

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of :
Columbus Southern Power Company and : Case Nos. 11-346-EL-SSO
Ohio Power Company for Authority to : 11-348-EL-SSO
 Establish a Standard Service Offer Pursuant :
 to Section 4928.143, Ohio Revised Code, in :
 the Form of an Electric Security Plan. :

In the Matter of the Application of : Case Nos. 11-349-EL-AAM
Columbus Southern Power Company and : 11-350-EL-AAM
Ohio Power Company for Approval of :
 Certain Accounting Authority :

**PREFILED TESTIMONY
OF
GREGORY C. SCHECK
POLICY AND MARKET ANALYSIS DIVISION
PUBLIC UTILITIES COMMISSION OF OHIO**

STAFF EX. _____

May 9, 2012

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1 1. Q. Please state your name, employer and business address.

2
3 A. My name is Gregory C. Scheck. I am employed by the Public Utilities
4 Commission of Ohio, 180 East Broad Street, Columbus, Ohio 43266-0573.

5
6 2. Q. What is your current position at the Commission?

7
8 A. I am a Utilities Specialist in the Energy Efficiency and Renewables Division
9 of the Energy and Environment Department. I am responsible for analyzing
10 issues and providing recommendations pertaining to electric utility energy
11 efficiency programs, including peak demand reductions, demand response,
12 and smartgrid related issues.

13
14 3. Q. What are your qualifications as they relate to your testimony in this
15 proceeding?

16
17 A. I have worked at the Commission since 1985 in various capacities. Most of
18 that time I have spent reviewing and evaluating demand forecasts, energy
19 efficiency programs, and smartgrid utility issues.

20
21 4. Q. What is the purpose of your testimony in this proceeding?

22
23 A. The purpose of my testimony will be to address a few areas of the
24 Companies' ESP filing. Those areas include the Company's gridSMART
25 demonstration project expansion to Phase 2 and beyond, the modification
26 and continuation of the energy efficiency, peak demand reduction rider, and
27 the Company's Rider IRP-D.

1 **A. gridSMART Expansion to Phase 2 and beyond**

2
3 5. Q. What is your knowledge or understanding of the status of the Company's
4 gridSMART Phase 1 of the project?

5
6 A. The Applicant originally filed its gridSmart plan in their prior ESP filing to
7 be deployed over a seven to ten year period. The initial part of this
8 deployment was characterized as Phase 1 of the project which constitutes
9 approximately 110,000 advanced meters and a distribution automation
10 system rollout to customers in the northeast quadrant of central Ohio over the
11 initial ESP period. In addition to this, the Company has agreed to provide
12 consumer education and up to 10,000 home area networks (HAN) as a part
13 of this project. Post the prior ESP filing, the Company did apply for ARRA
14 stimulus dollars as a part of a demonstration project to help defray the costs
15 of this initial pilot phase. In order to receive approval for this funding from
16 the USDOE, the Company had to agree to expand the initial Commission
17 approved pilot which increased the costs from \$109 million to \$150.3
18 million.

19
20 6. Q. What are the expanded parts of the Phase 1 gridSMART project now
21 renamed the gridSMART demonstration project that took it from \$109
22 million to \$150.3 million?

23
24 A. Originally, AEP Ohio's gridSMART Phase 1 project consisted primarily of
25 the 110,000 advanced meters and a 2-way communication system to those
26 meters, 70 distribution automation circuits, 17 integrated volt-var control
27 circuits, cyber security and interoperability, consumer education and up to

1 10,000 home area networks (HANs) on some form of time differentiated
2 rates. The USDOE funded project was expanded to include a real-time
3 double auction pricing pilot for up to 1,000 customers, a demand dispatch
4 engine, 10 all electric cars, 15 charging stations and 80 MW of community
5 storage. In addition, the Company agreed to increased data collection and
6 reporting to the USDOE.

7
8 7. Q. What does this increased data collection and reporting include?

9
10 A. The additional data collection and reporting includes monthly status reports,
11 quarterly status reports, quarterly build metrics reports and technology
12 performance reports. Additional non-routine reporting includes the
13 Company's participation in USDOE peer reviews, providing "Lessons
14 Learned/Best Practices", and providing data to the national data
15 clearinghouse and as requested by the USDOE. At the end of the project, the
16 Company will need to file "close out" financial reports as well.

17
18 8. Q. Where is the current deployment status of the gridSMART demonstration
19 project?

20
21 A. At this time, most of the meters with a few exceptions have been deployed in
22 the Phase 1 rollout. All of the distribution automation equipment and Home
23 Area Networks was to be deployed and operational by the end of 2011.
24 Along with this infrastructure, the Company has and continues to develop
25 and propose a number of dynamic rates and direct load control options to
26 those customers in Phase 1. The Staff agrees that there will be a great deal
27 of knowledge and experience gained from this initial deployment with

1 customer participation. Much of the Company's original business case
2 regarding benefits was predicated on changes in customer behavior which
3 will rely upon customer acceptance to new technologies and customer
4 response to various dynamic pricing options. Much has yet to be determined
5 from the Phase 1/demonstration project deployment and what customers may
6 or may not do regarding changing their consumption behavior.

7
8 9. Q. According to the Company's agreement with the USDOE, when will the data
9 collection and analysis be done for the Phase 1/demonstration project?

10
11 A. According to the Company's USDOE agreement, the Company will collect
12 data from the pilot for the calendar years 2012 and 2013. The data collection
13 should be completed by December 31, 2013 with the analysis of the data
14 completed by March 31, 2014. The Staff and the Commission will not know
15 until that time, whether Phase 1 in its totality has been a success or not based
16 on the metrics agreed to with the USDOE and any other further Staff
17 evaluation and analysis.

18
19 10. Q. Do you think that the Company should be able to proceed at their own
20 expense and risk of cost recovery to start Phase 2 and further deployments
21 before the evaluation of Phase 1 is completed?

22
23 A. Not if there are other issues, such as security and interoperability, that need
24 to be in compliance with the NISTER guidelines and/or standards before
25 other phases of the project can proceed. If these conditions are satisfied, or if
26 a proven distribution investment such as volt-var can proceed independently
27 of the gridSMART project itself, the Staff thinks that it would be acceptable

1 to allow the Company to go forward with other phases of the project. Any
2 distribution technology that can help ameliorate the near term future
3 generation reliability concerns and are proven technologies, the Staff
4 recommends that the Company proceed with these investments. This would
5 align the AEP Ohio distribution company's interests with the interests of its
6 distribution customers in keeping generation costs as low as possible while
7 maintaining the minimum reliability levels.

8
9 **gridSMART Rider**

10
11 11. Q. Do you think that the CSP gridSMART rider should be continued?

12
13 A. The Staff believes that the CSP gridSMART rider should be continued and
14 recovered from all of AEP Ohio customers. The Staff recommends that the
15 remaining costs of Phase 1 and any other potential later phases of the
16 gridSMART project be recovered from all AEP Ohio customers through the
17 gridSMART rider.

18
19 **Rider IRP-D**

20
21 12. Q. Do you have any issues related to the AEP Ohio Companies offering the
22 modified Rider IRP-D to customers with a minimum of 1 MW of demand?

23
24 A. Yes, the Staff recommends a different level of credit for interruptible
25 customers that will take service under Rider IRP-D. The Staff utilized the
26 Rider IRP-D credit derivation method that AEP witness David Roush
27 provided in his testimony, but changed the value of AEP's FRR generation

1 to that which has been recommended by Staff witness Ms. Emily Medine.
2 Since the value of AEP's FRR generation is recommended to be
3 substantially lower than AEP's proposal, the effect on the interruptible credit
4 under Rider IRP-D is proportionally lower as well.
5

6 13. Q. What is the value that you are recommending for Rider IRP-D credit?
7

8 A. The Staff is recommending a value of \$3.34/kw/month based on the Staff's
9 recommended change in the proposed AEP's capacity price.
10

11 14. Q. Should AEP Ohio distribution company be allowed to offer Rider IRP-D as a
12 part of economic development or as a part of competitive response?
13

14 A. Yes, however if the Company would like to offer SSO interruptible service
15 as a part of economic development or competitive response, then those
16 discounts should be offered as a part of a reasonable or special arrangement,
17 rather than through a tariff offering. Customers desiring such arrangements
18 would need to apply for those type of discounted pricing deals directly to the
19 Commission as a joint application with the distribution Company. These
20 type of arrangements and contracts are considered unique and should be
21 considered an exception to SSO.
22

23 15. Q. Should AEP Ohio be allowed to offer an unlimited amount of interruptible
24 service that is a part of economic development or competitive response?
25

26 A No. AEP Ohio's proposed Rider IRP-D states that this interruptible service
27 offered as either a part of economic development or competitive response

1 should not count toward the total limits of 75 MW for the Columbus
2 Southern Power Rate Zone and 450 MW for the Ohio Power Rate Zone.
3 This effectively allows no limit of interruptible service for either of these two
4 conditions. Staff believes that the need for interruptible service for AEP
5 Ohio should be the same, regardless of whether or not it is offered as a part
6 of economic development or competitive response. In either of these cases,
7 customers would be expected to respond to curtailment requests in the same
8 way as if they were not a part of a special arrangement involving either
9 economic development or competitive response.
10

11 16. Q. What about the provision in the proposed Rider IRP-D requiring customer's
12 to provide a 5-year's notice prior to transferring back to firm SSO?
13

14 A. The Staff recommends that customers who choose interruptible service
15 should be allowed to return to the fixed SSO with a notice of no more than 3
16 years. Staff's reasoning is that most competitive bid auctions are no longer
17 than 3 years in length, so an electric distribution utility could easily
18 incorporate a returning interruptible customer to firm SSO three years in
19 advance of such notice.
20

21 17. Q. Do you believe that AEP Ohio should be able to count the MWs AEP Ohio
22 customers achieve through participating in the PJM demand response market
23 through a certified third-party Curtailment Service Provider?
24

25 A. Yes, as these AEP Ohio retail customers are already being compensated in
26 the PJM market by making their demand response resources available.
27

1 18. Q. What is the Staff's longer term view regarding interruptible service being
2 offered by an Ohio electric distribution utility?

3
4 A. After the completed duration of this ESP, the Staff does not believe that the
5 AEP Ohio distribution company should be offering any form of discounted
6 SSO. Rather, all forms of Standard Service Offers will likely be offered as
7 flat-priced firm service that is competitively sourced. In this way, all of the
8 retail customers of AEP Ohio could receive some of the indirect benefits of
9 competition through a competitively sourced SSO. When other distortions
10 are introduced to the basic SSO, e.g. interruptible service, those distortions
11 generally end up being subsidized by other customers. This in turn, distorts
12 the overall market prices for other SSO customers to respond to making for
13 inefficient outcomes. The goal of Ohio Senate Bill 3 was to develop a fair,
14 competitive retail electric market, unimpeded by the continuing subsidies
15 that existed in the former regulation of vertically integrated electric utilities.

16
17 19. Q. Where would customers go in order to receive some form of non-firm
18 electric service in the future?

19
20 A. Those customers could enter the competitive market place and solicit non-
21 firm contractual service through either Curtailment Service Providers or
22 Competitive Retail Electric Service providers to acquire this type of service.
23 The PJM market for demand response has been developed for quite some
24 time in which they maintain a list of certified Curtailment Service Providers
25 (CSPs) to engage in these types of contracts. The PUCO staff also maintains
26 a list of the certified CRES providers in the state of Ohio by service territory.
27 In this way, any discounts that customers may receive in the market place for

1 non-firm service will not be directly subsidized by other Ohio electric retail
2 customers.

3
4 **Energy Efficiency and Peak Demand Reduction Rider**

5
6 20. Q. Are there any changes being proposed to the EE/PDR rider?


7
8 A. There are no dollar amounts recommended to be changed in this case.

9
10 21. Q. Does this conclude your testimony?

11
12 A. Yes, it does.

PROOF OF SERVICE

I hereby certify that a true copy of the foregoing Prefiled Testimony of **Gregory C. Scheck** submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served via electronic mail, upon the following parties of record, this 9th day of May, 2012.


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