

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of _____)
Ohio Power Company to Initiate Phase 2) Case No. 13-1939-EL-RDR
of its gridSMART Project and to _____)
Establish the gridSMART Phase 2 Rider.)

**COMMENTS OF
OHIO PARTNERS FOR AFFORDABLE ENERGY**

A. Introduction

Ohio Partners for Affordable Energy (“OPAE”) hereby submits these comments to the Public Utilities Commission of Ohio (“Commission”) on the application of Ohio Power Company, the Ohio operating company of American Electric Power (“AEP Ohio”), to initiate Phase 2 of its gridSMART program and to establish a rider to collect from its customers the costs associated with Phase 2 of its gridSMART program. Ohio Power projects that gridSmart Phase 2 will cost customers nearly \$250 million over the next five years.

Phase 2 is an expansion of AEP-Ohio’s current grid smart project, and the Phase 2 rider is the proposed mechanism for recovering the investment beyond Phase 1. Phase 2 will be comprised of Advanced Metering Infrastructure (“AMI”) for approximately 894,000 customers, Distribution Automation Circuit Reconfiguration (“DACR”) for approximately 250 priority circuits, and Volt/VAR optimization (“VVO”) for approximately 80 circuits.

The Phase 2 Rider is proposed to be effective on January 1, 2014 and operate similarly to the operation of the current Phase 1 rider. AEP-Ohio will make an annual filing to true-up and reconcile the actual costs of the investments placed in service and the revenues collected under the rider during the prior year.

As OPAE stated in its motion to intervene, OPAE's primary interest in this case is to protect the interests of low and moderate income Ohioans and OPAE members whose provision of electric service will be affected by this application. OPAE also seeks to ensure that AEP Ohio's grid smart program provides benefits to customers and does not harm consumers. Among the cost issues associated with the rider are: the true-up of projected annual costs recovered through the rider with actual costs spent in any given year, the recognition of present cost savings and customer benefits through the rider on an annual basis, and the recognition of forward cost savings through the rider on an annual basis.

Issues related to service associated with grid modernization include the continued application of the Commission's disconnection and consumer protection rules. The use of advanced meters may introduce practices that harm consumers such as remote disconnections for non-payment without proper notice, mandatory time-of-use rates, the use of pre-payments for electric service, service limiters, and additional costs and burdens associated with opt-out programs associated with advanced meters. OPAE's interest is to protect consumers, especially low-income consumers, whose rights may be violated by advanced meters.

B. Comments on the Application

1. There is a need for a hearing on the application.

The application states that a hearing on the application should not be required or needed. Application at 5. AEP-Ohio states that the application and attachments include sufficient detail so that only comments need be filed. AEP-Ohio also states that the application is "just and reasonable." *Id.*

OPAE disagrees that a hearing is unnecessary. The Commission cannot find that an application is just and reasonable based on the application alone. Any application that proposes to collect revenues from customers requires a hearing. If granted, this application will allow AEP-Ohio to commence spending for Phase 2 and to recover that spending through the Phase 2 rider. Therefore, granting the application means that AEP-Ohio will be allowed cost recovery. The application must be set for hearing. In addition, the comments may give rise to issues that must be resolved at a hearing.

2. The Commission should consider whether the \$20 million investment in VVO satisfies AEP-Ohio's obligation to spend \$20 million on an Ohio investment.

AEP-Ohio also proposes to satisfy its current obligation to invest \$20 million in a project benefiting Ohio ratepayers by investing \$20 million in VVO technology. This obligation arose from the Turning Point Solar Project and the Commission's reduction in the refund to ratepayers of Columbus Southern Power Company ("CSP") resulting from the significantly excessive earnings test ("SEET"). The SEET refund was reduced because of "capital commitments made by CSP for both 2010 and 2011." Case No. 10-1261-EL-UNC, Opinion and Order (January 11, 2011) at 25-27. The Commission adjusted the adder to the mean of the comparable group for the SEET to 60%, which yielded a SEET threshold of 17.6% for the purposes of the SEET. This reduced the refund for customers for CSP's significantly excessive earnings. *Id.* The Commission made a similar downward adjustment in ratepayer refunds to account for "AEP-Ohio's future committed investments in Ohio" in the most recent SEET order. Case No. 11-4571-EL-UNC, Opinion and Order (October 23, 2013) at 27.

According to the application, VVO technology provides a direct benefit to customers by enabling a reduction of the average voltage that each customer on a circuit receives, thereby reducing customers' annual energy consumption. However, AEP-Ohio already has a distribution investment rider ("DIR") to recover the costs associated with VVO technology. It appears that AEP-Ohio is proposing to recover this VVO investment through the Phase 2 smart grid rider instead of the DIR.

Obviously, there cannot be a double recovery of the same investment that AEP-Ohio is already authorized to recover through the DIR. The apparent purpose of the recovery of the VVO costs through the Phase 2 smart grid rider is to satisfy the obligation to invest \$20 million for Ohio ratepayers' benefit. Application at 4. It is not certain that this \$20 million investment that will satisfy AEP-Ohio's obligation resulting from the SEET cases.

3. The Commission should be on guard against significant over-recoveries under the rider.

AEP-Ohio proposes an average monthly rate cap for rate impact purposes during the first five years of Phase 2. Costs incurred above the cap in any given year would still be available for recovery in a subsequent year. *Id.* The problem with the Phase 1 rider has not been delayed recovery of actual costs but significant over-recoveries of costs that were not incurred.

OPAE has sought to ensure that only actual costs are recovered through the rider. In the initial years of the Phase 1 rider, there was a substantial over-recovery because the projected spending recovered through the rider vastly outpaced actual spending. According to the Staff of the Commission in its August 2, 2013 Comments in Case No. 13-345-EL-RDR, Ohio Power reduced the total 2013 revenue requirement by the sum total of the over-recoveries from the years since 2009 so that the net over-recovery can be refunded to customers. Case No. 13-345-EL-

RDR, Staff Comments at 8. Ohio Power proposed to refund the over-recovery by offsetting the 2013 revenue requirement with the total over-recovery of \$1,727,674 from the past years.

When using projected spending to establish riders, there is always the potential for actual spending to be lower, requiring the unspent funds to be credited back against future year collections. OPAE has previously requested a more rapid refund of over-recovered amounts. See OPAE Motion to Intervene, *Columbus Southern Power Company*, Case No. 11-1353-EL-RDR (March 24, 2011) at 2-3.

The Staff should continue to monitor over-recoveries (the actual versus the projected spending recovered through each year's rider) so that ratepayers pay only actual spending and are refunded any amounts over-recovered through the rider in a timely manner. For the Phase 2 rider, over-recoveries should be timely refunded to ratepayers, ideally through actual timely refunds or alternatively through annual offsets to projected spending to be charged to ratepayers through the rider.

4. Consumer protection laws must be maintained.

With regard to customer benefits, AEP-Ohio states that Phase 2 will build upon the Phase 1 benefits and extend them to a larger base of customers. Attachment A at 2. Phase 2 will also provide the following benefits: 1) support for a more robust customer choice market; 2) reduced uncollectible revenue, theft, and consumption on inactive meters through automated remote disconnect and continuous usage data availability; 3) faster remote service connection; and 4) better information to customers concerning their electricity usage, enabling them to conserve energy, save money, and protect the environment. Attachment A at 2.

AMI technology allows AEP-Ohio to eliminate meter reading routes and reduce field visits. Attachment A at 4. According to the application, in Phase 2,

savings should be higher because the meters are less geographically concentrated than those replaced in Phase 1. The savings are projected to climb to approximately \$6-\$7 million in annual utility benefits. Credit, collections and revenue enhancements through earlier theft detection, lower consumption on inactive meters, and greater billing accuracy are projected to lead to an additional \$8-\$10 million in annual utility benefits, of which \$1.5-\$2 million annually is operational savings from the use of the remote service switch specifically for disconnections for non-payment. AEP-Ohio states that the benefits associated with automated credit disconnects require a Commission waiver for the current process that requires on-site customer interaction. Attachment A at 5.

OPAE has already discussed its concern with this waiver in OPAE's comments on the waiver application filed in Case No. 13-1938-EL-WVR. OPAE Motion to Intervene and Protest, Case No. 13-1938-EL-WVR (September 23, 2013). A waiver of the disconnection rule is not required to secure savings from the use of advanced meter technology. Savings can still be derived from the ability to disconnect a customer physically so that a lineman does not have to be sent to accomplish the disconnection. However, the need for adequate notice to customers remains, and that is the focus of Ohio law, rules, and policy.

The Commission should continue to require a visit to a customer's premise on the day of disconnection to provide notice and accept payment or make available another means to avoid disconnection. The application does not indicate what savings are achieved simply by remote disconnection even when personal notice at the premises remains as required by the rule. This information should be provided. As OPAE stated in its protest, the waiver request should be denied.

5. Benefits must be monetized and passed on to consumers on an annual basis.

The application also states that there are benefits that “have not been monetarily quantified” in the business case. Attachment A at 5. These are improved data for billing, reduced outages, improved crew and meter reader safety, and reduced environmental impact. It is not acceptable that benefits will not be “monetarily quantified” because this means that consumers will not receive any monetary benefits. For example, the ability to disconnect and reconnect customers remotely reduces the cost of disconnection and reconnection. The Commission should consider quantifying these savings and reducing the tariffed fees for these services. At the least, the Commission should quantify these benefits and allow for credits to costs recovered through the rider.

Any monetary benefits should be accounted for and passed on to ratepayers through the Phase 2 rider. Efforts should even be made to carry forward benefits through the rider so that customers enjoy accelerated benefit recovery in the same manner that AEP-Ohio receives accelerated, dollar-for-dollar cost recovery through the rider. The special cost recovery mechanism requires some effort to establish a forward accelerated benefit realization mechanism for the benefit of customers.

6. Time-of-use rates should not be mandatory.

Another problem with advanced meter technology is that the data available can enable customers to participate in time-differentiated pricing tariffs that might be offered by competitive retail electric service (“CRES”) providers. AEP-Ohio envisions that CRES providers will take the lead in these offerings. Attachment A at 6. However, AEP-Ohio also states that it will evaluate filing for a supplemental simple time-differential standard service offering (“SSO”) rate option. Id.

Time-differentiated rates allow customers to pay lower prices by reducing peak demand and reacting to pricing signals to control their consumption. According to the application, assuming 5 percent penetration and 10 percent peak load reduction across all AEP-Ohio customers, \$4 to \$6 million in annual customer savings could be achieved. Id.

OPAEC does not support mandatory time-of-use programs for low-income residential customers. While there are always references to “savings” from these rates, these savings only occur if the customer is able to react to price signals and monitor her usage on practically an hourly basis. This is an unrealistic requirement for many low-income customers who may end up paying far more when they are unable to monitor and control their usage. Data indicates that, with the exception of low-income customers who are elderly and disabled, 90% of all low-income customers work, often at multiple jobs with varying work times. Time-of-use rates are appropriate for customers who are willing and able to purchase certain equipment and appliances and expend the time necessary to benefit from these rate offerings. The risks imposed by these rate designs are not acceptable for other customers.

C. Conclusion

A hearing should be held on this application. The purpose of the application is to allow AEP-Ohio accelerated, dollar-for-dollar cost recovery through a rider for its Phase 2 investments. Therefore, a hearing is required.

The hearing should consider such issues as whether the VVO investment satisfies AEP-Ohio’s \$20 million investment obligation, whether the Commission needs to act to assure timely refunds in the case of significant over-recoveries through the rider, whether the consumer protections of Ohio law will be maintained,

whether benefits will be monetized and passed through to customers on a timely and accelerated basis, and whether practices that stand to harm consumers will be minimized.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Comments was served electronically upon the following parties identified below on this 1st day of November 2013.

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