

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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

**APPLICATION FOR REHEARING
BY
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL**

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In this proceeding, the Public Utilities Commission of Ohio (“PUCO” or “Commission”) established charges for 82 current Ohio Power Company (“AEP Ohio”) residential customers¹ who simply have chosen to retain their existing traditional meters, rather than have an advanced meter installed on their homes.² The customers’ charges for meter reading alone are \$288 per year, which is a significant burden for individual residential customers.

By its application filed May 19, 2014, AEP Ohio proposed a one-time charge to replace an advanced meter with a traditional meter, and a recurring monthly charge to read the traditional meter. On March 23, 2015, only two parties, AEP Ohio and the PUCO Staff, entered into a joint stipulation (“Partial Settlement”) which set the one-time meter replacement charge at \$43 and the monthly meter reading charge at \$24. The Office of the Ohio Consumers’ Counsel (“OCC”) and Ohio Partners for Affordable Energy (“OPAE”) opposed the stipulation at hearing held May 7, 2015. In its Opinion

¹ Tr. at 41.

² 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.

and Order issued April 27, 2016 (“Order”), the PUCO approved the Partial Settlement with modifications.

OCC files this Application for Rehearing of the PUCO’s Order.³ The Order is unreasonable and unlawful for the following reasons:

Assignment of Error 1: The PUCO erred by approving an Order that violates R.C. 4903.09 because it fails to explain the reasons why the Partial Settlement was the product of serious bargaining between AEP Ohio and the PUCO Staff, and because it fails to explain why AEP Ohio and the PUCO Staff represent a “wide diversity of interests.”

Assignment of Error 2: The PUCO erred in finding that the Partial Settlement provides customers with a new service, even though the service already had been implemented in the 12-2050 Rulemaking – at no cost.

Assignment of Error 3: The PUCO erred in finding that the factually unsupported \$24 monthly meter reading charge provides customers a benefit.

Assignment of Error 4: Although the Order correctly delays charging residential customers the one-time installation and recurring meter reading charges until after a savings mechanism is implemented, the PUCO erred by not requiring that the cost-based charges be determined in a subsequent proceeding.

Assignment of Error 5: The PUCO erred by approving an Order that violates the 12-2050 Rulemaking by not providing (or even addressing) other options to residential customers, other than to pay excessive fees for services they do want.

Assignment of Error 6: The PUCO erred by approving an Order that violates R.C. 4905.18 and 4905.22, as well as Ohio Adm. Code 4901:1-10-05(J)(5)(b)(ii), because AEP Ohio and the PUCO Staff have failed in their burden to prove that the charges approved are just, reasonable, and cost-based.

For the reasons more fully explained in the attached Memorandum in Support, the PUCO should “abrogate or modify” its Order,⁴ consistent with OCC’s recommendations.

³ This Application for Rehearing is filed pursuant to R.C. 4903.10 and Ohio Adm. Code 4901-1-35.

⁴ R.C. 4903.10.

Respectfully submitted,

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MEMORANDUM IN SUPPORT

I. INTRODUCTION

By its Order in this proceeding, the PUCO modified and approved the Partial Settlement between AEP Ohio and the PUCO Staff. The Order and the modified Partial Settlement impose a burdensome charge of \$288 per year on 82 of AEP Ohio's residential customers who have chosen not to have a smart meter installed on their homes.⁵ The Order is unlawful and unreasonable because AEP Ohio and the PUCO Staff have failed in their burden to show that such charges are just, reasonable,⁶ or cost-based.⁷

OCC appreciates that the Order delays imposing the charge on residential customers until a mechanism is in place that will return the operational savings of AEP Ohio's advanced meter deployment to customers.⁸ This mechanism is to be developed in AEP Ohio's pending Phase II Proceeding.⁹ However, OCC submits that the Order does

⁵ This charge currently applies only to those customers in the area encompassed by Phase I of AEP Ohio's smart grid deployment. The charge will also be imposed on other customers who choose not to have a smart meter as AEP Ohio expands its smart grid deployment.

⁶ R.C. 4905.18 and 4905.22.

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

⁸ Order at 9-10.

⁹ *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 No. 13-1939-EL-RDR.

not go far enough. Because the evidence in this proceeding does not show that the charges are cost-based, the Phase II Proceeding would be the proper vehicle to verify AEP Ohio's true costs for removing/installing meters and taking a monthly meter reading.

Accordingly, OCC requests the PUCO to grant rehearing for the purpose of further considering these cost-based charges in the Phase II Proceeding. Once the Phase II Proceeding is concluded and the recovery mechanism in place, the rider established in this case can be populated based upon verified costs in the Phase II proceeding as required by Ohio Adm. Code 4901:1-10-05(J)(5)(b)(ii).

II. STANDARD OF REVIEW

Applications for rehearing are governed by R.C. 4903.10. This statute provides that any party may apply for rehearing on matters decided by the PUCO within thirty days after an order is issued. An application for rehearing must be written and must specify how the order is unreasonable and unlawful.¹⁰

In considering an application for rehearing, the PUCO may grant the rehearing requested in an application if "sufficient reason therefore is made to appear."¹¹ If the PUCO grants rehearing and determines that its order is unjust or unwarranted, or should be changed, it may abrogate or modify the order.¹² Otherwise, the order is affirmed. Under R.C. 4903.10(B), the PUCO is limited on rehearing to granting or denying a "matter[] specified in such application [for rehearing]."

¹⁰ R.C. 4903.10.

¹¹ *Id.*

¹² *Id.*

OCC meets the statutory conditions applicable to an applicant for rehearing pursuant to R.C. 4903.10 and the requirements of the PUCO's rule on applications for rehearing.¹³ OCC is a party to the case. Additionally, OCC actively participated in this case and, thus, may apply for rehearing under R.C. 4903.10. The PUCO should determine that OCC has shown "sufficient reason" to grant rehearing on the matters specified below and should abrogate or modify the Order.

In addition, because the PUCO approved the Partial Settlement entered in this case between AEP Ohio and the PUCO Staff, the PUCO also must consider the appropriate standard in reviewing partial stipulations. 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.¹⁴

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.¹⁵ The criteria are:

1. Is the settlement a product of serious bargaining among capable, knowledgeable parties? In this regard, the PUCO considers

¹³ See Ohio Adm. Code 4901-1-35.

¹⁴ *Duff v. Pub. Util. Comm.* (1978), 56 Ohio St.2d 367 (emphasis added) ("*Duff*").

¹⁵ *Consumers' Counsel v. Pub. Util. Comm'n.* (1992), 64 Ohio St.3d 123, 126 ("*Consumers' Counsel*").

whether the signatory parties to the stipulation represent a variety of diverse interests.¹⁶

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?

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.¹⁷ The Partial Settlement also must comply with Ohio Adm. Code 4901:1-10-05(J)(5)(b)(ii), which requires that customers 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, *i.e.*, AEP Ohio and the PUCO Staff.¹⁸

III. ERRORS

Assignment of Error 1: The PUCO erred by approving an Order that violates R.C. 4903.09 because it fails to explain the reasons why the Partial Settlement was the product of serious bargaining between AEP Ohio and the PUCO Staff, and because it fails to explain why AEP Ohio and the PUCO Staff represent a “wide diversity of interests.”

Despite OCC’s extensive briefing on the issue,¹⁹ the Order in this proceeding finds, but fails to provide any reasoning why, the Partial Settlement is the product of “serious bargaining.” In addition, the Order finds, but does not explain how, only two signatories (AEP Ohio and the PUCO Staff) “represent a wide variety of diverse

¹⁶ 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, et al, Opinion and Order (December 14, 2011) at 9.

¹⁷ R.C. 4905.22; R.C. 4909.18.

¹⁸ 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.

interests.”²⁰ This is particularly troubling when the residential customers who will be paying the charges set in this proceeding did not sign the Partial Settlement. As such, the Order violates R.C. 4903.09 and is unlawful.²¹

In addressing the first prong of the partial stipulation test, the Order addresses only why the PUCO considers the signatory parties to be “capable” and “knowledgeable,” issues that OCC does not contest. The Order does not address the “serious bargaining” criterion, nor does it adopt AEP Ohio’s testimony on this issue. AEP Ohio’s extremely limited testimony is the only proponent testimony on this issue. This testimony asserts that the Partial Settlement is based upon “serious bargaining” because it results in “a significantly lower charge than the *cost-based* charge proposed” by AEP Ohio.²² AEP Ohio is referring to the reduction in the charge for the monthly meter read from its proposed \$31.80 to \$24. However, it ignores that the cost to remove/install a meter was not negotiated and remains at \$43.

More importantly, AEP Ohio misstates that the \$24 charge to read a residential traditional meter is “cost-based.” As discussed below, AEP Ohio has failed to present a valid basis for the proposed costs at issue. The record simply doesn’t support what the

¹⁹ OCC Initial Brief at 4-6.

²⁰ Order at 7.

²¹ R.C. 4903.09 provides:

In all contested cases heard by the public utilities commission, a complete record of all of the proceedings shall be made, including a transcript of all testimony and of all exhibits, and the commission shall file, with the records of such cases, findings of fact and written opinions setting forth the reasons prompting the decisions arrived at, based upon said findings of fact.

²² AEP Ohio Ex. 4 at 4 (emphasis supplied).

actual costs are. Negotiating the non-cost-based charge of \$31.80 to \$24 does not make the latter “cost-based.” Because the one-time and recurring charges are not “cost-based” as required under the PUCO’s rules,²³ it is impossible to find that they are the result of “serious bargaining,” even if negotiations resulted in a lower charge. The PUCO should so find.

In addition, although the Order finds that AEP Ohio and the PUCO Staff represent a “wide variety of diverse interests,” it does not provide reasoning for its conclusion. On brief, OCC and OPAE each argued that a diversity of interests was not present because residential consumers, who will be required to pay the opt-out charges, did not join the Partial Settlement.²⁴ OCC and OPAE did not join the Partial Settlement because the charges the PUCO Staff and AEP Ohio agreed to, but that customers would pay, were unsupported and unreasonable. R.C. 4903.09 requires the PUCO to explain its reasoning. The Order is unlawful because it fails to do so.

The Order also finds that it is not necessary for OCC and OPAE to join the Partial Settlement in order to find a diversity of interests.²⁵ The cases cited in the Order involve several issues affecting several parties. The cases are distinguishable from this case in which the only issue is the rates to charge residential customers.

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, they are inherently unreasonable when one of two parties’ interests are ignored. Further, this is an instance where an entire customer class – and not

²³ See Ohio Adm. Code 4901:1-10-05(J)(5)(b)(ii).

²⁴ OCC Initial Brief at 4-6; OPAE Brief at 2.

²⁵ Order at 7.

just a single party – has refused to sign the settlement. 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 Settlement cannot be found to represent a diversity of interests.

Assignment of Error 2: The PUCO erred in finding that the Partial Settlement provides customers with a new service, even though the service already had been implemented in the 12-2050 Rulemaking – at no cost.

The Order provides two reasons why the Partial Settlement benefits customers and is in the public interest: (1) it provides customers with a service they did not have before and (2) it decreases the recurring meter reading charge to \$24.²⁶ The PUCO simply errs in finding that the Partial Settlement provides a new service to customers.

The PUCO’s order in the 12-2050 Rulemaking²⁷ provided customers with the ability to opt-out of having a smart meter installed on their homes. AEP Ohio’s residential customers have had the ability to opt out of smart meter service since at least 2010 – at no cost.²⁸ The Partial Settlement offered in this case only sets costs.

The Partial Settlement provides no new service to customers. The Order’s finding regarding this issue was erroneous.

Assignment of Error 3: The PUCO erred in finding that the factually unsupported \$24 monthly meter reading charge provides customers a benefit.

The PUCO assumes that AEP Ohio’s initially proposed monthly meter reading charge of \$31.80 was cost-based, and finds that the agreed-upon \$24 monthly meter

²⁶ *Id.* at 10.

²⁷ *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 (“12-2050 Rulemaking”).

²⁸ Tr. at 41.

reading charge is a benefit because it is being offered “below cost.”²⁹ The evidence in this proceeding does not support this assumption. As explained below, AEP Ohio failed in its burden to prove that its initially proposed monthly meter reading charge of \$31.80 was cost-based. Negotiating the non-cost-based charge of \$31.80 to \$24 does not make the latter “cost-based,” as required by Ohio Adm. Code 4901:1-10-05(J)(5)(b)(ii).

Indeed, AEP Ohio admits that the \$24 charge is just a number agreed upon by the PUCO Staff and AEP Ohio.³⁰ Because the evidence is lacking in the basis of the actual costs at issue, the negotiated, reduced charge cannot be found to be reasonable, “below cost,” or in the public interest.

In addition, it is clear that the Partial Settlement does not benefit customers and is not in the public interest because 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.³¹

Residential customers do not benefit by paying additional charges for monthly meter reads, especially in months when the meter is not read. The Order erred in finding a benefit for customers and the public interest in these unnecessary charges.

²⁹ Order at 10.

³⁰ Tr. at 52.

³¹ Joint Ex. 1, Stipulated Exhibit B-2, Original Sheet No. 103-12 (emphasis added).

Assignment of Error 4: Although the Order correctly delays charging residential customers the one-time installation and recurring meter reading charges until after a savings mechanism is implemented, the PUCO erred by not requiring that the cost-based charges be determined in a subsequent proceeding.

The Order delays charging the one-time and recurring charges to residential customers because it is unfair that the charge be imposed until a mechanism is in place that will return the operational savings of AEP Ohio's advanced meter deployment to customers.³² OCC appreciates that the Order delays imposition of the charges until the operational savings of AEP Ohio's advanced meter deployment can be returned to customers.³³ However, the Order does not go far enough. OCC seeks rehearing of the Order's directive that the unsupported and non-cost-based charges agreed to in the Partial Settlement be imposed, without further review, once the mechanism is in place.

Central to the Order's rationale is the pending proceeding to implement AEP Ohio's Phase II Proceeding. Specifically, the Order refers to a proposed stipulation in the Phase II Proceeding that addresses the recovery mechanism to be developed along with the development of the costs and benefits of the gridSMART program.³⁴ The Phase II Proceeding would be the proper vehicle to verify AEP Ohio's true costs for removing/installing meters and taking a monthly meter reading.

As shown below, AEP Ohio failed to sustain its burden in this case that the proposed charges are cost-based. Because of the small number of customers currently affected by the opt-out fees (82 customers³⁵), and the relatively insignificant amount of

³² Order at 9-10.

³³ *Id.* at 10.

³⁴ *Id.*, citing Case No. 13-1939-EL-RDR, Stipulation and Recommendation (April 7, 2016) at 10.

³⁵ See Tr. at 41.

money involved, at least to AEP Ohio (\$23,616³⁶), AEP Ohio did not believe it would be cost-effective to conduct an independent analysis of the cost to remove/install, or manually read, residential meters.³⁷ Instead, AEP Ohio presented at hearing a now-5½-year-old limited cost analysis done for **commercial** meters (which was never specifically approved by the PUCO³⁸), as probative of cost-causation for **residential** meters in this proceeding. The analysis cannot meet AEP Ohio's burden of proving that the costs approved by the Order are cost-based, as required by the PUCO's rules.

With these cost issues pending in the Phase II Proceeding, it is premature for the PUCO to set the one-time and recurring charges in this proceeding. Instead, the Phase II Proceeding should be the vehicle to determine AEP Ohio's verifiable costs to replace residential meters and to make monthly meter reads for residential areas of AEP Ohio's service territory.

Accordingly, the PUCO should grant rehearing for the purpose of further considering these cost-based charges in the Phase II Proceeding. Once the Phase II Proceeding is concluded and the recovery mechanism in place, the rider established in this case can be populated based upon verified costs in the Phase II proceeding as required by Ohio Adm. Code 4901:1-10-05(J)(5)(b)(ii).

³⁶ *Id.* (82 customers x \$288/year in monthly recurring charges.) Conversely, the amount to be collected from a customer through the recurring charge – \$288 per year – would significantly increase the customer's electric bill.

³⁷ AEP Ohio Initial Brief at 12.

³⁸ The analysis was submitted as a part of a rate case (Case No. 11-351). The analysis was not specifically considered or approved. The Commission merely approved a stipulation which included the analysis as a part of a "black box" settlement.

Assignment of Error 5: The PUCO erred by approving an Order that violates the 12-2050 Rulemaking by not providing (or even addressing) other options to residential customers, other than to pay excessive fees for services they do want.

On brief, OCC explained in detail the requirement in the 12-2050 Rulemaking that electric utilities work with customers to provide *multiple* options to having an advanced meter.³⁹ The Order does not address this requirement and violates the 12-2050 Rulemaking by not requiring the utilities to provide other options that enable customers to avoid having a smart meter placed on their homes. In the 12-2050 Rulemaking, the PUCO stated:

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.⁴⁰

The Partial Settlement is contrary to the PUCO's directive. It provides only one method to address customers' concerns with advanced meters – they must take opt-out service and pay the unreasonable tariffed charges. However, other reasonable options exist, including 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.⁴¹

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.⁴² AEP Ohio's

³⁹ OCC Initial Brief at 10, 20.

⁴⁰ 12-2050 Rulemaking, Entry on Rehearing (December 18, 2013) at 3.

⁴¹ See OCC Ex. 4 (Williams Testimony) at 8-9. Ohio Adm. Code 4901:1-10-05(I)(1) requires electric utilities to perform an actual meter read only once a year.

⁴² OCC Ex. 4 (Williams Testimony) at Exhibit JDW-2 (AEP Ohio Meter Reading Fact Sheet).

witness confirmed that such a program exists for customers whose meters are not readily accessible.⁴³

Customers who do not want an advanced meter should be allowed to read their own traditional meter. 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.⁴⁴

Assignment of Error 6: The PUCO erred by approving an Order that violates R.C. 4905.18 and 4905.22, as well as Ohio Adm. Code 4901;1-10-05(J)(5)(b)(ii), because AEP Ohio and the PUCO Staff have failed in their burden to prove that the charges approved are just, reasonable, and cost-based.

The burden of proving the reasonableness of the partial settlement rests with the proponents, *i.e.*, AEP Ohio and the PUCO Staff. OCC demonstrated numerous failings of AEP Ohio's now-5½-year-old cost analysis, but the PUCO adopted AEP Ohio's analysis because it was the only analysis offered in this proceeding. Indeed, the Order faults the non-signatory intervenors for not providing an alternative analysis.⁴⁵ In doing so, the Order shifts the burden of proof to OCC and OP&E. That was error.

OCC demonstrated at hearing that AEP Ohio's "cost analysis" was so flawed that it cannot be considered probative of AEP Ohio's actual meter installation and reading costs. AEP Ohio and the PUCO Staff have failed in their burden of proof and, thus, the Order violates R.C. 4905.22 and 4909.18 because the record does not support that the

⁴³ Tr. at 79.

⁴⁴ *Id.*

⁴⁵ Order at 11-12.

rates adopted are just and reasonable. The Order also violates Ohio Adm. Code 4901:1-10-05(J)(5)(b)(ii) because the record does not support that the charges are cost-based.

The record in this proceeding shows that, despite having the personnel to develop rider costs,⁴⁶ AEP Ohio performed no formal independent cost analysis to develop the residential opt-out service charges in this proceeding.⁴⁷ Rather, it dusted off a “Perform Manual Meter Read Justification”⁴⁸ that it had submitted to the PUCO as a part of its rate case application in Case No. 11-351.⁴⁹ That rate application and the Manual Meter Read Justification were developed and filed with the PUCO approximately 5½ years ago, on January 27, 2011.⁵⁰

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 as to (2) read a commercial meter.⁵¹ Not surprisingly, the cost for each was \$43. AEP Ohio has not examined these data inputs since they were developed in Case No. 11-351. The data inputs were as follows⁵²:

- Average travel time per trip: 30 minutes
- Labor: MRO Electrician A @ \$28.76/hr. + fringes @ 65% x 0.5 hrs \$23.73
- Vehicle cost for class 40; \$9.24/hr. x 0.75 hrs \$ 6.93
- Average time at meter: 15 minutes
- Labor: MRO Electrician A @ \$28.76/hr. + fringes @ 65% x 0.5 hrs \$11.86
- Total Rounded cost justified charge for single phase meters \$43.00

⁴⁶ Tr. at 16-17.

⁴⁷ Tr. at 36.

⁴⁸ AEP Ohio Ex. 2, Exhibit E.

⁴⁹ See *id.*, Exhibit C-2

⁵⁰ Tr. at 38-39.

⁵¹ *Id.* at 24-25.

⁵² See AEP Ohio Ex. 2, Exhibit C-2.

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.⁵³ 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.⁵⁴ AEP Ohio produced no documents, studies or workpapers to support the data inputs for this proceeding.

- AEP Ohio 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.⁵⁵ AEP Ohio performed no analysis of the density of commercial meters versus the density of the residential AMI meter locations.⁵⁶
- AEP Ohio never justified in its application, in its pre-filed testimony, or on cross-examination why it would take an average of 30 minutes to travel between residential meters, which could entail walking to the house next door.⁵⁷ The travel time cost is not based on actual records, but only on anecdotal estimates.⁵⁸
- AEP Ohio never justified in its application, in its 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.⁵⁹
- AEP Ohio never justified in its application, in its pre-filed testimony, or on cross-examination the time it would take to remove/install an advance meter. The time to read a remove/install

⁵³ Tr. at 48.

⁵⁴ *Id.* at 49.

⁵⁵ *Id.* at 26, 57.

⁵⁶ *Id.* at 61.

⁵⁷ *Id.* 71-72.

⁵⁸ *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”).

⁵⁹ *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”).

a meter was not based on actual records, but only on anecdotal estimates.⁶⁰

- Moreover, AEP Ohio acknowledged on cross-examination that it used its own employees as well as independent contractors to read its meters.⁶¹ This rendering incredible the hourly wage and fringe benefit inputs, which are not representative of the lower 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 removal/installations.⁶²

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. 11-351.⁶³ 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 "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 shortcoming explained above.

⁶⁰ *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").

⁶¹ *Id.* at 89.

⁶² *Id.*

⁶³ AEP Ohio Ex. 4 at 4; AEP Ohio Ex. 2, Exhibit C-2.

The Order finds that the Partial Settlement benefits customers because it reduced AEP Ohio's proposed residential meter read charge from \$31.80 to \$24.⁶⁴ Although that charge is more favorable than the charge AEP Ohio initially proposed, the record nevertheless fails to support that either 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.⁶⁵ Further, there is no basis to find that customers benefit from the "reduced" charge because the PUCO never approved the proposed charge. The "benefit" is nonexistent.

The record simply does not support that the proposed charges are cost-based, just, or reasonable. The Order erred in approving the Partial Settlement.

IV. CONCLUSION

To protect consumers, the PUCO should grant OCC rehearing for the purpose of further considering these cost-based charges in the Phase II Proceeding. Once the Phase II Proceeding is concluded and the collection mechanism in place, the rider established in this case can be populated based upon verified costs in the Phase II proceeding as required by Ohio Adm. Code 4901:1-10-05(J)(5)(b)(ii). The PUCO also should grant rehearing and direct AEP Ohio provide residential customers with additional options to avoid having advanced meters installed on their homes.

⁶⁴ Order at 10.

⁶⁵ Tr. at 52.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Application for Rehearing was served on the persons stated below via electronic transmission, this 27th day of May 2016.

/s/ Terry L. Etter

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