

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio       )  
Power Company to Update the Energy       ) Case No. 14-0873-EL-RDR  
Efficiency and Peak Demand Reduction       )  
Rider.   )

---

**REPLY COMMENTS  
BY  
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL**

---

**I. INTRODUCTION AND STATEMENT OF FACTS**

In its Comments filed on July 1, 2014, Ohio Power Company (“AEP Ohio” or “the Utility”) set forth the procedural history of the Utility’s energy efficiency and peak demand reduction (“EE/PDR”) Rider update filings, which are issues that impact customers’ electric bills. AEP Ohio described the situation whereby it filed a 2012 request to update the EE/PDR Rider for the final true-up of the program costs from 2009-2011<sup>1</sup> and a nearly identical request in 2013 seeking authority to implement and true-up the Utility’s 2012 EE/PDR costs “along with the final true-up from the 2009 Portfolio cases as filed in Case No. 12-1557-EL-RDR.”<sup>2</sup> Having not received a ruling on either the 2012 or the 2013 Applications, AEP Ohio filed this 2014 filing to true-up all EE/PDR costs from 2009-2013.<sup>3</sup>

OCC filed Objections on June 16, 2014, supporting the Public Utilities Commission of Ohio (“PUCO”) Staff recommendation of an independent audit of the costs that AEP Ohio seeks

---

<sup>1</sup> Comments of Ohio Power Company at p. 1 (July 1, 2014); see also, *In the Matter of the Application of Ohio Power Company to Update the Energy Efficiency and Peak Demand Reduction Rider* (“AEP Ohio 2012 Update”), Case No. 12-1557-EL-RDR, Application at p. 2 (May 15, 2012).

<sup>2</sup> *In the Matter of the Application of Ohio Power Company to Update The Energy Efficiency and Peak Demand Reduction Rider* (“AEP Ohio 2013 Update”), Case No. 13-1201-EL-RDR, Application at p. 3 (May 15, 2013) (emphasis added).

<sup>3</sup> Application, at p. 3 (May 15, 2014).

to charge customers, which was filed in Case Nos. 12-1557-EL-RDR and 13-1201-EL-RDR.

The PUCO Staff recommended that there be an audit of the entire EE/PDR period from January 2011 through December 2013, much of which includes the true-up of the costs that are included in the Application filed in this case (January 2013 – December 2013). To support this recommendation, the Staff explained that during that time “the design of the rider rates underwent significant modification due to the merger of the operating companies.”<sup>4</sup> In addition, the Staff explained that the audit is necessary due to “the significance of the EE/PDR riders as part of the Company’s rates.”<sup>5</sup>

Despite no scheduling order in this case, AEP Ohio filed Comments on July 1, 2014. At that time, the PUCO had still not ruled on any of the three EE/PDR Rider updates that AEP Ohio had filed.<sup>6</sup> The next day, however, the PUCO issued a Finding and Order that approved AEP Ohio’s 2013 request to update its EE/PDR Rider and found that the 2012 request should be closed.<sup>7</sup> The PUCO also accepted the Staff’s recommendation of a financial audit of the EE/PDR costs.<sup>8</sup>

---

<sup>4</sup> AEP Ohio 2012 Update, Staff Review and Recommendation at p. 9; AEP Ohio 2013 Update, Staff Review and Recommendation at p. 9.

<sup>5</sup> AEP Ohio 2012 Update, Staff Review and Recommendation at p. 9; AEP Ohio 2013 Update, Staff Review and Recommendation at p. 9.

<sup>6</sup> Comments of Ohio Power Company, at p. 1 (July 1, 2014).

<sup>7</sup> *In the Matter of the Application of Ohio Power Company to Update the Energy Efficiency and Peak Demand Reduction Rider*, Case Nos. 11-2768-EL-RDR; 11-2769-EL-RDR; 12-1557-EL-RDR; 13-1201-EL-RDR, Finding and Order at p. 4 (July 2, 2014).

<sup>8</sup> *Id.*

## II. REPLY COMMENTS

### A. The PUCO Should Not Allow New Rates To Be Charged To Customers Before The PUCO Conducts A Financial Audit.

The financial audit and subsequent comment period on such audit results are necessary to protect AEP Ohio's 1.4 million residential electric customers *before* they are charged any potential increase in the EE/PDR Rider rates. AEP Ohio does not oppose Staff's recommended audit;<sup>9</sup> nevertheless, the Utility requests that the PUCO approve the 2014 rates requested in this proceeding.<sup>10</sup> As previously mentioned, the PUCO already indicated that it will be requiring an audit of the EE/PDR Rider costs that are at issue in this case.<sup>11</sup> Given all of the turmoil outlined by the PUCO Staff, it is quite possible that the financial audit could result in a need to adjust the rates that AEP Ohio requested in its Application. In fact, the Staff references 38 relevant filings in over 20 different cases that complicates the ability to understand the Utility's proposed true-up of the costs that customers pay.<sup>12</sup> Further confusing matters, AEP Ohio recently filed amended tariffs after discovering a **\$97 million** mistake in the proposed revenue request, which would have resulted in a significant overcharge to consumers.<sup>13</sup>

---

<sup>9</sup> Comments of Ohio Power Company, at p.2 (July 1, 2014) (stating "AEP Ohio does not oppose the Staff's recommendation for a financial audit to verify the accounting and costs incurred by the Company under the EE/PDR Rider for the years 2009-2013 . . . [which] should encompass the Application for efficiency in conducting a single financial audit for all pending update filings.").

<sup>10</sup> Comments of Ohio Power Company, at p.3.

<sup>11</sup> The PUCO issued a subsequent Finding and Order on July 30, 2014, approving AEP Ohio's revised proposed tariffs and updated Schedule 1. AEP Ohio made those 2 filings after it "discovered a formulaic error in the EE/PDR rider rate" that would have overcharged customers by nearly \$100 million. While the PUCO did not re-state in the July 30 Order, its requirement for a financial audit, this filing is made under the premise that the July 30, 2014 Order does maintain the requirement of a financial audit of the EE/PDR Rider as set forth in the July 2, 2014 Finding and Order in Case Nos. 13-1201 and 12-1557. To this point, OCC will be filing an Application for Rehearing in Case Nos. 12-1557-EL-RDR and 13-1201-EL-RDR. OCC appreciates the PUCO Staff's recommendation for the audit and the Commission's acceptance of that recommendation for customer protection.

<sup>12</sup> See, AEP Ohio 2012 Update, Staff Review and Recommendation at pp. 4-8; AEP Ohio 2013 Update, Staff Review and Recommendation at pp. 4-8.

<sup>13</sup> See, Correspondence including Revised Schedule 1 and Proposed Compliance Tariffs, Case No. 13-1201 (July 15, 2014). The PUCO approved AEP Ohio's amended tariffs in the July 30, 2014 Finding and Order.

Due to the large amount of money that AEP Ohio is seeking to charge customers and the complexity of AEP Ohio's corporate structure and rate changes during the relevant years in this case, the PUCO should not allow AEP Ohio to collect the 2014 rates that are still subject to a much-needed financial audit. In order to protect customers, the PUCO should hold AEP Ohio's 2014 rates in abeyance until the Commission-ordered financial audit is complete.

**B. The PUCO-Ordered Financial Audit Should Also Include Verification Of The Calculations Used To Derive Shared Savings.**

Any financial audit of the costs at issue in this case should include verification of the calculations that were used to derive the amount of shared savings that AEP Ohio seeks to charge customers. While not taking issue with the notion of an audit, AEP Ohio makes a point to ensure that an audit "should be limited to a financial audit since Staff already reviewed the substance of the costs being included in the EE/PDR."<sup>14</sup> Although not in this docket, subsequently, the PUCO granted the Staff's request for a financial audit of AEP Ohio's EE/PDR Rider from January 2011 through December 2013.<sup>15</sup> However, neither the Staff nor the Commission specified the breadth of the financial audit or what specific financial components would be audited. OCC maintains that the PUCO must ensure that the shared savings are included as part of the financial audit.

In Case No. 09-1089-EL-POR, AEP Ohio was granted the ability to charge customers additional costs for what is referred to as a "shared savings mechanism." The "shared savings incentive" mechanism "provides an after-tax net benefit of 15 percent to

---

<sup>14</sup> Id. at 2.

<sup>15</sup> Case Nos. 12-1557-EL-RDR; 13-1201-EL-RDR. Finding and Order at 4.

the Companies and 85 percent to Customers for measurable EE/PDR programs.”<sup>16</sup> Thus, in order to appropriately audit the \$23,274,700 million that AEP Ohio seeks in shared savings for 2009 through 2011,<sup>17</sup> and \$34,333,063 in shared savings for 2012<sup>18</sup>, it is necessary to calculate the value of the avoided costs associated with the amount of measurable savings produced by the EE/PDR programs.

### III. CONCLUSION

The PUCO should reject AEP Ohio’s request to institute rate increases for its EE/PDR programs from 2009 through 2013 until the independent audit is complete and its results fully scrutinized. While the PUCO Staff’s recommendation for the independent audit is commendable, the audit must also include verification of the calculations used to derive the shared savings mechanism that AEP Ohio wants customers to pay. Last, the PUCO should grant all parties an opportunity to file comments in response to the financial audit.

Respectfully submitted,

BRUCE J. WESTON  
OHIO CONSUMERS’ COUNSEL

/s/ Michael J. Schuler

Michael J. Schuler, Counsel of Record  
Assistant Consumers’ Counsel

**Office of the Ohio Consumers’ Counsel**

10 West Broad Street, Suite 1800

Columbus, Ohio 43215-3485

Telephone [Schuler]: (614) 466-9547

[Michael.schuler@occ.ohio.gov](mailto:Michael.schuler@occ.ohio.gov)

---

<sup>16</sup> *In the Matter of the Application of Columbus Southern Power Company for Approval of its Program Portfolio Plan and Request for Expedited Consideration, et al.*, Case No. 09-1089-EL-POR, Opinion and Order at pp. 11, 28 (May 13, 2010).

<sup>17</sup> Application, Schedule 1a.

<sup>18</sup> Application, Schedule 3, at pp. 1-2.

## **CERTIFICATE OF SERVICE**

I hereby certify that a copy of these *Reply Comments* was served on the persons stated below *via* electronic transmission, this 22<sup>nd</sup> day of August, 2014.

/s/ Michael J. Schuler

Michael J. Schuler  
Assistant Consumers' Counsel

## **SERVICE LIST**

William Wright  
Attorney General's Office  
Public Utilities Commission of Ohio  
180 E. Broad St., 6<sup>th</sup> Fl.  
Columbus, Ohio 43215  
[William.wright@puc.state.oh.us](mailto:William.wright@puc.state.oh.us)

Steven T. Nourse  
Yazen Alami  
AEP Service Corporation  
1 Riverside Plaza, 29<sup>th</sup> Floor  
Columbus, Ohio 43215-2373  
[stnourse@aep.com](mailto:stnourse@aep.com)  
[yalami@aep.com](mailto:yalami@aep.com)

Counsel for Ohio Power Company

David F. Boehm  
Michael L. Kurtz  
Jody Kyler Cohn  
Boehm, Kurtz & Lowry  
36 East Seventh Street, Suite 1510  
Cincinnati, Ohio 45202  
[dboehm@BKLawfirm.com](mailto:dboehm@BKLawfirm.com)  
[mkurtz@BKLawfirm.com](mailto:mkurtz@BKLawfirm.com)  
[jkylercohn@BKLawfirm.com](mailto:jkylercohn@BKLawfirm.com)

Counsel for the Ohio Energy Group

Kimberly W. Bojko  
Rebecca L. Hussey  
Mallory M. Mohler  
Carpenter Lipps & Leland LLP  
280 Plaza, Suite 1300  
280 North High Street  
Columbus, Ohio 43215  
[Bojko@carpenterlipps.com](mailto:Bojko@carpenterlipps.com)  
[hussey@carpenterlipps.com](mailto:hussey@carpenterlipps.com)  
[mohler@carpenterlipps.com](mailto:mohler@carpenterlipps.com)

Counsel for OMA Energy Group

Attorney Examiners:

[Sarah.parrot@puc.state.oh.us](mailto:Sarah.parrot@puc.state.oh.us)  
[Greta.see@puc.state.oh.us](mailto:Greta.see@puc.state.oh.us)

**This foregoing document was electronically filed with the Public Utilities**

**Commission of Ohio Docketing Information System on**

**8/22/2014 10:53:39 AM**

**in**

**Case No(s). 14-0873-EL-RDR**

Summary: Comments Reply Comments by the Office of the Ohio Consumers' Counsel electronically filed by Ms. Deb J. Bingham on behalf of Schuler, Michael J.