BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of The	:	
Ohio Power Company to Adjust Its	:	Case No. 14-0357-EL-RDR
Throughput Balancing Adjustment Rider	:	

COMMENTS
SUBMITTED ON BEHALF OF THE STAFF
OF THE PUBLIC UTILITIES COMMISSION OF OHIO

Michael DeWine
Ohio Attorney General

William L. Wright
Section Chief

Thomas W. McNamee
Werner L. Margard III
Assistant Attorneys General
Public Utilities Section
180 East Broad Street, 6th Fl.
Columbus, OH 43215
614.466.4395 (telephone)
thomas.mcnamee@puc.state.oh.us
werner.margard@puc.state.oh.us

May 1, 2014

INTRODUCTION

The Commission, in Case No. 11-351-EL-AIR, authorized the Ohio Power Company (Company) to initiate a three year pilot program establishing the Pilot Throughput Balancing Adjustment Rider (PTBAR) as a rate decoupling mechanism. The use of PTBAR should remove revenue related disincentives that Ohio Power may have to implement energy efficiency programs, while also removing the "lost distribution revenues" that would otherwise potentially be recovered as a part of the Company's energy efficiency program costs. The Commission directed Ohio Power 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 Pilot will be for the years 2012, 2013 and 2014 with the rider applicable for July 2013 through June 2016 , with a final true-up in October 2016. The rates should 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 3, 2014 is the second 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 Application filed on March 1, 2013 was the first application to establish non-zero rates.

The Commission also directed Ohio Power to file a set of metrics to be used for the purpose of evaluating the pilot program. The Company 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 are shown in the Appendix to these Comments.

ANALYSIS AND RECOMMENDATIONS

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.

With regard to the proposed metrics (Appendix), Staff believes it is premature to conduct any kind of analysis or draw any conclusions. 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
0.16182	0.06965	0.14837	0.01827

Percent Change from 2013 PTBAR Rates			
Columbus Southern		Ohio Power	
Residential	GS-1	Residential	GS-1
103%	33%	12%	-14%

- The rate cap was invoked for the Residential rate class in both the Columbus Southern and Ohio Power rate zones. The balance of the actual vs. target revenues exceeded the 3% rate cap by 15% of the cap amount and 19% of the cap amount, respectively. The rates for the remaining two rate classes were under the cap.

	Columbus Southern		Ohio Power	
	Residential	GS-1	Residential	GS-1
3% Rate Cap	11,236,438	518,581	10,086,813	620,362
Adjusted Balancing Account in Excess of Rate Cap	1,689,653	-	1,901,365	-
Excess of Rate Cap as Percent of Rate Cap	15%		19%	
Actual Revenue to be Adjusted as Percent of Distribution Revenue	3.45%	1.38%	3.57%	0.30%

- PTBAR rates reflect both positive and negative differences between actual monthly volumetric distribution revenues and the targeted volumetric distribution levels; however, the annual filings have not produced any refunds to the customers.
- The rates established in Case No. 13-568-EL-RDR have under collected the agreed upon amount through December 2013 as follows.

Amount Under Collected from 2013			
Columbus Southern		Ohio Power	
Residential	GS-1	Residential	GS-1
$42,481	$7,728	$186,677	$2,463

Further observations and any analysis will benefit from more complete data as the pilot rate matures through its three year period.

The Commission ordered the Company to update its cost of service study and to file that update prior to the final year of the pilot rate, and to file such update in Case No 11-351-EL-AIR (Case No 11-351-EL-AIR, 12/14/2011 Opinion and Order, page 10). Staff recommends the Commission modify its original order such that the Company is required to file its cost of service update at the same time it files (per the recommendation below) the final analysis of the PTBAR at the end of the three year period in which the pilot program is in effect. The Commission should also clarify that the cost of service update should compare the distribution revenues received under PTBAR vs. the revenues that would have been received absent the PTBAR.

For purposes of evaluating the PTBAR, Staff recommends the Commission direct the Company to submit a complete analysis of the PTBAR in terms of how well it achieved the objectives of decoupling distribution revenues from sales volumes, and removing disincentives to offer energy efficiency. The Company should also evaluate the PTBAR in terms of other impacts the PTBAR may have had as expressed by the metrics filed in Case No. 10-3126-EL-UNC and appended to these comments, in its next and final annual filing. This will provide the opportunity for review and comment of the analysis by Staff, intervenors, and the Commission.

In its August 21, 2013 Finding and Order in Case No. 10-3126-EL-UNC, the Commission "encourages electric utilities to file their next base rate cases utilizing the SFV rate design [Order @ paragraph 64]." Should the PTBAR three year pilot period end prior to the Company filing a distribution rate case, Staff believes the Company should evaluate as part of its analysis whether the PTBAR, which currently applies only to residential rate classes and rate class GS-1 for small commercial customers, should be expanded to include all rate classes.

<u>Appendix</u>

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

Respectfully Submitted,

Michael DeWine
Ohio Attorney General

William L. Wright
Section Chief

/s/ Thomas W. McNamee

Thomas W. McNamee
Werner L. Margard III
Assistant Attorneys General
Public Utilities Section
180 East Broad Street, 6th Fl.
Columbus, OH 43215
614.466.4395 (telephone)
thomas.mcnamee@puc.state.oh.us
werner.margard@puc.state.oh.us

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 the following parties of record, this 1st day of May, 2014.

/s/ Thomas W. McNamee

Thomas W. McNamee
Assistant Attorney General

PARTIES OF RECORD:

Terry L. Etter
Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, Ohio 43215-3485

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