

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio	)	
Power Company for an Increase in Electric	)	Case No. 20-585-EL-AIR
Distribution Rates.	)	
	)	
In the Matter of the Application of Ohio	)	Case No. 20-586-EL-ATA
Power Company for Tariff Approval.	)	
	)	
In the Matter of the Application of Ohio	)	
Power Company for Approval to Change	)	Case No. 20-587-EL-AAM
Accounting Methods.	)	

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**OBJECTIONS TO THE STAFF REPORT  
BY THE CITIZENS' UTILITY BOARD OF OHIO**

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Pursuant to R.C. 4909.19(C) and Ohio Admin. Code 4901-1-28, the Citizens' Utility Board of Ohio ("CUB Ohio") submits the following objections to the Report filed by the Staff of the Public Utilities Commission of Ohio ("Commission" or "PUCO") on November 18, 2020 in this proceeding.

These consolidated dockets address electric distribution charges that Ohio Power Company ("AEP Ohio" or "Company") proposes to collect from its customers. CUB Ohio's objections identify elements of the Staff Report that are unjust, unreasonable, or unlawful, and meet the specificity requirement of Ohio Adm. Code 4901-1-28. CUB Ohio's objections identify matters in the Staff Report where Staff has either made, or failed to make, recommendations resulting in rates or service terms that contravene what is just, reasonable and lawful for customers in AEP Ohio territory. Further, the lack of an objection to any aspect of the Staff Report does not preclude CUB Ohio from cross-examination or introduction of evidence or argument related issues on which Staff reverses, modifies or withdraws its position on any issue

contained in the Staff Report. CUB Ohio also reserves the right to amend and/or to supplement its objections in the event that the Staff reverses, modifies or withdraws its position, at any time prior to the closing of the record, on any issue contained in the Staff Report. CUB Ohio further reserves the right to respond to objections or other issues raised by other parties in the above-captioned proceedings.

**Objection 1: The Staff Report fails to recommend a reasonable time-of-use rate option for residential and small business customers.**

The Staff Report provides some recommendations with respect to AEP Ohio's proposed rate designs available to its residential and small business customers.<sup>1</sup> However, AEP Ohio is not proposing any reasonable time-of-use rate option for residential and small business customers, and CUB Ohio objects that the Staff Report fails to recommend the implementation of such a rate.

As noted in the Staff Report, demand-related distribution system costs may be collected through a volumetric rate as a reasonable proxy in lieu of collection through demand charges.<sup>2</sup> While AEP Ohio proposes continuation of opt-in tariffs that do collect demand charges (such as Residential Service – Demand-Metered), such non-coincident peak demand charges can be extremely difficult for residential and small business customers to understand and manage on their own, yet at the same time may not provide an effective price signal to reduce distribution system costs.<sup>3</sup> Therefore, a tariff with a non-coincident demand charge does not provide a just

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<sup>1</sup> Staff Report at 41-48.

<sup>2</sup> *Id.* at 41.

<sup>3</sup> See, e.g., Jim Lazar, Regulatory Assistance Project, "Demand Charges: A Less Equitable and Less Effective Rate Design Than TOU Energy Rates" (May 15, 2018), *available at* [https://www.raponline.org/wp-content/uploads/2018/06/rap\\_lazar\\_euci\\_demandcharge\\_2018\\_may\\_15.pdf](https://www.raponline.org/wp-content/uploads/2018/06/rap_lazar_euci_demandcharge_2018_may_15.pdf).

and reasonable rate option for such customers that reflects cost causation while still facilitating customers' ability to lower their bills through energy management in accordance with state policy as codified in R.C. 4928.02(A), (D), and (M).

Instead, AEP Ohio should offer an optional time-of-use tariff for residential and small business customers that includes on-peak and off-peak energy charges during set intervals rather than a non-coincident peak demand charge. The Company has the ability to implement such a tariff for its significant portion of customers with AMI meters, and it would be consistent with the approach recommended for AEP Ohio's time-of-use generation offering in Case No. 17-1234-EL-ATA in the Staff's Review and Recommendations filed on May 30, 2019. It is particularly important to provide such a tariff for distribution charges since for many residential and small business customers the distribution charge can represent half or more of their monthly bill. Therefore, providing complementary rate designs for distribution and generation charges will best allow customers interested in managing their energy use in response to price signals to maximize the resulting bill reductions, and would also most fully encourage customer energy management to reduce distribution system costs for all ratepayers.

**Objection 2: The Staff Report fails to consider the benefits of AEP Ohio's proposed demand management programs.**

The Staff report recommends removing all costs related to AEP Ohio's proposed Demand Side Management ("DSM") Plan.<sup>4</sup> The DSM Plan includes demand management programs to facilitate customer energy and demand reductions, as well as an Electric Transportation Program,

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<sup>4</sup> Staff Report at 18, 20-21.

as described in the testimony of AEP Ohio witnesses Lehman and Williams and Exhibit JFW-1 to Mr. Williams' testimony.

This recommendation unjustly and unreasonably fails to consider the merits of the proposed demand management and transportation electrification programs. As AEP Ohio describes, both sets of programs could provide significant load management benefits by reducing bills for participating customers as well as distribution system costs for all customers. Conversely, Staff's recommendation to eliminate demand management and transportation electrification programs would unjustly and unreasonably prevent customers from accessing innovative demand-side management tools and undercut the benefits to be gained from AEP Ohio's costly deployment of AMI meters. Such a result would contravene R.C. 4928.02(A) and (D), as well as R.C. 4905.70.

The Staff Report suggests that "the retail market should be offering EE/DSM programs, so that customers can choose their desired products and services," or that the utility "could offer programs for customers who elect to stay on the standard service offer" with cost recovery on a bypassable basis. However, those recommendations are unreasonable because they fail to recognize (1) that existing market barriers do hinder customer access to innovative and cost-effective demand-side management and transportation electrification options; (2) that these programs are important to address equity considerations for consumers who are under-served by existing market structures, such as low-income and minority ratepayers; and (3) that DSM programs can offer benefits to all AEP Ohio distribution customers by encouraging off-peak energy use and lowering peak demand on the distribution system, resulting in long-term, positive externalities that customers will not fully account for in making market choices. Furthermore,

Staff’s recommendation for demand management and transportation electrification programs to be provided only through AEP Ohio’s standard service offer does not account for the fact that such an approach may actually undermine customer choice by incentivizing enrollment in the utility default generation service rather than retail choice offerings.

Notably, since the Staff Report was filed on November 18, 2020, the PUCO has issued a decision affirming that Columbia Gas’s DSM programs “benefit ratepayers and the public interest” where they involve reasonable costs and cost-effective programs. Case No. 19-1940-GA-RDR, Opinion and Order (Dec. 2, 2020) at 23, 25. The Commission specifically reaffirmed its conclusions in originally authorizing these DSM programs in Case Nos. 16-1309-GA-UNC *et al.* that they “serve as an avenue to communicate with and educate the energy consumer and to encourage energy conservation” and are vital to maintain in times of low energy prices when the cost of energy alone “is unlikely to incent a customer to install or implement energy conservation measures” so “such programs need to be continuously encouraged” while customers have the budget available to make long-term investments. *Id.* at 25. Accordingly, the Commission held less than three weeks ago that it saw “no reason to depart from the rationale detailed above concerning the importance of including programs that educate consumers about energy conservation and that encourage consumers to participate in energy conservation measures to more readily achieve long-term energy conservation benefits.” *Id.* at 26. This same reasoning applies equally to the electricity sector. Therefore, CUB Ohio objects to the Staff Report’s failure to consider these and other important factors regarding the interests of ratepayers and the public in recommending removal of the proposed DSM Plan costs from AEP Ohio’s revenue requirement.

December 18, 2020

Respectfully submitted,

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## CERTIFICATE OF SERVICE

The e-filing system of the Public Utilities Commission of Ohio will electronically serve notice of the filing of this document on the parties referenced in the service list of the docket card who have electronically subscribed to this case. In addition, the undersigned certifies that a copy of the foregoing document is also being served upon the persons listed below via electronic mail on December 18, 2020.

/s/ Madeline Fleisher  
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Summary: Objection Objections to the Staff Report by the Citizens' Utility Board of Ohio electronically filed by Ms. Madeline Fleisher on behalf of Citizens' Utility Board of Ohio