

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)
Ohio Power Company to Update its) Case No. 13-345-EL-RDR
gridSMART Rider.)

**COMMENTS OF
OHIO PARTNERS FOR AFFORDABLE ENERGY**

A. Introduction

Ohio Partners for Affordable Energy (“OPAE”) hereby submits to the Public Utilities Commission of Ohio (“Commission”) these comments on the application of Ohio Power Company (“Ohio Power”) to update its rider to collect from customers any actual spending on Ohio Power’s smart grid program in 2012 that is not yet recovered and projected spending for the program in 2013. Ohio Power proposed to collect \$0.51 per month from residential customers and \$2.11 per month from nonresidential customers through the rider established in this case. These comments are filed in accordance with the attorney examiner’s October 1, 2013 Entry.

B. Over-recoveries

OPAE has sought to ensure that only Ohio Power’s actual costs are recovered through the rider. In the initial years of the rider, there was a substantial over-recovery due to projected spending included in the rider vastly outpacing actual spending. According to the Staff of the Commission in its August 2, 2013 Comments, Ohio Power has reduced the total 2013 revenue requirement, which will be recovered through this year’s rider, by the sum total of the over-recoveries from the years since 2009 so that the net over-recovery can be refunded to customers. Staff Comments at 8.

Ohio Power proposed to refund the over-recovery through this year's rider by offsetting the 2013 revenue requirement with the total over-recovery of \$1,727,674 from the past years. The amount of the over-recovery will be adjusted to reflect the downward adjustments to 2012 spending as recommended by the Staff in its Comments and as approved by the Commission.

As always, there remains the question of projected spending recovered in this year's rider versus the actual 2013 spending. According to the Staff, should actual spending during 2013 be equal to the 2013 projected spending, the revenues generated by this year's rider should offset the over-recovery for the past years. Of course, it is unlikely that actual spending in 2013 will equal 2013 projected spending.

OPAE had previously requested a more rapid refund of over-recovered amounts. See OPAE Motion to Intervene, *Columbus Southern Power Company*, Case No. 11-1353-EL-RDR (March 24, 2011) at 2-3. According to the Staff Comments, the over-recovery during the past years could potentially be resolved by the offset to the 2013 revenue requirement. The Staff should continue to monitor over-recoveries (the actual versus the projected spending recovered through each year's rider) so that ratepayers pay only actual spending and are refunded any amounts over-recovered through the rider in a timely manner. In the future, over-recoveries should be timely refunded to ratepayers, ideally through actual timely refunds or alternatively through offsets to projected spending to be charged to ratepayers through the rider.

C. Staff adjustments

The Staff recommended two downward adjustments to Ohio Power's 2013 revenue requirement. The first is a \$22,681 reduction from Operation and Maintenance ("O&M") expenses charged to the rider for an annual maintenance

fee for a computer software program called “Service Oriented Architecture Governance Bundle.” Staff Comments at 6. Staff determined that this software is not related to the smart grid program. Therefore the Staff recommended an adjustment to remove the \$22,681 from the 2013 revenue requirement. Ohio Power agrees with this adjustment. Ohio Power Reply Comments at 2. OPAE recommends that the Commission adopt this adjustment.

Staff also recommended a downward adjustment of \$9,933.25 from O&M expenses and \$60,322.56 from capital for per diem expenses that exceeded the U.S. Department of Energy’s (“USDOE”) approved spending limits for such items as hotel rooms, travel, or meals. Staff Comments at 7. While not agreeing with the adjustment, Ohio Power corrected it to account for errors to \$10,384.07 from O&M expenses and \$60,326.62 for capital. Staff agreed with Ohio Power’s corrections. Ohio Power Reply Comments at 4.

Staff made the downward adjustment because Staff does not believe that Ohio Power’s ratepayers should pay for expenses that exceed the USDOE limits. As the Staff Comments note, AEP-Ohio has received to date \$19,364,055 in stimulus funds from the USDOE of which \$9,835,511 was received in 2012. Staff Comments at 8.

In its Reply Comments, Ohio Power argues that its personnel are not USDOE personnel and should not be subjected to the federal per diem guidelines. Ohio Power also argues that the expenses were reasonable given that its employees are ineligible for government discounts on hotel and travel expenses. Ohio Power also complained that it did not include these expenses in its base distribution rates so that the expenses would not be recoverable if they are not included in the rider.

OPAE agrees with the Staff that ratepayers should not be responsible to pay for expenses that exceed the USDOE limits. Given that funding for the smart grid

project comes from the USDOE as well as Ohio retail ratepayers, it is unreasonable for Ohio Power to expect Ohio retail ratepayers to pick up expenses that the USDOE considers excessive.

Moreover, Ohio Power's base distribution rates reflect test-year expenses from the last distribution rate case. It is not known what the test-year expenses for these items might have been or if these items would have been considered ordinary and recurring expenses within the test year so that they would have been included in test-year expenses. Therefore, it is not obvious that these expenses would have been recovered in base rates even if Ohio Power had sought recovery. In addition, it is obvious that cost recovery through the rider is not the same as cost recovery through base rates. Ohio Power is not entitled to receive dollar-for-dollar recovery of expenses through its base rates. Therefore, Ohio Power's argument that recovery would have occurred through base distribution rates is false and misleading. If Ohio Power is not currently recovering sufficient distribution expenses through its base rates, Ohio Power's remedy is to request an increase in its base rates to reflect a new test-year expense amount.

D. Division of Revenue Requirement between Residential and Non-Residential Customers

The Staff's adjustments to the revenue requirement were divided between the residential and non-residential revenue requirement using the percentage of distribution revenues that are residential and non-residential customers. OPAE has no issue with this method.

E. Conclusion

OPAE agrees with the Staff's adjustments and recommends that the Commission adopt them. The Staff recommended new rider rates of \$0.51 per

meter per month for residential customers and \$2.10 per meter per month for non-residential customers. This reflects the Staff's adjustments, if not the minor and probably insignificant, correction made by Ohio Power to the per diem adjustment.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Comments was served electronically upon the following parties identified below on this 31st day of October 2013.

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Summary: Comments electronically filed by Colleen L Mooney on behalf of Ohio Partners for Affordable Energy