

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

|  |   |                         |
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| In the Matter of the Commission's Review | : |                         |
| of Ohio Power Company's Distribution     | : | Case No. 12-3129-EL-UNC |
| Investment Rider Plan.                   | : |                         |

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**THE KROGER CO.'S REPLY COMMENTS**

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**I. INTRODUCTION**

On December 3, 2012, Ohio Power Company (AEP-Ohio) filed its Distribution Investment Rider Work Plan (DIR Work Plan) for 2013. The Attorney Examiner subsequently issued a procedural schedule setting a deadline for filing initial Staff and intervenor comments on the DIR Work Plan of January 18, 2013, and a deadline for filing reply comments of February 1, 2013. The Kroger Co. (Kroger) submits the following reply comments to the initial comments submitted by other parties and interested entities.

**II. REPLY COMMENTS**


In response to AEP-Ohio's DIR Work Plan, the OCC's Comment (D), correctly notes: "The PUCO Should Require AEP Ohio To Separate The Components In The DIR Work Plan For The CSP Rate Zone And The OP Rate Zone." *Initial Comments of the OCC* at 16. As explained by the OCC, the Columbus Southern Power ("CSP") Rate Zone and Ohio Power ("OP") Rate Zone have distinct characteristics, operations and maintenance expenses, as well as separate capital expenditures. *Id.* at 16. Appropriately, the two rate zones have different base distribution rates and reliability standards. *Id.* Yet, the DIR Plan does not identify separately the various projects and associated costs for the two rate zones. *Id.* at 16-17.

Failing to distinguish the distribution expenditures between the CSP and OP rate zones obscures the information related to cost causation. The principle of cost causation prescribes that when costs to a particular group of customers are known with reasonable certainty, it is preferable to directly assign such costs to the group that is known to cause them rather than construct an allocation scheme that assigns costs randomly to a combined group.

AEP's distribution investment costs are unique to each separate rate zone, and are known and knowable by AEP-Ohio. Maintaining separate distribution cost record-keeping and reporting for distribution assets in each rate zone allows for greater precision in cost assignment to those responsible for those costs. Consolidating into a single rate to recover the distinct costs incurred in the two rate zones would violate principles of sound ratemaking by purposely creating cross subsidization across the rate zones in AEP-Ohio's DIR Work Plan. While obfuscating the clear delineation of cost allocation between the rate zones may further AEP-Ohio's apparent objective to consolidate future rates in the two rate zones, such obfuscation is not in the public interest and is fundamentally resound and unfair.

For the above reasons, Kroger supports the OCC's recommendation that the PUCO should require AEP-Ohio to separate the distribution investment components in its DIR Work Plan for the CSP Rate Zone and the OP Rate Zone; however, such recommendations should be reviewed by the Commission after the rehearing has been fully adjudin AEP-Ohio's ESP Case.

Respectfully submitted,

  
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### CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing *The Kroger Co.'s Reply Comments* was served this 1<sup>st</sup> day of February, 2013 via electronic mail or U.S. regular mail, postage prepaid upon the following:

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Summary: Comments The Kroger Co.'s Reply Comments electronically filed by Mark Yurick  
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