BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Commission's	**)**	
Review of the Purchase of EDI	**)**	**Case No. 15-1507-EL-EDI**
Receivables Implementation Plan	**)**	
For Ohio Power Company	**)**	

Reply Comments of AEP Ohio

In Case No. 13-2385-EL-SSO, the Commission approved the voluntary purchase of receivables (POR) program for Ohio Power Company (AEP Ohio), with some modifications, and directed Staff to work with the Market Development Working Group (MDWG) to discuss implementation details. Staff filed their implementation report on November 16, 2015 in this proceeding. On November 8, 2016, the Commission ordered a procedural schedule to facilitate the Commission's review of Staff's implementation plan for AEP Ohio's CRES Purchase of Receivables Program. The Commission ordered that initial comments be filed by December 8, 2016, and that reply comments be filed by December 22, 2016. AEP Ohio's reply comments are below.

I. RETAIL ENERGY SUPPLY ASSOCIATION

1) The POR Program Proposed by AEP Ohio Encourages Flexibility In Billing Options

AEP Ohio proposed a POR program which allows for suppliers to have two options, first a dual billing option; second, a utility POR option. AEP Ohio has made it clear that it is not interested in programming and administrating for a POR opt-out option. The additional cost to add in that option not only doubles the cost but also doubles the time to implement the program for an option that would possibly be the least desired program for suppliers.

RESA continues to mention the reasons why suppliers would not be interested in a POR program such as: receivables purchased may be limited to plain competitive supply products, POR implementation costs, and dissatisfaction with the discount rate. RESA's ongoing complaints confirm AEP Ohio's concerns that the POR program the Company had willingly agreed to implement would not satisfy suppliers.

2) A POR Program is Not a Tool to Increase Supplier Non-Commodity Offerings

RESA is concerned that implementing a POR program would not allow for suppliers to offer a diverse range of additional non-commodity products to customers. AEP Ohio is concerned that while there are multiple product offerings that could be linked to using electric, AEP Ohio would be in the business of ensuring payments are received for those products and would not have any leverage to remove products or services if payments were not made. The only remedy AEP Ohio has to collect payment is through disconnection. It would be a concern to AEP Ohio that a customer would be eligible to be disconnected for non-payment toward an intelligent thermostat or other product/service offerings which they dispute or refuse to pay for. While both the Commission and Staff comments point towards non-commodity charges being excluded from the POR bill, this too seems to indicate that the POR program in which the Company proposed seems to no longer satisfy suppliers.

3) POR Implementation Should Not Result in Reducing the Collateral Requirements of Suppliers

RESA is willing to accept the terms of a Bad Debt Rider (BDR) only if AEP Ohio is willing to reduce the current collateral requirement for CRES suppliers. AEP Ohio is confused by RESA's recommendation since the implementation of a POR program and the amount of collateral collected to secure a supplier have nothing to do with each other. AEP Ohio collects collateral to protect customers from having to pay for such possible market issues as a supplier going into default and having to secure generation at market prices until customers can be moved to a standard service offer rate. This protection is critical to ensure customers are not held to costs that could be associated with separate business entities and their missteps or failures. While the BDR would only be used to protect AEP Ohio from unexpected costs (due to unforeseen market forces and their impact on purchased receivables or capital investment cost recovery), collateral on suppliers separately helps to protect customers from CRES Supplier defaults. Therefore, AEP Ohio cannot support lowering collateral on suppliers only to shift risk to customers.

II. CALPINE ENERGY SOLUTIONS, LLC

1) Suppliers Should Have The Right To Choose Between Dual Billing And Consolidated Billing.

AEP Ohio agreed to only implement an all-in POR program with the secondary option of separate dual billing by suppliers who do not want to participate in a POR program.

2) Only Suppliers Who Participate In The POR Program Should Pay For The Costs

Staff's comments recommend that all suppliers using consolidated billing should be charged for the POR program. Therefore, suppliers who use dual billing would not be responsible for the cost of a POR program. AEP Ohio would agree that all suppliers who do consolidated billing, regardless of participating in a POR program, should pay for the cost of the program since they would be eligible to participate at any time.

3) Discount Rates Should Be Determined By Customer Class Without Subsidization

AEP Ohio agrees with Calpine that any costs or rates can be determined by customer class to avoid any cross-subsidization. Staff's comments do recommend a distinction between residential, commercial, and industrial for the discount rate which AEP Ohio can support. Furthermore, this approach better assigns costs of bad debt between suppliers that target different customer classes, making an all-in POR program more appealing to them. AEP Ohio, however, supports an initial discount rate methodology that appropriately reflects historical bad debt rates. Using initial discount rates inflated for any reason for commercial and industrial customers could result in over collection by AEP Ohio. Each year after implementation, should bad debt rates increase for industrial class customers, the recovery mechanism through the discount rate would appropriately reflect the increase, with other carrying costs incurred.

4) The Bad Debt Rider (BDR) Should Be Designed To Portion The Bad Debt By Customer Class

Calpine supports that the BDR should be designed so that each customer class bears its own portion of bad debt. In addition, Calpine recommends that CRES customers not participating in the POR program bear any cost of a BDR. AEP Ohio sees any BDR as being put in place as a measure of last resort only in case of any extreme shifts in the market. As such, AEP Ohio is concerned that any firm stance regarding the BDR at this time may be premature and if a BDR is put into place that the Commission will determine at that time who would pay for the BDR as well as the amount to be collected based on the market circumstances at that time.

III. OFFICE OF THE OHIO CONSUMERS' COUNSEL

1) Suppliers Should Pay For All The Implementation Costs Of A POR Program

AEP Ohio agrees with the OCC in that all costs associated with POR program and implementation should be paid for by the supplier. Since a POR program does not benefit AEP Ohio, the costs of such a program should not be paid for by AEP Ohio.

2) Non-Commodity Charges Should Not Be Included On POR Bills

AEP Ohio agrees with the OCC in that non-commodity charges should not be allowed on bills rendered under a POR program by a supplier as previously discussed above

3) Discount Rates Should Be Assigned By Customer Class and Updated Annually

AEP Ohio supports Staff's comments that the discount rates should be assigned by customer class and that it should be reviewed annually in order to update the discount rate to reflect current market practices.

4) The PUCO Should Not Eliminate the BDR

AEP Ohio disagrees with the OCC regarding the elimination of the BDR. Staff proposed using the BDR as a mechanism of last resort. AEP Ohio would not consider implementing a POR program without having some sort of protection in place. A POR program should not place any liability on the utility implementing the program, and because of unknown future events Staff acknowledged that risk with introducing a possible stop-gap of a BDR. Again the implementation would only occur if drastic market changes occur and at that time the Commission would need to decide if the costs are allowable and how they are to be collected. AEP Ohio would not implement a POR program without this sort of protection in place.

5) Renewal of the POR Program Should Be Automatic

While OCC states that AEP Ohio should file for renewable of a POR program after the first year, and possibly each year thereafter, AEP Ohio does not believe that mechanism is prudent. If AEP Ohio were to establish a POR Program, the cost of doing so would not allow for the program to end after a year.

CONCLUSION

AEP Ohio urges the Commission to concur with the utility that a voluntary POR program is no longer a viable option. A common reoccurring theme through the comments have been about either having a POR opt-out functionality and/or allowing additional program offerings by suppliers to be on POR bills. Both of these items are key issues of which AEP Ohio cannot agree to in implementing a POR program.

While AEP Ohio offered what it believed to be a workable POR program, the Company has come to the conclusion that a POR program is no longer a viable option at this point based on the large gap between AEP Ohio's voluntary POR program offering and what the intervening parties' positions are in regards to POR Program needs.

There are numerous active CRES suppliers in AEP Ohio's service territory, and AEP Ohio believes investments in the Choice space should benefit the end-use customer's experience, and not attempt to cater to a diverse population of CRES suppliers. As noted, AEP Ohio feels the POR program put forth was focused on improving the customer experience through streamlined customer service processes. Implementing two programs only increases complexity for the customer, which ultimately will leave them with a bad impression of Choice.

AEP Ohio appreciates the time and effort all parties have invested in the process to review the possibility of implementing a POR program, especially Staff's time during the many MDWG meetings. While the meetings were greatly beneficial to try to resolve issues and possibly produce a working model of a POR program, it appears that the groups in the end could not reach a final program that was workable for the parties involved. This conclusion can be seen by the initial comments in this case, and most likely by the reply comments which will be filed.

Respectfully submitted,

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CERTIFICATE OF SERVICE

In accordance with Rule 4901-1-05, Ohio Administrative Code, the PUCO's e-filing system will electronically serve notice of the filing of this document upon the following parties. In addition, I hereby certify that a service copy of the foregoing *Ohio Power Company's Reply Comments* was sent by, or on behalf of, the undersigned counsel to the following parties of record this 22nd day of December 2016, via electronic transmission.

/s/ Steven T. Nourse
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