

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

January 5, 2021

PUBLIC COMMENTS FROM JEREME KENT IN HIS INDIVIDUAL CAPACITY

Dear Staff and Commissioners,

Introduction

I am an AEP-Ohio customer. I am also the CEO of One Energy Enterprises LLC, an intervener in the case.

This letter is a plea to Staff and this honorable Commission, from me in my individual capacity, begging you to protect the Ohioans who are not well represented in this case.

I am a white man. I was born in Southern California into a life of privilege. I went to amazing schools, including the University of Michigan to study engineering. I have had a six-figure income for much my professional career. I am now the CEO of an energy company that I started.

I am not sure if my life of privilege means that I am part of the problem, but I am positive that it means I am capable of being (and should be) part of the solution. I believe that I have a moral obligation to identify and confront oppression when I see it. Our nation's problems are not going to change until people like me start demanding that they do.

Please consider this a respectful demand that the Commission needs to do more. And the Commission should start with this case. I will do anything that I can to help you.

I think we all forget that most Ohioans have never heard of a rate case and have no idea what a rate case does. Most Ohioans have zero interest in reading, and then analyzing, the thousands of pages of documents that exist in a rate case let alone trying to understand all of the numbers and

spreadsheets. Most Ohioans have no idea that right now, AEP has an open rate case. And, I have come to realize that is exactly the way regulated monopolies like AEP-Ohio want it.

These rate cases, however, have a broad and material impact on millions of Ohioans. In these rate cases, a utility can introduce broad changes in rate structures and tariff provisions that can either reduce structural bias or increase structural bias, among other things. Importantly, as most people (including this Commission and I) often forget:

1. \$45.00 matters a lot when you are poor¹
2. Energy poverty is very real²
3. The minimum wage in Ohio is \$8.55 an hour
4. Minorities and the elderly are disproportionately affected by poverty³

As to the Matter Before You Now:

AEP's proposed new rate structure currently before the Commission will increase structural bias against the poorest Ohioans, it will disproportionally and adversely impact poor Ohioans and minorities, and it will do a number of other regressive things like discouraging clean energy and energy efficiency for consumers of all sizes.

This letter really is about what I realized after personally reading all 6,900 or so pages of AEP-Ohio's application. For that matter I also read AEP-Ohio's supporting testimony, the staff report, and the discovery in the case. I read everything possible. And, while it is clear that AEP is trying to discourage clean energy investment, innovation and progress, it is also painfully clear that AEP-Ohio's proposal will disproportionately and adversely impact poor Ohioans and minorities.

In the current rate case, AEP clearly proposes taking advantage of residential customers, and more specifically, underprivileged residential customers. AEP has failed to modernize or optimize its business, and as a result, it is attempting to take a whole lot more from its customers.

I feel compelled to scream.

People like me (and you) need to do a much better job of calling out this structural oppression when we see it. We have all failed to do so in the past. I have failed to do so in the past. Below are just some of the examples of how this is happening to residential customers in this case.

¹ This is the AEP proposed reconnection fee in Terms and Conditions 25

² Studies show that for low-income Ohioans <200% FPL the energy burden is 9.1%, based on East North Central Region. September 2020 Study by American Council for an Energy-Efficient Economy titled: How High Are Household Energy Burdens? By: Ariel Dreihobl, Lauren Ross, and Roxana Ayala

³ See March 2020 Study by Oak Ridge National Laboratory titled: Low-Income Energy Affordability: Conclusions from A Literature Review by Brown, Soni, Lapsa, Southworth

Example 1: Proposed Fixed Charge Increases for Residential Service Customers

AEP-Ohio, in this case, plans to substantially increase the fixed monthly charge for residential customers from \$8.40 per month to \$14.00 per month (a \$67.20 annual increase). That means that no matter how much energy the poorest Ohioans use in a month, they will be paying 66% more for the privilege of simply being connected to AEP-Ohio's distribution system. Fixed customer charges disproportionately impact the poorest Ohioans and smallest energy users. This is an important summarizing quote from the National Consumer Law Center's website (emphasis added):

National Consumer Law Center's research and analysis, based on the 2009 U.S. Energy Information Administration's Residential Energy Consumption Survey (the latest data available), shows that, on average, **households with lower incomes, and who are African American, Latino, or older, use less electricity and natural gas than higher-income households. "Fixed charge rate design" unfairly and disproportionately harms these customers.**

Accordingly, the highest level of scrutiny should be applied to ensure that the rates are just and reasonable and non-discriminatory. Staff properly calculated the fixed customer charge of \$6.01 per customer, then simply agreed to accept Ohio Power's rate of \$8.11 per month. The fixed customer charge for RS customers should be set in accordance with Staff's calculation at \$6.01.⁴ Staff should also be comfortable openly addressing the fact these charges disproportionately and adversely affect minorities and the poor.

The political reality is that it is easier for AEP to take \$67.20⁵ from a million residential customers than it is to raise fees on other, well represented tariff classes or, for that matter, for AEP to actually work on reducing its costs. That reality has to change.

Example 2: Proposed Increase in Disconnection and Reconnection Fees

AEP-Ohio also intends to increase disconnection and reconnection fees, which predominantly affect the Ohioans that are struggling the most. These disconnection and reconnection charges therefore deserve the highest level of scrutiny.

If AEP-Ohio fully used the features of the smart meters that Ohioans are already paying for, then it could almost entirely eliminate disconnection and reconnection fees and make it just a little bit easier for Ohioans who are struggling financially. In fact, one of the most valuable features of these meters is the ability to remotely disconnect and reconnect these meters. For a poor Ohioan,

⁴ Kent notes that the \$2.10 difference between staff calculated rate and staff proposed rate represents ~25% of the Ohio minimum wage and thus represents an extra 15 minutes that a minimum wage earner would have to work to pay their bill.

⁵ The proposed annual increase in customer charge

living at the poverty level and struggling to pay every bill, a disconnect and reconnect at the meter represents a \$45.00 cost (4% of their monthly income). If the reconnection has to occur during a holiday, like Christmas, that cost rises to \$89.00 (8% of their monthly income). If the utility installs a locking device, the additional \$78.00 represents an additional 7% of that poor Ohioans income. Given the grave impact these fees can have on the poorest Ohioans, it must be clear that if there is an AMI/smart meter is installed then AEP-Ohio should not be allowed to collect any fees associated with the disconnection or reconnection of service.

More specifically, the proposed customer disconnection fee of \$18 (up from \$16) is specifically linked to a situation where a "Company employee is dispatched to a customer's premises for the purpose of performing disconnection activities." There is not, however, any reference to Ohio Power's increasing and ongoing use of AMI meter technology with remote disconnection features. That needs to be specifically called out in the tariff. The clearest way of doing so would be the addition of the following language: "The collection trip charge of \$18.00 shall not apply when the customer is served through an AMI meter."

Likewise, the reconnection service charges (most of which AEP-Ohio proposes to increase) are not tied to an actual Company visit to the customer's premises and do not recognize the reconnection features of AMI/smart meters. As a result, the language should be revised as follows: "When service has been terminated for nonpayment, the following charges shall apply for reconnection of service if a Company employee is required to be dispatched to a customer's premises for the purpose of performing reconnection activities. The reconnect service charges shall not apply when the customer is served through an AMI meter. The Company may not install a locking device on a customer with an AMI meter."

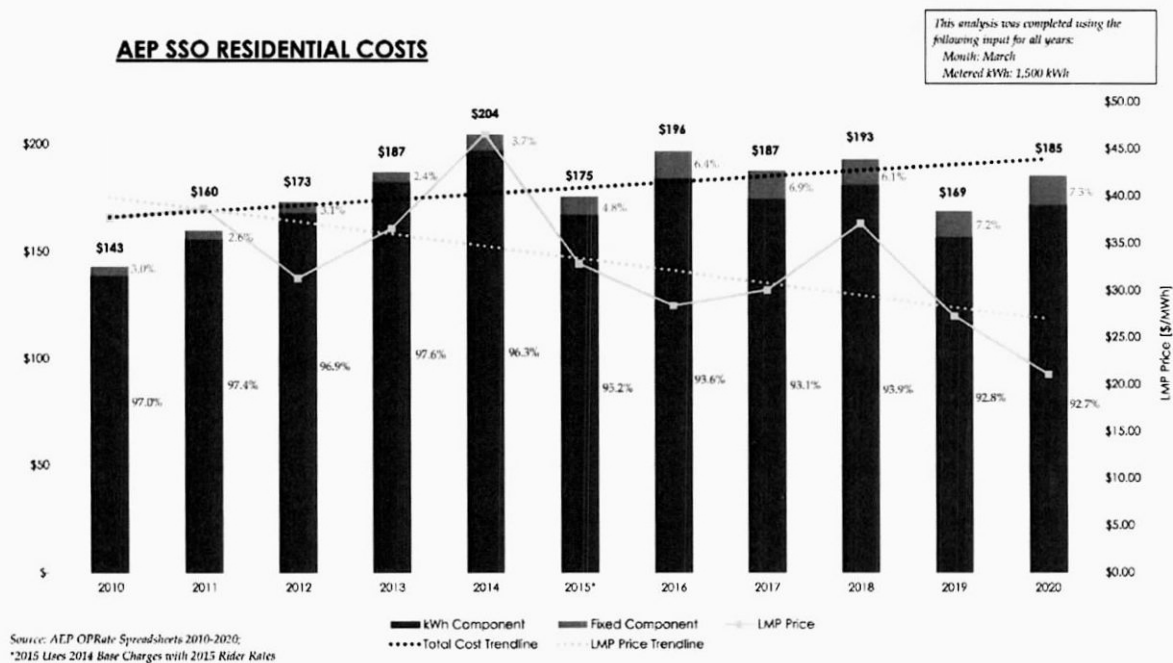
As highlighted above, AEP-Ohio also wants to and has already received guaranteed recovery on AMI/smart meters, but it refuses to use all of the features on those AMI/smart meters to lower costs for consumers. If these meters are used and useful, then the utility's customer base is entitled to receive the full useful value of these meters. The OCC correctly points out in its objections that the disconnect/reconnect fees don't reflect the ability of AEP-Ohio to remotely disconnect and reconnect the customer. The OCC, however, incorrectly accepts the premise that these fees should exist or be allowed to ever reoccur in light of the AMI/smart meter capabilities. AEP-Ohio should be required to install an AMI meter at any residential location where it performs a disconnect so that the reconnect is free and any future disconnect fees or reconnect fees are eliminated forever. This will stop the cyclic impact of disconnect and reconnect fees on the poorest Ohioans who are most deserving of the Commission's protection.

If AEP-Ohio genuinely cared for the public good and trying to use its guaranteed rate of return to improve the grid for Ohioans, they would have fixed this problem a decade ago. It is clear that AEP has other motives. The Staff and the Commission need to make them do so now by reducing disconnect/reconnect fees and eliminating them for residences equipped with AMI/smart meter technology.

Example 3: Residential Rates Decoupled With Reality

AEP-Ohio sells two things, power and energy. Power is measured by demand and energy is measured by consumption. Both are declining. Thanks to energy efficiency, modernization, distributed generation, and other products of the modern era, consumers of all sizes have lowered their need for demand and consumption. Thanks to more efficient power plants the cost of energy has also come down.

This should be great news for Ohioans. This should mean that homeowner's bills are going down. This should mean that it is cheaper to light your home. Instead, AEP-Ohio's rates over the last 10 years have continued to go up. The same customer that paid \$143/month in 2010 now pays \$185/month. The demand on the system has come down. The cost of energy has fallen from nearly 4 cents per kilowatt hour to just over 2 cents per kilowatt hour. And yet, the actual bills for customers keep going up. In a reasonable market, this graph should not look like this. In Ohio it does.



AEP-Ohio's rates are decoupled with reality, and the Commission needs to step in to stop the cycle. AEP cannot continue to promise its shareholders year over year annual growth on the back of Ohioans. The Commission was created to protect Ohioans from monopolies acting in a manner that is inconsistent with public good. The Commission was created to regulate utilities to protect Ohioans from unjust and unreasonable actions like this.

Yes, AEP-Ohio is entitled to a rate of return, but it is not entitled to endless and senseless growth.

Example 4: Unreasonable Proposed AEP-Ohio Terms and Conditions Changes

1. AEP Ohio creates an internal inconsistency in Section 19 and 20 of its Terms and Conditions of Service. In Section 20, it states that “[t]he metering device is the property of the Company; however, the meter base and all internal parts inside the meter base are customer owned and are the responsibility of the customer to install and maintain.” Yet, in Section 19, it states that the “customer will be held responsible for any tampering or interfering with or breaking the seals of meters or other equipment of the Company installed on the customer’s premises and will be held liable for the same according to law.” In other words, it is unreasonable and unfair for AEP-Ohio to seal the base of a meter, make the customer liable for breaking the seal, and then require the customer to maintain the inside of the meter base or be liable for poor maintenance. This inconsistency should be resolved as part of this case, and I propose that it be done by eliminating the customer liability language for components with an AEP-Ohio seal on them.
2. AEP-Ohio fails to set the same payment timeline for residential and general service customers. If AEP-Ohio is comfortable with 21-day payment terms for general service customers, then the same 21-day standard should apply to RS customers⁶. A failure to match those terms would be unnecessarily discriminatory.
3. AEP-Ohio’s proposed changes to CRES information are unreasonable⁷. Specifically, it proposes to no longer list the currently registered CRES providers on the company’s website. Instead, AEP-Ohio intends to rely on a customer request. It is the policy of the State of Ohio to make access to competitive providers easier, not harder. It is the policy of the Commission to encourage competition. By removing the list from its website, AEP-Ohio is making it harder for the average Ohioan to access this information. No Ohioan wants to have to call AEP-Ohio’s service line to request a list. It is an unnecessary and anticompetitive change that discourages competition and is thus bad for the average Ohioan⁸. The simple fix is to add back in the requirement that AEP-Ohio list available CRES providers on its website.

⁶ Ohio Power proposes a 15-day payment due date for RS customers on Sheet 210-3.

⁷ Terms and Conditions 28 as proposed

⁸ To most residential Ohioans served by AEP-Ohio, AEP is the only power company they know about. They do not know about the Commission’s list of CRES suppliers nor do most people even know the Commission exists. Thus it is important that AEP-Ohio remain a gateway for customer choice.

Example 5: AEP-Ohio Is Mismanaging Its Long-Term Debt

AEP-Ohio is failing to properly manage its cost of debt and that is detrimental to Ohioans. Arguably the biggest point of contention in a rate case is the rate of return. The cost of long-term debt represents roughly half⁹ of the analysis. It is material, and it is the easiest way to save Ohioans money without costing AEP-Ohio anything.

In this case AEP Ohio is claiming an embedded cost of debt of 5.22%¹⁰. Yet, AEP-Ohio, shortly after its date certain in this case issued its Series P Senior Unsecured Notes at 2.60%.

The reality is that the cost of debt has plummeted, and AEP-Ohio should take advantage of that. Any other business would. Homeowners have refinanced their mortgages. Yet, AEP has not.

If AEP refinanced its debt and brought the cost of debt down just 100 points to 4.22% it would reduce its rate of return by 0.46% and that would reduce its required operating income by \$13,353,000¹¹. If AEP brought its cost of capital down to 3.50% it would reduce its required annual operating income by \$22,753,000. That is a 10.9% decrease in required operating income¹². And, AEP would still have a 90-bps spread over its Series P Notes.

AEP-Ohio has the right to repurchase and refinance its Notes. If AEP-Ohio fails to agree to do so, or to at least demonstrate that it has done the refinance analysis and made good decisions based on that analysis, as part of this rate case then the Commission should open a separate docket to investigate AEP-Ohio's finance practices to ensure they are reasonable and prudent.

The only logical reason that AEP-Ohio has not refinanced yet is that it would be better for it to do so after this rate case when it can keep the full 262 bps spread for itself. And that cannot be acceptable to the Commission or Ohioans. That is exactly the kind of anti-public-good tactic that the Commission was created to prevent.

Example 6: AEP-Ohio Seeks to Eliminate Due Process for Consumers

AEP-Ohio arrogantly includes the following language in their Terms and Conditions:

When service has been obtained through tampering practices, the customer will be charged a minimum fee of \$52.00 for the Company to investigate and inspect the premises. The customer will pay additional charges for any and all costs of disconnection as well as the costs of repairing or replacing damaged equipment based on the customer's individual situation.

⁹ 45.57% according to Staff Report Schedule D-1

¹⁰ Ignoring footnote (1) on Schedule D-3

¹¹ Based on Staff's Lower Bound in Schedule A-1

¹² Based on Staff's Lower Bound in Schedule A-1

The theft of energy is a crime in Ohio. The destruction of property is a crime. AEP-Ohio is not an investigative body nor is it a law enforcement agency. Neither is it the judge and jury. It is inappropriate and unreasonable for AEP-Ohio to claim the authority to determine if a theft has occurred and it is similarly inappropriate for it to impose a fine for a crime without due process.

If AEP-Ohio has reason to believe that a crime has occurred, then it is free to report the crime to local authorities who are empowered to investigate crimes. Further, if AEP-Ohio believes that it is entitled to damages because of that crime, then it is free to pursue those damages in court against the accused.

All Ohioans are entitled to due process, it is completely unacceptable that AEP-Ohio seeks to usurp that right.

The Commission should remove the above language from the Terms and Conditions entirely.

Example 7: AEP-Ohio Continues to Have a Gender Wage Gap

AEP-Ohio has said that it is making progress towards eliminating the gender wage gap. This statement is equally comical and offensive. AEP is entitled to recovery on its expenses. If AEP paid its women as much as it paid its men, it would have higher operating costs in its test year and it would be entitled to fully recover those costs.

It would literally cost AEP nothing to pay women equally.

AEP could fix the wage gap tomorrow. It chooses not to.

As a regulated monopoly that Ohioans are legally forced to interact with, AEP should not be allowed to operate in a discriminatory manner. The Commission needs to take that choice away from all regulated natural monopolies if they want to operate in this State. The Commission needs to make it clear that Public Utilities are going to be held to account for discrimination.

My Plea

None of the preceding examples are acceptable in 2021. None of these examples should exist. All of them can be fixed.

When a regulated utility ignores its duty to the average citizen and makes systematic moves against the policy of the State, there are only five people with the ultimate authority to check that utility. The Public Utilities Commission was created to check the monopolistic powers that utilities were granted. The Commissioners have the power, and obligation, to look past blind executive ambition towards shareholder value and perpetual growth.

The Commissioners have the power to tell utilities that they are not entitled to endless growth, especially when demand and consumption are both decreasing. You, the five Commissioners of the Public Utilities Commission of Ohio, have the power to make the utilities serve the public good. You have the power to make sure that things are fair. Year over year growth and the unreasonable creation of structural bias is neither fair nor proper.

I beseech you, please use your broad powers to protect the ratepayers who do not even know this case is happening.

Specifically, my plea is as follows:

1. Structural bias must be identified, openly discussed, and eliminated in the utility rate-making process.
2. Equal pay and anti-discrimination need to be examined and fixed in every single rate case for every single utility in every single state.
3. Every single rate case should include a structural bias analysis.
4. Any charge or fee that disproportionately affects the poor, the elderly, or a minority should receive the highest level of scrutiny and should be mitigated through grid modernization when possible.
5. Every single rate case should include an explicit analysis of how it affects the state policies enumerated in 4928.02.
6. Every utility should, as part of every rate case, submit a formal plan to reduce its rate base and annual expenses if demand continues to decline.
7. In every rate case the utility should be required to demonstrate that they are exercising diligent efforts to keep their cost of debt low, including doing a refinance analysis on any debt that is more than 3 years old.

Conclusion

Real and lasting change comes from changes to the system, from inside the system. Change comes from active intervention in tedious and time-consuming processes like this rate case, that is why change is hard. Change comes from unsung heroes, like appointed commissioners, stepping up and saying "Enough!".


AEP operates as a monopoly, full stop. If you are serviced by AEP-Ohio, then it has the exclusive right, by law, to service your electricity - no other entity has the right to even compete to be your distribution provider. Their position as a state-granted regulated monopoly with a guaranteed profit makes them a powerful structural tool to either create bias or to eliminate bias. They did the former.

The Commission was created for this eventuality. The Commission was created to exercise its power to protect Ohioans from the monopolistic monsters that Ohio permitted. The Commission should broadly exercise its powers in this case to right the wrongs and structural bias that this rate case makes clear.

I have read the Objections to Staff Report from all parties in this case. In my opinion, they do not go far enough to protect residential customers, especially the poorest and most underrepresented Ohioans. They seem to accept the inevitability that AEP-Ohio will get most of what it wants because that is how the system works. I respectfully submit these comments for your consideration, and ask that, as part of the public record in this case, both Staff and the Commissioners carefully consider them.

Please let me know if there is anything I can do to help you right these unnecessary wrongs. I am at your service.

Very Respectfully Submitted,


Jereme Kent
In my individual capacity