OCC EXHIBIT NO. _____

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of	)	
Columbus Southern Power Company and	)	Case No. 11-346-EL-SSO
Ohio Power Company for Authority to	)	Case No. 11-348-EL-SSO
Establish a Standard Service Offer	)	
Pursuant to §4928.143, Ohio Rev. Code,	)	
in the Form of an Electric Security Plan.	)	
In the Matter of the Application of	)	
Columbus Southern Power Company and	)	Case No. 11-349-EL-AAM
Ohio Power Company for Approval of	)	Case No. 11-350-EL-AAM
Certain Accounting Authority.	)	

DIRECT TESTIMONY
of
AMR A. IBRAHIM

On Behalf of
The Office of the Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, Ohio 43215-3485

May 4, 2012

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I. INTRODUCTION

Q01. PLEASE STATE YOUR NAME, ADDRESS AND POSITION.

A01. My name is Amr A. Ibrahim. My business address is 10 West Broad Street, Suite 1800, Columbus, Ohio, 43215. I am employed by the Office of the Ohio Consumers' Counsel ("OCC") as a Principal Regulatory Analyst.

Q02. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A02. I received a B.A. (Accounting) from Cairo University in 1975, a M.A. (Economics) from the American University in Cairo in 1981, and a PhD (Economics) from the University of Sussex, UK, in 1988. I am a member of the International Association of Energy Economics ("IAEE") and a member of the GridWise Architecture Council (now Emeritus).[1]

Prior to joining the OCC in October 2008, I worked as an independent Consultant with several entities in the U.S. and overseas. Further, I have worked for four years (2002 – 2006) as a Senior Analyst, Market and Regulatory Practices, for the Independent System Operator of New England ("ISO-NE"). Additionally, I was a

[1] See http://www.gridwiseac.org/members/ (date of visit April 15, 2012).

Manager, then a Director, Regulatory Affairs in Enron Corporation from 1997 to 2001. I served as a Senior Rate Policy Analyst with BCHydro (British Columbia, Canada) from 1990 to 1997 where I performed cost of service studies and rate design.

Q03. PLEASE DESCRIBE YOUR EXPERIENCE.

A03. I have worked for several years in rates and cost of service studies analysis, providing technical and analytical support regarding various rates and cost of service filings. Part of this work involved reviewing the applicability of what was commonly referenced at that time (1990 – 1995) as "innovative rate designs" such as voluntary and non-voluntary curtailable load tariffs, standby and backstopping rates, wheeling rates, green rates, and economic development initiatives. I performed similar work (e.g., conducting fully allocated cost of service studies and rate design) for systems outside North America while working for Enron Corporation and as a consultant.

Additionally**,** since joining the OCC as a member of the Analytical Services Department, I have provided an affidavit in the FERC Docket Nos. ER09-134-000, *et al*., which provided information on the status of competitive electricity service and government aggregation in the state of Ohio.[2] I am responsible for providing technical support to formulate the OCC position on economic

[2] *FirstEnergy Solution Corp., et al.*, Docket Nos. ER-09-134-000, ER09-135-000, ER09-136-000, and ER09-137-000, Affidavit of Amr Ibrahim (November 14, 2008).

development and unique arrangements filed before the Public Utilities Commission of Ohio ("Commission" or "PUCO").[3] I am also responsible for providing analytical support on issues related to rate design and cost of service studies.[4]

Q04. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO?

A04. Yes, I have submitted written testimony before the PUCO. *Ex. AAI-01* lists these testimonies.

Q05. WHAT DOCUMENTS HAVE YOU REVIEWED IN THE PREPARATION OF YOUR TESTIMONY?

A05. I have reviewed the March 30, 2012 Application of Columbus Southern Power Company ("CSP") and Ohio Power Company ("OP"), collectively "AEP Ohio" or the "Company," filed with the PUCO.[5] I have also reviewed the direct testimonies of the Company Witnesses (with a focus on Witnesses Powers, Dias,

[3] For example, *The Application for Establishment of a Reasonable Arrangement Between The Ohio Edison Company and V&M Star*, Case No. 09-80-EL-AEC, and *In the Matter of the Application of Ormet Primary Aluminum Corporation for Approval of a Unique Arrangement with Ohio Power Company and Columbus Southern Power Company*, Case No. 09-119-EL-AEC.

[4] For example, *In the Matter of the Application of Aqua Ohio, Inc. for Authority to Increase Its Rates and Charges in Its Lake Erie Division*, Case No. 09-1044-WW-AIR, and *In the Matter of the Application of Aqua Ohio, Inc. for Authority to Increase Its Rates and Charges in Its Lake Erie Division*, Case No. 09-1044-WW-AIR.

[5] *In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Ohio Rev. Code, in the Form of an Electric Security Plan*, Case No. 11-346-EL-SSO, "Application" (March 30, 2012).

Nelson, Allen, Roush, and Kirkpatrick), and the Company's responses to OCC's (and some of the interveners') discovery questions.

II. PURPOSE OF TESTIMONY AND RECOMMENDATIONS

Q06. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A06. My testimony contains recommendations on the design of rates for three riders proposed in AEP Ohio's Application: a) Retail Stability Rider ("RSR"), b) Economic Development Rider ("EDR"), and c) the Generation Resource Rider ("GRR").

Q07. WHAT ARE YOUR RECOMMENDATIONS?

A07. I have four recommendations:

a. If the Commission decides to approve AEP Ohio's proposed RSR—which OCC does not recommend -- I recommend allocating the cost of the rider to be collected from customers based on the customer class' share of switched load in kWhs. I recommend rejecting the Company's allocation of this rider based on the class' average contribution to AEP Ohio's load during PJM's five highest Peak Loads;

b. If the Commission decides to approve AEP Ohio's proposed RSR—which OCC does not recommend -- I recommend that the Commission instruct AEP not to reduce the base generation revenues by the Scheduled Interruptible Power-Discretionary ("IRP-D") credit or by a change in its

level for the collection of the RSR from customers that cannot receive this credit, including residential.

c. I recommend the Commission order the Company to recalculate the EDR and distribute the cost of delta revenues to be collected from customers in proportion to the current total revenue distribution between and among classes and not in proportion to the base distribution revenues;

d. I recommend that the Commission -- when, and if it approves AEP's proposed GRR -- order the Company to collect the rider from the different customer classes through a per-kWh charge. This charge would be calculated by dividing the approved costs by total Company kWh sales.

III. ALLOCATING THE PROPOSED RETAIL STABILITY RIDER

Q08. PLEASE DESCRIBE AEP'S PROPOSED RETAIL STABILITY RIDER.

A08. The Company in its modified Electric Security Plan ("ESP") intends to provide a "discounted" capacity price to Competitive Retail Electric Service ("CRES") providers. This "discounted" capacity price is alleged to be provided in order to support increasing percentages of customers who switch to CRES providers. The Company alleges that providing capacity to CRES providers at a price well below *its cost* of capacity will cause it to lose generation revenues and will place it in "a precarious financial position during the ESP term."[6] To replace these lost

[6] AEP Application at 10 (March 30, 2012).

revenues the Company has proposed collecting the RSR from customers that will replenish a portion of the expected lost revenues.[7] The RSR will apply from June 1, 2012 through May 2015 when the Company will no longer be providing capacity to serve its entire load as a Fixed Resource Requirement ("FRR") entity.[8]

The amount of money that AEP wants to collect from customers via the RSR is tied to a targeted amount ($929 million) of non-fuel generation revenues.[9] AEP estimates that it will collect from customers, via the Retail Stability Rider, $44.1 million in 2012/13, 102.9 million in 2013/14 and $137.2 million in 2014/15. For the period 2012 through 2015, AEP proposes to use the RSR to collect from customers a total of $284.1 million (i.e., an annual average of $94.7 million). It is noteworthy that AEP proposes to adjust the RSR periodically to collect amounts authorized by the Commission.

Q09. DID THE COMPANY EXPLAIN HOW IT WOULD COLLECT THE RSR FROM ITS CUSTOMERS?

A09. Yes. The Company has designed the RSR as a non-bypassable charge that would vary by customer class, on metered kWh use of each customer. First, the Company allocated RSR charges (i.e., an annual average $94.7 million) to the

[7] AEP Application, Company witness Allen at 13.

[8] *Id*.

[9] AEP Application – Exhibit WAA-6 appended to Company's witness Allen's testimony. This Exhibit is reproduced in panel A of *Ex. AAI-02*. Company's witness Allen at p. 13 defines non-fuel generation revenues as base generation revenues, Environmental Investment Carrying Cost Rider ("EICRR") revenues and CRES capacity revenues.

customer classes based upon the class' average contribution to AEP Ohio's load during PJM's five highest peak loads ("5CP").[10] Accordingly, given that residential 5CP demand share is 41.55%, the Company would collect $39.3 million annually from residential customers.[11] Similarly, AEP customers taking service on GS2, GS3, GS4, SBS, EHG, EHS, and SS with 5CP demand share would collectively be responsible for 57.09%, or $ 54.1 million of the RSR. The second step is to divide the allocated charges by metered energy (kWh) for each customer class to determine the class' rate.

It follows from this two-step approach that residential customers in both CSP and OP territories taking service on tariff schedules RS, RS-Es, RS-TOD, RDMS, RR, RR-1, RLM, RS-ES, RS-TOD, RS-TOD2, CPP, and RTP who are expected to consume 14.8 TWh per annum, the applicable tariff will be $0.0026578/kWh.[12] A typical residential customer consuming 1000 kWh a month would pay on average $2.6578 per month.

[10] AEP Application, Company witness Roush at 12.

[11] AEP Application – Exhibit DMR-3 appended to Company witness Roush's testimony. This Exhibit is reproduced in panel B of *Ex. AAI-02.* The relative share of the residential customer is the multiplication of the average annual revenue to be collected by the RSR (94.7 million) multiplied by 41.55%.

[12] See panel B in AAI-02 and proposed Original Sheet No. 487-1 attached to Company's witness Roush's testimony.

Q10. DO YOU AGREE WITH THE COMPANY'S PROPOSAL TO COLLECT THE RSR FROM THE DIFFERENT CUSTOMER CLASSES BASED ON THEIR AVERAGE CONTRIBUTION TO AEP'S OHIO LOAD USING THE 5CP?

A10. No. I do not agree with the Company's approach.[13] This rider should not be allocated based upon the class' average contribution to AEP Ohio's load during the 5CP. This approach is not fair, just, or reasonable. It contradicts the one of main regulatory principles in cost allocation, namely, cost-causality.[14]

Q11. PLEASE EXPLAIN.

A11. The Company's rationale for the RSR is to mitigate the financial impact it would experience from the "highly discounted capacity pricing" to CRES providers. CRES providers in turn provide service to retail customers who choose to seek alternative sources of generation besides AEP Ohio's standard service offer. The cost-causation standard attributes costs incurred to cost causers. If none of the AEP customer classes were shopping, the Company would not have proposed the RSR. Further, if only one customer class was taking service from an alternate CRES, only that customer class should be charged the RSR. In such a case, it would not be just or reasonable in determining the RSR to levy it on another customer class that is not shopping. If two, or more, customer classes are shopping, then the RSR charges should be allocated among the different classes

[13] *Id.* (Retail Stability Rider, Original Sheet No. 487-1).

[14] Cost causation or causality is the determination of whom or what is causing costs to be incurred by the utility. For an exposition of this principle, see Electric Utility Cost Allocation Manual, National Association of Regulatory Utility Commission at 38/39.

based on their share of total switched load. After all, if the RSR is approved (which OCC does not recommend), it is the switched load (the customers who switched to competitors of AEP) that are the cause of the Company's lost revenues (via "discounted capacity").

Q12. HOW DO YOU RECOMMEND THE PROPOSED RETAIL STABILITY RIDER BE ALLOCATED?

A12. First it should be clear that OCC does not support AEP's proposal to charge customers for the RSR. OCC, through the testimony of Witness Duann, opposes this rider for a number of reasons. If, however, the Commission approves the RSR, contrary to the recommendation of OCC to reject it, I recommend that the RSR charges be allocated in proportion to each customer class' relative share of switched kWh sales.

It is my understanding that the most recent switching data available (March 1, 2012) shows that switching (to competitive providers) by the residential customer class amounts to just 8.0% of the total switched kWh sales. Thus, if the RSR charges were allocated to the different classes based on their share of switched kWh sales, residential customers would be responsible for 8% of the $94.7 million or $7.57 million. The cost-causality principle allocates those who caused 8% of the switched load exactly 8% of the presumed charges. If that share is divided among members of the residential class, by its metered kWh sales, the residential

class RSR would be $0.0005117/kWh.[15] Other customer classes should assume their responsibility of the $94.7 million RSR charges according to their proportionate share of switched load. The calculations of these percentages are shown in Table 1.

Table 1: Switching Statistics as of March 1, 2012 and Relative Customer Class Share in Switched Load

	Switched	Pending	Noticed	Total	Total MWh	Switched MWh	% of Switched Load
	1	1	1	1	2	3	4
Residential	8.43%	1.07%	0.05%	9.55%	14,806,189	1,413,991	8.0%
Commercial	41.44%	2.26%	4.39%	48.09%	753,324	362,274	2.1%
Industrial	28.10%	3.08%	18.52%	49.70%	31,898,851	15,853,729	89.9%
Total	26.08%	2.20%	8.43%	36.71%	47,458,364	17,629,994	100.0%

1 = Exhibit WAA-1
2 = Exhibit DMR-3
3 = Calculated (Total in 1 x 2)
4 = Calculated (switched class MWh / total switched MWh in 3)

Q13. WOULD THE RETAIL STABILITY RIDER NEED TO BE ADJUSTED PERIODICALLY TO ACCOUNT FOR THE LATEST RELATIVE SHARE IN SWITCHED KWH SALES FOR EACH CUSTOMER CLASS?

A13. Yes. As the Company already intends to adjust RSR periodically to collect amounts authorized by the Commission, the adjustment process would also reflect

[15] This is the division of $7.57 million by 14,806,189 MWh. It follows, a typical 1000 kWh residential customer would pay an RSR amount of $0.5117 a month.

the latest class relative share in switched kWh sales. The class' riders would then be recalculated accordingly.

Q14. IF THE RSR IS APPROVED, DO YOU HAVE OTHER RECOMMENDATIONS REGARDING ITS LEVEL AND ADJUSTMENT?

A14. Yes. I recommend that the Commission order AEP not to reduce the base generation revenues by the credit offered to eligible customers to participate in the Scheduled Interruptible Power-Discretionary ("IRP-D") for collection of the RSR from customers that are not eligible to be on IRP-D, including residential. Further, the Commission should also order AEP not to include possible changes in the IRP-D credit in any future adjustment of the RSR for collection from non-participating customers. The current credit, or any increase in its level, reduces the base generation revenues. The reduction in the base generation revenues will increase the RSR that all customer classes will pay.[16]

Q15. WHY DO YOU RECOMMEND EXCLUDING THE CREDIT IN THE IRP-D FROM THE ESTIMATION OF THE BASE GENERATION REVENUES?

A15. The primary, direct beneficiaries of the Interruptible Power-Discretionary tariff are those who participate in the discretionary program that AEP identified in its Application as customers with no less than 1MW of interruptible capacity.[17] Large customers eligible to participate in the discretionary IRP-D are the primary,

[16] AEP Application, Company witness Roush at 9.

[17] See proposed Original Sheet No. 427-1 attached to Company's witness Roush.

direct beneficiaries of the program as they receive a demand credit in terms of $/kW-month that will apply to their monthly interruptible demand.[18] Other customer classes, including residential, are not eligible to participate in this program. Therefore, non-participating customers should not be responsible for AEP's collection of the part pertaining to IRP-D credit that reduced the base generation revenues, and increased the RSR. They also should not be responsible for any increase in the IRP-D credit in any future adjustment of the RSR.

Q16. WHAT IS THE IMPACT OF YOUR RECOMMENDED EXCLUSION OF THE CREDIT IN THE IRP-D FROM THE COLLECTION OF RSR?

A16. The current level of the IRP-D that was included in AEP's proposed RSR is $12.1 million (see Exhibit AAI-1).[19] The subtraction of this credit from the proposed RSR would reduce its calculated average of $94.7 million to $82.6 million. While the IRP-D credit portion of the RSR would be collected directly from the class that benefited from it (i.e., GS-4 customers), the balance of $82.6 million would be collected from all other classes (including industrial) in proportion to the customer class' share of switched load in kWhs.[20]

[18] *Id,* 427-5.

[19] See Company witness Roush Workpapers at WP-DMR 30, 50, 51and 52, It is the summation of Interruptible credit of $12.1 million to GS-4 customers in OP and the balance of approximately $70 thousand for GS-4 customers in CSP.

[20] Given that residential customers are responsible for 8% of the switched kWh sales, their relative share in the recalculated RSR is $6.6 million (i.e., $0.00446/kWh).

It is noteworthy that AEP's proposal to increase the level of the IRP-D credit to $8.21 per kW-month will cause further increases in the interruptible demand credit by $13.5 million.[21] While the current calculation of the RSR (shown in Exhibit AAI-1) does not include the increase in the interruptible demand credits,[22] the Company is bound to include it in the proposed adjustment process. If the RSR is approved, the Commission should instruct AEP not to reduce the base generation revenues by the IRP-D credit for the collection of the RSR from customers, including residential, that cannot receive this credit.

IV. COLLECTION OF THE ECONOMIC DEVELOPMENT DELTA REVENUES THROUGH THE ECONOMIC DEVELOPMENT COST RECOVERY RIDER

Q17. PLEASE DESCRIBE AEP OHIO'S PROPOSED ECONOMIC DEVELOPMENT COST RECOVERY RIDER.

A17. The Company is proposing to consolidate some riders in its electric security plan into a single set of rates for both CSP and OP's service territories.[23] One of those riders is the Economic Development Cost Recovery Rider (see proposed Tariff Sheet No. 482-1). The Company indicates, through the testimony of Company witness Roush, that all customer bills subject to the provisions of the Rider shall

[21] See AEP response to IEU-Ohio discovery request IEU-1-008.

[22] See AEP response to IEU-Ohio discovery request IEU-1-009.

[23] AEP Application, Roush Direct Testimony at 3. Other riders to be consolidated are the Transmission Cost Recovery Rider and gridSMART Rider.

be adjusted by an Economic Development Cost Recovery Charge of 12.02309%. This charge is applied to customers' base distribution rates under the Company's Schedules, which exclude charges collected under any applicable Riders. Currently, the applicable EDRs are 14.06695% for OP customers and 10.08734% for CSP customers.[24] Both riders are designed to collect from customers the revenues (known as the delta revenues) that AEP does not otherwise collect as a result of its economic development discounts of $80.4 million ($46.4 million in OP and $34.0 million in CSP).[25]

Q18. DO YOU AGREE WITH HOW AEP PROPOSES TO ALLOCATE THE ECONOMIC DEVELOPMENT RECOVERY RIDER BETWEEN THE CUSTOMER CLASSES?

A18. No. AEP has been granted the opportunity to collect the revenues it forgoes (the delta revenues) as a result of offering its various economic development initiatives. But the issue remains as to how to allocate the foregone revenues for collection from the different customer classes. AEP's proposal is to collect the delta revenues from customers as a percentage of a customer's distribution charges.

[24] See *In the Matter of the Application of Ohio Power Company to Adjust Its Economic Development cost Recovery Rider Pursuant to Rule 4901:1-38-08(A)(5), Ohio Administrative Code*, Case No. 12-688-EL-RDR, Finding and Order (March 28, 2012).

[25] See *In the Matter of the Application of Ohio Power Company to Adjust Its Economic Development cost Recovery Rider Pursuant to Rule 4901:1-38-08(A)(5), Ohio Administrative Code*, Application at Schedules 1 and 2 (February 22, 2012).

Q19. WHY DO YOU DISAGREE WITH AEP'S PROPOSAL?

A19. The Company's current allocation methodology results in residential customers paying a disproportionately large share of AEP's forgone revenues (the delta revenues) related to its economic development discounts and initiatives. AEP's customers -- including residential customers -- receive service from AEP that includes generation, transmission, and distribution. Allocating the delta revenue collection based on a subset of the service (distribution) is unfair. Residential customers assume a larger share of the distribution service cost because they are served at the lowest voltage level among all other customers in the Company's system. For example, the base distribution revenues for CSP are approximately $339 million of which $222 million is the residential customers' share. [26] Accordingly, the residential customers are allocated 65.4% of the associated delta revenues. For OP, the base distribution revenue is approximately $325 million. Residential customers' share of that is $188 million -- 58% of the distribution. [27] Thus, on a consolidated basis, the residential customers in both CSP and OP will be responsible for paying 61.7% of AEP's delta revenues.

[26] See Schedule E-4 for CSP attached to Company Witnesses T. Zelina and A. Moore in *In the Matter of 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. (January 11, 2011).

[27] See Schedule E-4 for OP attached to Company Witnesses T. Zelina and A. Moore in *In the Matter of 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. (January 11, 2011).

The impact of this allocation is that a disproportionate share of delta revenues is collected from residential customers. The average customer in OP's territory taking service at rate schedule RS with 1015 kWh per month will pay a bill of $112.95 of which the EDR component (for delta revenue) is $3.71, or 3.3% of her/his monthly bill ($44.52 annually). The average residential customer in CSP's territory taking service at rate schedule RR with 1140 kWh per month pays a bill of $147.48 in the summer of which $3.89 is for the EDR (i.e., 2.6% of the bill). In the winter, the same customer would be paying a monthly bill of $127.62 of which $3.06 is for the EDR (i.e., 2.4% of the bill). The annual bill for this CSP average residential customer to pay for AEP's delta revenue is $40.04.[28]

Currently, the average AEP residential customer is paying close to 3% (above $40 per year) of her/his electricity bill to support four economic development initiatives. These high levels of charges are mitigated by OCC's recommended alternative approach that more fairly allocates delta revenues among the different customer classes.

Q20. HAS THE COMMISSION RECENTLY SOUGHT PUBLIC COMMENTS ON THE RECOVERY OF DELTA REVENUES FROM THE DIFFERENT CUSTOMER CLASSES?

A20. Yes. The Commission, in its Entry in Case No. 11-4304, sought public comments regarding possible alternatives for how to collect delta revenues from the various

[28] Calculated as the summation of $3.89 times 4 summer months plus $3.06 times 8 winter months.

customer classes.[29] The Commission also asked for public comments on whether it should explore the possibility of a consistent approach for all electric utilities in the state.[30]

Q21. WHAT DO YOU RECOMMEND AS AN APPROACH FOR AEP TO COLLECT ITS DELTA REVENUES FROM THE DIFFERENT CUSTOMER CLASSES?

A21. Any recommendation should comply with OAC 4901:1-38-08(A) (4) which I understand addresses revenue collection. It states:

> The amount of the revenue recovery rider shall be spread to all customers in proportion to the *current revenue distribution* between and among classes, subject to change, alteration, or modification by the commission. (Emphasis added).

AEP's current revenues include more than just the distribution revenues that it proposes to use for determining the collection of delta revenues from customers. All revenues, not just distribution revenues, should be used to determine the collection of AEP's delta revenues from among the customer classes. My recommendation is to spread the collection of delta revenues to all customers in proportion to the current *total* revenue distribution between and among classes. The current total revenue distribution is the summation of all revenues from the

[29] *In the Matter of the Staff Proposal for An Economic Development Tariff Template*, Case No. 11-4304-EL-UNC (July 15, 2011).

[30] *Id.*, at 2.

distribution, transmission, and generation functions. This is consistent with how customers receive service, as it incorporates revenues from all services provided by AEP.

It is important to highlight that my recommendation to spread the collection of delta revenues from all customers in proportion to the current *total revenue* distribution between and among classes will result in a consistent approach to allocating delta revenues. It would be consistent with the practices followed by Dayton Power and Light Company ("DP&L"). In its recent (March 20, 2012) application, DP&L updated its Economic Development Rider, and allocated the delta revenues for the various economic development initiatives based on customers' share of its total revenues, not just distribution revenues.[31]

My recommended approach is to follow this same approach that DP&L used in determining the relative shares of each customer class to arrive at the applicable EDR. This approach would meet the standard of OAC 4901:1-38-08(A) (4) for use of the "current revenue distribution" to spread the collection of delta revenues among the customer classes. This approach will help the Commission to move closer to ensuring a consistent allocation approach for facilitating additional economic development initiatives in the state.

[31] See *In the Matter of the Application of The Dayton Power and Light Company to Update its Economic Development Rider*, Case No. 12-815-EL-RDR, Application, Workpaper C-1 (March 20, 2012).

Q22. WHAT IS THE IMPACT OF YOUR RECOMMENDATION ON THE EDR FOR THE RESIDENTIAL CUSTOMERS?

A22. The use of the class-relative share[32] in total revenues as allocation factors of delta revenue will result in a kWh tariff of $0.00204 for residential customers for CSP, and $0.00239 in OP. The average customer in CSP's territory with 1140kWh per month consumption would pay $2.3256 per month (rather than $3.89 in the summer and $3.06 in the winter) or $ 28.27 per year. The average customer in OP's territory with 1015 kWh per month consumption would pay $2.4258 per month (rather than $3.71) or $ 29.11 per year.[33] This more accurately reflects the service residential customers receive from AEP.

V. THE COLLECTION OF THE GENERATION RESOURCE RIDER

Q23. PLEASE DESCRIBE AEP'S PROPOSED GENERATION RESOURCE RIDER.

A23. AEP is proposing a new non-bypassable Generation Resource Rider ("GRR") to collect from customers the cost of new generation resources, including renewable capacity that the Company owns or operates for the benefit of Ohio customers.[34] It is designed to collect costs of renewable and alternative capacity additions, as well as "more traditional capacity" constructed or financed by the Company and

[32] See Exhibit AAI-3.

[33] On consolidated basis, a typical residential customer with monthly consumption of 1,000 kWh would pay $2.24 per month. See Exhibit AAI-3.

[34] AEP Application, Nelson Direct Testimony at 20.

approved by the Commission. The Company asserts that it does not expect there will be any additional projects included in the rider during the ESP, with the exception of the proposed "Turning Point Solar Generating Facility."[35]

Q24. DID AEP PROPOSE A CHARGE ASSOCIATED WITH THE GRR?

A24. No, it did not. AEP will be seeking the Commission's approval of these costs in a separate proceeding. The Application proposes the GRR as a placeholder, established at a level of zero.[36]

Q25. DID AEP PROPOSE AN ALLOCATION METHODOLOGY AMONG THE DIFFERENT CUSTOMER CLASSES FOR THE COSTS OF THE TURNING POINT SOLAR PROJECT (WHEN, AND IF APPROVED)?

A25. No, it did not. [37]

Q26. DO YOU HAVE A RECOMMENDATION REGARDING HOW THIS RIDER SHOULD BE ALLOCATED?

A26. Yes, I do. The costs associated with the Turning Point Solar Project should be allocated through a kWh charge. This charge would be calculated by dividing approved costs by total Company kWh.

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[35] For a general description of Turning Point solar Generating Facility see http://www.prnewswire.com/news-releases/aep-ohio-to-partner-with-turning-point-solar-on-the-development-of-the-turning-point-solar-generating-facility-in-noble-county-125021444.html (date of visit April 25, 2012).

[36] AEP Application, Nelson Direct Testimony at 21.

[37] Also see AEP response to OCC discovery request OCC-INT-4-071.

The basis of this allocation is that the Turning Point Solar project costs are associated with a renewable resource (Solar). Renewable resources (e.g., solar and wind) are predominantly an energy resource whose costs are collected in terms of a per megawatt hour basis. An example of this per MWh compensation mechanism is outlined in Ohio Revised Code ("ORC") 4928.64(C)(2)(b). [38] Therefore, costs associated with this energy resource, if approved, should be collected from customers through a charge per kWh that is equal among all customer classes.

VI. THE IMPACT OF RECOMMENDED CHANGES IN THE ALLOCATION OF THE RSR AND EDR ON THE RATE OF INCREASE IN TARIFFS FOR RESIDENTIAL CUSTOMERS

Q27. HAVE YOU REVIEWED THE COMPUTATION OF THE RESIDENTIAL CUSTOMERS' RATES AS SHOWN IN THE APPLICATION?

A27. Yes, I have. I have reviewed Exhibit DMR-1 appended to the testimony of Company witness Roush. The Exhibit provides details of the different components of the rates as recommended by the Company in terms of cents/kWh as well as the expected rate of increase during the ESP period. For the residential

[38] To quote from ORC 4928.64(c)(2) (b)(with emphasis):

> (a) The compliance payment pertaining to the solar energy resource benchmarks under division (B)(2) of this section shall be an amount *per megawatt hour* of undercompliance or noncompliance in the period under review, starting at four hundred fifty dollars for 2009, four hundred dollars for 2010 and 2011, and similarly reduced every two years thereafter through 2024 by fifty dollars, to a minimum of fifty dollars.

customers in CSP Rate Zone, the average tariff will increase from its current 2012 before the proposed ESP from $0.1139/kWh to the $0.1209/kWh in the period June 2012 to May 2013. This difference of $0.0070/kWh constitutes an increase of 6.21%.[39] For the residential customers in OP Rate Zone, the average tariff will increase from its current 2012 before the proposed ESP from $0.1047/kWh to $0.1106/kWh in the period June 2012 to May 2013. This difference of $0.0059/kWh constitutes an increase of 5.64%.[40]

Q28. HOW DO THE PROPOSED INCREASES FOR RESIDENTIAL CUSTOMERS COMPARE TO THE PROPOSED INCREASES TO OTHER CUSTOMER CLASSES?

A28. A comparison of the monthly bills paid by the different typical customers reveals that residential customers will experience rate increases higher than most other classes. In CSP, typical residential customers with consumption levels of 1000 kWh and 2000 kWh a month will experience an increase between 5% and 6%, commercial customers will experience an increase between 2% and 3%, and industrial customers an increase of only between 0% and 1%. In OP the typical residential customer at the same typical consumption levels of 1000 kWh and 2000 kWh a month, respectively, would still experience the same range of

[39] For the period June 13 to May 2014 and June 2014 to December 2014, the average tariff will increase by 0.26% and 0.42%, respectively.

[40] For the period June 13 to May 2014 and June 2014 to December 2014, the average tariff will increase by 5.65% and 0.37%, respectively.

increase between 5% and 6%, commercial customers between 4% and 5%, and industrial customers around 3%. These percentages are demonstrated in Table 2.

Q29. HAS THE COMPANY EXPLAINED THE RATIONALE FOR THE CLASS RATE INCREASES?

A29. The Company offered little explanation for the class rate increases; it attributed the majority of the rate increases as being "distribution-related."[41] However, a closer review of DMR-1 reveals the increase in the average tariffs for the residential customers is heavily affected by the RSR and how it is being allocated. As discussed above, the average tariff for the residential customer in CSP will increase by $0.007 per kWh in the period June 2012 to May 2013 over the current 2012 level. The RSR rider alone is responsible for close to 40% of this increase.[42] For OP, the RSR responsibility in the overall increase in the average tariff for a residential customer (an increase of $0.0059/kWh) is even higher being at 45%. Fixing the allocation of the RSR—if the Commission approves the rider – so that allocation is made based on cost causation (as recommended above) – is appropriate and will lead to more reasonably priced rates for residential

[41] AEP Application at 13.

[42] Calculated as the percentage of the RSR of $0.0027 by the difference between the current tariffs and the proposed in the period June 2012 to May 2013.

customers. This will aid the Commission in ensuring that all customers, including residential customers, receive reasonably priced electricity service.[43]

Table 2: Summary of the Modified Rates

	Current	Proposed	Change	Tariff
CSP				
Household				
1,000 KWh usage	121	128	5.79%	R-R Winter
2,000 kWh	189	199	5.29%	R-R Winter
Small Business				
1 MW demand & 100 MWh usage	16,064	16,354	1.81%	GS-2 Primary
1 MW demand & 300 MWh usage	32,243	33,187	2.93%	GS-3 Primary
Industrial Business				
20 MW demand & 6 GWh usage	436,143	437,708	0.36%	GS-4
20 MW demand & 12 GWh usage	707,544	716,633	1.28%	GS-4
	Current	**Proposed**	**Change**	**Tariff**
OP				
Household				
1,000 KWh usage	113	120	6.19%	RS
2,000 kWh	212	223	5.19%	RS
Small Business				
1 MW demand & 100 MWh usage	14,261	14,999	5.17%	GS-2 Primary
1 MW demand & 300 MWh usage	29,615	30,857	4.19%	GS-2 Primary
Industrial Business				
20 MW demand & 6 GWh usage	478,609	492,257	2.85%	GS-4 Transmission
20 MW demand & 12 GWh usage	712,971	737,913	3.50%	GS-4 Transmission

Source: The Application at 13

[43] To quote from ORC 4928.02 (A):

"It is the policy of this state to do the following throughout this state:

(A) Ensure the availability to consumers of adequate, reliable, safe, efficient, nondiscriminatory, and reasonably priced retail electric service; ***"

Q30. DID YOU ESTIMATE THE IMPACT OF YOUR RECOMMENDATIONS ON THE RATE INCREASES FOR THE RESIDENTIAL CUSTOMERS?

A30. Yes, I did.

Q31. WHAT IS THE IMPACT?

A31. I expressed the impact of my recommendation on the residential customers in both CSP and OP rate zones through recalculating the average tariff per kWh. Similar to the practice followed in Exhibit DMR-1, I compared the adjusted tariff on per kWh basis that may prevail in the period of June 2012 to May 2013 to the currently applicable rates before the proposed ESP. The calculations are demonstrated in Table 3, where the impacts of my adjustments are shown on the two lines labeled "RS -- Adjusted."

Table 3: Impact of Recommended Changes in the Allocation of RSR and EDR on Average Tariff for the Residential Customers in CSP and OP.

	Current 2012 Rates before Proposed ESP*							June 2012 to May 2013 Rates with Proposed ESP**								
	Base Gen.	Env.	FAC	Total Gen.	Current Trans.	Current Dist.	Total	Base Gen.	Env.	FAC	Total Gen.	Merged Trans.	Proj. Dist.	Stability Rider	Total	% Increase
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
CSP Rate Zone																
RS	2.01	0.18	4.05	6.24	1.01	4.14	**11.39**	2.19	-	4.05	6.24	0.97	4.62	0.27	**12.09**	**6.21%**
RS -- Adjusted								2.19		4.05	6.24	0.97	4.47	0.05	**11.73**	**2.99%**
OP Rate Zone																
RS	2.41	0.16	3.44	6.01	0.92	3.53	**10.47**	2.57	-	3.44	6.01	0.97	3.81	0.27	**11.06**	**5.64%**
RS -- Adjusted								2.57	0.00	3.44	6.01	0.97	3.74	0.05	**10.77**	**2.88%**

Source: For RS in CSP and OP Rate Zones see DMR-1.

In the calculation for the adjusted tariff schedule RS, the RSR was changed from the Company proposed $0.0027/kWh to the estimated $0.000511/kWh (column 14 in Table 3). For the recommended changes in the EDR (a component of the

projected distribution charges in column 13), the calculation replaced the Company's estimated per kWh charge of $0.00375[44] for a residential customer in CSP by the recommended $0.00204/kWh. For OP, the calculation replaced the Company's estimated per kWh charge of $0.00314/kWh by the recommended $0.00239/kWh. The results of the two recommendations for the RSR and the EDR would reduce the average tariff for a residential customer in CSP from $0.1209/kWh to $0.1175/kWh (i.e., a rate increase of 2.99% rather than 6.21%). For a residential customer in OP the average tariff will be $0.1077/kWh rather than the Company proposed $0.1106/kWh (i.e., a rate increase of 2.88% rather than 5.64%).

Q32. DOES THIS CONCLUDE YOUR TESTIMONY?

A32. Yes. However, I reserve the right to incorporate new information that may subsequently be filed by order of the Commission or may subsequently become available. I also reserve the right to supplement my testimony or file rebuttal testimony in response to positions taken by the PUCO Staff and any other party to this proceeding.

[44] See Worksheet "Residential" in Roush's Workpapers Exhibits. Company witness Roush calculated the bill for a 1000 kWh residential customers in both CSP and OP. Dividing the total estimated payment for EDR by 1000 kWh results in the applicable charge on per kWh basis.

CERTIFICATE OF SERVICE

I hereby certify that the foregoing Direct Testimony of Amr Ibrahim on Behalf of the Office of the Ohio Consumers' Counsel has been served on the below parties, via electronic transmission, this 4th day of May, 2012.

/s/ Maureen R. Grady_____
Maureen R. Grady
Assistant Consumers' Counsel

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Attachment AAI-1
List of Testimonies

1. In the Matter of the Application of the Dayton Power and Light Company for Approval of Its Amended Corporate Separation Plan. The Public Utility Commission of Ohio – Case No. 08-1097-EL-UNC (January 26, 2009).

2. In the Matter of the Application of Ormet Primary Aluminum Corporation for Approval of a Unique Arrangement with Ohio Power Company and Columbus Southern Power Company. The Public Utility Commission of Ohio – Case No. 09-119-EL-AEC (April 27, 2009).

3. In the Matter of the Application for Establishment of a Reasonable Arrangement between Eramet Marietta Inc. and Columbus Southern Power Company. The Public Utility Commission of Ohio – Case No. 09-516-EL-AEC (July 31, 2009).

4. In the Matter of the Application for Establishment of a Reasonable Arrangement between Eramet Marietta Inc. and Columbus Southern Power Company. The Public Utility Commission of Ohio – Case No. 09-516-EL-AEC (August 12, 2009).

5. In the Matter of the Application of Aqua Ohio, Inc. for Authority to Increase Its Rates and Charges in Its Masury Division. The Public Utility Commission of Ohio – Case No. 09-516-EL-AEC (February 22, 2010).

6. In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company for Authority to Establish a Standard Service Offer Pursuant to R.C. § 4928.143 in the Form of an Electric Security Plan. The Public Utility Commission of Ohio – Case No. 10-388-EL-SSO (April 15, 2010).

7. In the Matter of the Application of Aqua Ohio, Inc. for Authority to Increase Its Rates and Charges in Its Lake Erie Division. The Public Utility Commission of Ohio– Case No. 09-1044-WW-AIR (June 21, 2010).

8. In the Matter of the Application of Duke Energy Ohio, Inc. to Adjust Rider DR-IM. The Public Utility Commission of Ohio – Case No. 10-867-GE-RDR (December 20, 2010).

Exhibit AAI-2

Calculation of Rate Stability Rider

Panel A
Retail Stability Rider

	(in million)
Retail Non-fuel Gen Revenues	$967
CRES Capacity Revenues	$54
Credit for Shopped Load	$15
Total Revenues	$1,036
2011 ROE	12.06%
2011 On-Going Earnings	$537
2011 Equity	$4,450
Target ROE	10.50%
Earning at 10.5% ROE	$467
Revenue Reduction to Earn 10.5%	$107
Revenue Target	$929

Estimate of Retail Stability Rider Revenues

	12/13	13/14	14/15	Total
Retail Non-fuel Gen Revenues	$ 402.9	$ 309.9	$ 182.0	$ 894.8
CRES Capacity Revenues	$ 391.3	$ 413.0	$ 400.0	$ 1,204.3
Auction Capacity Revenues	$ -	$ -	$ 89.6	$ 89.6
Credit for Shopped Load	$ 90.7	$ 103.3	$ 120.2	$ 314.2
Subtotal	$ 884.9	$ 826.1	$ 791.8	$ 2,502.8
Retail Stability Rider	$ 44.1	$ 102.9	$ 137.2	$ 284.2
Total Revenues	$ 929.0	$ 929.0	$ 929.0	$ 2,787.0

Source: – Exhibit WAA-6 appended to Company's witness Allen

Exhibit AAI-2 (cont.)

Panel B

Calculation of Retail Stability Rider

Line No.	Description		Residential	GS-1, FL	GS-2/3/4, SBS, EHG, EHS, SS	AL/OL, SL	Total
1	5 CP Demand	CSP	2,030	65	2,356	-	
2		OPCo	1,856	62	2,983	-	
3		Total	3,886	127	5,339	-	9,352
4	Allocation Percentage		41.55%	1.36%	57.09%	0.00%	
5	Class Allocation of Revenue Requirement		$ 39,350,321	$ 1,286,024	$ 54,063,655	$ -	$ 94,700,000
6	All Metered MWh	CSP	7,470,811	369,557	13,267,661	98,971	
7		OPCo	7,335,378	383,767	18,631,190	125,665	
8		Total	14,806,189	753,324	31,898,851	224,636	47,683,000
9	Proposed RSR Rate ¢/kWh		**0.26578 ***	**0.17070 ***	**0.16948**	**0.00000**	
10	Proposed Collection		$ 39,351,888	$ 1,285,925	$ 54,062,173	$ -	$ 94,699,986
11	Revenue Verification						$ 14

* Revised after Revenue Verification

Source: Exhibit DMR-3 appended to Company's witness Roush

Exhibit AAI-3

Alternative Calculation of EDR

Class	CSP				
	Revenue	% Revenue	Δ Revenue Share	MWh	$/kWh
	(1)	(2)	(3)	(4)	(5)
Residential	$883,766,072	46.7%	$15,884,889.84	7,804,465	$0.00204
Commercial	$751,724,082	39.7%	$13,511,555.39	8,709,367	$0.00155
Industrial	$256,780,353	13.6%	$4,615,392.86	4,666,295	$0.00099
Other	$705,344	0.0%	$12,677.92	54,925	
Total	$1,892,975,851	100.0%	$34,024,516		

Class	OP				
	Revenue	% Revenue	Δ Revenue Share	MWh	$/kWh
	(1)	(2)	(3)	(4)	(5)
Residential	$735,551,412	39.1%	$18,122,796.93	7,581,518	$0.00239
Commercial	$464,769,537	24.7%	$11,451,169.56	5,744,556	$0.00199
Industrial	$662,145,216	35.2%	$16,314,187.01	12,799,871	$0.00127
Other	$19,956,769	1.1%	$491,702.51		
Total	$1,882,422,934	100.0%	$46,379,856		

Class	AEP (Consolidated)				
	Revenue	% Revenue	Δ Revenue Share	MWh	$/kWh
	(1)	(2)	(3)	(4)	(5)
Residential	$1,619,317,484	42.9%	$34,486,477.53	15,385,983	$0.00224
Commercial	$1,216,493,619	32.2%	$25,907,569.25	14,453,923	$0.00179
Industrial	$918,925,569	24.3%	$19,570,285.82	17,466,166	$0.00112
Other	$20,662,113	0.5%	$440,039.40		
Total	$3,775,398,785	100.0%	$80,404,372		

(1) & (4) Ferc Form 1, 2010, Page 304. Totals may vary very slightly.

(2) & (5) Calculated

(3) Calculated. For total Δ revenue see Schedule No. 1 -- Application, Case No. 12-0688-EL-RDR

Summary: Testimony Direct Testimony of Amr A. Ibrahim of Behalf of the Office of the Ohio Consumers' Counsel electronically filed by Patti Mallarnee on behalf of Grady, Maureen