

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the matter of the Application of Ohio)	
Power Company For an increase in Electric)	
Distribution Rates)	Case No. 20-585-EL-AIR

In the Matter of the Application of Ohio)	
Power Company For Tariff Approval)	Case No. 20-586-EL-ATA

In the Matter of the Application of Ohio)	
Power Company For Approval to Change)	
Accounting)	Case No. 20.587-EL-AAM

**ONE ENERGY ENTERPRISES LLC’S OBJECTIONS TO THE STAFF REPORT
AND SUMMARY OF MAJOR ISSUES**

Pursuant to Ohio Revised Code Section (“R.C.”) 4909.19 and Ohio Administrative Code (“O.A.C.”) 4901-1-28, intervenor One Energy Enterprises, LLC (“One Energy”), by and through its counsel, makes the following objections to the Staff Report of Investigation (“Staff Report” or “SR”) prepared by the Staff (“Staff”) of the Public Utilities Commission of Ohio (“Commission” or “PUCO”), which was initially docketed on November 18, 2020 and then re-filed on November 25, 2020 with a statement that it was “intended to supersede and replace in its entirety the Staff Report filed on November 18, 2020.”¹ Without waiving any argument relating to the date on which this filing is due, One Energy submits the following objections which generally track the order of, and contain headers from, the Staff Report, with the exception of the introductory section.

Further, One Energy submits these objections without prejudice to or limitation upon its right to fully participate at the hearing in this proceeding, including the cross-examination of all witnesses presented as to all issues raised during the course of the proceeding. Whether or not it presents witnesses at the hearing, One Energy may adduce evidence through cross-examination of

¹ Cover Letter at unnumbered page 2.

any witness concerning not only One Energy's objections, but also to objections filed by other parties, particularly Ohio Power Company ("Ohio Power"), and as to such additional issues which the Commission or the Hearing Examiner may permit the parties to present in accordance with O.A.C. 4901-1-28(C).

ONE ENERGY'S OBJECTIONS

While One Energy appreciates various parts of the Staff's investigation, the purpose of these objections is to identify areas of disagreement between One Energy and the Staff. One Energy objects to the following findings, conclusions or recommendations, or lack thereof, in the Staff Report which are unjust, discriminatory, unreasonable and/or unlawful.

I. Section 1 Objection: Hitting the Reset Button, Rejecting Ohio Power's Filing

This is Ohio Power's first distribution rate case in a decade. A lot has happened during that decade, and even more has happened in 2020. During the test year alone, the world (and State of Ohio) have been rocked by the COVID-19 pandemic; there has been a powerful and warranted debate over racism and renewed attention on anti-racism, diversity, equity and inclusion efforts; the State of Ohio found itself in the middle one of the largest public corruption scandals in history in the context of House Bill 6; and this Commission saw the resignation of its Chairman because of that scandal. All of that matters. And yet, these once-in-a-lifetime events barely found their way into Ohio Power's application (totaling more than 7,000 pages) and the Staff Report. This is a significant problem that is addressed in more detail below in the context of the Staff Report's minimal analysis of Ohio Power's management and operations.²

Just as importantly, and not to be lost among these major events, Ohio Power's rate changes over the last decade have continually and systematically changed so that they are now decoupled

² One Energy notes that, while the context for the initial review should have focused on Ohio Power's management and operations, those management and operations activities likely result in material effects to rate base, test year expenses, cost of service study, and overall tariff and rider design.

(pun intended) from reality. The changes in Ohio Power's rates and rate design over the past 10 years make no sense when viewed holistically. In fact, those changes (including ever-increasing rates) fly in the face of Ohio's energy policy, especially those set forth in R.C 4928.02 encouraging innovation, demand reduction and energy efficiency technologies, and distributed generation resources.

The decoupling from reality is simple to demonstrate. First, locational marginal pricing ("LMP") in Ohio Power's service territory has declined by 44% over the last 10 years. Despite this, Ohio Power's total bills under its standard service offer keep going up. This alone is a major problem, and should leave everyone in this industry asking how things are going so wrong. But, this is not the only alarming trend. In 2010, a GS-2 customer (under Ohio Power's tariff in existence as of the filing of this rate case) could offset more than 80% of its bill by reducing consumption through distributed generation, or could at least shop 80% of the value of its bill through a competitive supplier. Now, that same customer with the same load profile can only offset about 46% of its bill. And, that total bill is 33% higher. All the while, the cost of energy has fallen to record lows.

But, it is not as if this trend is happening by accident. Ohio Power warns its investors that its revenue is threatened by reduced energy consumption and reduced demand, and specifically, as a result of demand side management, energy efficiency, and customer generation. In fact, Ohio Power's Form 10-K filed with the United States Security and Exchange Commission for the fiscal year ending December 31, 2019 states the following:

- **Page 33** – "AEP primarily generates electricity at large central facilities and delivers that electricity to customers over its transmission and distribution facilities to customers usually situated within an exclusive franchise. This method results in economies of scale and generally lower costs than newer technologies such as fuel cells and microturbines, and distributed generation using either new or existing technology. Other technologies, such as light emitting diodes (LEDs), increase the efficiency of electricity and, as a result, lower the demand for it. Changes in regulatory policies and advances in batteries

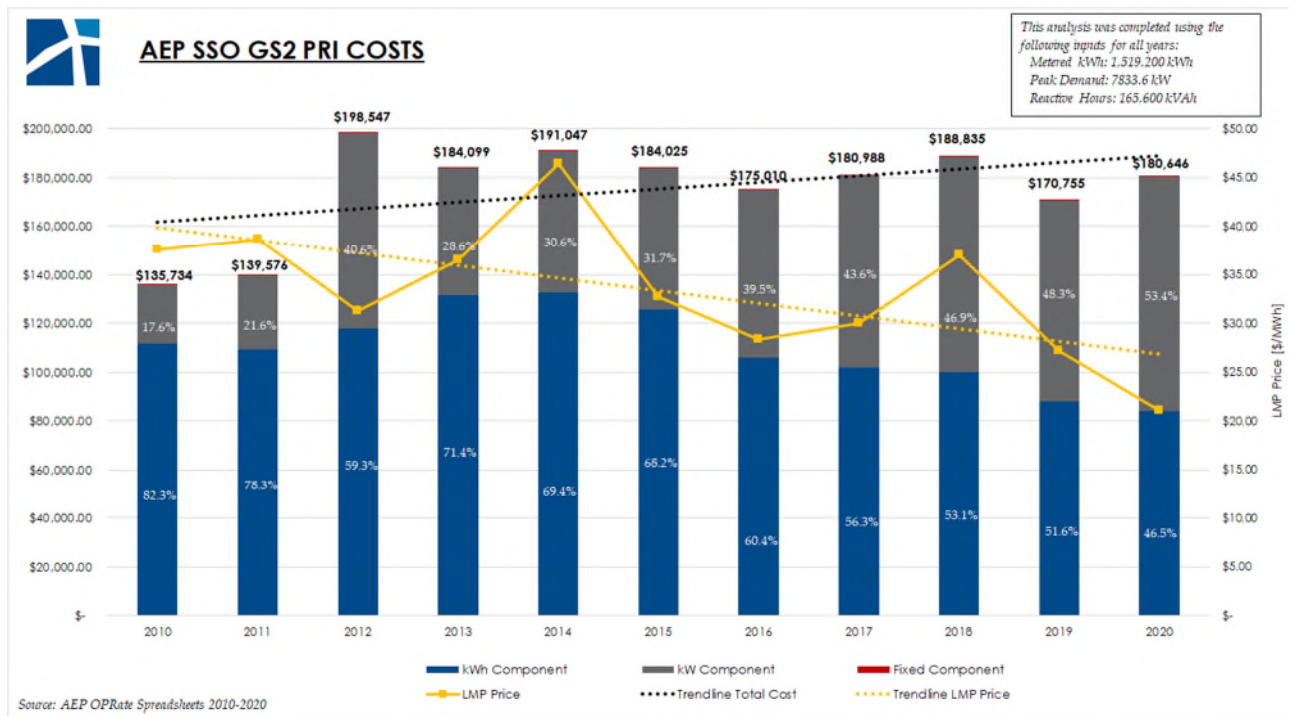
or energy storage, wind turbines and photovoltaic solar cells are reducing costs of new technology to levels that are making them competitive with some central station electricity production and delivery. These developments can challenge AEP's competitive ability to maintain relatively low cost, efficient and reliable operations, to establish fair regulatory mechanisms and to provide cost-effective programs and services to customers. Further, in the event that alternative generation resources are mandated, subsidized or encouraged through legislation or regulation or otherwise are economically competitive and added to the available generation supply, such resources could displace a higher marginal cost generating units [sic], which could reduce the price at which market participants sell their electricity."

- **Page 38 --** "Customer growth and customer usage are affected by a number of factors outside the control of AEP, such as mandated energy efficiency measures, demand-side management goals, distributed generation resources and economic and demographic conditions, such as population changes, job and income growth, housing starts, new business formation and the overall level of economic activity.. . . Additionally, technological advances or other improvements in or applications of technology could lead to declines in per capita energy consumption. Some or all of these factors, could impact the demand for electricity."

In other words, Ohio Power acknowledges customer energy efficiency, customer demand response, and customer generation represent a direct threat to Ohio Power's business. And, over the last ten (10) years, Ohio Power has undertaken a slow march to devalue all of them. **Staff should be screaming from the rooftops. Customers are.**

A graphical illustration of this decoupling from reality is shown in the following graph,³ which is modeled after the monthly bills for a GS-2 customer under Ohio Power's current standard service offer. The rates were all calculated using an identical load profile and Ohio Power's own rate calculation spreadsheets available on the Ohio Power website.

³ For convenience of the Staff and the parties, a larger version of this graph is included as Exhibit 1 to this filing.



In order to encourage investment in on-site energy, customers should be entitled to a reasonable level of certainty in the structure of rates. Customers who made significant investments in on-site energy generation in 2011, for example, now have significantly less valuable assets. Ohio Power's shift towards a rate design that pushes more into fixed costs, and its failure to reduce costs, has resulted in the energy component of the tariff that can be shopped being devalued, on-site generation being less valuable, and less for customers to do about it. Companies that are investing in distributed generation and other grid modernization efforts need some certainty that the policies of R.C. 4928.02 are being adhered to, and that the rug is not being pulled out from underneath them. Unfortunately, that is not the case.

Ohio Power's decoupling from reality is even more apparent when examined in the context of the state's energy objectives in R.C. 4928.02. Since Ohio Power's last distribution rate case in 2011, the company has failed to achieve nearly all of the state policy objectives prescribed by the statute, including those in R.C. 4928.02(A), (B), (C), (D), (E), (F), (G), (H), (J), (K), (N), (O) and (P). Even more concerning, Ohio Power has also made the situation objectively worse through the

systematic changes it has made (and continues to make) to its tariffs and rate design. In fact, Ohio Power's decoupling from reality continues in this case. As described in more detail below in the context of One Energy's objections to the Staff Report's treatment of Rates and Tariffs, Ohio Power's proposed terms and conditions of service and rate design discourages customer flexibility, innovation and the development of distributed generation resources.

Staff (and ratepayers) should expect more from the regulated monopolies that Ohio permits to exist without competition and entrusts with the public good, especially with all that is going on in the nation, the State of Ohio, and the Commission. A holistic review of the impacts of Ohio Power's actions since its last rate case demonstrates that it failed to meet that standard over time and in this case.

When all of this is examined in totality, one thing is clear – Ohio Power's application in this case is materially insufficient and violates Ohio energy policy. The Staff Report should have recommended the rejection of Ohio Power's application in full and directed it to go back to the drawing board. One Energy respectfully submits that Ohio Power's filing should have been completely rejected by Staff when you take into consideration its failure to address the major events rocking Ohio during the test year and the changes to Ohio's energy landscape in the past ten (10) years.

II. Section 2: One Energy's Additional Objections

To the extent the Commission proceeds with its normal rate case procedure and does not send Ohio Power back to the drawing board, One Energy raises the following additional objections.

RATE BASE

1. Plant-In-Service / Tree Trimming

One Energy objects to the Staff's failure to challenge Ohio Power's capitalization of tree clearing expense. Ohio Power's stated policy is to capitalize the clearing of any tree with a trunk

diameter over 18 inches and to consider anything smaller to be a line maintenance function. (See pp. 220-221 of 677 in Ohio Power's Accounting Policy / Procedure document included in its application in this case). Surely any tree that is a problem when its trunk reaches 18 inches was also a problem when its trunk was 17 inches in diameter. The capitalization structure of using an 18-inch threshold discourages proper maintenance of trees when they are smaller and encourages the utility to wait until they are a bigger problem that can be capitalized. This is not prudent. The entire capitalized dangerous tree clearing expense should be removed from the rate base and more accurately be reflected as a maintenance expense.

2. Plant-In-Service / Capitalization of Compensation

One Energy agrees with Staff's determination that incentive pay tied to company performance (as opposed to individual performance) should be removed from Ohio Power's test year expenses and rate base. However, Staff erred in not identifying all of the company incentive-based compensation that were fully attributable to capital project costs and were ultimately included in the rate base. All of Ohio Power's incentive-based compensation attributable to capital projects costs must be removed from test year expenses and rate base.

OPERATING INCOME

1. Current Adjustments / Incentive Compensation and Annualize Labor & Payroll Taxes (p. 18 of Staff Report)

The Staff Report made certain adjustments to test year payroll expenses. One Energy, however, objects to the extent there was not a downward adjustment for voluntary retirement incentive program expenses allocated to Ohio Power during the test year. Page 135 of Ohio Power's 10-Q filed with the SEC on October 22, 2020 states:

In June 2020, AEP announced a voluntary retirement incentive program. Eligible employees volunteered for retirement from the date of the announcement through July 6, 2020, with most having an effective retirement date of August 1, 2020. Participating employees were eligible to receive up to six months base pay and a medical premium subsidy. Certain participating employees were also eligible to

receive a longterm incentive plan grant, with immediate vesting, of AEP common shares. A total of 200 employees participated in the voluntary retirement program. In August 2020, AEP recorded a charge to expense of \$13 million primarily related to lump sum salary payments and cash subsidies. AEP also recorded a charge to expense of \$5 million related to the incremental Long-Term Incentive Plan grants issued related to this initiative. Approximately 92% of the expense was within the AEPSC and was allocated among affiliated entities including the Registrant Subsidiaries. The impact of this program was immaterial on the Registrants' financial statements as of September 30, 2020.

The voluntary retirement expense was not identified in Ohio Power's application nor was it addressed in Staff's comments. To the extent these costs were included in the test year costs, Staff should exclude them.

2. Coronavirus Aid, Relief, and Economic Security (CARES) Act

Page 2 of Ohio Power's 10-Q filed with the SEC on October 22, 2020 states: "Pursuant to the CARES Act, AEP, APCo and OPCo requested and in July received a \$20 million, \$7 million and \$9 million, respectively, refund of AMT credit." The CARES Act revenue was not addressed in the Staff Report. One Energy objects to the Staff's failure to adequately determine the reasonable tax liability of Ohio Power. Ohio Power's actual tax liability, inclusive of the CARES act, should be determined and used.

RATE OF RETURN

One Energy objects to the recommended rate of return in the range of 7.15 to 7.70 percent as set forth in the Staff Report. For the reasons set forth below immediately below, and otherwise in these Objections, the recommended rate of return is too high.

1. Cost of Long-Term Debt (p. 24 of Staff Report)

One Energy objects to the Staff Report's determination of Ohio Power's embedded cost of long-term debt at 5.22% (see Staff Report, Exhibit D-1), which was determined without giving due regard to the post-COVID-19 pandemic debt markets.

Just as importantly, Staff did not give due regard to the fact that Ohio Power issued \$350 million in debt during the test year at a very low interest rate of 2.6%. More specifically, Page 2 of Ohio Power's 10-Q states: "In addition, during the first nine months of 2020, AEP issued approximately \$4.0 billion in long-term debt." Of this recently issued long-term debt, \$350 million involved Series P, senior unsecured notes for Ohio Power which had an interest rate of just 2.6%. (See page 205 of Ohio Power's 10-Q at <http://d18rn0p25nwr6d.cloudfront.net/CIK-0000073986/b87e8e01-a027-4f44-bd6f-d7d7179efbef.pdf>). This makes inherent sense as debt costs have plummeted during the COVID-19 pandemic. The cost of long-term debt should either focus on the cheaper (and actual) cost of long-term debt, or at the very least take it into account the fact that Ohio Power can (and likely will) easily refinance their existing debt at a much lower rate immediately after this rate case concludes. The result would be a corresponding decrease in the recommended rate of return.

To put a finer point on this, Ohioans continue to pay rates based on an outdated (some would say fictional) cost of debt. If Ohio Power is allowed to proceed in this way, Ohio Power has all of the incentive to wait until after this case has concluded to refinance, and then capture all of the benefit of doing so for itself without passing any of the benefit on to ratepayers. That makes little sense. Consequently, and for the reasons stated above, One Energy objects to Staff's proposed rate of return, which should be less than even the lower end of the range recommended in the Staff Report.

2. Cost of Equity (p. 25 of Staff Report)

One Energy objects to Staff's use of the discounted cash flow ("DCF") model as a representative metric in this case. Staff states that it relies on analysts' reports that are based on current market conditions. The regulated utility industry is in a period of unprecedented change and disruption. Relying on long-term predictions about the results of this period of unprecedented

change and disruption is arbitrary and easily manipulated. It also does not properly consider all the effects noted by One Energy in Section 1 of this filing. A comparison of the results of the capital asset pricing model (“CAPM”) with the results of the DCF analysis illustrate that the DCF method is overly generous and not coupled with current utility market realities. One Energy objects to the Staff’s decision not to use the CAPM model in its determination of its proposed rate of return. Doing so results in a more proper and reduced cost of equity and a corresponding reduced rate of return.

3. Total Rate of Return (p. 25 of Staff Report)

One Energy, based on the objections to the cost of long-term debt and the cost of equity (detailed above), and the overarching issues relating to Ohio Power’s management practices, objects to the Staff Report’s proposed rate of return of somewhere between 7.15% and 7.70%. The rate of return should be far lower than this range, and the resulting required operating income would also need to have a corresponding reduction in Schedule A-1.

RATES AND TARIFFS

1. Introductory Statement on Staff’s Intent (p. 27 of Staff Report)

One Energy objects to the standard used by Staff to test the rates and tariffs proposed by Ohio Power in this proceeding. In the introductory statement on page 27 of the Staff Report, it states: “It is the intent of Staff to provide analysis regarding the acceptability and reasonableness of the revenue recovery mechanism contained in the proposed tariffs.” One Energy objects to this statement as being incomplete. It should be amended to include the following phrase at the end “...and the consistency of the proposed tariffs with the policies of the State of Ohio contained in Section 4928.02, Revised Code.” As identified previously in these objections, the proposed tariffs violate most of those policies. One Energy respectfully submits that this objection as to the standard

used in the Staff's review has broad implications to this case, and as a result, Staff should re-examine the entire set of proposed rates and tariffs by applying the correct standard of review.

2. Inspections (Terms and Conditions of Service 7), Sheet No. 103-3

One Energy objects to the Staff Report's failure to address two specific concerns relative to inspections by Ohio Power as set forth in Terms and Conditions 7 (Sheet No. 103-3) in Volume Two (Part 2 of 2) of Schedule E-2.1 of the application in this proceeding.

First, Terms and Conditions 7 states: "Where a customer's premises are located in a municipality or other governmental subdivision where inspection laws or ordinances are in effect, the Company may withhold furnishing service to new installations until it has received evidence that the inspection laws or ordinances have been complied with." This inspection provision, however, should be modified to confirm that Ohio Power will only require an electrical inspection for those service voltages specifically identified in the local inspection law or ordinance. This is particularly problematic in the context of primary service voltage (Schedule GS-Primary) and transmission service voltage (Schedule GS-Transmission). Often, local inspectors will not inspect high voltage service components, yet Ohio Power will not energize until there is a post-inspection permit in place. This results in a chicken and the egg problem, and a convoluted system of workarounds. A modification could be as simple as the following:

- Where a customer's premises are located in a municipality or other governmental subdivision where inspection laws or ordinances are in effect and applicable to the service voltage being installed, the Company may withhold furnishing service to new installations until it has received evidence that the inspection laws or ordinances have been complied with. If the inspection laws or ordinances do not apply to the service voltage being installed, the Company may withhold furnishing service to new installations until it has received a ready for energization statement from the customer.

Second, new language was added to Terms and Conditions 7 stating: "In addition, the Company has the right to refuse connection of service if the Company believes a safety hazard is

present.” This statement would be more appropriate if modified as follows: “In addition, the Company has the right to refuse connection of service if the Company reasonably believes such connection creates a safety hazard to the public, or the Company’s personnel or facilities, is present and provides a written description of the hazard to the Customer.” This language is consistent with the framing of a safety hazard in other sections of the Company’s Terms and Conditions of Service (see e.g., Original Sheet No. 103-12).

3. Location & Maintenance of Company’s Equipment (Terms and Conditions of Service 8), Sheet No. 103-4

Although One Energy supports the Staff Report’s recommendation rejecting the proposed language in the first sentence of Terms and Conditions of Service Section (requiring the customer to provide Ohio Power any necessary easement rights), it objects to the Staff Report’s failure to implement a reasonableness requirement as to the location of Ohio Power’s facilities. Specifically, the last part of the first sentence should be modified as follows: “The Company shall have the right to ~~require the customer to provide the necessary easement in order to allow the Company to~~ erect and maintain its poles, lines, circuits and other necessary facilities in reasonable locations on the customer’s property, and to place and maintain its transformers and other apparatus on the property or within the buildings of the customer at convenient and reasonable locations. The Company shall endeavor to cooperate with any customer’s reasonable request to take service as a less intrusive delivery point.” The effect of this change is to ensure that customer may reasonably take curb side service if it so chooses, thus ensuring the customer has the right to operate their own on site energy distribution system.

4. Service Connections (Terms and Conditions of Service 9), Sheet No. 103-4

The proposed change in this section allows Ohio Power to reference both the National Electrical Code (NEC) and National Electrical Safety Code (NESC) in terms of determining the proper vertical clearance requirement for service drop conductors. This modification, however,

adds a lack of clarity to this section and for this reason One Energy objects. The NESC and NEC each apply in unique circumstances for good reason. In addition, these standards often conflict. Ohio Power must be required to clarify when it believes each standard applies to avoid an ambiguous implementation of these two standards.

5. Work Performed On Company's Facilities at Customer's Request (Terms and Conditions of Service 12), Sheet No. 103-8

One Energy objects to the Staff Report's acceptance of the changes proposed by Ohio Power in Terms and Conditions Section 12. The costs incurred by Ohio Power for work performed on its facilities at a customer's request must be itemized by major category or it is impossible for the customer to determine if the costs are reasonable and proper. Further, any gross up for overhead and taxes should be specifically identified and set in this rate case so there is no uncertainty as to what those amounts are.

6. CRES Provider Registration with the Company and Credit Requirements (Terms and Conditions of Service 31.6 and 31.7), Sheet Nos. 103-31 and 103-34

One Energy objects to the Staff Report's silence regarding the unreasonable and anti-competitive registration and credit requirements placed on CRES providers, and more specifically brokers. These requirements, are unreasonable for the reasons set forth below.

- Credit information and security requirements: Terms and Conditions Section 31.6(d) requires CRES providers registering with Ohio Power to provide the utility "[c]redit information and security requirements that satisfy Section 31.7." Then, Section 31.7.a requires a CRES provider to submit three years of independently-audited financial statements as well as "other financial and other pertinent credit information," and Section 31.7.b allows Ohio Power to apply "reasonable financial standards to assess and examine a CRES Provider's ability to meet the security requirements." These requirements make little sense for brokers as they are not taking title to any electricity, and are not creating financial risks for parties by arranging the transactions of others. In addition, that information is a protected trade secret that is inappropriate to share with a competitor. Further, the phrase "and other financial and other pertinent credit information" is unnecessarily vague and gives the Company carte blanche to request any broker's financial information it feels inclined to ask for. One Energy understands there is a confidentiality provision contained in Terms and Conditions Section 31.9, but the most secure way to protect confidential

trade secret information is to not require unnecessary financial information be released to competitors or third parties in the first place. These tariff provisions should not apply to brokers.

- Security requirements: Terms and Conditions of Service 31.7 provides Ohio Power with virtually unlimited discretion to determine the amount and type of security that a CRES must provide, and the ability to determine the appropriate debt ratings of a broker. This is anti-competitive, especially in the context of a broker. Again, a broker is not increasing the financial risk to Ohio Power. In addition, the Commission has its own certification process to protect consumers in the CRES broker certification process and that process does not require brokers to provide collateral or security. It should be made explicit in the tariff that these security requirements are not permitted to be applied to CRES brokers.
- EDI: Terms and Conditions of Service 31.6(h) requires a CRES to provide Ohio Power with “forms for, and successful completion of EDI certification testing for applicable transaction sets necessary to commence service.” Brokers should not be required to fill out forms for, and complete, EDI certification testing if that broker has no intention of using that functionality. This creates an unnecessary and anti-competitive administrative burden on becoming a registered broker in Ohio Power’s service territory and the requirement should be removed from the tariff for brokers.
- Evidence of PJM membership: Terms and Conditions of Service 31.6(k) requires a CRES to provide Ohio Power with a copy of executed Schedule 4 of the PJM Operating Agreement between the CRES Provider and PJM. If a broker needs to obtain membership in PJM, then that is a matter between the broker and PJM. It does not need Ohio Power to police the situation. Requiring PJM membership of a broker that is not required to have such membership by PJM is unduly burdensome and anti-competitive.

Simply stated, all of these requirements are unnecessary to protect Ohio Power from a broker. Instead, they act to stifle competition and prevent brokers from registering in the Company’s territory. The simple and just fix is to exempt brokers from these requirements under Ohio Power’s terms and conditions of service.

7. Interconnection (Terms and Conditions of Service 32), Sheet No. 103-56 et seq.

One Energy objects to the failure of the Staff Report to consider the impact of Ohio Power’s revenue from interconnection activities, including whether test year revenues should be adjusted downward. More specifically, the Staff Report fails to:

- (i) Include in test year revenue, revenue received by Ohio Power pursuant to OAC 4901:1-22 for processing Level 1, Level 2 and Level 3 interconnection applications to the extent they exceed the cost to Ohio Power for processing the applications.
- (ii) Include in test year revenue, revenue received by Ohio Power that included any return or profit on engineering work being done at “actual cost.”
- (iii) Include in test year revenue, revenue received by Ohio Power that included any return or profit for modifications to Ohio Power’s system at actual cost that would otherwise not be done but for the interconnection request.
- (iv) Exclude from test year expense those costs in excess of the costs actually and necessarily incurred as a part of the interconnection process in order to accomplish the important state policies supporting distributed generation resources under R.C.4928.02(C) and (K).

In addition, One Energy objects to Staff’s failure to explicitly clarify that this section applies to all customers, regardless of service voltage. Customers in different voltage classes are treated differently by Ohio Group’s various operating groups. This is incorrect and should be clarified in this tariff.

One Energy also objects to the Staff Report’s failure to amend the following statement in Subsection (A)(1) of the General Provisions in Original Sheet No. 103-61: “In accordance with the EDU’s code of conduct adopted pursuant to section 4928.17 of the Revised Code, an EDU or its affiliates shall not use, without the customer’s consent, such knowledge of proposed interconnection service to prepare competing proposals to the interconnection service that offer either discounted rates in return for not providing the interconnection service or competing generation.” Ohio Power’s affiliate, AEP OnSite Partners, “works directly with wholesale and large retail customers to provide tailored solutions to reduce their energy costs based upon market knowledge, innovative applications of technology and deal structuring capabilities” with a targeted focus on “opportunities in distributed solar, combined heat and power, energy storage, waste heat recovery, energy efficiency, peaking generation and other energy solutions that create value for customers.” See page 12 of Ohio Power’s Form 10-K filed with the SEC on February 20, 2020 (available at

<http://d18rn0p25nwr6d.cloudfront.net/CIK-0000073986/7bf26d0e-962b-4410-9362-3874af8ce3ce.pdf>). As a result, this tariff provision should be amended to expressly state that no

one from Ohio Power will solicit the customer's consent to engage an affiliate of AEP/Ohio Power.

Finally, Ohio Power generally requires an interconnection application to be stamped by a professional engineer. Specifically, on page 29 of the *Customer Guide For The Interconnection Of Distributed Resources To The American Electric Power Distribution System*, Ohio Power requires an interconnection applicant to:

Attach electrical one-line diagram showing the configuration of all generating facility equipment, transformers, switchgear, switches, circuit breakers, fuses, current and potential transformers, and protection and control schemes. (This diagram must be signed and stamped by a licensed Professional Engineer if the facility is larger than 50kW).

(Emphasis added). This is not a requirement under Ohio law and is entirely unreasonable because it is not required by law or Ohio Power's terms and conditions of service. Since Ohio Power has improperly elected to include this requirement in their operating practices, One Energy recommends that the tariff specifically state that "AEP may not require an interconnection applicant to obtain the review of a professional engineer for any size system interconnected under this tariff."

8. Net Energy Metering Service (Terms and Conditions of Service Schedule NEMS), Sheet No. 261-2 (p. 28 of Staff Report)

Although One Energy supports the Staff Report's recommendation that Ohio Power "add a provision in the tariff to account for net metering customers who choose a net metering contract with their Competitive Retail Electric Service (CRES) provider," One Energy objects that Staff did not actually recommend language for Ohio Power to incorporate into Schedule NEMS for review in this proceeding. This is a critical issue in the net metering context and requires more than just a recommendation. Staff's experience and expertise should have been utilized to craft the language for Ohio Power's tariff.

9. Miscellaneous Tariff Issue – Subject to Refund

One Energy objects to Staff's failure to include a general provision in all riders and tariffs that, unless expressly stated otherwise, any and all charges are subject to refund if they are eventually determined by a court to be unlawful, unreasonable, unjust or unduly discriminatory.

10. Cost of Service Analysis (pp. 36-38)

One Energy objects to Staff's acceptance of Ohio Power's class cost-of-service study ("COSS") submitted as Schedule E-3.2 in this case. The COSS is unreasonable because it fails to require a consistent demand metric across the COSS and the actual tariffs. One Energy recommends that the 6 CP demand be the basis for all demand charges in the GS tariff. If Ohio Power used the 6 CP costs as the demand basis for its tariffs, then it would financially encourage smart management practices for customers and all customers would see the resulting benefit. This would also substantially reduce necessary transmission investments and result in further savings for all customers. Using a consistent demand metric would directly support state policy. Using unrelated demand metrics between the COSS and the actual rates and tariffs is arbitrary⁴ and unreasonable.

11. Rate Design / General Service (pp. 43-46 of Staff Report)

A. The demand charge in Schedule GS is unreasonable and does not represent the actual fixed cost of distribution service.

One Energy objects to Staff's failure to adopt the proper and reasonable demand charge for primary service voltage (Schedule GS). Nowhere is this better highlighted that in the proposed tariff provision for alternative feed service. Under this tariff, Ohio Power offers a "premium service" where the company provides a "redundant distribution line and distribution station transformer" to service a customer. In other words, Ohio Power is constructing, maintaining, and ensuring the availability of fully functional, fully maintained distribution service path for a

⁴ One Energy notes that there is no functional relationship between a given facility's demand during the 6 CPs and that same facility's monthly peak 30-minute demand. They are completely unrelated.

customer that sits idle until needed in an emergency scenario. Ironically, this is the perfect test for determining the fixed cost of Ohio Power's distribution facilities. In the proposed alternative fee service tariff, Ohio Power identifies this cost as \$2.54/kW. This cost is literally the fixed cost to exist physically and not be used.

Yet, under the GS tariff in Ohio Power's proposal, the demand costs are proposed to be \$6.64 per kW⁵ (a 261% increase), and \$5.59/kW in the Staff Report. Both amounts, however, far exceed the actual and proper fixed cost of \$2.54/kW. Staff should have identified that as the correct demand charge for primary service customers. Accordingly, One Energy recommends that the demand cost for primary service voltage customers (Schedule GS) be set at the alternative feed service rate of \$2.54,⁶ and that all other costs in the Schedule GS tariff be set and recovered based on volumetric energy consumption.⁷

B. Staff should have rejected the consolidation of GS tariff classes

One Energy similarly objects to the consolidation of the GS tariff classes. The consolidation does not promote customer flexibility, innovation or distributed generation resources. Ohio Power's proposed rate structure should be rejected in favor of the structure established in its prior distribution rate case to encourage distributed generation and energy efficiency, while allowing high load factor customers reasonable flexibility.

C. Not charging for energy consumed in excess of the first 4,500kWh is arbitrary and inconsistent with proper ratemaking principles.

Ohio Power proposes, in the case of GS Secondary customers, to have no charge for energy consumed in excess of the first 4,500kWh. This is arbitrary and not consistent with good rate

⁵ Excluding the first 10kW

⁶ It is worth noting that the AFS demand cost is reasonably consistent with Ohio Power's 2010 GS-2 tariffs which set the demand price at \$1.98/kW. Under the 2010 GS-2 tariff customers were financially incentivized to embrace energy efficiency and on-site generation. It appears that the 2010 analysis arrived at the generally the same fixed cost as the AFS arrived at today. That comparison further illustrates the issues with Ohio Power's current GS proposal.

⁷ One Energy recommends that the same method be used for GS Secondary customers

making practices. It also further devalues energy efficiency for customers in the higher end of this class and is thus a disincentive to energy efficiency in violation of state policy.

Ohio Power also proposes a GS Primary tariff that assigns no cost to energy in excess of the first 4,500 kWh. For a large energy customer this is a de minimis effect, but for a small GS customer this applies to every kWh they consume. Surely this is not good ratemaking; if it is a reasonable measure of consumption's effect on the grid, then it should be uniformly applied to all energy consumed. This functions as a revenue guarantee to Ohio Power that decouples its revenues entirely from energy efficiency and on-site generation based reduction in load. It makes large, on-site distributed energy projects designed to offset energy consumption generally worthless with respect to non-generation costs. This proposed change is a deliberate attack to discourage on-site generation and should have been rejected in favor of a rate structure similar to what Ohio Power walked away from its 2010 distribution rate case with.

Management and Operations Review

As part of this case, and pursuant to O.R.C. 4909.154, the Commission has broad authority to consider and analyze the management policies, practices and organization of Ohio Power. For purposes of the Staff Report, however, Staff selected only two management topics to review—"the processes used by the Company regarding capital spares and vegetation management." (Staff Report at p. 54). Although One Energy understands that it would be unmanageable for the Staff to do a comprehensive review of Ohio Power's management practices, One Energy objects to the Staff's failure to examine or even mention three elephants in the room which directly relate to Ohio Power's management activities during the test year. In this unprecedented year (and test year), Staff should be required to re-examine Ohio Power's filing and management practice with a focused lens on the following topics.

1. House Bill 6 and the largest public corruption scandal in Ohio history

Simply stated, the fallout from the enactment of Amended Substitute House Bill 6 (“House Bill 6”) by Ohio’s 133rd General Assembly has rocked the State of Ohio and the Commission. Unsurprisingly, House Bill 6 was highlighted in Ohio Power’s most recent 10-Q filed with the SEC on October 22, 2020. On page 6 of that report, Ohio Power described the impact of House Bill 6 as follows:

- In July 2019, clean energy legislation (HB 6) which offers incentives for power-generating facilities with zero or reduced carbon emissions was signed into law by the Ohio Governor. HB 6 phased out current energy efficiency including lost shared savings revenues of \$26 million annually and renewable mandates no later than 2020 and after 2026, respectively. HB 6 also provided for the recovery of existing renewable energy contracts on a bypassable basis through 2032 and included a provision for recovery of OVEC costs through 2030 which will be allocated to all electric distribution utilities on a non-bypassable basis. OPCo’s Inter-Company Power Agreement for OVEC terminates in June 2040. In July 2020, an investigation led by the U.S. Attorney’s Office resulted in a federal grand jury indictment of the Speaker of the Ohio House of Representatives, Larry Householder, four other individuals, and Generation Now, an entity registered as a 501(c)(4) social welfare organization, in connection with a racketeering conspiracy involving the adoption of HB 6. In light of the allegations in the indictment, proposed legislation has been introduced that would repeal HB 6. The outcome of the U.S. Attorney’s Office investigation and its impact on HB 6 is not known. If the provisions of HB 6 were to be eliminated, it is unclear whether and in what form the Ohio General Assembly would pass new legislation addressing similar issues. In August 2020, an AEP shareholder filed a putative class action lawsuit against AEP and certain of its officers for alleged violations of securities laws. See Litigation Related to Ohio House Bill 6 section of Litigation below for additional information. To the extent that OPCo is unable to recover the costs of renewable energy contracts on a bypassable basis by the end of 2032, recover costs of OVEC after 2030, fully recover energy efficiency costs through 2020 or incurs significant costs defending against the class action lawsuit, it could reduce future net income and cash flows and impact financial condition.

Since the filing of that 10-Q, the Commission’s Chairman has resigned. Despite the biggest scandal in Ohio’s energy history, both Ohio Power’s application and the Staff Report fail to even mention House Bill 6 let alone its potential impact on this case, especially in the context of certain test year expenses, including overhead expenses allocated to this effort by Ohio Power, and Ohio

Power's management structure, policies and practices. If the Commission ultimately decides not to do so in this case, it should at the very least require that a separate docket and investigation be opened regarding these matters. One Energy objects to Staff's failure to fully investigate Ohio Power as it relates to House Bill 6, and Staff's failure to aggressively identify and strike all costs related to Ohio Power's expenses in any way tied to House Bill 6 during the test year.

2. A Commitment to Diversity, Equity and Inclusion

Second, diversity, equity and inclusion efforts have taken center stage in 2020. In fact, during test year, the CEO of American Electric Power signed onto an open letter from Central Ohio business leaders supporting Columbus City Council's resolution declaring systemic racism a public health crisis. This is consistent with a statement on page 158 of 174 in AEP's 2019 Corporate Accountability Report (which is attached in Schedule S-4.1 to the Application in this case), where it states: "It is important for us to be diverse from the board room to the front line." Yet, the Staff chose not to evaluate this critical corporate management issue (especially in light of the events of 2020) as part of the Staff Report.

Along these same lines, and in the context of gender parity, American Electric Power is a signatory to The Columbus Commitment: Achieving Pay Equity. This is consistent with page 54 of 174 in AEP's 2019 Corporate Accountability Report (which is attached in Schedule S-4.1 to the Application in this case), which states that Ohio Power plans to "achieve gender and wage parity." Again, the Staff chose not to evaluate this critical corporate objective as part of the Staff Report. One Energy acknowledges that if and when Ohio Power achieves gender and wage parity, then this argument becomes moot. Admittedly, however, Ohio Power has not.

As a result, there are only two conclusions that can be reached: (1) Ohio Power is overpaying male employees, thereby rendering the marginally higher payments to men imprudent, and appropriate for exclusion from this case; or (2) Ohio Power is underpaying its female

employees relative to their male counterparts, and Staff should have forced Ohio Power to more aggressively solve the gender and wage disparity issue even if it results in slightly higher labor costs in the future. This is a big issue as Ohio Power's test year costs included more than \$150 million dollars in total labor dollars (see Schedule C-1 to the Staff Report). If the test year salary expenses included for men are in excess of what would have been paid to women in the same roles at Ohio Power, then they are inherently unreasonable and imprudent and should be reduced accordingly. Additionally, all salaries paid to men in excess of what Ohio Power would have paid to women that were ultimately capitalized into rate base expenses should be excluded from rate base.

Although both of these diversity-related management issues, and their impact on Ohio Power's management practices and policies, may be unusual in the context of a distribution rate case, this type of review should not be. Looking into this issue is the right thing to do when looking at the management practices of a regulated monopoly. And, in the words of the late John Lewis, sometimes it is important to "get in good trouble, necessary trouble," and dive into somewhat uncomfortable topics and management practices. Here, that did not happen. In addition to the proposals above, the Commission should adjust downward Ohio Power's rate of return as a challenge to do better and continue to prioritize its diversity, equity and inclusion efforts.

3. The COVID-19 Pandemic

The opening line of Ohio Power's 10-Q reports filed with the SEC in May, August and October of 2020 was the following: "In March 2020, COVID-19 was declared a pandemic by the World Health Organization and the Centers for Disease Control and Prevention." In fact, the word "COVID" appears in each of these filings more than 40 times. Yet, neither Ohio Power's application for a rate increase in this proceeding (which involved nearly 7,000 pages of filings), nor the Staff Report, reference the COVID-19 pandemic which may be the single most consequential

disruption that businesses have seen in the past century despite the fact that Ohio Power's test year in this case occurred almost entirely during that pandemic.

In fact, the only reference to the pandemic appears to be on page 18 of the pre-filed testimony of Ohio Power witness, Andrea E. Moore. Specifically, lines 4-12 states:

In Case No. 20-604-EL-AAM, the Commission ordered the Company to track and defer certain incremental expenses as they related to the coronavirus pandemic. The Company worked with the Staff of the Commission in order to determine that a separate FERC account be established that would defer incremental costs as they relate to COVID-19 less any cost savings recognized through the pandemic. The Company is requesting to collect the amount of the deferral through the Bad Debt Rider upon approval in this case to the extent a recovery mechanism is not approved in Case No. 20-604-EL-AAM. The costs associated with the deferral will be subject to audit during the bad debt rider proceeding in compliance with the Commission order.

Again, had Staff investigated this elephant in the room, it is likely they would have identified a number of areas where the COVID pandemic would have changed their conclusions in this rate case. The business challenges associated with the pandemic had costs related to overcoming them. Although Ohio Power has been ordered to separately account for COVID-related costs, those costs should be thoroughly examined in the context of this rate proceeding to ensure that none are included in test year expenses. They are not representative of ordinary expenses going forward. Accordingly, One Energy recommends that all COVID-19 pandemic-related expenses, including additional operating expenses, additional overtime, and additional capital project expenses, be removed from the test year expenses and Ohio Power's rate base.

SUMMARY OF MAJOR ISSUES

The major issues for the Commission's consideration this case include:

1. Ohio Power's policies, practices, tariffs and rate design proposed in this proceeding violate the State of Ohio's energy policies by inhibiting innovation, demand reduction, energy efficiency technologies, and distributed generation resources;

2. Ohio Power's proposal not to charge commercial and industrial customers an energy charge for consumption in excess of 4,500 kWh;

3. Ohio Power's failure to address the effect on its policies, practices and rates resulting from recent public corruption in the electric industry (House Bill 6); the degree of its commitment to diversity equity and inclusion; and its response to the COVID-19 pandemic;

4. Ohio Power's failure to adjust downward its cost of long-term debt, and ultimately its overall rate of return as a result of the ongoing and significant reduction in the cost of long-term debt in the market;

5. Ohio Power's failure to exclude revenue associated with interconnection activities from the test year;

6. Whether the 6 coincident peak demand methodology is the appropriate basis to determine all demand charges to in the general service tariff serving commercial and industrial customers;

7. The appropriate rate design, customer charges, and demand charges for commercial and industrial customers;

8. The appropriate level of revenues that Ohio Power should be authorized to collect through its rates;

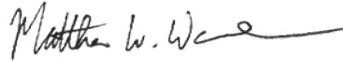
9. The appropriate rate of return for ratemaking purposes;

10. The appropriate level of test-year revenues;

11. The appropriate level of operating and maintenance expenses;

12. The appropriate level of rate base.

Respectfully submitted on behalf of
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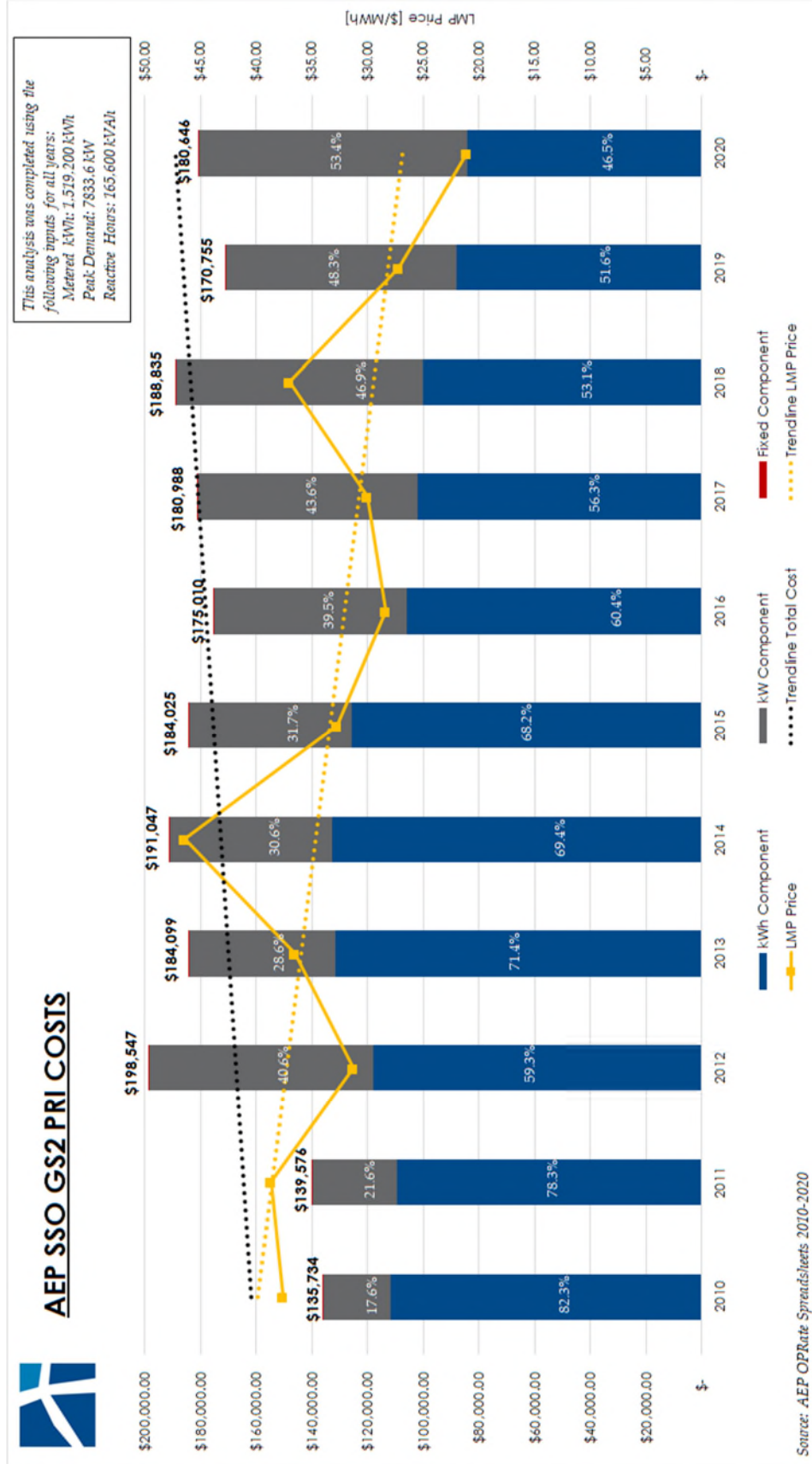
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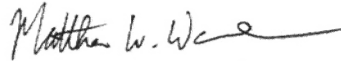
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EXHIBIT 1 (Graph)



CERTIFICATE OF SERVICE

In accordance with O.A.C. 4901-1-05, the PUCO's e-filing system will electronically serve notice of the filing of this document upon the following parties. In addition, I hereby certify that a service copy of the foregoing was sent by, or on behalf of, the undersigned counsel to the following parties of record this 18th day of December 2020.



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Summary: Objection of One Energy Enterprises LLC to The Staff Report and Summary of
Major Issues
electronically filed by Teresa Orahod on behalf of Matthew W. Warnock