

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio       )  
Power Company to Update Its Pilot            ) Case No. 19-0571-EL-RDR  
Throughput Balancing Adjustment Rider.     )

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**CONSUMER PROTECTION COMMENTS  
BY  
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL**

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**I. INTRODUCTION**

In 2011, OCC, AEP and others settled a case to proceed with a three-year “pilot” program for AEP to offer energy efficiency programs for the benefit of its customers. The pilot program turned on a “decoupling” mechanism that could protect consumers from paying too much and AEP from being paid too little by offering energy efficiency programs. (There was some duress on consumer advocacy at the time, as the threat loomed for even more charges to consumers if the PUCO adopted the more awful “lost revenues” or “straight-fixed variable” mechanisms that should *not* be considered as decoupling.) Seven years into the originally intended three-year pilot, customers of AEP have been charged more than \$128.5 million under decoupling. And customers have never received money back under decoupling. If the PUCO approves AEP’s current proposal, the total of charges to consumers becomes more than \$138 million. It is well past a reasonable time for the PUCO to evaluate what was intended as a “pilot” program. The evaluation should include assessment of whether decoupling should be continued and, if so, what adjustments to decoupling are warranted for consumer protection.

Decoupling has become yet another charge contributing to AEP Ohio customers paying higher electric bills than AEP customers pay in any of the other states where AEP provides electric service. And AEP is charging its Ohio consumers the highest profit of any profit that AEP makes elsewhere in the country. This claim is supported by AEP's own data, included with this document as Attachment 1 and Attachment 2.

To date, there has been no evaluation of the pilot program and its decoupling mechanism that is costing consumers lots of money. That should change now.

## **II. RECOMMENDATION**

### **A. The PUCO should stand by its Orders and conduct an evaluation of AEP-Ohio's decoupling program.**

The Decoupling Rider was originally established in Case No. 11-351-EL-AIR, as part of a settlement of AEP's base distribution rate case. Under the settlement, parties (including OCC) agreed to implement a decoupling pilot program ("Pilot"), in lieu of other rate design proposals including straight fixed variable rates and lost revenues. The decoupling charge was levied on Residential and GS-1 customers. The Pilot program agreed to was a three-year program (2012-2015). Annual increases attributable to the Pilot were capped at 3% of the total annual distribution revenues for a customer class. Annual rate decreases to customers attributable to the Pilot were not capped. The detailed description of the Pilot was shown in Attachment Y to the Settlement.

Attachment Y sets the decoupling charges up as a temporary, non-permanent arrangement: "The final 12 month period for the [Decoupling] Rider shall be July 2015 through June 2016. Any Amounts remaining in the balancing accounts at the end of June 2016 shall be charged or refunded to customers through a final reconciliation in the

month of October 2016. The Commission Staff will perform a review for the final reconciliation.”<sup>1</sup>

The PUCO approved the Settlement but modified it. The PUCO noted its “concerns that the pilot revenue decoupling mechanism is not the unmitigated benefit to customers portrayed by the signatory parties.”<sup>2</sup> The PUCO advised that it was investigating rate design and energy efficiency in another docket, Case No. 10-3126-EL-UNC. It directed the signatory parties to prepare a detailed proposal regarding the type of data to be obtained and the metrics to evaluate the decoupling program in that docket.<sup>3</sup> At the PUCO’s direction, a joint OCC/AEP proposal was filed in the 10-3126 docket within six months after the Order in Case No. 11-351.<sup>4</sup> (There was no action taken on the OCC/AEP joint proposal).

The PUCO also directed AEP Ohio to update its cost of service study prior to the final year of the pilot program and file that updated study in the 11-351 docket.<sup>5</sup> The PUCO noted that “interested parties will then be provided with an opportunity to comment upon the updated cost of service study.”<sup>6</sup> Although AEP Ohio filed a cost of service study (July 9, 2015), the PUCO did not open a comment period, and no actions

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<sup>1</sup> *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 No. 11-351-EL-AIR, Stipulation and Recommendation (Nov. 23, 2011), Attachment Y, ¶5.

<sup>2</sup> Case No. 11-351-EL-AIR, Opinion and Order at 9 (Dec. 14, 2011).

<sup>3</sup> *Id.* at 10.

<sup>4</sup> *In the Matter of Aligning Electric Distribution Utility Rate Structure with Ohio’s Public Policies to Promote Competition, Energy Efficiency and Distributed Generation*, Case No. 10-3126-EL-UNC “Proposal of Ohio Power Company and the Signatory Parties to the Public Utilities Commission of Ohio’s Opinion and Order in Case No. 11-351-EL-AIR” (“Metrics Proposal”), June 14, 2012.

<sup>5</sup> Case No. 11-351-EL-AIR, Opinion and Order at 10.

<sup>6</sup> *Id.*

have been taken with respect to the study. That cost of service study is now five years old and does not include an evaluation of rates in effect under the decoupling rider beyond 2015. The PUCO also ordered that the “[Decoupling] Rider will be extended past its proposed termination date in 2015 until otherwise ordered by the PUCO.”<sup>7</sup> The PUCO noted the necessity to take additional steps beyond the Settlement to ensure an adequate record was established to review the pilot program upon the conclusion of its three-year period. The PUCO established reporting requirements regarding how to measure the success of the pilot program and extended the decoupling rider past January 2015.<sup>8</sup>

In response to the PUCO modifications to the decoupling rider, AEP sought rehearing, complaining that the PUCO had changed the pilot nature of the program and required a permanent rate design based on revenue decoupling. In its February 14, 2012 Entry on Rehearing, the PUCO denied AEP’s application and explained that the reporting requirements were reasonable and necessary to fairly evaluate the pilot program at its conclusion:

[A]t the conclusion of the three-year pilot program, there will be some period of time necessary to evaluate the pilot program and to determine whether revenue decoupling should be extended permanently or whether some other mechanism should be implemented. However, the Commission is concerned with the potential unforeseen impacts of abruptly ending the throughput balancing rider while the evaluation of the pilot program is being undertaken. *Therefore, the opinion and order provides that the throughput balancing rider should be extended temporarily until such evaluation can be completed, unless otherwise ordered by the Commission. It is not our intent, at this time, to establish the throughput balancing rider on a permanent basis.*<sup>9</sup>

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<sup>7</sup> *Id.*; Note in the Entry on Rehearing, the PUCO stated that “[T]he entry nunc pro tunc simply stated explicitly that the ‘conclusion of the three year pilot program’ would be January 1, 2015” (Case No. 11-351-EL-RDR, Entry on Rehearing at 6 (Feb. 14, 2012)).

<sup>8</sup> Case No. 11-351-EL-AIR, Opinion and Order at 10; Entry on Rehearing at 3.

<sup>9</sup> Entry on Rehearing at 3-4 (emphasis added).

Nonetheless, the decoupling pilot continued past the temporary extension, and is still in effect three years beyond when it was supposed to terminate (2015) and be evaluated. AEP Ohio customers paid for decoupling revenues pertaining to 2016 (\$24 million) and 2017 (\$20.9 million). And with this application the Company is seeking to charge its customers for the 2018 decoupling costs (\$9.5 million). The utility's annual decoupling filings consistently demonstrate that the rider has produced no credits or refunds to customers. Only charges.

**B. Customers have been charged approximately \$130 million over the past six years despite the fact that the “pilot” program was to end in 2015, after three years and an evaluation period.**

In total, if the PUCO approves the utility's current request, residential customers will have been charged over \$138 million in total for seven years through the Decoupling Rider. Since the start of the program in 2012, there has never once been a rate credit for customers. Based on the utility's filing and the PUCO's approval of the numbers, the individual yearly charges to customers comprising the \$138 million are:

Year	Case No.	Revenue Requirement
2012	13-568-EL-RDR	\$15,256,058
2013	14-357-EL-RDR	\$21,623,919
2014	15-439-EL-RDR	\$22,506,303
2015	16-498-EL-RDR	\$24,180,553
2016	17-618-EL-RDR	\$24,273,893
2017	18-375-EL-RDR	\$20,731,136
2018	19-0571-EL-RDR	\$9,524,270

	Total	\$138,096,172
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Under the settlement agreement (Attachment Y), these rates automatically go into effect on July 1 of every year, unless the PUCO issues an order to the contrary.

The utility's annual filings have occurred year after year under AEP-Ohio's "pilot" program. Each year the utility makes a decoupling filing. Staff reviews the numbers. No PUCO order is issued. The rates get charged to customers. Period.

But there has been no evaluation process as directed in the 11-351 Orders. AEP's cost of service study has not been analyzed. Yet \$138 million later, consumers continue to be charged through the Pilot Decoupling Rider.

After seven years, it is past time for the Rider PTBAR "pilot" program to be evaluated. As the Pilot program has continued beyond 2015, which is when the cost of service study was filed, the PUCO should also direct AEP-Ohio to file an updated cost of service study. Then the evaluation process ordered by the PUCO seven years ago can begin.

The PUCO's evaluation should investigate other forms of decoupling mechanisms being employed nationwide. The PUCO should also evaluate the impacts of near future electric grid trends being investigated in the PUCO's "Power Forward" process such as electrification of the transportation grid,<sup>10</sup> integrating distributed generation into the electric grid and the movement towards electrification and away from natural gas end uses for climate change purposes, on the various mechanisms' outlined above.

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<sup>10</sup> Customers on the decoupling rider should benefit from increased transportation electrification and electric end use fuel switching from natural gas due to increased revenue per customer, everything else being constant.

In addition, the recent AEP-Ohio Smart Grid audit<sup>11</sup> in Case No. 18-1618-EL-RDR contains various areas where customer benefits are expected to flow through the current AEP decoupling rider. Benefits include, for example, meter accuracy from AMI, reduced minutes of customer outages from distribution automation, and theft reductions. AEP Smart Grid revenue enhancement benefits from the recent Daymark Audit Report should be captured in the currently structured AEP decoupling rider and be quantified in the decoupling rider evaluation. The PUCO should make sure that Smart Grid-related customer benefits that are supposed to flow through AEP's decoupling rider are realized.

Finally, if customer paid energy efficiency programs are eliminated under House Bill 6, then any *existing* decoupling related mechanisms should also be terminated. The decoupling mechanism and the increase in utility-sponsored energy efficiency spending were intertwined in the decoupling settlements that were negotiated in Ohio. If the current HB 6 becomes law and energy efficiency mandatory funding ceases, customers could be charged for nothing under *existing* decoupling. That would be unfair to customers.

From a practical standpoint, this evaluation should be done expeditiously, within the next several months, to assist the PUCO and other parties in addressing rate design issues in the next AEP rate case due to be filed on or before June 2020. The settlement in Case No. 16-1852, AEP's SSO case, left the residential rate design unchanged, with AEP indicating it will file a straight fixed variable rate design in its next rate case. Absent an extension as part of the next rate case order, the PTBAR decoupling mechanism will

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<sup>11</sup> Daymark Energy Advisors, "AEP Ohio Gridsmart Deployment Audit: Review of the Phase 1 and Phase 2 Operational Benefits," Final Report, April 12, 2019. *See, e.g.*, p. 31.

expire when new rates become effective.<sup>12</sup>The type of evaluation proposed in this proceeding will address the necessary rate design issues for that proceeding including whether the company should go to straight fixed variable rates or continue decoupling.

**C. The evaluation process for the decoupling rider should be conducted with consumer protections.**

The pilot program should be evaluated, consistent with the evaluation metrics OCC and AEP agreed upon and filed in Case No. 10-3126-EL-UNC. The evaluation should be conducted by an independent third party. Parties should be given time to review the evaluation and the cost of service study to make further recommendations as to whether the decoupling should continue. Interested parties should also be provided with an opportunity to comment upon the cost of service study filed by AEP in Case. No. 11-351-EL-AIR. The present rates charged to customers should remain in place until the evaluation is complete, parties have been provided the opportunity to comment upon the evaluation, and the PUCO has made a determination as to whether customers should continue to pay for decoupling.

### **III. CONCLUSION**

The PUCO should not change the established rates for decoupling until and unless it conducts an evaluation of the decoupling rider, as it promised to do when it approved the rider on a temporary, not permanent basis. If the PUCO approves AEP's application in this case, consumers will have paid \$138 million in total for seven years of decoupling through the Rider.. The evaluation of the decoupling mechanism is long overdue. The

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<sup>12</sup> *In the Matter of the Application of the Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to R.C. 4928.143, In the Form of an Electric Security Plan*, Case No. 16-1852, Opinion and Order at 42 (April 25, 2018).



present rates charged to customers should remain in place until the evaluation is complete and parties are provided the opportunity to comment upon the evaluation, making recommendations as to whether customers should continue to pay for decoupling.

Respectfully submitted,

Bruce Weston (0016973)  
Ohio Consumers' Counsel

/s/ Amy Botschner O'Brien  
Amy Botschner O'Brien (074423)  
Counsel of Record  
Terry L. Etter (0067445)  
Assistant Consumers' Counsel

**Office of the Ohio Consumers' Counsel**  
65 East State Street, 7<sup>th</sup> Floor  
Columbus, Ohio 43215-4213  
Telephone [Botschner]: 614-466-9575  
Telephone [Etter]: 614-466-7964  
[amy.botschner.obrien@occ.ohio.gov](mailto:amy.botschner.obrien@occ.ohio.gov)  
[terry.etter@occ.ohio.gov](mailto:terry.etter@occ.ohio.gov)  
(will accept service via email)

## **CERTIFICATE OF SERVICE**

I hereby certify that a copy of these Comments was served on the persons stated below via electronic transmission, this 1st day of May 2019.

/s/ Amy Botschner O'Brien  
Amy Botschner O'Brien  
Counsel of Record

## **SERVICE LIST**

[John.jones@ohioattorneygeneral.gov](mailto:John.jones@ohioattorneygeneral.gov)

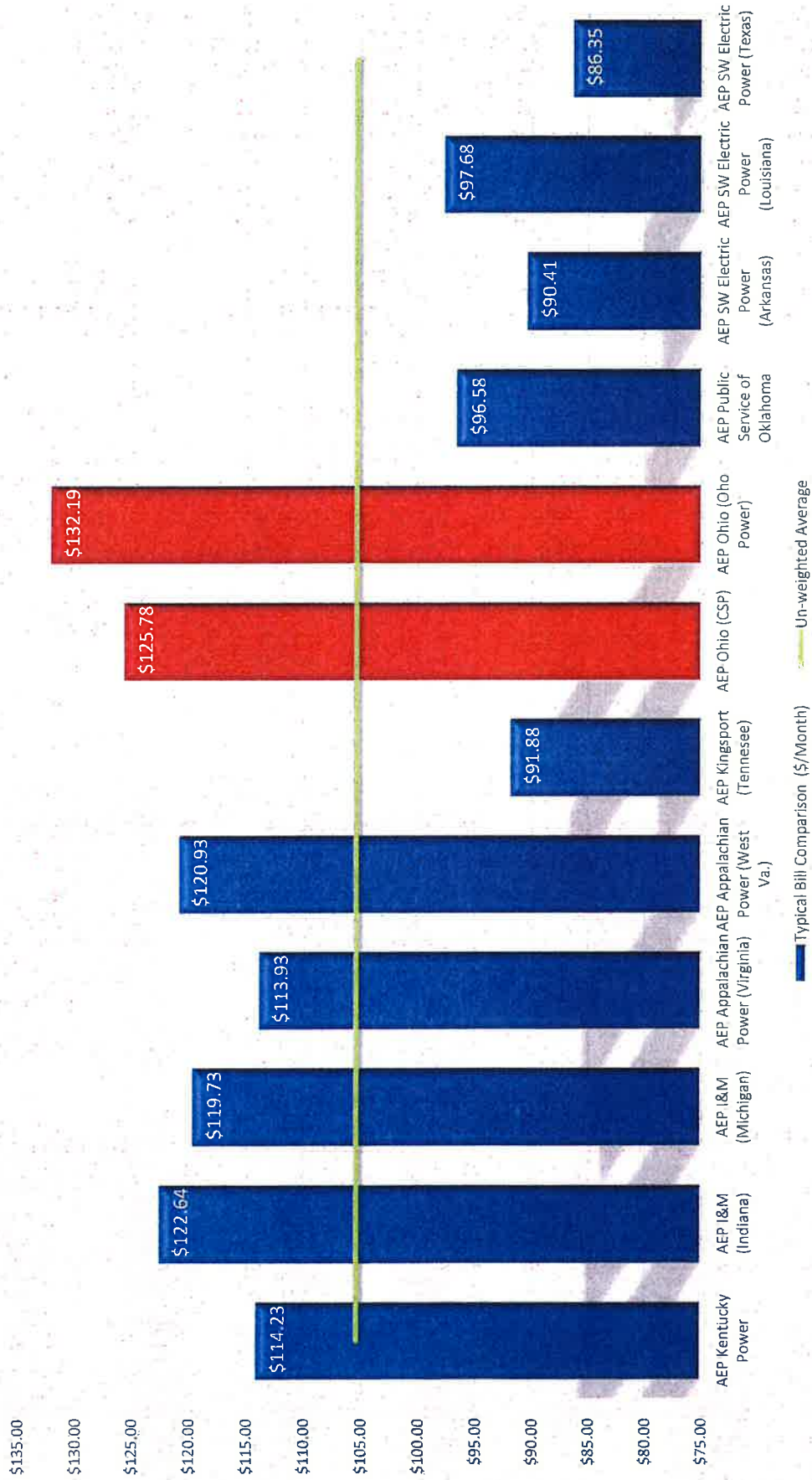
[stnourse@aep.com](mailto:stnourse@aep.com)

Attorney Examiners:

[Sarah.parrot@puco.ohio.gov](mailto:Sarah.parrot@puco.ohio.gov)

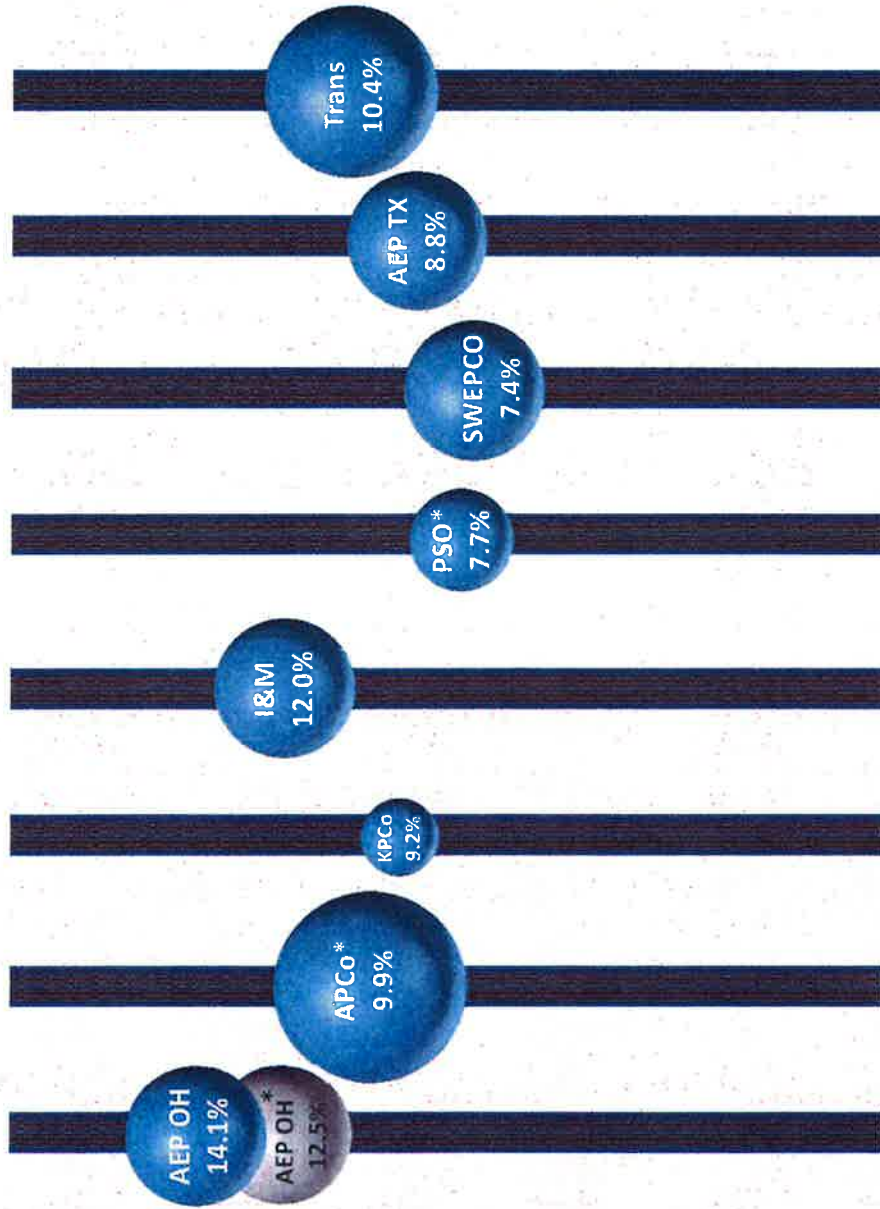
[Greta.see@puco.ohio.gov](mailto:Greta.see@puco.ohio.gov)

## 2017 Typical Bill Comparison (\$/Month)



# REGULATED RETURNS

Twelve Months Ended 9/30/2018 Earned ROE's (non-GAAP operating earnings, not weather normalized)



2019 Forecasted Regulated ROE is 9.65%;  
10.35% for Total AEP

\* AEP Ohio adjusted for SEET items. Base rate cases pending at other operating companies.  
Sphere size based on each company's relative equity balance



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