

FILE

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)
Columbus Southern Power) Case No. 10-164-EL-RDR
Company to Update Its gridSMART)
Rider.)

COMMENTS
BY
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL

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On February 8, 2010, Columbus Southern Power Company ("CSP" or "Company") filed an Application to update its gridSMART Rider, associated with Phase I of the Company's smart grid deployment proposal included in the Company's electric security plan ("ESP").¹ In the Application, CSP asked the Public Utilities Commission of Ohio ("PUCO" or "Commission") for authority to establish a new rate of 2.30342% for its gridSMART Rider,² which is a reduction from the rate of 2.55030% in the Company's current gridSMART Rider.³ The gridSMART Rider rate is applied to customers' distribution charges, excluding charges under any applicable riders.⁴ The Office of the Ohio Consumers' Counsel ("OCC"), an intervenor on behalf of residential utility consumers,⁵ submits comments on the Application.

¹ CSP and OPC ESP Applications, Case Nos. 08-917-EL-SSO and 08-918-EL-SSO, Order (March 18, 2009) ("ESP Order").
² Application at 5.
³ See id., CSP Attachment B.
⁴ See CSP Tariff P.U.C.O. 7, 1st Revised Sheet No. 84-1. The Commission should consider modifying the Rider so it is expressed as cents per kilowatt hour rather than as a percentage of distribution charges.
⁵ OCC's intervention was granted in an Entry issued on April 8, 2010 (at 4).

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In the ESP Order, the PUCO approved \$109 million for AEP's gridSMART program, with 50% of the cost (\$54.5 million) to be collected from consumers and the other 50% (\$54.5 million) funded through federal matching funds under the American Recovery and Reinvestment Act of 2009 ("ARRA").⁶ On rehearing, the Commission reduced CSP's revenue requirement for gridSMART Phase I during the three-year ESP term to \$64 million, and authorized the Company to collect half of the requirement – \$32 million – from customers.⁷ The gridSMART Rider is to recover only the incremental revenue requirement for 2009-2011 and not the entire cost of Phase I over the course of the ESP.⁸

CSP, however, states that it suspended some gridSMART investment spending during 2009 while the Company's grant application at the U.S. Department of Energy ("DOE") was pending.⁹ As a result, CSP over-collected the costs of its gridSMART program from customers during 2009,¹⁰ by \$7,529,985.¹¹ The new gridSMART Rider rate is designed to reconcile the gridSMART Rider to the annual revenue requirement for actual gridSMART Phase I investment.¹² CSP has requested a decrease of approximately \$23,000 in its annual revenue requirement for 2010 compared to 2009.¹³

⁶ ESP Order at 38.

⁷ Case Nos. 08-917-EL-SSO and 08-918-EL-SSO, Entry on Rehearing (July 23, 2009) at 20.

⁸ Id. The Company states that it may seek to collect additional gridSMART Phase I costs from customers at some future time. See Application at 2.

⁹ Application at 4.

¹⁰ Id. at 4-5.

¹¹ See id., CSP Attachment B.

¹² Id. at 5.

¹³ See id., CSP Attachment B.

The Company's initiative in fulfilling the requirements for DOE's grant process for ARRA funding without increasing the gridSMART Rider is praiseworthy. The ESP Order provided that the gridSMART program include Advanced Meter Infrastructure, Home Area Network and Distribution Automation.¹⁴ But, according to CSP, the DOE required the following additional program enhancements: Realtime Pricing; Community Energy Storage; Smart Appliances; Cyber Security Operation Center; and Plug-in Electric Vehicles.¹⁵ CSP states it received "in-kind contributions ... from non-affiliated corporate partners in support of the enhanced gridSMART Phase I initiative."¹⁶ The Company does not identify the non-affiliated corporate partners. In addition, "American Electric Power Service Corporation and AEP Ohio will perform additional work beyond what was originally contemplated in support of the enhanced gridSMART Phase I initiative and the cost of that additional work will not be collected through the gridSMART Rider."¹⁷ The additional program enhancements have increased the total project costs by \$41.3 million.¹⁸

Although the Company states that the additional cost will not be collected through the gridSMART Rider, OCC is concerned that CSP and/or AEP Ohio may seek the authority to collect the additional gridSMART costs through other means. The Company does not state that it will not attempt to collect the costs through other riders or through a general distribution rate increase. OCC seeks assurance that the increased project costs

¹⁴ ESP Order at 37-38.

¹⁵ Application at 3.

¹⁶ Id.

¹⁷ Id. at 3-4.

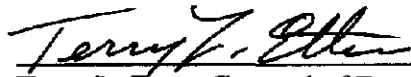
¹⁸ See id., Attachment A.

of \$41.3 million will not be sought for recovery in a future distribution rate case or in a new rider, either by CSP or its affiliates. The Commission should not allow collection of gridSMART-related costs by any means other than through the gridSMART Rider.

The Commission should also conduct a prudence review of CSP's gridSMART expenditures, to determine the reasonableness of the expenditures and of the rate. In order to protect consumers, the Commission should ensure that the gridSMART Rider rate is just and reasonable, in accordance with R.C. 4905.22.

Respectfully submitted,

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CONSUMERS' COUNSEL

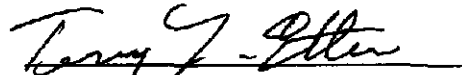


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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Comments was served upon the persons listed below via first class U.S. Mail, postage prepaid, on this 30th day of April 2010.


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