

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Commission's Review of)	
Time-Differentiated and Dynamic Pricing)	Case No. 12-150-EL-COI
Options for Retail Electric Services.)	

**COMMENTS OF OHIO POWER COMPANY
TO THE PUBLIC UTILITIES COMMISSION OF OHIO'S
JANUARY 11, 2012 ENTRY ON DYNAMIC RATES**

I. INTRODUCTION

Ohio Power Company (or "AEP Ohio") appreciates the Public Utilities Commission of Ohio's ("Commission") interest in promoting time-differentiated and dynamic pricing options for customers with advanced metering capable of enabling these types of rates.

As part of its gridSMART[®] Phase I deployment, AEP Ohio is offering, or has plans to offer, multiple variable pricing tariffs on an experimental basis as part of the terms of a Smart Grid Demonstration Grant in partnership with the United States Department of Energy ("DOE"). These plans were filed with, and approved by, the Commission, and the early results of the program can help inform the discussion on this topic. AEP Ohio has no current plans to discontinue the variable pricing tariffs and they should, at a minimum, continue throughout the demonstration project period, ending in 2013, to fulfill AEP Ohio's grant obligation to DOE. AEP Ohio has also implemented programs to deploy Home Area Network ("HAN") devices and Programmable Communicating Thermostats ("PCT") to provide information feedback to customers.

The process by which the standard service offer (“SSO”) rates are determined for AEP Ohio’s default customers is currently the subject of an ongoing proceeding. AEP Ohio’s comments in this docket reflect its views if the pending filings are ultimately adopted in a manner that reasonably reflect the currently proposed arrangement. If the proposed terms are fundamentally changed, AEP Ohio’s positions on these issues may change substantially. Further, AEP Ohio does not imply agreement or disagreement with any comments made by any party simply by omission herein.

II. ELECTRIC DISTRIBUTION UTILITY (“EDU”) DYNAMIC RATES

Distribution rates primarily consist of fixed capital and operation and maintenance (“O&M”) costs that are not generally time-of-use dependent over the short-term, and therefore do not lend themselves to dynamic pricing. Consequently, distribution tariffs should not generally be offered on a dynamic time-of-use manner.

The SSO rate is designed as a default rate for customers that choose not to shop for their generation service or for those that return to default service. In a competitive environment, it is anticipated that the design of the SSO rate options would be relatively simple.

However, EDU’s must be allowed significant discretion to offer a wide variety of rate options to comply with the State of Ohio’s increasingly aggressive energy efficiency resource standard (“EERS”) and peak demand reduction (“PDR”) targets, as mandated in Amended Substitute Senate Bill 221 (“S.B. 221”) and ensuing Commission rulings.

III. CRES PROVIDER DYNAMIC RATES

There are no known barriers to CRES providers offering a wide variety of dynamic pricing options for customers. This would give customers the ability to choose the rate structure that best suits their usage and is one of the primary benefits of deregulation and competition.

IV. CONSUMER EDUCATION, APPLES-TO-APPLES COMPARISON, DEVELOPMENT OF RATE COMPARISON WEBSITE

The proper role of an EDU in educating customers concerning generation rates should be to simply inform customers of the EDU's SSO rate(s), as well as their ability to shop for electric service. AEP Ohio believes it would be improper for an EDU to compare rate options of CRES providers, as this could be seen by customers as an endorsement of a particular type of rate option, or even a specific competitive offer in the marketplace. This would be unfair to the customer, unfair to CRES providers, and an unfair position in which to place the EDU. Such a requirement would force the EDU to provide information to its customers from a third party without the authority to verify the information was truthful and accurate. The role of the EDU is not to market the CRES provider's service. As such, the development of an apples-to-apples comparison or an online bill-to-compare calculator is not a proper role for the EDU.

The solicitation and education of customers on various rate options is primarily the role of the CRES providers. Comparison of dynamic CRES rate offers is potentially complex, and could include many combinations of variables that do not lend themselves to a simple comparison chart, such as offers for 'qualified' customers, deposit

requirements, minimum stay requirements, early termination penalties, loyalty discounts, package discounts, ancillary service offers, etc. Only the CRES provider can properly characterize the options they are offering to potential customers. Further, CRES providers may wish to make frequent changes to their offers, and therefore would have an interest in ensuring that their offers are updated as-needed, or even offer different pricing for the same service in different areas.

The Commission's role in this effort should not be ignored. The Commission is an objective, neutral third party with respect to SSO and competitive offers, and is therefore in the best position to provide such unbiased education without the potential to be accused of market manipulation or unfair dealing by favoring one supplier over another through an inadvertent mistake in a description or failure to update a number as quickly as a supplier argues appropriate. A Commission offering would be a logical extension of the apples-to-apples comparison currently provided to customers by the Commission.

Should a customer require their customer energy usage data ("CEUD") for such comparisons, that data is available to them consistent with reasonable requests for standard CEUD, and within the design capabilities of the systems that support such activity.

V. CONCLUSION

AEP Ohio appreciates the Commission's interest in dynamic pricing and the opportunity to comment in this docket. In a competitive environment, it is anticipated that the design of the SSO rate options would be simple. Yet, the EDU needs to retain

the flexibility to offer a wide variety of rate options in order to comply with EE/PDR provisions of S.B. 221. CRES providers should be permitted to develop and offer a wide variety of dynamic pricing options for customers, if they so choose. Finally, the Commission is in a non-biased position to most appropriately develop any customer educational materials or apples-to-apples comparisons of rate options available to customers.

Respectfully submitted,

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Summary: Comments Comments of Ohio Power Company electronically filed by Mr. Yazen Alami on behalf of Ohio Power Company