

FILE

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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

PUCO

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**REPLY COMMENTS
BY
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL**

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

On April 30, 2010, the Office of the Ohio Consumers' Counsel ("OCC"), an intervenor on behalf of residential utility consumers,⁵ filed comments on the Application.⁶ OCC expressed

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.

⁵ OCC's intervention was granted in an Entry issued on April 8, 2010 (at 4).

⁶ The comment and reply comment dates in this proceeding were established in the April 8 Entry. Also filing comments were the Ohio Partners for Affordable Energy and the PUCO Staff.

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concern that the additional \$41.3 million in costs the Company incurred in meeting requirements for a U.S. Department of Energy (“DOE”) grant,⁷ though not collected from customers through the gridSMART Rider, might be collected through other means.⁸ 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 urged the Commission to not allow collection of gridSMART-related costs by any other means in this or other proceedings.⁹

In its comments, which were based on its audit, the PUCO Staff found several discrepancies in the Company’s accounting. In its audit of Advanced Metering Infrastructure (“AMI”) gridSMART capitalization items, the PUCO Staff found double accounting entries of meter purchase invoices and accounts payable accrual entries. This resulted in a double counting of capital investments, which was corrected in a period outside of this audit. Based on this, Staff recommended an adjustment of \$10,747,780 to 2009 capital expenditures for AMI.¹⁰

PUCO Staff also recommended an adjustment of \$171,756 to remove certain Operations and Management (“O&M”) expenses that should have been incremental, but apparently were not.¹¹ And PUCO Staff recommended an adjustment of \$152,096 to reflect the removal of Interest Center expenses because the Center is not part of the gridSMART deployment.¹²

These adjustments point out the need for an annual prudence review of the gridSMART program by the Commission, as OCC recommended.¹³

⁷ See Application, Attachment A.

⁸ OCC Comments at 4-5.

⁹ Id. at 5.

¹⁰ PUCO Staff Comments at 11.

¹¹ Id.

¹² Id. at 11-12.

¹³ OCC Comments at 5.

OCC, however, disagrees with the PUCO Staff's recommended increase in the carrying charge rate. The PUCO Staff recommended that the carrying charge rate be increased by 1.62% over the rate approved in the ESP, for a new carrying charge rate of 15.14%.¹⁴ According to the PUCO Staff, this would increase carrying charges that CSP will collect from customers by \$560,378.¹⁵ It is not clear from the PUCO Staff's comments, but apparently CSP calculated the property tax on generation assets, which are assessed property taxes based on 24% of true value, instead of calculating the property tax on distribution assets, which are assessed property taxes based on 85% of true value.¹⁶ The PUCO Staff did not provide its calculations in its comments.

OCC urges the Commission to reject this PUCO Staff proposal. The PUCO Staff has not shown that the carrying charge increase is warranted or necessary for gridSMART implementation, and further burdens consumers at a time of great economic difficulty. The increase in the carrying charge would needlessly raise customer's rates.

CONCLUSION

The gridSMART Rider does not include the \$41 million in additional costs AEP incurred in meeting DOE's grant requirements. The Commission should ensure that AEP does not collect the additional costs through other proceedings. OCC agrees with the PUCO Staff's adjustments for AML, O&M and the Interest Center. OCC, however, urges the Commission to reject the PUCO Staff's 1.62% increase of the carrying charge rate, to 15.14%. Consumers should not be burdened with this ill-advised increase.

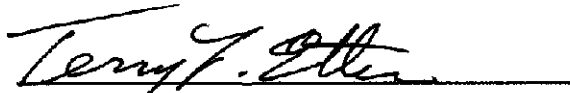
¹⁴ PUCO Staff Comments at 14.

¹⁵ Id.

¹⁶ Id.

Respectfully submitted,

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A handwritten signature in black ink, appearing to read "Terry L. Etter", is written over a horizontal line.

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Reply Comments was served upon the persons listed below via first class U.S. Mail, postage prepaid, on this 10th day of May 2010.



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