BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of The Ohio Power Company to Adjust its Throughput Balancing Adjustment Rider.	: : :	Case No. 15-439-EL-RDR

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

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 the Company 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 the Company 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 are based upon actual observed differences between distribution revenues collected through volumetric charges for each kilowatthour sold, and the test year target volumetric distribution revenues established in Case No. 11-351-EL-AIR.

The Application filed on February 27, 2015 is the third 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 and the Application filed on March 3, 2014 was the second application to establish non-zero rates.

The Commission also directed the Company to file a set of metrics to evaluate 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 is waiting for the Company to file the cost of service study to 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
0.17270	0.06763	0.13952	0.01056

Percent Change from 2014 PTBAR Rates			
Columbus Southern		Ohio Power	
Residential	GS=1	Residential	GS=1
7%	-3%	-6%	-42%

- The rate cap was invoked for the Residential rate class in the Columbus Southern rate zone. The balance of the actual vs. target revenues exceeded the 3% rate cap by 31%. The rates for the remaining three rate classes were under the cap.

	Columbus Southern		Ohio Power	
	Residential	GS=1	Residential	GS=1
3% Rate Cap	12,400,226	691,084	11,203,487	697,588
Adjusted Balancing Account in Excess of Rate Cap	3,785,446	-	-	-
Excess of Rate Cap as Percent of Rate Cap	31%			
Actual Revenue to be Adjusted as Percent of Distribution Revenue	3.92%	1.03%	2.63%	0.16%

- 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 (over) collected the agreed upon amount through December 2014 as follows.

Amount Under / (Over) Collected from 2014			
Columbus Southern		Ohio Power	
Residential	GS=1	Residential	GS=1
$ (152,843)	$ 487	$ (223,406)	$ (5,850)

Further observations and any analysis will benefit from more complete data as the cost of service study is filed this year.

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.[1] Staff recommends to the Commission that the Company be required to file its cost of service update before (per the recommendation below) the PTBAR rate adjustments go into effect, July 1, 2015. The Commission should also clarify that the cost of service update should compare the distribution revenues received under PTBAR versus the revenues that would have been received absent the PTBAR and report the number of kilowatt-hours for each rate class by month for the pilot years.

For purposes of evaluating the PTBAR, Staff recommends that 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. In its next and annual filing the Company should also evaluate 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. This will provide the opportunity for review and comment by Staff, interveners, and the Commission.

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1 *In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company, Individually and, if Their Proposed Merger is Approved, as a Merged Company (collectively, AEP Ohio) for an Increase in Electric Distribution Rates*, Case Nos. 11-351-EL-AIR, *et al*. (Opinion and Order at 10) (Dec. 14, 2011).

Respectfully submitted,

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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 regular U.S. mail, postage prepaid, or hand-delivered, upon the following Parties of Record, this 1st day of May, 2015.

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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