

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of Aligning Electric)	
Distribution Utility Rate Structure With)	
Ohio's Public Policies to Promote)	Case No. 10-3126-EL-UNC
Competition, Energy Efficiency, and)	
Distributed Generation)	

**PROPOSAL OF OHIO POWER COMPANY AND THE SIGNATORY PARTIES
TO THE PUBLIC UTILITIES COMMISSION OF OHIO'S
OPINION AND ORDER IN CASE NO. 11-351-EL-AIR, et al. DATED DECEMBER 14,
2011**

INTRODUCTION

On December 14, 2011, the Public Utilities Commission of Ohio ("Commission") issued an Opinion and Order ("Order") in AEP Ohio's (also "Ohio Power" or "OPCo") distribution base rate case. The Stipulation in that proceeding included a pilot revenue decoupling program and at page 9 of the Order, the Commission directed that the signatory parties prepare a detailed proposal regarding the type of data proposed to be obtained, how the data will be obtained, and metrics to evaluate the success of the pilot program. Further, the Order stated that the proposal should be filed in Case No. 10-3126-EL-UNC within six months of the issuance of the Order.

The signatory parties appreciate the ability to provide their input on the type of data, how the data will be obtained, and metrics to evaluate the success of the pilot revenue decoupling program. While AEP Ohio and the other signatory parties currently propose the following as the type of data and metrics to be used to evaluate the pilot revenue decoupling program, any signatory party's position could change depending on future facts and circumstances. Any information provided by AEP Ohio will be on an aggregate basis and AEP Ohio will not be reporting individual customer usage.

In evaluating the pilot revenue decoupling program, the signatory parties and AEP Ohio recommend that the Commission attempt to answer the following questions:

- Were the rate adjustments produced by the mechanism small?
 - **Type/Method:** Using the actual size of the rate adjustment (\$/kWh, % of revenue requirement) from the annual filings that implement the mechanism
 - **Source:** AEP Ohio to provide data
- Did customers receive both refunds and surcharges under the mechanism?
 - **Type/Method:** Using the sign of the rate adjustment from the annual filings that implement the mechanism
 - **Source:** AEP Ohio to provide data
- How did the mechanism perform relative to weather-adjusted revenues?
 - **Type:** By comparing rate adjustments with what the rate adjustments would have been had actual use been weather adjusted
 - **Method:** Use the Company's weather-adjusted use in the covered rate classes over the year, multiplied by the distribution energy charges to which the mechanism applies, compared to the "actual revenues" collected in distribution energy charges in the covered rate classes
 - **Source:** AEP Ohio to provide data
- Did the mechanism indeed reduce AEP-Ohio's disincentive to promote energy efficiency in the covered rate classes?
 - **Type:** By reviewing AEP Ohio's energy efficiency efforts in the covered rate classes, especially in areas that could not have been covered by a Lost Revenue Adjustment Mechanism (building codes, appliance standards, pilot energy

efficiency programs); by reviewing AEP Ohio's marketing practices, by reviewing AEP Ohio's culture and operational practices related to energy efficiency in the covered rate classes

- **Method:** Interviews with AEP Ohio employees, members of AEP Ohio Collaborative, review of energy efficiency efforts
- **Source:** Commission Staff to provide data
- Did the mechanism change use per customer in the covered rate classes, or the rate of growth in use per customer?
 - **Type/Method:** Comparing the trend in weather-adjusted use per customer before and after the mechanism was implemented
 - **Source:** AEP Ohio to provide data
- How did the decoupling pilot revenues over the three years compare to a net lost revenue approach based on three vintage years?
 - **Type/Method:** Multiply the Company's energy efficiency induced electricity savings per measure per three vintage years, and multiply by the distribution kWh rate.
 - **Source:** AEP Ohio to provide data
- Were there periods where the 3% cap provision applied?
 - **Type/Method:** To answer this question, any deferred revenue in the decoupling calculation would be identified
 - **Source:** AEP Ohio to provide data

The signatory parties and AEP Ohio recommend that the Commission evaluate the mechanism based on the questions above.¹ Should the Commission choose, it may also be helpful to compare the performance of the Pilot Throughput Balancing Adjustment Rider with alternative policies, such as higher fixed charges, and a lost revenue adjustment mechanism.

CONCLUSION

The signatory parties and AEP Ohio respectfully offer the preceding proposal to assist the Commission in its review of AEP Ohio's pilot revenue decoupling program.

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On Behalf of Ohio Power Company

¹ To the extent that the Commission seeks a reference or example evaluation, please see Christensen Associates' "Review of Distribution Margin Normalization as Approved by the Oregon Public Utility Commission for Northwest Natural."

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via e-mail upon the below-listed counsel this 14th day of June, 2012.

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Summary: Correspondence Joint Proposal of Ohio Power Company and the Signatory Parties electronically filed by Mr. Yazen Alami on behalf of Ohio Power Company