



Legal Department

American Electric Power
1 Riverside Plaza
Columbus, OH 43215-2373
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November 11, 2014

Honorable Greg Price
Administrative Law Judge
Public Utilities Commission of Ohio
180 East Broad Street
Columbus, Ohio 43215-3793

Matthew J. Satterwhite
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Re: In the Matter of Ohio Power Company Revenue Neutral Residential Distribution Rate Design, Case No. 11-351-EL-AIR, Case No. 11-352-EL-AIR, Case No. 11-353-EL-ATA, Case No. 11-354-EL-ATA, Case No. 11-356-EL-AAM, Case No. 11-358-EL-AAM

Examiner Price:

On December 14, 2011, the Commission issued an Opinion and Order in these cases requiring Ohio Power Company (AEP Ohio or the Company) to adjust residential distribution rates, on a revenue neutral basis, to rates which are consistent with the rate design recommended by Staff in the Staff Reports and which will produce the annual revenue requirement agreed to in the Stipulation. And on December 15, 2011, the Commission issued an Entry *Nunc Pro Tunc* finding that, "... unless otherwise ordered by the Commission, AEP Ohio's residential distribution rates will be adjusted, effective January 1, 2015, on a revenue neutral basis, to rates which are consistent with the rate design recommended by Staff in the Staff Reports and which will produce the annual revenue requirement agreed to in the Stipulation."

We will file the effective tariffs reflecting this filing in the 89-6007-EL-TRF docket by December 1, 2014 unless we hear otherwise.

Revenue Neutral Residential Distribution Rates

Consistent with the Commission's directives, the Company is submitting adjusted residential distribution rates to be effective January 1, 2015 on a revenue neutral basis that are consistent with the rate design proposal recommended by Staff in the Staff Reports. The adjusted rates will produce the annual revenue requirement agreed to in the Stipulation in the above referenced cases.

As reflected in the attached Company Schedule E-4, the residential distribution rates for the Ohio Power (OP) and Columbus Southern Power (CSP) rate zones were calculated consistent with the Staff Report calculations. The rate calculation reflects

the customer charges as shown in the Staff Report and a single, unified volumetric/energy charge.

Typical Bill impacts of Revenue Neutral Residential Distribution Rates

Residential typical bill impacts for various levels of customer use are reflected on the attached Company Exhibit Schedule E-5. The bill impact for a residential customer using 1,000 kWh on Tariff RS (Ohio Power Rate Zone) is \$0.83, or 0.5% and the impact for a residential customer using 1,000 kWh on Tariff RR (Columbus Southern Power Rate Zone) is (-\$6.40) or (-3.8%).

Change in Pilot Throughput Balancing Adjustment Rider

Any change in residential distribution rates will also impact the computations underlying the Pilot Throughput Balancing Adjustment Rider (PTBAR). As shown in Company Attachment 1, the revised values for the PTBAR have been calculated to reflect the reduction in test year energy revenue per customer resulting from the revenue neutral redesign.

Please notify me if any further action is required or with any questions.

Cordially,

/s/ Matthew J. Satterwhite

Matthew J. Satterwhite
Senior Counsel

cc: Parties of Record

COLUMBUS SOUTHERN POWER COMPANY / OHIO POWER COMPANY
Case No. 11-351-EL-AIR / 11-352-EL-AIR
Class and Schedule Revenue Summary
(Electric and Gas Utilities)

Data: 3 MOS Actual & 9 MOS Estimated
Type of Filing: ►Original___Updated___Revised

Schedule E-4
Page 1 of 1

| Proposed Annualized | | | | | | | Current Annualized | | | | | |
|---|---------------|--|--------------------|--------------------|-------------------|----------------------------|--------------------|--------------------|-----------------------|--------------------------------|------------------|------------------------------|
| Line No. | Rate Code (A) | Class/ Descript. (B) | Customer Bills (C) | Sales KW / KWH (D) | Proposed Rate (E) | Proposed Revenue Total (F) | Customer Bills (G) | Sales KW / KWH (H) | Most Current Rate (I) | Current Annualized Revenue (J) | Increase (K=F-J) | Total Revenue % Increase (L) |
| CSP Rate Zone | | | | | | | | | | | | |
| 1 | RR | Residential Service | 5,627,434 | 6,778,644,349 | \$0.02525 | \$171,148,413 | 5,627,434 | 6,778,644,349 | \$0.02782 | \$188,578,113 | -\$17,429,700 | -9.24% |
| 2 | RR1 | Residential Small Use Load Management Service | 2,218,108 | 988,523,361 | \$0.03712 | \$36,697,115 | 2,218,108 | 988,523,361 | \$0.03426 | \$33,867,584 | \$2,829,531 | 8.35% |
| 3 | RLM | Residential Optional Demand Service | 846 | 6,371,359 | \$0.01946 | \$123,964 | 846 | 6,371,359 | \$0.01125 | \$71,669 | \$52,295 | 72.97% |
| 4 | RS-ES | Residential Energy Storage | 24 | 16,864 | \$0.03144 | \$530 | 24 | 16,864 | \$0.03501 | \$590 | -\$60 | -10.19% |
| 5 | RS-TOD | Residential Time-of-Day | 76 | 65,039 | \$0.02908 | \$1,892 | 76 | 65,039 | \$0.02671 | \$1,737 | \$154 | 8.89% |
| Total Columbus Southern Power Company | | | 7,846,488 | 7,773,620,972 | \$0.02675 | \$207,971,915 | 7,846,488 | 7,773,620,972 | \$0.02862 | \$222,519,694 | -\$14,547,779 | -6.54% |
| OPC Rate Zone | | | | | | | | | | | | |
| 6 | RS | Residential Service | 7,207,281 | 7,741,217,506 | \$0.02610 | \$202,009,903 | 7,207,281 | 7,741,217,506 | \$0.02422 | \$187,509,197 | \$14,500,706 | 7.73% |
| 7 | RS-TOD, ES | Residential Time Of Day Service / Energy Storage | 4,902 | 9,354,030 | \$0.02312 | \$216,286 | 4,902 | 9,354,030 | \$0.01809 | \$169,213 | \$47,073 | 27.82% |
| Total Ohio Power Company | | | 7,212,183 | 7,750,571,536 | \$0.02609 | \$202,226,189 | 7,212,183 | 7,750,571,536 | \$0.02421 | \$187,678,410 | \$14,547,779 | 7.75% |
| Total AEP Ohio Residential Distribution Revenue | | | 15,058,671 | 15,524,192,508 | \$0.02642 | \$410,198,104 | 15,058,671 | 15,524,192,508 | \$0.02642 | \$410,198,104 | (0) | 0.00% |

Date Prepared: Oct-1, 2014

COLUMBUS SOUTHERN POWER COMPANY
Case No. 11-351-EL-AIR
Annualized Test Year Revenues at Proposed Rates vs.
Most Current Rates
(Electric and Gas Utilities)

Schedule E-4.1
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Case No. 11-351-EL-AIR Schedule E-4.1

Revenue-neutral Rate Redesign

| Rate Code (1) | Class/ Descript. (2) | Customer Bills (3) | Sales KW / KWH (4) | Current Rate (5) | Current Annualized Revenue (6) | Proposed Revenue Neutral Rate (7) | Proposed Revenue (8) | Difference from Current Revenue (9) |
|---------------------------------|----------------------------|--------------------------|--------------------------|------------------------|---|---|----------------------------|--|
| Schedule RR Tariff: 013 | Residential Service | | | | | | | |
| <u>Distribution Charges</u> | | | | | | | | |
| Customer Charge: | | | | | | | | |
| Bills | | 5,627,434 | | \$4.52 | \$25,436,002 | \$8.40 | \$47,270,446 | \$21,834,444 |
| Energy Charge - Winter | | | | | | | | |
| First 800 kWh per month | | | 2,500,491,683 | \$0.0298899 | \$74,739,446 | \$0.0182747 | \$45,695,837 | -\$29,043,609 |
| All Excess kWh per month | | | 1,586,334,371 | \$0.0057028 | \$9,046,548 | \$0.0182747 | \$28,989,849 | \$19,943,302 |
| Total Energy Charge - Winter | | | | | \$83,785,994 | | \$74,685,686 | -\$9,100,308 |
| Energy Charge - Summer: | | | | | | | | |
| First 800 kWh per month | | | 1,535,578,135 | \$0.0298899 | \$45,898,277 | \$0.0182747 | \$28,062,292 | -\$17,835,985 |
| All Excess kWh per month | | | 1,118,894,019 | \$0.0298899 | \$33,443,630 | \$0.0182747 | \$20,447,498 | -\$12,996,132 |
| Total Energy Charge - Summer | | | | | \$79,341,907 | | \$48,509,790 | -\$30,832,117 |
| Water Heating Energy Charge | | | | | | | | |
| | | | 37,346,141 | \$0.0003805 | \$14,210 | \$0.0182747 | \$682,491 | \$668,281 |
| Total RR Revenues before Riders | | 5,627,434 | 6,778,644,349 | | \$188,578,113 | | \$171,148,413 | -\$17,429,700 |

COLUMBUS SOUTHERN POWER COMPANY
Case No. 11-351-EL-AIR
Annualized Test Year Revenues at Proposed Rates vs.
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(Electric and Gas Utilities)

Schedule E-4.1
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Case No. 11-351-EL-AIR Schedule E-4.1

Revenue-neutral Rate Redesign

| Rate Code (1) | Class/ Descript. (2) | Customer Bills (3) | Sales KW / KWH (4) | Current Rate (5) | Current Annualized Revenue (6) | Proposed Revenue Neutral Rate (7) | Proposed Revenue (8) | Difference from Current Revenue (9) |
|----------------------------------|---|--------------------------|--------------------------|------------------------|---|---|----------------------------|--|
| Schedule RR1 | Residential Small Use Load Management Service | | | | | | | |
| Tariff: 014 | | 14 | | | | | | |
| <u>Distribution Charges</u> | | | | | | | | |
| Customer Charge: | | | | | | | | |
| Bills | | 2,218,108 | | \$4.52 | \$10,025,848 | \$8.40 | \$18,632,107 | \$8,606,259 |
| Energy Charge - Summer: | | | | | | | | |
| First 700 kWh per month | | | 235,269,047 | \$0.0274267 | \$6,452,654 | \$0.0182747 | \$4,299,481 | -\$2,153,173 |
| Energy Charge - Winter: | | | | | | | | |
| First 700 kWh per month | | | 584,306,088 | \$0.0274267 | \$16,025,588 | \$0.0182747 | \$10,678,042 | -\$5,347,546 |
| For the next 100 kWh per month | | | 20,481,755 | \$0.0274267 | \$561,747 | \$0.0182747 | \$374,299 | -\$187,448 |
| All Excess kWh per month | | | 140,025,233 | \$0.0057028 | \$798,536 | \$0.0182747 | \$2,558,925 | \$1,760,389 |
| Total Energy Charge - Winter | | | | | \$17,385,871 | | \$13,611,266 | -\$3,774,605 |
| Water Heating Energy Charge | | | 8,441,238 | \$0.0003805 | \$3,212 | \$0.0182747 | \$154,261 | \$151,050 |
| Total RR1 Revenues before Riders | | <u>2,218,108</u> | <u>988,523,361</u> | | <u>\$33,867,584</u> | | <u>\$36,697,115</u> | <u>\$2,829,531</u> |

COLUMBUS SOUTHERN POWER COMPANY
Case No. 11-351-EL-AIR
Annualized Test Year Revenues at Proposed Rates vs.
Most Current Rates
(Electric and Gas Utilities)

Schedule E-4.1
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Case No. 11-351-EL-AIR Schedule E-4.1

Revenue-neutral Rate Redesign

| Rate Code (1) | Class/ Descript. (2) | Customer Bills (3) | Sales KW / KWH (4) | Current Rate (5) | Current Annualized Revenue (6) | Proposed Revenue Neutral Rate (7) | Proposed Revenue (8) | Difference from Current Revenue (9) |
|---------------------------------------|-------------------------------------|--------------------------|--------------------------|------------------------|---|---|----------------------------|--|
| Schedule RLM Tariff: 019 | Residential Optional Demand Service | | | | | | | |
| <u>Distribution Charges</u> | | | | | | | | |
| Customer Charge: | | | | | | | | |
| Bills | | 846 | | \$7.13 | \$6,032 | \$8.90 | \$7,529 | \$1,497 |
| Energy Charge - Winter: | | | | | | | | |
| First 750 kWh | | | 430,162 | \$0.0320795 | \$13,799 | \$0.0182747 | \$7,861 | -\$5,938 |
| Next 150 kWh in excess of 5 kW demand | | | 1,710,752 | \$0.0111224 | \$19,028 | \$0.0182747 | \$31,264 | \$12,236 |
| Excess kWh | | | 2,030,550 | \$0.0003805 | \$773 | \$0.0182747 | \$37,108 | \$36,335 |
| Total Energy Charge - Winter | | | | | \$33,600 | | \$76,232 | \$42,633 |
| Energy Charge - Summer: | | | | | | | | |
| First 750 kWh | | | 206,781 | \$0.0320795 | \$6,633 | \$0.0182747 | \$3,779 | -\$2,855 |
| Next 150 kWh in excess of 5 kW demand | | | 837,934 | \$0.0297931 | \$24,965 | \$0.0182747 | \$15,313 | -\$9,652 |
| Excess kWh | | | 1,151,493 | \$0.0003805 | \$438 | \$0.0182747 | \$21,043 | \$20,605 |
| Total Energy Charge - Summer | | | | | \$32,036 | | \$40,135 | \$8,099 |
| Demand Charge | | | 22,341 | 0 | \$0 | \$0.00 | \$0 | \$0 |
| Storage Water Heating Energy Charge | | | 3,687 | \$0.0003805 | \$1 | \$0.0182747 | \$67 | \$66 |
| Total RLM Revenues before Riders | | 846 | 6,371,359 | | \$71,669 | | \$123,964 | \$52,295 |

COLUMBUS SOUTHERN POWER COMPANY
Case No. 11-351-EL-AIR
Annualized Test Year Revenues at Proposed Rates vs.
Most Current Rates
(Electric and Gas Utilities)

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Case No. 11-351-EL-AIR Schedule E-4.1

Revenue-neutral Rate Redesign

| Rate Code (1) | Class/ Descript. (2) | Customer Bills (3) | Sales KW / KWH (4) | Current Rate (5) | Current Annualized Revenue Less Gas or Fuel Cost Revenue (6) | Proposed Revenue Neutral Rate (7) | Proposed Revenue (8) | Difference from Current Revenue (9) |
|--|----------------------------|--------------------------|--------------------------|------------------------|--|---|----------------------------|--|
| Schedule RS-ES Residential Energy Storage Tariff: 032 | | | | | | | | |
| <u>Distribution Charges</u> | | | | | | | | |
| Customer Charge: | | 24 | | \$7.13 | \$171 | \$9.25 | \$222 | \$51 |
| Energy Charge: | | | | | | | | |
| On-Peak | | | 7,314 | \$0.0568236 | \$416 | \$0.0182747 | \$134 | -\$282 |
| Off-Peak | | | 9,550 | \$0.0003805 | \$4 | \$0.0182747 | \$175 | \$171 |
| Total | | | | | \$419 | | \$308 | -\$111 |
| Total RS-ES Revenue Before Riders | | 24 | 16,864 | | \$590 | | \$530 | -\$60 |

COLUMBUS SOUTHERN POWER COMPANY
Case No. 11-351-EL-AIR
Annualized Test Year Revenues at Proposed Rates vs.
Most Current Rates
(Electric and Gas Utilities)

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Case No. 11-351-EL-AIR Schedule E-4.1

Revenue-neutral Rate Redesign

| Rate Code (1) | Class/ Descript. (2) | Customer Bills (3) | Sales KW / KWH (4) | Current Rate (5) | Current Annualized Revenue Less Gas or Fuel Cost Revenue (6) | Proposed Revenue Neutral Rate (7) | Proposed Revenue (8) | Difference from Current Revenue (9) |
|--|----------------------------|--------------------------|--------------------------|------------------------|--|---|----------------------------|--|
| Schedule RS-TOD Residential Time of Day Tariff: 030 | | | | | | | | |
| <u>Distribution Charges:</u> | | | | | | | | |
| Customer Charge | | 76 | | \$7.13 | \$542 | \$9.25 | \$703 | \$161 |
| Energy Charge: | | | | | | | | |
| On-Peak | | | 20,738 | \$0.0568236 | \$1,178 | \$0.0182747 | \$379 | -\$799 |
| Off-Peak | | | 44,301 | \$0.0003805 | \$17 | \$0.0182747 | \$810 | \$793 |
| Total | | | | | \$1,195 | | \$1,189 | -\$7 |
| Total RS-TOD Revenue Before Riders | | 76 | 65,039 | | \$1,737 | | \$1,892 | \$154 |

OHIO POWER COMPANY
Case No. 11-352-EL-AIR
Annualized Test Year Revenues at Proposed Rates vs.
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(Electric and Gas Utilities)

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Case No. 11-352-EL-AIR Schedule E-4.1

Revenue-neutral Rate Redesign

| Rate Code (1) | Class/ Descript. (2) | Customer Bills (3) | Sales KW / KWH (4) | Current Rate (5) | Current Annualized Revenue (6) | Proposed Revenue Neutral Rate (7) | Proposed Revenue (8) | Difference from Current Revenue (9) |
|---|----------------------------|--------------------------|--------------------------|------------------------|---|---|----------------------------|--|
| Schedule RS Residential Service Tariffs: 001, 003, 004, 005, 007, 008, 015, 017, 022, 038, 062 | | | | | | | | |
| <u>Distribution Charges</u> | | | | | | | | |
| Customer Charge: | | | | | | | | |
| Bills | | 7,207,281 | | \$3.82 | \$27,531,813 | \$8.40 | \$60,541,160 | \$33,009,347 |
| Energy Charge: | | | | | | | | |
| First 800 kWh | | | 4,620,925,075 | \$0.0235642 | \$108,888,403 | \$0.0182747 | \$84,446,208 | -\$24,442,195 |
| All Excess kWh | | | 2,980,891,915 | \$0.0171224 | \$51,040,024 | \$0.0182747 | \$54,475,027 | \$3,435,003 |
| Total Energy Charge | | | | | \$159,928,426 | | \$138,921,234 | -\$21,007,192 |
| Storage Water Heater Energy Charge | | | 139,400,516 | \$0.0003512 | \$48,957 | \$0.0182747 | \$2,547,508 | \$2,498,551 |
| Load Management Water Heater Provision | | | 0 | \$0.0003512 | \$0 | | | |
| Total RS Revenue Before Riders | | <u>7,207,281</u> | <u>7,741,217,506</u> | | <u>\$187,509,197</u> | | <u>\$202,009,903</u> | <u>\$14,500,706</u> |

OHIO POWER COMPANY
Case No. 11-352-EL-AIR
Annualized Test Year Revenues at Proposed Rates vs.
Most Current Rates
(Electric and Gas Utilities)

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Case No. 11-352-EL-AIR Schedule E-4.1

Revenue-neutral Rate Redesign

| Rate Code (1) | Class/ Descript. (2) | Customer Bills (3) | Sales KW / KWH (4) | Current Rate (5) | Current Annualized Revenue (6) | Proposed Revenue Neutral Rate (7) | Proposed Revenue (8) | Difference from Current Revenue (9) |
|--|-----------------------------------|--------------------------|--------------------------|------------------------|---|---|----------------------------|--|
| Schedule RS-TOD | Residential - Time of Day Service | | | | | | | |
| Schedule RS-ES | Residential - Energy Storage | | | | | | | |
| Tariffs: 030, 032, 034 | | | | | | | | |
| <u>Distribution Charges</u> | | | | | | | | |
| Customer Charge: | | | | | | | | |
| Bills | | 4,902 | | \$7.64 | \$37,451 | \$9.25 | \$45,344 | \$7,892 |
| Energy Charge: | | | | | | | | |
| On-Peak | | | 2,696,466 | \$0.0479974 | \$129,423 | \$0.0182747 | \$49,277 | -\$80,146 |
| Off-Peak | | | 6,657,564 | \$0.0003512 | \$2,338 | \$0.0182747 | \$121,665 | \$119,327 |
| Total | | | | | \$131,761 | | \$170,942 | \$39,181 |
| Total RS-TOD, ES Revenue Before Riders | | 4,902 | 9,354,030 | | \$169,213 | | \$216,286 | \$47,073 |

**Ohio Power Company
Typical Bill Comparison
Proposed Effective January 1, 2015**

Schedule E-5
Page 1 of 1

Columbus Southern Power Rate Zone

| <u>Tariff</u> | <u>kWh</u> | <u>Current</u> | <u>Proposed</u> | \$ <u>Difference</u> | <u>Difference</u> |
|--------------------|------------|----------------|-----------------|-------------------------|-------------------|
| <u>Residential</u> | | | | | |
| RR1 Annual | 250 | \$49.66 | \$51.93 | \$2.27 | 4.6% |
| | 500 | \$90.04 | \$89.04 | -\$1.00 | -1.1% |
| RR Annual | 750 | \$135.18 | \$128.31 | -\$6.87 | -5.1% |
| | 1,000 | \$169.21 | \$162.81 | -\$6.40 | -3.8% |
| | 1,500 | \$233.25 | \$230.05 | -\$3.20 | -1.4% |
| | 2,000 | \$297.33 | \$297.33 | \$0.00 | 0.0% |
| | 3,000 | \$424.99 | \$431.39 | \$6.40 | 1.5% |
| | 5,000 | \$680.32 | \$699.52 | \$19.20 | 2.8% |
| | 7,500 | \$999.50 | \$1,034.70 | \$35.20 | 3.5% |

Ohio Power Rate Zone

| <u>Tariff</u> | <u>kWh</u> | <u>Current</u> | <u>Proposed</u> | \$ <u>Difference</u> | <u>Difference</u> |
|---------------|------------|----------------|-----------------|-------------------------|-------------------|
| RS | 250 | \$46.38 | \$51.01 | \$4.63 | 10.0% |
| | 500 | \$84.47 | \$87.21 | \$2.74 | 3.2% |
| | 750 | \$122.55 | \$123.43 | \$0.88 | 0.7% |
| | 1,000 | \$158.41 | \$159.24 | \$0.83 | 0.5% |
| | 1,500 | \$229.03 | \$230.67 | \$1.64 | 0.7% |
| | 2,000 | \$299.64 | \$302.12 | \$2.48 | 0.8% |

**Pilot Throughput Balancing Adjustment Rider
Residential Rate Redesign Test Year Calculation**

Attachment 1
Page 1 of 1

Test Year Data

| Rate Area: | | CSP | OP | |
|---------------------------------------|-------------|--------------------|--------------------|---|
| Tariff Class: | | <u>Residential</u> | <u>Residential</u> | <u>Source</u> |
| | | (1) | (3) | |
| Test Year Energy Revenue | (A) | \$ 187,051,099 | \$ 160,109,145 | Schedule E-4.1 |
| Test Year Average # of Customers | (B) | 667,428 | 606,402 | CSP WP E-3.2z & E-3.2aa, OP WP E-3.2q |
| Test Year Energy Revenue per Customer | (C)=(A)/(B) | \$ 280.26 | \$ 264.03 | |

Residential Rate Redesign - Revenue Neutral in Total

| Rate Area: | | CSP | OP | |
|---------------------------------------|-------------|--------------------|--------------------|---------------------------------|
| Tariff Class: | | <u>Residential</u> | <u>Residential</u> | <u>Source</u> |
| | | (1) | (3) | |
| Test Year Energy Revenue | (A) | \$ 142,060,908 | \$ 141,639,685 | Schedule E 4.1 (This Filing) |
| Test Year Average # of Customers | (B) | 667,428 | 606,402 | |
| Test Year Energy Revenue per Customer | (C)=(A)/(B) | \$ 212.85 | \$ 233.57 | |

This foregoing document was electronically filed with the Public Utilities

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in

Case No(s). 11-0351-EL-AIR, 11-0352-EL-AIR, 11-0353-EL-ATA, 11-0354-EL-ATA, 11-0356-EL-AAM, 1

Summary: Notice electronically filed by Mr. Matthew J Satterwhite on behalf of Ohio Power Company