

**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.                    )

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

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BRUCE J. WESTON (0016973)  
OHIO CONSUMERS' COUNSEL

Terry L. Etter (0067445), Counsel of Record  
Assistant Consumers' Counsel

**Office of the Ohio Consumers' Counsel**  
10 West Broad Street, Suite 1800  
Columbus, Ohio 43215-3485  
Telephone: (614) 466-7964 (Etter direct)  
[Terry.Etter@occ.ohio.gov](mailto:Terry.Etter@occ.ohio.gov)  
(willing to accept email service)

Dane Stinson (0019101)  
Bricker and Eckler LLP  
100 South Third Street  
Columbus, Ohio 43215  
Telephone: (614) 227-4854  
[DStinson@bricker.com](mailto:DStinson@bricker.com)  
(willing to accept email service)

Outside Counsel for the  
Office of the Ohio Consumers' Counsel

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**I. INTRODUCTION**

In this case involving charges customers must pay for not having an advanced meter on their homes,<sup>1</sup> the Public Utilities Commission of Ohio (“PUCO”) is reviewing a Partial Settlement signed by the PUCO Staff and Ohio Power Company (“AEP Ohio”).<sup>2</sup> Under the Partial Settlement, residential customers who have an advanced meter at their homes but want it removed would be charged \$43 for removal.<sup>3</sup> In addition, any residential customer who has chosen to have a traditional meter would be charged \$24 per month for meter reading, even in those months when the meter is not read.<sup>4</sup> The two advocates on behalf of customers in this case – the Office of the Ohio Consumers’ Counsel (“OCC”) and Ohio Partners for Affordable Energy (“OPAE”) – have not signed the Partial Settlement.

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<sup>1</sup> 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.

<sup>2</sup> Joint Ex. 1.

<sup>3</sup> Id. at Stipulated Exhibit B-2, Original Sheet No. 103-12.

<sup>4</sup> Id.

This proceeding was prompted by the PUCO's decision in Case No. 12-2050-EL-ORD. There, the PUCO adopted advanced meter opt-out service as a customer protection necessitated by the close proximity of the meter to the customer and the customer's residence.<sup>5</sup> The PUCO adopted the opt-out rules to provide these customers a means to allay their fears about having an advanced meter at their homes.<sup>6</sup> The rules were not adopted "to provide a cost-based incentive so that customers will not refuse advanced meters based on arbitrary reasoning."<sup>7</sup>

When reviewing settlements, the PUCO is charged with determining what is just and reasonable.<sup>8</sup> To that end, the PUCO has adopted criteria for evaluating settlements. The criteria are<sup>9</sup>:

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.<sup>10</sup>
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?

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<sup>5</sup> *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, Entry on Rehearing (December 18, 2013) at 10.

<sup>6</sup> *Id.* at 8-9.

<sup>7</sup> AEP Ohio Brief at 18.

<sup>8</sup> *Duff v. Pub. Util. Comm.* (1978), 56 Ohio St.2d 367.

<sup>9</sup> *Consumers' Counsel v. Pub. Util. Comm'n.* (1992), 64 Ohio St.3d 123, 126.

<sup>10</sup> See *In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company, Individually and, if Their Proposed Merger is Approved, as a Merged Company (collectively, AEP Ohio) for an Increase in Electric Distribution Rates*, Case No. 11-351-EL-AIR, Opinion and Order (December 14, 2011) at 9.

The burden of proving the reasonableness of the Partial Settlement rests with the proponents of the Partial Settlement.<sup>11</sup>

As OCC and OPAE have shown, the Partial Settlement does not meet the test the PUCO uses to judge stipulations. Given the small number of customers who have chosen not to have an advanced meter and that AEP Ohio is years away from full gridSMART deployment, it would be equitable for the PUCO to reject the Partial Stipulation, and not authorize the requested opt-out charges.<sup>12</sup>

## II. ARGUMENT

**A. The Partial Settlement fails the first prong of the PUCO’s test for stipulations: the signatory parties do not represent a diversity of interests because no representative of residential customers agreed to the proposed opt-out charges; and the Partial Settlement does not represent serious bargaining between AEP Ohio and the PUCO Staff. The PUCO should reject the Partial Settlement in the interest of protecting customers.**

OCC argues that the signatory parties do not represent a diversity of interests and that the Partial Settlement was not the product of serious negotiations.<sup>13</sup> AEP Ohio, however, claims that the PUCO Staff provided “an independent expert assessment of the proposed charges” that “involved substantial consideration of the costs and benefits to residential customers.”<sup>14</sup> AEP Ohio is wrong.

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<sup>11</sup> 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.

<sup>12</sup> If OCC does not address a specific argument raised in a party’s brief, that fact should not be construed as OCC’s acquiescence to the argument.

<sup>13</sup> See OCC Initial Brief at 4-6; OCC Ex. 4 (Williams Testimony) at 6. See also OPAE Brief at 2.

<sup>14</sup> AEP Ohio Brief at 4.

Prior to filing its brief in this case, the PUCO Staff produced nothing to show that it reviewed and analyzed the charges agreed to in the Partial Stipulation. The only assessment of the charges is found within the Partial Settlement and that assessment is merely the same explanation of the original charges that was filed by AEP Ohio with the Application. The PUCO Staff filed no testimony to support the Partial Settlement. Further, the PUCO Staff filed no comments regarding the initial Application.

As explained in OCC's Initial Brief,<sup>15</sup> AEP Ohio did not perform any study or analysis of the cost to install or read residential advance meters. Indeed, AEP Ohio admits on brief that it was simply too expensive to conduct a study for the amount of revenues at issue in this proceeding.<sup>16</sup> Rather, AEP Ohio dusted off a 4½-year-old "study" for commercial meters from a prior rate proceeding. The study received no PUCO scrutiny in that prior proceeding. The PUCO Staff's acceptance of AEP Ohio's study, without explanation, can hardly be considered an "independent expert assessment of the proposed charge."

Simply put, the PUCO Staff's agreement to accept AEP Ohio's proposed \$43 fee to replace an advanced meter with a traditional meter, and its agreement to accept a reduced \$24 monthly meter reading charge, cannot be considered serious negotiation when the basis of the charge has no credible foundation in this record.<sup>17</sup> The PUCO should reject the Partial Settlement.

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<sup>15</sup> See OCC Initial Brief at 12-16.

<sup>16</sup> AEP Ohio Brief at 12.

<sup>17</sup> Considering this lack of credible foundation to derive a cost based charge, AEP Ohio's assertion that the reduced \$24 monthly meter reading charge is a "below-cost" charge is equally incredible. See *id.* at 7.

AEP Ohio contends that OCC asserts that it should have an absolute veto on the Partial Settlement.<sup>18</sup> To the contrary, OCC's position is that any settlement is not the product of serious bargaining where the customer class that will pay the charges resulting from the settlement is not a signatory to the agreement. In other words, there must have been a give and take among the parties who have the most at stake in the case, as the settlement process contemplates. That is not the case with the Partial Settlement in this proceeding.

Here, not only OCC but also OPAGE, which advocates on behalf of low-income customer organizations, has declined to sign the Partial Settlement. This should signal to the PUCO that the Partial Settlement was not the product of serious bargaining by a variety of diverse interests. When the utility "settles" how to spend other people's money without the advocates for those other people agreeing to the settlement, there is not a diversity of interests. Although the job of the PUCO Staff may be to balance the interests of customers and utilities,<sup>19</sup> it is not the PUCO Staff's function to *represent* the interests of residential customers. No signatory party to the settlement is an advocate for consumers; that in large part explains the settlement.

If the PUCO Staff – in its function to balance the interests of customers and utilities – could "amply represent"<sup>20</sup> a party in negotiations, then there would be no need for negotiations. The PUCO Staff could merely balance the interests of all parties, and reach a unilateral settlement that "amply represents" all parties. That, however, is not the

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<sup>18</sup> Id. at 4.

<sup>19</sup> See id.

<sup>20</sup> Id.

nature of settlement negotiations. This Partial Settlement is not the result of the agreement of a variety of diverse interests, as required by the test's first prong.

Moreover, and as discussed further below, the Partial Settlement is not the result of serious bargaining because the PUCO Staff, in agreeing to the unsupported charges proposed, received nothing in return. The PUCO Staff asserts in its initial brief that AEP Ohio agreed to provide it certain information.<sup>21</sup> But the PUCO Staff already has the statutory ability to request such information. Thus, the Partial Settlement adds new charges to customers without requiring AEP Ohio to give up anything.<sup>22</sup>

The “bargain” in AEP Ohio’s so-called “settlement” was one-sided in favor of AEP Ohio. This shows a lack of serious bargaining. Hence the Partial Settlement does not meet the first criterion for PUCO approval.

**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.**

OCC has shown that the Partial Settlement fails the second prong of the PUCO’s criteria for considering settlements.<sup>23</sup> OCC noted that the Partial Settlement is not a “package” because the only thing AEP Ohio concedes to the PUCO Staff is to provide some data upon request.<sup>24</sup> In reality, though, the Partial Settlement consists only of two

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<sup>21</sup> PUCO Staff Brief at 13.

<sup>22</sup> The rates proposed in AEP Ohio’s application in this proceeding have not been approved, and there was no guarantee that the PUCO would approve them as proposed. Hence AEP Ohio did not give back anything in return for the PUCO Staff to sign the Partial Settlement.

<sup>23</sup> OCC Ex. 4 (Williams Testimony) at 6-11; OCC Initial Brief at 7-12. See also OPAE Brief at 2-8.

<sup>24</sup> OCC Initial Brief at 9-10.

new charges for customers to pay – the one-time charge to replace an advanced meter with a traditional meter, and the monthly meter reading charge.

In its brief, the PUCO Staff lists the four categories of data it would receive through the Partial Settlement.<sup>25</sup> The PUCO Staff claims that the information will enable it to “stay informed of, and be responsive to, all material issues” arising from advanced meter opt-out service.<sup>26</sup> And the PUCO Staff claims it will be better able to coordinate with AEP Ohio regarding issues related with advanced meter opt-out service.<sup>27</sup> But the Partial Settlement does not support the PUCO Staff’s position.

Under the Partial Settlement, the data is available to the PUCO Staff *upon request*.<sup>28</sup> Hence AEP Ohio will not make the information available to the PUCO Staff unless the PUCO Staff asks for it. But, as OCC noted, the PUCO Staff already has access to the information, upon request, by statute.<sup>29</sup> Thus, the Partial Settlement offers nothing additional regarding access to data than what the PUCO Staff already has. The Partial Settlement offers nothing new for the PUCO Staff to stay informed of and be responsive to material issues regarding advanced meter opt-out. And the Partial Settlement offers nothing new that would help the PUCO Staff better coordinate with AEP Ohio regarding issues related with advanced meter opt-out.

The only thing the Partial Settlement does is add two new charges to the bills of AEP Ohio’s residential customers who just want to keep their traditional meter. The first

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<sup>25</sup> PUCO Staff Brief at 13.

<sup>26</sup> *Id.*

<sup>27</sup> *Id.*

<sup>28</sup> Joint Ex. 1 at 3.

<sup>29</sup> OCC Initial Brief at 5, discussing R.C. 4905.06 and 4905.15.

is a \$43 nonrecurring charge to remove an unwanted advanced meter and replace it with a traditional meter that the customer wants. The second is a \$24 monthly charge (\$288 per year) for meter reading, even in those months when AEP Ohio does not read their meter. This is the “package” that the PUCO must examine to determine whether customers and the public interest benefit from the Partial Stipulation. As OCC showed in its Initial Brief,<sup>30</sup> there is no benefit to customers or the public interest from the Partial Settlement.

The PUCO Staff claims that the Partial Settlement “protects the pocketbooks of customers with advanced meters by shielding them from advanced meter opt-out service charges.”<sup>31</sup> This is an almost nonexistent benefit. Based on the current number of AEP Ohio customers who have chosen not to have an advanced meter, OCC has calculated the cost of waiving the opt-out charges at \$23,616 annually.<sup>32</sup> Even if this amount were passed along to all 1.2 million AEP Ohio customers, the cost would be **less than two cents per customer, per year.**<sup>33</sup> OCC has recommended that AEP Ohio, a multibillion dollar enterprise, should absorb the costs. The nominal amounts at issue, AEP Ohio’s admission that the revenues at issue do not justify the performance of a cost study in this proceeding,<sup>34</sup> and equity for consumers in this transition to advanced meters all support OCC’s position not to impose opt out charges at this time.

OCC also noted that AEP Ohio’s residential customers, who already pay the highest electric rates in Ohio, would be significantly harmed by having their electric bills

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<sup>30</sup> Id. at 7-12. See also OPAE Brief at 2-8.

<sup>31</sup> PUCO Staff Brief at 13.

<sup>32</sup> AEP Ohio states that 82 total customers have declined an advanced meter at their homes.  $\$288 \times 82 = \$23,616$ .

<sup>33</sup>  $\$23,616 \div 1,200,000 = \$0.01968$ .

<sup>34</sup> AEP Ohio Brief at 12.

increased by \$288 per year.<sup>35</sup> OCC argued that, for equitable reasons, the PUCO should conclude that residential customers who wish to not have an advanced meter at their homes should not have to pay either the one-time charge to have an advanced meter removed or the monthly meter reading charge.<sup>36</sup> OCC recommended that the PUCO waive the opt-out rules by setting both the monthly meter reading charge and the non-recurring meter removal charge at zero dollars.<sup>37</sup>

AEP Ohio claims that waiving the fees would eliminate an important incentive for customers to adopt advanced meter technology.<sup>38</sup> But this has been proved wrong by the fact that only 82 customers out of about 619,000 customers<sup>39</sup> have chosen not to have an advanced meter. Approximately 99.99 percent of AEP Ohio's customers who have been given the option of having an advanced meter installed have chosen to have one,<sup>40</sup> all without the threat of additional monthly recurring charges for meter reads. And those who have chosen not to have an advanced meter have done so for reasons of their own, whether AEP Ohio or anyone else considers such reasons to be valid or arbitrary.<sup>41</sup>

The PUCO has recognized the right of residential customers to keep their traditional meters, regardless of the reason:

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

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<sup>35</sup> See OCC Initial Brief at 7.

<sup>36</sup> Id. at 8. See also OPAE Brief at 5-9.

<sup>37</sup> OCC Initial Brief at 17-18.

<sup>38</sup> See AEP Ohio Brief at 17.

<sup>39</sup> AEP Ohio has installed 487,000 AMR meters and 132,000 AMI meters. See id. at 9.

<sup>40</sup> Only about 0.013 percent of AEP Ohio's customers who have been given the option have chosen not have an advanced meter.  $82 \div 619,000 = 0.00013247172$ .

<sup>41</sup> See AEP Ohio Brief at 18.

that it is appropriate for them to be presented with a remedy to alleviate their concern that they are at risk for harm.<sup>42</sup>

But AEP Ohio states that it should have “a cost-based incentive so that customers will not refuse advanced meters based on arbitrary reasoning.”<sup>43</sup> First of all, AEP Ohio does not explain what is and is not “arbitrary reasoning.” Moreover, AEP Ohio’s statement suggests that AEP Ohio would use the threat of an additional \$288 per year on customers’ bills to pressure customers into having an advanced meter. AEP Ohio should not be allowed to supplant the desires of customers who do not want an advanced meter.

In arguing against waiving the proposed charges, AEP Ohio discusses the “binding” nature of the PUCO’s rules.<sup>44</sup> But the only “binding” rule discussed by AEP Ohio is Ohio Adm. Code 4901:1-10-05(J)(5)(e), which requires cost-based charges for choosing not to have an advanced meter. In fact, whether an electric utility should have opt-out charges is discretionary, by either the utility or the PUCO.

The plain language of Ohio Adm. Code 4901:1-10-05(J)(5) makes opt-out charges discretionary. Although electric utilities “*shall* file a proposed tariff for opt-out service,”<sup>45</sup> when it comes to establishing charges the utility “*may* establish a one-time fee to recover the costs of removing an existing advanced meter, and the subsequent installation of a traditional meter....”<sup>46</sup> Similarly, for meter reading charges the utility

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<sup>42</sup> Case No. 12-2050-EL-ORD, Entry on Rehearing (December 18, 2013) at 8-9.

<sup>43</sup> AEP Ohio Brief at 18.

<sup>44</sup> Id. at 14.

<sup>45</sup> Ohio Adm. Code 4901:1-10-05(J)(5)(a) (emphasis added).

<sup>46</sup> Ohio Adm. Code 4901:1-10-05(J)(5)(c) (emphasis added).

“*may* establish a recurring fee to recover costs associated with providing meter reading and billing services associated with the use of a traditional meter.”<sup>47</sup>

AEP Ohio itself acknowledges that the PUCO does not require electric utilities to establish an opt-out tariff. In discussing Ohio Adm. Code 4901:1-10-05(J)(5), AEP Ohio stated that “the rules provide that a utility *may* establish two types of charges for customers who elect opt-out service....”<sup>48</sup> AEP Ohio further noted that “[t]he Commission *permitted* utilities to assess two charges – a ‘one-time fee’ and a ‘recurring fee’....”<sup>49</sup>

Charging residential customers not to have an advanced meter is discretionary. The PUCO should exercise its discretion and set the meter removal and the monthly meter reading charges that AEP Ohio’s customers would pay for choosing not to have an advanced meter at zero dollars.

AEP Ohio also argues that the PUCO should not waive the charges because the gridSMART program is no longer a pilot program.<sup>50</sup> AEP Ohio points to its application to expand the gridSMART program and claims that advanced meter deployment “is proceeding apace....”<sup>51</sup> AEP Ohio is overstating gridSMART expansion.

AEP Ohio currently has 132,000 AMI meters installed but is seeking to deploy more than six times that many – 890,000.<sup>52</sup> Hence only a small portion of AMI meters

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<sup>47</sup> Ohio Adm. Code 4901:1-10-05(J)(5)(d) (emphasis added).

<sup>48</sup> AEP Ohio Brief at 5 (emphasis added).

<sup>49</sup> Id. at 14 (emphasis added).

<sup>50</sup> Id. at 16.

<sup>51</sup> Id.

<sup>52</sup> Tr. at 156.

have been installed. Even counting the 487,000 AMR meters, AEP Ohio has installed less than half its advanced meters.

In addition, no further deployment of AMI meters is occurring. AEP Ohio filed its application to expand gridSMART deployment nearly two years ago.<sup>53</sup> The PUCO has not approved that application, and indeed has not even set it for hearing. Moreover, if the PUCO even approves the application, deployment will take several more years. AEP Ohio's advanced meter deployment is hardly proceeding "apace."

OCC also showed that the Partial Settlement would not benefit customers, and indeed setting the charges at zero dollars until they could be more fully examined would benefit customers. In its brief, AEP Ohio noted that advanced meters "save considerable meter reading costs, thus reducing AEP Ohio's cost of service...."<sup>54</sup> But customers are not receiving the benefits from these cost reductions.

AEP Ohio recognizes that "the current proceeding involves a tariffed service that will likely be limited to a small number of customers."<sup>55</sup> Thus, the harm to AEP Ohio in waiving the charges until the actual costs can be examined is minimal; as noted above, OCC estimates that AEP Ohio would miss only about \$23,000 per year in revenue. On the other hand, the harm to customers – who would have their electric bills increase by \$288 per year – would be significant. It would be equitable for the PUCO to set the opt-out charges at zero dollars.

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<sup>53</sup> *In the Matter of the Application of Ohio Power Company to Initiate Phase 2 of its gridSMART Project and to Establish the gridSMART Phase 2 Rider*, Case 13-1939-EL-RDR, Application, Attachment A (September 13, 2013). See OCC Ex. 4 (Williams Testimony) at 13, n. 18.

<sup>54</sup> AEP Ohio Brief at 17.

<sup>55</sup> *Id.* at 12.

**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.<sup>56</sup> 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.<sup>57</sup> But the PUCO has no way to determine 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.<sup>58</sup>

AEP Ohio asserts that the nonrecurring and monthly charges it proposed in this proceeding “were based on cost estimates that AEP Ohio initially performed for a manual meter reading charge that the Commission approved in AEP Ohio’s last distribution rate case.”<sup>59</sup> But, as AEP Ohio noted, the proposed charges are based on “cost estimates”<sup>60</sup> and thus are not the actual costs incurred by AEP Ohio for replacing an advanced meter

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<sup>56</sup> OCC Ex. 4 (Williams Testimony) at 11-12. See also OCC Initial Brief at 12-17.

<sup>57</sup> Ohio Adm. Code 4901:1-10-05(J)(5)(b)(ii).

<sup>58</sup> 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.

<sup>59</sup> AEP Ohio Brief at 5.

<sup>60</sup> *Id.* at 6.

with a traditional meter or for meter reading. Thus, the charges are not cost-based, and do not comply with Ohio Adm. Code 4901:1-10-05(J).

Further, as OCC explained,<sup>61</sup> the charges approved in the distribution rate case resulted from a black box settlement. Hence the PUCO did not examine the charges to ensure that they were cost based. Moreover, the meter reading costs in the distribution rate case were for reading commercial, not residential, meters. Thus, the proponents of the Partial Settlement, who have the burden to show that the Partial Settlement is reasonable,<sup>62</sup> have not shown that the proposed charges are based on AEP Ohio's actual costs for reading or replacing residential meters. And because the proponents have not shown that the charges are cost-based, AEP Ohio's contention that the charges proposed in the Partial Settlement are below cost is baseless.<sup>63</sup>

AEP Ohio also asserts that the difference between the cost of manually reading commercial meters and manually reading residential meters is "not significant."<sup>64</sup> AEP Ohio bases this claim not on any evidence brought forth by its own witness but by opinions expressed by OCC witness Mr. Williams on cross-examination.<sup>65</sup> But AEP Ohio, as the proponent of the Partial Settlement in this case, has the burden of showing that the Partial Settlement is reasonable. It has offered no evidence to support its

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<sup>61</sup> OCC Brief at 15-16.

<sup>62</sup> 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.

<sup>63</sup> AEP Ohio Brief at 7.

<sup>64</sup> *Id.* at 11.

<sup>65</sup> *Id.* at 11-12.

position. AEP Ohio's only witness, Ms. Moore, has no experience reading meters<sup>66</sup> and could not herself vouch for the estimated, rather than actual, meter reading costs AEP Ohio has submitted.<sup>67</sup> Thus, AEP Ohio has not carried its burden of proof on this issue.

Despite having the personnel to develop rider costs, AEP Ohio performed no formal independent cost analysis to develop the residential opt-out service charges in this proceeding.<sup>68</sup> Rather, AEP Ohio merely resurrected a "Perform Manual Meter Read Justification"<sup>69</sup> that it had submitted to the PUCO in Case No. 11-351.<sup>70</sup> The Case No. 11-351 Manual Meter Read Justification was developed for commercial (not residential) manual meter reads and removal/installations. AEP Ohio has not examined these data inputs since they were developed in Case No. 11-351.<sup>71</sup>

AEP Ohio and the PUCO Staff each criticized OCC witness Williams for failing to provide an independent analysis of the costs at issue.<sup>72</sup> But it is the signatories to the Partial Settlement that bear the burden of proof in this proceeding. A review of the scant one-page of relevant direct testimony of witness Moore shows that the signatories have failed in their burden.

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

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<sup>66</sup> 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.

<sup>67</sup> See Tr. at 43-44.

<sup>68</sup> Id. at 36.

<sup>69</sup> AEP Ohio Ex. 2 at Exhibit E.

<sup>70</sup> See AEP Ohio Ex. 2 at Exhibit C-2; Tr. at 17.

<sup>71</sup> Id. at 31.

<sup>72</sup> AEP Ohio Brief at 8-13; PUCO Staff Brief at 9-10.

### **III. CONCLUSION**

The proponents of the Partial Settlement have a burden to show that the Partial Settlement is reasonable. They have not met that burden. During this transition to advanced meters, it is equitable for customers who retain their traditional meters to not be charged for doing so at this time, especially given that there would be no measurable harm to AEP Ohio.

The Partial Settlement does not meet the three-prong test the PUCO uses in reviewing stipulations. In exchange for adding charges to customers' bills, the Partial Settlement provides the PUCO Staff no access to information that it doesn't already have. Thus there was no serious bargaining. The Partial Settlement lacks diversity because it resolves what to do with other people's money, when the advocates for the other people (consumers) did not sign the settlement. The Partial Settlement does not benefit customers or the public interest because of the significant increases to customers' electric bills, which could be avoided. And the Partial Settlement violates the regulatory principle of cost causation, because there is no actual cost basis for the charges that residential customers would pay as a result of the Partial Settlement. The PUCO should reject the Partial Settlement and adopt OCC's recommendations outlined in its Initial Brief.

Respectfully submitted,

BRUCE J. WESTON (0016973)  
OHIO CONSUMERS' COUNSEL

/s/ Terry L. Etter

Terry L. Etter (0067445), Counsel of Record  
Assistant Consumers' Counsel

**Office of the Ohio Consumers' Counsel**

10 West Broad Street, Suite 1800

Columbus, Ohio 43215-3485

Telephone: (614) 466-7964 (Etter direct)

[Terry.Etter@occ.ohio.gov](mailto:Terry.Etter@occ.ohio.gov)

(willing to accept email service)

Dane Stinson (0019101)

Bricker and Eckler LLP

100 South Third Street

Columbus, Ohio 43215

Telephone: (614) 227-4854

[DStinson@bricker.com](mailto:DStinson@bricker.com)

(willing to accept email service)

Outside Counsel for the

Office of the Ohio Consumers' Counsel

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing Reply Brief was served on the persons stated below via electronic transmission, this 7<sup>th</sup> day of July 2015.

*/s/ Terry L. Etter* \_\_\_\_\_  
Terry L. Etter  
Assistant Consumers' Counsel

**SERVICE LIST**

Ryan O'Rourke  
Assistant Attorney General  
Attorney General's Office  
180 East Broad Street, 6<sup>th</sup> Floor  
Columbus, Ohio 43215  
[Ryan.orourke@puc.state.oh.us](mailto:Ryan.orourke@puc.state.oh.us)

Steven T. Nourse  
Matthew S. McKenzie  
AEP Service Corporation  
1 Riverside Plaza, 29th Floor  
Columbus, Ohio 43215  
[stnourse@aep.com](mailto:stnourse@aep.com)  
[msmckenzie@aep.com](mailto:msmckenzie@aep.com)

Attorney Examiner:  
[Bryce.mckenney@puc.state.oh.us](mailto:Bryce.mckenney@puc.state.oh.us)

Colleen L. Mooney  
Ohio Partners for Affordable Energy  
231 West Lima Street  
Findlay, Ohio 45839-1793  
[cmooney@ohiopartners.org](mailto:cmooney@ohiopartners.org)

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