

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Commission's)	
Investigation of Ohio's Retail Electric)	Case No. 12-3151-EL-COI
Service Market)	

**REPLY COMMENTS OF
OHIO POWER COMPANY**

INTRODUCTION

As an initial matter, Ohio Power Company ("AEP Ohio") reiterates that any comments seeking to reverse or modify an electric distribution utility's ("EDU") existing standard service offer ("SSO") rate plan are not appropriate for consideration. Any recommendations seeking to change how EDUs provide their SSOs may only be considered on a prospective basis, after the conclusion of existing, approved electric security plans ("ESP"). In addition, comments advocating legislative changes or recommending modifications in the manner in which the Public Utilities Commission of Ohio ("Commission") implements the current statutory SSO framework that would require legislative changes are beyond the scope of the Commission's current statutory authority and must be addressed to the General Assembly. While such matters can be abstractly discussed as part of this docket, they are not proper topics for implementation absent further legislative changes. AEP Ohio reserves the right to address such matters before the General Assembly. Further, to the extent comments of other parties are not addressed in these reply comments, AEP Ohio relies on its initial comments to present its position to the Commission and offers additional, incremental points below.

REPLY COMMENTS

I. MARKET DESIGN (MD) QUESTIONS

MD Question (a): Does the existing retail electric service market design present barriers that prevent customers from obtaining, and suppliers from offering, benefits of a fully functional competitive retail electric service market? To the extent barriers exist, do they vary by customer class?

Duke Energy Retail (“DER”) and Duke Energy Commercial Asset Management (“DCAM”), at pages 2-3 of their Comments, urge the Commission to require EDUs to offer web-based systems that provide various usage data they believe are relevant to competitive choice programs. Some of the data is already or soon will be provided. For instance, pursuant to the Commission’s recent order in AEP Ohio’s ESP proceeding, Case Nos. 11-346-EL-SSO, *et al.*, AEP Ohio is in the process of developing and providing supplier access to a web-based system that provides relevant customer information including, but not limited to, customer name, address, and usage information for both cumulative and interval metered customers. Some other data, however, is not readily available. Any requirements to provide additional data should be implemented on a uniform basis among EDUs.

DER/DCAM also propose, at page 5 of their Comments, that Percentage of Income Payment Plan (“PIPP”) customers should also be permitted to make individual decisions about who their generation service provider should be. As an alternative to making decisions on an individual basis, DER/DCAM recommend that, at a minimum, PIPP customers have their generation supplies procured through competitive, transparent, and open auctions. This recommendation suffers from two primary flaws. First, the decision regarding how procurement of generation supplies for PIPP customers will be administered is the responsibility of the Department of Development (“DOD”) pursuant

to R.C. 4928.53 and R.C. 4928.54. PIPP customers do not have the right to choose their suppliers for generation service. DER/DCAM's recommendation would require a change in the law and, thus, is the province of the General Assembly, not the Commission. Second, DER/DCAM's suggestion would be bad policy in any event. PIPP customers simply do not have a sufficient incentive to choose alternative generation supplies on the basis of lowest cost because their underpayments and arrearages, ultimately, become the responsibility of all other customers.

Ohio Manufacturers' Association Energy Group ("OMAEG"), at page 3 of its Comments, asserts that there is a lack of accountability between utilities and competitive suppliers regarding customer information. According to OMAEG, because EDUs obtain the customer data, the onus should be on the EDUs and the competitive suppliers to inform the customer when there is an error. OMAEG believes that there should be recourse to the EDUs, and the EDUs should have accountability, for the accuracy of customer information.

The success of Choice in Ohio has in part been leveraged by the sizable capital investments utilities have made over the years in metering and customer system infrastructure, which the suppliers operating in Ohio enjoy the benefits of at little or no cost to them. Such benefits include but are not limited to consolidated rate ready and bill-ready billing, account maintenance, credit and collection activities on behalf of the CRES receivables, remittance processing, bill print and insert, and usage validation and aggregation for PJM market settlement. As a publicly traded company, AEP Ohio maintains audit controls for systems and processes that support financial transactions.

AEP Ohio has the responsibility to provide, maintain update and correct customer and usage information where necessary.

Retail Energy Supply Association (“RESA”) contends, at page 11 of its Comments, that competitive retail electric service (“CRES”) providers’ lack of equal access and control over data necessary to provide generation service, which the EDU controls, present significant barriers to entry and efficient operation. Dominion Retail, Inc. d/b/a Dominion Energy Solutions (“Dominion Retail”) argues, at page 8 of its Comments, that EDUs should be required to share customer account numbers with CRES providers. Dominion Retail claims that this information should be required to be shared because customers typically do not know their account numbers, thus interrupting and delaying the enrollment process and increasing its costs. *Id.* at 9. Alternatively, Dominion Retail requests that the Commission require an EDU to assign a unique enrollment identifier (which, according to Dominion Retail, is sometimes referred to as a “universal service key”) to each customer account, with such identifiers to be made available to CRES suppliers upon request. *Id.* at 10.

AEP Ohio provides a Service Delivery Identifier (“SDI”) to customers on their bills for the purpose of the customer providing a CRES the necessary information to process a switch on their behalf for their premises. This is used instead of an account number to provide the customer protection against non-approved users from gaining access to their on-line personal account level information. AEP Ohio also provides the necessary list of SDIs to providers who successfully win municipal aggregations so that an accurate listing of switches can be processed electronically. By providing a listing of all SDI numbers in the market to suppliers, far more instances of slamming may occur for

switched and non-switched customers - in particular, the most vulnerable customers prone to confusion during marketing calls. AEP Ohio believes requiring the CRES to receive the SDI from the customer prior to processing a switch is a valuable market control, retaining the power of choice with the customer. If the Commission determines that these controls are not necessary as a measure to protect customers against slamming, AEP's recommended solution is to add the SDI to the customer list provided to the CRES, as well as the upcoming secure CRES portal, rather than providing customer account numbers, which puts the customers' financial interests at risk.

MD Question (b): Does default service provide an unfair advantage to the incumbent provider and/or its generation affiliate(s)?

At pages 9-10 of its Comments, Industrial Energy Users-Ohio ("IEU") complains that PJM Interconnection LLC ("PJM") does not adequately audit the process by which load serving entities in PJM develop and assign Peak Load Contributions ("PLC") to retail customers. IEU has raised a similar criticism before, contending that AEP Ohio had improperly applied PLCs in connection with capacity billings administered by PJM. The Commission rejected IEU's earlier criticism. *See, e.g.*, Case No. 10-2929-EL-UNC, Entry on Rehearing, at 57 (October 17, 2012). Now, IEU is criticizing how PJM oversees load serving entities' (in this case, EDUs') use of PLCs and seeks this Commission's intervention in the matter. Although AEP Ohio disagrees with IEU's criticism, in any event it is a contention properly addressed to PJM and, ultimately, the Federal Energy Regulatory Commission ("FERC"). This Commission correctly rejected IEU's prior criticism regarding PLCs, and it should again decline to embroil itself in this version of IEU's complaint.

MD Question (c): Should default service continue in its current form?

Dominion Retail, at page 5 of its Comments, contends that default service should be provided by third-party wholesale suppliers, not EDUs. Dominion Retail's contention conflicts with R.C. 4928.141(B), which specifically requires an EDU to provide a SSO, available to all consumers, of all competitive retail electric services necessary to maintain essential electric service to consumers, including a firm supply of generation service. Dominion Retail's recommendation could not be implemented without fundamental changes made by the General Assembly to, at a minimum, R.C 4928.141.

MD Question (f): How can Ohio's electric default service model be improved to remove barriers to achieve a properly functioning and robust competitive retail electric service electricity market?

The Office of the Ohio Consumers' Counsel ("OCC") states, at page 13 of its Comments, that the SSO provides customers with an important option for their retail electric service that also serves as a price to compare. OCC concludes that the SSO is not a barrier to achieving a competitive retail electric service market. OCC also asserts, at page 13 of its Comments, that the SSO could be improved by implementing the auction process for 100% of the standard offer for all of the utilities in an accelerated time frame. AEP Ohio agrees that the SSO is not a barrier to competition. Rather, it provides a known and stable option for customers. A customer's decision to maintain SSO service can be a valid choice for service, and it also provides both a benchmark for customers when they evaluate marketers' competitive offerings and a benchmark for marketers to use as a target for their offerings to customers.

Constellation NewEnergy, Inc. and Exelon Generation Company, LLC (collectively, "Exelon"), at page 14 of their Comments, recommend that the SSO rates for all EDUs in Ohio should be set on a uniform basis, within similar time frames and under similar pricing structures.

Exelon's recommendation conflicts with R.C. 4928.141 through 4928.143, which specifically allow each EDU to propose the form of an SSO of its choice, including a firm supply of generation service. Exelon's recommendation could not be implemented without fundamental changes made by the General Assembly to, at a minimum, R.C 4928.141 through 4928.143.

MD Question (g): Are there additional market design changes that should be implemented to eliminate any *status quo* bias benefit for default service?

DER/DCAM propose, at page 6 of their Comments, that data provided to SSO load auction participants should include a minimum of three years historic data by customer class and, further, should be grouped into shopped and non-shopped categories. At page 6 of their Comments, DER/DCAM also request that, once a participant wins in an auction, access to instantaneous real-time load data should be provided through a web-based system. In support of the auction process, AEP Ohio is posting historic data by customer class in shopped and non-shopped categories from June 2010 forward, hence by the time the auction takes place there will be three years of historic SSO load by customer class available to all auction participants. Related to the DER/DCAM request that once a participant wins the auction that instantaneous real-time load data be provided, since shopped and non-shopped customers are distributed throughout the AEP-Ohio service territory the Company does not have real-time load data for the SSO customers. Real-time system load is monitored through SCADA, and it is not practical to carve-out all shopped customers from the system load in real-time.

MD Question (i): What changes can the Commission implement on its own under the existing default service model to improve the current state of retail electric service competition in Ohio?

At pages 9-10 of their Comments, FirstEnergy Utilities (“FE Utilities”) state that SSO service should continue in its current form. Nevertheless, at pages 14-15 of their Comments, they recommend that a return component should be included in the SSO pricing for EDUs that conduct competitive bid processes to establish SSO default prices for non-shopping customers. According to FE Utilities, this is necessary because, absent such an adder to the EDU’s SSO price, CRES providers may have a difficult time competing with a wholesale product that does not include a retail return component, which may in turn lead the CRES providers to resort to short-term rate discounts that end up frustrating customers and damaging the retail residential market. AEP Ohio agrees that, if EDUs are going to be responsible for conducting competitively bid procurement auctions in order to supply their SSOs, which current law does require them to do, the EDU must be able to recover all costs, whether incurred directly or indirectly, of administering, managing and conducting the auctions and of purchasing the generation supplies obtained through the auctions. Moreover, all of these costs should be recoverable by the EDU.

OCC asserts, at page 15 of its Comments, that the Commission should clarify that when it is evaluating, pursuant to R.C. 4928.143(C)(1), whether a proposed ESP is more favorable in the aggregate as compared to the results that would otherwise apply under an MRO, it will only consider direct and quantifiable costs and benefits. Alternatively, OCC suggests that “the proper way of accounting for so-called non-quantifiable and secondary costs and benefits” should be

specified by the Commission in advance. OCC's recommendation should be rejected as it conflicts with R.C. 4928.143, which states that an ESP's "pricing and all other terms and conditions" should be compared with what would otherwise occur under a market rate offer ("MRO"). OCC seeks to limit "all" to mean only those terms and conditions that it can quantify, a condition that is clearly contradictory to the requirement. OCC's alternative proposal is no better as it merely attempts to reject the use of qualitative benefits through another mechanism. Qualitative benefits, as acknowledged by the Commission on many occasions, can be significant and must be included as they are part of "all other terms and conditions" that the statutory language contemplates.

Dominion Retail, at pages 7-8 of its Comments, recommends that the Commission should require that the EDU provide new applicants for distribution service with educational materials regarding CRES service and municipal aggregation in conjunction with their applications, and the EDU should afford new distribution customers with the opportunity to enroll with a CRES provider or municipal aggregator. This recommendation cannot, and should not, be adopted. First, it appears that it would require a change in the law, because there is no statutory authority that would permit the Commission to require EDUs to conduct marketing activities on behalf of CRES providers. A legislative change would be required, which is a matter for the General Assembly, not the Commission. In addition, such a requirement would be poor policy in any event. It is the responsibility of CRES providers to conduct their own marketing because they are best positioned to do it. EDUs should not be expected to conduct marketing on behalf of CRES providers.

Advanced Energy Economy Ohio ("AEEO") recommends, at pages 8-9 of its Comments, that the Commission establish "on-bill repayment" which AEEO states would allow and

encourage customers to invest privately in energy saving measures and distributed generation at their homes or businesses. AEEO explains that in such an on-bill repayment system, customers receive financing and energy installation support from a third party, and then they repay the cost of that support through their EDU bills. AEEO is confident that an EDU's billing systems should be able to accommodate this repayment system. AEP Ohio offers consolidated Rate-Ready billing services to competitive suppliers. As part of that service, suppliers may add line-item charges on the bill as they choose. However, AEP Ohio is not responsible for financing services on behalf of suppliers. In addition, as part of AEP Ohio's supplier Terms and Conditions, suppliers may request additional non-standard product offerings at a cost to the supplier billed at an hourly rate.

MD Question (j): What legislative changes, if any, including changes to the current default service model, are necessary to better support a fully workable and competitive retail electric service market?

OCC contends that an EDU should not be able to withdraw, and thus terminate, an ESP application if the Commission modifies and approves the ESP application. OCC also recommends that the Commission should be able to authorize an EDU to offer an ESP even after the Commission had previously approved an MRO for that EDU. OCC Comments at 16-17. OCC's objection, in these respects, is to current statutory provisions that specifically allow the EDU to withdraw and terminate an ESP application in the event the Commission modifies the EDU's proposed ESP (R.C. 4928.143(C)(2)(a)) and specifically provide that, once an EDU has implemented a Commission-approved MRO, there is no authority to subsequently require an ESP (R.C. 4928.142(F)). OCC's recommendations are in conflict with the existing statutes, and can not be implemented without fundamental changes made by the General Assembly to R.C. 4928.143.

Dominion Retail suggests, at page 8 of its Comments, that new customers applying for distribution service should be advised that they have 60 days to enroll with a CRES provider or municipal aggregator program or to affirmatively elect to remain on the EDU's SSO service and that, if they fail to do so, they will be assigned, on a rotational basis, to CRES providers for service under the provider's posted rate. Dominion Retail's contention conflicts, again, with R.C. 4928.141(B), which specifically require the EDU to provide a SSO, available to all consumers, of all competitive retail electric services necessary to maintain essential electric service to consumers, including a firm supply of generation service. Dominion Retail's recommendation could not be implemented without fundamental changes made by the General Assembly to, at a minimum, R.C 4928.141.

Dominion Retail recommends, at page 10 of its Comments, that the Commission explore the possibility of requiring EDUs to establish an "opt-in" pricing program by conducting periodic retail "Standard Choice Offer"-type auctions in which CRES providers would bid for the right to serve a specified number of current default customers at the auction's clearing price, but with the customers electing whether to accept service at that price. Dominion Retail's contention conflicts, again, with R.C. 4928.141(B), which specifically require the EDU to provide a SSO, available to all consumers, of all competitive retail electric services necessary to maintain essential electric service to consumers, including a firm supply of generation service. Dominion Retail's recommendation could not be implemented without fundamental changes made by the General Assembly to, at a minimum, R.C 4928.141.

Dominion Retail and a number of other commenters urge the Commission to establish a program under which the EDUs would purchase the receivables of the CRES providers. *See e.g.*, Dominion Retail Comments, at 11-13; Hess at 11; IGA at 7; Constellation at 5-6, 15-16; RESA

at 5; DER/DECAM at 3. The Commission has already addressed requests for the establishment of a program for the purchase of CRES provider receivables (“POR”) by AEP Ohio in its recent ESP proceeding, Case No. 11-346-EL-SSO, *et al.*, Opinion and Order, at 41-42 (August 8, 2012). In particular, the Commission encouraged stakeholders to attend the workshop held in conjunction with the five-year rule review of Chapter 4901:1-10, O.A.C., which is being conducted in Case No. 12-2050-EL-ORD. The Commission noted that that workshop, which included the stakeholders for other EDUs, would provide the stakeholders in AEP Ohio’s ESP proceeding an opportunity to further discuss the merits of establishing POR programs for other Ohio EDUs that are not currently using them. *Id.* at 42. In short, the merits of implementing a POR program for AEP Ohio are already being considered.

AEE0 recommends, at page 11 of its Comments, that as part of the Commission’s process for approving transmission and distribution investments, the Commission should ensure that lower-cost energy efficiency and load management investments are considered prior to the Commission’s approval of transmission and distribution investments. AEE0 apparently misunderstands how the prudence of distribution and transmission investments are addressed under Ohio and federal law. The Commission does not approve, in advance, specific distribution investments by EDUs, whether their recovery through rates is accomplished through traditional rate base/rate of return proceedings conducted in accordance with R.C. Chapter 4909, through single issue ratemaking conducted under R.C. 4928.143, or otherwise. Nor does the Commission approve in advance investments by EDUs, let alone their corporately separate transmission affiliates, in transmission facilities. AEE0’s recommendation for up-front prudence reviews of distribution and transmission investments is either in conflict with current Ohio statutes or is otherwise beyond the Commission’s jurisdiction to consider.

MD Question (k): What potential barriers, if any, are being created by the implementation of a provider's smart meter plans? Should CRES suppliers be permitted to deploy smart meters to customers? Should the Commission consider standardizing installations to promote data availability and access?

At page 7 of its Comments, Interstate Gas Supply, Inc. ("IGS") suggests that competitive suppliers should be able to participate in the deployment of smart meters in the EDU's distribution network, if the competitive suppliers' can provide more cost-effective solutions. Given the tangible customer concerns over data privacy, inherent challenges over system security related to network access, and potential impacts to distribution system operation (which the Advanced Metering Infrastructure ("AMI") network is also used for), AEP believes that an EDU should be the sole operator of its smart grid system. The capital investment of head-in, back-haul, and Meter Data Management ("MDM") systems in support of AMI systems is significant, and version coordination of the technology layers from the meter firmware to the MDM version and points between can only be maintained by the EDU.

MD Question (l): Should the Commission consider standardized billing for electric utilities?

At pages 19-20 of its Comments, OCC recommends that the Commission should provide a sample bill calculator, accessible through the Commission's website, that allows customers to enter a CRES provider's offer (with price and the term information) and compare it to the price and term which they are paying their current service provider. This information is already available on AEP Ohio's website.

The Citizens' Coalition Council, at pages 14-15 of its Comments, recommends that monthly customer bills rendered by EDUs should include comparative pricing data so that, in addition to the charges from the customer's current marketer, the customer can see what would have been charged by the five other marketers offering the lowest prices during the same billing

period. Comparison data is provided in the Commission's "Apples to Apples" website. Likewise, the price-to-compare is provided on customer bills so they can make educated decisions about their choices when speaking with CRES marketing representatives. The systematic and logistical challenges of developing system inputs, comparing and accurately reflecting on customer's bills the multiple competitive price options for all customer classes for all active suppliers in the market is simply a logistic and systematic nightmare that could be much better served on the Apples to Apples website.

MD Question (n): Does an electric utility have an obligation to control the size and shape of its native load so as to improve energy prices and reduce capacity costs?

OCC claims, at page 22 of its Comments, that EDUs that have smart meter installation programs should be obligated to offer "smart" dynamic and time-differentiated rates. As part of default SSO rates, AEP Ohio offers time of use rates that allow customers to effectively shift load to off-peak periods, as well as to interruptible contracts, both of which help control system peaks.

II. CORPORATE SEPARATION (CS) QUESTIONS

CS Question (a): Whether an electric utility should be required to disclose to the Commission any information regarding the utility's analysis or the internal decision matrix involving plant retirements, capacity auction, and transmission projects, including correspondence and meetings among affiliates and their representatives?

The Citizens' Coalition Council, at page 16 of its Comments, recommends that the Commission's requirements for disclosure of information should be driven by whether it would help to reduce electric service rates. The Council suggests that information for which disclosure should be required should include board of directors' minutes and any studies conducted to support board of directors' decisions. AEP Ohio disagrees with this recommendation. First,

decisions regarding plant retirements are the actions of an unregulated entity and thus are no longer under the Commission's purview. Second, the results of capacity auctions are publicly available, and they reflect the result of market actions and not regulated utility investment. Third, transmission projects are regulated by the FERC and approved by the Ohio Power Siting Board.

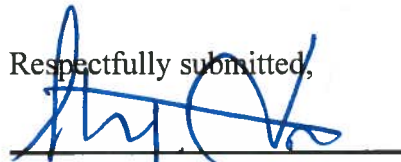
CS Question (b): Should a utility's transmission affiliate be precluded from participating in the projects intended to alleviate the constraint or should competitive bidding be required?

At pages 23-24 of its Comments, OCC suggests that competitive bidding by third parties, other than the EDU's transmission affiliate, might be beneficial for transmission projects intended to alleviate constraints. OCC offers that alternative proposals for such transmission projects should be encouraged and should receive a fair and objective evaluation by PJM and the Utility. Again, OCC's suggestion is misdirected. As even OCC's comment suggests, it is properly addressed, if at all, to PJM (and, ultimately the FERC), not this Commission.

CONCLUSION

For the foregoing reasons, AEP Ohio respectfully requests that the Commission consider and accept its reply comments, as well as its initial comments previously filed in this docket.

Respectfully submitted,

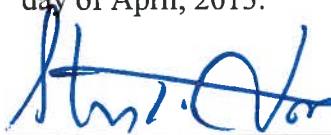


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CERTIFICATE OF SERVICE

I certify that a copy of the Reply Comments of Ohio Power Company was served on the persons lists below by electronic mail, this 5th day of April, 2013.



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Summary: Comments -Reply Comments of Ohio Power Company electronically filed by Mr. Steven T Nourse on behalf of Ohio Power Company