

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

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

REPLY COMMENTS OF OHIO POWER COMPANY

Pursuant to the Commission's November 18, 2015 Entry, Ohio Power Company ("AEP Ohio") respectfully submits these Reply Comments in response to the Initial Comments filed by other parties.

**SUBSECTION 4901:1-10-28(B)(9)(b)
(Excess Generation Credits)**

As described in AEP Ohio's Initial Comments, the most significant issue in the Proposed Rules is the treatment of excess generation credits. *See* AEP Ohio Initial Cmts. 1-9. The current proposal – requiring a utility to provide an excess generation credit “at the utility’s standard service offer [SSO] rate,” Proposed Rules § 4901:1-10-28(B)(9)(b) – is directly at odds with Ohio law and Supreme Court precedent. Under R.C. 4928.67(B)(3)(b) and *FirstEnergy Corp. v. Public Utilities Commission of Ohio*, 95 Ohio St. 3d 401, 2002-Ohio-2430, the excess generation credit may only compensate a net metering customer for “electricity” provided to the grid, which means the credit should be set at the utility’s current rate for energy. The current proposal would compensate a net metering customer for distribution, transmission, and many other non-energy charges included as part of an SSO, and that is precisely what the Supreme Court held unlawful in *FirstEnergy*. *See* AEP Ohio Initial Cmts. 1-9.

Some parties have advocated that the Commission violate R.C. 4928.67(B)(3)(b) and *FirstEnergy* even more blatantly by providing net metering customers compensation for

additional distribution, transmission, and other non-energy charges outside an SSO. These proposals are unlawful and should be denied.

A. Environmental Advocates’ Proposed kWh Credit Violates R.C. 4928.67(B)(3)(b) and *FirstEnergy Corp. v. Public Utilities Commission of Ohio*

Most significantly, Environmental Law & Policy Center, Ohio Environmental Council, Natural Resources Defense Council, Environmental Defense Fund, and Vote Solar (collectively, “Environmental Advocates”) propose that the Commission institute a “straight kWh credit” for excess generation for SSO customers, instead of the monetary credit in the Proposed Rules.

Environmental Advocates do not explain what they mean by a “*straight* kWh credit,” as opposed to some other form of kWh credit. AEP Ohio assumes Environmental Advocates are proposing a credit in which the net amount of excess energy (measured in kWh) generated by a net metering customer in one billing period is carried over as a kWh credit to the next billing period. For example, if a net metering customer generates 100 kWh more than he or she uses in Billing Period 1, any net *consumption* of energy by that customer in Billing Period 2 would be reduced by 100 kWh, thus reducing *all* charges in Billing Period 2 that are measured by kWh, including SSO charges, non-SSO distribution charges, non-SSO transmission charges, and other usage-based charges.

Environmental Advocates’ proposed kWh credit unquestionably violates R.C. 4928.67(B)(3)(b) and *FirstEnergy*.¹ As described above and in AEP Ohio’s Initial Comments, *see* AEP Ohio Initial Cmts. 1-9, *FirstEnergy* reasoned that R.C. 4928.67(B)(3)(b) permits only

¹ Environmental Advocates cite an advocacy website – which, remarkably, they say they “last visited” over three years ago – for the proposition that several other states have instituted “either a straight kWh rollover or a monetary credit equal to the full retail rate of excess generation.” Env’tl. Advocates Initial Cmts. 5 & n.1. In the absence of any citation to statutes or decisions of state commissions (none are provided by Environmental Advocates or the advocacy website), it is difficult to evaluate the accuracy of that claim. In any event, those other states are not subject to R.C. 4928.67(B)(3)(b), nor are they bound by *FirstEnergy*.

credits for “*electricity*,” and FirstEnergy’s proposed energy-only credit adhered to that language by crediting a net generator only “in terms of electricity generated and supplied.” *Id.* ¶ 13 (emphasis added). Likewise, *FirstEnergy* clearly foreclosed – as a matter of Ohio law – any excess generation credit that compensates net metering customers for “transmission, distribution, ancillary services, . . . the Universal Service Fund,” and other charges. *Id.* ¶¶ 10, 13.

Environmental Advocates’ proposed kWh credit would directly violate *FirstEnergy*’s holding by providing a credit that would offset, in future billing periods, *all* charges measured by kWh – including charges related to distribution, transmission, ancillary service, Universal Service Fund, and many other impermissible charges. As described above, the only lawful excess generation charge is the one ordered in *FirstEnergy* – an energy-only credit. *See id.* ¶¶ 13, 19. The Proposed Rules’ excess generation credit violates *FirstEnergy* by compensating net metering customers for distribution, transmission, and other charges included as components of a utility’s SSO; Environmental Advocates’ proposed kWh credit violates *FirstEnergy* even more blatantly by compensating net metering customers for distribution, transmission, and *all* charges – both SSO and non-SSO – that are measured by kWh.

Nonetheless, Environmental Advocates offer two arguments for how a kWh credit could be implemented “consistent with” *FirstEnergy*. First, Environmental Advocates argue that a kWh credit is consistent with *FirstEnergy* because that case purportedly “address[ed] a monetary credit, rather than a straight kWh credit.” Env’tl. Advocates Initial Cmts. 5-6. But that is a meaningless distinction and ignores *FirstEnergy*’s central reasoning. As *FirstEnergy* observed, a “net-generator customer of FirstEnergy only supplies electricity; it does not provide transmission, distribution, or ancillary services.” *FirstEnergy*, 2002-Ohio-2430, ¶ 13. Thus, any credit that “would make [a utility] liable for payment or crediting of all of those additional

charges” is inconsistent with Ohio law. *Id.* (interpreting R.C. 4928.67(B)(3)(b)). Accordingly, any credit – whether “monetary” or “kWh” – is unlawful if it compensates a net metering customer for distribution, transmission, and other “additional” charges. But that is what a kWh credit would do (and why Environmental Advocates support it). In the future billing periods in which a kWh credit would apply, it would decrease *all* of a customer’s charges that are measured by kWh, including precisely the charges that were held unlawful in *FirstEnergy* – distribution, transmission, and numerous other “additional” charges. *FirstEnergy*, 2002-Ohio-2430, ¶ 13. The kWh credit proposed by Environmental Advocates, therefore, violates Ohio law.

Second, Environmental Advocates claim that “the [C]ourt in *FirstEnergy* was concerned about customer-generators receiving a refund or, in other words, being *paid*,” whereas “[u]nder a kWh rollover system, the excess electricity generation would simply rollover month-to-month” and “[n]o refund would ever have to be paid to the customer-generator.” Env’tl. Advocates Initial Cmts. 6 (emphasis added). That distinction finds no support in *FirstEnergy* and ignores elementary concepts of both economics and physics.

As an initial matter, *FirstEnergy*’s reasoning was not limited to credits that are *paid* to customers rather than credited to the customer and used to reduce future charges – it applied to both. Indeed, *FirstEnergy* struck down a Commission-ordered generation credit that “would [have] require[d] FirstEnergy to pay *or credit* to a net generator the [improper transmission, distribution, and other charges] in addition to the electric generation charge.” *FirstEnergy*, 2002-Ohio-2430, ¶ 10 (emphasis added). Thus, Environmental Advocates’ distinction between a paid-out “refund” and a credit “rollover” is expressly ruled out by *FirstEnergy*. *FirstEnergy* held that any credit – whether a monetary payout or a reduction of future usage – is unlawful if it makes

the utility “liable for payment *or crediting*” of distribution, transmission, and other “additional” charges. *FirstEnergy*, 2002-Ohio-2430, ¶ 13 (emphasis added).

In addition, Environmental Advocates’ distinction between a paid-out refund and a rollover credit ignores the basic economic principle that money is fungible. It is the same monetary result, both from the utility’s perspective and the customer’s perspective, if the utility *pays out* a kWh credit or uses the credit to reduce the customer’s future charges. In both instances, a kWh credit compensates the customer for distribution, transmission, and other such charges – either in the form of a check (if the credit is paid out) or in the form of reduced future charges (if the credit is applied to reduce future usage). There is no distinction; both options are plainly foreclosed by *FirstEnergy*.

Environmental Advocates’ proposal also ignores basic principles of physics. Environmental Advocates’ kWh credit seeks to compensate net metering customers as if the excess energy they generate in one month is somehow stored and used to offset their usage in a later month. But of course the excess energy they generate is not stored. It is consumed by other users on the grid, and AEP Ohio must ensure that adequate generation, transmission, and distribution infrastructure is ready to serve the on-demand needs of customers. Moreover, if net metering customers were effectively given free electricity storage in the form of a kWh hour credit, that would stifle investment in *real* battery storage because there would be no economic reason for a net metering customer to invest in such technology. AEP Ohio does not object to following the mandate of R.C. 4928.67(B)(3)(b) by giving customers a credit to compensate them for the excess “electricity” – meaning energy – they generate in any month. But it would violate both that statute and the realities of physics to compensate them as if they were storing that electricity and using it in a later month.

Finally, Environmental Advocates claim in passing that Ohio law “certainly permits” a kWh credit, Env’tl. Advocates Initial Cmts. 5, but their reasoning does not withstand the slightest scrutiny. Environmental Advocates’ merely recite R.C. 4928.67(B)(3)(6) and R.C. 4928.67 and then assert baldly, without any analysis, that a kWh credit would be “consistent with this language.” Env’tl. Advocates Initial Cmts. 5. But that is not legal reasoning; it is wishful thinking. As discussed above, *FirstEnergy* interpreted exactly the statutory provisions recited by Environmental Advocates and held that R.C. 4928.67(B)(3)(b) does *not* permit an excess generation credit that includes components related to transmission, distribution, and other such charges. *See FirstEnergy*, 2002-Ohio-2430, ¶ 13. Yet a kWh charge would provide such an unlawful credit by offsetting, in future months, all charges measured by kWh – including both SSO and non-SSO charges for transmission, distribution, and other non-energy services. Under current Ohio law, that is impermissible. *See id.*

B. The Excess Generation Credit Should Not Include Compensation for Capacity

Separately from the Environmental Advocates, the Alliance for Solar Choice (“TASC”) recommends that the Commission “include a capacity component in the credit for power supplied by behind-the-meter renewable generation to the grid.” TASC Initial Cmts. 2. This proposed change is perplexing given that the Proposed Rules already improperly include a capacity component in the proposed excess generation credit. As pointed out in AEP Ohio’s Initial Comments, by setting the excess generation credit at the utility’s SSO rate, the Proposed Rules would provide net metering customers a credit for *all* SSO components, including SSO capacity charges (for AEP Ohio, the Rider Gen-C component of its SSO).

As described in AEP Ohio’s Initial Comments, including the capacity component of an SSO in the excess generation credit is improper. *See AEP Ohio Initial Cmts. 7-9.* As AEP Ohio

explained, net metering systems do not provide capacity service because, unlike the steel-in-the-ground capacity that AEP Ohio procures through its SSO, net metering systems are not dispatchable, and whether they operate depends on the vagaries of the weather. Moreover, the utility does not control the maintenance of net metering systems, and net metering customers do not make *any* commitments or have any obligations regarding the availability of their systems in times of peak demand. *See id.* Indeed, it is telling that neither TASC nor the Environmental Advocates make any effort in their initial comments to explain how net metering systems provide true capacity service. Thus, the capacity component of the excess generation credit currently in the Proposed Rules should be eliminated, and the Rules should provide for an energy-only credit. *See* AEP Ohio Initial Cmts. 7-9.

C. The Proposed Rules Properly Cap the Credit Rollover to Thirty-Six Months

The Proposed Rules currently provide that excess generation credits will expire after thirty six months. *See* Proposed Rules § 4901:1-10-28(B)(9)(b). Environmental Advocates propose that this cap be completely eliminated, so that excess generation credits could accrue forever. Env'tl. Advocates Initial Cmts. 6-7. This proposal should be rejected. Any customer who generates more than he or she consumes for more than thirty-six consecutive months is clearly violating the requirement that a net metering system be “intended primarily to offset” – not to exceed – “part or all of the customer-generator’s requirements for electricity.” R.C. 4928.01(A)(31)(d). It is proper that credits be capped in such a circumstance.

**SUBSECTION 4901:1-10-28(A)(2)
(Definition of “Customer-Generator”)**

AEP Ohio supports the request of Duke Energy Ohio (“Duke”) that the Commission clarify that the proposed definition of the term “customer-generator” includes circumstances where an electric distribution utility operates distributed generation. *See* Duke Initial Cmts. 1.

SUBSECTION 4901:1-10-28(B)(2)
(Fuel Source of Eligible Net Metering Systems)

AEP Ohio opposes the proposal of IGS Solar, IGS Generation, and Interstate Gas Supply (collectively, “IGS”) to add reciprocating engines to the list of eligible net metering system types in Subsection 4901:1-10-28(B)(2). *See* IGS Initial Cmts. 6. Although AEP Ohio does not wish to discourage the development of combined heat and power (CHP) resources, IGS’s proposal would violate R.C. 4928.01(31), as IGS itself seems to acknowledge. *See* IGS Initial Cmts. 6 (“IGS understands that the draft rules rely upon the statutory definition of a net metering system contained in R.C. 4928.01(31).”).

SUBSECTION 4901:1-10-28(B)(7)(a)
(Calculating Customers’ Requirements for Electricity)

Multiple utility stakeholders have echoed AEP Ohio’s request to place the burden on the *customer*, not the utility, to calculate the customer’s requirements for electricity when historical data is unavailable. *See* AEP Ohio Initial Cmts. 10-11; Dayton Power & Light (“DP&L”) Initial Cmts. 2-3; Ohio Edison Company, Cleveland Electric Illuminating Company, and Toledo Edison Company (“FirstEnergy”) Initial Cmts. 5. The Commission should adopt that proposal.

In addition, the Ohio Consumers’ Counsel (“OCC”) has proposed that the Commission add language requiring utilities to provide “a rolling three year average consumption for each customer” on the utility’s website for the customer to log in and access. This language is unnecessary because OAC 4901:1-10-03 already requires utilities to maintain three years of customer usage data, and OAC 4901:1-10-24(F)(1) requires utilities to provide two years of usage data to customers on request. Moreover, AEP Ohio already goes beyond these requirements and provides three years of historical usage data for customers on its website. There is no need to complicate the Ohio Administrative Code with unnecessary regulations

where, as here, the proposed rule is duplicative of other rules and where, as here, utilities have already implemented what the proposed rule would require.

Lastly in this subsection, AEP Ohio shares FirstEnergy's concern that Subsection 4901:1-10-28(B)(7)(a), as proposed, would require the utility to disclose usage data of a previous occupant of a premises to a new occupant of a premises. FirstEnergy Initial Cmts. 5. As AEP Ohio has explained in previous proceedings related to customer privacy, AEP Ohio supports reasonable privacy standards that support both AEP Ohio's interests and those of its customers. *See, e.g.,* Comments of Columbus Southern Power & Ohio Power Company, Mar. 4, 2011, *In re Review of the Consumer Privacy Protection, Customer Data Access and Cyber Security Issues Associated with Distribution Utility Advanced Metering and Smart Grid Programs*, Case No. 11-277-GE-UNC. Given the confidential nature of customer usage data, AEP Ohio urges the Commission to amend Subsection 4901:1-10-28(B)(7)(a) to provide that utilities will *not* provide a prior occupant's data to a new occupant.² In any event, however, if the Commission were to require utilities to share usage data of prior occupants, then as FirstEnergy aptly puts it, "the rule should be very clear if this is in fact the intent of the proposed rule." FirstEnergy Initial Cmts. 5.

SUBSECTION 4901:1-10-28(B)(7)(b)
(System Sizing Requirements)

The utility stakeholders are unanimous in their proposal that the Commission should change the net metering system sizing requirements of Subsection 4901:1-10-28(B)(7)(b) of the Proposed Rules so that net metering systems are sized only to *100%* of the customer's annual requirements for energy, not 120% as set forth in the Proposed Rules. *See* AEP Ohio Initial

² If Subsection 4901:1-10-28(B)(7)(a) were amended to provide that utilities will not provide a prior occupant's data to a new occupant, that would not necessarily foreclose the new occupant from obtaining the data. The new occupant could request that the prior occupant provide the data directly to the new occupant, or the new occupant could request that the prior occupant provide the utility written authorization to release the data to the new occupant.

Cmts. 13-15; DP&L Initial Cmts. 3-5; Duke Initial Cmts. 2-3; First Energy Initial Cmts. 6-8. As all utility stakeholders have noted, a 100% requirement more properly implements the statutory requirement that a net metering system be “intended primarily to offset” – not to exceed – “part or all of the customer-generator’s requirements for electricity.” R.C. 4928.01(A)(31)(d).

A. AEP Ohio Supports Duke’s Proposal to Establish an Additional Demand Sizing Requirement on Net Metering Systems

In addition to the proposed requirement that net metering systems be sized to not more than 100% of the customer’s annual energy requirement, AEP Ohio also supports Duke’s proposal limiting a system to 100% of the customer’s peak *demand*. See Duke Initial Cmts. 3. It is critical, however, that this demand requirement be *in addition to* the 100% energy requirement proposed in the Initial Comments of AEP Ohio, Duke, and other utility stakeholders. That is, a demand sizing requirement is not sufficient on its own to implement R.C. 4928.01(A)(31)(d). That is because there are certain customers whose annual peak demand is disproportionately high in comparison to their annual energy consumption. Schools are one example. A school’s peak demand will occur when school is in session and students are present. But schools use far less energy in the summer, when school is out of session. Yet the summer is when certain net metering systems – in particular, solar panels – produce the most electricity. Sizing these net metering systems to the school’s peak demand would cause the school to produce considerable excess generation in the summer. Instead, there should be both a demand sizing requirement and an annual energy sizing requirement so that schools’ (and other customers’) net metering systems are properly sized to comply with the requirements of R.C. 4928.01(A)(31)(d).

B. The Commission Should Not Reinstate the Unworkable Sizing “Presumption” in the Previous Version of the Proposed Rules

Environmental Advocates criticize the 120% sizing requirement in the Proposed Rules; instead, they contend that the Commission should reinstate the sizing “presumption” contained in

the previous version of the Proposed Rules. *See* Second Entry on Rehearing, May 28, 2014, Attach. A, at 13, *In re Commission's Review of Chapter 4901:1-10*, Case No. 12-2050-EL-ORD (a customer who “annually generates less than one hundred and twenty percent of [his or her] requirements for electricity is presumed to be primarily intending to offset part of all of its requirements for electricity”). Environmental Advocates’ position is meritless and should be rejected.

Environmental Advocates’ principal criticism of an absolute sizing requirement (rather than a “presumption”) is their claim that it is “possible that [a] customer may design a facility to be greater than 120% of its historic electricity requirements yet still intend only to offset its future electricity needs.” Env’tl. Advocates Initial Cmts. 8. That is manifestly false. A customer who sizes his or her net metering system to greater than 120% of his or her requirements clearly intends to *exceed*, not offset, those requirements. Environmental Advocates claim that a customer could be justified in sizing a net metering system beyond 120% of his or her requirements if the customer expects to substantially increase his or her load. But in that rare scenario, the customer can simply wait until his or her load increases and then install a properly sized system. In AEP Ohio’s experience, planned load increases often do not materialize, either because a customer cancels a planned development or because new development or equipment ends up using less than the customer anticipated. An absolute sizing requirement is not only appropriate but required in order to properly implement R.C. 4928.01(A)(31)(d).

SUBSECTION 4901:1-10-28(B)(8)(a)
(Installing New Meters)

Under Subsection 4901:1-10-28(B)(8) of the Proposed Rules, when a customer lacks a meter capable of registering the flow of electricity in each direction, “the electric utility shall install at the customer’s expense either a meter that is capable of measuring electricity flow in

each direction or an advanced meter capable of measuring interval usage data on at least an hourly basis.” OCC perplexingly argues that this rule should “clarify that a net metering customer can obtain both an interval meter and a meter that measures electricity in each direction, or one meter that records both.” OCC Initial Cmts. 7. That proposal is difficult to fathom. Advanced meters are capable of reading the flow of electricity in each direction. Thus, there is no need for a customer to have *both* “a meter that is capable of measuring electricity flow in each direction” *and* “an advanced meter capable of measuring interval usage data on at least an hourly basis.” If the customer has an advanced meter, that meter is sufficient for net metering and provides all the functionality a customer could possibly need. Installing a second meter (whether in parallel or in series) is unnecessary, and would violate AEP Ohio’s existing metering policies. OCC’s confusing proposal should be rejected.

SUBSECTION 4901:1-10-28(B)(8)(c)
(Reprogramming Meters)

Subsection 4901:1-10-28(B)(8)(c) of the Proposed Rules provides in part that the “cost of setting up the meter to accommodate net metering shall be at the customer’s expense.” OCC criticizes this requirement as “administratively burdensome” and proposes that “any reprogramming for basic net metering service should be part of the customer’s interconnection agreement payment.” OCC Initial Cmts. 8. But OCC fails to explain how the fee would be “administratively burdensome” as a net metering fee but somehow would *not* be burdensome as an interconnection fee – in both cases, the customer has to pay the fee. Insofar as OCC claims that the cost of reprogramming should be included in any *existing* interconnection fee, that is at odds with clear Commission precedent – reflected both in the existing rules and these Proposed Rules – that net metering customers, and not other customers, should bear the costs of net metering.

Moreover, reprogramming a meter to accommodate net metering is part of *net metering*, not interconnection. Net metering and interconnection are separate processes and concepts, and fees associated with net metering should not be intermingled with interconnection. OCC's proposal should be denied.

Lastly in this subsection, AEP Ohio opposes TASC's proposal to add specific time deadlines by which utilities must provide cost estimates for installing new meters or reprogramming existing meters. AEP Ohio already provides prompt cost estimates, and AEP Ohio does not believe that customers have expressed any substantial concern with the timing of the cost estimates. (TASC certainly provides no examples.) AEP Ohio respectfully recommends that the Commission address this issue only if, in the future, a problem arises. For now, there is no problem.

SUBSECTION 4901:1-10-28(B)(9)(c)
(CRES Billing Procedures)

AEP Ohio strongly supports DP&L's proposal that the Proposed Rules expressly require that CRES providers use either "dual billing" or "bill-ready billing" – and *not* "rate-ready billing" – for net metering customers. *See* DP&L Initial Cmts. 5; *see also* Duke Initial Cmts. 2.³

There are three ways in which generation supply charges are billed to shopping customers. "Dual billing" is when both the utility and the CRES provider each send the customer a bill; the customer receives one bill from the utility for charges *not* related to generation supply (sometimes inaccurately called "wires charges"), and the customer receives a second bill from the CRES provider for generation supply charges. "Bill-ready billing" and "rate-ready billing" both involve the utility sending a single bill to the customer reflecting both the utility's charges and the CRES provider's charges.

³ AEP Ohio also supports Duke's proposal that dual billing be the sole form of handling CRES charges for net metering customers.

With bill-ready billing, once the utility reads the customer's meter and performs validation, estimation, and editing (VEE) processes on the billing-period usage data, the utility transmits the usage data to the CRES provider. The CRES provider then calculates its own generation supply charges pursuant to its contract with the customer and tells the utility exactly the charge that should appear on the bill for CRES generation supply service. The utility then sends one bill to the customer reflecting both wires charges and CRES charges.

With rate-ready billing, however, the CRES provider gives the utility its *rates* – whether the rate is a per kWh charge or a flat bill amount – and the onus is on the utility to calculate the CRES generation supply charges. That is, with rate-ready billing, once the utility reads the customer's meter and performs VEE processes, the utility uses the CRES rate information to immediately calculate the CRES generation supply charge that appears on the bill.

DP&L is correct that dual billing or bill-ready billing are the only appropriate means of handling CRES generation supply charges for net metering customers; rate-ready billing is inappropriate. Rate-ready billing is designed for basic rates, whereas more complex CRES provider rates or contracts are billed using bill-ready or dual billing methodologies. Yet the Proposed Rules permit CRES providers to offer myriad complex or unique rates for net-metering customers, including, critically, “any . . . manner of credit for excess generation.” Proposed Rules § 4901:1-10-28(B)(9)(c). Potential CRES provider net metering rates could involve exceedingly complex hourly time-of-use calculations or variable rates, and CRES rates could involve any number of ways of dealing with credits for excess generation that are too varied to codify. Thus, billing net metering accounts via rate-ready billing would involve significant infrastructure, processing, and cost investment for the utility, as the utility must develop, install,

and execute complex procedures for calculating CRES charges based on numerous CRES contracts and rates.

Instead, the only reasonable way of handling this complexity is for CRES providers to calculate their own generation supply charges for net metering customers through either dual billing or bill-ready billing. Dual billing or bill-ready billing will ensure that CRES providers interpret and apply their own complex net metering rates the way they intended them, and that they bear the cost of processing any complex or unique arrangements they enter into.

Rate-ready billing, by contrast, would be unreasonable because it would involve significant infrastructure and manpower investment by the utility to manage numerous, complex, and constantly changing CRES net-metering offers – offers which the utility did not design and may not be able to interpret. Indeed, rate-ready billing for more complex rates and contracts such as net metering would allow CRES providers essentially to “free ride” the utility’s billing system. If a CRES provider wishes to offer a complex or unique net metering rate, it should bear the cost of doing so. Otherwise, CRES providers will be encouraged to offer highly esoteric net metering rates that a rational economic actor, bearing the full cost of implementing the rate, would never chose.

Thus, although AEP Ohio does not oppose the Commission’s decision to permit flexibility in CRES providers’ net-metering offers, it should not be the utility’s responsibility to spend money and manpower to implement the varied and complex CRES provider offers that may arise. The Proposed Rules should expressly clarify that CRES providers must use dual billing or bill-ready billing for net metering customers.

ADDITIONAL ISSUES

A. Aggregate or Virtual Net Metering

In its November 3, 2012 Entry requesting comments in this proceeding, the Commission specifically requested “comments on whether virtual net metering and aggregate net metering could be implemented in Ohio without violating Section 4928.01 or Section 4928.67 of the Revised Code and whether virtual net metering and aggregate net metering could promote the public policy of the state.” Entry of Nov. 7, 2012, at 5, *In re Commission’s Review of Chapter 4901:1-10*, No. 12-2050-EL-ORD. Several parties, including AEP Ohio, strongly opposed aggregate or virtual net metering and raised (as the Commission later characterized them) numerous “legal, economic, and administrative barriers to implementation of aggregate and virtual net metering.” Finding and Order of Jan. 15, 2014, at 43, *In re Commission’s Review of Chapter 4901:1-10*, No. 12-2050-EL-ORD. The Commission then declined to adopt any virtual or aggregate net metering rules and stated that it would open a new docket “to consider and evaluate virtual and aggregate net metering” and provide “an opportunity for the Commission to continue to grow in its understanding of the issues regarding virtual and aggregate net metering, and how they comport with the laws and policies of the state of Ohio.” *Id.*

In their Initial Comments here, the Environmental Advocates and IGS have once again raised the issue of virtual or aggregate net metering and ask the Commission to proceed with the new docket referenced in its January 15, 2014 Finding and Order. Yet there has been no change in the insurmountable legal and policy obstacles that the Commission’s previous orders implicitly recognized. AEP Ohio stands fully behind – and incorporates by reference here – its previous filings on this issue. *See, e.g.*, Initial Comments of Ohio Power Company, Jan. 7, 2013, at 23, Case No. 12-2050-EL-ORD. And AEP Ohio submits that virtual or aggregate net

metering is so clearly unlawful and contrary to Ohio public policy that the new docket referenced previously by the Commission is unnecessary. Given the constraints of Ohio law, this is not the proper forum for Environmental Advocates and IGS to pursue their extreme policy positions.

B. Time Differentiated SSO Rate

OCC states that it “supports a requirement that a utility offer a time-differentiated Standard Service Offer (alongside an average Standard Service Offer).” OCC Initial Cmts. 9. AEP Ohio opposes this proposal on its merits, but more importantly, it goes far beyond the limited subject matter of this proceeding. Arguments concerning AEP Ohio’s Standard Service Offer rates and charges should be made in AEP Ohio’s Electric Security Plan (ESP) filings. *See, e.g.*, Case No. 13-2385-EL-SSO (AEP Ohio’s most recent ESP case). That OCC’s proposal here goes far beyond the scope of this proceeding is confirmed by the fact that OCC offers no specific language to amend the Proposed Rules. OCC’s proposal should be denied.

C. Advanced Meter Cost Recovery

IGS recommends that the Proposed Rules be modified “to provide that a customer generator that installs an advanced meter at their own expense be exempt from paying the cost of advanced metering-related riders.” IGS Initial Cmts. 4-5. Just like OCC’s time-differentiated SSO proposal, IGS’s proposal concerning advanced meter cost recovery goes far beyond the limited scope of this proceeding, and again like OCC’s proposal, it is telling that IGS offers no specific language to amend the Proposed Rules. Cost recovery for advanced meter deployment is addressed in various dockets for each utility – for AEP Ohio, it is addressed primarily in its gridSMART Phase I and II proceedings, Docket No. 08-918-EL-SSO (gridSMART Phase I approved as part of AEP Ohio’s first Electric Security Plan), and Docket No. 13-1939-EL-RDR (AEP Ohio’s gridSMART Phase II application). Those dockets are the proper forums for IGS’s

arguments, and IGS has fully participated in AEP Ohio's current gridSMART Phase II proceeding. That is the proper forum for IGS to make this argument.

In any event, as AEP Ohio explained in its gridSMART Phase II application, deployment of advanced meters and related distribution grid technology provides considerable grid-wide benefits in addition to the benefits an individual customer receives from installing an advanced meter. AEP Ohio's gridSMART program provides substantial benefits related to grid reliability (e.g., distribution automation), grid efficiency (e.g., Volt/VAR optimization), and customer service (e.g., improved data for billing and outage diagnosis). *See generally* Application of Ohio Power Company, Attach. A, *In re Application to Initiate Phase 2 of gridSMART Project*, No. 13-1939-EL-RDR. A customer who pays for the installation of an advanced meter does not, of course, install distribution grid technology such as distribution automation or Volt/VAR optimization, yet that customer benefits from the installation of such technology and thus should not be exempt from sharing in the cost recovery for this technology. *All* customers, moreover, reap the benefits of grid-wide advanced meter deployment, and thus *all* customers should share in the cost of grid-wide deployment, even if they have already paid for the installation of an advanced meter. IGS's proposal goes far beyond the scope of this proceeding and, in any event, should be denied.

CONCLUSION

For the foregoing reasons, AEP Ohio respectfully requests that the Commission adopt the recommendations set forth in AEP Ohio's Initial Comments and these Reply Comments.

January 8, 2016

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Reply Comments of Ohio Power Company* was served by email upon the following counsel of record for all parties on this 8th day of January 2016.

/s/ Steven T. Nourse

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Case No(s). 12-2050-EL-ORD

Summary: Reply Comments of Ohio Power Company electronically filed by Mr. Steven T Nourse on behalf of Ohio Power Company