

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the :
Application of Columbus :
Southern Power Company to :
Establish New Experimental:
Rate Schedule :
Classifications for : Case No. 10-0424-EL-ATA
Residential and Small :
General Service :
Time-of-Day Rates and :
Residential Experimental :
Direct Load Control Rider.:

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PROCEEDINGS

before Chairman Alan R. Schriber, Commissioner
Valerie A. Lemmie, Commissioner Cheryl Roberts,
Commissioner Paul A. Centolella, and Commissioner
Steven D. Lesser, Commission, at the Public Utilities
Commission of Ohio, 180 East Broad Street, Room 11-B,
Columbus, Ohio, called at 2 p.m. on Wednesday,
August 18, 2010.

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1 APPEARANCES:

2 American Electric Power
3 By Ms. Karen Sloneker
4 and Mr. Matthew J. Satterwhite
5 1 Riverside Plaza
6 Columbus, Ohio 43215

7 On behalf of the Applicant American
8 Electric Power.

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1 Wednesday Afternoon Session,
2 August 18, 2010.

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4 CHAIRMAN SCHRIBER: We'll get started and
5 whatever the court reporter misses, they can take off
6 the webcast for the record.

7 So with that we can launch into this.

8 Matt, are you counsel for all of this?
9 Would you like to introduce who --

10 MR. SATTERWHITE: I'm just the eye candy
11 today. That's the trouble we're in. No.

12 CHAIRMAN SCHRIBER: Yeah. Now, you know
13 why he's not working here any more.

14 MR. SATTERWHITE: But thanks for having
15 us today. Karen Sloneker is going to do the majority
16 of the presentation here. We have some other people
17 from AEP that can -- and Dan Johnson is apparently
18 going to give some comments as well.

19 We'll go through this. It's our
20 understanding that since this was pursuant to an
21 order and with the court reporter that makes sense
22 this is all part of the record. What we'll do is
23 we'll provide the court reporter in a PDF a copy of
24 all this so it can be there as well. But I'll be
25 quiet because you don't really want to hear from me,

1 and I'll let Karen talk.

2 CHAIRMAN SCHRIBER: Okay. Good.

3 MS. SLONEKER: Thanks, Matt. I have
4 probably much more material here today than you have
5 the patience or the time to listen to, but I wanted
6 to give it to you in detail so that you can refer to
7 it later. And obviously we would be available to
8 talk to you in depth on any of the subjects that we
9 cover today that you would like to pursue in more
10 detail.

11 To begin with we're focusing today on the
12 consumer programs and our engagement plans for those
13 consumers. I'll also talk a little bit about our
14 measurement and evaluation plans. I'm not intending
15 to talk about the total benefits of the gridSMART
16 project but rather to focus on these key topic areas
17 today. And in our view our project success is going
18 to greatly depend upon our ability to increase our
19 customer's knowledge and understanding of gridSMART
20 and the associated consumer programs.

21 It's also going to be critical that they
22 accept the programs and are willing to participate in
23 those programs with some persistence. If we have all
24 of this great technology available and they do not
25 choose to use it, if they do not view it as

1 beneficial, then we feel that we will be a failure.
2 So the ultimate goal will be to have informed
3 customers making informed decisions.

4 In order to do that we began by
5 conducting market research to identify key messages
6 and preferred communications with our customers. We
7 did that conducting focus groups ourselves as well as
8 looking at market research that was conducted by
9 other utilities so we could leverage their
10 experience.

11 We've also conducted market segmentation
12 to target messaging and marketing channels for each
13 of the segments, and I'll talk about that in more
14 detail in a moment. We looked at marketing
15 communications that we would use to educate the
16 consumer to create awareness and to drive program
17 participation.

18 Whoops. It went into hibernation.
19 Oh-oh. It looks like my power cord.

20 Okay. If it's okay with you, I'll go
21 ahead with the paper copy. We have specific research
22 initiatives that we either have undertaken or that we
23 plan on undertaking. Specifically we had focus
24 groups and those consisted of two residential groups
25 and two consumer groups and in an earlier date we met

1 with the Commissioners and reviewed that market
2 research and the results of those focus groups.
3 We've conducted an awareness study in order to have a
4 baseline data point in December of 2009 and we intend
5 to repeat that awareness study annually. Thank you.

6 We are also -- have conducted energy
7 efficiency awareness in order to understand our
8 customer's knowledge of activity around energy
9 efficiency, to identify the primary drivers and
10 barriers to their participation, and also to focus on
11 their preferred sources for information and awareness
12 of AEP Ohio's activities.

13 We've conducted user experience tests in
14 order to determine which kind of a programmable
15 control -- communicating thermostat they would be
16 interested in having in their home. We've also
17 looked at IHD preferences focusing on four different
18 devices with an emphasis on two of the four that seem
19 to have more potential, and we showed them screen
20 shots of the device capabilities in order to have
21 their input as to which ones they would prefer.

22 We'll be conducting enrollment
23 questionnaires as they sign up for the programs to
24 learn why they signed up, to talk to them about basic
25 demographics, that sort of thing, and then a similar

1 action will occur if they choose to exit the program
2 or at time of exit.

3 We also feel that it's important not only
4 to understand those who choose to participate but
5 also to focus on those who choose not to participate
6 so we can understand the difference between those and
7 what motivates one versus another.

8 I feel the desire to advance my slides
9 even though they are not there.

10 CHAIRMAN SCHRIBER: You want to go -- you
11 can probably take a moment to do it while our court
12 reporter sets up.

13 MS. SLONEKER: Okay. Great.

14 COMMISSIONER CENTOLELLA: And,
15 Mr. Chairman, if I can ask a question as we are
16 getting set up, could you also talk a little more
17 about what was involved in the user experience and
18 IHD studies just -- just so we have a better
19 understanding of how those were done.

20 MS. SLONEKER: Sure. And if I could,
21 Dave.

22 MR. TABATA: Yes.

23 MS. SLONEKER: Would you -- Dave was
24 actually there when that was conducted. Is that all
25 right if he --

1 COMMISSIONER CENTOLELLA: Sure.

2 MS. SLONEKER: -- speaks to that?

3 CHAIRMAN SCHRIBER: Sure.

4 MR. TABATA: IHD, you are referring to?

5 MS. SLONEKER: Yes.

6 MR. TABATA: Yes. We had --

7 MS. SLONEKER: I think you have to come
8 up.

9 MR. TABATA: Microphone? We had a
10 handful of customers, roughly 10, we brought them in
11 one at a time and we actually showed them various
12 displays or devices to get their feedback and
13 understanding of what would be important for them
14 from an energy information feedback. And we just
15 kind of made it more, you know, in the best world
16 what would you like to see and that's kind of -- we
17 took notes and we're going to be working with the
18 various manufacturers to share with them those notes
19 so they can develop the proper devices that would be
20 beneficial for the consumers.

21 COMMISSIONER CENTOLELLA: Okay. That was
22 the IHD -- that was the user experience and there was
23 a separate user preference? What's the difference
24 here?

25 MR. TABATA: Correct. One was primarily

1 trying to find out exactly what they would like to
2 see -- what that device to do for them and how to
3 manage energy control. So what -- go ahead.

4 MS. SLONEKER: I'm sorry. I was going to
5 say I think the other difference, Dave, correct me if
6 I'm wrong, was the user experience also focused on
7 the real-time pricing scenarios they would like to
8 see and their preferences for that level of
9 complexity and how -- what they would understand.

10 MR. TABATA: Correct, that is correct.

11 COMMISSIONER CENTOLELLA: And both of
12 these were with small groups of customers?

13 MR. TABATA: That is correct and we held
14 them right at 1 RP.

15 COMMISSIONER CENTOLELLA: Thanks.

16 MS. SLONEKER: Thanks, Dave. Okay. So
17 then we worked with AXCIOM to come up with potential
18 market segments and this is hard to see and read, but
19 it's really just intended to show you the depth of
20 the information that's available.

21 AXCIOM could define those customers
22 groups in clusters of 70. And at first we started
23 out trying to develop market segmentation strategies
24 to market the different programs to all of those 70
25 clusters, and we soon recognized that that wasn't

1 manageable. And with a group size of 110,000 it
2 wasn't going to give us the information that we
3 needed. So, again, with AXCIOM we took that 70 and
4 combined them into six more manageable cluster groups
5 and there's brief descriptions of what each of those
6 clusters includes so there's the optimizers, the
7 budget stretchers, the big bill customers, the mature
8 seniors, the remaining groups with kids and the
9 remaining groups without kids.

10 And then we looked at drivers and
11 behaviors and messaging that you would expect to see
12 from those customers and how you would apply that
13 messaging and took all of that and funneled it into
14 our demonstration strata. So the -- the little
15 plates, if you will, or the disks that you see over
16 on the right-hand page show the fact that we have an
17 overall control group. There'll be no contact with
18 that group and they are a representative sample of
19 all the customers in that 110,000 customers.

20 We recognize that in that control group
21 there may be customers who would be extremely
22 dissatisfied if they didn't get to participate into
23 some of these projects, so we've oversized the
24 control group to allow at request and within reason
25 for those customers to move over and be in a control

1 group. We're concerned that if a neighbor is able to
2 get some benefit and they are not because they are in
3 the control group, we don't want to have a
4 dissatisfied customer, so we believe that we would
5 allow them to enroll.

6 The other options that we're looking at,
7 and I won't go through all of these, but there's a
8 standard rate with OPower and I'll talk about OPower
9 in a minute with no program -- I'm sorry, no program
10 marketing, standard home -- standard rate within home
11 devices and then we'll look at direct load control
12 three tier time of use with critical peak pricing and
13 real-time pricing and then there's variations within
14 that.

15 COMMISSIONER LESSER: Chairman, I would
16 just like to ask a quick question. For the purposes
17 of these control groups what exactly are you looking
18 them to be a control on? The actual -- because if
19 they're not doing anything and if they're just --
20 they are using it, what exactly is the control
21 factor?

22 MS. SLONEKER: Well, what we're looking
23 at is having customers who actually reflect how they
24 would use electricity without the benefit of the
25 extra energy knowledge, energy usage knowledge, or

1 without the additional technology, so they'll be the
2 group that stays stationary with which we'll compare
3 the others who -- who modify their consumption based
4 on that and we'll look at the 15-minute intervals.

5 COMMISSIONER LESSER: So they are
6 actually representing all other customers.

7 MS. SLONEKER: Yes. And I believe that
8 we actually have a control group within the
9 demonstration site, but we also have a control group
10 that's outside so that we can make sure that there's
11 no impact as a result of equipment -- other equipment
12 outside the home or information outside of the
13 customer that would potentially influence the results
14 as well. So we've got an inside control group and an
15 out of site control group.

16 COMMISSIONER CENTOLELLA: Mr. Chairman,
17 if -- can I just get some clarification -- and pardon
18 me if you're going to get to this -- but can you talk
19 a little bit about the hypotheses that you're trying
20 to test? Are you trying to test whether or not
21 customers will enroll in these different programs or
22 are you trying to -- are you assuming enrollment in
23 some opt out and you'll have some customers would be
24 dissatisfied but really trying to test what would be
25 the response assuming we got customers into the

1 programs or both? And if both, how do you keep from
2 having a self-selection bias on the latter?

3 MS. SLONEKER: Okay. The answer is yes,
4 we plan on testing both. We want to see whether
5 there are certain customers who are more likely to
6 enroll or not, and we also want to test our messaging
7 and our marketing channels on those customers to see
8 whether, you know, for example, there might be a
9 marketing channel or a communication message that
10 resonates better with seniors than it does with
11 apartment dwellers. So you want to test those
12 messages so that as we expand the programs to the
13 rest of AEP Ohio and even more globally since we're
14 part of the demonstration project, that other
15 utilities could learn from that as well, we want to
16 make sure that we learn which communications
17 strategies, which education strategies, et cetera,
18 work best with specific cluster groups. But we also
19 want to then test their satisfaction with the
20 programs and ultimately whether the programs
21 themselves motivate them or cause them to change
22 their energy usage pattern.

23 And I think you're right, I think there's
24 a potential problem with the enrollment of a customer
25 and they may be slightly more inclined to change

1 their behavior just by virtue of the fact they
2 enroll, but just short of having some sort of an opt
3 out program, we're not quite sure how to get around
4 that.

5 COMMISSIONER CENTOLELLA: Are you -- have
6 you considered or set aside a group of customers with
7 which you would test things on an -- on an opt out
8 basis as Commonwealth Edison I think pilots their opt
9 out rather than -- than enrollment and opt in?

10 MS. SLONEKER: Right. Commissioner, we
11 decided not to do that in 2010 just because we're
12 bombarding -- bombarding our customers with so much
13 new information, and we would like to kind of walk
14 before we run. We do believe that with feedback from
15 the appropriate stakeholders and our customers, and
16 depending on the results we see in the early stages,
17 they may not be satisfactory. The enrollments might
18 be too low, and we may be slightly skewing the
19 results, that we might want to consider an opt out
20 program. But that's certainly not something that we
21 wouldn't do without extreme involvement of
22 stakeholders and approval to do so. We're not
23 opposed to it, but it's not in the current plan.

24 COMMISSIONER CENTOLELLA: Okay. And
25 would -- how would that work in terms of the groups

1 that you have then in this current, you know, set of
2 studies? Would you -- do you have other customers
3 who have SMART meters who -- you know, who would be
4 part of any opt out experiment, or would you have to
5 go back to these same customers and, you know, enroll
6 them in an opt out experiment?

7 MS. SLONEKER: I think we have to go back
8 to the same set of customers. We don't have other
9 customers that are simulated -- similarly situated to
10 be able to test those hypotheses with. So we would
11 have to go back at them a second time and in a
12 different way.

13 COMMISSIONER CENTOLELLA: Okay.

14 MS. SLONEKER: This next slide talks
15 about some of the challenges associated with our
16 pricing programs and certainly these are all issues
17 that you all are extremely familiar with. But it's
18 some of the things that we're focusing on as we reach
19 out to our customers.

20 Today's electric customers are used to
21 consuming their energy at the same price all the
22 time. And yet we all know that there are significant
23 variations in the electricity price that exists in
24 the wholesale market and that costs are driven by
25 peaking capacity or system congestion. We also know

1 that lowering overall energy consumption can be
2 driven potentially by consumer awareness and that it
3 could defer the need for new generation capacity and
4 eliminate some types of system congestion.

5 So our project is designed and intends to
6 explore a variety of pricing options in an effort to
7 determine several things, first, the customers'
8 understanding and acceptance of those programs;
9 second, the cost and values of the education and
10 adoption of the various options; and, third, the
11 effect of pricing on consumption and peak load
12 requirements.

13 We currently have filed two pricing
14 programs on April 1. Those are for the time of day
15 rate that has a more consumer oriented on peak and
16 off peak period. It consists of a matinee pricing
17 concept that is familiar to customers, and it's very
18 similar to wireless telephone on peak/off peak
19 pricing, so it's something that could be readily
20 understood. We would expect that it would be the
21 least expensive to promote and adopt. It wouldn't
22 require technology. You could do this to a certain
23 extent just by being aware of when the on peak
24 periods are and to defer your usage until an off peak
25 period. And we refer to that program as our Smart

Shift Program.

The other program we proposed is a direct load control rebate program, that's our Smart Cooling Program, and the intention of that is to provide a rebate to customers who agree to receive price signals from AEP Ohio setting a setback -- signal to the programmable communicating thermostat. They would have override capabilities, and each time they overrode that signal, then the amount of the rebate that they would be eligible for would decrease.

This is a graphic that we're using in communicating with our customers. It's not to scale so those prices we purposely didn't put dollars and cents on the side. We just wanted to show customers that there's a peak period when the rate or the cost of electricity is higher and that by shifting that usage to an off peak period, that they could have that electricity at a lower cost.

The other program that we are planning to file and would like to pursue is a three-tier time-of-day rate with a critical peak price similar to the two-tier time of use but this one has three. And then there's a critical peak period that's there in the center, typically would occur during those on peak hours, again, not to scale but just intended to

1 educate the consumers they can shift load and use
2 electricity at a cheaper period.

3 We're also working --

4 COMMISSIONER LESSER: Mr. Chairman, if I
5 could, in the -- in the Direct Load Control Program,
6 are you using the same peak/off peak periods for
7 determining what their rebates will be?

8 MS. SLONEKER: We haven't yet completely
9 settled on the conditions with which AEP Ohio would
10 call for a critical peak. We believe that it would
11 be based on a combination of system load and
12 temperature. I think we would normally do it during
13 periods that would require curtailment.

14 What we found in Indiana was that
15 coincident with the time of year and the weather that
16 year, it wasn't extreme enough to have an actual case
17 where you would send a signal. So for this
18 demonstration pilot we would like to reserve the
19 ability to perhaps artificially call for a direct
20 load control event so that we can study the impact of
21 changing temperature and customers willingness to
22 put -- put up with that setback.

23 COMMISSIONER LESSER: And this will be
24 done entirely with the SMART thermostat.

25 MS. SLONEKER: I believe so, yes.

1 COMMISSIONER LESSER: So will these
2 customers still have the advanced meters even though
3 they won't be used?

4 MS. SLONEKER: Yeah. They'll have the
5 advanced meters, and we'll give them notification the
6 day prior of when a peak -- critical peak event would
7 be likely to occur. And we feel we can predict that
8 knowing what the system load conditions are, what the
9 projected temperatures are. And we would give them
10 that notice. We would also like to have an emergency
11 provision where if there's some sort of a system
12 condition, that we could provide two hours of notice.

13 COMMISSIONER LESSER: Okay. Since the
14 direct load would use the SMART thermostat rather
15 than the customer even using the meter, is part of
16 your study determining whether the meters or SMART
17 thermostats are the better appliance?

18 MS. SLONEKER: I'm sorry. I was looking
19 at my notes to make sure I'm not representing this.
20 For the three-tier -- I'm sorry. Direct load control
21 p.

22 COMMISSIONER LESSER: The direct load is
23 really just the utility communicating with the SMART
24 thermostat.

25 MS. SLONEKER: Right.

1 COMMISSIONER LESSER: There's not even --
2 there's no need for a SMART meter.

3 CHAIRMAN SCHRIBER: Excuse me, Steve, on
4 the other hand, Duke has the capability of
5 interrupting my air conditioner compressor for a
6 period of time. I don't think that's related to the
7 thermostat or the meter.

8 MS. SLONEKER: Right. And I guess I
9 should look back at -- here's my expert. This is
10 Darren Shepard. Thank you, Darren, for bailing me
11 out.

12 MR. SHEPARD: From a communication
13 standpoint the thermostat is actually using the AMI
14 network as a communication. So it is actually going
15 through the meter into the PCT, into the home.

16 COMMISSIONER LESSER: Okay. Does that
17 mean appliances could be added to that?

18 MR. SHEPARD: Yes, and that is part of
19 the demonstration as well.

20 COMMISSIONER LESSER: Okay. Thank you.

21 MS. SLONEKER: Thank, you Darren.

22 COMMISSIONER CENTOLELLA: Darren, before
23 you leave what precisely is being communicated? Is
24 it, you know, turn back -- or turn up my thermostat
25 by two degrees, or is it interrupt on, you know, for

1 a 15-minute cycle or what -- what's the nature of the
2 control?

3 MR. SHEPARD: We set up -- it's capable
4 of doing both. The AEP program is setup where we
5 would either do a 2 or 4 degree offset, so if your
6 home was set at 75 degrees, we would either change
7 your thermostat to 77 or 79. And at certain times
8 we've done it in stages because what we're trying to
9 do is levelize the impact, and you have to be careful
10 because if I have a four-hour event, if I take
11 everybody to four degrees immediately, I could
12 actually move the peak still within that same period.

13 COMMISSIONER CENTOLELLA: And -- and
14 you're giving people -- at least in most instances
15 are you giving people day ahead notice of the -- you
16 know, of the interruption, or is the interruption
17 without notice in the direct load control?

18 MR. SHEPARD: Typically it's a day ahead
19 notice and, again, as Karen was saying, from an
20 emergency standpoint we try to give them at least a
21 two-hour notice.

22 COMMISSIONER CENTOLELLA: Okay. So
23 someone could, for example, precool their home in the
24 morning if they were expecting a load control event
25 in the afternoon.

1 MR. SHEPARD: Yes.

2 COMMISSIONER CENTOLELLA: Okay.

3 MS. SLONEKER: Thanks again.

4 The next tariff that we would like to
5 file or program that we would like to promote is
6 real-time pricing. We're working on this with
7 Battelle, and we're working with them to develop a
8 program that we refer to as real-time pricing dual
9 auction program.

10 This is going to be the most complex
11 program for us to develop and administer and it's
12 also, I think, going to be the most complex for our
13 customers to understand. In part that's why this is
14 going to take some time, and we look at deploying
15 this at a later date. We believe that this is going
16 to require in depth education of our customers, very
17 potentially -- very well potentially it would require
18 face-to-face communication with them so that they
19 understand the pros and the cons of this, and as well
20 it requires yet a higher level of in-home device,
21 we're referring to it as a residential energy
22 manager, and that is being developed as part of the
23 demonstration project by Battelle. So when that
24 becomes available and we can test it with the other
25 systems, then the applications out at Dolan will be

1 ready to roll that out into the field.

2 The next thing I wanted to share with you
3 was the planned launch dates and the filing dates for
4 the programs that I've discussed and there are a
5 couple of additional -- additional ones that we don't
6 have as much detail on. As I said, we have the SMART
7 cooling program and the SMART shift program in front
8 of you now.

9 We're hoping to have the critical peak
10 pricing program with -- with no critical peak until
11 April 1 -- I'm sorry, April of 2011 filed in
12 September with a launch date in December of 2010. We
13 would like to do the real-time dual auction in
14 January or February of 2001 with a launch date of
15 October, 2011, I think I said 2001, January,
16 February, 2011. And the launch date would be in
17 October of 2011.

18 We're also considering doing a two-tier
19 time of day with an in-home device and then we're
20 also looking at automated dynamic direct load control
21 with water heaters.

22 These timelines are going to be subject
23 to change in part depending on the ability to get the
24 devices to actually work in conjunction with the
25 meters. They're in testing now at Dolan and I had an

1 opportunity to go out and look at some of these
2 in-home devices and they don't provision as easily as
3 you would hope and certainly are not ready for
4 exposure to the customers. And so we feel that we
5 have potentially one shot with the majority of our
6 customers, and the last thing we want to do is to put
7 in a device that isn't quite ready and then have them
8 be alienated and not want to participate further. So
9 we want to make sure that it works and that we can
10 have good acceptance from the beginning.

11 As I mentioned, the different
12 technologies that would come with each of these
13 tariffs is going to increase depending on the
14 complexity of the tariffs. All of the customers in
15 the demonstration project will have an AMI meter.
16 Those who are on the standard rate would not receive
17 any standard equipment. There are optional equipment
18 that could be available listed on the bottom of the
19 chart.

20 As you get higher up into the chart, for
21 example, with the three-tier time of use with
22 critical peak, they need to have the meter, the
23 in-home display, and there's a possibility of them
24 also having a PCT, either their own or one provided
25 by AEP Ohio.

1 And then that goes all the way up to the
2 real-time pricing tariff where you would need that
3 residential energy manager. You could also have a
4 PCT in the water heat control.

5 As Darren mentioned, the one tariff that
6 we're looking at having with the SMART appliances is
7 the three-tier time of use with critical peak with
8 automation.

9 COMMISSIONER LEMMIE: Karen, just so I'm
10 clear, what is the PCT?

11 MS. SLONEKER: Oh, that's the
12 programmable communicating thermostat.

13 COMMISSIONER LEMMIE: I just didn't know
14 what PCT was.

15 CHAIRMAN SCHRIBER: Matt just figured out
16 what it was.

17 MR. SATTERWHITE: What was it again?

18 COMMISSIONER CENTOLELLA: Karen, if I
19 could go back just a moment, you refer to the RTP as
20 a dual auction RTP. What do you mean by dual
21 auction?

22 MS. SLONEKER: George has been closer to
23 that. I'm going to use a lifeline. Hey, George, can
24 you describe the dual auction, real-time pricing dual
25 auction?

1 MR. BJELOVUK: Sure. It's the -- again,
2 as Karen mentioned, it's the most complicated of the
3 pricing structures that we're going to pursue. In
4 the PJM wholesale market there is a 5-minute price
5 that's used to reconcile the energy close, and so
6 we're going to use that 5-minute price, expose that
7 5-minute price to the technology in consumers' homes,
8 the technology will actually do a bid and an ask to
9 the market four times every 5-minute interval to
10 settle the combs load against the price for that
11 5-minute interval, and we'll be able to use that as a
12 real-time pricing simulation for these -- for these
13 systems.

14 COMMISSIONER CENTOLELLA: Okay.

15 COMMISSIONER LESSER: George, which of
16 what -- of what you just described to us, which I'm
17 not sure I entirely understand it, which of that will
18 be actually translated for -- to the consumers?

19 MR. BJELOVUK: So one of the things we're
20 working with Battelle on is to simply simplify the
21 user experience so that all of that technology that's
22 happening between the home energy manager and the
23 market is really insulated from the consumer
24 experience. Battelle likes to describe that as a
25 knob that goes from maximum comfort to maximum

1 savings. And so they'll have the ability in this
2 home energy manager to set up things inside their
3 home and decide to what extent they want to curtail
4 the production of hot water, let's say, if they have
5 an electric hot water heater or the settings on their
6 electric air conditioning in their homes during these
7 periods of time.

8 COMMISSIONER LESSER: If the consumer
9 decides to override, I think I heard that the rebate
10 decreases. Does this decrease ever get to a point in
11 which the consumer is paying more than they would
12 have?

13 MS. SLONEKER: The rebate program applies
14 to the direct load control program. The real-time
15 pricing, they actually pay the cost of energy during
16 that period of time so there's not a rebate that's
17 involved.

18 COMMISSIONER LESSER: Okay. Same
19 question though.

20 MS. SLONEKER: Yeah. And the -- so I
21 guess does it ever get to zero so there's no
22 difference between the standard rate and the
23 real-time pricing tariff? The answer is it could be
24 depending on what their shape of their usage is and
25 when they use it.

1 This is one that I think we're going to
2 need to have a lot of conversations with you and with
3 staff and the OCC. It is -- it is very complicated.
4 As we're thinking about it now, we want to make sure
5 that we do this in a way that doesn't negatively
6 impact the experimental design and yet provide some
7 level of protection to the customer.

8 And so that's something that we would
9 like to pursue with you and, in fact, we have a
10 meeting set up with staff for next Monday to go over
11 the concepts and the business rules between --
12 surrounding real-time pricing and the three-tier
13 time-of-day with critical peak.

14 COMMISSIONER LESSER: Well, back to my
15 incorrectly directed question on the -- on the other
16 program on the rebates, could you override so
17 often --

18 MS. SLONEKER: Oh, I'm sorry, yes, yes,
19 you could. The way we have got it designed is that
20 you would have the opportunity to override as many
21 times as you wanted, but the first time if you don't
22 override, I think it's \$8 that the customer could get
23 as a rebate. If they override once, that drops down
24 to 4 ti -- \$4, and if they override a third time,
25 it's down to 0 so they cannot --

1 COMMISSIONER LESSER: But they can't --
2 it can't cost them more than it would have --

3 MS. SLONEKER: No.

4 MR. BJELOVUK: There's no penalty.

5 MS. SLONEKER: Yeah, there's no penalty.

6 COMMISSIONER LESSER: So in general would
7 you say across the board that participants are held
8 harmless in their participation?

9 MS. SLONEKER: Yes, I would. And just
10 because they override one month doesn't mean they
11 can't get back into it the next month so, yes, they
12 would be held harmless.

13 COMMISSIONER LESSER: Thank you.

14 MS. SLONEKER: I'm sorry, I misunderstood
15 your question.

16 COMMISSIONER LESSER: No, no, no.
17 Actually you --

18 CHAIRMAN SCHRIBER: That happens a lot.

19 COMMISSIONER LESSER: Yes. You were
20 correct, not me.

21 MS. SLONEKER: Okay. So this slide we
22 don't know -- need to go into detail, but I thought
23 that you might be interested in knowing our
24 anticipated deployment schedule of these devices.
25 We're going to be deploying a little over 16,000

1 devices over the period of the program and this slide
 2 breaks down the programmable computed --
 3 communicating thermostats, the IHDs, the load control
 4 switches, and then also the HEM so that is what I
 5 referred to earlier as the residential energy
 6 managers, so as you can see, we have our own programs
 7 with our acronyms even amongst ourselves. We change
 8 them as we go along. But there is a deployment phase
 9 and an operational phase for all of those devices.

10 The next thing I would like to talk to
 11 you about is that in addition to these in-home
 12 displays, we wanted to make sure that the customers
 13 had ways of knowing what -- how their -- how their
 14 energy usage affected their energy bill. And so I
 15 had them hand out up there and you should have a
 16 mockup of a bill that shows the two-tier -- I think
 17 it's two-tier -- it's an on peak and off peak tariff
 18 and it shows it for three different tariff classes.
 19 But that's not really the important part. The
 20 important part on this is that I wanted to show you
 21 is about three-fifths of the way down it shows on
 22 peak generation of 500-kilowatt hours and off0peak
 23 generation of 500-kilowatt hours so that bill would
 24 be presented to customers and they would be able to
 25 see on a monthly basis what their consumption was.

1 The other thing that we're pursuing is
2 in-home displays both with and without graphing
3 capability and that gets back to the user preferences
4 that Dave talked to you about. There's different
5 levels of sophistication and complexity of those
6 devices and some customers want to see the graphs.
7 Some customers aren't interested in that. But that
8 would be another opportunity for feedback and then we
9 also didn't want to ignore the fact that we're going
10 to have the capability for people to interact with
11 us. It's not just going to be mail and devices.
12 They can actually talk to AEP Ohio, and we're going
13 to have trained customer solution agents who can
14 answer their questions. If those questions become
15 too complex for the agent to handle or if it requires
16 a field visit, then we have trained customer service
17 representatives that would be able to go out and talk
18 to their customers.

19 CHAIRMAN SCHRIBER: Yeah, Karen.

20 MS. SLONEKER: Yes.

21 CHAIRMAN SCHRIBER: I'm a little confuse
22 here, I don't know if anyone else is, on peak
23 generation for 500-kilowatt hours is significantly
24 less than 500-kilowatt hours off peak.

25 MS. SLONEKER: Uh-huh.

1 MS. MOORE: It was when they were
2 testing, Karen.

3 CHAIRMAN SCHRIBER: Pardon?

4 MS. MOORE: When they were running the
5 test, they mixed the rates up.

6 MS. SLONEKER: They flipped it up? Okay.

7 MS. MOORE: It was intended to show what
8 it would look like.

9 MS. SLONEKER: Yeah. I think this was
10 meant to be a representative sample of the bill and
11 what Andrea said is when they ran the test, they
12 flipped the rates around in the test environment.
13 And so I would assume those costs should have been
14 reversed, the off peak costs should have been
15 cheaper, but you're right, that would train our
16 customers to use it on the on peak period. That's
17 not -- that's not what we want to do.

18 CHAIRMAN SCHRIBER: Right. It just shows
19 I read it.

20 MS. SLONEKER: Well, that's great. I
21 read it too and I didn't catch it and the great thing
22 is it remains consistently wrong throughout all
23 three.

24 CHAIRMAN SCHRIBER: Okay.

25 MS. SLONEKER: Thanks for the question.

1 MR. SATTERWHITE: That was me. I put
2 that part together.

3 CHAIRMAN SCHRIBER: Yeah.

4 MS. SLONEKER: The next thing that we're
5 doing is AEP recognizes -- AEP Ohio recognizes that
6 we're experts at generating electricity, transmitting
7 electricity, and distributing electricity. What we
8 are not experts at and what we haven't had a need to
9 do in the past is to understand consumer buying
10 behavior or consumer psychology. So we've partnered
11 with OPower which is an energy -- an industry leader
12 in energy efficiency and Smart Grid software to
13 provide a solution that will both engage and educate
14 our customers.

15 So we're going to be delivering content
16 to our customers in a couple of formats. One is
17 going to be via mailed reports and we'll do that
18 for -- it's not for 110,000, I believe the size for
19 this is 72,000 customers, but those customers would
20 receive individual customized mailed reports to their
21 home that would focus on their -- would analyze their
22 usage, would talk about what their estimated bills
23 would be, and would offer specific energy saving tips
24 based on their -- on their bill compared to customers
25 who are similar to them.

1 That same information could be available
2 on a web portal and we're going to be doing that for
3 customers, again, segmenting it so we can understand
4 the effectiveness of mail communication versus web
5 communication. We're also testing the frequency with
6 which we mail those reports out. Some customers will
7 only get the information twice a year. Some
8 customers will get it four times a year. And some
9 customers will get that information six times a year.

10 CHAIRMAN SCHRIBER: Karen.

11 MS. SLONEKER: Yes.

12 CHAIRMAN SCHRIBER: Would it -- would one
13 of these -- one of these educational endeavors be
14 something as simple as, again, the sensitize people
15 to the fact that they can interact with the utility?
16 Because I bet there's a lot of people that don't know
17 peak, on peak/off peak, it means nothing to them. Is
18 there anything as primitive, if you will, as -- as
19 the ability to get on line and see what my usage has
20 been forgetting pricing and everything else, just see
21 during the course of the day? Could that be a first
22 step or is it a first step?

23 MS. SLONEKER: Yeah. That is possible
24 and a bit later I'll share some information with you
25 about how we're educating our customers. I think one

1 of the things that we found out in the focus groups
2 that really surprised us, I shouldn't speak for
3 everybody but surprised me, was that our customers
4 don't know what a kilowatt hour is. And it was --
5 it -- so I'm not sure that -- I think that relative
6 change would help them. But, again, I'm not sure
7 that they understand how much -- it would probably an
8 instant to say they don't understand the difference
9 between a light bulb and a refrigerator but which
10 uses more, a refrigerator or your dryer.

11 So I think, you know, some of that kind
12 of level of education is going to be important too,
13 and we have a lot of that information on our website
14 today as part of our energy efficiency programs, but
15 we are planning a number of consumer outreach efforts
16 that I think would help us go a long way towards
17 educating on peak and off peak and those other
18 factors that you mentioned.

19 CHAIRMAN SCHRIBER: Okay.

20 COMMISSIONER CENTOLELLA: Mr. Chairman,
21 following up on that are there any of the segments in
22 the consumer experiment where you will be using the
23 capability of AMI and perhaps an in-home display to
24 provide near real-time feedback to the consumer so
25 the consumer can see my refrigerator turns on or I

1 run my dryer and my electricity bill goes up, you
2 know, or, you know, if I use the fluorescents in my
3 kitchen, it's this, but if I turn those off and turn
4 on the halogens under the countertop, you know, it
5 changes. Anything like that?

6 MS. SLONEKER: I'm not sure it's going to
7 get exactly to that turn on the switch and turn off
8 the switch because there's going to be a certain
9 amount of delay in the information getting there and,
10 you know, that's minutes versus days, but I do think
11 we'll have load profiles that we'll be able to do
12 that, but I don't think it's going to be
13 instantaneous that somebody could walk around their
14 home and turn things on and off and see what the
15 impact of that one device would be.

16 COMMISSIONER CENTOLELLA: So your model
17 is -- is that all of the usage information will go
18 back from the meter to the utility and then into a
19 display as opposed to going from the meter directly
20 through a linkage into the display? Because you
21 could do that in 10 seconds or less, you know.

22 MR. SHEPARD: We will have -- where we
23 had the in-home displays it will be local from the
24 meter to that display but depending on what the usage
25 is, she is correct in terms of if you use a big load,

1 you will probably see a difference. I may not be
 2 able to differentiate a light -- we may not be able
 3 to get down to the resolution where if you turn some
 4 lights off, that we will see that level because
 5 you're talking watts versus kilowatts, but if I turn
 6 a dryer on, I would probably see that in terms of
 7 what happens there, so it will matter what size
 8 appliance that you turn on or off, so I would say you
 9 could see some things definitely locally, but I don't
 10 want to say you can see everything you turn -- if you
 11 plug your PC in, we're probably not going to be able
 12 to pick up.

13 COMMISSIONER CENTOLELLA: But any time in
 14 here where we see an in-home display you're dealing
 15 with near real-time --

16 MR. SHEPARD: Right.

17 COMMISSIONER CENTOLELLA: -- feedback.

18 MR. SHEPARD: Correct.

19 MS. SLONEKER: Thanks again.

20 So just a little bit more on these
 21 reports, they are going to be matched to the
 22 lifestyle of the customer and that's based on the
 23 demographic data that becomes apparent and the more
 24 consumers interact with the website the more
 25 information that it will provide to be able to

1 customize those reports. The tips are supposed to be
2 easy to understand and easy to implement, and
3 customers can create a plan for themselves as to what
4 kinds of changes they want to make, monitor what the
5 impact of making a specific change would be and then
6 keep track of whether they actually make those
7 changes and watch the improvement.

8 COMMISSIONER LESSER: Karen, on the --
9 have you thought about in that part of the
10 educational process and on the bill what it would
11 look like when the hold harmless kicks in when people
12 have either mismanaged or have not taken advantage
13 what their feedback will be?

14 MS. SLONEKER: Yes, we have and with
15 OPower one of the things we're looking at is the
16 ability to compare the rates. If you stayed on the
17 standard rate, this is how much you would pay; if you
18 are on this rate, this is how much you would pay.
19 And we're working with them to see if it's even
20 possible, and I believe it will be, to say if you
21 would switch to this rate, that you would be able to
22 save more. In fact, the language that they use when
23 they communicate with customers is very different,
24 again, back to that consumer psychology, we would be
25 more inclined to be polite and say you could have

1 saved this much, and OPower kind of flips that around
2 and takes a more aggressive stance and says you've
3 lost the opportunity to save this or you're spending
4 more than your neighbors which is not necessarily
5 something that we would normally do, so we're going
6 to be really interested to see customers acceptance
7 of that.

8 COMMISSIONER LESSER: They're really
9 talking about something you're not saving as much as
10 your neighbors. That seems to kick into a privacy
11 issue.

12 MS. SLONEKER: Well, and we make sure up
13 front that they understand that all of the
14 information is anonymous and it's not an individual
15 customer to an individual customer. You're compared
16 to a group of customers who have similar demographics
17 and similar home size and that sort of thing. It is
18 a possibility. We've allowed for the fact that some
19 customers may want to opt out. They may not want to
20 be participants in that program at all. They have --

21 COMMISSIONER LESSER: Can they opt out of
22 even the comparison?

23 MS. SLONEKER: Oh, absolutely. They can
24 opt out of it totally. They've had a positive
25 experience with this in other parts of the country.

1 In fact, in our market research in the focus groups I
2 was surprised to hear customers say not only do I
3 want to know how I'm doing, I want to know how I'm
4 doing compared to others who are like me. So I -- I
5 thought that was interesting. I had only first heard
6 that from OPower, that there was an interest in that,
7 and then to hear that confirmed by a customer without
8 being specifically asked, I thought they are probably
9 on to something that we had not been aware of and
10 that we had not the thought of so.

11 This just talks about the timeline for
12 that. We're in the middle of working with AEP weekly
13 data to feed that to OPower for monthly usage. They
14 are going to be generating and printing home energy
15 reports as part of the energy efficiency program.
16 We're looking at promoting the program before it goes
17 live on our web page and providing some FAQ
18 information. They'll be looking at having the
19 interval data available to them on October -- in
20 October of this year with the web portal for
21 customers to sign up with a single sign on. It will
22 provide more robust analysis than we're currently
23 able to provide. And then in November we're wanting
24 to have that additional rate plan data and
25 comparative analysis available for consumers.

1 I've referred to our more global consumer
2 education programs, and we have a number of groups
3 that we're -- we're targeting. We're looking at all
4 of our customers' thought leaders in the community so
5 the mayors, the city councils, those sorts of folks.
6 We're looking at teachers and students, employees of
7 AEP, and then the media. And then we have a number
8 of initiatives, some of those are focused just on
9 employees or the media, some of them cross all of
10 those bounds, but we've got web initiatives,
11 collaborative teams. We're working with the Ohio
12 Energy Project. We have event strategies and
13 outreach displays. We're working with the media.
14 We've had customer communications. We have 500 --
15 I'm sorry, employee communications. We have 500
16 employees who live within the site, and we've had an
17 event to educate them on the program so they can
18 share that information with their neighbors and be
19 more informed than the general public and be able to
20 communicate on our behalf. We have support materials
21 which I'll show you in a minute. And then we're also
22 working on a measurement and evaluation of all those
23 programs.

24 We sent out a welcome letter to our
25 customers in mid-December and then had a phone blast

1 and then we had this door hanger that was
 2 installed -- or, I'm sorry, hung on the door after
 3 the SMART meter was installed in June, we sent out a
 4 communication about learn how your new meter can
 5 benefit you so customers would have that. And then I
 6 also have some examples of some marketing materials
 7 that we put together for the SMART Shift and the
 8 SMART Cooling programs that I would like to route.
 9 We also have an example of a refrigerator magnet that
 10 people could use at home to remind them of when those
 11 on peak and off peak periods are.

12 AEP Ohio is going to have a gridSMART
 13 advisory collaborative that's made up of people
 14 within the demonstration site. As you probably know,
 15 we have an energy efficiency collaborative that
 16 provides valuable insights to us as the company, but
 17 we also want to have projects specific representation
 18 that's made up of civic leaders, thought leaders,
 19 neighborhood associations. We've already attended a
 20 number of town hall meetings and shared information
 21 about the project there. Have had good attendance,
 22 lots of interest, you know, people wanting to
 23 volunteer for different programs. We will be holding
 24 brown bag lunches, and then we have a monthly
 25 electronic newsletter.

1 The other thing is is that we are at
2 community events, and this weekend we're taking the
3 mobile -- well, we had the mobile at the New Albany
4 Parade of Homes. I don't know if any of you had a
5 chance to see it there, but it's also going to be
6 this weekend at the Reynoldsburg Tomato Festival.

7 We're trying something different this
8 time. We want to target it to the customers, AMI
9 customers, and actually have them show up. We're
10 glad to educate the public as a whole, but we also
11 would specifically like to be able to reach out to
12 our AMI customers, our gridSMART customers, so we're
13 doing this mailer to a handful of those -- not
14 handful, a segment of those and seeing whether we get
15 more participation from -- from these people. And if
16 they bring this postcard in, they'll receive a free
17 CFL bulb which will allow us to understand whether
18 they got this, whether they showed up because of that
19 promotion or not.

20 There's a lot of information that's
21 available on gridSMARTOhio.com and then we have
22 direct mail and support materials, some of those I
23 have routed around there for you to see.

24 The next slide shows a picture of our
25 gridSMART from AEP Ohio mobile. It's a -- been a

1 success. And I had the opportunity to participate at
2 the New Albany Parade of Homes. The day I was there
3 there were probably close to a thousand people, not
4 just on my shift, but I think on my shift there were
5 over 300, 400 people who went through the mobile and
6 there was a significant amount of interest not only
7 from those inside the demonstration project, but I
8 was very pleased to hear other people say when's it
9 coming to my part of the city. So I think that
10 there's a lot of interest there, and the mobile was
11 very useful.

12 This is just a screen shot of our website
13 that shows you and gives you an idea of some of the
14 information that's available on the website. I
15 mentioned that we're working with Ohio Energy
16 Project, and we have a two-year program with schools
17 that are located within the area. We're providing
18 school kids, teacher development, in-class computer
19 programs, and a take home opportunity.

20 We've been working with the media to
21 develop specific stories of interest for the
22 gridSMART project. We have a partnership with 10 TV
23 involving Tech Columbus. We're on the Deal
24 Detectives with Sinclair Communications, and we
25 sponsored the Home and Garden Show with the Dispatch

1 group.

2 So this is the part of the presentation
3 where I probably have more information than we should
4 go through in great detail here today, but I did want
5 to make sure that you understand and know that we are
6 focused on measuring -- measuring and evaluating
7 our consumers' response. We want to make sure we
8 provide value to the participants in the way of lower
9 bills, increased satisfaction, and that we lower the
10 overall CO-2 footprint. Not focused in this
11 presentation is the improvements on customer
12 reliability and the other aspects of the broader
13 gridSMART program.

14 We also want to make sure we provide
15 value to nonparticipating ratepayers and that we
16 understand the impact of lower rates in the long term
17 and increase satisfaction with more rate choices and
18 improved reliability. We want to be able to also
19 measure the value that the program provides to us as
20 a utility.

21 COMMISSIONER LEMMIE: Mr. Chairman,
22 Karen, unfortunately I have another commitment and I
23 will need to leave. But this is exciting and
24 unfortunately I do not live in the AEP territory so I
25 don't have access to the van and what have you. I'm

1 hoping you will be in a position at some point in the
2 future to arrange a tour, whether it's Dolan or to
3 the mobile vehicle, so that we can see what these
4 displays look like, what you have shared with
5 customers, what kind of feedback you have gotten from
6 them, so it's not just the overhead presentation but
7 we can touch and feel it too because this is such an
8 important initiative and will really change the
9 character of how energy is used and priced in the
10 future.

11 MS. SLONEKER: Well, thank you very much
12 and we'll be sure to do that.

13 COMMISSIONER LEMMIE: Thank you. I look
14 forward to it. Mr. Chairman, colleagues.

15 CHAIRMAN SCHRIBER: You're adjourned.

16 MS. SLONEKER: So the next slide talks a
17 bit about our methodology for analyzing the impacts
18 on demand and energy. As I mentioned before, we're
19 going to be looking at pre-program and
20 post-program -- or post-enrollment participant
21 differences compared to the control group and by
22 segment, whenever that's practical. We will be using
23 pre-program 15-minute usage data that's available for
24 all of the customers in the pilot area and that will
25 be used to establish a baseline. And then the

1 customers will be segmented based on the demographic
2 and psychographic information.

3 The control group customers have been
4 pre-identified in each of the segment. We will not
5 be marketing to those customers, but as I mentioned
6 at the beginning, we have oversized that control
7 group to allow for them to become participants if
8 they hear of it in some way or another and want to
9 participate. There's a secondary control group
10 that's outside of the pilot that will validate that
11 the control group usage was not affected by other
12 aspects of the pilot.

13 We'll be looking at the marketing and
14 enrollment considerations and being able to compare
15 those who actually make energy usage changes to those
16 who don't. Both of those customers will enroll --
17 will enroll in our programs, some will not change
18 their usage and some will, so we'll be wanting to
19 make sure that we understand how many customers we
20 need to market to and what we need to look at in
21 future enrollments so that we can then take into
22 account that some participants may not change in
23 order to make sure that we have a cost effective
24 program.

25 This slide just shows graphically a

1 representation of what the participants 15-minute
2 interview -- interval usage might be based on having
3 the response to the thermostat setback.

4 And then we'll be doing similar analysis,
5 again, looking at the pre and post periods in order
6 to look at the time of use and real-time pricing.
7 We'll be studying the things not only what did they
8 do and how did they do it but what was the effect
9 of -- effectiveness of the marketing programs? How
10 did the program design affect customer enrollment?

11 I mentioned that we would be looking at
12 those information systems or messages, and we'll be
13 looking at not only the web based information but the
14 hard copy reports and in-home displays and look at
15 the persistence of the usage changes over the entire
16 pilot period, customer bill impacts, customer
17 satisfaction, and identification of small usage
18 changes during -- to the program versus normal
19 behavioral change will be a challenge, but we'll be
20 looking at all of those kinds of things.

21 The program evaluations will be forward
22 projected so that we can estimate the expected
23 program costs and benefits for the most effective
24 full scale program roll-out scenarios so we'll be
25 utilizing this information to transition and progress

1 not only through the pilot period, but we'll also be
2 looking at what that would -- what impact it would
3 have over the expected program life and the expected
4 utility avoided cost information in up to a 20-year
5 analysis.

6 We'll be using the standard benefit and
7 cost methodologies, and we'll look at only looking at
8 the incremental costs associated with the AMI system
9 costs for marketing and program administration,
10 program maintenance, and ongoing program evaluation.

11 In conclusion we really feel that it's
12 critical that we learn from the market research that
13 we've conducted and that with which we will still
14 conduct. We look at the measurement and evaluation
15 results and recognize the need that we're going to
16 need to adjust incentives, program design, our
17 communication strategies, maybe rework our target
18 groups as we go along through -- through this
19 demonstration project. There's a real possibility
20 that we'll need to modify our tariffs and undoubtedly
21 need to design new ones, and we feel that it's
22 important to have flexibility and fast turnaround on
23 the tariffs so that we can increase the demonstration
24 capabilities and the learning potential during the
25 program.

1 We very much appreciate this opportunity
2 to be here today to explain what we're doing to you
3 more fully -- or doing for you more fully. And --
4 and also want to appreciate the fact that you
5 encouraged us to apply to the DOE. We found that to
6 be a positive experience, and it's allowed us to
7 expand what we had originally proposed as our
8 gridSMART Phase 1 project to include some much more
9 exciting things that I think we'll expand our
10 knowledge and the benefit to the customers and the
11 utility.

12 CHAIRMAN SCHRIBER: Let me ask this
13 question, what if -- and this is the worst case
14 scenario -- you find out that at the end of the day
15 the costs exceed the benefits. What do you do?

16 MS. SLONEKER: Well, I think we would
17 have to take a look at that and be very transparent
18 as we've intended from the beginning about what those
19 costs and benefits are. We fully believe that some
20 things might be more cost effective than others, and
21 we would have to adjust. We don't intend at this
22 point to remove any of the capabilities that we're
23 providing for this project area.

24 I'm hard pressed to see where we might do
25 that with the possible exception of some of these

1 tariffs and potentially some of the in-home devices.
 2 We plan on leaving the programmable communicating
 3 thermostats. But if the tariffs don't prove to be
 4 cost effective, we would not continue with those and
 5 there wouldn't be a need for the in-home displays to
 6 stay, but the AMI meters, the distribution automation
 7 equipment, I don't see that we would take any of that
 8 out.

9 COMMISSIONER LESSER: Are -- are you
 10 going to be directly addressing the privacy and
 11 security issues with customers in your customer
 12 programs?

13 MS. SLONEKER: Yes. Undoubtedly we will.
 14 We like most groups are extremely aware of the
 15 sensitivity around privacy and security of data.
 16 We've been involved in the communications or -- with
 17 other groups trying to establish our position and our
 18 preference. In general we view customer data as --
 19 as private, and we use it for our business purposes.
 20 And, you know, our past practice has been that we
 21 would not share it with a third party without the
 22 customers' permission. So I think, you know, we need
 23 to explore that fully and make sure that we don't do
 24 anything that would be offensive to our customers or
 25 violate their privacy.

1 CHAIRMAN SCHRIBER: Karen, what do you
2 see the company getting out of it on their side of
3 the meter?

4 MS. SLONEKER: Well, I think, you know,
5 the improved customer satisfaction -- are you talking
6 just about the --

7 CHAIRMAN SCHRIBER: No. I'm talking
8 about electrically, mechanically, operationally what
9 would the company get out of it? Would they be able
10 to see things on their side of the meter that the
11 customers --

12 MS. SLONEKER: Oh.

13 CHAIRMAN SCHRIBER: Outages?

14 MS. SLONEKER: Yes. I mean, we've seen
15 some benefits from that already. And we have been
16 pleased that -- and I forget which exact outage it
17 was. I think it was a windstorm that affected
18 central Ohio and hit northeast central Ohio
19 particularly hard out of the four quadrants that we
20 have, and we were able to use the meters to actually
21 ping customers to see whether their service had been
22 restored or not. So we eliminated unnecessary truck
23 rolls. We were able to identify customers that were
24 still off that we might have thought were on, so
25 we've seen that as a benefit already. We've

1 proactively identified power quality programs -- or
2 problems and have gone out and made changes to our
3 system before the customer even reported that there
4 was a problem.

5 We've been able to talk to customers
6 about whether their service is on or off. We've
7 identified a couple of cases of fraud without
8 actually making a physical inspection and observing
9 that. So, yes, we have seen a number of benefits,
10 and we're working very hard to capture those
11 specifics and the operational benefits associated
12 with that.

13 CHAIRMAN SCHRIBER: Good.

14 COMMISSIONER CENTOLELLA: Just following
15 up on that have you -- have you done anything to, you
16 know, to make the public aware of, you know, for
17 example, the reduced outages associated with the
18 windstorm or anything like that at this point?

19 MS. SLONEKER: Yes, we have. I know that
20 Terry Flora, our communication director, has had some
21 interviews with some folks talking about those
22 specific benefits, and we have shared that kind of
23 anecdotally with customers as they go through the
24 mobile, that kind of thing, and I think that we want
25 to be able to promote those successes with the

1 advisory group and with the working group as well as
2 capture that fully and report it back to you and the
3 DOE to be able to capture the total benefits.

4 COMMISSIONER CENTOLELLA: I have a few
5 more specific questions. The in-home displays that
6 you're looking at using, what are we -- what are you
7 looking at at this point?

8 MS. SLONEKER: Are you talking about
9 specific vendors or?

10 COMMISSIONER CENTOLELLA: Well, or even
11 if you don't want to characterize specific vendors,
12 you know, what -- are we talking about, you know,
13 little screens? Are we talking about things that
14 show up on your television? Are we talking about
15 orbs? What are we -- what are we --

16 MS. SLONEKER: Okay, right. I would
17 rather not talk about specific vendors at this point.

18 COMMISSIONER CENTOLELLA: That's fine.

19 CHAIRMAN SCHRIBER: Well, he'd like you
20 to. He would like to buy some stock.

21 COMMISSIONER CENTOLELLA: We're
22 interested in.

23 MS. SLONEKER: We are looking at rather
24 small devices. I guess I could probably describe
25 them without giving anything away. They're --

1 they're small, sleek devices with kind of like little
2 LCD screens. One is more kind of modern looking or
3 contemporary looking than the other. One looks more
4 like an old kind of from my way of describing it
5 perhaps like a cell phone screen, not an iPod. But,
6 you know, just a basic screen with some numbers and
7 things like that on it. The other one has more of a
8 capability of color display and some graphics.

9 And the customers were interested in both
10 and liked them for different reasons. We did focus
11 on the usability of those -- those devices and
12 which -- you know, I think it depends which way you
13 think as to how you would like to use that
14 information. Most of them are wall mounted, although
15 some have the ability to be counter displays.

16 COMMISSIONER CENTOLELLA: Turning now to
17 sort of the testing and evaluation of these different
18 things, you know, can you describe sort of the group
19 size of the, you know -- I mean, you're testing
20 different combinations of pricing and technology, you
21 know, what size group are you testing, you know,
22 typically and, you know, out of that group, you know,
23 if you're selecting a group that you're going after
24 to potentially enroll, what do you expect to see in
25 terms of actual enrollment and how have you set that

1 up?

2 MS. SLONEKER: Okay. If I can talk in
3 kind of ballpark numbers because I don't have those
4 specifics with me, we are interested in having 10,000
5 customers total involved in some form of
6 time-differentiated rates. We think the majority of
7 those customers will be time-of-use customers,
8 perhaps the direct load control customers.

9 I probably could go back to that slide
10 that has the device totals on it. That kind of helps
11 a little bit. We're looking at signing up a thousand
12 customers for the real-time pricing with dual
13 auction. I think that's going to be a very
14 challenging thing to do. You know, I think we'll
15 easily get 10,000 customers, maybe I'm an optimist,
16 but I think we'll easily be able to get 10,000
17 customers. I think we're going to have a more
18 difficult time on the more advanced tariffs,
19 encouraging customers to participate in real-time
20 pricing or the three-tier time-of-day with critical
21 peak pricing.

22 Let's see, so I think we're looking at a
23 thousand customers with direct load control. Scott,
24 can you -- do you have those numbers?

25 MR. OSTERHOLT: Yeah, that's the ballpark

1 numbers, yes.

2 MS. SLONEKER: Thank you.

3 MR. OSTERHOLT: Sure. Some of the --
 4 some of the duplications that you see -- because the
 5 numbers there on the screen showed 16,000. We expect
 6 to have some customers that participate in more than
 7 one different thing so, again, the total number that
 8 we're shooting for is 10,000 total customers that
 9 participate in some program, whether that's a tariff
 10 program, whether that's a programmable thermostat,
 11 those types of things. And, again, like you talked
 12 about earlier it's all opt in at this point so,
 13 again, it's based on, you know, what the customers
 14 are willing to partake in and how well and effective
 15 we can be with our marketing.

16 COMMISSIONER CENTOLELLA: So are -- so
 17 just so I understand are you marketing all of these
 18 options to all customers or are you sort of saying,
 19 you know, I'm going to take this slice of 2,000
 20 customers and try to get a thousand of them on direct
 21 load control?

22 MR. OSTERHOLT: So Dave Tabata here is
 23 our expert, and I guess I'll let him talk about it.

24 COMMISSIONER CENTOLELLA: Okay.

25 MR. SATTERWHITE: We brought everybody.

1 COMMISSIONER CENTOLELLA: I appreciate
2 that.

3 MR. TABATA: Back to the segmentation
4 slide, each one of those strata is equal
5 representation of everyone within that com -- within
6 that geographic area. And what we're going to try to
7 do is they'll be -- certain households will be
8 assigned one of those strata and they will be
9 marketed a different message as well as a different
10 set of, say, program parameters, so they may get an
11 IHD; they may not. So that's what we're going to
12 measure so each one of those strata does have a
13 specific number of customers within each.

14 COMMISSIONER CENTOLELLA: So you've got
15 110,000 customers, 12 strata so, you know, 9,000
16 customers or so?

17 MR. TABATA: Ballpark but what kind of
18 changed some of those numbers around is the OPower,
19 our agreement with OPower, some people are going to
20 get the additional energy usage materials at home.
21 So we had to work with OPower so that there are some
22 buckets that aren't going to be equal in size.

23 COMMISSIONER CENTOLELLA: Okay.

24 MR. TABATA: I think the control group is
25 much larger than any of the other individual strata

1 groups.

2 COMMISSIONER CENTOLELLA: Okay. I guess
3 my -- in part where I'm going with this is if you
4 wanted after doing this testing of what you can get
5 with enrollment given that you're only going to
6 enroll 10,000 customers in some option, do we have
7 enough customers left over, you know, from a control
8 group or some other way to do a randomized sample of
9 some things on an opt out basis so that we can see
10 what would happen if -- if we were to decide that,
11 you know, the default POLR rate for residential or
12 small commercial was going to be some version of one
13 of these prices. Do we have enough customers left
14 over in the pilot to do that?

15 MR. TABATA: Yes. We built the stratas
16 so it will accommodate us to move individuals, so as
17 Karen said, we're going to evaluate as we go, and if
18 we're not getting the numbers that we expected to see
19 with each one of the programs, then we're going to
20 make those adjustments to the various strata.

21 And then our control group we have extra
22 in the control group too, so we can pull some people
23 if we need to into another bucket if we wanted to do
24 an opt out type of program with those folks. And we
25 would do an equal representation within that control

1 group as well.

2 COMMISSIONER CENTOLELLA: Yeah. I think
3 at least -- at least from my individual perspective I
4 would be very interested in seeing what an opt out
5 looked like because that's -- you know, that's one of
6 the ways in which you could begin to potentially look
7 at what marketing expenses might be, and they might
8 be very different in an opt out setting and an opt in
9 setting and that would be, I think, a very valuable
10 thing for you to learn.

11 CHAIRMAN SCHRIBER: And if I might, I
12 agree with Paul that to the extent that if you keep
13 moving people from bucket to bucket because they
14 don't meet certain criteria, pretty soon you lose the
15 statistically meaningfulness -- meaningfulness of an opt
16 out program.

17 MR. TABATA: Yeah. Our intent is not to
18 move people. I mean, for instance, if someone moves
19 out and someone moves in, that household is going to
20 stay within that bucket until if we do need some
21 additional people for various other programs or
22 marketing messages, then we do have the ability to
23 move some of these folks out of the buckets, but the
24 intent is to keep those buckets hole. The strategy
25 is not to move people around, in and out of different

1 buckets.

2 COMMISSIONER CENTOLELLA: Okay. I --

3 MR. TABATA: Go ahead.

4 COMMISSIONER CENTOLELLA: You know, I
5 guess, you know, just underlying this I want to get
6 to the point where we've got good, randomized, you
7 know, evaluation, design and, you know, are able to
8 go back and look and say, you know, we think this is
9 replicable, you know, for the next, you know, few
10 hundred thousand customers and not -- not have
11 something that, you know, we can't -- we can't learn
12 from and reapply so I -- you know, in particular if
13 we're -- we want to consider, you know, a year or two
14 down the road looking at an opt out tariff, you know,
15 I want to be able to have some data that -- you know,
16 that tells me is this something that makes sense and
17 does it make sense for particular groups of customers
18 and not others. So that's something that I think
19 would be very valuable to -- you know, to learn from
20 this.

21 MR. TABATA: Okay.

22 CHAIRMAN SCHRIBER: Excuse me. I do have
23 to get going. I've got -- I'm late already, but I
24 appreciate very much, Karen, Matt, even Bill, et
25 cetera, for coming today, and it was useful, very

1 useful, got my attention.

2 MS. SLONEKER: Thank you.

3 CHAIRMAN SCHRIBER: When you guys are
4 done, just adjourn. Thank you.

5 COMMISSIONER CENTOLELLA: I had just --

6 COMMISSIONER LESSER: Could I just --
7 you -- I just want to make sure you don't have the
8 opt out as part of your initial program though.

9 MS. SLONEKER: That's correct.

10 COMMISSIONER LESSER: Okay. Because
11 whatever we're working on that I think that brings in
12 much different factors, much different hold harmless,
13 and I think we're going to have a more engaged
14 discussion before we would begin implementing that.

15 COMMISSIONER CENTOLELLA: Yeah.

16 MS. SLONEKER: Yeah, I agree with that
17 and all of our programs at this point are opt in.
18 You know, we're willing to consider opt out, but we
19 would agree that that would require much more in
20 depth discussion about the pros and cons associated
21 with going with that.

22 COMMISSIONER CENTOLELLA: My -- my last
23 question is I know that at the Department of Energy
24 level there has been an effort to try to bring
25 utilities into some, you know, common way of doing

1 consumer behavior analysis and being able then to
2 look across utilities and do meta analysis based on
3 what different utilities are seeing. How are you
4 interacting with DOE around that and are you
5 participating with -- I know there's work going on
6 through LPNL to try to find a common framework and
7 are you participating in that effort?

8 MS. SLONEKER: I'm not sure if it's
9 exactly the same effort that you're referring to but
10 as part of the demonstration project, there are
11 specific metrics and data that we're required to
12 report back to the DOE so that they can make those
13 cross utility and cross project comparisons so we're
14 doing that.

15 Our observation has been that we believe
16 that we need to collect more information that they
17 are asking from us for our evaluation purposes. But,
18 yes, we are participating with them.

19 COMMISSIONER CENTOLELLA: The effort that
20 I was referring to, I think, is actually providing
21 some technical assistance around the design of the
22 consumer behavior studies, you know, so that those
23 are done in a common framework across utilities. And
24 then, you know, I think the DOE labs are planning on
25 doing some meta analysis based on the consumer

1 behavior results and, you know, I would encourage you
2 to look into that and, you know, see if there are
3 ways in which both you can contribute and we can
4 benefit from learning what others are -- you know,
5 are finding out.

6 MS. SLONEKER: Great. Thank you. We'll
7 do that.

8 COMMISSIONER ROBERTS: Yeah, Karen, thank
9 you so much. This is really helpful in providing the
10 arc of the entire program. But I want to go back to
11 the very, very simplest thing, the request in front
12 of us is to approve these tariffs. And could you one
13 more time walk me through how a customer will
14 experience these two tariffs as opt ins and why they
15 will not in any way find themselves in worse off
16 position if they choose to opt in.

17 MS. SLONEKER: Okay. With the
18 time-of-use tariff they would receive education --
19 educational material about the tariff hours, and they
20 would be able to without technology choose when to
21 use energy. So they should be okay with shifting
22 their load. Dave, Dave Roush, could probably answer
23 that better than I can.

24 While he's coming up the rebate program
25 for the direct load control it just goes from \$8

1 saving, there is no additional cost, \$8 to \$4 to 0.
 2 There is no way that that can cost them any more so
 3 that is completely harmless to them and I'll let
 4 Dave --

5 COMMISSIONER ROBERTS: Yeah, that was
 6 easier for me to follow. It's this part I'm having
 7 trouble with.

8 MS. SLONEKER: That's why we asked Dave.
 9 I was sure that this would come up.

10 MR. ROUSH: Sure. On the two tier
 11 time-of-use there isn't a guarantee that they won't
 12 pay more. The --

13 COMMISSIONER ROBERTS: That might be why
 14 I couldn't find it.

15 MR. ROUSH: Yes. There is a line. The
 16 design of the two tier time-of-use is based on the
 17 class of -- the population of customers that could
 18 participate and the average customer would basically
 19 break even.

20 Now, there's going to be -- and we've
 21 already done some segmentation, I think, to look at
 22 customers that we see that would not -- without
 23 significant changes in usage would not benefit from
 24 that tariff that they are in because we have already
 25 collected some time-of-use data, it would be pretty

1 obvious they are not going to be the ones to select
 2 going on that tariff and there are other -- it's kind
 3 of the average rate making scenario, that the average
 4 customer would break in. There's going to be, you
 5 know, the traditional bell curve. There's going to
 6 be customers on one side that will be natural savers
 7 and would save by doing nothing. There's going to be
 8 customers that would be natural los -- pardon my term
 9 losers that would have to totally change their
 10 lifestyle completely to achieve savings. And then
 11 there's going to be the vast majority of the
 12 population that's kind of right around that neutral
 13 area where they will have to do something to benefit
 14 or may slightly benefit or slightly pay more.

15 So we didn't put a hold harmless
 16 provision in that tariff because of the opt in nature
 17 of it but there is kind of a self-selection that if
 18 they are not a good candidate, they're not going to
 19 elect to go on. If they're a reasonably good
 20 candidate, you know, they may be a teeny bit more,
 21 teeny bit less unless they do something.

22 COMMISSIONER LESSER: Does it have a
 23 minimum stay?

24 MR. ROUSH: Yes, it does and that's
 25 because of the design of the tariff. It's a one-year

1 provision because --

2 COMMISSIONER LESSER: So somebody could
3 be losing, and you don't even let them off?

4 MR. ROUSH: As it's currently set up,
5 yes.

6 COMMISSIONER LESSER: Okay.

7 MR. ROUSH: Yes. The reason for that is
8 the way the tariff is designed in the months of
9 October through -- and I forget the ending month.
10 April?

11 MS. SLONEKER: April, I think.

12 MR. ROUSH: The months of October through
13 April they are guaranteed to save money. They're
14 guaranteed to save money during that period of time.
15 And in the other -- the summer months there's the
16 potential for them to pay more unless they change
17 their usage so there is kind of a payback provision
18 there of somebody could potentially free ride and try
19 to sign up, say, October, stay on through April,
20 achieve all the savings, and then say, okay, well,
21 I'm done, I've saved money this whole time, that was
22 great, and but I don't want to be there for the time
23 when I need to be responsive to the higher price. So
24 the rate was designed to be neutral on average on an
25 annual basis so we really need them to commit for one

1 year.

2 The attractiveness -- the other advantage
3 we have since the AMI meters have been in place for a
4 while, we actually have usage data for these
5 customers so they can look at their actual usage
6 during those bucketed periods to make a decision
7 whether to choose to go on it or not.

8 MS. SLONEKER: And I think that's
9 where -- where I was going is that it's not
10 necessarily a hold harmless guarantee, but I think
11 through communication with the customers about
12 whether this is the right tariff for them and
13 increasing their awareness to not run the dishwasher
14 during the on peak period, for example, with those
15 load shapes and with communication with the customer,
16 we could make sure that only well informed customers
17 chose to participate in the program on an opt in
18 basis.

19 COMMISSIONER ROBERTS: Thank you. That
20 was the clarification I was looking for.

21 MS. SLONEKER: Yeah, thank you. I'm
22 sorry I didn't answer you that way to begin with.

23 COMMISSIONER CENTOLELLA: That -- that
24 last question and answer actually led to one more
25 question I have. Have you done any look at what the

1 load shapes are for the consumers that you have load
2 shape data on by income level?

3 MS. SLONEKER: I don't know the answer to
4 that. I would have to get back with you. I know we
5 have looked at the load data as we've looked at the
6 tariff design and as we've looked at laying out what
7 we'd like to see in the programs, but I'm not sure
8 that we've looked at the load data by income level.
9 I would have to confirm that and get back with you.

10 COMMISSIONER CENTOLELLA: I think it
11 would be very interesting to see how low income
12 customers, you know, look compared with others. Yes.

13 We don't have anything else. I want to
14 thank you all of you. I appreciate you all coming
15 over and this has been very helpful in terms of
16 giving us an overall comprehensive picture of what
17 your plan is.

18 The next Commission meeting will be
19 Wednesday, August 25, at the normal 1:30 time. And
20 we are adjourned. Thank you.

21 MS. SLONEKER: Thank you.

22 COMMISSIONER LESSER: Thank you very
23 much, Karen.

24 MS. SLONEKER: Thank you.

25 (Thereupon, the hearing was concluded at

3:15 p.m.)

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CERTIFICATE

I do hereby certify that the foregoing is
a true and correct transcript of the proceedings
taken by me in this matter on Wednesday, August 18,
2010, and carefully compared with my original
stenographic notes.

Karen Sue Gibson, Registered
Merit Reporter.

(KSG-5239)

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Summary: Transcript Transcript of Columbus Southern Power Company hearing held on 08/18/10. electronically filed by Mrs. Jennifer Duffer on behalf of Armstrong & Okey, Inc. and Gibson, Karen Sue Mrs.