

PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio)	
Power Company for Authority to)	
Establish a Standard Service Offer)	Case No. 13-2385-EL-SSO
Pursuant to §4928.143, Ohio Rev. Code,)	
in the Form of an Electric Security Plan.)	
)	
In the Matter of the Application of Ohio)	
Power Company for Approval of Certain)	Case No. 13-2386-EL-AAM
Accounting Authority.)	
)	

THE NATURAL RESOURCES DEFENSE COUNCIL'S INITIAL POST-HEARING BRIEF

I. INTRODUCTION

On December 20, 2013, the Ohio Power Company (“AEP”) submitted an application to establish a standard service offer in the form of an electric security plan (“Application”) that will be in effect from June 2015 through May 2018. An extensive hearing process was conducted. The Natural Resources Defense Council (“NRDC”) now submits this brief in support of the Pilot Throughput Balancing Adjustment Rider (PTBAR). NRDC requests that the Public Utilities Commission of Ohio (“Commission”) approve AEP’s request to extend the PTBAR through the term of the Electric Security Plan (“ESP”).

II. The PTBAR is Working as Intended and thus the Commission Should Extend it Through the Term of the ESP.

On December 14, 2011, the Commission approved a stipulation in AEP’s electric distribution rate case that established, among other things, the PTBAR.¹ AEP, NRDC, and

¹ *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 Nos. 11-351-EL-AIR, 11-352-EL-AIR, Opinion and Order, December 14, 2011, pp. 7, 14.

several other intervenors on that docket were parties to the stipulation.² The purpose of instituting the PTBAR was to ensure that AEP collects its Commission-authorized revenues even as it works to increase efficiency in the residential and GS-1 rate classes (i.e. removing the throughput incentive),³ and to provide a more fair recovery mechanism that requires AEP to refund customers when it *over*-recovers authorized revenues. The rider also limits AEP's recovery by capping surcharges at 3% of the total annual distribution revenues when the utility under-recovers its authorized revenues.⁴ The PTBAR places no limit, however, on refunds to customers from any over-recovery of revenues.⁵ Though the term of the PTBAR was for the 2012-2014 calendar years, the Commission approved the implementation of the rider past the 2015 end date unless otherwise ordered.⁶

AEP now proposes to extend the PTBAR for the residential and GS-1 classes, as currently implemented, through the term of the proposed ESP.⁷ As AEP indicates in its Application, the ESP has been designed consistent with S.B. 221 and, among other things, addresses the energy efficiency requirements of §4928.66, Ohio Rev. Code.^{8 9} NRDC supports the extension of the PTBAR as a tool to remove AEP's throughput incentive, which thereby frees the utility to help its customers save energy through energy efficiency and peak demand response

² Id. at 4.

³ *In the Matter of the Application of the Ohio Power Company to Adjust Its Throughput Balancing Adjustment Rider*, Case No. 13-568-EL-RDR, Comments of the Staff of the Public Utilities Commission of Ohio at 2, May 1, 2013.

⁴ Case Nos. 11-351-EL-AIR, 11-352-EL-AIR, Opinion and Order, December 14, 2011, p. 7.

⁵ Id.

⁶ Id. at 10.

⁷ ESP Application at 12; *see also* Direct Testimony of Gary O. Spitznogle in Support of AEP Ohio's Electric Security Plan at 5-6; Direct Testimony of Andrea E. Moore in Support of AEP Ohio's Electric Security Plan at 4.

Page 5-6 -

⁸ Application at 1-2.

⁹ §4928.66, Ohio Rev. Code has recently been amended by the passage of S.B. 310, which modified the energy efficiency targets for 2015 and 2016. These amendments nonetheless provide Ohio's utilities with several options for addressing their EE/PDR portfolios – including extension of the portfolios and continued adherence to the annual energy efficiency targets.

(“EE/PDR”) programs. In this, the rider is an important component of the ESP, as it addresses AEP’s ongoing efforts to comply with the S.B. 221 energy efficiency requirements.

Moreover, in its review of AEP’s 2012 update on the PTBAR, Commission Staff observed that the “[r]ider is working.”^{10 11} Specifically, Staff noted that the 3% rate cap is operating as “intended,” observing that the cap was triggered in 2012 and thus mitigated a larger rate increase for the residential class than would have otherwise occurred.¹² AEP filed its 2013 annual update on the PTBAR on May 3, 2014, reporting similar rate adjustments as 2012 and the invocation of the cap on customer surcharges.¹³ And while AEP has not yet completed the 3-year cycle on the rider, NRDC notes that the first and second years of implementation of the PTBAR correspond with years of escalating investment and performance in AEP’s energy efficiency programming. In 2012, AEP exceeded the energy efficiency target under S.B. 221 by nearly 60 %, saving 571 GWh of electricity as a result of its EE/PDR programs.¹⁴ In 2013, AEP increased the performance of its EE/PDR programs even further past the target, saving 593.7 GWh of electricity - 65% in excess of the required savings.¹⁵

¹⁰ Case No. 13-568-EL-RDR, Comments of the Staff of the Public Utilities Commission of Ohio, May 1, 2013, pp. 3-4.

¹¹ During the evidentiary hearings, AEP’s Witness Spitznogle also noted Staff’s positive feedback on the rider. *See* Evidentiary Hearing Transcript, Volume 1, June 3, 2014, p. 231.

¹² Case No. 13-568-EL-RDR, Comments of the Staff of the Public Utilities Commission of Ohio, May 1, 2013, pp. 3-4.

¹³ *In the Matter of the Application of the Ohio Power Company to Adjust Its Throughput Balancing Adjustment Rider*, Case No. 14-0357-EL-RDR, Application, May 3, 2014.

¹⁴ *In the Matter of the Annual Portfolio Status Report Under Rule 4901:1-39-5(C), Ohio Administrative Code, by Ohio Power Company*, Case No. 13-1182-EL-EEC, 2012 Portfolio Status Report of the Energy Efficiency and Peak Demand Response Programs, May 15, 2013, p. 7. AEP reports that the 2012 requirement for energy efficiency under S.B. 221 (0.8% of the previous three-year average electric sales) yielded a target of 340.7 GWh for that year, with achieved savings from EE/PDR programs totaling 571 GWh.

¹⁵ *In the Matter of the Annual Portfolio Status Report Under Rule 4901:1-39-5(C), Ohio Administrative Code, by Ohio Power Company*, Case No. 14-0853-EL-EEC, 2013 Portfolio Status Report of the Energy Efficiency and Peak Demand Response Programs, May 15, 2014, p. 6. AEP reports that the 2013 requirement for energy efficiency under S.B. 221 (0.9% of the previous three-year average electric sales)

NRDC also supports extension of the PTBAR to enable AEP and stakeholders to continue to assess the performance of the rider and evaluate the metrics reported by AEP in its annual rider updates. In its review of AEP's 2012 update of the rider, Staff expressed an interest in seeing a longer-term analysis of the PTBAR, in particular as it relates to the invocation of the rate cap for the residential rate class in future years, and acknowledged a need to collect further performance measures during the entire 3-year period to evaluate the pilot.¹⁶

III. CONCLUSION

For the foregoing reasons, NRDC respectfully requests that the Commission approve AEP's request to extend the PTBAR through the term of the ESP.

Dated: July 23, 2014

Respectfully submitted,

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yielded a target of 387.9 GWh for that year, with achieved savings from EE/PDR programs totaling 593.7 GWh.

¹⁶ Case No. 13-568-EL-RDR, Comments of the Staff of the Public Utilities Commission of Ohio, May 1, 2013, p. 4.

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing *Natural Resource Defense Council's Initial Post-Hearing Brief*, submitted on behalf of the Natural Resources Defense Council, was served by electronic mail, upon the following Parties of Record, this 23rd day of July, 2014.

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Summary: Brief Initial Post-Hearing Brief of the Natural Resources Defense Council