

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio)
Power Company for Approval of an) Case No. 14-1158-EL-ATA
Advanced Meter Opt-Out Service Tariff)

OPINION AND ORDER

The Public Utilities Commission of Ohio, having considered the record in this matter and the stipulation and recommendation submitted by the signatory parties, and being otherwise fully advised, hereby issues its Opinion and Order. In this Opinion and Order, the Commission finds that AEP Ohio shall not charge customers for advanced meter opt-out service until it implements a mechanism to return the benefits of AEP Ohio's smartGRID program to customers. Once AEP Ohio implements such a mechanism, it may implement a one-time charge of \$43.00 and a monthly charge of \$24.00 for advanced meter opt-out service, consistent with the stipulation and pursuant to Ohio Adm.Code 4901:1-10-05(J).

APPEARANCES:

Steven T. Nourse and Matthew S. McKenzie, American Electric Power Service Corporation, One Riverside Plaza, Columbus, Ohio 43215, on behalf of Ohio Power Company,

Mike DeWine, Ohio Attorney General, by William L. Wright, Section Chief, Public Utilities Section, 180 East Broad Street, Columbus, Ohio 43215, on behalf of the staff of the Public Utilities Commission of Ohio.

Bruce J. Weston, Ohio Consumers' Counsel, by Terry Etter, Assistant Consumers' Counsel, 10 West Broad Street, Suite 1800, Columbus, Ohio 43215-3485, Bricker & Ecker, LLP, by Dane Stinson, 100 South Third Street, Columbus, Ohio 43215, on behalf of the residential customers of Ohio Power Company,

Colleen L. Mooney, 231 West Lima Street, Findlay, Ohio 45840, on behalf of Ohio Partners for Affordable Energy.

OPINION:

I. History of the Proceeding

Pursuant to Ohio Adm.Code 4901:1-10-05(J), each electric utility must provide customers with the option to remove an installed advanced meter and replace it with a traditional meter, and the option to decline installation of an advanced meter and retain a traditional meter, including a cost-based, tariffed opt-out service. Additionally, Ohio Adm.Code 4901:1-10-05(J)(5)(c) and (d) provide that the electric utility may establish a one-time fee to recover the costs of removing an existing advanced meter, and the subsequent installation of a traditional meter, and the electric utility may establish a recurring fee to recover costs associated with providing meter reading and billing services associated with the use of a traditional meter. Finally, Ohio Adm.Code 4901:1-10-05(J)(5)(e) provides that costs incurred by an electric utility to provide advanced meter opt-out service shall be borne only by customers who elect to receive advanced meter opt-out service.

On May 19, 2014, Ohio Power Company d/b/a AEP Ohio filed an application in this case for approval of its proposed advanced meter opt-out service tariffs. AEP Ohio is a public utility as defined in R.C. 4905.02 and an electric utility as defined in R.C. 4928.01(A)(11), and, as such, is subject to the jurisdiction of this Commission. AEP Ohio's proposed advanced meter opt-out service tariffs would provide customers who are scheduled to receive an advanced meter with the option to retain their traditional meter. Additionally, AEP Ohio's proposed tariffs would provide customers who currently have an advanced meter with the option to have it replaced with a traditional meter. For this advanced meter opt-out service, AEP Ohio proposed a one-time charge of \$43.00 and a monthly charge of \$31.80.

On March 23, 2015, a joint stipulation and recommendation (stipulation) was filed by AEP Ohio and Staff (Jt. Ex. 1). The stipulation contains an agreement by the signatory parties on a one-time charge of \$43.00 and a monthly charge of \$24.00 for advanced meter opt-out service. AEP Ohio filed the testimony of Andrea E. Moore in support of the stipulation (AEP Ohio Ex. 1). On April 24, 2015, OCC filed the testimony of James D. Williams in opposition to the stipulation (OCC Ex. 4).

The evidentiary hearing was held in this matter on May 7, 2015. Following the conclusion of the evidentiary hearing, AEP Ohio, Staff, OCC, and OP&E filed initial briefs on June 22, 2015. Reply briefs were filed by AEP Ohio, Staff, OCC, and OP&E on July 7, 2015.

II. Discussion

A. Summary of the Application

In its application, AEP Ohio proposed advanced meter opt-out service tariffs that would provide customers who are scheduled to receive an advanced meter with the option to retain their traditional meter. Additionally, AEP Ohio's proposed tariffs would provide customers who currently have an advanced meter with the option to have it replaced with a traditional meter. AEP Ohio proposed to charge advanced meter opt-out service customers a one-time charge of \$43.00 and a monthly charge of \$31.80.

AEP Ohio proposed to implement the charges pursuant to Ohio Adm.Code 4901:1-10-05(J)(5)(f), which states that all costs incurred by an electric utility to provide customers with advanced meter opt-out service shall be borne by those customers who elect to receive the service. To arrive at the amount for the proposed monthly charge, AEP Ohio calculated the average travel time per trip, the cost of labor, the average time spent at the meter for meter reading, and the expected number of meter reads per year to arrive at a proposed monthly charge of \$31.80 for advanced meter opt-out service. Additionally, AEP Ohio noted that both the proposed one-time charge and the monthly charge were based upon AEP Ohio's already tariffed manual meter read rate of \$43.00, which was approved pursuant to the stipulation and recommendation adopted by the Commission in Case No. 11-351-EL-AIR. *In re Ohio Power Co.*, Case No. 11-351-EL-AIR, et al., Application (Feb. 28, 2011) at Attachment E (See, e.g., Part 3 of 25, Schedule E-1, Part 1A at Page 14-15 of 122; Schedule E-1, Part 1B at Pages 16, 45 of 105); *In re Ohio Power Co.*, Case No. 11-351-EL-AIR, et al., Joint Stipulation and Recommendation (Nov. 23, 2011). Accordingly, AEP Ohio's cost justification for the monthly advanced meter opt-out service charge is as follows:

Average travel time per trip: 30 minutes	
Labor: MRO Electrician A @ \$28.76/hr. plus fringes at 65% x .5 hrs.	\$23.73
Vehicle cost for class 40: \$9.25/hr. x .75 hours	\$6.93
Average time at meter single phase: 15 minutes	
<u>Labor: MRO Electrician A @ \$28.76/hr. plus fringes at 65% x .25 hrs.</u>	<u>+ \$11.86</u>
Total rounded cost justified charge for single phase meters	\$43.00
<u>Meter read rate of 8.875 times per year in AMI territory</u>	<u>x 0.74</u>
Total cost-justified monthly charge for refusal of advanced meter	\$31.80

(AEP Ohio Ex. 2 at Exhibit E.)

B. Summary of the Stipulation

The stipulation signed by AEP Ohio and Staff was filed on March 23, 2015. However, OCC and OPAE were not signatory parties to the stipulation. The stipulation was intended by the signatory parties to resolve all of the outstanding issues in this proceeding (Jt. Ex. 1 at 1). The stipulation contains the following terms, among others, as summarized by the Commission and is not intended to supersede or amend the actual terms of the stipulation:

- (1) The revised tariff language proposed in the stipulation meets all requirements of Ohio Adm.Code 4901:1-10-05(J) and any other applicable requirements, including that the proposed charge for opt-out service (\$24.00) is based upon the costs incurred to provide advanced meter opt-out service;
- (2) The revised tariff language proposed in the stipulation is just and reasonable; and
- (3) AEP Ohio will track the following items by month and provide the information to Staff upon request:
 - (a) The number of customers participating in the opt-out tariff service,
 - (b) The total number of meter reading routes,
 - (c) The number of designated AMI and AMR meter reading routes, and
 - (d) The number of actual meter reads for each customer participating in the opt-out service tariff.

The revised tariff language in the stipulation states that the customer can request not to have the installation of an Advanced Meter Infrastructure (AMI) or Advanced Meter Reading (AMR) meter and pay a monthly fee of \$24. Additionally, the company will only charge the monthly meter-reading fee in areas where the company has designated the meter-reading route as an AMI or AMR meter area, which is an area where the company has installed AMI and/or AMR meters on at least 85 percent of meter route designations. Further, in areas where an AMI or AMR meter has already been installed, the customer will be billed a one-time charge of \$43 to remove the AMI or AMR meter and install a non-AMI or non-AMR meter. Finally, consistent with Ohio Adm.Code 4901:1-10-05, the company may refuse to provide advanced meter opt-out

service if it would create a safety hazard or if the customer does not allow the electric utility's employees or agents access to the meter.

The stipulating parties agree that the stipulation satisfies the three-part test traditionally used by the Commission to consider stipulations. Specifically, the stipulating parties agree that:

- (1) The stipulation is a product of lengthy, serious, arms-length bargaining among capable, knowledgeable parties representing diverse interests;
- (2) The stipulation does not violate any important regulatory principle or practice; and
- (3) The stipulation, as a whole, benefits customers and the public interest, and represents a just and reasonable resolution of all of the issues in this proceeding.

(Jt. Ex. 1 at 4-5.)

C. Consideration of the Stipulation

Ohio Adm.Code 4901-1-30 authorizes parties to Commission proceedings to enter into a stipulation. Although not binding on the Commission, the terms of such an agreement are accorded substantial weight. *See Consumers' Counsel v. Pub. Util. Comm.*, 64 Ohio St.3d 123, 125, 592 N.E.2d 1370 (1992), citing *Akron v. Pub. Util. Comm.*, 55 Ohio St.2d 155, 157, 378 N.E.2d 480 (1978). This concept is particularly valid where the stipulation is supported or unopposed by the vast majority of parties and resolves all issues presented in the proceeding in which it is offered.

The standard of review for considering the reasonableness of a stipulation has been discussed in a number of prior Commission proceedings. *See, e.g., Cincinnati Gas & Elec. Co.*, Case No. 91-410-EL-AIR (Apr. 14, 1994); *W. Reserve Tel. Co.*, Case No. 93-230-TP-ALT (Mar. 30, 1994); *Ohio Edison Co.*, Case No. 91-698-EL-FOR, et al. (Dec. 30, 1993); *Cleveland Elec. Illum. Co.*, Case No. 88-170-EL-AIR (Jan. 30, 1989); *Restatement of Accounts and Records (Zimmer Plant)*, Case No. 84-1187-EL-UNC (Nov. 26, 1985). The ultimate issue for our consideration is whether the agreement, which embodies considerable time and effort by the signatory parties, is reasonable and should be adopted. In considering the reasonableness of a stipulation, the Commission has used the following criteria:

- (1) Is the settlement a product of serious bargaining among capable, knowledgeable parties?
- (2) Does the settlement, as a package, benefit ratepayers and the public interest?
- (3) Does the settlement package violate any important regulatory principle or practice?

The Supreme Court of Ohio has endorsed the Commission's analysis using these criteria to resolve issues in a manner economical to ratepayers and public utilities. *Indus. Energy Consumers of Ohio Power Co. v. Pub. Util. Comm.*, 68 Ohio St.3d 559, 629 N.E.2d 423 (1994), citing *Consumers' Counsel* at 126. The Court stated in that case that the Commission may place substantial weight on the terms of a stipulation, even though the stipulation does not bind the Commission.

1. Is the settlement a product of serious bargaining among capable, knowledgeable parties?

The signatory parties agree that the stipulation in this case is a just and reasonable resolution of the issues raised in this proceeding and is the product of lengthy, serious bargaining among knowledgeable and capable parties, representing a wide range of interests (Jt. Ex. 1 at 1). The stipulation asserts that the signatory parties are each capable, knowledgeable parties, and that intervenors in this proceeding were invited to discuss and negotiate the stipulation. AEP Ohio witness Andrea Moore testified that the stipulation is the product of meetings and negotiations involving experienced counsel, as well as technical experts from the parties in the case. She testified that, among other things, the stipulation adopts a significantly lower monthly charge than what was proposed by AEP Ohio, which represents a compromise based upon serious bargaining and negotiation. (AEP Ohio Ex. 1 at 4.) Additionally, AEP Ohio avers that Staff balances the interests of the utility and its customers, and in this case Staff was aware of the arguments advanced by OCC. AEP Ohio argues that the fact that Staff signed the stipulation demonstrates that residential customers were protected.

OCC argues that the stipulation does not represent diverse interests because OCC is the only party in this case that represents residential consumers. OCC witness James Williams testified that the stipulation does not represent a diversity of interests because only AEP Ohio and Staff signed the stipulation (OCC Ex. 4 at 6). Further, OCC argues that the stipulation is not the result of serious bargaining, rather it is an attempt by AEP Ohio to shield from Commission scrutiny whether the advanced meter opt-out charges are actually cost-based. OCC then asserts that stipulations are inherently unreasonable when one of the parties' interests are ignored, and that in this instance,

the interests of residential customers are not represented because OCC did not join the stipulation. Finally, OCC avers that the record demonstrates that AEP Ohio's commitment in the stipulation to provide data to Staff is illusory, as Staff already has the right to obtain such information pursuant to R.C. 4905.06 and 4905.15.

Additionally, OPAE asserts that the stipulation is not the product of serious bargaining among capable, knowledgeable parties representing a diversity of interests. OPAE avers that a diversity of interests is not present because the stipulation lacks any signatory party representing the customers who will pay the advanced meter opt-out service charges. OPAE argues that Staff and AEP Ohio have the same interest, which is to ensure that advanced meters are deployed to all residential customers, and OCC and OPAE are the only parties that represent the interests of residential customers.

Staff asserts in its post-hearing brief that the decision by OCC and OPAE not to sign the stipulation does not make it unreasonable. Staff notes that OCC even conceded that Staff has a duty to balance the interests of all customer classes, including residential customers (Tr. at 216). Further, Staff argues that the Commission has repeatedly held that no party wields a veto power over the stipulation process and that unanimous stipulations are not required. *In re Vectren Energy Delivery of Ohio, Inc.*, Case No. 13-1571-GA-ALT, Opinion and Order (Feb. 19, 2014) at 10; *In re Columbia Gas of Ohio, Inc.*, Case No. 07-478-GA-UNC, Opinion and Order (Apr. 9, 2008) at 32. Finally, Staff notes that while OPAE did not sign the stipulation or participate in settlement negotiations, it also did not seek intervention in this proceeding until after the parties filed the stipulation.

Commission Conclusion

The Commission finds that the stipulation is the product of serious bargaining among capable, knowledgeable parties. The record demonstrates that all of the parties who had intervened before the stipulation was filed were included in settlement discussions and were provided opportunities to represent their interests in the stipulation (AEP Ohio Ex. 1 at 4; Tr. at 215-216). Further, the parties in this case routinely participate in matters before the Commission, are capable and knowledgeable with respect to regulatory matters, and are represented by experienced counsel. Additionally, the signatory parties represent a wide variety of diverse interests. Although OCC and OPAE did not ultimately sign the stipulation, the record indicates that the interests of residential customers were considered and adequately represented.

Additionally, the Commission notes that we have repeatedly determined that we will not require any party, including OCC or OPAE, to agree to a stipulation, in order to meet the first part of the three-part test. *In re Vectren Energy Delivery of Ohio, Inc.*, Case No. 13-1571-GA-ALT, Opinion and Order (Feb. 19, 2014) at 10; *In re FirstEnergy*, Case

No. 12-1230-EL-SSO, Opinion and Order (July 18, 2012) at 26, citing *Dominion Retail, Inc. v. The Dayton Power and Light Co.*, Case No. 03-2405-EL-CSS, et al., Opinion and Order (Feb. 2, 2005) at 18, Entry on Rehearing (Mar. 23, 2005) at 7-8; *In re The Dayton Power and Light Co.*, Case No. 12-3062-EL-RDR, et al., Opinion and Order (Dec. 17, 2014) at 9. Further, there is no evidence in the record that any class of customers was excluded from the settlement negotiations. See *Time Warner AxS v. Pub. Util. Comm.*, 75 Ohio St.3d 229, 233, 661 N.E.2d 1097 (1996). Therefore, upon review of the record, the Commission finds that the first prong of the Commission's three-part test for reasonableness has been met.

2. Does the settlement, as a package, benefit ratepayers and the public interest?

The signatory parties submit that, as a package, the stipulation benefits ratepayers and is in the public interest (Jt. Ex. 1 at 1). AEP Ohio argues that the stipulation benefits ratepayers and serves the public interest because AEP Ohio provided a cost-justified proposal for an advanced meter opt-out service charge, and the stipulation represents a compromise to lower the recurring monthly charge from \$31.80 to \$24. AEP Ohio asserts that this is a significantly below-cost tariff charge (AEP Ohio Ex. 1 at 4). AEP Ohio argues that the tariff benefits ratepayers and the public interest by adhering to the principle of cost-causation and by establishing important incentives to encourage the adoption of advanced meter technology. Similarly, Staff argues that the stipulation benefits ratepayers and the public interest because it is a cost-based charge that will be borne by those customers that cause the cost to be incurred. Further, Staff notes that more customers choosing advanced meter opt-out service decreases the effectiveness of smart grid and raises costs on the rest of customers.

OCC argues that the stipulation does not benefit customers or the public interest. OCC witness Williams testified that AEP Ohio's residential customers would be significantly harmed by having their electric bills increased by \$288 per year, whereas, OCC estimates that AEP Ohio would only be harmed by approximately \$23,000 per year if it chose not to collect an advanced meter opt-out service charge (Tr. at 175, 186, 198). Therefore, OCC argues that the Commission should conclude, for equitable reasons, that residential customers should not be charged to have an advanced meter removed or to have their traditional meter read monthly if they choose to opt-out. OCC then presents three additional reasons why it believes the stipulation does not, as a package, benefit ratepayers and the public interest. First, OCC argues that the stipulation is not really a package but only a rate agreed upon between AEP Ohio and Staff. Second, OCC argues that residential customers who choose not to have an advanced meter would face increasing electric bills just to have their meter read. Third, OCC asserts that even with the charge, there is no guarantee that AEP Ohio will even

perform monthly meter reads. OCC witness Williams testified that prior to moving forward beyond the current gridSMART Program, the Commission should conduct an independent cost-benefit analysis to determine the tangible benefits that customers have received from the gridSMART Program. He recommended that the Commission not approve any charge until the costs and benefits of advanced meter opt-out service can be evaluated alongside AEP Ohio's gridSMART program. (OCC Ex. 4 at 14-15).

OPAE argues, among other things, that the stipulation does not benefit ratepayers because it charges them to have their existing meter read in the same manner that it is already being read. OPAE asserts that customers who opt-out of receiving an advanced meter will pay an additional \$288 a year for the exact same meter and meter-reading service they already have and are already paying for in base distribution rates. Further, OPAE notes that in addition to paying base distribution rates, customers who choose to keep their traditional meters will pay AEP Ohio's distribution investment rider and gridSMART rider. However, after opting out, they may end up paying for those riders without receiving any benefit from them. Accordingly, OPAE avers that the proposed advanced meter opt-out service charges would be punitive to customers and be comparatively insignificant to AEP Ohio. Finally, OPAE asserts that, at this point, nobody knows what the costs of advanced meter opt-out service will be or whether they will be more than what AEP Ohio already recovers in base distribution rates (Tr. at 176).

Commission Conclusion

Upon consideration of the parties' arguments, the Commission finds that the stipulation should be modified in order to ensure that it is in the public interest. OPAE and OCC argue that opt-out service customers should not have to pay for both the gridSMART rider and advanced meter opt-out service, and that AEP Ohio has not proposed to reduce customers' bills to reflect its reduced operational expenses from advanced meter deployment (OCC Ex. 4 at 14). We share the concerns raised by OCC and OPAE. We find that customers should not have to pay for advanced meter opt-out service if they are not actually receiving a reduction in costs resulting from the operational efficiencies created by AEP Ohio's gridSMART Program.

On March 18, 2009, the Commission issued an Opinion and Order approving AEP Ohio's first electric security plan (ESP), pursuant to R.C. 4928.141, which authorized the creation of AEP Ohio's gridSMART Phase 1 Program (gridSMART Program) and authorized AEP Ohio to establish a gridSMART Rider. This gridSMART Program, including the gridSMART Rider, authorized AEP Ohio to deploy advanced meters in certain areas of its service territory. *In re Ohio Power Co.*, Case No. 08-918-EL-SSO, et al., Opinion and Order (Mar. 18, 2009) at 37-38. When the Commission approved AEP Ohio's gridSMART Program, the Commission denied AEP Ohio's proposal for annual

distribution rate increases of 7 percent for Columbus Southern Power Company and 6.5 percent for Ohio Power Company to recover the costs of deploying advanced meters. *In re AEP ESP I*, Case No. 08-917-EL-SSO, et al., Opinion and Order (Mar. 18, 2009) at 38. Instead of a distribution rate increase to deploy advanced meters, and then netting the benefits of the gridSMART Program to the revenue requirement, the Commission created the gridSMART Rider to recover the costs of advanced meter deployment. However, due to the limited nature of the initial gridSMART deployment, the Commission did not require, at that time, the creation of a mechanism to offset the costs of the deployment with the operational savings created by the gridSMART Program. In this case, we find that it would be unreasonable to charge customers for advanced meter opt-out service prior to the implementation of a mechanism for customers to receive the benefits of the operational savings created by AEP Ohio's gridSMART program. However, we note that on April 7, 2016, a Stipulation and Recommendation was filed in Case No. 13-1939-EL-RDR to implement AEP Ohio's gridSmart Phase 2 Program, including a credit reflecting projected operational cost savings to offset the costs otherwise recovered through the rider. *In re Ohio Power Co.*, Case No. 13-1939-EL-RDR, Stipulation (April 7, 2016) at 10. Accordingly, we find that the stipulation should be modified such that AEP Ohio shall charge a \$0.00 one-time charge and a \$0.00 monthly recurring charge for advanced meter opt-out service until AEP Ohio has received Commission approval and implemented a mechanism that will return the operational savings of AEP Ohio's advanced meter deployment to customers.

Nonetheless, the record in this case demonstrates that, when customers choose advanced meter opt-out service, they do, in fact, impose new costs on AEP Ohio and reduce the operational savings of advanced meter deployment (AEP Ohio Ex. 1 at 4-5; Tr. at 86-87, 113). Therefore, the Commission finds that, once AEP Ohio implements the mechanism to return the operational savings of the gridSMART Program to customers, AEP Ohio should be authorized to update its tariff to implement the stipulated charges. The record demonstrates that the average monthly cost of reading meters and providing advanced meter opt-out service is not less than \$31.80. However, under the terms of the stipulation, those customers who choose advanced meter opt-out service will only be charged \$24.00 per month for the service (AEP Ohio Ex. 2 at E; Jt. Ex. 1 at B-2, Original Sheet 103-12; Tr. at 10, 24, 52, 136). This reduction in the charge from the cost of providing the service benefits ratepayers and is in the public interest.

Finally, we note that prior to the adoption of Ohio Adm.Code 4901:1-10-05(J), customers did not have the opportunity to opt-out of having an advanced meter installed. Therefore, the modified stipulation also benefits ratepayers and the public interest by providing them with a service that they did not previously have, at a reasonable cost, below the actual cost for AEP Ohio to provide that service. Accordingly, the Commission finds that the modified stipulation, as a package, benefits

ratepayers and the public interest, pursuant to the second prong of the test for consideration of stipulations.

3. Does the settlement package violate any important regulatory principle or practice?

Finally, the signatory parties assert that the stipulation violates no regulatory principle or practice. AEP Ohio witness Moore testified that the stipulation does not violate any important regulatory principle or practice. Ms. Moore testified that the stipulation provides a reasonable settlement of the issue in this case, and that it is consistent with Ohio Adm.Code 4901:1-10-05. (AEP Ohio Ex. 1 at 4.) Similarly, Staff asserts that the stipulation follows important regulatory principles and practices. Staff avers that Ohio Adm.Code 4901:1-10-05(J) requires AEP Ohio to file tariffs with the Commission, and that the tariffs attached to the stipulation in this case comply with the rule. Further, Staff notes that Ohio Adm.Code 4901:1-10-01(J)(5)(e) requires that charges for advanced meter opt-out service must be limited to customers who choose advanced meter opt-out service. Staff asserts that the stipulation furthers the important regulatory principle of cost causation by assigning advanced meter opt-out charges only to those customers responsible for creating the costs.

OCC argues that the stipulation violates important regulatory principles and practices because the agreed upon charge is not just and reasonable, and is not cost-based. OCC asserts that AEP Ohio performed no formal independent cost analysis to develop the residential opt-out service charges in this proceeding. Further, OCC avers that the manual meter read cost that AEP Ohio used to base its proposal on are outdated and were developed for the commercial customer class. OCC alleges that AEP Ohio failed to demonstrate that the advanced meter opt-out service charge is cost-based, as required by Ohio Adm.Code 4901:1-10-05. Similarly, OPAE also argues that the stipulation violates important regulatory principles and practices and that AEP Ohio failed to demonstrate that the charge is cost-based.

Commission Conclusion

The Commission finds that the stipulation, as modified by the Commission, does not violate any important regulatory principle or practice. The record demonstrates that the charge for advanced meter opt-out service is a cost-based charge that is consistent with the Commission's directive in Ohio Adm.Code 4901:1-10-05(J) (AEP Ohio Ex. 2 at E; Jt. Ex. 1 at B-2, Original Sheet 103-12; Tr. at 10, 24, 52, 136). The principle of cost-causation is an important regulatory principle that requires the electric utility to recover costs from those customers who caused the cost to be incurred on the electric utility. The stipulation, as modified by the Commission, adheres to this principle. Although AEP Ohio has demonstrated that its actual average monthly cost of reading meters and

providing advanced meter opt-out service is not less than \$31.80, the stipulation reduces the monthly charge to \$24 per month. Once AEP Ohio begins returning the operational savings of its gridSMART program to customers, this is a reasonable amount for AEP Ohio to charge customers for advanced meter opt-out service. AEP Ohio demonstrated its cost of manual meter reading to provide advanced meter opt-out service and not party provided record evidence that the cost is different from what was demonstrated by AEP Ohio. Further, no party provided a reasonable alternative on the proper amount that customers should be charged for manual meter reading to provide advanced meter opt-out service.

Finally, we note that advanced meter deployment provides improved reliability and numerous other operational efficiencies that enable electric utilities to provide safe and reliable electric service. As this Commission has said before, “[it] is important that steps be taken by the electric utilities to explore and implement technologies, such as AMI, that will potentially provide long-term benefits to customers and the electric utility. GRIDsmart Phase 1 will provide [AEP Ohio] with beneficial information as to implementation, equipment preferences, customer expectations, and customer education requirements. A properly designed AMI system and DA [distribution automation] can decrease the scope and duration of electric outages. More reliable service is clearly beneficial to [AEP Ohio] customers.” *In re Ohio Power Co.*, Case No. 08-918-EL-SSO, et al., Opinion and Order (Mar. 18, 2009) at 37; *In re Ohio Power Co.*, Case No. 11-346-EL-SSO, et al., Opinion and Order (Aug. 8, 2012) at 61-63. Additionally, advanced meter deployment may create operational efficiencies that results in cost savings, which should be returned to customers before an additional charge is assessed upon customers for advanced meter opt-out service. Accordingly, we recognize the concerns raised by OCC and OPAE that advanced meter opt-out customers are not receiving benefits from advanced meter deployment in AEP Ohio’s service territory. All customers benefit from the improved reliability that comes from the deployment of AMI and DA through AEP Ohio’s gridSMART rider, and all customers should receive the cost savings that result from AEP Ohio’s gridSMART program. Once the Commission has approved a mechanism to return the cost savings of its gridSMART program to customers, AEP Ohio may file a revise its tariff to charge customers for advanced meter opt-out service at the stipulated amounts.

Therefore, we find that the stipulation, as modified by this Commission, satisfies the three criteria for evaluating the reasonableness of a stipulation and should be approved.

FINDINGS OF FACT AND CONCLUSIONS OF LAW:

- (1) AEP Ohio is a public utility as defined in R.C. 4905.02 and an electric utility as defined in R.C. 4928.01(A)(11), and, as such, is subject to the jurisdiction of this Commission.
- (2) On June 27, 2014, AEP Ohio filed an application to adopt a proposed advanced meter opt-out service tariff.
- (3) On July 18, 2014, OCC filed a motion to intervene and memorandum in support. Thereafter, on April 27, 2015, OPAE filed a motion to intervene and a memorandum in support. The motions to intervene by OCC and OPAE were each granted by the attorney examiner.
- (4) On March 23, 2015, a stipulation was filed by AEP Ohio and Staff, which was intended to resolve all of the issues in this case. OCC and OPAE were not signatory parties to the stipulation.
- (5) A hearing was held in this matter on May 7, 2015.
- (6) On June 22, 2015, initial briefs were filed by AEP Ohio, Staff, OCC, and OPAE. Thereafter, on July 7, 2015, reply briefs were filed by the parties.
- (7) The stipulation, as modified by the Commission, meets the criteria used by the Commission to evaluate stipulations, is reasonable, and should be adopted.

ORDER:

It is, therefore,

ORDERED, That the stipulation, as modified by the Commission, be adopted and approved. It is, further,

ORDERED, That AEP Ohio take all necessary steps to carry out the terms of the stipulation and this Opinion and Order. It is, further,

ORDERED, That AEP Ohio file, in final form, two complete copies of its tariff, consistent with this Opinion and Order. One copy shall be filed in this case docket and one copy in its TRF docket. It is, further,

ORDERED, That the effective date of the new tariff shall be a date not earlier than the date of this Opinion and Order, and the date upon which the final tariffs are filed with the Commission. It is, further,

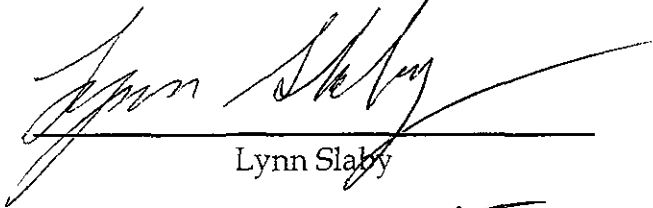
ORDERED, That nothing in this Opinion and Order shall be binding upon the Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

ORDERED, That a copy of this Opinion and Order be served upon each party of record.

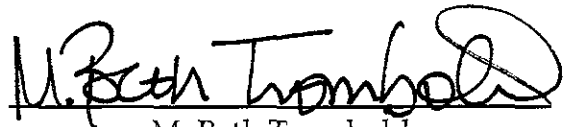
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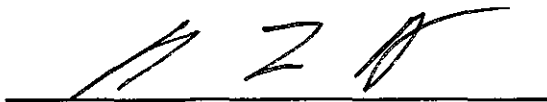
Andre T. Porter, Chairman



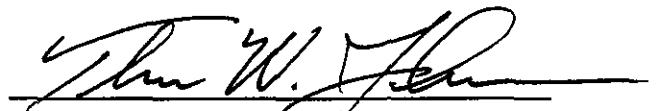
Lynn Slaby



M. Beth Trombold



Asim Z. Haque



Thomas W. Johnson

BAM/sc

Entered in the Journal

APR 27 2016



Barcy F. McNeal
Secretary