

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application Not)
for an Increase in Rates Pursuant to) Case No. 14-1158-EL-ATA
Section 4901.18, Revised Code, of)
Ohio Power Company to Establish)
Meter Opt Out Tariff.)

**INITIAL BRIEF
BY
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL**

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I. INTRODUCTION

This case involves charges customers must pay for not having an advanced meter on their homes.¹ In the 12-2050 Rulemaking,² the Public Utilities Commission of Ohio (“PUCO”) adopted advanced meter opt-out service “as a customer protection for customers that believe they are being affected by their electric meter.”³ The PUCO noted that “advanced meter opt-out service is necessary due to the close proximity of the meter to the customer’s property and residence, as well as to the customer.”⁴ The PUCO recognized that the opt-out rules provide customers a means to allay their fears about advanced meters:

The Commission believes that if a customer is concerned that it is at-risk from some harm, then that customer should have a remedy. In this instance, certain customers believe they are at-risk of some harm from advanced meters. Therefore, the Commission believes

¹ An advanced meter is one that is capable of either two-way communications (“AMI”) or one-way communications (“AMR”). See Joint Ex. 1 at Stipulated Exhibit B-2, Original Sheet No. 103-12; Tr. at 20-21.

² *In the Matter of the Commission’s Review of Chapter 4901:1-10, Ohio Administrative Code, Regarding Electric Companies*, Case No. 12-2050-EL-ORD.

³ *Id.*, Entry on Rehearing (December 18, 2013) at 10.

⁴ *Id.*

that it is appropriate for them to be presented with a remedy to alleviate their concern that they are at risk for harm.⁵

The rules the PUCO adopted also require electric utilities to file tariffs establishing fees for customers choosing not to use an advanced meter.⁶ The rules require that the fees be based upon the costs incurred to provide advanced meter opt-out service.⁷

Ohio Power Company's ("AEP Ohio") application in this case is a solution in search of a problem. The record in this proceeding shows that, because of the small number of AEP Ohio customers – 82⁸ – who have chosen not to have an advanced meter, deferring consideration of the opt-out charges (i.e., setting them at zero dollars for the time being) would have an insignificant impact on AEP Ohio (\$23,616 per year⁹). This \$23,616 dollars in additional annual revenues that AEP Ohio would reap from customers is negligible compared to the approximately \$125 million AEP Ohio has already collected from customers for the total gridSMART Phase I pilot program.¹⁰

Given the preliminary stage in AEP Ohio's gridSMART deployment, it would be equitable for the PUCO to reject the Partial Stipulation, and not authorize the requested opt-out charges. Also, the Partial Settlement does not meet the test the PUCO uses to judge stipulations.

⁵ Id. at 8-9.

⁶ Ohio Adm. Code 4901:1-10-05(J)(5)(a).

⁷ Ohio Adm. Code 4901:1-10-05(J)(5)(b)(ii).

⁸ AEP Ohio claims that 82 customers – 70 AMR customers and 12 AMI customers – have thus far chosen to keep their traditional meters. See Tr. at 41.

⁹ Id. The 82 customers x \$288/year in monthly recurring charges = \$23,616. Conversely, the amount to be collected from a customer through the recurring charge – \$288 per year – would significantly increase each customer's electric bill.

¹⁰ See OCC Ex. 4 at 14, citing *In the Matter of the Application of Ohio Power Company to update its gridSMART Rider Rates*, Case No. 15-240-EL-RDR, Application, Attachment 2.

II. STANDARD OF REVIEW

The standard of review for consideration of a stipulation has been discussed in a number of PUCO cases and by the Supreme Court of Ohio. In *Duff*, the Court stated:

A stipulation entered into by the parties present at a commission hearing is merely a recommendation made to the commission and is in no sense legally binding upon the commission. The commission may take the stipulation into consideration, but must determine what is *just and reasonable* from the evidence presented at the hearing.¹¹

The Court in *Consumers' Counsel* considered whether a just and reasonable result was achieved with reference to criteria adopted by the PUCO in evaluating settlements.¹²

The criteria are:

1. Is the settlement a product of serious bargaining among capable, knowledgeable parties? In this regard, the PUCO considers whether the signatory parties to the stipulation represent a variety of diverse interests.¹³
2. Does the settlement, as a package, benefit ratepayers and the public interest?
3. Does the settlement package violate any important regulatory principle or practice?

The ultimate question to be answered is whether, in light of the record, the Partial Settlement is reasonable and complies with Ohio law. In this proceeding, the PUCO must ensure that the Partial Settlement complies with Ohio law requiring utilities to charge customers rates that are just and reasonable.¹⁴ The Partial Settlement must also comply with Ohio Adm. Code 4901:1-10-05(J)(5)(b)(ii), which requires that customers

¹¹ *Duff v. Pub. Util. Comm.* (1978), 56 Ohio St.2d 367 (“*Duff*”) (emphasis added).

¹² *Consumers' Counsel v. Pub. Util. Comm'n.* (1992), 64 Ohio St.3d 123, 126 (“*Consumers' Counsel*”).

¹³ See Case No. 11-351 at 9.

¹⁴ R.C. 4905.22; R.C. 4909.18.

pay only cost-based rates for choosing to keep a traditional electric meter. The burden of proving the reasonableness of the Partial Settlement rests with the proponents of the Partial Settlement.¹⁵

III. ARGUMENT

- A. **The Partial Settlement fails the first prong of the PUCO’s test for stipulations because the signatory parties do not represent a diversity interests, as no representative of residential customers agreed to the proposed opt-out charges; nor does the Partial Settlement represent serious bargaining between AEP Ohio and PUCO Staff. The PUCO should reject the Partial Settlement in the interest of protecting customers.**

OCC witness Williams testified that AEP Ohio’s Partial Settlement fails to satisfy the first prong of the PUCO’s settlement standard.¹⁶ The Partial Settlement does not represent a diversity of interests.¹⁷ Only AEP Ohio and the PUCO Staff signed the Partial Settlement. But only OCC is the statutory representative of Ohio’s residential customers, and OCC declined to join the Partial Settlement that would make consumers pay unreasonable charges.¹⁸ Moreover, Ohio Partners for Affordable Energy (“OPAЕ”) – which advocates for affordable energy policies for low and moderate income Ohioans¹⁹ – also did not sign the Partial Settlement.²⁰ A Partial Settlement that ignores the interests

¹⁵ See, e.g., *In the Matter of the Application of FirstEnergy Corp. on Behalf of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company for Approval of Their Transition Plans and for Authorization to Collect Transition Revenues*, Case No. 99-1212-EL-ETP, Opinion and Order (July 19, 2000) at 32.

¹⁶ OCC Ex. 4 (Williams Testimony) at 6.

¹⁷ *Id.*

¹⁸ Tr. at 82-83.

¹⁹ See OPAЕ Motion to Intervene (April 27, 2015), Memorandum in Support at 1.

²⁰ OPAЕ did not move to intervene in this proceeding until after the Partial Settlement was docketed and the examiner set a procedural schedule for intervention and hearing. OPAЕ did not sign the Partial Settlement after intervening.

of residential customers – particularly when the pre-eminent issue in this proceeding is the amount of charges to be imposed upon them – cannot be found to represent a diversity of interests.

Moreover, the Partial Settlement cannot be found to be the result of serious bargaining. The Partial Settlement contains two substantive provisions: (1) the tariffed rates to be charged for opt-out service, and (2) AEP Ohio’s commitment to provide PUCO Staff with various data, upon Staff’s request, regarding opt-out service.²¹ But AEP Ohio’s commitment to provide data to Staff is an illusory concession, considering that PUCO Staff has the right to obtain such information, and AEP Ohio has the obligation to provide it, under R.C. 4905.06²² and 4905.15.²³ Although AEP Ohio may attempt to claim that the Partial Settlement provides a concession to PUCO Staff to incent its agreement to become a signatory, it provides PUCO Staff with no authority it doesn’t already possess.

In its scant one page of testimony that actually addresses the three prongs of the Partial Settlement test, AEP Ohio asserts that the Partial Settlement is based upon “serious bargaining” because it adopts “a significantly lower charge than the *cost-based*

²¹ Joint Ex. 1 at 3-4.

²² R.C. 4905.06 sets forth the PUCO’s general supervisory powers and provides in part:

The public utilities commission has general supervision over all public utilities within its jurisdiction as defined in section 4905.05 of the Revised Code, and may examine such public utilities and keep informed as to their general condition, capitalization, and franchises, and as to the manner in which their properties are leased, operated, managed, and conducted with respect to the adequacy or accommodation afforded by their service, the safety and security of the public and their employees, and their compliance with all laws, orders of the commission, franchises, and charter requirements.

²³ R.C. 4905.15 requires public utilities to “furnish to the public utilities commission, in such form and at such times as the commission requires, such accounts, reports, and information as shall show completely and in detail the entire operation of the public utility in furnishing the unit of its product or service to the public.”

charge proposed” by AEP Ohio.²⁴ AEP Ohio is referring to the reduction in the proposed charge for the monthly meter read from \$31.08 to \$24. However, it ignores that the proposed charge to remove/install a meter remains at \$43 and, most importantly, it misstates that its proposed residential charge to read a traditional meter is “cost-based.” As discussed below, serious bargaining cannot be presumed when AEP Ohio has failed to present a valid basis for the proposed costs at issue. Negotiating the non-cost-based charge of \$31.08 to \$24 does not make the latter “cost-based.” The record simply doesn’t support what the costs are.

The Partial Settlement is nothing more than AEP Ohio’s attempt to shield from PUCO scrutiny whether the charges it seeks to impose on residential customers are cost-based.²⁵ Although stipulations agreeing to charges may be reasonable when the two parties affected by the charges (e.g., AEP Ohio and residential customers) come to a common resolution of their differences, stipulations are inherently unreasonable when one of the parties’ interests are ignored. In this particular proceeding, when the only issue is the charges to be imposed on residential customers, and the residential customers do not join the stipulation, the Partial Stipulation cannot be found to represent a diversity of interests. Moreover, because the record clearly shows that commitments AEP Ohio made to PUCO Staff are illusory and the record shows that stipulated charges have no basis in cost, the Partial Settlement cannot be the product of serious bargaining.

²⁴ AEP Ohio Ex. 4 at 4 (emphasis in original).

²⁵ In fact, the amount of the charges is not easy to find in the 65 pages comprising the Partial Settlement and its exhibits. The Partial Settlement itself does not specify the charges and does not identify where the charges are located in the exhibits. To find the amount customers must pay, one must pore through 51 pages, to the twelfth page of the 28-page tariff identified as Stipulated Exhibit B-2. See Joint Ex. 1 at Stipulated Exhibit B-2, Original Sheet No. 103-12.

B. The Partial Settlement fails the second prong of the PUCO's test to evaluate stipulations because, as a package, the Partial Settlement does not benefit customers or the public interest; indeed, the Partial Settlement is not even a "package." The PUCO should reject the Partial Settlement in the interest of protecting customers.

The second prong of the three-prong test the PUCO uses for considering stipulations examines whether the settlement, *as a package*, benefits customers and the public interest. As a threshold matter, AEP Ohio asserts that the Partial Settlement benefits customers and is in the public interest because:

This Stipulation gives customers the opportunity for choices when it comes to the type of meter installed, and the Stipulation adequately assures that a customer choosing to opt out is responsible for paying a fee based on ongoing costs from the customer's decision.²⁶

AEP Ohio's assertion is flat-out wrong.

OCC witness Williams testified that AEP's settlement fails to satisfy the second prong of the PUCO's settlement standard.²⁷ AEP Ohio's residential customers, who already pay the highest electric rates in Ohio, would be significantly harmed by having their electric bills increased by \$288 per year. On the other hand, denying collection of the opt-out charges from customers would not harm AEP Ohio.²⁸ The \$288 charge is a sizeable increase in the annual amount a residential customer would pay for electric service from AEP Ohio. By contrast, denying collection of the charge would cost AEP Ohio approximately \$23,000 per year. This amount is insignificant to the multibillion-

²⁶ AEP Ohio Ex. 4 at 4-5.

²⁷ OCC Ex. 4 (Williams Testimony) at 6-11.

²⁸ See *id.* at 10-11.

dollar enterprise that is AEP Ohio, especially considering that AEP Ohio's parent corporation announced very high earnings of 12.2 percent for the first quarter of 2015.²⁹

Therefore, the PUCO should conclude that for equitable reasons, residential customers should not be charged to have an advanced meter removed or to have their meter read monthly should they wish to opt-out of this program. The record in this proceeding shows that denying the opt-out charges – i.e., setting them at zero dollars – would have an insignificant impact on AEP Ohio (\$23,616 per year). The approximately \$23,616 dollars in additional annual revenues that AEP Ohio would collect from customers who choose not to have an advanced meter is negligible compared to the approximately \$125 million AEP Ohio collected from customers for the total gridSMART Phase I pilot program.³⁰ Therefore, the Partial Settlement should be rejected and customers should not be charged for opting-out of the advanced meter installation requirement.

In addition, the Partial Settlement does *not* provide residential customers with an opportunity to choose the type of meter to be installed at their homes. But, the PUCO's Order in the 12-2050 Rulemaking mandated that electric distribution utilities provide residential customers this choice. Indeed, AEP Ohio's residential customers have had this choice at least since AEP Ohio began installing AMI meters in 2010.³¹ The focus of this proceeding is merely to set the cost-based charge for the PUCO-ordered opt-out service. Moreover, and as addressed below, the Partial Settlement does not assure that

²⁹ OCC Ex. 4 (Williams Testimony), Exhibit JDW-4, page 2 of 2.

³⁰ See OCC Ex. 4 at 14, citing *In the Matter of the Application of Ohio Power Company to update its gridSMART Rider Rates*, Case No. 15-240-EL-RDR, Application, Attachment 2.

³¹ Tr. at 41.

opt-out customers will pay the “ongoing cost” resulting from their decision. The record shows that the charges proposed are not cost-based.

The second prong of the PUCO’s test for considering partial settlements recognizes that the settlement process is akin to making sausage: The signatory parties throw various provisions into the mix, but do not look too closely at individual provisions as long as the total finished product is allegedly palatable, i.e., benefits customers and the public interest “as a package.”³² Indeed, it is generally agreed that, absent a stipulated package, the parties’ positions (and the resultant PUCO decisions) on individual issues would be different from what is stipulated. Even in this proceeding AEP Ohio and PUCO Staff agreed with this point:

This Stipulation is a reasonable compromise involving a balancing of competing positions and it does not necessarily reflect the position that one or more of the Signatory Parties would have taken if these issues had been fully litigated. This Stipulation recognizes that each Signatory Party may disagree with the individual provisions of this Stipulation, but also recognizes that the Stipulation has value as a whole.³³

As stated previously, the Partial Settlement in this proceeding contains two substantive provisions: (1) the tariffed rates to be charged residential customers for opt-out services; and (2) AEP Ohio’s commitment to provide data on opt-out services to PUCO Staff. Also, as stated previously, AEP’s Ohio commitment to provide PUCO Staff

³² For example, in the Order in Case No. 11-351 (at 9), the PUCO did not discuss the various charges that were included in the stipulation, but pointed to the broader effect of the stipulation: “As a package, it advances the public interest by resolving the issues raised in this proceeding without incurring the time and expense of further litigation. Moreover, the record indicates that the Stipulation establishes a fair and reasonable revenue requirement with no increase in base distribution rates. The Stipulation also provides for an annual revenue credit to residential customers of \$14,688,000 million and an annual revenue credit to Partnership with Ohio to benefit lower income customers.” (Citations omitted).

³³ Joint Ex. 1 at 4.

with opt-out service data is illusory. As a result, the Partial Settlement presents no “package” for the PUCO to consider under its three-pronged test.

Indeed, the Partial Settlement is nothing more than AEP Ohio’s thinly-veiled attempt that the PUCO not look “too closely” at whether the proposed opt-out service rates that Ohioans must pay are cost-based, or are just and reasonable. For this reason, and those explained under the first and third prongs of the Partial Settlement test, the Partial Settlement in this proceeding must be rejected. Alternatively, if the PUCO decides to review the “package” settlement in this proceeding, OCC submits that it does not benefit customers and is not in the public interest for the following reasons.

First, in reality the Partial Settlement “package” consists only of the rates AEP Ohio and PUCO Staff have agreed to charge residential customers, without customers’ agreement – the \$43 one-time charge for replacing an advanced meter with a traditional meter and the \$24 monthly charge for meter reading. However, in the 12-2050 Rulemaking, the PUCO stated that electric utilities should work with customers to provide *multiple* options to having an advanced meter:

The Commission believes that the EDUs should work with customers on a case by case basis, regardless of whether their meter is an advanced meter, and should arrive at a mutually agreeable solution to the customer’s concerns. The EDUs should recognize advanced meter opt-out service as one of many solutions to customer concerns regarding their meters.³⁴

The Partial Settlement is contrary to the PUCO’s directive. The Partial Settlement provides only one method to address customers’ concerns with advanced meters – they must take opt-out service and pay the unreasonable tariffed charges.

³⁴ 12-2050 Rulemaking, Entry on Rehearing (December 18, 2013) at 3.

Second, under the Partial Settlement, residential customers who choose not to have an advanced meter would have to pay an additional \$24 per month – or \$288 per year – just to have their meter read. This would be a considerable increase for most customers’ bills. AEP Ohio would impose these additional charges on top of its charges for the same meter reading services it currently performs. The current meter reading charges are included in base rates.³⁵ Customers currently do not see a separate meter reading charge on their bill. The additional monthly opt-out service charge for reading a traditional meter will not only confuse customers, but its high cost may also be used to coerce customers into having an advanced meter installed on their premises against their wishes.

Third, there is no guarantee that AEP Ohio will even perform a monthly meter read. In fact, the proposed tariff states this fact explicitly:

The customer can request not to have the installation of an AMI or AMR meter and pay a monthly fee of \$24.00. This monthly fee option **does not guarantee an actual meter read** each month and monthly bills at times may be based on estimated usage with a true-up to actual usage upon the Company obtaining an actual meter read.³⁶

Hence customers will be confused, and may be outraged, to find a meter reading charge on the same bill that shows an estimated read. AEP Ohio’s customers are already paying the highest rates for electricity in the state.³⁷ Therefore, for equitable reasons discussed above, customers should not be subjected to additional charges for reading the same meter they have had for years (or decades). Further, customers who choose to keep

³⁵ See Tr. at 32-34.

³⁶ Joint Ex. 1, Stipulated Exhibit B-2, Original Sheet No. 103-12 (emphasis added).

³⁷ See OCC Ex. 4 (Williams Testimony), Exhibit JDW-3.

their traditional meters are already paying for AEP Ohio's gridSMART program through the gridSMART rider, without receiving any benefit (unless their service is disconnected and later reconnected).³⁸ Adding \$288 in charges per year on top of the charges these customers already pay is not in the public interest.

Residential customers should not be subjected to additional charges for monthly meter reads, especially in months when the meter is not read. Customers do not benefit, and the public interest is not served, when customers are assessed confusing and unnecessary charges. The Partial Settlement benefits neither customers nor the public interest, and the PUCO should reject the Partial Settlement.

C. The Partial Settlement fails the third prong of the PUCO's test to evaluate stipulations because it violates Ohio law and the regulatory principle established in the 12-2050 Rulemaking that charges customers pay for opting-out of having an advanced meter must be cost-based. The PUCO should reject the Partial Settlement in the interest of protecting customers.

OCC witness Williams testified that the Partial Settlement fails to satisfy the third prong of the PUCO's settlement standard.³⁹ The Partial Settlement violates several Ohio laws. R.C. 4905.22 and 4909.18 require rates that utility customers pay be just and reasonable, and the PUCO's own opt-out rule requires that charges for opting out from having an advanced meter be cost based.⁴⁰ But the PUCO has no way to determine

³⁸ The only gridSMART benefit passed through to residential customers is a \$4 reduction in reconnection charges. See *id.* at 11, n. 15, citing *In the matter of the pre-notification 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, Application (February 28, 2011)*. Mr. Williams noted that the \$4 reduction in reconnection charges not offset the \$12.12 per year that all residential customers will pay for gridSMART through the latest rider case. *Id.*, citing *In the Matter of the Application of Ohio Power Company to Update Its gridSMART Rider, Compliance Tariffs (March 25, 2015)*.

³⁹ See OCC Ex. 4 (Williams Testimony) at 11-12.

⁴⁰ Ohio Adm. Code 4901:1-10-05(J)(5)(b)(ii).

whether the \$43 one-time charge or the \$24 monthly charge is just, reasonable, or cost-based. Nothing in the record of this case supports either the \$43 one-time charge or the \$24 monthly charge.⁴¹

Despite having the personnel to develop rider costs,⁴² AEP Ohio performed no formal independent cost analysis to develop the residential opt-out service charges in this proceeding.⁴³ Rather, AEP Ohio merely dusted off a “Perform Manual Meter Read Justification”⁴⁴ that it had submitted to the PUCO as a part of its rate case application in Case No. 11-351.⁴⁵ That rate application and the Manual Meter Read Justification were developed and filed with the PUCO approximately four and one-half years ago, on January 27, 2011.⁴⁶ The Case No. 11-351 Manual Meter Read Justification was developed for *commercial* (not residential) manual meter reads and removal/installations. And it contained the identical data inputs to derive the costs to: (1) remove and install a commercial meter; and (2) read a commercial meter.⁴⁷ Not surprisingly, the cost for each

⁴¹ AEP Ohio asserts in its scant direct testimony that the Partial Settlement does not violate any important regulatory principle or practice because “[i]t follows OAC 4901:1-10-05 as adopted in Case No. 12-2050-EL-ORD and is consistent with the Commission order in that case.” AEP Ohio Ex. 4 at 4. This statement simply is not true. As discussed below, the proposed rates in this proceeding are not cost-based and, as discussed above, AEP Ohio failed to follow the PUCO’s directives in the 12-2050 Rulemaking by not offering additional options to residential consumers concerned with the effects of advanced meters.

⁴² AEP Ohio witness Moore testified that two individuals who report to her develop the costs to be charged under various riders. Ms. Moore did not utilize this expertise for this case. Tr. at 16-17.

⁴³ Tr. 36.

⁴⁴ AEP Ohio Ex. 2 at Exhibit E.

⁴⁵ See AEP Ohio Ex. 2 at Exhibit C-2; Tr. at 17.

⁴⁶ Tr. 38-39.

⁴⁷ Id. at 24-25.

was \$43. AEP Ohio has not examined these data inputs since they were developed in Case No. 11-351.⁴⁸ The data inputs were as follows⁴⁹:

- Average travel time per trip: 30 minutes
- Labor: MRO Electrician A @ \$28.76/hr. + fringes @ 65% x .5 hrs \$23.73
- Vehicle cost for class 40; \$9.24/hr. x ¾ hour \$ 6.93
- Average time at meter: 15 minutes
- Labor: MRO Electrician A @ \$28.76/hr. + fringes @ 65% x .5 hrs \$11.86
- Total Rounded cost justified charge for single phase meters \$43.00

In developing the “cost-based” charges to remove/install and read a residential traditional meter in this proceeding, AEP Ohio used the exact same inputs.⁵⁰ The only adjustment it made was to reduce the monthly meter reading charge from \$43 to \$31.80, because of the “anecdotal” experience of its meter readers that AMI/AMR meters were read approximately nine months of the year.⁵¹ AEP Ohio produced no documents, studies or workpapers to support the data inputs for this proceeding.

- It used the same inputs in this proceeding as the travel time to commercial meters developed in Case No. 11-351 – despite the fact that, per the PUCO’s approved pilot project, residential AMI meters are concentrated in northeast Columbus, Ohio.⁵² AEP Ohio performed no analysis of the density of commercial meters versus the density of the residential AMI meter locations.⁵³
- It never justified in its application, pre-filed testimony, or on cross-examination why it would take an average of 30 minutes to travel between residential meters, which could entail merely walking to

⁴⁸ Id. at 31.

⁴⁹ See AEP Ohio Ex. 2 at Exhibit C-2.

⁵⁰ Tr. at 48.

⁵¹ Id. at 49 (not based upon records, but upon AEP Ohio’s “experience”).

⁵² Id. at 26, 57.

⁵³ Id. at 61.

the house next door.⁵⁴ The travel time cost is not based on actual records, but only on anecdotal estimates.⁵⁵

- It never justified in its application, pre-filed testimony, or on cross-examination why, after traveling to the meter, it would take an additional 15 minutes to read a traditional, residential meter. The time to read a meter was not based on actual records, but only on anecdotal estimates.⁵⁶
- It never justified in its application, pre-filed testimony, or on cross-examination the time it would take to remove/install an advanced meter. The time to read a remove/install a meter was not based on actual records, but only on anecdotal estimates.⁵⁷
- Moreover, AEP Ohio acknowledged on cross-examination that it used its own employees as well as independent contractors to read its meters,⁵⁸ rendering incredible the hourly wage and fringe benefit inputs, which are not representative of non-employee independent contractor costs. The labor costs are particularly useless considering that the record is silent as to whether independent contractors will perform all, or a portion of the reads or meter removal/installations.⁵⁹

To compound AEP Ohio's obvious failure to meet its burden in this proceeding, its position assumes that the PUCO specifically found that the \$43 cost to remove/install and read a commercial meter was cost-based in Case No. 11-351.⁶⁰ The PUCO made no such finding. As stated previously, the PUCO did not specifically consider or approve the Manual Meter Read Justification that AEP Ohio had submitted to the PUCO as a part of its rate case application in Case No. 11-351. Rather, it was approved as a part of a

⁵⁴ Id. at 71-72.

⁵⁵ Id. at 36-37 (the average times were estimated through "discussions with the meter group" and were not based upon records, but upon their "experience").

⁵⁶ Id. at 44-45, 63 (the average times were estimated through "discussions with the meter group" and were not based upon records, but upon their "experience").

⁵⁷ Id. at 45, 49 (the average times were estimated through "discussions with the meter group" and were not based upon records, but upon their "experience").

⁵⁸ Id. at 89.

⁵⁹ Id.

⁶⁰ AEP Ohio Ex. 4 at 4; AEP Ohio Ex. 2, Application at Exhibit C-2.

“black box” stipulation, meaning that the \$43 charge was “palatable” as a part of the final settlement “package” presented. That finding does not represent that the rates for a commercial meter removal/installation reading are cost-based, and certainly doesn’t serve as a foundation to find that the charges in this proceeding for residential meter readings are cost-based, particularly in light of the shortcomings explained above.

AEP Ohio asserts that the Partial Settlement in this proceeding benefits customers because it reduced AEP Ohio’s proposed residential meter read charge from \$31.80 to \$24.⁶¹ Although that charge is more favorable than the charge AEP Ohio initially proposed, the record nevertheless fails to support that the charge is cost-based, as required by the PUCO’s rules. As AEP Ohio’s witness confirmed, the \$24 charge is just a number agreed upon by the PUCO Staff and AEP Ohio:

- Q. Now, in AEP Exhibit 2, *** Exhibit E to that exhibit, we’ve gone through the cost components for the manual meter read to determine for this proceeding a cost of \$31.80. In the stipulation the charge for that recurring meter read is \$24 per month; is that correct?
- A. That’s correct.
- Q. Do you have any similar breakdown of the cost components to derive that \$24?
- A. I did not provide any type of calculation for the \$24. The company agreed to the \$24. There was no basis of the agreement with these calculations.
- Q. There was no basis in costs to reduce that?
- A. The company just agreed to \$24. There was no calculation to come up to that agreement amount by the company.⁶²

⁶¹ Id.

⁶² Tr. at 52.

Neither the one-time charge nor the recurring charge has been subjected to prior PUCO scrutiny. The charges in the original Application were developed from the settlement in Case No. 11-351.⁶³ The \$43 charge in that case was for manual reading of interval meters for commercial customers,⁶⁴ and not for manual reading of traditional meters for residential customers. Further, the settlement in that proceeding was a “black-box” settlement.⁶⁵ The PUCO did not examine the specific charges that were approved in that case, but instead approved the stipulation as a package.⁶⁶ Individual rates were not scrutinized to determine if they were just and reasonable. The record simply does not support that the proposed charges are cost-based.

Therefore, the Partial Settlement should be rejected. And for the equitable reasons discussed above, customers should not be charged at this time for opting-out of the advanced meter installation requirement.

IV. RECOMMENDATIONS

A. Customers should not be charged for exercising their choice to keep traditional electric meter they have had in their homes for months years or decades.

As discussed above, the record shows that denying AEP Ohio’s proposed charges for customers to opt-out of new meters would have an insignificant impact on AEP Ohio (\$23,616 per year). The approximately \$23,616 dollars in additional annual revenues that AEP Ohio would collect from customers who choose not to have an advanced meter is negligible compared to the approximately \$125 million AEP Ohio has already collected

⁶³ See AEP Ohio Ex. 2 at Exhibit C-2.

⁶⁴ See Tr. at 25.

⁶⁵ See id. at 77.

⁶⁶ See id. at 223.

from customers for the total gridSMART Phase I pilot program. Indeed, one could wonder about the administrative cost to AEP Ohio and others for even pursuing this case at the PUCO for charging customers, given how little revenue is at issue for AEP Ohio.

On the other hand, requiring AEP Ohio customers – who already pay the highest electric rates in Ohio – to pay an additional \$288 per year just for meter reading would cause those customers considerable harm. OCC recommends that, based on the record, the PUCO deny collection of opt-out charges from AEP Ohio's customers.

B. Customers should not be charged a one-time charge or a recurring charge as proposed in AEP Ohio's Partial Settlement, because the PUCO has not yet identified any cost savings from the gridSMART deployment, and such savings have not been passed back to customers.

The approximately \$23,000 in additional revenues AEP Ohio would collect from customers if the Partial Settlement is approved pales in comparison to the operational savings AEP Ohio is obtaining with AMI and AMR meters, but is not sharing with residential customers.⁶⁷ Customers should be receiving these benefits as an offset to the charges they are paying for AEP Ohio's advanced meter deployment. Consequently, prior to allowing AEP Ohio to move forward with advanced meter installations beyond the current deployment, the PUCO should conduct an independent cost/benefit analysis to determine the tangible benefits that should be returned to customers. Some of these benefits could be offset against the charges the PUCO Staff and AEP Ohio propose for replacing an advanced meter with a traditional meter and for monthly meter reading of traditional meters.

⁶⁷ The gridSMART rider involves an annual true-up of actual costs from the prior year and a projection of gridSMART costs for the coming year. Benefits are not passed along to customers. See *id.* at 14, n. 23.

C. Customers should not be charged a one-time charge or a recurring charge as proposed in the Partial Settlement, at least because customers have not been educated about the advanced meters.

AEP Ohio's effort to educate consumers about advanced meters is flawed. The objectives of the AEP Ohio gridSMART pilot program included demonstrating customer acceptance with the new technologies and capabilities that are available with AMI meters.⁶⁸ But the only educational materials AEP Ohio produced in response to OCC's discovery requests addressed *AMR* meters, not *AMI* meters.⁶⁹

Further, Ohio Adm. Code 4901:1-10-05(J)(3)(b) requires electric companies to "explain the facts concerning advanced meters and attempt to address any customer concerns prior to signing up a customer for advanced meter opt-out service." But some of the materials were produced by an electric industry research group,⁷⁰ which would not make them convincing for those customers who are suspicious of *AMI* meters. These materials also are highly technical in nature,⁷¹ which makes them unsuitable for conveying essential information to customers who are not experts in metering technology. And the materials were produced more than five years ago.⁷²

AEP Ohio's customers should be provided a reasonable opportunity over time to learn about, and possibly accept, the new technology, free from the charges proposed in

⁶⁸ See *id.* at 9, citing AEP Ohio gridSMART® Demonstration Project, A Community-Based Approach to Leading the Nation in Smart Energy Use Department of Energy (DOE) Smart Grid Demonstration Project (SGDP), March 2014.

⁶⁹ See OCC Ex. 1. See also Tr. at 12-14.

⁷⁰ See OCC Ex. 1 at 4, showing that the document "A Perspective on Radio-Frequency Exposure Associated With Residential Automatic Meter Reading Technology" was produced by the Electric Power Research Institute.

⁷¹ See *id.* at 5-8.

⁷² See *id.*

the Partial Settlement. Allowing this reasonable opportunity over time, without charges, is supported by the rate design principle of gradualism. In order to assist customers in the transition from traditional meters to advanced meters, the PUCO should delay implementation of opt-out metering charges.

D. Residential customers who opt-out of having an advanced meter should have the option to take actual readings of their traditional meters and submit the readings to AEP Ohio, just as AEP Ohio currently allows for meters that are not readily accessible.

The proposed meter reading charges for residential customers who choose a traditional meter instead of an advanced meter are unnecessary. Ohio Adm. Code 4901:1-10-05(I)(1) requires electric utilities to perform an actual meter read only once a year, and to make reasonable attempts to obtain an accurate actual meter each billing period. One reasonable step would be for the *customer* opting out of advanced meter service to take the actual meter reading eleven months per year and report it to AEP Ohio.

AEP Ohio customers already can provide usage information to the utility if the meter is not actually read. AEP Ohio's website provides customers with instructions on how to read their meter and to mail-in usage information to the utility.⁷³ AEP Ohio's witness confirmed that such a program exists for customers whose meters are not readily accessible.⁷⁴ But AEP Ohio is unwilling to allow other customers to participate in this already-existing process.⁷⁵ AEP Ohio should not have veto power over what constitutes a reasonable attempt to read a meter under Ohio Adm. Code 4901:1-10-05(I)(1).

⁷³ OCC Ex. 4 (Williams Testimony) at Exhibit JDW-2 (AEP Ohio Meter Reading Fact Sheet).

⁷⁴ Tr. at 79.

⁷⁵ See *id.* at 81.

Customers who do not want an advanced meter should be allowed to read their own traditional meter.

Allowing customers to read their own meters and report the reading to AEP Ohio is a reasonable alternative to the additional costs for monthly meter reading that would be inflicted under the Partial Settlement. Allowing customers to read their own meters would also further the PUCO's directive in the 12-2050 Rulemaking that electric companies should work with customers to arrive at a mutually agreeable solution to the customer's concerns.⁷⁶ And allowing customers to read their own meters would further the PUCO's directive in the 12-2050 Rulemaking that electric companies should recognize advanced meter opt-out service as *one of many* solutions to customer concerns regarding their meters.⁷⁷

V. CONCLUSION

AEP Ohio wants authority to charge customers for keeping the traditional electric meters that they have in their homes. In addition to that proposal not being supported by the record, AEP Ohio's proposal will not make much sense to those customers who have had those meters for possibly decades without such charges. Based on the record, the Partial Settlement does not meet the PUCO's three-prong test for considering stipulations, and customers should not be charged to keep their traditional electric meters. The PUCO must reject the Partial Settlement entered into by AEP Ohio and PUCO Staff.

Further, AEP Ohio has not presented an appropriate study of the cost for opt-out services in a case of this relatively small magnitude from AEP Ohio's perspective. In

⁷⁶ 12-2050 Rulemaking, Entry on Rehearing (December 18, 2013) at 3.

⁷⁷ *Id.*

addition, there are operational savings which have not been quantified and passed back to consumers far in excess of the \$23,000 at issue in this case. Finally, the technology is new and customers have not been educated on the technology. Therefore, for the equitable reasons discussed above, customers should not be charged for opting-out of the advanced meter installation requirement.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Initial Brief was served on the persons stated below via electronic transmission, this 22nd day of June 2015.

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