

**BEFORE THE  
PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Columbus Southern	:	Case No. 11-346-EL-SSO
Power Company and Ohio Power Company for	:	Case No. 11-348-EL-SSO
Authority to Establish a Standard Service Offer	:	
Pursuant to §4928.143, Ohio Revised Code, in the Form	:	
Of an Electric Security Plan.	:	

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**POST-HEARING BRIEF OF  
THE OHIO AUTOMOBILE DEALERS ASSOCIATION**

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The Ohio Automobile Dealers Association (“OADA”) submits this Brief in support of its recommendations in this proceeding. The Ohio Automobile Dealers Association (OADA) represents over 815 new automobile, truck and motorcycle dealers throughout the state. OADA has served the franchised dealer industry since 1932, promoting the common interests of the retail automotive industry. Most dealerships are family-owned; many have been in business for two and three generations.

These dealerships contribute enormously to Ohio’s economy. In 2011, franchised new automobile dealers generated \$24.1 billion in sales revenue for Ohio, representing 14.2% of the total retail sales in the state. Ohio dealerships employ 38,775 people in Ohio and pay over \$1.69 billion in payroll to their employees. OADA’s recommendations are set forth below.

## **ARGUMENT**

### **I. The Commission Should Accept The Company's Proposal To Maintain Rates At Levels Consistent With ESP I For Customers That Have A Low Load Factor.**

Our members and hundreds of other small business owners saw significant increases in their utility bills in January 2012 after the Company's rate change took effect. Our members, which have high electricity usage for short periods and low usage the rest of the time, saw an average rate increase of twenty-two percent. Such rate increases simply cannot be absorbed in an industry where economic recovery is continuing to grow at a slow pace. We are therefore delighted that this application includes no rate design changes for GS2 customers, the service tariff most of our members belong too, and recommend the Commission accept that portion of the Company's proposal.

### **II. The Commission Should Reject The Company's Proposed Retail Stability Rider as A Form of Capacity Compensation in Addition to RPM-Based Capacity Prices.**

The Company's Proposed Retail Stability Rider ("RSR"), which focuses solely on AEP-Ohio's gross revenue, shifts the burden of revenue loss from the Company to the consumer. AEP-Ohio proposes that the Commission establish the RSR to replace a portion of the revenue that the company anticipates will be lost as customers shop and their revenues are replaced with revenues from CRES providers.<sup>1</sup> The RSR would be calculated based on the difference between AEP-Ohio's projected future revenues for the next three PJM planning years and a revenue baseline of its 2011 non-fuel generation revenues which would result in a 10.5% return on equity for AEP-Ohio.<sup>2</sup> The RSR surcharge would equal the deficiency in revenues for each planning

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<sup>1</sup> AEP-Ohio Ex. 116, Direct Testimony of William A. Allen (March 30, 2012) ("Allen Testimony") at 13:2-15.

<sup>2</sup> Allen Testimony at 13:9-10.

year compared to the 2011 baseline revenues. The projected surcharge revenues are \$44.1 million in the 2012-13 planning year, \$102.9 million in the 2013-2014 planning year, and \$137.2 million in the 2014-2015 planning year, respectively.<sup>3</sup>

The proposed RSR is troubling, since increases could be substantial, are unlimited, and provide no incentive for AEP-Ohio to make prudent financial decisions. There is no rational basis for shifting the risk of lost revenue to consumers, who have no control on factors which impact AEP-Ohio's revenue, earnings, or overall financial performance.

Most importantly, the RSR as proposed has the potential to increase costs to our members that are just as significant as the controversial GS2 rate increase in ESP II. The RSR must be rejected or the benefits of retaining the current rate structure are moot. The Commission cannot allow AEP-Ohio to state it will not increase rates, while simultaneously approving this mechanism which increases the overall cost of electricity.

While we commend AEP-Ohio's proposal to maintain current rate design for GS2 customers, we hope the Commission is cognizant that the RSR may be equally as harmful to our members. Motor vehicle dealers operate on small margins; in 2011, total dealership net profit before tax as a percent of sales was 2.3%. When operating on small margins, even a modest increase in the cost of electricity has a significant impact on operations. The RSR represents a substantial increase in those costs, unpredictable by design, which simply cannot be absorbed by our members.

The Commission should not replace any decline in AEP-Ohio's revenues through this rate-making mechanism. The Commission should reject the RSR.

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<sup>3</sup> Direct Testimony of Lane Kollen (May 4, 2012) ("Kollen Testimony") at 13:1-5 (citing Ex. WAA-6).

## CONCLUSION

Wherefore, for the foregoing reasons, the Commission should adopt OADA's recommendations in this proceeding.

Respectfully Submitted,

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## CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and accurate copy of the foregoing document was served this 29<sup>th</sup> day of June, 2012 by electronic mail, upon the persons listed below.

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Summary: Brief Post-Hearing Brief of The Ohio Automobile Dealers Association electronically filed by Mr. Stephen M Howard on behalf of The Ohio Automobile Dealers Association