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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of	:	
Columbus Southern Power Company and	:	
Ohio Power Company, Individually	:	Case No. 11-351-EL-AIR
and, if Their Proposed Merger is	:	Case No. 11-352-EL-AIR
Approved, as a Merged Company	:	
(collectively AEP Ohio) for an Increase	:	
in Electric Distribution Rates.	:	
In the Matter of the Application of	:	
Columbus Southern Power Company and	:	
Ohio Power Company, Individually	:	Case No. 11-353-EL-ATA
and, if Their Proposed Merger is	:	Case No. 11-354-EL-ATA
Approved, as a Merged Company	:	
(collectively AEP Ohio) for Tariff	:	
Approval.	:	
In the Matter of the Application of	:	
Columbus Southern Power Company and	:	
Ohio Power Company, Individually	:	Case No. 11-356-EL-AAM
and, if Their Proposed Merger is	:	Case No. 11-358-EL-AAM
Approved, as a Merged Company	:	
(collectively AEP Ohio) for Approval	:	
to Change Accounting Methods.	:	

MOTION TO INTERVENE
OF
THE OHIO DEPARTMENT OF DEVELOPMENT

By the above-styled application in Case Nos. 11-351-EL-AIR and 11-352-AIR, Columbus Southern Power Company and Ohio Power Company (collectively, the "Companies" or "AEP Ohio") seek an increase in their rates for electric distribution service. As more fully explained in the accompanying memorandum, the Ohio Department of Development ("ODOD") has a real and substantial interest in this proceeding, and is so situated that the disposition of this

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proceeding may, as a practical matter, impair or impede its ability to protect that interest.

Further, ODOD's interest in this proceeding is not represented by any existing party, and its participation in this proceeding will contribute to a just and expeditious resolution of the issues involved without unduly delaying the proceeding or unjustly prejudicing any existing party.

Accordingly, ODOD moves to intervene in this proceeding pursuant to Section 4903.221, Revised Code, and Rule 4901-1-11, Ohio Administrative Code ("OAC"), for the limited purpose described in the supporting memorandum that follows.

WHEREFORE, ODOD respectfully requests that the Commission grant its motion to intervene.

Respectfully submitted,



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BEFORE
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to Change Accounting Methods.	:	

MEMORANDUM IN SUPPORT
OF
MOTION TO INTERVENE
OF
THE OHIO DEPARTMENT OF DEVELOPMENT

By their applications of January 11, 2011 in Case Nos. 11-148-EL-RDR and 11-149-EL-RDR (the "RDR cases"), Columbus Southern Power Company and Ohio Power Company have requested Commission approval of distribution riders to recover the incremental increase in uncollectible expense the Companies allege will be created as a result of the new rules governing

the operation of the electric percentage of income payment plan (“PIPP”).¹ The applications also seeks approval of accounting modifications to permit the Companies to defer this incremental uncollectible expense until such time as it is recovered through the proposed riders.

ODOD, in its role as administrator of the electric PIPP program, has opposed the Companies’ proposal to establish separate, PIPP-specific uncollectible expense riders through its motion to intervene and subsequent comments in the RDR cases on the grounds that approval of these riders would undermine an important objective of its new electric PIPP rules.² As discussed in detail in these filings, the intent of new Rule 122:5-3-04(B)(2), OAC, which became effective November 1, 2010, was to place PIPP-related uncollectible expense on the same footing as uncollectible expense, generally, so that the electric distribution utility (“EDU”) would have the same incentive to terminate service to defaulting PIPP customers promptly and to pursue collection aggressively that it has with respect to defaulting non-PIPP customers.³

¹ See *In the Matter of the Application of Columbus Southern Power Company for Approval of a Mechanism to Recover Costs in Relation to the Department of Development’s Update to the Percentage of Income Payment Plan Plus and Deferral of Costs*, Case No. 148-EL-RDR, and *In the Matter of the Application of Ohio Power Company for Approval of a Mechanism to Recover Costs in Relation to the Department of Development’s Update to the Percentage of Income Payment Plan Plus and Deferral of Costs*, Case No. 149-EL-RDR.

² See Case Nos. 11-148-EL-RDR and 11-149-EL-RDR (ODOD Memorandum in Support of Motion to Intervene dated February 24, 2011, and ODOD Comments dated April 29, 2011).

³ Under the electric PIPP program, the EDU is reimbursed for the difference between the PIPP customer’s specified monthly installment payment and the cost of the electricity delivered to the PIPP customer through payments by the EDU’s ratepayers collected via the EDU’s Universal Service Fund (“USF”) rider. Prior to the enactment of the new electric PIPP rules, the EDU remitted the installment payments collected from PIPP customers to ODOD along with the USF rider collections, and ODOD reimbursed the EDU for both the installment payments and the difference between the PIPP installment payments received and the cost of the electricity delivered to the PIPP customers. Thus, the EDU was guaranteed 100 percent recovery of the cost of electricity delivered to the PIPP customer under this process regardless whether the PIPP customer made the monthly PIPP installment payment, and had no incentive to disconnect defaulting PIPP customers promptly or to pursue collection from these customers. ODOD believed that absence of any such an incentive may have resulted in the cost of PIPP collected from ratepayers through the USF riders being greater than it would have been if the EDU were at risk for the PIPP installment amount due – just as the EDU is at risk for the arrearages generated by non-PIPP customers that default on their bills. Although ODOD continues to reimburse the EDU for the difference between the PIPP installment amount and the amount of the actual bill based on the PIPP customer’s metered consumption (*see* Rule 122:5-04(B)(1), OAC), under new Rule 122:5-3-04(B)(2), OAC, the EDU keeps the PIPP installment payments it collects and is now at risk for any PIPP installment amounts owed when a PIPP customer defaults.

The Companies do not have uncollectible expense riders to recover the cost of bad debt generated by defaulting non-PIPP customers, nor have they proposed to establish such an uncollectible expense rider in their application in this proceeding. Rather, the Companies recover uncollectible expense through their base distribution rates based on the allowance for test-year uncollectible expense included in the base rate revenue requirement. Consistent with its view that PIPP-related bad debt should be placed on the same footing as the uncollectible expense generated by defaulting non-PIPP customers, ODOD believes that the Commission should include PIPP-related bad debt in determining the annual allowance for uncollectible expense to be recovered through the base rates to be established in this proceeding. To that end, ODOD has, this date, filed a motion to consolidate the RDR cases with this proceeding, thereby joining the Office of the Ohio Consumers' Counsel ("OCC"), which previously filed a similar motion to consolidate,⁴ in recommending that the issue of the recovery of PIPP-related uncollectible expense be resolved in the context of the distribution rate case.

Section 4903.221, Revised Code, provides that any "person who may be adversely affected by a public utilities commission proceeding may intervene in such proceeding." ODOD is charged by statute with the responsibility for administering the electric PIPP program.⁵ In fulfilling that responsibility, ODOD, after providing all stakeholders with an opportunity to be heard, adopted a new set of rules governing the operation of the electric PIPP program.⁶ As indicated above, Companies' proposal in the RDR cases to establish a PIPP-specific uncollectible expense rider would undermine an important objective of these new rules. However, ODOD recognizes that PIPP-related uncollectible expense, like uncollectible expense, generally, is an ordinary business expense that the Companies are entitled to recover through

⁴ See OCC Motion to Consolidate dated May 24, 2011.

⁵ See Section 4928.53, Revised Code.

⁶ See Chapter 122:5-3, OAC, effective November 1, 2010.

rates. Accordingly, in its motion to consolidate, ODOD has proposed that PIPP-related uncollectible expense be included within the annual allowance for uncollectible expense used in determining the revenue requirement to be recovered through the base rates approved in this proceeding. Thus, not only may ODOD be adversely affected by the RDR proceedings, but it may also be adversely affected by the allowance for uncollectible expense approved in this proceeding, which satisfies the statutory standard for intervention set forth above.⁷

ODOD also satisfies the standards governing intervention set forth in the Commission's rules.⁸ Rule 4901-1-11(A), Ohio Administrative Code ("OAC"), provides, in pertinent part, as follows:

(A) Upon timely motion, any person shall be permitted to intervene in a proceeding upon a showing that:

(2) The person has a real and substantial interest in the proceeding, and the person is so situated that the disposition of the proceeding may, as a practical matter, impair or impede his ability to protect that interest, unless the person's interest is adequately represented by existing parties.

As the administrator of the electric PIPP program, ODOD plainly has a real and substantial interest in a proceeding which will affect the manner in which PIPP-uncollectible expense is recovered in view of the impact the selection of the recovery mechanism will have on the cost of PIPP used by ODOD to determine the Companies' USF rider rates for purposes of its annual USF rider rate adjustment applications. Moreover, at this juncture, no other party has been granted leave to intervene in this proceeding. Thus, by definition, no existing parties

⁷ ODOD notes that the Commission has not yet acted on its motion to intervene in the RDR cases. If the Commission grants its motion to intervene in those proceedings, and, pursuant to ODOD's motion, orders the consolidation of the RDR cases with the rate case, ODOD would presumably be entitled to participate in the rate case with respect to this specific issue without further order of the Commission.

⁸ In this connection, ODOD would point out that, although the statutory definition of a "person" does not include state agencies [*see* Section 1.59(C), Revised Code], the definition of a "person" in the Commission's rules does include agencies of the state of Ohio [*see* Rule 4901-1-01(K), OAC]. Thus, even if the Commission were to find that ODOD does not have a statutory right to intervene under Rule 4901-1-11(A)(1), OAC, the Commission must, nonetheless, grant ODOD's motion to intervene if ODOD satisfies the requirements of Rule 4901-1-11(A)(2), OAC.

represent ODOD's interest. Although ODOD does not believe this to be a close question, each of the specific considerations that the Commission may, by rule, take into account in applying the Rule 4901-1-11(A)(2), OAC, standard also fully support granting ODOD's motion to intervene.

Rule 4901-1-11(B), OAC, provides as follows:

In deciding whether to permit intervention under paragraph (A)(2) of this rule, the commission, the legal director, the deputy legal director, or an attorney examiner shall consider:

- (1) The nature and extent of the prospective intervenor's interest.
- (2) The legal position advanced by the prospective intervenor and its probable relation to the merits of the case.
- (3) Whether the intervention by the prospective intervenor will unduly prolong or delay the proceedings.
- (4) Whether the prospective intervenor will significantly contribute to full development and equitable resolution of the factual issues.
- (5) The extent to which the person's interest is represented by existing parties.

First, for the reasons set forth above, ODOD's interest in a proceeding in which the method of recovering PIPP-related uncollectible expense will be determined is obviously direct and substantial. Second, as explained in detail in its motion to consolidate, ODOD's position that PIPP-related uncollectible expense should be recovered through base rates rather than through a separate rider is consistent with accepted utility ratemaking principles, goes directly to the merits of the application. Third, ODOD's interest in this proceeding is narrowly limited to a single issue. Thus, granting ODOD's motion to intervene will not unduly prolong or delay the proceeding. Fourth, no one is better placed than ODOD to explain the intent of its rules, and ODOD, which fully considered the ramifications of the provision in question in the context of its

own rulemaking, will bring substantial expertise to bear on this issue. Finally, as previously noted, no existing parties represent ODOD's interest. Thus, granting ODOD's motion to intervene is consistent with all the considerations set out in Rule 4901-1-11(B), OAC, and is also consistent with the Commission's stated policy "to encourage the broadest possible participation in its proceedings."⁹

Rule 4901-1-11(D)(1), OAC, specifically contemplates granting the limited intervention ODOD seeks through its motion to intervene. This rule states, that, unless otherwise provided by law, the Commission may:

- (1) Grant limited intervention, which permits a person to participate with respect to one or more specific issues, if the person has no real and substantial interest with respect to the remaining issues or the person's interest with respect to the remaining issues is adequately represented by existing parties.

ODOD seeks to participate in this proceeding only with respect to the issue of the appropriate allowance for uncollectible expense and does not assert that it has a real or substantial interest with respect to the other issues that will be addressed in this proceeding.

WHEREFORE, ODOD respectfully requests that its motion to intervene be granted.

Respectfully submitted,




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⁹ See, e.g., *Cleveland Elec. Illum. Co.*, Case No. 85-675-EL-AIR (Entry dated January 14, 1986, at 2).

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing has been served upon the following parties by first class mail, postage prepaid, this 20th day of July 2011.


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