

FILE

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of :
Columbus Southern Power Company Not :
for an Increase in Rates Pursuant to :
Section 4909.18, Revised Code, of : Case No. 10-424-EL-ATA
Columbus Southern Power Company to :
Establish New Voluntary Experimental :
Rate Schedule Classifications for :
Residential and Small General Service :
Time of Day Rates and Residential :
Experimental Direct Load Control Rider. :

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COMMENTS
ON COLUMBUS SOUTHERN POWER COMPANY'S APPLICATION
FOR NEW EXPERIMENTAL TIME-OF-DAY RATE SCHEDULES
AND AN EXPERIMENTAL DIRECT LOAD CONTROL RIDER
FOR RESIDENTIAL CUSTOMERS
SUBMITTED ON BEHALF OF THE STAFF OF
THE PUBLIC UTILITIES COMMISSION OF OHIO

July 30, 2010

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Columbus Southern Power Company (Company or CSP) in its Application is proposing to offer two time-of-day rates (Schedule GS-1 – TOD to small commercial customers and RS – TOD2 to residential customers) for the purpose of exploring and evaluating the behavioral effects of time-of-day prices on these customer classes. These tariffs and rider are associated with the Company's smartgrid rollout, referred to as gridSMART Phase 1, located in the northeast quadrant of the greater Columbus area. Residential customers that sign up for the Time-of-Day Service 2 will be charged a

reduced generation rate during the low cost hours defined as midnight to 1 PM and 7 PM to midnight at \$0.005/kwh and a higher generation rate from 1 PM to 7 PM during non-holiday weekdays at \$0.2276048/kwh during the summer. Summer is defined as the months of June through September. During the entire winter season, which is defined as October 1 through May 31, customers will also receive the reduced off-peak rate of \$0.005/kwh for all kWh consumed. Therefore, the annual percentage of hours assigned to the off-peak price will be about 94 percent while approximately 6 percent of the hours will be charged the on-peak price. On average, if customers who elect to be on the experimental Time-of-Day tariff do not change their consumption behavior, they would pay what they would have paid under existing rate schedule R-R. The majority of residential customers are currently subscribed to rate schedule R-R. In addition, customers who elect to sign up for the Small General Service Time-of-Day Rate or the Residential Service Time-of-Day Rate 2 will be required to take service under that rate for a minimum of 1 year. The Staff supports the minimum stay provision because of the large differential between the on and off-peak prices and the gaming that would likely ensue if customers were allowed to take service under these tariffs during the winter months only.

The Company is also proposing to offer a direct load control smart thermostat to residential customers to reduce their energy usage during load management events. Customers electing this rider will agree to have their central air conditioner thermostat set to a higher indoor temperature by 4 degrees or have their central air conditioner cycled off for up to one-half an hour each hour during Company called events. Company called non-load management events are limited to 15 per year with a maximum of 5 hours dura-

tion per event. The Company called non-emergency events will occur during the months of May through September. In addition, there could be up to 10 PJM RTO emergency load management called events per year occurring between noon and 8 pm weekdays during May through September and 2 pm to 10 pm weekdays during October through April. In total, it is possible that customers may have up to 25 load management events called per year. Staff believes it is unlikely that would occur. This is evidenced by the fact that PJM has not called for an emergency event in the AEP zone to date. Customers who elect to be on the direct load control will receive various monthly credits depending on the tariff they are on and the number of times they override Company called events. The Company will furnish and install the smart thermostat device in the customer's home while he/she is present. Also, direct load control customers must remain on the rider for at least one year.

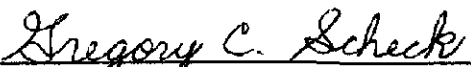
It is hoped that a substantial number of customers will take advantage of these time-of-day tariffs and the direct load control rider. The Staff recommends that the Company advertize and sufficiently educate eligible customers in the Phase 1 grid-SMART project about these tariff and rider offerings in order for customers to understand the risks involved and to obtain sizable samples in order to evaluate the success of these options. The Staff further recommends that the Company make customers who elect to be on these TOD tariffs aware of the availability of in-home displays and the programmable thermostats in order to help assist those customers in changing their consumption behavior.

It is understood that the Company will be collecting and analyzing data regarding customers who elect to be on the experimental TOD tariffs and direct load control rider. The Staff recommends that the Company keep Staff advised of any analytical method(s) developed and used in evaluating consumer behavior, and the results of any such studies performed by the Company or on its behalf with regards to this experiment be shared with the Staff and ultimately filed with the Commission. This analysis will help determine the success or failure of these experiments and if they should be continued, modified, or discontinued in the future.

In addition to these offerings, the Staff recommends that the Company file a peak time rebate and/or a critical peak pricing program for these same customer classes by September 1, 2010. The Staff believes that these additional tariff offerings will likely bring additional value of the gridSMART investment to customers. After all, the Company's business case with respect to the gridSMART investment and deployment rests substantially on customers directly obtaining benefits from their changed consumption behavior. Without the strong assistance of the Company in educating customers on how they can obtain benefits from this new technology along with supporting time-of-use tariffs, it is unlikely that their customers will perceive enough benefits to make this investment a value proposition for them. As the Commission has stated in its previous Opinion and Order in Case No. 08-917-EL-SSO, p. 37, it "strongly supports the implementation of AMI and DA, with HAN as we believe these advanced technologies are the foundation for AEP Ohio providing its customers the ability to better manage their energy usage and reduce their energy costs."

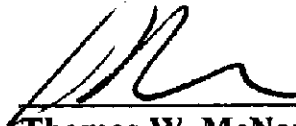
In conclusion, and in conjunction with the Staff's recommendations above, the Staff recommends the approval of Columbus Southern Power's Application for these new experimental time-of-day rate schedules for the residential and small commercial customers and the experimental direct load control rider for residential customers that have central air conditioning. These tariff offerings will be voluntary in nature, and will enable customers to save money on their electric bills if they reduce their usage during high peak, high cost periods.

Respectfully submitted,


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PROOF OF SERVICE

I hereby certify that a true copy of the foregoing **Staff Comments on Columbus Southern Power Company's Application for New Experimental Time-of-Day Rate Schedules for an Experimental Direct Load Control Rider for Residential Customers**, submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served by regular U.S. mail, postage prepaid, or hand-delivered, upon the following Parties of Record, this 30th day of July, 2010.



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