

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio Power)
Company to Update its Basic Transmission) Case No. 23-0057-EL-RDR
Cost Rider.)

**COMMENTS
OF
THE OHIO MANUFACTURERS' ASSOCIATION ENERGY GROUP**

I. INTRODUCTION

On January 17, 2023, Ohio Power Company (AEP) filed an application requesting to increase the charges to customers under its Basic Transmission Cost Rider (BTCR). The Public Utilities Commission of Ohio (Commission) authorized the BTCR as part of AEP's third electric security plan (ESP III).¹ The BTCR is a nonbypassable mechanism through which AEP recovers non-market based transmission charges from its customers.² A limited number of customers are able to instead pay transmission rates through AEP's Interim Pilot 1CP Basic Transmission rate (BTCR Pilot).³

Pursuant to Ohio Adm.Code 4901:1-36-03, interested parties may intervene and file comments within 40 days of the application.⁴ The Ohio Manufacturers' Association Energy Group

¹ *In the Matter of the Application of 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 Nos. 13-2385-EL-SSO et al., Opinion and Order at 67 (Feb. 25, 2015).

² *Id.*

³ *In the Matter of the Application of 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 Nos. 16-1852-EL-SSO, et al., Opinion and Order at ¶ 96 (April 25, 2018).

⁴ *See* Ohio Adm.Code 4901:1-36-03(F).

(OMAEG) moved to intervene on February 10, 2023.⁵ Now, OMAEG respectfully submits the following comments.

II. COMMENTS

A. AEP appears to have miscalculated its BPCR rates, resulting in overcharging manufacturing customers.

AEP’s application requests rates for the BPCR that would seemingly over-collect the revenue requirement by nearly \$1.5 million, unfairly impacting customers in the BPCR Pilot program. This overcharge appears to result from a miscalculation, resulting in a double-charging of some costs. The Commission should reject and modify AEP’s proposed rates to avoid this erroneous overcharging.

AEP proposes a revenue requirement of \$1,089,715,630 for the BPCR.⁶ However, AEP proposes rates for the BPCR that would result in an over-collection of approximately \$1,450,397 from customers who participate in the BPCR Pilot program.

Class	Demand Cost	Energy Cost	Total Cost	Proposed Recovery	Delta	Error	
Residential	\$469,620,571	\$7,055,280	\$476,675,851	\$476,675,815	-\$36	0.0%	
GS Non Demand Secondary	\$22,456,448	\$415,245	\$22,871,693	\$22,871,677	-\$16	0.0%	
GS Non Demand Primary	\$236,360	\$3,821	\$240,181	\$240,181	\$0	0.0%	
GS Secondary	\$284,123,649	\$5,404,323	\$289,527,972	\$289,653,110	\$125,138	0.0%	
GS Primary	\$110,585,599	\$2,885,567	\$113,471,166	\$113,415,706	-\$55,460	0.0%	
GS Transmission	\$145,916,559	\$5,836,001	\$151,752,560	\$151,828,247	\$75,687	0.0%	
Lighting	\$4,147	\$103,476	\$107,623	\$107,631	\$8	0.0%	Loss Factors
Pilot Secondary	\$246,560		\$246,560	\$268,615	\$22,055	8.2%	8.97%
Pilot Primary	\$4,164,887		\$4,164,887	\$4,387,848	\$222,961	5.1%	5.31%
Pilot Transmission	\$30,657,137		\$30,657,137	\$31,717,197	\$1,060,060	3.3%	3.41%
TOTAL	\$1,068,011,917	\$21,703,713	\$1,089,715,630	\$1,091,166,027	\$1,450,397	0.1%	

It appears that this over-collection is in line with the loss factors associated with different voltage levels of service. Since customers participating in the BPCR Pilot program are billed by their network service peak load (NSPL), which is partially determined by a customer’s loss factor, the loss factor is already included in the billing determinants for the Pilot class. The error seems

⁵ Motion to Intervene and Memorandum in Support of The Ohio Manufacturers' Association Energy Group (Feb. 10, 2023).

⁶ See Application, Schedule B-1 (Jan. 17, 2023).

to result from incorrectly applying the loss factor a second time, resulting in an over-collection from the Pilot class. For example, the secondary voltage loss factor is 8.97%. Under AEP's proposed rates, the BTCR Pilot program secondary class would overpay by about 8.2%. This error may result in OMAEG members who participate in the BTCR Pilot program paying unreasonably high rates under the rates proposed by AEP.

B. The BTCR rate mechanism unduly burdens manufacturers.

The BTCR is a rate mechanism that AEP uses to pass along transmission-related costs to its customers. Under the BTCR, customers have no ability to control their own transmission-related costs by controlling their NSPL. Instead, customers pay the BTCR rates, which are not calculated based on a customer's NSPL.⁷ Differences exist in how AEP is billed for transmission costs by FERC or PJM versus how AEP bills its Ohio customers for the same transmission costs. As such, the BTCR unduly burdens manufacturers and other customers by not charging their actual transmission-related costs and by limiting their ability to manage those transmission costs. The Commission should remedy the undue burden and modify AEP's BTCR rate mechanism and bill non-residential customers for all transmission costs on the basis of their NSPL. Alternatively, the Commission could allow all non-residential customers the option to opt out of the BTCR and participate in the BTCR Pilot program.

Instead of directly passing through transmission charges to customers, AEP reallocates transmission costs to its customers through the BTCR differently than how those transmission costs are incurred. A customer's transmission obligation (i.e., what a facility is required to pay for

⁷ See in the Matter of the Application of 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 Nos. 13-2385-EL-SSO et al., Opinion and Order at 65-68 (Feb. 25, 2015).

transmission service), is most generally defined by their NSPL.⁸ The derivation of a customer's NSPL depends on which transmission zone serves their facility. For most customers in Ohio, NSPL is based on their facility's coincident demand (or load in kW) at the time of the transmission grid's zonal peak or peaks, multiplied by a loss factor. This is how a customer's transmission billing determinant is calculated as defined by the Transmission operators.

However, the Ohio electric distribution utilities' transmission cost recovery mechanisms use a different billing determinant to recover transmission costs, and therefore strays from principles of cost causation. AEP reallocates these charges to Ohio customers which represents the customer's highest period of electrical consumption during the month. A manufacturer's monthly billing demand is guaranteed to be the highest period of electricity consumption for the facility. However, it is unlikely that a plant will be at its utmost peak of electricity consumption during the zonal grid peak. In fact, many manufacturers actively reduce their load to lessen grid strain during the zonal peak. Manufacturers may even schedule shifts to avoid operating during times of high grid usage. By billing customers based on the site's maximum demand instead of the NSPL, the billing outcome is disconnected from the site's usage during the system peak.

The Commission has authorized pilot programs allowing manufacturers, hospitals, and other customers to pay for transmission service based on their NSPL rather than their monthly billed demand. AEP's BTCR Pilot rate is based on the customer's demand during the single zonal transmission peak,⁹ and therefore, more fairly allocates transmission costs. However, this Pilot program remains accessible to only a limited number of customers, and for a limited number of

⁸ NSPL may also be referred to as transmission obligation or the one coincident peak (1-CP).

⁹ See Application, 2nd Revised Sheet No. 400-1 (Jan. 17, 2023) ("The monthly \$/kW for the Interim Pilot 1CP Basic Transmission rate will be based on the participating customer's demand during the single zonal transmission peak.").

MW.¹⁰ Additionally, AEP’s BTCR Pilot program rate structure requires participants to pay a higher rate for transmission and assume risk that they can lower their load. This could be simplified by instead billing for transmission based on the site’s NSPL and the true transmission rate.

In a recent rulemaking case concerning Ohio Adm.Code Chapter 4901:1-36, which governs transmission cost recovery riders such as the BTCR, the Commission considered a proposal to eliminate Ohio Adm.Code 4901:1-36-04(B).¹¹ This provision states that “[t]he transmission cost recovery rider shall be avoidable by all customers who choose alternative generation suppliers and the electric utility no longer bears the responsibility of providing generation and transmission service to the customers.”¹²

OMAEG filed comments in the rulemaking proceeding, noting that the elimination of Ohio Adm.Code 4901:1-36-04(B) would likely eliminate one of the best tools for Ohio customers to control their transmission spending, would directly increase the transmission expenses of

¹⁰ *In the Matter of the Application of 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 Nos. 16-1852-EL-SSO, et al., Opinion and Order at ¶¶ 96, 98 (April 25, 2018) (“Currently, enrollment in the BTCR Pilot is limited to 19 participants with specific set asides for sponsoring groups. With respect to the BTCR Pilot enrollment available to specific sponsoring groups during the ESP period the Parties agree that the 19 eligible participation slots for the sponsoring groups will be maintained and will be increased by fifteen for a total of 34 participation slots.”); *In the Matter of the Application of Ohio Power Company for an Increase in Electric Distribution Rates*, Case Nos. 20-585-EL-AIR, Opinion and Order at ¶¶ 89, 232 (Nov. 17, 2021) (“The Basic Transmission Cost Rider (BTCR) pilot will continue and the total participation allotment for OEG, IEU-Ohio, and OMAEG will be increased to 15 slots each, provided they are Signatory Parties. The BTCR pilot participation cap will be increased to 800 MW for 2022, 900 MW for 2023, and 1,000 MW for 2024.”); *see also* Application, 2nd Revised Sheet No. 400-1 (Jan. 17, 2023) (“The Interim Pilot 1CP Demand rates for the Basic Transmission Cost Rider are limited to availability as established in Case No. 16-1852-EL-SSO.”).

¹¹ *See In the Matter of the Commission’s Review of the Rules in Ohio Adm.Code Chapter 4901:1-36*, Case No. 22-865-EL-ORD, Entry (Oct. 19, 2022).

¹² Ohio Adm.Code 4901:1-36-04(B).

manufacturers, and would remove the incentive for manufacturers to manage their load during times of peak grid strain.¹³

The Commission ultimately declined to amend the rule, stating:

The Commission appreciates the comments submitted regarding the proposed elimination of Ohio Adm.Code 4901:1-36-04(B) and emphasizes there was no intention to deprive customers of a mechanism for controlling their transmission spending nor unduly burden manufacturers and businesses in the proposed rules. On balance, the Commission recognizes the importance of encouraging competition and the opportunity for customers to control their costs. As such, the Commission will not amend the existing rule language, as reflected in the attached Finding and Order.¹⁴

Despite the fact that the current BPCR rate mechanism does not charge customers their actual transmission-related costs and it is a burden on manufacturers and businesses as it eliminates their ability to employ “a mechanism for controlling their transmission spending,”¹⁵ the majority of commercial and industrial customers, including OMAEG members, are forced to pay the BPCR. Although these customers often employ techniques to limit demand during the zonal grid peaks, they are billed for transmission costs as if they do not. In order to mitigate this undue burden, the Commission should modify AEP’s BPCR rate mechanism and bill non-residential customers for all transmission costs on the basis of each customer’s NSPL. The Commission should also carefully scrutinize the transmission costs being passed on to customers and only charge customers for the costs that they incur. Alternatively, the Commission should expand access to the BPCR Pilot program so that customers may manage and control their transmission costs. Doing so will allow commercial and industrial customers to remain competitive by giving them additional tools

¹³ See *In the Matter of the Commission’s Review of the Rules in Ohio Adm.Code Chapter 4901:1-36*, Case No. 22-865-EL-ORD, Comments of the Ohio Manufacturers’ Association Energy Group at 7 (Nov. 2, 2022).

¹⁴ *In the Matter of the Commission’s Review of the Rules in Ohio Adm.Code Chapter 4901:1-36*, Case No. 22-865-EL-ORD, Finding and Order at ¶ 12 (Nov. 16, 2022).

¹⁵ *In the Matter of the Commission’s Review of the Rules in Ohio Adm.Code Chapter 4901:1-36*, Case No. 22-865-EL-ORD, Finding and Order at ¶ 12 (Nov. 16, 2022).

to manage their transmission costs. This is particularly important given that transmission costs are rapidly increasing significantly.

III. CONCLUSION

In order to prevent AEP's proposed BPCR update from creating unfair and unreasonable transmission rates for customers, including Ohio manufacturers, the Commission should reject and modify AEP's proposed rates to avoid the erroneous overcharging. OMAEG further respectfully requests that the Commission adopt the recommendations set forth herein.

Respectfully submitted,

/s/ Kimberly W. Bojko

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CERTIFICATE OF SERVICE

The Public Utilities Commission of Ohio's e-filing system will electronically serve notice of the filing of this document on the parties referenced on the service list of the docket card who have electronically subscribed to the case. In addition, the undersigned hereby certifies that a copy of the foregoing document also is being served via electronic mail on February 27, 2023 upon the parties listed below.

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Summary: Comments electronically filed by Mrs. Kimberly W. Bojko on behalf of
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