

BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio	:	Case No. 09-1820-EL-ATA
Edison Company, The Cleveland Electric	:	Case No. 09-1821-EL-GRD
Illuminating Company, and The Toledo	:	Case No. 09-1822-EL-EEC
Edison Company for Approval of Ohio	:	Case No. 09-1823-EL-AAM
Site Deployment of the Smart Grid	:	
Modernization Initiative and Timely Recovery	:	
of Associated Costs.	:	
	:	

---

**JOINT MOTION OF THE COMMISSION STAFF AND THE COMPANIES**

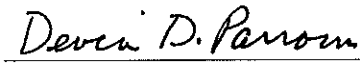
---

Now comes, Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company (collectively, "Companies"), and jointly with the Commission's Staff ("Staff", who collectively with the Companies, is referred to as "Parties"), moves for the adoption of the attached Joint Recommendation of the Parties without modification. This Joint Recommendation modifies the Staff's February 8, 2013 Report filed in this docket ("Staff Report") in such a manner as to reasonably resolve all issues raised in comments to the Staff Report. Accordingly, the Parties ask that the Commission approve the Companies' October 19, 2012 Motion for Direction to Proceed with Phase II consistent with the Staff Report as modified by the Joint Recommendation.

Respectfully submitted,

  
Kathy J. Kolich (0038555)  
Companies' Counsel  
FirstEnergy Service Company  
76 South Main Street  
Akron, OH 44308  
T: 330-384-4580  
F: 330-384-3875  
Email: [kjkolich@firstenergycorp.com](mailto:kjkolich@firstenergycorp.com)

Respectfully submitted,

 *per authority*  
Devin D. Parram  
Assistant Attorneys General  
Public Utilities Section  
180 East Broad Street, 6<sup>th</sup> Floor  
Columbus, OH 43215-3793  
T : 614-466-4397  
F : 614-644-8764  
Email: [devin.parram@puc.state.oh.us](mailto:devin.parram@puc.state.oh.us)

BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio	:	Case No. 09-1820-EL-ATA
Edison Company, The Cleveland Electric	:	Case No. 09-1821-EL-GRD
Illuminating Company, and The Toledo	:	Case No. 09-1822-EL-EEC
Edison Company for Approval of Ohio	:	Case No. 09-1823-EL-AAM
Site Deployment of the Smart Grid	:	
Modernization Initiative and Timely Recovery	:	
of Associated Costs.	:	
	:	

---

**JOINT RECOMMENDATION OF THE COMMISSION STAFF AND THE COMPANIES**

---

**I. Introduction and Background**

Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company (collectively, “Companies”) are electric light companies under R.C. 4905.03 serving electric customers in Ohio. On November 18, 2009, the Companies filed in this docket an application for approval of the Companies’ Smart Grid Modernization Initiative (“Ohio Site Development”). On June 30, 2010, the Commission issued a Finding and Order in the case, in which it approved the Companies’ request to implement an initial pilot phase (“Phase I”) of the Ohio Site Development.<sup>1</sup> In the Finding and Order, the Commission indicated that it would determine whether or not Phase I was successful and determine whether the Companies should proceed with a Phase II.<sup>2</sup> On October 19, 2012, the Companies, in compliance with Commission directive, filed with the Commission a consumer behavior study report (“CBS Report”) that

---

<sup>1</sup> Finding and Order, p. 11 (June 30, 2010).

<sup>2</sup> *Id.* at 8, 11.

summarized the results of Phase I of the Ohio Site Development.<sup>3</sup> The CBS Report contained preliminary demand response results prepared by Electric Power Research Institute (“EPRI”) and a customer feedback survey prepared by the Shelton Group. On February 8, 2013, Commission Staff (“Staff”) filed a report with the Commission that discussed the results of the CBS Report and made certain recommendations regarding the Companies’ implementation of the Ohio Site Development, including one that recommends proceeding with a second phase (“Phase II”) of the program (“Staff Report”).<sup>4</sup> The Companies reviewed the Staff Report and on February 21, 2013, the Companies filed with the Commission a letter responding to the Staff Report (“Response Letter”) in which the Companies offered certain comments and clarifications to that report. Thereafter, the Companies met with Staff to try to resolve the various outstanding issues between the two parties. Based upon these discussions, the Staff and the Companies reached an agreement that they believe resolves all outstanding issues between the Parties and, accordingly, the Companies and the Staff recommend that the Commission issue an order consistent with the recommendations set forth below.

## **II. Joint Recommendation**

### **A. Modifications to the Staff Report**

The Staff Report should be modified to reflect all the proposed modifications and clarifications contained in the Companies’ February 21, 2013 Response Letter, with the exception of Response 7 D And Response 7 H. For the convenience of the Commission, a copy of the Response Letter is attached as Exhibit A.

---

<sup>3</sup> As part of this filing, the Companies also requested direction on whether to proceed with a second phase of the Ohio site Development.

<sup>4</sup> Staff Report, p. 5.

**Staff Recommendation III (D) – Company Response Letter 7 D**

The Companies agree to adopt and implement the Staff's recommendation that is discussed in Paragraph 7 D of the Response Letter. More specifically, the Companies agree to develop and offer to the Phase II customers a voluntary simple 2-part residential time-of-use ("TOU") on and off-peak Standard Service Offer ("SSO") rate with potentially different seasonal characteristics including critical peak pricing ("CPP") periods. The CPP period will be 1 pm to 7 pm prevailing time for a maximum of 15 days during the period June 1 through August 31. The Companies shall provide education and marketing of this pricing option to Phase II residential customers in the pilot area with the goal, but not a mandate, to enroll up to 250 customers as soon as the business processes to support the rate can reasonably be implemented.

In support of this agreement, the Companies will develop and file an experimental TOU/CPP tariff rider. Only non-shopping Phase II participants with advanced meters would be eligible for generation service on this rate. Customers on this experimental tariff rider will pay this rider in lieu of the Generation Service Rider (Rider GEN) and would not be eligible for Rider PTR. Revenues associated with this rider and the corresponding cost of supplying generation service to these SSO customers shall be included in the Generation Cost Reconciliation Rider (Rider GCR) calculation. Because of the nature of the meters and the lack of the necessary infrastructure, the Companies must manually bill all customers participating in this TOU/CPP option. They will also develop marketing and educational materials for potential and participating customers.

**Staff Recommendation III (H) Company Response Letter 7 H**

The Companies and Staff agree that the Companies will implement the Staff's recommendation that is discussed in Paragraph 7 H of the Response Letter in the following manner. The Companies shall implement the following Shelton Group recommendations:

1. Continue using a "touch base" call or email after the first alert to confirm that the equipment is functioning as expected and to determine if customers have any questions and/or need any support on using the devices effectively.
2. As the program rolls out to the approximate 39,000 households in Phase II, the Companies shall utilize both traditional print and digital direct marketing to reach a broader mix of potential program participants.
3. The Companies shall increase the use of other communication vehicles by incorporating a mix of mail, telephone, internet, and door hangers to help increase the effective reach and participation levels.
4. The Companies will continue to evaluate the changes in consumption analysis for those customers who participated in Phase I as well as in Phase II that elected either an in-home display, a programmable thermostat, or an in-home display in conjunction with a programmable thermostat in conjunction with the Peak Time Rebate ("PTR"), and any customers who elected the time-of-use rate with a critical peak price with or without any technology.
5. The Companies specifically agree to implement the Shelton recommendation set forth on Exhibit B, page 85, which suggests that the Companies continue to reinforce the understanding of summer peak time power usage and customers' overall awareness of their

energy usage with regular communications – tips, suggestions and reminders including providing a link to the Home Energy Analyzer.

The Companies will endeavor to implement those remaining Shelton Group recommendations contained in the CBS Report that are cost effective and feasible within the guidelines of the study parameters. The Companies will communicate its efforts to Staff regarding its progress with all the Shelton Group recommendations that are implemented.

Therefore, the Commission should approve recovery of any incremental education, marketing, and hand-billing costs incurred by the Companies due to implementing the Staff's Recommendations set forth in Paragraphs III(D) and III(H) of the Staff Report, as agreed to by the Companies under the terms and conditions hereof, as follows:

1. Half of the budget for the incremental education, marketing and hand-billing costs (collectively "Incremental Costs") will be taken from the approximately \$3.35 million in remaining USDOE funds.
2. The other half of the Incremental Costs will be collected from the Companies' customers through the AMI rider.
3. The dollar amount set forth in Paragraph III(K)<sup>5</sup> of the Staff Report, as previously agreed to by the Companies' in the Response Letter, shall be modified to reflect the change in the proposed updated budget for Phase II arising from the Incremental Costs associated with implementation of Paragraphs III(D) and III(H) of the Staff Report.

---

<sup>5</sup> In the Staff Report, this provision was inadvertently labeled as "E". In alphabetical order, it should have been "K", and therefore that is how the Companies refer to it in this document.

**B. Phase II of the Ohio Site Development.**

The Commission should grant the Companies the necessary authority to proceed immediately with Phase II of the Ohio Site Development, consistent with the terms and conditions set forth herein.

**C. Procedural Aspects**

The Commission should adopt the Staff Report, as modified herein, consistent with the following:

- Both the Staff and the Companies (collectively, “Parties”) believe that the recommendations set forth herein are in the best interests of the public and, accordingly, the Parties urge the Commission to enter an Order consistent with this Joint Recommendation.
- The positions set forth in the Joint Recommendation are being presented for the purposes of this case alone and should not be understood to reflect the positions that either of the Parties may take as to any individual provision of the Joint Recommendation standing alone, nor the position a Party may have taken if all of the issues in this proceeding had been litigated. Nothing in this Joint Recommendation shall be used or construed for any purpose to imply, suggest or otherwise indicate that the results produced through the compromise reflected herein represent fully the objectives of either of the Parties. This Joint Recommendation is submitted for purposes of this proceeding only, and is not deemed

binding in any other proceeding, except as expressly provided herein, nor is it to be offered or relied upon in any other proceedings, except as necessary to enforce the terms of this Joint Recommendation.

- The Parties will support the Joint Recommendation if it is contested, and will not oppose an application for rehearing designed to defend the terms of this Joint Recommendation.
- The Parties recommend that the Commission adopt this Joint Recommendation without modification. This Joint Recommendation is conditioned upon (a) adoption of the Joint Recommendation by the Commission in its entirety and without material modification; and (b) affirmance without material modifications of any Commission decision that has been appealed to the Supreme Court of Ohio. If the Commission rejects or modifies all or any material part of this Joint Recommendation, then either Party shall have the right to apply for rehearing. If the Commission does not adopt the Joint Recommendation without material modification upon rehearing, or if the Court issues an opinion that reverses a Commission decision approving the Joint Recommendation on a material issue, then within thirty (30) days of the applicable decision: (a) the Parties shall meet in an attempt to negotiate in good faith with each other an outcome that substantially satisfies the intent of the Joint Recommendation. If the discussions to achieve an outcome that substantially satisfies the intent of this Joint Recommendation are unsuccessful, the Commission will convene an



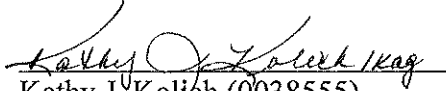
evidentiary hearing to afford the Parties the opportunity to present evidence through witnesses, to cross-examine witnesses, to present rebuttal testimony, and to brief all issues that the Commission shall decide based upon the record and briefs. If the discussions to achieve an outcome that substantially satisfies the intent of the Joint Recommendation are successful, the Parties shall submit a modified Joint Recommendation to the Commission for approval after any necessary hearing.

### **III. Conclusion**

Because this Joint Recommendation amicably resolves all issues raised in comments to the Staff Report, the Companies and the Staff respectfully ask the Commission to:

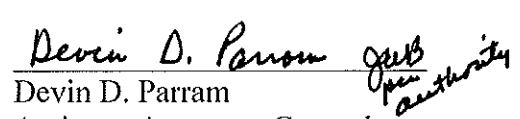
- Direct the Companies to proceed with Phase II, consistent with the Staff Report as modified by this Joint Recommendation; and
- Authorize the Companies to recover any incremental costs incurred to implement the Staff's recommendation set forth in Paragraphs III(D) and III(H) of the Staff Report, consistent with the terms set forth herein.

Respectfully submitted,



Kathy J. Kolich (0038555)  
Companies' Counsel  
FirstEnergy Service Company  
76 South Main Street  
Akron, OH 44308  
T: 330-384-4580  
F: 330-384-3875  
Email: [kjkolich@firstenergycorp.com](mailto:kjkolich@firstenergycorp.com)

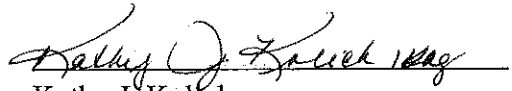
Respectfully submitted,



Devin D. Parram  
Assistant Attorneys General  
Public Utilities Section  
180 East Broad Street, 6th Floor  
Columbus, OH 43215-3793  
T : 614-466-4397  
F : 614-644-8764  
Email: [devin.parram@puc.state.oh.us](mailto:devin.parram@puc.state.oh.us)

## CERTIFICATE OF SERVICE

I hereby certify that the Joint Motion of the Companies and Staff was filed electronically this 18<sup>th</sup> day of April, 2013, with the Public Utilities Commission of Ohio Docketing Information System.



Kathy J. Kolich

(Reg. No. 0038855)

FIRSTENERGY SERVICE COMPANY

76 South Main Street

Akron, OH 44308

330-384-4580 Telephone

330-384-3875 Fax

[kjkolich@firstenergycorp.com](mailto:kjkolich@firstenergycorp.com)

ATTORNEY FOR APPLICANTS, OHIO  
EDISON COMPANY, THE CLEVELAND  
ELECTRIC ILLUMINATING COMPANY,  
AND THE TOLEDO EDISON COMPANY



February 21, 2013

1-800-646-0400

Mr. Greg Scheck  
Public Utilities Commission of Ohio  
180 East Broad St.  
Columbus, OH 43215

*RE: Staff Report on the Application for Approval of Ohio Site Deployment of the Smart Grid Modernization Initiative, Case Nos. 09-1820-EL-ATA, 09-1821-EL-GRD, 09-1822-EL-EEC, and 09-1823-EL-AAM*

Dear Greg,

We have reviewed the Staff report filed on February 8, 2013 in the above referenced matter. Based upon this review, Ohio Edison Company, The Cleveland Electric Illuminating Company ("CEI" or "Company") and The Toledo Edison Company (collectively, "Companies") offer the following comments or clarifications for the record:

1. The report states that "Phase 2 would expand the initial test phase to 44,000 customers" (Staff Report, page 1, paragraph 1)

The Companies agree that Phase II will expand the pilot area to the full project footprint and CEI will provide marketing to those customers. As indicated in Exhibit C, pages 5 and 10 of the Motion filed on October 19, 2012 ("Motion"), the participation projections for Phase II are approximately 34,020 residential customers and 3,400 commercial customers.

2. The report says "the Company contacted approximately 6,500 residential customers in the pilot area and achieved an initial voluntary sign-up of almost 5,000 customers for advanced meters." (Staff Report, page 1, paragraph 2)

CEI contacted 15,000 residential customers with a pre-qualifying survey of which 6,688 responded. The Company chose 5,499 of these customers and informed them that their meter would be replaced with a smart meter but gave these customers a choice to "opt-out" of the meter replacement. 294 customers opted out of the meter replacement. The remaining 5,205 customers had their meters replaced with advanced meters.

3. The report states that "In the end, only a small number of customers who selected an advanced meter chose the peak time rebate, a programmable thermostat or in-home display (Staff Report, page 1, paragraph 2).

The response rate for CEI's pilot was in the top quartile when compared to other pilot studies. (EPRI "Customer Participation in Behavioral Programs: A Review of Recruitment Experiences" Table 2-3). The Smart Grid Investment Grant CBS guidelines suggested that CEI conduct a randomized control trial of various combinations of peak time rebates and in-home technology. As a result, customers were either made an offer of technology and the peak time rebate based on their pre-qualifying survey results or, alternatively, they were randomly placed in a control group.

4. The report states that "The Staff believes only two of the cell treatment groups had participation significant enough to warrant valid statistical results." (Staff Report, page 1, paragraph 2)

CEI had statistically significant results in four treatment cells: (i) the Company controlled four hour treatment group; (ii) the Company controlled six hour treatment group; (iii) the customer controlled treatment group; and (iv) the in-home display treatment group. The Company designed the study to contemplate the fact that the summer weather might not accommodate calling all fifteen events. All events, however, were called and therefore there are sufficient observations to obtain statistically significant results for the four treatment groups. This assertion is corroborated by the EPRI findings that "All of the treatment groups reduced usage by statistically significant amounts during Peak event hours. (FirstEnergy's Consumer Behavior Study: Preliminary Evaluation Summer 2012 p. 6-3, Finding 1).

5. The report refers to a single control group of 500 customers. (Staff Report, page 1, paragraph 2)

CEI had two separate matching control groups (customers with the same characteristics as the treatment groups) -- one with 250 customers for the programmable thermostat; and another with 200 customers for the in-home display.

6. The report "recommends the Company proceed with the second phase of this pilot for Years 2 and 3..."

The project schedule submitted in the Motion (Exhibit C, page 12) included CBS program operations in Year 2 to all of the participating customers beginning in June, 2013. This schedule will be revised with program implementation beginning upon Commission approval of the Motion and issuance of an Order (and DOE schedule modification approval). Given the timing of the issuance of the Commission's Order, the Company can no longer guarantee full operation of the program by June. Therefore, program operation will now have to occur as equipment is deployed in 2013.

## 7. Specific Staff Recommendations<sup>1</sup>

A. Staff recommends that the customer snapback effect could be mitigated by either: 1) the Company scheduling the resumption of thermostats back to their normal levels gradually or 2) by offering overlapping time-based event windows. The Staff suggests that the Company move forward with the first option and if that does not work, then proceed with the second option in Year 3.

➤ The Companies agree with the Staff's recommendation to schedule the resumption of Phase II pilot program participants' thermostats back to their normal levels gradually and included this in the proposal for Phase II as set forth in its Motion at Exhibit C p. 6.

B. The Company currently plans to offer a \$.40/kwh rebate for peak demand events called based on customer performance in the initial year. If it is necessary for the Company to offer a higher peak time rebate to achieve a significant amount of customer response, then the Company should put forward its proposal in consultation with the Staff for a different level of rebate. In the longer term, the goal should be to link peak time rebates to the value of energy (LMP's) and capacity in the ATSI energy and capacity market zone.

➤ The initial rebate was established by the capacity prices in effect at the time. In the longer term, rebate levels should be set by examining customer response at various levels of price response. This is the purpose of performing the Constant Elasticity of Substitution Models included in the EPRI analysis. EPRI compared CEI's rebate and achieved demand response similar to other pilot studies. The Company's elasticity of substitution was similar to or higher than other companies (Motion, Exhibit A p. 45). This would indicate that the \$.40 kWh rebate was sufficient to achieve the same level of demand response as other companies are achieving at a much higher per kWh rebate level. Based on these results, the Company proposes that the rebate level remain unchanged (Motion, Exhibit C, p 6). However, should response rates change significantly, the Companies will discuss the matter with Staff.

C. The Company should meet 3 times a year with all interested Competitive Electric Retail Suppliers about the ability of offering time-differentiated rates to their shopping customers. This is a necessary component of smart grids where customer choice of different generation suppliers is available in order for consumer benefits to be achieved.

<sup>1</sup> As set forth in "A Report by the Staff of the Public Utilities Commission of Ohio", Case Numbers 09-1820-EL-ATA, 09-1821-EL-GRD, 09-1822-EL-BEC, 09-1823-EL-AAM. February 8, 2013, p. 3-4 III (A-K))

- The Companies will meet with CRES suppliers three times per year to gauge their interest in providing customers with dynamic pricing options and to discuss related electronic data interchange, billing and settlement issues, if any, that would need to be resolved prior to CRES offering time-differentiated pricing to their customers. Costs, if any, associated with implementing this recommendation would need to be recovered from customers.
- D. In order to increase overall customer participation in the technology and pricing options, the Staff recommends that customers be given a menu of second and third alternative choices in the second phase of this pilot, instead of just being put into the non-participant group after rejecting the Company's initial offer. These choices would include offering other pricing choices to its SSO customers, e.g. a simple 2-part seasonal time-of-use of on and off peak pricing and a critical peak pricing period overlaid on this seasonal time-of-use pricing structure. An effective goal for the Company would be achieve [sic] an enrollment of at least 250 residential customers on this time differentiated rate. The staff is recommending that the Company work through the rate design and tariff timing with the appropriate stakeholders.
- The Companies do not agree with this recommendation. Time of use and critical peak pricing options for residential SSO customers are generation related offers and should not be offered by the EDU. These generation price alternatives should be competitive service offers made by CRES suppliers. Please see the Companies' comments regarding dynamic pricing options in Case 12-150-EL-COI. The Companies' billing system does not currently support billing these types of tariffs for residential customers. If directed to implement this recommendation, modification to the billing system would be necessary as would recovery of all costs associated with such modifications. Further, the Companies do not believe that working with "appropriate stakeholders" on rate design and tariff timing is appropriate. Instead the Companies suggest working with the Staff on these issues.
- E. The Company shall offer the already Commission approved commercial time-of-use rate and critical peak price to those approximate 3,400 commercial customers in phase 2.
- The Companies agree with this recommendation, which was included in their proposal for Phase II included in the Motion in Exhibit C, p. 10.
- F. In the event the Company has technologies that remain available after customers choose an option in the first instance, and some customers

would like to combine some technology offerings, the staff recommends that the Company provide those technologies to those customers, e.g. those customers who have already chosen a programmable thermostat could also select an in-home display.

➤ The Companies agree with this recommendation.

G. Staff would like for the Company to offer to any customer with central air conditioning a programmable thermostat in phase 2 of this pilot to maximize peak demand reduction benefits.

➤ The Companies agree with this recommendation. The Phase II plan proposal included with the Motion (at p. 5) provides for offering Phase II customers a choice between the programmable thermostat, in-home display or power switch. CEI will set aside a group of Phase II customers who will not be offered the programmable thermostat (or any other technology) in order to test the effect of Education Only and Peak Time Rebate with Education Only.

H. The Company should adopt all of the recommendations made by the Shelton Group to increase education and participation by those customers being added in the second phase of the pilot.

➤ The Companies do not agree with this recommendation because they cannot accommodate all recommendations made by the Shelton Group. For example, the recommendation made by the Shelton Group Exhibit B p. 89 advised CEI to use a "geo-targeted media campaign using cable TV, radio, outdoor/transit and non-traditional placements like grocery carts and public restroom signage." Since the footprint for the project is based on substations and those customers served on certain circuits, it is not possible to geo-target campaign in the way that Shelton is describing without touching customers who are not in the sample population.

Instead, the Companies will endeavor to implement those Shelton Group recommendations that are cost effective and feasible within the guidelines of the study parameters.

I. The Company shall meet with the Staff regarding the resolution of any issues/problems that may arise with cyber security and customer privacy of consumption data in this pilot.

➤ The Companies agree with this recommendation, but note that this issue is not unique to CEI and suggest that uniform guidelines be established in these areas before full scale deployment of smart grid technology occurs.



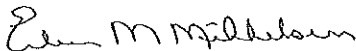
J. The Company shall provide all relevant improvement in distribution reliability of CAIDI, SAIFI, and customer minutes of outage as they relate to the geographical pilot area.

➤ The Companies agree with this recommendation. However, in its April 30, 2010 letter to John Williams, the Companies stated that improvements in SAIFI need to be measured over a five year period due to changing conditions from year to year. The Companies also stated that measurable improvements in CAIDI are not anticipated.

K. Since the Company has reduced the expected costs of the Ohio Project, Staff is in agreement with the Company that the estimated AMI Rider costs should be reduced by approximately \$3.35 million. An equal amount of USDOE ARRA matching funds would not need to be collected either.

➤ The Companies agree with this recommendation that the amount eligible for recovery in Rider AMI be reduced by approximately \$3.35 million and that an equal amount of USDOE ARRA matching funds would not need to be collected for the Ohio Project.

Sincerely,



Eileen M. Mikkelsen  
Director, Rates & Regulatory Affairs

**This foregoing document was electronically filed with the Public Utilities**

**Commission of Ohio Docketing Information System on**

**4/18/2013 3:14:12 PM**

**in**

**Case No(s). 09-1820-EL-ATA, 09-1821-EL-GRD, 09-1822-EL-EEC, 09-1823-EL-AAM**

Summary: Motion Jointly filed by Commission Staff & Companies for Approval of Ohio Site Deployment of the Smart Grid Modernization Initiative and Timely Recovery of Associated Costs electronically filed by Ms. Tamera J Singleton on behalf of The Cleveland Electric Illuminating Company and Ohio Edison Company and The Toledo Edison Company