their rulemaking process that electric utilities should face the same financial risk in collecting receivables for PIPP customers as they face in collecting receivables for non-PIPP customers. To address the concern, ODOT enacted Rule 122:5-3-04(B)(2), which does not allow electric utilities to collect PIPP receivable amounts through the USF rider.<sup>8</sup> Instead electric utilities would have to collect the differences between the PIPP payment amounts and the actual payments received through the regular uncollectible expense mechanism, rate cases.

ODOD believes that AEP's application for the rider in this case, undermines the objective of the Rule 122:5-3-04(B)(2) because it allows for immediate collection of uncollectible expenses.<sup>9</sup> OCC agrees and believes that the costs AEP intends to collect through this rider would be more appropriately included in AEP's pending rate case application. Costs related to credit and collection activities and the uncollectible debt

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<sup>6</sup> Id at 6-7.

<sup>7</sup> Id. at 7.

<sup>8</sup> Id. at 7.

<sup>9</sup> Id at 8.

expense are key components that are reviewed through a rate case. In addition, the rate case process helps ensure that AEP has implemented effective credit and collection policies and practices that optimize the collection of bad debt from both PIPP and non-PIPP customers. All ratepayers benefit when the AEP companies have adequate and reasonable incentives for collection of bad debt from all customers.

**B. AEP's Calculation of the Increase in Incremental Uncollectible Expense AEP Must Collect Based Upon the Changes in ODOD PIPP Rules is Overstated.**

ODOD correctly found problems with AEP's calculation of the \$3.65 million AEP has estimated it will face in additional annual uncollectible expenses based upon ODOD's adoption of Rule 122:5-3-04(B)(2).<sup>10</sup> AEP inappropriately included the average cost of monthly metered consumption for PIPP customers. Instead of including that amount, AEP should have only included the average cost of PIPP installment, because the only amount that AEP will not recover through the USF rider is the payment amount that is due but is not paid. Rule 122:5-3-04(B)(2) allows electric utilities to recover the difference in the PIPP installment and the cost of power through the electric USF rider. Rule 122:5-3-04(B)(2) simply will not allow electric utilities to recover the PIPP installment amount that is not collected from the customer.

ODOD estimated that AEP will face only a \$1.1 million incremental increase in annual bad debt expense based on the rule change.<sup>11</sup> When ODOD applied AEP's methodology for estimating increased bad debt expense with only the amount of actual cost AEP will not be able to collect from the USF Rider the amount was only \$1.1

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<sup>10</sup> Comments of the Ohio Department of Development at 5-6.

<sup>11</sup> Id. at 7.

million. OCC agrees with ODOD that this approach is the correct method of calculating the increase in bad debt expense.

Additionally, ODOD opines that even the \$1.1 million increase in annual bad debt expense is over estimated because ODOD's rules were enacted in order to reduce bad debt among PIPP customers.<sup>12</sup> The OCC agrees with ODOD that the arrearage crediting program and the reduction in the percentage of the PIPP customer's income upon which the PIPP installment payment is based are bound to reduce the amount of bad debt expense that electric utilities will face from PIPP customers.

### **III. CONCLUSION**

The Commission should grant OCC's motion to consolidate this case with AEP's currently pending rate case because both cases address uncollectible expense and requiring two cases addressing the same issue will likely create unnecessary expenses and delay. Additionally, the Commission should not approve a rider for AEP's collection of PIPP customer uncollectible expenses because such a rider will provide AEP no incentive to pursue receivables among its PIPP customers. AEP overestimated the amount of increased uncollectible expense by over three times by including the costs of power in the calculation. AEP is already collecting the costs of power through the USF rider. Accordingly, the problem AEP seeks to correct is not as dire as AEP would have the Commission believe.

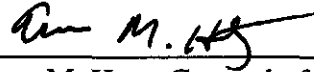
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<sup>12</sup> Id at 7-8.



Respectfully submitted,

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## **CERTIFICATE OF SERVICE**

I hereby certify that a copy of this *Motion to Consolidate and Comments by the Office of the Ohio Consumers' Counsel* was served on the persons stated below via regular U.S. mail, postage prepaid, on this 24th day of May 2011.

  
Ann M. Hotz  
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