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BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the Application of)
Columbus Southern Power Company to)
Update its gridSMART Rider.)

Case No. 10-164-EL-SSO

COLUMBUS SOUTHERN POWER COMPANY'S
ADDITIONAL REPLY COMMENTS IN RESPONSE TO THE ADDITIONAL
COMMENTS OF THE OHIO CONSUMERS' COUNSEL

I. INTRODUCTION

Columbus Southern Power Company (CSP) filed an Electric Security Plan (ESP) in Case No. 08-917-EL-SSO wherein the Commission approved the Company's gridSMART Phase I initiative and authorized CSP to establish a gridSMART Rider, subject to annual reconciliation. (Opinion and Order, March 18, 2009, p. 38). On February 11, 2010, CSP filed this application as the first annual reconciliation of the gridSMART Rider. On April 8, 2010, the Commission issued an Entry establishing a comment cycle in this case, whereby initial comments were due April 30, 2010 and reply comments are due on May 10, 2010. After the comment cycle, all of the parties engaged in discussions in an attempt to mutually resolve the outstanding issues. While no settlement was reached, CSP updated its position on July 21, 2010 in an effort to address Staff's concerns and offer a unilateral compromise in recognition of intervening parties' positions.¹ In response, the Staff filed a letter on July 30, 2010 indicating that it agreed

¹ OCC relies (at 2-3) on OAC 4901-1-06 regarding applications amendments to suggest that the Commission should not act on the application in light of CSP's updated position. The updated position letter was not an application amendment as CSP continues to request approval of the new gridSMART riders. Any party can unilaterally compromise its position through an updated position without leave to do so, either through correspondence or testimony or a pleading. It is hardly uncommon to do so and is not properly considered an application amendment.

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with CSP's proposed resolution in this case and that no issue remained that require a formal adjudicatory hearing. After the case was placed on the Commission's meeting agenda, the Ohio Consumers' Counsel (OCC) filed additional comments regarding CSP's updated position, addressing four matters. No other party filed additional comments.

II. COST RECOVERY ADJUSTMENTS AND WORKING GROUP

OCC agrees (at 3) with items 1 and 2 of CSP's updated position to exclude certain costs from recovery through the gridSMART rider. OCC appears to also agree (at 3) with item 4 of the updated position to continue implementation of gridSMART Phase 1 subject to cost review and recovery in future rider adjustment proceedings. But the OCC goes on to recommend changes to CSP's voluntary and unilateral offering to establish a gridSMART working group.

The working group proposal is not something that was being offered by CSP in its application or proposed through any party's comments in this case and, thus, it would not have been something the Commission would have likely considered ordering CSP to do as part of a litigated decision – absent CSP's updated position. Though CSP invited OCC to provide specific suggestions and was open to such discussions during the extended settlement phase of this case, that process did not produce any agreement. Nonetheless, CSP decided to unilaterally offer an ongoing stakeholder forum to discuss concerns relating to gridSMART implementation. CSP submits that it would be inappropriate for the Commission to require CSP to extend its voluntary commitment through adoption of the proposed changes as part of an order.

In any case, OCC will have ample opportunity if it desires to attend and participate in the working group to discuss issues of importance to them and provide

ongoing input to CSP. Effectively, the items listed in CSP's updated position letter for the working group to address are minimum list of topics, not the maximum or definitive list. For example, if the working group members and CSP agree that monthly meetings would be beneficial, then the working group can meet monthly. But such matters should not be addressed in the Commission's order, especially since CSP's offer to create a working group was a unilateral and voluntary offering. Neither Staff nor any of the other parties have responded to the working group proposal with criticism. Accordingly, the Commission should not entertain OCC's tinkering in this regard.

III. CARRYING CHARGE

OCC claims (at 4) that the Commission did not specify a carrying charge for gridSMART investment in the ESP case, and CSP has not shown that the proposed annual carrying charge rates are just and reasonable. OCC ignores that the Commission's July 23, 2009 entry on rehearing in Case Nos. 08-817-EL-SSO and 08-918-EL-SSO ("*ESP Cases*") at 20 provided for "recovery of half of the gridSMART Phase I incremental revenue requirement, \$32 million." The \$32 million was based on one-half of the 2009-2011 gridSMART costs over the ESP period including \$9.8 million of O&M and a carrying cost exceeding \$20 million on gridSMART expenditures. *ESP Cases*, Cos. Ex. DMR-4 (Roush); and Ex. PJN-10 (Nelson) (page 1 of 2 for CSP). The carrying cost was based on the various lives of the gridSMART expenditures, ranging from 5 years to 30 years. *Id.*

OCC's statement (at 4) that the carrying charge rates have not been shown to be just and reasonable is undercut by the Commission's approval of the rider funding based

on the carrying charges. Moreover, the Staff comments in this case stated (at 13) that “Staff recommends that the Companies be consistent with the order in the ESP and use the same WACC as approved in that filing.” Similarly, Staff comments went on to state (at 13) that it is Staff’s recommendation “to reflect the depreciation factor based on the latest approved factor that was approved in the ESP case to calculate the revenue requirement for the actual and projected periods 2009-2010.” Further, after CSP filed its updated position, Staff explicitly agreed with CSP’s updated position for purposes of resolving this case.

Finally regarding the carrying charge, OCC suggests (at 5) that CSP should record all depreciation expenses it collects through the annual carrying charges under the gridSMART rider as accumulated depreciation and deduct the balance from distribution rate base in the next distribution rate case. CSP is recording depreciation of the gridSMART equipment on its books with a contra credit entry to accumulated depreciation which would be deducted from rate base in any future distribution or ESP case.

IV. REMOTE DISCONNECT FUNCTIONALITY

OCC raises questions (at 5-8) about item 6 of CSP’s updated position letter, wherein CSP agrees not to do three specific things, at least until after 2011. First, OCC raises a clarification issue to ensure that CSP will follow all of OAC 4901:1-18-05 besides just the notice provision referenced in connection with item 6(c) of the updated position. To the extent it is helpful to clarify in this context, CSP again affirms that it will follow all aspects of the rule absent a waiver and agrees not to seek a waiver before

the end of 2011. In the parenthetical statement in item 6(c), CSP simply wanted to clarify that it may utilize the remote disconnection functionality in a manner that is consistent with the Commission's rules. For example, once CSP has properly notified a customer of disconnection (including the personal contact notification and opportunity for last minute payment) and followed the required process under OAC 4901:1-18-05, the on-site employee can communicate with the appropriate personnel and effect the remote disconnect. While this approach to nonpayment disconnections will not realize the operational cost savings that CSP anticipates in the long run, it would gather operational data and experience during Phase I. Using remote disconnection capabilities in this limited fashion is also expected to enhance employee safety, by reducing exposure to hazards of exploring customer premises for meter work (*e.g.*, dogbites, slip and fall, etc.) CSP's primary aim is to utilize remote disconnection capabilities in the context of voluntary disconnections (*i.e.*, when the customer requests disconnection).

Most of the other issues OCC raises relate to post-2011 gridSMART implementation and constitute matters that will be the focus of the working group. For instance, OCC suggests that the \$30 trip charge should be waived if CSP remotely disconnects service. Again, while that may be the case in the future if the Commission allows full utilization of remote disconnection at some point, it would not be the case under the example provided above for nonpayment disconnections would not avoid a trip to the customer's premises and would not result in avoidance of the trip charge.

OCC's comments go on (at 8) to conduct a rulemaking to address remote disconnection issues. CSP understands the importance of ensuring that customers understand gridSMART capabilities and is attempting to work toward that goal, through

use of the Mobile Interest Center and other educational programs related to gridSMART implementation. CSP is not asking the Commission to address all of these issues and believes that they are best left for subsequent resolution through the working group or other Commission proceedings.

V. TIME OF USE RATES

Similarly, OCC advocates (at 8-9) that time of use rates should be implemented only on an opt-in basis. It is premature to address this matter and goes beyond acceptance of CSP's offer, in item 6(b) of the updated position, to refrain from proposing an opt-out program through the end of 2011. The parenthetical reference in item 6(b) to "an opt-out program would be permissible" was shorthand for saying that CSP would not be restricted under item 6(b) from proposing an opt-out program before 2012 (*i.e.*, it is permissible *for CSP to propose* such an opt-out program during this period); it was not intended to request that the Commission rule in this case that any opt-out program would be permissible.

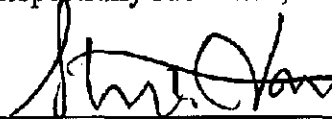
OCC's concerns in this regard are all matters that the proposed working group would discuss and/or the Commission would address in future proceedings (CSP currently has a tariff case, Case No. 10-424-EL-ATA, pending that proposes voluntary (*i.e.*, opt-in) experimental time of use rates. As stated in item 5, "the focus of the working group's efforts would be on post-2012 plans for expanding beyond phase I of the gridSMART initiative for both CSP and Ohio Power Company." In the final analysis, item 6 of the updated position simply constitutes CSP agreeing to three temporary restrictions on itself; the Commission need not address all matters pertaining to the three

restrictions and CSP submits that resolution of the OCC's concerns are best left for another day.

CONCLUSION

For the foregoing reasons, the Commission should adopt CSP's updated position filed in this case on July 21, 2010.

Respectfully submitted,

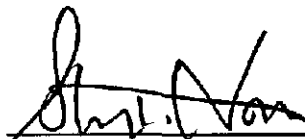


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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing Columbus Southern Power Company's Reply Comments has been served upon the below-named counsel via First Class mail, postage prepaid, this 10th day of August, 2010.



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