

**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 Methods.	)	
	)	Case No. 20-587-EL-AAM
	)	

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**OBJECTIONS TO STAFF REPORT OF INVESTIGATION AND SUMMARY OF MAJOR  
ISSUES OF INTERSTATE GAS SUPPLY, INC.**

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## **I. INTRODUCTION**

On June 6, 2020, the Ohio Power Company ("AEP Ohio") filed an application to increase its distribution rates, for tariff approval, and to change its accounting methods ("Application"). The Staff Report of Investigation ("Staff Report") was filed with the Public Utilities Commission of Ohio ("Commission") on November 18, 2020, as corrected on November 25, setting forth the Commission Staff's ("Staff") findings regarding the Application.

Pursuant to R.C. 4909.19 and Ohio Adm.Code 4901-1-28, Interstate Gas Supply, Inc. ("IGS Energy" or "IGS") hereby files its Objections to the Staff Report and Summary of Major Issues in the above-captioned matters. IGS Energy reserves the right to contest through cross-examination, testimony, or exhibits any newly raised issues, issues raised by any other party, or any position set forth in the Staff Report that changes prior to the close of the record.

## **II. BACKGROUND**

In its Application, AEP Ohio proposes a rate base of \$3,105,270,000, and recovery for operating expenses totaling \$820,560,000.<sup>1</sup> After review of the filing, the Staff Report recommends a rate base of \$2,902,965,000 and operating expenses of \$731,239.<sup>2</sup> However, included in the proposed amounts of both AEP Ohio and the Staff Report are costs related to the provision of the standard service offer ("SSO"), contrary to Ohio law,

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<sup>1</sup> AEP Ohio Application (June 1, 2020), Schedule A-1, C-1.

<sup>2</sup> Staff Report at Schedule A-1, C-1.

policy, and Commission directive.<sup>3</sup>

In AEP Ohio's ESP IV, the Stipulation proposed to establish a bypassable Competitive Incentive Rider ("CIR") and non-bypassable Standard Service Offer Credit Rider ("SSOCR"), in recognition of the costs associated with AEP Ohio providing a competitive retail electric service that are not reflected in SSO rates.<sup>4</sup> The Stipulation recommended a charge to be collected from SSO customers through the CIR and a credit that would be provided to all customers through the SSOCR, which IGS noted was the first step to unbundling and provided a bridge until AEP Ohio's next distribution rate case when such costs can be fully unbundled.<sup>5</sup>

However, in its Opinion and Order, the Commission modified the Stipulation by setting the charge and credit at zero and renaming the CIR to the Retail Reconciliation Rider ("RRR").<sup>6</sup> In doing so, the Commission stated that a thorough analysis of these costs should occur and directed AEP Ohio to do so in its next distribution rate case.<sup>7</sup> Following that review, the Commission stated it will determine the costs incurred by AEP Ohio to support the SSO.<sup>8</sup> The Commission stated that "actual costs associated with the

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<sup>3</sup> See R.C. 4928.05(A)(1) ("[A] competitive retail electric service supplied by an electric utility or electric services company shall not be subject to supervision and regulation . . . by the public utilities commission under Chapters 4901. to 4909., 4933., 4935., and 4963."); *In the Matter of the Application of Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to R.C. 4928.143, in the Form of an Electric Security Plan*, Case Nos. 16-1852-EL-SSO, et al. ("ESP IV"), Opinion and Order (April 25, 2018) at ¶ 214-215.

<sup>4</sup> ESP IV Order at ¶ 212.

<sup>5</sup> *Id.* at ¶ 211-212.

<sup>6</sup> *Id.* at ¶ 213-216.

<sup>7</sup> *Id.* at ¶ 214-215.

<sup>8</sup> *Id.* at ¶ 214.

choice program” should also be identified.<sup>9</sup>

Despite the Commission’s explicit directives, AEP Ohio failed to complete a thorough analysis of the costs included in distribution rates.<sup>10</sup> However, instead of rectifying the issue and providing the Commission with the requested and necessary analysis, the Staff Report simply notes the deficiency and expresses its disagreement with the exercise. As such, the costs for AEP Ohio to provide its competitive generation service, the SSO, are still unlawfully included in distribution rates. Thus, IGS objects to specific recommendations and failures in the Staff Report regarding unbundling.

Similarly, the Staff Report fails to address the myriad of mandatory fees incurred by suppliers that are presently avoided by the SSO. By failing to address the income generated by fees paid by all suppliers for day-to-day tasks such as registration, interval data, and customer switching, the Staff Report failed to determine whether AEP Ohio is double collecting the expenses for these administrative tasks or whether the SSO is being unlawfully subsidized by avoiding similar fees. The fees, and potential lack thereof within the SSO, must be addressed in order to ensure the equitable competitive electric playing field guaranteed by Ohio law.

Additionally, the Staff Report fails to fully recognize the changes in law and policy established in Am.Sub.H.B. No. 6. (“HB 6”). Among other things, HB 6 completely eliminated the Energy Efficiency (“EE”) and Peak Demand Response (“PDR”) requirements placed on the electric utilities.<sup>11</sup> In light of this legislation, the Commission

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<sup>9</sup> *Id.* at ¶ 215.

<sup>10</sup> Staff Report at 31.

<sup>11</sup> See R.C. 4928.642; R.C. 4928.66(F)(3).

determined that the future for EE programs in this state will be best served by reliance upon market-based approaches.<sup>12</sup> The Staff Report's application of this policy is too narrow and should be extended to encompass all EE & PDR offerings, not just the specific proposal submitted by AEP Ohio.

In addition, HB 6 authorizes an EDU to enter into agreements with mercantile customers for the purpose of constructing customer sited renewable energy resources.<sup>13</sup> The law forbids the Commission to authorize the collection of any costs associated with these projects from any other customers.<sup>14</sup> This includes direct and indirect costs associated with these projects.<sup>15</sup> However, the Staff Report fails to provide any evidence that these costs were analyzed and removed from distribution rates to prevent the Commission from violating Ohio law.

Finally, IGS objects to the Staff Report's failure to address certain modifications to the Supplier Tariff proposed by AEP Ohio. AEP Ohio has proposed tariff language that need further refinement to reflect the proper scope and application of the provisions.

### **III. OBJECTIONS TO THE STAFF REPORT**

IGS objects to the following specific recommendations or failures in the Staff Report:

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<sup>12</sup> See *In the Matter of the Application of Duke Energy Ohio, Inc., for Approval of its 2021 Energy Efficiency and Demand Side Management Portfolio of Programs and Cost Recovery Mechanism*, Case Nos. 20-1013-EL-POR, et al., Entry (June 17, 2020) at ¶ 9.

<sup>13</sup> R.C. 4928.47.

<sup>14</sup> R.C. 4928.47(B).

<sup>15</sup> *Id.*

**A. The Staff Report’s recommendation to collect the costs associated with providing a competitive retail electric service through distribution rates is contrary to Ohio law.**

In rejecting unbundling, the Staff Report maintains that the SSO is a default service that is available to all customers and required to be provided by the electric distribution company (“EDU”).<sup>16</sup> However, this is an improper attempt to use a policy justification to achieve a result otherwise prohibited by the General Assembly.<sup>17</sup> Accordingly, IGS objects to the recommendation because it would permit AEP Ohio to collect the costs of providing the SSO, a competitive retail electric service, through distribution rates in violation of R.C. 4928.05(A)(1).

The Commission has no authority to regulate or provide compensation to support competitive retail electric service through base distribution rates established under Chapter 4909. Indeed, the General Assembly specifically provided that “a competitive retail electric service supplied by an electric utility or electric services company shall not be subject to supervision and regulation . . . by the public utilities commission under Chapters 4901. to 4909., 4933., 4935., and 4963.” R.C. 4928.05(A)(1). In other words, the Commission lacks authority to authorize the recovery of costs related to competitive retail electric services in a distribution rate case filed under 4909.<sup>18</sup> The Commission’s authority to supervise and regulate the SSO is limited to R.C. 4928.141-144. Therefore, the Staff Report’s recommended distribution rates, which includes costs to provide AEP Ohio’s competitive retail electric service, are unlawful and too high.

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<sup>16</sup> Staff Report at 31.

<sup>17</sup> See *In re Complaint of Wingo v. Nationwide Energy Partners, L.L.C.*, Slip Opinion No. 2020-Ohio-5583 (holding the Commission must act according to statute instead of based on its own policy considerations).

**B. The Staff Report fails to recommend that AEP Ohio unbundle from distribution rates all costs related to the provision of the SSO.**

IGS objects to the Staff Report's failure to recommend that AEP Ohio remove the costs associated with providing the SSO from distribution rates. Failure to unbundle these costs from distribution rates is contrary to Ohio law and policy, which prohibits the Commission from using its authority under Chapter 4909 to grant distribution rate-related cost recovery for competitive services.

The Staff Report acknowledges that, in accordance with the Opinion and Order approved in AEP Ohio's ESP IV, the Commission directed AEP Ohio to differentiate the costs between SSO customers and shopping customers in its next distribution rate case.<sup>18</sup> The Staff Report further recognizes that AEP Ohio identified some of these costs in the Application and proposed collection of these costs through the bypassable RRR and a credit through the non-bypassable SSOCR.<sup>19</sup>

AEP Ohio, however, did not fully comply with the Commission's orders in the ESP IV case. According to the Staff Report, "[t]he Company did not examine all cost causation factors."<sup>20</sup> As a result, the Staff Report notes that "Staff cannot determine if or how cost should be allocated between shopping and non-shopping customers. Staff cannot recommend a charge that is not just and reasonable."

Separately, however, the Staff has also indicated that it will not be bound by the Commission's directive in ESP IV for AEP Ohio to disaggregate the costs to provide the

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<sup>18</sup> Staff Report at 31, *citing* ESP IV Order at ¶ 215.

<sup>19</sup> Staff Report at 31.

<sup>20</sup> *Id.*



SSO recovered in distribution rates. According to the Staff Report, “Staff maintains that SSO is a default service, available to all customers and required by electric distribution companies to provide.”<sup>21</sup> Thus, Staff’s recommendation boils down to two conclusions: (1) it did not evaluate the costs of providing the SSO that are currently recovered in distribution rates because AEP Ohio did not comply with the Commission’s Order in ESP IV; and (2), even if AEP Ohio had performed as it should have, the Staff has imposed a policy justification for ignoring Ohio law’s prohibition of the recovery of costs related to competitive services through distribution rates.

Of course, both of the reasons fail to pass muster.

Ohio law requires the Commission to conduct an investigation of the facts set forth in the application and the attached exhibits. R.C. 4909.19(C). Thus, the purpose of a Staff Report is to perform *an independent* evaluation of the utility’s proposal to increase its rates—it is not intended to rely on the exclusive analysis of the utility. If that were the case, there would simply be no statutory obligation or benefit of a staff report. Rather than perform an independent evaluation, the Staff Report relied upon the cost of service study conducted by AEP Ohio, as well as AEP Ohio’s evaluation of SSO-related costs proposed for recovery in distribution rates.<sup>22</sup> Thus, the Staff Report failed to appropriately functionalize SSO-related costs to that service. As a result of the Staff Report’s failure to conduct this analysis, shopping customers would be residually burdened with SSO-related costs in their distribution rates.

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<sup>21</sup> *Id.*

<sup>22</sup> See Staff Report at 36-37.

Moreover, the Commission itself anticipated that it would need a complete investigation of AEP Ohio's distribution rates in this rate case to set new rates in ESP IV: "[f]ollowing *a thorough analysis of AEP Ohio's distribution rates in the rate case*, the Commission will determine whether it is necessary to reallocate costs between shopping and non-shopping customers *in order to ensure that the Company's rates are fair and reasonable* for all customers."<sup>23</sup> Both AEP Ohio and Staff fell short.

Although absent from the Staff Report is any recommendation to appropriately allocate to the SSO costs that are necessary to support that service, identifying costs associated with the SSO is a relatively straightforward process using generally accepted ratemaking principles. Indeed, through testimony in this proceeding, IGS will present a thorough analysis of AEP Ohio's proposed distribution rates that properly identifies and allocates the costs associated with the SSO to the customers that receive this service. This analysis will demonstrate that AEP Ohio must unbundle between \$30 million and \$80 million dollars from its distribution rates to ensure its rates are just, reasonable, and lawful.

Many of the costs necessary to support the default service are proposed for recovery in AEP Ohio's allowance for operation and maintenance expense or "O&M". These costs are identified and supported in the B-Schedules, C-Schedules, and Exhibit E-3.2 (the cost of service study) attached to the Application. The operation and maintenance expense categories that the Staff Report failed to analyze and allocate to the default service include:

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<sup>23</sup> ESP IV Order at ¶ 215 (emphasis added).

- 1) Call center infrastructure and employees to maintain appropriate customer service for SSO customers;<sup>24</sup>
- 2) Outside and inside legal, regulatory, and compliance personnel to comply with the regulatory rule requirements for the SSO;
- 3) IT employees, infrastructure, and software;
- 4) Office space for employees;
- 5) Administrative and human resources staff to support the employees;
- 6) Office supplies;
- 7) Accounting and auditing services;
- 8) Printing and postage to communicate with customers;
- 9) All uncollectible expense, to the extent there is no purchase of receivables program or to the extent that a purchase of receivable program contains a discount rate;
- 10) Cash Working Capital.<sup>25</sup>

These categories of cost are mainly identified in the following FERC Accounts: 580, 586, 589, 597, 901-905; 907-916; 920-935.

Additionally, neither the Application nor the Staff Report analyzes and allocates the costs embedded in rate base that are necessary to support default service. These costs are proposed in the B-Schedules. Such costs include rate base related to categories

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<sup>24</sup> For example, AEP Ohio declined to allocate any Call Center related costs to the SSO despite using it as a vehicle to explicitly promote its competitive retail electric service to shopping customers.

<sup>25</sup> See Staff Report at 15. Although the Staff Report recommends that AEP Ohio should not collect a Cash Working Capital expense, this recommendation does not change the fact that AEP Ohio does in fact incur a capital cost to pay auction suppliers. By failing to allocate a cash working capital requirement to the SSO rate, AEP Ohio thereby subsidizes this cost through revenue collected through distribution rates.

of costs identified above, as well AEP Ohio's headquarters.

Moreover, the Staff Report fails to even address the direct costs associated with providing the SSO where cost causation factors are unnecessary. Specifically, the Staff Report failed to recommend that AEP Ohio allocate the bad debt associated with the SSO generation receivables to a bypassable mechanism, consistent with commitments AEP Ohio made in the ESP IV Stipulation.<sup>26</sup> AEP Ohio's uncollectible overhead and bad debt expenses should be directly allocated to the Bad Debt Rider on a bypassable basis.

Indicative of the failure of the Staff Report to conduct a thorough investigation of the Application, the Staff Report fails to even acknowledge AEP Ohio's commitment and provides for the continuation of uncollectible SSO generation expenses through distribution rates. Making matters worse, through the Staff Report's wholesale rejection of the RRR and SSOCR, the Staff Report would deny shopping customers from any relief from paying for SSO-related bad debt and overhead expense.<sup>27</sup> As CRES providers also incur bad debt due to unpaid generation expenses, CRES providers must pass along these costs to their customers through their rates. Because AEP Ohio would continue to collect uncollectible expenses associated with default service generation through distribution rates, shopping customers would continue to pay twice for generation bad

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<sup>26</sup> See ESP IV, Joint Stipulation and Recommendation (Aug. 25, 2017) at 36. The approved Stipulation states:

Following approval of new rates in the next AIR case, the Bad Debt Rider will also be used going forward to recover the difference between the Company's actual bad debt costs and the level reflected in base rates. AEP Ohio agrees to propose in the rate case that recovery of bad debt associated with default service generation receivables should be collected through a bypassable portion of the rider. ESP IV Stipulation at 36; ESP IV Order at 45-46.

<sup>27</sup> See Staff Report at 31.

debt: once through distribution rates paid to AEP Ohio and once through generation rates paid to their supplier.<sup>28</sup>

All of the costs identified above should be unbundled from AEP Ohio's proposed distribution rates and allocated to the SSO through the RRR.

**C. The Staff Report adopts an improper netting standard for the purpose of unbundling that would reduce the already understated SSO allocation.**

In its Application, AEP Ohio proposes a simple netting of the costs "related to the SSO" included in distribution rates with the costs "related to shopping service" in distribution rates to determine the RRR and SSOCR.<sup>29</sup> Excluded from its analysis are any costs associated with functions "that are clearly necessary to support both shopping and non-shopping customers."<sup>30</sup> Although the Staff Report declines to adopt AEP Ohio's proposed RRR and SSOCR rates, the Staff Report appears to accept this improper netting standard by claiming it cannot determine "how cost should be allocated between shopping and non-shopping customers."<sup>31</sup> As this represents a fundamental misunderstanding of Ohio law and the competitive and non-competitive services that AEP Ohio provides, IGS objects to the Staff Report's endorsement of this framework.

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<sup>28</sup> The duty to unbundle these costs from distribution rates is further amplified by the Commission's decision earlier this year to grant AEP Ohio's deferral authority request for increased uncollectible expenses due to the COVID-19 pandemic. In that proceeding, the Commission adopted IGS' recommendation to require AEP Ohio to separately track and defer the uncollectible expenses associated with its default service generation so that such expenses could be recovered through a bypassable mechanism, if AEP Ohio is granted ultimate recovery authority. This demonstrates the Commission's expectation that the commitment made in ESP IV will be enforced. *In the Matter of the Application of Ohio Power Company for Approval of Its Temporary Plan for Addressing the COVID-19 State of Emergency*, Case Nos. 20-602-EL-UNC, et al., Finding and Order (May 6, 2020) at ¶¶ 60, 62.

<sup>29</sup> Application, Testimony of , at 11-12, Ex. DMR-1.

<sup>30</sup> *Id.*

<sup>31</sup> Staff Report at 31.

Unbundling is the removal of costs in distribution rates that are associated with providing the SSO because the Commission does not have the authority to regulate the AEP Ohio's provision of competitive retail electric service<sup>32</sup> through R.C. 4909.18, the distribution ratemaking statute.<sup>33</sup> To identify these costs, ***the focus should be on the service to which the cost relates***. If the cost solely relates to or supports AEP Ohio's provision of noncompetitive retail electric distribution service, it is properly proposed in distribution rates.<sup>34</sup> However, if the cost relates to or supports AEP Ohio's provision of competitive retail electric service – the SSO – it must be removed from distribution rates.<sup>35</sup> If AEP Ohio utilizes a resource or incurs an expense to support both its noncompetitive retail electric distribution service and its competitive retail electric service, removal of the competitive retail electric service costs is accomplished by allocating the cost between the two services, just like a utility allocates the costs associated with an asset if it is utilized by multiple service territories.

The netting process accepted by AEP Ohio and the Staff Report instead focuses on the costs as they relate to types of customers – non-shopping vs. shopping customers. This is incorrect for purposes of unbundling. When AEP Ohio incurs costs “related to the

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<sup>32</sup> “[A]n electric distribution utility shall provide consumers, on a comparable and nondiscriminatory basis within its certified territory, ***a standard service offer of all competitive retail electric services*** necessary to maintain essential electric service to consumers, including a firm supply of electric generation service.” R.C. 4928.141(A) (emphasis added).

<sup>33</sup> “[A] competitive retail electric service supplied by an electric utility or electric services company shall not be subject to supervision and regulation . . . by the public utilities commission under Chapters 4901. to 4909., 4933., 4935., and 4963.” R.C. 4928.05(A)(1).

<sup>34</sup> See R.C. 4928.15(A).

<sup>35</sup> “[A] **competitive retail electric service supplied by an electric utility** or electric services company shall **not be subject to supervision and regulation** . . . by the public utilities commission **under Chapters 4901. to 4909., 4933., 4935., and 4963.**” R.C. 4928.05(A)(1) (emphasis added).

shopping customers” or the facilitation of retail electric choice, it is because AEP Ohio is the only entity that can provide the function. For example, a CRES provider cannot single-handedly facilitate the enrollment of a customer or retrieve customer usage information. It must rely on AEP Ohio, the distribution service provider, to perform these functions. AEP Ohio is simply serving as the system gatekeeper as part of its distribution service. These functions of retail choice are truly noncompetitive services inasmuch as no other entity can provide them. Therefore, these monopoly services are distribution-related.

Likewise, the SSO must also rely on AEP Ohio, in its role as the distribution service provider, to provide the same functions to facilitate the SSO, like completing enrollments and retrieving customer data, because AEP Ohio is the only entity that can provide these noncompetitive functions.

The proposed netting framework presents a flawed apples-to-oranges comparison that fails to justify subsidizing competitive services under the Commission’s traditional statutory authority.

**D. The Staff Report fails to address the various fees that CRES providers provide to AEP Ohio for performing distribution service functions to determine if AEP Ohio is over-recovering its costs for providing those functions and whether the charges are discriminatory.**

IGS objects to the Staff Report’s failure to address the various fees that CRES providers provide to AEP Ohio. Specifically, the fees include the Supplier Registration Fee,<sup>36</sup> Interval Data Fee,<sup>37</sup> and Switching Fee.<sup>38</sup>

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<sup>36</sup> Supplier Tariff at Section 32.8(b).

<sup>37</sup> *Id.* at 32.22(m).

<sup>38</sup> *Id.* at 32.4.

It is apparent that anytime a CRES provider needs something, the CRES provider and its customers must pay, yet the SSO is continually subsidized by all customers. All of these fees relate to services that should have correlating expenses included in the test year. The Staff Report failed to examine whether AEP Ohio is being compensated twice for providing these services and/or recommend that the fees be eliminated.

Requiring a CRES provider and its customer to pay for something that an SSO customer receives with no charge is discriminatory. For example, a CRES provider is assessed a switching fee each time a customer is enrolled with the CRES provider, unless it is the customer's first time exercising their right to shop.<sup>39</sup> However, there is no fee to AEP Ohio or the customer each and every time the customer switches to the SSO. Both actions are providing the same service, changing the customer's generation supplier, and both can only be effectuated by one entity, AEP Ohio, yet only certain generation suppliers are charged a fee. No compelling reason has been provided for this disparate treatment. Thus, this is an undue and unreasonable preference provided to the SSO in violation of R.C. 4905.35. IGS objects to the continuation of these unsubstantiated fees, particularly given that any necessary compensation to cover these costs would already be provided for by the test year expense requested in this proceeding.

This discriminatory treatment further exacerbates the harm from failing to properly unbundle the costs to the serve the SSO from distribution rates. Not only are shopping customers paying to support two provisions of generation service, they are also being saddled with fees in which their subsidized neighbors on the SSO are exempt. This is

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<sup>39</sup> *Id.*



just another example of heads the SSO wins, tails CRES providers and choice customers lose.

**E. The Staff Report fails to examine whether there are direct or indirect costs associated with customer sited renewable energy resources in the proposed distribution rates.**

IGS objects to the Staff Report's failure to determine whether AEP Ohio is proposing to collect any direct or indirect costs associated with customer sited renewable energy resources through distribution rates, in violation of R.C. 4928.47. Specifically, R.C. 4928.47(B) requires that any direct or indirect costs associated with customer-sited renewable energy resources must be paid for solely by the utility and the mercantile customer or group of mercantile customers. The Commission is expressly prohibited from authorizing the EDU to collect these costs from any other customers.

Despite this explicit prohibition, evidence exists to demonstrate that AEP Ohio has included in the test year indirect costs associated with soliciting and entering into contracts with customer to provide renewable energy generation.<sup>40</sup> Although AEP Ohio claims that these costs are "incidental to the utility's customer service function and do not constitute project costs," these costs are clearly indirect costs.<sup>41</sup> The failure to track and strip the cost of customer solicitations from distribution rates would permit AEP Ohio to subsidize its generation business through non-competitive distribution rates contrary to Ohio law. There is no evidence in the Staff Report that these costs have been examined and excluded from distribution rates, which creates the firm possibility that the

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<sup>40</sup> See Attachment A (Ohio Power Company's Response to Interstate Gas Supply's Discovery Request, Sixth Set, IGS-INT-06-004).

<sup>41</sup> *Id.*

Commission could unknowingly authorize rates that improperly collect costs for these projects from non-participating customers.

**F. An EDU cannot offer energy efficiency and demand side management programs to SSO customers and collect the associated costs on a bypassable basis.**

IGS objects to the Staff Report's finding that, in regards to energy efficiency and demand side management ("EE/DSM") products and services, "a utility could offer programs for customers who elect to stay on the standard service offer, for which the associated costs could be recovered on a by-passable basis."<sup>42</sup>

Initially, the Staff Report properly recommends denial of AEP Ohio's proposal to recover the costs associated with a portfolio of EE/DSM programs, the Demand Side Management Plan ("DSM Plan"), through its non-bypassable Economic Development Rider.<sup>43</sup> The Staff Report offers a multitude of compelling reasons to reject this plan, including the unnecessary risk on ratepayers, the legislative uncertainty surrounding H.B. 6, and recent Commission guidance that the retail market should be offering EE/DSM programs so that customers can choose their desired products and services.<sup>44</sup> However, as an alternative, the Staff Report suggests that an EDU could offer EE/DSM programs to only those customers on the SSO and collect the costs on a bypassable basis.<sup>45</sup>

IGS objects to this finding for all of the reasons that the Staff Report declined to recommend the proposed non-bypassable DSM Plan. Risk would still fall onto the

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<sup>42</sup> Staff Report at 21.

<sup>43</sup> *Id.* at 20-21.

<sup>44</sup> *Id.* at 20.

<sup>45</sup> *Id.*

ratepayers, and it would still be requiring customers to participate in costly EE/DSM programs despite the General Assembly and Commission directives to the contrary. Indeed, the Commission expressly stated “that, in light of HB 6, the future for EE programs in this state will be best served by reliance upon market-based approaches such as those available through PJM and competitive retail electric service providers.”<sup>46</sup> Therefore, the Staff Report’s recommendation should be denied.

**G. The Staff Report failed to recommend the elimination of the Direct Load Control Program.**

IGS objects to the Staff Report’s failure to recommend the termination of AEP Ohio’s Direct Load Control (“DLC” or “Rider DLC”) Program. As noted above, the Staff Report properly recommends the denial of AEP Ohio’s request to recover costs associated with its proposed DSM Plan, however, the Staff Report should have also applied that recommendation to Rider DLC.

Elimination of the DLC tariff is consistent with the Staff Report’s recommendation to reject the DSM plan. In fact, one of the programs within AEP Ohio’s proposed DSM Plan is essentially an extension of AEP Ohio’s current DLC. Like the DLC, the proposed Residential Demand Response Program provides incentives to residential customers for reducing demand during peak periods identified by AEP Ohio.<sup>47</sup> Both will accomplish these reductions in usage utilizing electric water heating and smart thermostats.<sup>48</sup> The

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<sup>46</sup> *In the Matter of the Application of Duke Energy Ohio, Inc., for Approval of its 2021 Energy Efficiency and Demand Side Management Portfolio of Programs and Cost Recovery Mechanism*, Case Nos. 20-1013-EL-POR, et al., Entry (June 17, 2020) at ¶ 9.

<sup>47</sup> See Schedule E-2.1, Part 1, at Page 2.

<sup>48</sup> See Ex. JFW-1, Page 8 and Schedule E-2.1, Part 1, at Page 183. Additionally, IGS notes that the proposed DLC tariff does not state it is limited to non-shopping customers. If AEP Ohio is proposing to open

Staff Report properly rejected the DSM plan; for the same reasons, the Staff Report should have recommended the elimination of Rider DLC. IGS objects to the Staff Report because failed to do so.

**H. The right to terminate consolidated billing services is limited to Supplier Consolidated Billing.**

IGS objects to the Staff Report's failure to address AEP Ohio's proposed tariff changes regarding its right to terminate consolidated billing services with a CRES provider. Specifically, AEP Ohio proposes the following tariff addition:

The Company maintains the right to terminate Company consolidated billing services in the event that the CRES providers are not following the Ohio Administrative Code rules. Prior to removal, the Company will provide the CRES provider with code violation notifications and will terminate services after three consecutive months after notification.<sup>49</sup>

In AEP Ohio's Narrative of Tariff Changes, the explanation of the change states: "Added a section that allows the Company to terminate Supplier Consolidated Billing (SCB) services if the CRES Provider is not following the rules."<sup>50</sup> AEP Ohio also notes that this consistent with AEP Ohio's SCB pilot program.<sup>51</sup>

However, the proposed language does not properly limit this new right to only Supplier Consolidated Billing, as was the intent expressed in the explanation. Instead, it

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the DLC Program to all customers, IGS further objects as this would be inconsistent with the Commission's stated belief that the future of these programs in Ohio will be best served by reliance upon market-based approaches. *In the Matter of the Application of the Ohio Power Company for Approval to Establish Time-of-Use Rates*, Case No. 17-1234-EL-ATA, Staff's Review and Recommendation (May 30, 2019) at 1; Ohio Power Company Open Access Distribution Tariffs, Schedule Cross Reference, 20<sup>th</sup> Revised Sheet No. 101-1D & 2D (Rider DLC not included in charges and riders for Distribution Service Only column), compared to Application, Schedule E-2.1, Part 1, at Page 183.

<sup>49</sup> Schedule E-2.1 Part 1, Page 65.

<sup>50</sup> Schedule E-3, Page 8.

<sup>51</sup> *Id.*

simply states “consolidated billing,” which is a more general term used throughout the tariff and includes Utility Consolidated Billing.<sup>52</sup> Therefore, this provision should be amended to specify it only applies to Supplier Consolidated Billing services and the termination thereof. As the Staff Report failed to address this error, IGS objects to this issue.

**I. A Letter of Authorization is not required in every instance of requesting customer interval data.**

IGS objects to the Staff Report’s failure to reject AEP Ohio’s attempt to heighten consent requirements for access to interval data for certain customers. AEP Ohio proposes the following tariff amendment:

CRES Providers certified by the Commission may request historical interval meter data through an Electronic Data Interchange transaction (“EDI Transaction”) after receiving the appropriate customer authorization (Letter of Authorization or LOA). CRES Providers must have on file an LOA and must provide the LOA upon request by the Company or PUCO Staff, subject to periodic audit. The interval meter data will be transferred in a standardized EDI transaction. The CRES Provider will be responsible for the incremental costs incurred to prepare and send such data.

By adding language that “CRES Providers **must** have on file an LOA,” the amendment appears to require an LOA for all customer types in order for a CRES provider to request interval data. However, Ohio Adm.Code 4901:1-10-24(E)(3) only prohibits the disclosure of residential customer interval meter data without the customer’s consent. There is no similar provision for the other customer classes. Additionally, the Commission recently adopted an exception to Ohio Adm.Code 4901:1-10-24(E)(3) that allows an EDU to disclose residential customer energy usage data that is more granular than monthly if

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<sup>52</sup> See e.g. Schedule E-2.1, Part 1, Page 40 (Sections for “Consolidated Billing By a CRES Provider or its Billing Agent” and “Consolidated Billing By the Company”); Page 66 (“Customer Payment Processing and Collections for Consolidated Billing” section applies to “[w]here the Company acts as the billing agent for the CRES Provider”).

“required for billing purposes.”<sup>53</sup> Thus, the Staff Report should have taken these into consideration and recommended the addition of “if necessary” after the “must have on file an LOA.”

#### **IV. SUMMARY OF MAJOR ISSUES**

The major issues in this case will be:

- (1) Whether an EDU may subsidize the cost of providing the SSO through distribution rates.
- (2) The appropriate amount of costs to unbundle from distribution rates and allocate to default service, as well as the appropriate credit to shopping customers.
- (3) The appropriate mechanism to recover the bad debt associated with the SSO generation receivables.
- (4) Whether the various fees that CRES providers provide to AEP Ohio for performing distribution service functions are appropriate.
- (5) The appropriate consideration of the direct and indirect costs associated with customer sited renewable energy resources.
- (6) Whether AEP Ohio can offer EE/DSM programs to solely SSO customers and collect the associated costs on a bypassable basis.
- (7) Whether to eliminate the Direct Load Control Program.
- (8) The appropriate tariff language regarding AEP Ohio’s right to terminate supplier consolidated billing services with a CRES provider.
- (9) The appropriate language regarding the need for a CRES provider to have an LOA to authorize a customer’s interval data.

Respectfully Submitted,

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<sup>53</sup> *In the Matter of the Commission’s Review of its Rules for Electrical Safety and Service Standards Contained in Chapter 4901:1-10 of the Ohio Administrative Code*, Case No. 17-1842-EL-ORD, Finding and Order (Feb. 26, 2020) at ¶ 183-84, Att. A at 69.

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## **CERTIFICATE OF SERVICE**

I certify that this *Objections to the Staff Report and Investigation and Summary of Major Issues of Interstate Gas Supply, Inc.* was filed electronically through the Docketing Information System of the Public Utilities Commission of Ohio on December 18, 2020. The PUCO's e-filing system will electronically serve notice of the filing of this document on the following parties listed below.

/s/ Bethany Allen  
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**Objections of IGS  
Attachment A**

**OHIO POWER COMPANY'S RESPONSE TO  
INTERSTATE GAS SUPPLY'S  
DISCOVERY REQUEST  
PUCO CASE 20-585-EL-AIR  
SIXTH SET**

**INTERROGATORY**

IGS-INT-06-004      Regarding customer sited renewable energy resources that may be constructed under R.C. 4928.47:

- a. Has AEP Ohio solicited any customers for this purpose?
- b. If the answer to (a) is yes, identify how AEP Ohio determined which customers to solicit.
- c. If the answer to (a) is yes, how did AEP Ohio track the direct and indirect costs associated with these solicitations?
- d. If the answer to (a) is yes, how were such costs removed from the test year?

**RESPONSE**

a.-d. The Company objects to this request as seeking information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence. Without waiving the foregoing objection(s) or any general objection the Company may have, the Company states as follows. The Company has had preliminary conversations with interested customers in the context of traditional customer service about providing potential renewable solutions to meet their needs. Any costs associated with such conversations are incidental to the utility's customer service function and do not constitute project costs. See the Company's response to IGS-INT-06-004 for project cost tracking information.

Prepared by:

Jon F. Williams

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Summary: Objection to The Staff Report electronically filed by Mr. Evan F Betterton on behalf of Interstate Gas Supply, Inc.