

FILE

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio)	
Edison Company, The Cleveland Electric)	
Illuminating Company, and The Toledo)	
Edison Company for Approval of Ohio)	Case Nos. 09-1820-EL-SSO
Site Deployment of the Smart Grid)	09-1821-EL-GRD
Modernization Initiative and Timely)	09-1822-EL-EEC
Recovery of Associated Costs)	09-1823-EL-AAM

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COMMENTS OF THE KROGER CO.

I. INTRODUCTION

On November 18, 2009, Ohio Edison Company ("OE"), The Cleveland Electric Illuminating Company ("CEI") and The Toledo Edison Company ("TE") (collectively "FirstEnergy") filed an application for approval of the deployment of Smart Grid and AMI technologies throughout the FirstEnergy service territory ("Application") and requested cost recovery for such deployment. Mere installation of these technologies will not necessarily create sufficient benefits to justify the great expense for ratepayers. The deployment of Smart Grid and AMI technologies must be accompanied by appropriate cost recovery mechanisms as well as complimentary practices and procedures. Specifically, if the Application is approved, the Application must be modified accordingly:

- Smart Grid deployment costs should be allocated to customer classes consistent with standard principles of distribution cost allocation. Specifically, Smart Grid deployment costs should be classified as demand-related and/or customer-related, depending on the cost item being recovered. In no case should these costs be classified as "energy-related." Once Smart Grid deployment costs are properly allocated to customer classes,

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these costs should be recovered through class-specific charges that allow each customer class to recover its allocated costs without inter-class or intra-class subsidization.

- The cost recovery mechanism for AMI deployment must be based on a fixed customer charge consistent with standard distribution cost recovery for metering costs.
- The charges designed to recover the cost of Smart Grid deployment should be allocated to each FirstEnergy company based on the amount of investment made in that company's service territory.
- Customers must have access to real-time energy consumption data directly from the customer's meters at no additional charge.
- FirstEnergy's rate design must be modified to maximize the benefits of the new technology to be installed.

These changes are necessary to insure that the expense of AMI and Smart Grid deployment is appropriately shared by all customers, and that customers will receive maximum benefit from AMI and Smart Grid technologies. Lack of comment on a particular part of the Application neither indicates The Kroger Co.'s support or opposition to that part of the Application.

II. COMMENTS

A. Smart Grid Deployment and Costs Should Not Be Recovered Through a Flat Energy Charge, But Should Be Based on Proper Distribution Cost Allocation and Rate Design Principles.

In the Application, FirstEnergy seeks to recover the cost of Smart Grid and AMI deployment through the Advanced Metering Infrastructure/ Modern Grid Charge ("Rider AMI") which consists of an energy charge calculated on a kWh basis.¹ This proposed cost allocation

¹ Application at Exhibit C.

and rate design is inappropriate for recovery of distribution infrastructure costs. Smart Grid deployment represents an attempt to upgrade the distribution system, and consequently, its costs should be allocated to customer classes consistent with standard principles of distribution cost allocation. Specifically, Smart Grid deployment costs should be classified as demand-related and/or customer-related, depending on the cost item being recovered. In no case should these costs be classified as “energy-related.” This is clearly stated in the NARUC Electric Utility Cost Allocation Manual:

To ensure that costs are properly allocated, the analyst must first classify each account as demand-related, customer-related, or a combination of both...Because there is no energy component of distribution-related costs, we need consider only the demand and customer components.²

Once Smart Grid deployment costs are properly allocated to customer classes, these costs should be recovered through class-specific charges that allow each customer class to recover its allocated costs without inter-class or intra-class subsidization. For classes that are demand-billed, the demand-related portion of these costs should be recovered through a demand charge. These changes to FirstEnergy’s recovery mechanism will more accurately reflect the cost of Smart Grid deployment to customers.

B. AMI Deployment and Costs Should Be Recovered Through a Flat Energy Charge.

AMI deployment is a metering cost and should be recovered in a customer charge, consistent with the recovery of metering costs generally. The cost to install AMI has no relationship with the amount of electricity each customer consumes, but rather is a per-customer fixed expense. Recovering AMI installation based on a kWh charge will disproportionately allocate the cost of installation to customers that consume large amounts of electricity.

² NARUC Electric Utility Cost Allocation Manual, 1992, p. 89.

Accordingly, the cost to install AMI should be recovered through a monthly fixed charge, per-customer, based roughly on the amount it costs to install AMI for each customer.

Charging customers a fixed monthly charge for AMI deployment is consistent with other Ohio electric utilities' AMI deployment. In the Duke Energy ("Duke") ESP, the Commission approved Rider DR-IM, a cost recovery mechanism for the installation of smart meters on a per-meter basis. Subsequently, Duke proposed, and the parties agreed, to a cost recovery mechanism for the installation of AMI based on a fixed monthly charge to each customer.³ Also, in the Application to deploy Smart Grid in AMI in the Dayton Power & Light ("DP&L") service territory, DP&L has proposed a fixed monthly charge to recover the costs of AMI installation.⁴

Before the Commission approves the Application, FirstEnergy's cost recovery mechanism must be modified to more accurately reflect the cost to deploy the Smart Grid and AMI to FirstEnergy customers. The straight kWh charge in Rider AMI proposed by FirstEnergy disproportionately allocates costs to large energy users, with high load factors, and is not based on the costs to serve these customers. This disproportionate allocation of costs is exacerbated because the General Transmission ("GT") class customers (mostly large energy consumers with high load factors) are not required to pay Rider AMI. As a result, large energy users with high load factors, not in the GT class, must pay an even greater portion of the overall Smart Grid and AMI costs.

C. Customers in the OE and TE Service Territory Should Not Pay for Smart Grid Deployment Done Only in the CEI Service Territory.

A large majority of the Smart Grid deployment is proposed to occur in the CEI service territory and will therefore most directly affect CEI customers. Yet, FirstEnergy proposes to

³ See *Testimony of William Don Wathen Jr.* at 9 (6/30/2009); PUCO Case No. 09-0543-GE-UNC.

⁴ See *Second notice of filing revised schedules supporting revised business cases for AMI and Support Grid filed by J. Sobecki on behalf of Dayton Power and Light Company* (9/5/2009); PUCO Case No. 08-1094-EL-SS0.

collect the costs of the limited program equally from the customers of all three companies.⁵ The cost of Smart Grid deployment should be allocated in proportion to the amount invested in each service territory. As proposed, OE and TE customers will heavily subsidize the cost of Smart Grid deployment for CEI customers. It is fundamentally unfair to make OE and TE customers pay for the installation of a technology for which they receive little or no benefit. Accordingly, if the Application is approved, the Commission must modify FirstEnergy's proposed cost recovery mechanism so that the charges customers of each company pay are proportional to the Smart Grid investment made in that company's service territory.

D. Customers Must Have Direct, Real-Time Access to Smart Metering Information at No Additional Charge.

Granting customers direct, real-time access to their meters at no additional cost is an essential element to successfully implementing advanced metering technology. Allowing customers to have full access directly through their own advanced meter reading devices will enable customers to reduce energy consumption when demand and prices are high. Enabling customers to make informed decisions about their energy consumption, and react to market conditions, is exactly the purpose for which AMI technologies were designed.

Many large scale commercial and industrial energy users, such as Kroger, are well positioned to take advantage of real-time energy consumption data. Because these customers use large amounts of energy, and have high energy expenses, they have a substantial financial incentive to shift energy consumption to times of lower demand when electric prices are comparatively low. Also, because demand charges are often a component of large commercial and industrial energy users' electric rates, these energy users will realize substantial cost savings by shifting energy consumption to times of lower demand. For these reasons, a small investment

⁵ Application at 4.

in a system that provides large scale commercial and industrial real-time access to energy consumption data will likely have a material effect on reducing electric demand in FirstEnergy's service territory.

Customers should also not be charged extra to access meters they already pay for through FirstEnergy's Rider AML. Double charging for access to energy data will discourage customers from using that data to reduce energy consumption during peak demand periods, thus defeating an important purpose of installing advanced meters. In addition, the cost to FirstEnergy to provide real-time access to large scale energy consumers should be negligible. Providing direct customer access to energy consumption data simply requires FirstEnergy to provide information to customers (which customers are already paying to collect) through direct access to meter output data or otherwise.

FirstEnergy's smart meter system must also provide large scale energy users information that can be read in real-time directly from customers' meters. Currently, FirstEnergy's customers' energy consumption data is available to customers only on a website. Making information available on a website is not sufficient to maximize the benefits of smart metering technology. Websites are not practical for large customers with multiple locations across multiple utility service territories. The Kroger Co. and other large companies are building data systems that take interval data and process it on a uniform basis across all utilities. Each utility's website is different, and it requires a significant amount of labor and time to integrate the data into one useable format. Automatic feeds of data directly off the meter are necessary for large customers to develop sophisticated demand reductions and other energy saving strategies.

To The Kroger Co.'s knowledge, no advanced meter reading devices have been installed in its stores in the FirstEnergy service territory. Since it does not appear that FirstEnergy has

begun deploying advanced metering technology for large scale industrial and commercial customers, the Commission can still require FirstEnergy to invest in a meter reading system that provides commercial and industrial customers real-time access to energy consumption data directly from customers' meters at no additional cost to customers.

E. FirstEnergy Should Commit to Developing Rate Designs That Maximize the Advantages of Smart Grid Deployment.

The installation of Smart Grid and advanced meter technologies will not, in themselves, reduce energy consumption and reduce demand unless complementary policies are also implemented to maximize the benefit of these technologies. These policies should also include the implementation of electric rates that allow customers to best utilize these new technologies and reduce energy consumption and electric demand.

The Kroger Co. is aware that most of FirstEnergy's electric rates have already been set by the Commission in recent ESP proceedings and will not be adjusted in this proceeding. However, FirstEnergy's rate structure is directly relevant to the issues raised in FirstEnergy's Application. The costs FirstEnergy seeks to recover from ratepayers can only be justifiable if these new technologies are coupled with rate structures that give customers correct price signals to save energy and reduce demand. If rates are simply a kWh charge for electricity for all times of the day, with no demand component, customers will not be encouraged to fully utilize the new Smart Grid technologies.

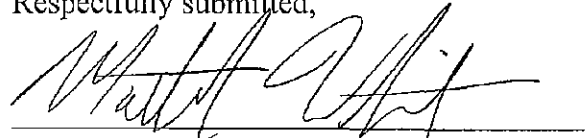
FirstEnergy should be committed to developing rates that encourage customers to reduce electric consumption during peak or high demand periods. Rate structures that complement Smart Grid technologies include time-of-use rates and the use of demand credits. These rate structures encourage customers to shift electric usage to non-peak demand periods. It should also be FirstEnergy's goal to achieve real-time pricing of electricity so that customers can

immediately react as demand and prices for electricity rise and fall. With the implementation of Smart Grid technologies and sensible ancillary services, all of this is possible.

III. CONCLUSION

Before approving FirstEnergy's Application The Kroger Co. respectfully requests that the Commission modify FirstEnergy's Application in accordance with the recommendations made herein.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'John W. Bentine', is written over a horizontal line.

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Comments of The Kroger Co. was served upon the following parties of record or as a courtesy, via U.S. Mail postage prepaid, express mail, hand delivery, or electronic transmission, on January 13, 2010.

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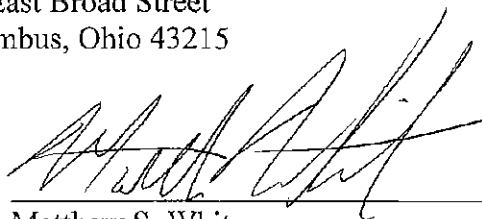
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