

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)	
The Ohio Power Company to Adjust)	Case No. 13-568-EL-RDR
Its Throughput Balancing)	
Adjustment Rider)	

COMMENTS
OF THE STAFF
OF THE PUBLIC UTILITIES COMMISSION OF OHIO

May 1, 2013

INTRODUCTION

The Commission, by approving the Stipulation in Case No. 11-351-EL-AIR, authorized the AEP Ohio (the Company) to initiate a three year program establishing the Pilot Throughput Balancing Adjustment Rider (PTBAR) applicable to residential and GS-1 customers as a rate decoupling mechanism. The purpose of the PTBAR would be to remove any disincentive for Ohio Power to implement energy efficiency programs. The PTBAR would serve such purpose in light of the provision of the Stipulation that removes the recovery of lost distribution revenues from residential and GS-1 customers as part of its rates to implement programs in its Energy Efficiency Portfolio Plan.

The Commission directed AEP Ohio to establish the PTBAR at an initial zero dollar level, and then to file annual updates establishing non-zero rates for the rider for three successive calendar years. The rates will be based upon actual observed differences between distribution revenues collected through volumetric charges for each kilowatt-hour sold, and the test year target volumetric distribution revenues established in Case No. 11-351-EL-AIR.

The Application filed on March 1, 2013 in the instant case is the first application to establish non-zero rates. The filing includes rate calculations and supporting schedules for two rate classes in the Columbus Southern Power rate zone – Residential and GS-1 – and for the same two rate classes in the Ohio Power rate zone.

The Commission also directed AEP Ohio and the signatory parties to file a proposed set of metrics to be used for the purpose of evaluating the pilot program. The Company and the parties made such filing, as directed, on June 14, 2012 in Case No. 10-3126-EL-UNC, “Aligning Electric Distribution Utility Rate Structure.” The metrics proposed by the Company and the signatory parties are shown in the Appendix to these Comments.

The Commission also directed Ohio Power to update its cost of service study and file the update in Case No. 11-351-EL-AIR prior to the end of the last year of the pilot program. Interested parties would then be given the opportunity to comment upon the rate design, presumably in light of both the updated cost of service study and the proposed metrics.

RATE ANALYSIS

Staff reviewed the filing for accuracy and reasonableness. The rates appear to be accurately calculated using appropriate rate determinants and appropriate methodology. Staff supports approval of the rates as filed.

REVIEW OF METRICS

Staff has reviewed the proposed metrics filed in Case No. 10-3126-EL-UNC. Each proposed metric appears to be relevant, and to have the potential to shed light upon the Commission’s concerns “that the pilot revenue decoupling program is not the unmitigated benefit to customers portrayed by the signatory parties.”¹ Staff believes the Commission should accept the proposed metrics, while leaving the door open for other metrics or analyses that may enhance the Commission’s evaluation of AEP Ohio’s rate design.

The Commission indicated it will provide an opportunity for interested parties to file comments about the Company’s distribution rate design after the updated cost of service study is submitted before the end of the third year of the pilot. At or about that time, the full set of data supporting the metrics will become available. The combination of the updated cost of service study and the proposed metrics, fully supported with data, will set the stage for informed analysis and comment.

Data is lacking at this early juncture for most of the proposed metrics. Nevertheless, it may be useful to make a couple of preliminary observations.

- The PTBAR rates are as follows.

Magnitude of PTBAR Rates (cents / kWh)			
Columbus Southern		Ohio Power	
Residential	GS-1	Residential	GS-1
0.07979	0.05247	0.13192	0.02126

¹ Case No. 11-351-EL-AIR, December 14, 2011 Opinion and Order @ p. 9.

- The rate cap was invoked for the Residential rate class in the Ohio Power rate zone. The balance of the actual vs. target revenues exceeded the 3% rate cap by 24%. The rates for the remaining three rate classes were under the cap.

In this first year, for the Ohio Power Residential rate class, the cap has mitigated a larger rate increase that otherwise would have occurred, as it was intended to do. The longer term analysis will be to see whether the invocation of the rate cap will continue for that same rate class in future years, and if so, the degree to which uncollected revenue requirements may pile up behind the rate cap.

	Columbus Southern		Ohio Power	
	Residential	GS-1	Residential	GS-1
3% Rate Cap	10,556,594	562,569	9,296,161	624,160
Adjusted Balancing Account in Excess of Rate Cap	-	-	2,255,993	-
Excess of Rate Cap as Percent of Rate Cap			24%	

- PTBAR rates reflect both positive and negative differences between actual monthly volumetric distribution revenues and the test year targeted volumetric distribution revenues.

Early observations indicate the Rider is working; however, performance should be measured during the entire three year period before determining any final conclusions and recommendations.

Appendix

Proposed Metrics for Evaluating the Throughput Balancing Adjustment Rider Case No. 10-3126-EL-UNC

- 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 3 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

PROOF OF SERVICE

I hereby certify that a true copy of the foregoing **Comments** submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served by electronic mail upon all Parties of Record this 1st day of May, 2013.

/s/Werner L. Margard

Werner L. Margard
Assistant Attorney General

Parties of Record:

Steven T. Nourse
American Electric Power Service Corporation
1 Riverside Plaza, 29th Floor
Columbus, Ohio 43215

Deb J. Bingham
Office of the Consumers' Counsel
10 West Broad Street, 18th Floor
Columbus, Ohio 43215

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

5/1/2013 3:21:57 PM

in

Case No(s). 13-0568-EL-RDR

Summary: Comments electronically filed by Mrs. Tonnetta Y Scott on behalf of PUCO