

In the Matter of the 2011 through 2016)
Review of the Energy Efficiency Rider) Case No. 17-0030-EL-RDR
Contained in the Tariffs of Ohio Power)
Company.)

The Public Utilities Commission of Ohio (“PUCO”) should adopt the recommendations that the Office of the Ohio Consumers’ Counsel (“OCC”) made in its initial comments in this case.¹ It should reject AEP’s comments, which seek to charge customers for energy efficiency costs that an independent auditor (the “Auditor”) found to be imprudent.²

A. The PUCO should reject AEP's plea to double-charge customers for energy efficiency labor costs.

The Auditor recommended that AEP not be allowed to charge customers twice for the same labor.³ One need not be a regulatory expert to understand that this recommendation makes sense. Yet AEP argues that it should, in fact, be allowed to charge customers for energy efficiency labor *both* in base rates *and* through the energy efficiency rider.⁴

⁴ AEP Comments at 1-2 (arguing that AEP should not be required to track its labor costs to avoid double-counting).

According to AEP, it should be allowed to include an employee's labor costs in the test year for its base rates, charge customers for those labor costs through base rates, and then charge customers again for those same costs through the energy efficiency rider.⁵ The PUCO should waste little effort evaluating AEP's facially unfair proposal. It should be rejected.

B. AEP's shareholders benefit from AEP's financial success, so they should pay for employee incentives that are tied to AEP's financial success.

The Auditor recommended disallowing certain charges to customers for employee incentive pay, and OCC recommended additional disallowances beyond those that the Auditor proposed.⁶ In its comments, AEP defends these charges to consumers on the grounds that, according to AEP, these financial incentives are necessary to retain top employees.⁷ AEP should want to retain its best employees. But consistent with PUCO precedent,⁸ incentivizing employees to stay by rewarding them for AEP's financial performance benefits AEP's shareholders, not its customers, so it makes sense that shareholders should pay for those incentives.

C. The PUCO's PowerForward initiative has nothing to do with incentives to AEP employees for improving AEP's bottom line.

In an attempt to justify charging customers for incentive pay to AEP employees, AEP makes a strained comparison between the PUCO's PowerForward initiative and AEP employee incentives. According to AEP, because the PUCO mentioned performance-based

⁵ AEP Comments at 2.

⁶ See Comments on the Audit of AEP's Charges to Consumers for Energy Efficiency Programs by the Office of the Ohio Consumers' Counsel at 2-4 (Oct. 19, 2018) (the "OCC Comments").

⁷ Initial Comments of Ohio Power Company in Response to April 13, 2018 Audit Report (Oct. 19, 2018) (the "AEP Comments").

⁸ See, e.g., *In re Application of Duke Energy Ohio, Inc. for Recovery of Program Costs, Lost Distribution Revenues, & Performance Incentives Related to its Energy Efficiency & Remand Response Programs*, Case Non. 15-534-EL-RDR, Opinion & Order ¶ 44 (Oct. 26, 2016).

in PowerForward, customers should pay when AEP decides to give a bonus to its employees based on AEP's profits. But AEP ignores the fact that the energy efficiency rider being audited already provides a huge performance-based incentive for AEP: during the audit period, AEP charged customers over *\$170 million* in utility profits (shared savings).⁹ If AEP wants to reward its employees for their contribution to the success of its energy efficiency programs, it should share some of that \$170 million with its employees, rather than asking customers to pay even more to reward AEP's employees.

D. The PUCO should reject AEP's frivolous argument that customers, and not shareholders, are the ones who benefit when AEP increases its profits.

In what is becoming a recurring theme in Ohio utility filings, AEP suggests that the PUCO should make customers pay for utility employees' financial bonuses because of concerns for AEP's credit ratings.¹⁰ By AEP's logic, anything that improves the utility's shareholders' profits (return on equity) is good for consumers because it could conceivably improve the utility's credit ratings, which could conceivably lower the rate that the utility pays for debt, which could conceivably eventually find its way back to customers through lower base rates. The connection between a utility's improved ROE and the benefits to customers through lower base rates is tenuous, if it exists at all. But improvements to a utility's ROE are the very definition of shareholder profits. AEP's suggestion that customers, and not shareholders, are the primary beneficiaries of AEP's increased profits, is frivolous.

⁹ Audit Report at 1-17.

¹⁰ AEP Comments at 4-5.

E. The PUCO should reject AEP's request to charge customers for gift cards distributed during out-of-state seminars.

AEP argues that it should be allowed to charge customers for gift cards that it gave out during conferences because, according to AEP, they were “used to attract customers to the Company’s booth at conferences, trade shows and seminars.”¹¹ As OCC explained in its initial comments, these gift cards were distributed outside the state of Ohio.¹² It is unreasonable to assume that any of AEP’s Ohio customers are traveling out of state to attend energy efficiency conferences, trade shows, and seminars, and thus in any way benefit from these gift cards. Customers should not pay for them.

F. Customers should not pay for AEP employees to attend sporting events, even if those events were not “lavish” or “elaborate.”

AEP wants to charge customers the cost for its employees to attend sporting and other entertainment events. The only defense that AEP can muster for these charges is that the events were “not lavish, elaborate or unreasonable.”¹³ Customers should not pay for AEP employees to watch basketball, even if watching basketball falls short of being “lavish” or “elaborate.”

G. OCC agrees with AEP's view that the Ohio technical reference manual should be updated periodically.

In its comments, AEP states that the Ohio technical reference manual (“TRM”), which provides assumptions for evaluating the cost-effectiveness of energy efficiency programs, “should be updated on a regular basis to incorporate [] new information.”¹⁴ OCC

¹¹ AEP Comments at 6.

¹² OCC Initial Comments at 4-5.

¹³ AEP Comments at 7.

¹⁴ AEP Comments at 9.

agrees that the TRM should be updated periodically so that assumptions regarding measure lives and energy savings are more accurate.

II. CONCLUSION

The Auditor in this case found that certain charges to consumers were imprudent. The PUCO should adopt the Auditor's recommendations, as supplemented by OCC's Initial Comments. The PUCO should reject AEP's request to charge customers for the imprudent expenses.

Respectfully submitted,

Bruce Weston (0016973)
Ohio Consumers' Counsel

/s/ Christopher Healey
Christopher Healey (0086027)
Counsel of Record
Bryce McKenney (0088203)
Assistant Consumers' Counsel

Office of the Ohio Consumers' Counsel
65 E. State Street, 7th Floor
Columbus, Ohio 43215-4213
Telephone: (614) 466-9571 (Healey)
Telephone: (614) 466-9585 (McKenney)
christopher.healey@occ.ohio.gov
Bryce.mckenney@occ.ohio.gov
(Both will accept service via e-mail)

CERTIFICATE OF SERVICE

I hereby certify that a copy of these Reply Comments was served on the persons stated below via electronic transmission, this 9th day of November 2018.

/s/ Christopher Healey
Christopher Healey
Counsel of Record

SERVICE LIST

John.jones@ohioattorneygeneral.gov

stnourse@aep.com
cblend@aep.com

Attorney Examiner:

Sarah.parrot@puc.state.oh.us
Greta.see@puc.state.oh.us

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

11/9/2018 3:11:11 PM

in

Case No(s). 17-0030-EL-RDR

Summary: Comments Reply Comments by the Office of the Ohio Consumers' Counsel electronically filed by Ms. Deb J. Bingham on behalf of Healey, Christopher Mr.