

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio)
Power Company for an Increase in) Case No. 20-585-EL-AIR
Electric 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) Case No. 20-587-EL-AAM
Change Accounting Methods.)

**DIRECT TESTIMONY OF
DAVID C. RINEBOLT
ON BEHALF OF OHIO PARTNERS FOR AFFORDABLE ENERGY**

April 20, 2021

1 Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.

2 A. My name is David C. Rinebolt. My business address is PO Box 1793, Findlay,
3 Ohio 45839-1793. I am the Executive Director of Ohio Partners for Affordable
4 Energy ("OPAE") and I appear in this case as a witness on its behalf.

5
6 Q. PLEASE DESCRIBE YOUR BACKGROUND AND QUALIFICATIONS FOR
7 YOUR TESTIMONY IN THIS PROCEEDING.

8 A. My career has covered a broad spectrum of activities in human services
9 programs and the energy industry including policy analysis and program
10 management at both the federal and state levels. I served as Deputy Director of
11 the State of Minnesota Washington Office from 1983 through 1985, focusing on
12 human services, energy and environmental issues. Between 1985 and 1988 I
13 served as Senior Research Associate for Energy with the Coalition of
14 Northeastern Governors Policy Research Center, focusing on low-income energy
15 assistance programs, new energy technologies, and wholesale markets and
16 regulation. I was Director of Research for the National Wood Energy Association
17 and Counsel to the Solar Energy Industries Association from 1988 through 1990,
18 working on research and development, regulatory issues, and siting and
19 permitting of renewable energy projects. I also served as Legislative Director for
20 Representative Collin Peterson of Minnesota from 1991 through 1993, and was
21 Director of Programs for the National Association of State Energy Officials from
22 1994 through 1996.

1 I became executive director of Ohio Partners for Affordable Energy (OPAE) in
2 1996. In this capacity I was actively involved in the development and passage of
3 legislation regulating electric and natural gas utilities, which required a working
4 knowledge of wholesale markets, regional transmission organizations (RTOs),
5 renewable energy technologies, energy efficiency, and consumer protection
6 issues. I am also responsible for the operation and management of multiple
7 utility-funded, low-income weatherization and fuel fund programs.

8
9 After leaving OPAE in at the end of June 2016, I served as the Program Manager
10 for the Weatherization Assistance Program at the U.S. Department of Energy. I
11 rejoined OPAE in June 2018. I serve on the Board of the National Energy Utility
12 Affordability Coalition, an organization that focuses on bill payment assistance
13 programs. Finally, I provide consulting services on the design, operation, and
14 funding of low-income bill payments assistance and weatherization programs.

15
16 I have a Bachelor of Liberal Studies from Bowling Green State University and a
17 Juris Doctor degree from the Columbus School of Law at The Catholic University
18 of America (1981). My professional career has focused on policy advocacy, the
19 development, operation, and funding of demand side management (DSM)
20 programs – particularly low-income energy assistance programs -- renewable
21 energy development programs, and utility regulation, including rate design, cost
22 of service, forecasting, and related issues. These concentrations require a

1 broad-based knowledge of the energy and utility sectors of the U.S. economy
2 and related regulatory regimes.

3
4 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE OHIO PUBLIC UTILITIES
5 COMMISSION (“PUCO” OR “COMMISSION”)?

6 A. Yes. I have testified on behalf Ohio Partners for Affordable Energy in litigation
7 involving Duke Energy Ohio, Case Nos. 11-3549-EL-SSO and 13-753-EL-RDR;
8 The Dayton Power and Light Company, Case Nos. 12-426-EL-SSO, et.al.; Case
9 No. 14-1297-EL-SSO which involved the FirstEnergy distribution companies;
10 Case No. 15-1046-EL-USF, a proceeding to set the Universal Service Fund
11 Rider; Case No.18-298-GA-AIR, et al., Vectren Energy Delivery Ohio’s rate case;
12 and its DSM Portfolio, Case No 19-2084-GA-UNC; Case Nos. 18-1205-GA-AIR,
13 et al., Suburban Natural Gas; Case No. 18-501-EL-FOR, et.al., AEP Ohio’s
14 forecasting case involving renewable energy purchase agreements; and, Case
15 No. 18-1840-GA-EXM, a recent case involving Dominion East Ohio, which
16 eliminated Market Variable Rates and made the Standard Choice Offer the
17 default service for residential and small business customers.

18
19 Q. PLEASE DESCRIBE THE PURPOSE OF YOUR TESTIMONY.

20 A. The purpose of my testimony is to explain that fixed charges are not just and
21 reasonable nor in the public interest because fixed charges fail to send
22 appropriate price signals based on long-run marginal costs. Further, fixed
23 charges have an inequitable impact on low-use customers, many of whom are

1 low-income and people of color. In addition, I am opposing the increase in the
2 customer charge and imposition of a late fee. The former fails to reflect actual
3 cost and the latter is nothing more than a punitive measure that punishes the
4 poor for being poor.

5
6 Q. PLEASE EXPLAIN THE CHARACTERISTICS OF LOW-USE UTILITY
7 CUSTOMERS.

8 A. Low-use customers typically live in smaller than average homes, including small
9 single-family homes, duplexes, and apartments. Low-use customers also tend to
10 have smaller families than those using average amounts of energy or more.
11 Most low-income customers are also low-use customers. And, a
12 disproportionate number of low-income customers are people of color, elderly,
13 and/or disabled.¹

14
15 Because of the low level of electricity usage, the ability to improve the efficiency
16 of these structures is minimal. Baseload end-uses such as lightbulbs,
17 refrigerators and freezers, and exhaust fans can be replaced with high efficiency
18 alternatives. However, weatherizing the structure itself is difficult. Though most
19 apartments are heated with electricity, apartments still use only 54.7 percent of

¹ U.S. Energy Information Administration, 2015 Residential Energy Consumption Survey: Energy Consumption and Expenditures Tables, Table HC9.5 Household demographics of U.S. Homes by household income, 2015. <https://www.eia.gov/consumption/residential/data/2015/hc/php/hc9.5.php>, and Ohio LIHEAP FY2019 State Profile, <https://liheappm.acf.hhs.gov/sites/default/files/private/congress/profiles/2019/FY%202019%20OH%20Profile.pdf>

1 the amount of power typically used by single-family homes.² While our
2 weatherization crews can often provide some air sealing and add insulation in
3 building attics, the ability to provide comprehensive shell weatherization is
4 minimal or far too expensive to be cost-effective given the low-level of energy
5 use.

6
7 Mobile homes also provide limited opportunities to reduce energy consumption.
8 For example, because of current materials and labor costs, it is often not cost-
9 effective to weatherize the shells of manufactured housing. According to the
10 2015 Residential Energy Consumption Survey (“RECS 2015”), families living in
11 mobile homes use 66.1 percent less than the single-family home, and the walls,
12 roof, and belly provide for limited options for air-sealing or insulation.³ At current
13 energy prices, there is little that can be done cost-effectively in electrically-heated
14 mobile homes. The same analysis applies to smaller single-family homes.

15
16 Q. ARE THERE ANY OTHER RELEVANT CHARACTERISTICS OF LOW-USE
17 HOUSEHOLDS?

18 A. Yes, the makeup of low-use households is also distinctive. Many low-use
19 customers are elderly or disabled. Both types of customers are more likely to be
20 on a fixed income, and are often low-income. Small households – those with

² Id.

³ U.S. Energy Information Administration, 2015 Residential Energy Consumption Survey: Energy Consumption and Expenditures Tables, Table CE1.3 Summary annual household site consumption and expenditures in the Midwest—totals and intensities, 2015. [ce1.3.xlsx \(eia.gov\)](#)

1 three or fewer inhabitants – are also more likely to be low-use and negatively
2 affected as well.

3
4 Q. WHY ARE HIGH CUSTOMER CHARGES AND OTHER FIXED CHARGES
5 UNJUST AND UNREASONABLE AND NOT IN THE PUBLIC INTEREST?

6 A. Ohio has long sought to provide customers with control over their energy choices
7 through both the ability to choose alternative suppliers of generation and with
8 information provided through smart grid deployments which include Advanced
9 Metering Infrastructure (“AMI”). The Public Utilities Commission of Ohio certifies
10 competitive retail electricity suppliers (“CRES”) to provide supply options, has
11 ensured that distribution utilities have workable supply tariffs in place to provide
12 CRES with access to customers, and authorized the deployment of smart grid
13 systems in three of the four large electric distribution utilities (“EDUs”).

14
15 Fixed charges run counter to the philosophy of increasing customer control over
16 energy services. Customers must pay a fixed charge regardless of the amount
17 of energy consumed (or generated). Thus, fixed charges undermine the ability of
18 customers to lower bills through reducing usage. Fixed charges also hinder or
19 eliminate customers’ ability to control their costs through investing in energy
20 efficiency, weatherization, or solar photovoltaics (“PV”) because the fixed charge,
21 by definition, remains the same regardless of their usage. Reducing fixed
22 charges to the extent feasible, promotes control over energy usage and reduces

1 long-term marginal costs by sending the utility an appropriate price signal
2 regarding the need for future investments.

3
4 High customer charges and other fixed charges disproportionately impact low-
5 use customers' bills. Essentially, fixed charges impose the same cost on low-use
6 customers living in a 1,000 square foot apartment as someone living in a 4,000
7 square foot home. The fixed charges are a higher percentage of a low-use
8 customer's bill, and these customers will experience a greater percentage
9 increase when fixed charges are increased. It is not in the public interest to
10 design rates that target those that use less energy for higher bills, whether they
11 simply conserve, live in smaller homes or apartments, or invest in energy
12 efficiency, weatherization, or PV. Moreover, the shifting of costs from high-use
13 customers to low-use customers is simply discriminatory.

14
15 Fixed charges fall more heavily on low-income customers, those who can least
16 afford increases. Data from the Energy Information Agency indicates that in the
17 Midwest, households with incomes lower than \$20,000 per year consume an
18 average of 67.2 MMBTU annually, and those with incomes between \$20,000 and
19 \$39,999 use 84.7 MMBTU. By comparison, those with incomes over \$140,000
20 use 143.8 MMBTU. The average Midwestern home uses 94.3 MMBTU.⁴ Ohio-
21 specific data collected in the 2009 Residential Energy Consumption Survey
22 found that Ohio low-income households use 21 percent less energy than the

⁴ Id.

1 average non-low-income family.⁵ Fixed charges effectively raise the cost per
2 kilowatt hour for these families, who can least afford the increase.

3
4 Another way to look at this is to compare the use of fixed charges to the sale of
5 another energy sources, gasoline. When a customer pulls into a filling station,
6 they do not pay a fixed fee to pull up to the pump. Instead, the seller factors the
7 fixed cost of having a gas station into the price of the gasoline. Those that burn
8 more gasoline pay more. It simply makes sense, and directly sends a price
9 signal that the more you use the more you pay. High-use utility customers use
10 the distribution infrastructure more than low-use customers. Controlling for other
11 factors, cost of owning a 1,000 square foot house will be lower than a 4,000
12 square foot house. A family that chooses a larger house will pay more. The
13 same is true of energy, and shifting the cost from high-users to low-users is
14 inequitable, unreasonable, and unjust.

15
16 Because low-income customers tend to be low-use customers, the inequity of the
17 situation is exacerbated. Low-income customers have fewer resources and
18 every dollar matters more to the family. A high fixed charge compounds this
19 problem for low-income customers because it represents a larger percentage of
20 their income compared to higher income customers. Reducing a low-use
21 customer's ability to control his or her energy costs by taking action is inequitable
22 and unjust. The fixed charges, individually, may be fairly small, but collectively it

⁵ Whited, Melissa, Tim Woolf, and Joseph Daniel, [Caught in a Fix: The Problem with Fixed Charges for Electricity.consumerreports.org](http://Electricity.consumerreports.org) (February 9, 2016) at 15.

1 is a death by a thousand cuts. The nickels, dimes, and dollars add up, with fixed
2 charges effectively increasing the customer charge by 45 -- 70 percent. If a
3 customer pays a \$10 customer charge as part of a \$100 monthly bill, but fixed
4 riders increase the unavoidable charge to \$14.50, that customer has no control
5 over 14.5 percent of their bill. By comparison, the same fixed charges would only
6 represent 7.25 percent of the bill of a customer paying \$200 per month.

7
8 Q. WILL YOU PLEASE DESCRIBE THE ECONOMIC DEVELOPMENT RIDER
9 AND ITS IMPACT ON CUSTOMERS.

10 A. The Economic Development Cost Recovery Rider ("EDR") recovers the costs of
11 subsidies provided to the largest industrial energy consumers. The EDR is
12 recovered through a fixed charge that is a percentage of the base distribution
13 rate. Currently, the EDR is 2.23580% of the base customer charge.

14
15 Regardless of the efficacy of the charge, there is no justification for designing this
16 rider as a fixed charge. There is no evidence that low-use customers benefit
17 more from the EDR than high use customers. In fact, logic tells you that elderly,
18 disabled, low-income, and other low-use customers are less likely to benefit from
19 these industrial subsidies. Nonetheless, a single senior living in a small
20 apartment pays the same amount as family of five living in a large suburban
21 home, or a major stockholder living in a mansion.

22

1 Q. WILL YOU PLEASE DESCRIBE THE GRIDSMART PHASE 2 RIDER AND ITS
2 IMPACT ON CUSTOMERS?

3 A. The gridSMART Phase 2 Rider (“SG2”) is a fixed charge applied to customer bills
4 to pay for the deployment of Volt/VAR Optimization (“VVO”), Distribution
5 Automation Circuit Reconfiguration (“DACR”), and the deployment of an
6 Advanced Meter Infrastructure (“AMI”). Schedule 3.14 of the Application
7 indicates SG2 is \$0.99 per month, though the tariffs filed with the Stipulation
8 indicate that the Rider will be \$1.65.⁶ One can argue that the AMI can be a fixed
9 charge as meters are traditionally included in the customer charge. However, as
10 noted previously, low-use customers have minimal ability to use technology to
11 better control their energy use because they lack the ability to control or shift their
12 load. In addition, Ohio customers lack access to the information generated by
13 AMI that would allow them to make choices.

14
15 It is well recognized in the industry that the primary benefit of smart grid
16 deployment is improved reliability. However, the value of this reliability is minimal
17 to low-use customers; the bulk of the value inures to commercial and industrial
18 customers. Ultimately, the benefits of smart meters are a function of usage.
19 Asking low-use customers to pay a fixed fee for technologies that do not provide
20 them with benefits is unjust and unreasonable.

⁶ Stipulation, Sheet 410-1, Page 308. Though the rider being discussed are fixed in nature, the amount of the various riders is adjusted regularly to true-up expenditures and revenues. For example, both the Distribution Investment Rider and the Enhanced Service Reliability Rider are assumed to be negative in Schedule 3.14 and the bill comparison, but the Riders will both have to be positive to recover the funding levels authorized for the Rider in the Stipulation.

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Q. WILL YOU PLEASE DESCRIBE THE DISTRIBUTION INVESTMENT RIDER AND ITS IMPACT ON CUSTOMERS.

A. The Distribution Investment Rider (DIR) is designed to fund costs associated with the distribution system. In most states, these expenses would be part of base rates and residential customers would pay these costs through volumetric charge. However, Ohio has embraced single-issue ratemaking, and in the case of the DIR, recovers the costs through a fixed charge, most recently 45.51414% of base distribution fees, or \$3.920602 per month. These costs are not included in the list of expenses that are included in the customer charge, and there is no justification for setting the DIR charge as a monthly fixed charge.

Q. WILL YOU PLEASE DESCRIBE THE ENHANCED SERVICE RELIABILITY RIDER?

A. The Enhance Service Reliability Rider (“ESSR”) funds vegetation management expenses incurred by AEP Ohio. These costs have traditionally been included in base rates and recovered from residential customers through volumetric rates. These types of costs are not included in the list of expenses that are factored into the customer charge and, again, there is no justification for setting the ESSR as a monthly fixed charge.

Q. WOULD YOU PLEASE DESCRIBE THE SMART CITY RIDER.

1 A. The Smart City Rider is designed to recover the costs associated with deploying
2 electric vehicle charging stations and other new technologies in the Columbus,
3 Ohio area. The fixed charge was included in Schedule E-4 at \$0.24/month, and
4 a recent filing in Case No. 21-97-EL-RDR requests approval of a \$0.48/month
5 Rider. It is unclear how this rider benefits low-use customers or those outside of
6 the Columbus region, nor is there any explanation of why this should be a fixed
7 rather than volumetric charge.

8

9 Q. WOULD YOU PLEASE DESCRIBE THE STORM DAMAGE RECOVERY
10 RIDER?

11 A. The Rider is designed to recover costs of repairing storm damage in excess of
12 the funding contained in base rates. The Rider is structured as a fixed charge,
13 though it is used to repair equipment paid for through a volumetric charge. The
14 rider design is inconsistent with the charge for the underlying asset itself.

15

16 Q. WOULD THERE BE ANY NEGATIVE IMPACTS ON AEP OHIO FROM
17 CONVERTING THE FIXED CHARGES FUNDING THE RIDERS TO A
18 VOLUMETRIC CHARGE?

19 A. No. All of the aforementioned riders include reconciliation provisions designed
20 to ensure that revenues match expenditures. As a result, some of these riders
21 are periodically negative in order to return over-recoveries to customers.
22 Likewise, the riders are adjusted upward if AEP Ohio fails to recover expenses.
23 As such, under either a fixed or volumetric rate, AEP Ohio will recover its costs

1 under these riders.

2

3 Q. WHAT IS YOUR RECOMMENDATION REGARDING THE DESIGN OF THESE
4 RIDERS?

5 A. As currently structured, the design of the riders is not just and reasonable and is
6 not in the public interest. Fixed rate riders discriminate against low-use
7 customers, many of whom are low-income and are yet another financial inequity
8 these families must face. These impacts violate the State policy to “[p]rotect at-
9 risk populations....”⁷ Fixed riders also violate the State policy to “[e]ncourage
10 innovation and market access for ...demand-side retail electric service...”
11 because they reduce the cost-effectiveness of energy efficiency investments.⁸
12 Fixed riders also ignore long-run marginal costs and fail to send the appropriate
13 price signals to the utility going forward. The stipulation should be rejected as
14 neither just nor reasonable, and contrary to the public interest.

15

16 The alternative is for the Commission to revise the riders to be volumetric. This
17 would eliminate the negative impacts on low-use customers while still ensuring
18 AEP Ohio recovers its expenditures.

19

20 Q. THE STIPULATION INCLUDES A \$10 PER MONTH CUSTOMER CHARGE. IS
21 THIS AN APPROPRIATE LEVEL FOR THE CHARGE?

⁷ O.R.C. §4928.02(L).

⁸ O.R.C. §4928.02(D).

1 A. No, it is not the appropriate level for the customer charge. The Staff Report's
2 discussion of the customer charge includes the following statement: "The Staff
3 has utilized a minimally compensatory approach which requires little or no
4 judgement with respect to customer related expenses. Using the Staff
5 recommended method for determining residential customer charges, the
6 customer charge per bill would be \$6.01."⁹ OPAE agrees this is the appropriate
7 customer charge.

8
9 The Staff Report concludea that portions of secondary-distribution demand
10 related costs, as identified in the cost of service study, could be included in the
11 customer charge, but the amount proposed by AEP Ohio was excessive. Instead
12 of the \$14 customer charge requested, the Staff Report recommends \$8.11,
13 which includes \$2.10 of secondary-distribution demand related costs. Ultimately,
14 the Stipulation included a \$10 per month customer charge, \$3.99 of which
15 represents secondary-distribution demand related costs.

16
17 Q. WAS STAFF'S DECISION TO INCLUDE DEMAND RELATED COSTS IN THE
18 CUSTOMER CHARGE APPROPRIATE?

19 A. No, it is not. A cost of service study is a snapshot of the costs incurred to provide
20 utility service; the costs are fixed for a moment in time. Ultimately, these costs
21 going forward are variable, changing based on investment decisions by the utility
22 as determined by demand for service, which is also not fixed. For example, if the

⁹ Staff Report at 40.

1 number of customers and sales declines then the need for investment in
2 distribution system expansion and upgrades in capacity likewise declines, though
3 demand in specific locations may increase.

4
5 If a customer is connected to the system yet uses no electricity, he or she has
6 not contributed to demand. The less the customer uses, the less is contributed
7 to demand. An embedded cost of service study allocates costs for ratemaking
8 purposes based on demand on a class basis, but that does not mean that the
9 contribution a residential customer makes to demand is fixed; in fact, it varies
10 widely among residential homes based on a number of factors including size of
11 the home and income.

12
13 Cloaking the inclusion of embedded costs in the customer charge as consistent
14 with the concept of gradualism does not render the inclusion of demand related
15 costs appropriate. Likewise, justifying the inclusion of secondary-distribution
16 demand related costs in the customer charge by pointing to the large number of
17 fixed charge riders is circular logic; just because what should be a volumetric
18 charge is fixed does not justify including secondary distribution-related costs in
19 another fixed charge. As Mr. Roush notes in his discussion of the customer
20 charge, “there is a level of fixed costs that are necessary to connect a customer
21 to the system”, and that fixed costs according to the Staff Report is \$6.01.

22

1 The size of the distribution system is determined by the collective demand of
2 customers. Low-use customers place little demand on the system; there is no
3 reason to allocate low-use customers a disproportionate share of distribution
4 system costs. The approach to setting a customer charge included in the
5 stipulation has the same negative impacts on customers as the fixed cost riders
6 discussed previously.

7
8 Imputing the demand of a class onto single household fails to recognize each
9 customer's individuality and impact on the system. Residential customers are
10 not the same, and using a volumetric charge for distribution costs beyond those
11 directly related to customers as defined by staff is the just and reasonable
12 approach. For example, suppose a neighborhood of 20 houses uses 4,000
13 kilowatt hours per month, and a different neighborhood of 40 houses also
14 collectively uses 4,000 kilowatt hours per month. The \$10 customer charge will
15 generate \$200 in revenue from the first neighborhood, but \$400 in the second
16 neighborhood. Does it make sense that a neighborhood that puts half the
17 amount of demand on the system pays twice as much? Equity dictates that
18 charges should reflect use.

19
20 The customer charge should not be artificially inflated to include costs that are
21 fundamentally variable over a future timeframe and that are affected by individual
22 customer use. Volumetric distribution rates better reflect demand for residential
23 and small commercial customers. Volumetric distribution rates also send the

1 appropriate price signals to customers and the Company to guide long-term
2 investments in the distribution infrastructure. Given the plethora of adjustable
3 riders that pay for large components of AEP Ohio's distribution service, the
4 Company should have no trouble recovering the cost of serving customers.

5
6 Q. PLEASE DESCRIBE THE DELAYED PAYMENT CHARGE INCLUDED IN THE
7 APPLICATION AND STIPULATION.

8
9 A. The delayed payment charge, also referred to as a residential late fee in the Staff
10 Report, was proposed in the application. AEP Ohio proposed a 1.5% monthly
11 charge on the unpaid balance, effective with the approval of rates in this matter.
12 The Stipulation includes the proposed charge, but delays its implementation
13 March 12, 2022. The charge will be applied on the 22nd day after the bill is
14 rendered, the due date of 14 days plus a 7-day grace period.

15
16 Q. WHAT IS THE PROJECTED LEVEL OF REVENUE FROM THE DELAYED
17 PAYMENT CHARGE AND WHAT WILL THE REVENUE BE USED FOR?

18
19 A. The Staff Report projects \$3.160 million in revenue in the test year from the
20 residential late fee, though with the imposition of the fee delayed a year, the
21 revenue will not be recovered during the test year. I estimate the fee could
22 generate \$7.848 million in a typical year using data provided by AEP Ohio in its
23 filing in Case No. 20-937-GE-UNC (June 16, 2020). The revenue will be used to

1 offset factoring costs in excess of the amount included in base rates and as a
2 credit against pandemic-related deferrals approved for recovery by the
3 Commission in Case No. 20-602-EL-UNC. Factoring costs are already included
4 in base rates.¹⁰

5
6 Q. WHY DO YOU VIEW THE DELAYED PAYMENT CHARGE AS PUNITIVE?

7 A. The Company views the fee as a means to incent customers to pay on time.
8 However, the Testimony of AEP Ohio Witness Moore acknowledges that the
9 whether a late payment fee is an effective incentive to increase on time
10 payments is “unknown”. Testimony of Andrea Moore at 11. AEP Ohio lacks any
11 support for the assertion that a delayed payment charge will result in better
12 payment behavior.

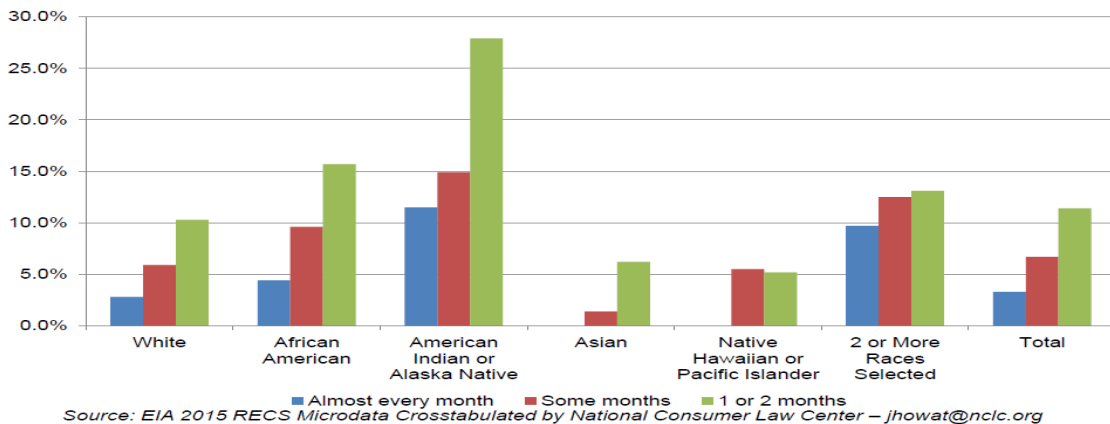
13
14 The late payment charge does not compensate AEP Ohio for costs. There are
15 no costs associated with recovery during the first 21 days after a bill is rendered.
16 The first ‘cost’ is in the form of a disconnection notice on the bill that is received
17 roughly a month after the rendering of the initial unpaid bill. A disconnection
18 notice also appears on the bill of a customer who has missed two monthly
19 payments. At that point, collections activities may begin on an individual
20 account, but the cost of those activities is already included in base rates.¹¹ Thus,
21 there is no direct cost to AEP Ohio being paid for through the fee, unlike the
22 direct charge to customers for notice on the day of disconnection.

¹⁰ See Application Vol. 2 at 74, Schedule C-2.1, page 2 of 5.

¹¹ Id.

1 Given that the costs associated with late payment and uncollectible accounts is
 2 already included in base rates and the lack of evidence that a delayed payment
 3 charge improves payment behavior, the only conclusion I can come to is that the
 4 delayed payment charge is punitive. Witness Moore notes in her initial testimony
 5 that “approximately 38 percent of residential customers pay their bills late”.¹²
 6 This number closely equates to the number of percentage of customers in the
 7 AEP Ohio service territory with incomes under 200 percent of the Federal
 8 Poverty Line, the eligibility standard for a number of federal low-income
 9 assistance programs.¹³ It is also similar to the number of households identified
 10 by the 2015 Residential Energy Conservation Survey as reporting energy
 11 insecure situations.

Frequency of receiving disconnect notice *
 Householder race U.S. - 2015 - HH Income < \$40K



14 14

¹² Testimony of Andrea Moore at 11.

¹³ See State of Poverty in Ohio: 2020, Ohio Association of Community Action Agencies.

https://oacaa.org/wp-content/uploads/2020/06/State-of-Poverty-in-Ohio-Report-2020_low.pdf

¹⁴ https://www.nclc.org/images/pdf/energy_utility_telecom/additional_resources/Racial-Disparities-in-credit-and-collections-100-Network.pdf

1 We also know that households made up of people of color have fewer assets,
2 making it difficult to pay bills. A United State Census Bureau report, Wealth,
3 Asset Ownership, & Debt of Households Detailed Tables: 2017¹⁵, indicates that
4 32.5 percent of Black households have a zero or negative household net worth.
5 Twenty percent of households of Hispanic origin (any race) have zero or negative
6 household net worth.¹⁶ Of non-Hispanic white households, by comparison, only
7 12.4 percent have zero or negative assets.

8
9 The simple fact is that most customers, especially those with adequate funds,
10 pay their bills on time. There are a few customers – say roughly 10 percent –
11 that have the money but chronically pay late. The balance of customers that will
12 be assessed the delayed payment charge have low-incomes, and are families
13 that face energy insecurity issues. These households have challenges paying
14 monthly bills. While some of these families could improve payment behavior if
15 they were better at budgeting money, it is not cost-effective for the utility to
16 provide financial literacy training in order to recover a residential customer bill on
17 time. Our member agencies provide financial literacy training, but it does cost
18 money and is generally only effective for households with consistent income
19 sources, something many low-income families lack as many balance multiple
20 part-time jobs without standardized schedules or numbers of hours per week.

¹⁵ <https://www.census.gov/data/tables/2017/demo/wealth/wealth-asset-ownership.html>

¹⁶ Id., Table 4.

1 In the final analysis, there is no evidence that the proposed delayed payment
2 charge will improve payment behavior. There is nothing to indicate that late
3 payments cause AEP Ohio to incur costs that are not recovered in the base rates
4 included in the stipulation. We do know that the vast majority of customers who
5 will be subject to the large charge will be low-income, the same families that
6 monthly face the choice between heating and eating or taking prescribed
7 medicines. And we know the fee will disproportionately affect people of color,
8 who are more likely to have lower incomes. That is why I conclude the fee is
9 punitive, and urge the Commission to reject the fee as an unjust and
10 unreasonable charge. Continuing to punish families for lacking adequate income
11 is not in the public interest.

12 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

13 A. Yes, but I reserve the right to supplement the testimony as new information
14 becomes available.

CERTIFICATE OF SERVICE

A copy of the foregoing Testimony of David C. Rinebolt will be served electronically by the Commission's Docketing Division upon the persons identified below who are electronically subscribed to these cases on this 20th day of April, 2021.

/s Robert Dove

Robert Dove

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Summary: Testimony of David C. Rinebolt electronically filed by Mr. Robert Dove on behalf of Ohio Partners for Affordable Energy