

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)	
Ohio Power Company to Establish a)	Case No. 14-1158-EL-ATA
Meter Opt Out Tariff.)	

**OHIO PARTNERS FOR AFFORDABLE ENERGY'S
POST HEARING BRIEF**

I. Introduction

Ohio Partners for Affordable Energy (“OPAE”) submits to the Public Utilities Commission of Ohio (“Commission”) this post-hearing brief in the above-captioned proceeding considering the application of Ohio Power Company (“Ohio Power”) to establish a meter opt-out tariff for residential customers. Ohio Power filed the application on June 27, 2014. On March 23, 2015, a Stipulation and Recommendation (“Stipulation”) was filed by Ohio Power, with only Ohio Power and the Staff of the Commission (“Staff”) signatory parties to the Stipulation.

An attorney examiner’s Entry dated March 26, 2015 set a procedural schedule for this proceeding after the Stipulation was filed on March 23. On April 24, 2015, testimony supporting the Stipulation was filed by Ohio Power, and testimony opposing the Stipulation was filed by the Office of the Ohio Consumers’ Counsel (“OCC”). A hearing was held May 7, 2015.

With the filing of a stipulation, the question before the Commission is whether the stipulation meets the Commission’s three-part test for the reasonableness of stipulations. The Commission should find that the stipulated meter opt-out tariff fails its three-part test and therefore should not be approved.

II. The Stipulation is not the product of serious bargaining among capable, knowledgeable parties representing diverse interests.

The first part of the Commission's three-part test for the reasonableness of stipulations is whether the stipulation is the product of serious bargaining among capable, knowledgeable parties representing diverse interests. OCC Ex. 4 at 5. Here, a diversity of interests is not present because the Stipulation lacks any signatory party representing the customers who will pay the charges that Ohio Power and the Staff have set in the Stipulation.

The Stipulation was not signed by any parties who have intervened in this proceeding to represent the interests of residential customers who will pay the charges. The PUCO Staff may be knowledgeable but the Staff does not represent residential customers and has not intervened in this proceeding to represent the interests of residential consumers. The PUCO Staff balances the interests of customers of all classes and the interests of utility companies.

The Commission should find that the Stipulation is not the product of serious bargaining among parties with a diversity of interests. A diversity of interest does not exist in this particular case where the Stipulation was the product of an agreement between only Ohio Power and the Commission Staff to set charges to be paid by residential customers.

III. The Stipulation, as a package, does not benefit customers and the public interest.

Under the Stipulation, residential customers who opt out of receiving an advanced meter will be required to pay an additional \$24 a month to have their

already-existing meter read in the same manner that it is already read. This additional charge is for the same meter reading service that the customer already has with the same meter the customer already has. The only thing new about the service is the \$24 additional cost to the customer who is already paying through base rates the cost to read the existing meter. In short, the customer who opts out of receiving an advanced meter will be paying an additional \$288 a year for the exact same meter and meter-reading service that the customer already has and is already paying for through base distribution rates. OCC Ex. 4 at 7.

The stipulated opt-out tariff also contains a \$43 one-time fee to replace an advanced meter, if an advanced meter is already installed, with a traditional meter. This opt-out tariff charge, along with the \$24 monthly charge, is essentially a punitive charge intended to force customers to accept or keep an advanced meter. Under the tariff as negotiated by Ohio Power and the Staff, customers who prefer not to have an advanced meter must pay an additional \$288 a year and, if necessary, the one-time \$43 fee for the same service the customer already has and already pays for through existing base rates.

In addition to paying base distribution rates, customers who choose to keep their traditional meters are already paying for Ohio Power's incremental distribution investments through a Distribution Investment Rider ("DIR") approved in Ohio Power's Standard Service Offer ("SSO") proceedings and through a separate gridSMART rider. Customers without an advanced meter are receiving no benefit from the gridSMART program.

Ohio Power's residential customers already pay the highest rates for electricity in the state. OCC Ex. 4 at 10. Customers should not be subjected to additional charges for reading the same meter they have had for years. Including an additional \$288 in charges per year to customers who opt out of an advanced meter is not in the public interest, especially given that the number of customers who opt out will be small and, while the additional charges will be punitive for the opt-out customers, the revenue collected will be insignificant to Ohio Power. Ohio Power estimates that it will receive an additional \$3,800 in additional annual revenues from customers in the gridSMART pilot area as a result of the opt-out Stipulation. OCC Ex. 4 at 14. The \$3,800 in additional revenues is practically nothing in comparison to Ohio Power's annual revenues.

In addition to the stipulated charges being punitive to customers and insignificant to Ohio Power, the charges are not based on costs to Ohio Power to provide the opt-out service. The stipulated opt-out tariff will apply to residential customers who opt out of an advanced meter. An advanced meter is defined as one with a two-way communications device. Ohio Power has installed or is installing two types of advanced meters: the AMR meter and the AMI meter. Ohio Power has already installed approximately 487,000 AMR meters throughout its service territory. About 70 residential customers have asked to opt-out of AMR meters.

The opt-out tariff will also apply to residential customers in Ohio Power's gridSMART Phase 1 pilot service area, confined exclusively to northeast Columbus. About 15,000 AMI meters have already been installed. There are 12

customers in the gridSMART Phase I pilot area who chose not to have an AMI meter installed and who would be affected by the meter opt-out tariff charge for AMI. Tr. at 140-141. (The \$3,800 figure mentioned above is roughly 13 AMI customers times the \$288.)

OCC witness James D. Williams testified that even though the Commission has required Ohio Power to offer an advanced meter opt-out service through an opt-out tariff, the Commission has not required that additional fees be assessed. Tr. at 133. Mr. Williams recommends that the opt-out service be available but that the fees be waived. There are several reasons why additional fees are inappropriate in this case.

First, a tariff offer should contain a cost-based fee, and only if there are additional costs involved in offering the service and only if the costs for the service are known. A tariff can be offered but fees associated with the tariff can be waived for some period of time until actual costs involved in offering the service are known.

The stipulated charges are based on charges approved in Ohio Power's last distribution base rate case, Case No. 11-351-EL-AIR, a case that was itself stipulated. In the stipulated base rate case, a charge was approved for manual meter reading of interval meters for customers that were at or above 200 kV, i.e., certain commercial and industrial customers, not residential customers as the opt-out tariff here. Tr. 137-138. The last distribution base rate case did not specifically consider a charge for advanced meter opt outs by residential customers or the manual meter reading costs for opt-out residential customers

after advanced meters were installed. The Commission did not actually even consider the charge in 2011 for commercial and industrial customers to have interval meters read on a manual basis because the base rate case was stipulated. Even if the Commission had considered the commercial/industrial customer charge, it would not equate to what is reasonable for residential customers to pay to opt out of advanced meters. Tr. at 138.

Ohio Power has provided some speculation on what the service will cost. The speculation reveals itself to be dubious because the same fees will be used for both the AMR and the AMI meters. Travel times for personnel to read the meters are an important component of the cost. With the AMR meters, the travel times to read those meters manually would vary, as AMR meters are in place throughout the service area. The record in this case does not reflect any actual information showing where the AMR opt-out customers are and what the actual travel times to reach them would be. There is no cost of service study or any type of analysis to support the cost numbers in the stipulated tariff. Tr. at 144. Again, the stipulated meter reading costs based on a 2011 stipulated base rate case for another customer class are now being applied to this situation.

As for the cost of the AMI opt-out service, Mr. Williams testified that the charge, which involves the cost to drive to each one of those 12 to 13 customers who may opt out of an AMI meter in northeast Columbus, seems excessive. Given the small and compact area of the AMI Phase 1 installations, the cost in the tariff to read the AMI meters manually is obviously not appropriate, given that it is common sense that the travel times for the AMI service in northeast Columbus would have to

be different from the travel times for the AMR service located throughout the Ohio Power service area. Tr. at 145. Any additional costs of the AMI opt-out service will also be negligible considering that the Phase 1 pilot area is surrounded by areas that are largely served with traditional meters. OCC Ex. 4 at 13. Meter readers are traveling in the area to read meters in the normal course of business. The small pilot service area represents approximately 9% of the total 1,533,000 Ohio Power meters installed throughout the entire service area. OCC Ex. 4 at 13. Perhaps fewer than 20 customers in the gridSMART Phase 1 pilot service area will refuse an AMI meter. This is a mere handful of customers. Obtaining a meter read from this handful of customers in the Phase 1 service area will not be burdensome for Ohio Power.

Mr. William suspected that the actual costs for opt-out service may be minimal. Tr. at 176. At this point, no one knows what the costs are and no one knows that the costs are more than what is already in base distribution rates. Tr. at 176. Given Ohio Power's existing base distribution rates, the gridSMART rider, and the DIR, it cannot be determined that Ohio Power is incurring any additional costs or what these additional costs may be. Tr. at 177.

A second reason why a fee should be waived in this case is that the Commission has required Ohio Power to provide many options to customers. Tr. at 141. The purpose of the opt-out tariff is to give customers options for metering service. The advanced meter opt out should be one of the many options available for customers. Fees are not necessarily associated with this option.

For example, opt-out customers could agree to provide their own meter reads in lieu of paying fees. Ohio Power customers already have options to provide usage

information to the utility if the meter is not actually read. Customers already can be educated about how to read their meter and to mail in their usage information to Ohio Power. OCC Ex. 4 at 8-9. Customers choosing to keep or maintain a traditional meter should have the same options to report their usage to the utility.

Another rationale for waiving the fees is that customers may simply need more time to accustom themselves to new technologies. Acceptance of new technology may be only a matter of time. Customers have genuine concerns about the new advanced metering technologies. Allowing customers a reasonable amount of time, without charges, to accept advanced meters is a better strategy than using additional punitive charges as a way to force customer acceptance of advanced meters.

The AMI installation is a pilot program under which the utility itself is evaluating new technologies. Given that customers are also evaluating new technologies, the waiving of the fee in the context of the AMI pilot program is especially appropriate. Tr. at 163-164. The fee can be addressed at a later time when the costs of the service and the number of customers interested in the service can be determined. OCC witness Williams pointed to Ohio Administrative Code Rule 4901:1-10-05(J)(5)(b)(i), which refers to special tariff provisions related to circumstances that are not addressed by rules. Given that the AMI is a pilot program, charging 12 to 20 customers an opt-out fee not to have an AMI meter is inconsistent with the concept of a pilot program and with the special provision section of Commission's rule that circumstances warrant a different approach. Tr. at 175.

While AMR installation is not a pilot program, AMR has been brought into this case by the opt-out tariff provisions. As discussed above, the lumping of the AMR opt-out service with the AMI opt-out service is problematic, especially given that the costs are different but the fees are the same. AMR opt-out customers should have options just as AMI opt-out customers should have options. The AMR opt-out customers could also read their own meters and mail in the numbers to Ohio Power.

Mr. Williams opposed Commission approval of the Stipulation under the special circumstances Commission rule for both AMI and AMR opt outs. For the AMI, he opposed the Stipulation on grounds of special circumstances because AMI is a pilot program. For the AMR opt out, customers should be given options to the fee such as reading their own meters and more time to accept the new technology. Options should be given before Ohio Power starts charging customers to opt out of having new technologies.

Finally, another problem with the tariff fees is that, although the Stipulation results in a customer paying an additional \$24 a month to continue to use the same meter the customer has had for years, the tariff explicitly states that although the customer will pay the extra \$24 to have the old meter read, the monthly \$24 fee does not guarantee an actual meter read each month and monthly bills may be based on estimated usage. Id. The \$24 additional monthly charge is based on the assumption that the meter will only be read about nine times per year. It is not reasonable to assess an additional \$24 per month charge and then not even read the meter monthly.

IV. The Stipulation package violates important regulatory principles and practice.

The third part of the three part test for the reasonableness of stipulations is whether the stipulation violates important regulatory principles and practices. The Stipulation in this case violates important regulatory principles and practices by providing for charges that are not just and reasonable. Just and reasonable rates are important rate making principles. R.C. 4909.15.

The proposed charges are based solely upon estimates of alleged costs that Ohio Power might incur for providing the advanced meter opt-out service. These charges have not been evaluated in the context of a base rate proceeding where the amount of the charges are based on a demonstrated review of the utility's revenues and expenses in a test year. Single-issue ratemaking is inherently unfair when it only considers additional expenses a utility claims to have incurred without considering lower expenses the utility may achieve in other areas of its service.

If the costs are to be recovered outside the context of a base rate proceeding, a review is necessary to examine any costs that Ohio Power is already collecting from customers in base rates and through riders. Costs associated with providing the opt-out service, if any, might also be off set by lower expenses in other areas. When the Commission considers charges for opt-out service, it should also consider the costs that Ohio Power avoids when it does not need to install an advanced meter.

In addition, advanced meter installation is supposed to save costs. Ohio Power has identified annual savings of \$860,000 in meter reading and meter operations costs that Ohio Power has obtained from the gridSMART Phase 1 pilot area. Ohio Power has obtained the benefit of these operational savings every year since the Phase 1 pilot meters were installed. However, customers have not benefited from these savings and Ohio Power has not proposed to reduce customers' bills to reflect reduced operation costs. OCC Ex. 4 at 12-13.

In addition to the AMI operational savings, AEP Ohio is currently installing another 105,000 AMR meters across its service territory. OCC Ex. 4 at 14. These AMR meters enable AEP Ohio to obtain even more savings in meter reading and meter operations costs. The AMR meters are being paid for by customers through the separate DIR charge, and AEP Ohio has not proposed to reduce customers' bills to reflect its reduced operational expenses from the AMR meters. Again, it cannot be determined at this time what benefits and costs are associated with the installation of the new meters and with a handful of customers opting out of the new meters. Only a distribution base rate case can make a fair determination of all the cost and revenue factors involved.

The Commission should not approve the opt-out charges until the charges can be reviewed in an appropriate regulatory proceeding where the costs and expenses associated with providing the opt-out service can be fully examined. The costs for reading traditional meters in the AMI Phase 1 area are negligible compared to the operational benefits AEP Ohio has obtained from the Phase 1 program. The

benefits of AMI have not been shared with customers, just as the benefits of AMR deployments have not been shared with customers.

If at some point the Commission were to approve an expansion of the AMI gridSMART program beyond the pilot area, the additional costs resulting from customers who may want to opt out of the AMI program should be evaluated in an appropriate regulatory proceeding where all of Ohio Power's revenues and expenses and the benefits of advanced meter deployments can be thoroughly evaluated.

An evaluation should include a quantification of increased efficiencies Ohio Power achieves through its advanced meter programs to arrive at corresponding rate decreases as a result of those benefits. While Ohio Power estimates that it will receive an additional \$3,800 in revenues from customers in the AMI pilot area as a result of the opt-out Stipulation, this is practically nothing in comparison to the operational savings Ohio Power is obtaining with the advanced meters but not sharing with customers whether they opt out or not.

Finally, if the efficiencies and benefits customers realize do not exceed the costs of advanced meter installations, the Commission should reevaluate its AMI program expansion policies. If AMI expansion costs more than it saves, perhaps the expansion should not occur. Without evaluation, the Commission cannot determine that additional charges are just and reasonable for customers who opt out of having an advanced meter.

V. Conclusion

The Stipulation and Recommendation fails the Commission's three-part test for the reasonableness of stipulations and should not be approved. While the Stipulation should be rejected, Ohio Power should be ordered to offer advanced meter opt out service through an opt-out tariff without any charges to customers at this time.

Respectfully submitted,

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CERTIFICATE OF SERVICE

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