**BEFORE**

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

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| In the Matter of Ohio Power Company to Update Its Transmission Cost Recovery Rider. | )  )  ) | Case No. 12-1046-EL-RDR |

**COMMENTS**

**BY**

**THE OFFICE OF THE OHIO CONSUMERS’ COUNSEL**

On June 15, 2012, the Ohio Power Company (“AEP Ohio” or “Company”) filed an Application seeking approval to update the Company’s transmission cost recovery rider (“TCRR”) and to collect from customers certain costs identified in the Application. The Company subsequently filed three corrections to its Application.[[1]](#footnote-1) On October 15, 2012, the Staff of the Public Utilities Commission of Ohio (“Commission” or “PUCO”) docketed its Review and Recommendation on the Application. The Office of the Ohio Consumers’ Counsel (“OCC”) files Comments addressing these documents.

In the Application, AEP Ohio proposed a unified TCRR for its Columbus Southern Power (“CSP”) and Ohio Power (“OP”) Rate Zones that increases TCRR rates for both rate zones by approximately 28.17%.[[2]](#footnote-2) The update to the Company’s TCRR includes a significant rate impact due to an under-collection of $36,421,033, including carrying charges, from the prior period, which AEP Ohio describes as “a direct function of projected non-shopping load.”[[3]](#footnote-3)

The Company proposes to mitigate the rate impact by collecting the under-collection, plus carrying charges, over three years rather than the traditional one-year TCRR true-up.[[4]](#footnote-4) Under this proposal, AEP Ohio estimates the monthly total bill impact of the TCRR for 2012 to be an increase of 2.7% ($3.06 per month) for residential customers in the OP Rate Zone using 1,000 kWh and 1.6% ($1.99 per month) for similar residential customers in the CSP Rate Zone, if the three-year proposal is used.[[5]](#footnote-5) If the under-collection is charged over 12 months, the increases for residential customers using 1,000 kWh per month would be 4.3% ($4.88 per month) in OP Rate Zone and 3% ($3.74 per month) in the CSP Rate Zone.[[6]](#footnote-6) The three-year collection plan, however, would impose $5.9 million in carrying charges on customers,[[7]](#footnote-7) based on the Company’s 5.34% debt rate.[[8]](#footnote-8)

The Company also suggested that, should the Commission find it necessary to further mitigate the rate impact on customers, the Commission could phase-in the under-collection balance over three years on a non-bypassable basis pursuant to R.C. 4928.144.[[9]](#footnote-9) The rate increase of this option on a residential customer using 1,000 kWh per month is 2.2% in the OP Rate Zone and 1.1% in the CSP Rate Zone.[[10]](#footnote-10)

In its Review and Recommendation, the PUCO Staff recommended that the Commission approve AEP Ohio’s Application, with modifications. First, the Staff recommends that the under-collection be charged to customers as a separate, nonbypassable rate as part of the TCRR, which would terminate once the $36 million has been collected.[[11]](#footnote-11) The basis for the Staff’s recommendation is that the majority of the under-collection occurred during a period when there was minimal shopping by AEP Ohio’s customers, but now shopping has increased and will continue to do so.[[12]](#footnote-12) According to the Staff, customers who choose not to shop “should not have to bear the burden of the customers that created the costs but would not be subject to the costs if the costs were included in a bypassable rider.”[[13]](#footnote-13)

Second, the Staff pointed out that Net Marginal Loss (“NML”) costs for the TCRR are allocated based on historical base generation revenues.[[14]](#footnote-14) The Staff recommended changing this methodology so that the projected NML costs would be allocated on a projected kWh basis.[[15]](#footnote-15) According to the Staff, this change “would better assign the costs to those who are creating the costs.”[[16]](#footnote-16) The Staff recognized that this change in methodology may result in a shift in costs among customer classes, hence the Staff recommended a transition to the new allocation methodology.

The Staff proposed that 50% of the projected NML costs be allocated based on AEP Ohio’s methodology proposed in the July 24, 2012 amendment to the Application, with the other 50% of the costs allocated based on projected energy billing determinants.[[17]](#footnote-17) The Staff also recommended that, when AEP Ohio files its TCRR update in 2013, 100% of proposed NML costs should be allocated based on projected kWhs.[[18]](#footnote-18) The Staff did not provide a calculation of the effect of its recommendation on the TCRR rates.

The Commission’s decision in this proceeding will have an impact on the Company’s second Electric Security Plan (“ESP”).[[19]](#footnote-19) The TCRR was included in the Company’s application in that proceeding,[[20]](#footnote-20) and the Commission combined the collection mechanisms for the OP and CSP Rate Zones in that proceeding.[[21]](#footnote-21) The Commission’s decision here will thus affect the rates customers pay through the Company’s ESP, and will thus affect the calculations regarding the total bill impact for each customer that the ESP will have.[[22]](#footnote-22) That includes the proposed deferrals and carrying charges from the under-collection.

Although a three-year collection period may mitigate rate increases for the first year, the deferrals and carrying charges will add to the costs customers pay in subsequent years. The deferrals thus would exacerbate any additional increases to the TCRR that may occur in 2013 and 2014, should shopping increase beyond the Company’s projections. Customers’ bills could thus increase even more.

AEP Ohio’s customers already will pay numerous rate increases recently authorized by the PUCO.[[23]](#footnote-23) The Commission has stated that it is generally opposed to the creation of deferrals.[[24]](#footnote-24) The Commission cannot ignore the additional costs for customers that these deferrals will create.[[25]](#footnote-25) This would also affect the impact of the TCRR on the 12 percent cap on rate increases mandated in the ESP 2 Order.

Further, the Staff has not provided information regarding the effect of its NML proposal on the various customer classes. The bill impact mandate in the ESP 2 Order caps rate increases at 12 percent over the Company’s first ESP rates for the entire term of the second ESP, on an individual customer basis. Thus, if the Commission were to adopt the Staff’s proposal, the Commission would not have the specifics regarding how the Staff’s proposal would affect the various customer classes. The effect on individual customers’ bills would also be unknown.

There is another alternative that neither the Company nor the Staff has proposed, i.e., collecting the under-collected amount in a 12-month period but making the charge non-bypassable, if the Commission deems a non-bypassable TCRR to be lawful. Under this proposal, the total bill increase would be 3.75% ($4.25 per month) for residential customers in the OP Rate Zone using 1,000 kWh and 2.5% ($3.11 per month) for similar residential customers in the CSP Rate Zone.[[26]](#footnote-26) This would help mitigate the rate increase for customers and avoid nearly $6 million in additional carrying charges that would accrue on the deferrals.

The Commission should not add costs to customers’ bills through deferrals. To protect customers, the Commission should reject the proposal by the Company and the Staff to defer costs associated with the under-collection. Without the deferrals, customers’ rates would increase more for one year than if the costs are deferred, but customers would pay less over the three years.

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

I hereby certify that a copy of these Comments was served on the persons stated below via electronic transmission this 22nd day of October 2012.

*/s/ Terry L. Etter*

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1. On July 11, 2012, the Company filed corrected Schedules A-1, A-2, B-5 and Exhibits 1 and 2 because the original schedules did not utilize the actual energy rates calculated on Schedule C-3. On July 24, 2012, the Company filed a corrected Schedule C-3 to reflect an allocation of net marginal losses based on total company (Ohio Power Company and Columbus Southern Power rate zones) base generation revenues. The Company also filed corrected versions of other schedules affected by the change. And on August 16, 2012, the Company filed a corrected Schedule C-2 because the schedule filed with the Application showed the metered kWh and demand for only the first 10 months of the forecast instead of the entire 12-month period. [↑](#footnote-ref-1)
2. Application at 4. [↑](#footnote-ref-2)
3. Id. [↑](#footnote-ref-3)
4. Id. at 4-5. [↑](#footnote-ref-4)
5. See id., corrected Schedule B-5 (July 24, 2012) at 1, 3. [↑](#footnote-ref-5)
6. Id., corrected Exhibit 1 (July 24, 2012) at 1, 3. AEP Ohio did not calculate the dollar amount of the rate increase if the under-collection were charged over a 12-month period. Based on the figures contained in corrected Schedule B-5 (July 24, 2012), a 4.3% increase would amount to $4.88 per month for residential customers in the OP Rate Zone using 1,000 kWh and a 3% increase would amount to $3.74 per month for similar residential customers in the CSP Rate Zone. [↑](#footnote-ref-6)
7. Id., Schedule B-1 (phase-in credit). [↑](#footnote-ref-7)
8. See id., Schedule D-3a. [↑](#footnote-ref-8)
9. Id. at 5. [↑](#footnote-ref-9)
10. Id., corrected Exhibit 2 (July 24, 2012) at 1, 3. [↑](#footnote-ref-10)
11. Staff Review and Recommendation at 2. [↑](#footnote-ref-11)
12. Id. at 1. [↑](#footnote-ref-12)
13. Id. [↑](#footnote-ref-13)
14. Id. at 2. [↑](#footnote-ref-14)
15. Id. [↑](#footnote-ref-15)
16. Id. [↑](#footnote-ref-16)
17. Id. [↑](#footnote-ref-17)
18. Id. [↑](#footnote-ref-18)
19. *In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to §4928.143, Ohio Rev. Code, in the Form of an Electric Security Plan*, Case No. 11-346-EL-SSO (“ESP 2”). [↑](#footnote-ref-19)
20. See id., Modified Application (March 30, 2012) at 12. [↑](#footnote-ref-20)
21. Id., Opinion and Order (August 8, 2012) (“ESP 2 Order”) at 63. [↑](#footnote-ref-21)
22. Id. at 70. [↑](#footnote-ref-22)
23. For a discussion of some of the rate increases approved by the Commission, see id., Reply Brief by the Office of the Ohio Consumers’ Counsel and The Appalachian Peace and Justice Network (July 9, 2012) at 40-44. [↑](#footnote-ref-23)
24. See ESP 2 Order at 36. [↑](#footnote-ref-24)
25. Application at 4. [↑](#footnote-ref-25)
26. The total bill impacts are based on the figures in corrected Schedule B-5 (July 24, 2012). [↑](#footnote-ref-26)