

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)	
Ohio Power Company to Establish a)	Case No. 14-1158-EL-ATA
Meter Opt Out Tariff.)	

**OHIO PARTNERS FOR AFFORDABLE ENERGY'S
MEMORANDUM CONTRA
THE APPLICATION FOR REHEARING OF AEP OHIO**

I. Introduction

Ohio Partners for Affordable Energy ("OPAE") herein submits to the Public Utilities Commission of Ohio ("Commission") this memorandum contra the Application for Rehearing filed by Ohio Power Company ("AEP Ohio") in the above-captioned proceeding considering the application of AEP Ohio to establish an advanced meter opt-out tariff for residential customers. On April 27, 2016, the Commission issued its Opinion and Order modifying the Stipulation and Recommendation ("Stipulation") filed by AEP Ohio and the Staff of the Commission ("Staff") in this proceeding.

The Commission found that the Stipulation must be modified in order to ensure that it is in the public interest. Opinion and Order at 9. The Commission revised the Stipulation so that customers would not pay additional charges for advanced meter opt-out service when customers are not receiving reductions in charges resulting from the operational efficiencies created by advanced meters. Id. The Commission noted that a mechanism to offset the costs of the deployment of advanced meters with the operational savings from the deployment had not yet been established in AEP Ohio's service territory so 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 the advanced meters. The Commission found that the proposed one-time charge and recurring charge for opt-out service should be set at zero until AEP Ohio has received Commission approval for the implementation of a mechanism that will return the operational savings of AEP Ohio's advanced meter deployment to customers. Id. at 10.

II. AEP Ohio's allegations of error are without merit.

A. The Commission must modify stipulations to ensure they are in the public interest.

AEP Ohio first argues that the Commission "went beyond what is necessary" in modifying the Stipulation to AEP Ohio's detriment, apparently because AEP Ohio prefers that the Commission only approve stipulations as signed by AEP Ohio and the Staff. For AEP Ohio, the Commission's decision to modify the stipulation undermines the rationale for settlements and discourages future settlements. AEP Ohio Application for Rehearing at 2-3.

AEP Ohio's argument that a Commission modification of a stipulation undermines the rationale for settlements must be rejected. The Commission's role is to ensure any final decision is in the public interest. Neither party to the Stipulation is in the position to evaluate its impact on the public interest. It is the Commission's duty to modify stipulations when the Commission deems it necessary to ensure the public interest, as the Commission did here.

B. Utility service tariffs are not approved to punish customers from taking the service.

AEP Ohio next argues that it should be able to assess opt-out fees immediately in order to establish “incentives” for customers to accept advanced meter technology. AEP Ohio Application for Rehearing at 3. According to AEP Ohio, any gap, even a gap of one or two months, in its ability to charge opt-out fees undermines customer incentives to accept advanced meter installation. *Id.* at 4. AEP Ohio also argues that customers must start paying opt-out fees immediately in order to reduce customer confusion. AEP Ohio argues that customers must fully grasp the financial implications of their choice to decline advanced meters from the first month of their opt-out service. *Id.* at 6.

These arguments are similar to arguments AEP Ohio made on brief that revealed the purpose of the opt-out fee is not so much to recover AEP Ohio’s meager costs of providing opt-out service but to punish customers who refuse to accept an advanced meter. Utility tariffs should not be punitive. Even under the Commission’s Opinion and Order, residential customers who opt out of receiving an advanced meter will pay an additional \$24 a month to have their already-existing meter read in the same manner that it is already read. The only thing new about the opt-out service is the \$24 additional monthly cost to the customer who is already paying through base rates the cost to have and to read the existing meter. The customer who opts out of receiving an advanced meter will be paying an additional \$288 a year for the exact same meter and meter-reading service that the customer is already paying for through base distribution rates.

OCC Ex. 4 at 7. The \$43 one-time fee is to replace an advanced meter, if an advanced meter is already installed, with a traditional meter. These \$43 one-time and \$24 monthly charges are essentially punitive charges intended to force customers to accept and keep an advanced meter.

The Commission accepted these retaliatory charges but at least ordered that the punishment not commence until some already-realized operational savings can reduce the costs flowing through a rider to all residential customers, including opt-out customers, for advanced meter deployment. Customers who opt-out of advanced meter service will still pay the costs of advanced meter deployment through the cost recovery rider. Therefore, the Commission was reasonable in requiring at least some equity for opt-out customers by finding that operational savings must be considered in setting the cost recovery rider.

C. The Commission's opt-out rule does not require specific timing for assessing opt-out service fees.

AEP Ohio cites Ohio Administrative Code Rule 4901:1-10-05(J)(5)(e), which states that advanced meter opt-out charges should be assessed as separate, cost-based charges to opt-out customers who should solely bear the cost. AEP Ohio contends that the Commission's modification violates this rule because the rule does not refer to operational savings and because the costs can only be borne by opting-out customers if those customers pay the costs. *Id.* at 8.

The Commission can always waive its rules, if it chooses to do so. In this case, the Commission has not waived its rule because it fully intends to charge opt-out customers whatever the Commission determines is the cost of opting out.

Just as with operational savings, the rule does not address the timing of the commencement of the charges. The Commission has only modified the timing for the commencement of the charge. AEP Ohio has no basis to argue that the Commission has, by delaying the commencement of the charge, violated its rule that the opt-out customer must solely bear the cost of opt-out service.

D. Customers have not received the benefits of advanced meter deployment.

AEP Ohio argues that operational savings from advanced meter deployment occurred in the test year of AEP Ohio's last base rate case so that customers have already begun to receive credit. AEP Ohio Application for Rehearing at 9. However, AEP Ohio acknowledges that its last base rate case, Case No. 11-351-EL-AIR, resulted in a "black box" settlement, which means that specific expense and revenue items were not identified in the settlement. *Id.* Moreover, the operational savings from advanced meter deployment during the test year of the last base rate case are not relevant to the operational savings that need to be credited to customers through a cost-recovery rider for current deployment.

Advanced meter installation is supposed to save costs. AEP Ohio identified annual savings of \$860,000 in meter reading and meter operations costs from the Phase 1 deployment pilot area. AEP Ohio obtained the benefit of these operational savings every year since the Phase 1 pilot meters were installed. However, customers have not benefited from these savings and AEP Ohio has not reduced customers' bills to reflect reduced operational costs. OCC Ex. 4 at 12-13. AEP Ohio also installed another 105,000 advanced meters across its service

territory beyond the Phase 1 pilot. OCC Ex. 4 at 14. These meters enable AEP Ohio to obtain even more savings in meter reading and meter operations costs. The advanced meters are being paid for by customers through a separate rider charge, the Distribution Investment Rider charge, but AEP Ohio has not reduced customers' bills to reflect its reduced operational expenses from installation of the advanced meters.

Advanced meters are installed to reduce costs. If the efficiencies and benefits customers realize after paying for advanced meter installations do not exceed the costs of advanced meter installations, the Commission should reevaluate the advanced meter expansion policies. If expansion of advanced meters costs customers more than it saves customers, the expansion should not occur.

Finally, AEP Ohio argues that its mechanism to return operational savings to customers could be in effect as early as the fourth quarter after its Phase 2 stipulation filed in Case No. 13-1939-EL-RDR is approved. AEP Ohio even asks in its Application for Rehearing in this case that the Commission address a provision in the Phase 2 stipulation filed in Case No. 13-1939-EL-RDR on April 7, 2016, regarding a stipulated operational savings amount. AEP Application for Rehearing at 10. The Phase 2 stipulation filed in Case No. 13-1939-EL-RDR proposes that a credit reflecting projected operational savings that offset the cost recovered through the rider be set at a stipulated amount of \$400,000 per quarter starting in the fourth quarter of the first year of Phase 2. The stipulating parties propose that the

\$400,000 per quarter credit extend until the Commission adopts a new operational cost savings credit as described in the Phase 2 stipulation. Id. at 11.

OPAЕ is an intervenor in Case No. 13-1939-EL-RDR, but OPAЕ is not a signatory party to the stipulation filed in that case. OPAЕ opposes the stipulation for various reasons. No hearing on the stipulation filed in Case No. 13-1939-EL-RDR has even been set. The Commission has no evidence of record on the issues raised by the stipulation. Therefore, it is premature for the Commission to make any comments on the stipulation filed in Case No. 13-1939-EL-RDR at this time, much less issue an order or finding that assumes approval of any provision of the Phase 2 stipulation.

It is obvious that the operational savings issue is raised in the Phase 2 stipulation in Case No. 13-1939-EL-RDR, which the Commission has not yet considered. This is another reason why it was reasonable for the Commission to delay the assessment of opt-out charges until the Commission can determine the operational savings from advanced meter deployment and the mechanism to return the operational savings to customers who will pay for advanced meter deployments whether they opt out of having an advanced meter or not.

III. Conclusion

None of the allegations raised by AEP Ohio in its Application for Rehearing has merit. AEP Ohio's Application for Rehearing should be denied in its entirety.

Respectfully submitted,

s/Colleen Mooney

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CERTIFICATE OF SERVICE

A copy of the foregoing Memorandum Contra will be served electronically by the Commission's Docketing Division upon the following parties who are electronically subscribed on this 6th day of June 2016.

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6/6/2016 3:15:56 PM

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Case No(s). 14-1158-EL-ATA

Summary: Memorandum Contra AEP Ohio Application for Rehearing electronically filed by Colleen L Mooney on behalf of Ohio Partners for Affordable Energy