

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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

**COMMENTS
BY
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL**

BRUCE J. WESTON
OHIO CONSUMERS' COUNSEL

Terry L. Etter, Counsel of Record
Michael J. Schuler
Assistant Consumers' Counsel

Office of the Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, Ohio 43215-3485
(614) 466-7964 (Etter Direct)
(614) 466-9547 (Schuler Direct)
terry.etter@occ.ohio.gov
michael.schuler@occ.ohio.gov

TABLE OF CONTENTS

	PAGE
I. INTRODUCTION	1
II. COMMENTS	3
A. Ohio Power’s Application Lacks Sufficient Supporting Documentation and Thus Ohio Power Fails to Meet its Burden of Proof to Institute Phase 2 of the Gridsmart Project and to Charge Customers About \$250 Million. 3	
B. Ohio Power’s Request to Institute a Rider to Collect from Customers the Costs of Installing Phase 2 of gridSMART Is Premature under the PUCO’s Ruling in the ESP 2 Case.	7
C. If the PUCO Does Not Deny the Application, Ohio Power Should be Required to Levelize the Projected Savings Resulting from gridSMART Operational Benefits and Use Them as an Offset to the Proposed gridSMART Phase 2 Rider for the Benefit of Customers.	8
D. Ohio Power Customers Should not be Required to Pay for gridSMART Phase 2 Investments That Have No Quantifiable Impact on Ohio Power’s Reliability Standards for Customers’ Electric Service.	13
E. Ohio Power Should not be Allowed to Remotely Disconnect Customers’ Service for Non-Payment Without Personal Notification, but if it is Allowed, Any Cost Savings Resulting from Remote Disconnections Should be Passed Along to Customers Through the gridSMART Rider, With Annual True-Up and Reconciliation.	17
F. Ohio Power Should Make a Strong Commitment in Support of Time-Differentiated and Dynamic Rate Designs for Residential Customers as Part of the Phase 2 gridSMART Deployment.....	20
G. The \$20 Million Investment in VVO Proposed by Ohio Power Should Instead be Used to Offset Storm Costs that Ohio Power Seeks to Charge to Customers in Case No. 12-3255-EL-RDR.....	22
H. Ohio Power Should not be Allowed to Include Efficiency Gains From Installation of VVO in Any Distribution Lost Revenue or Shared Savings Calculations.....	23
III. CONCLUSION.....	23

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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

**COMMENTS
BY
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL**

I. INTRODUCTION

The Office of the Ohio Consumers' Counsel ("OCC") files Comments on the Application of Ohio Power Company to begin Phase 2 of its gridSMART program and charge customers approximately \$250 million. Ohio Power also seeks to establish the rider by which it will collect charges from customers for costs associated with Phase 2 of the gridSMART program.¹ OCC has authority under law to represent the interests of all Ohio Power's approximately 1.2 million residential electricity customers, pursuant to R.C. Chapter 4911.

Phase 2 of the gridSMART project would include advanced metering infrastructure for approximately 894,000 customers, distribution automation circuit reconfiguration for approximately 250 circuits and Volt/VAR optimization ("VVO") for approximately 80 circuits.² Ohio Power estimates that the project will cost customers

¹ OCC files these Comments per the Entry in this proceeding issued on October 2, 2013.

² Application (September 13, 2013) at 3. VVO is a technology installed on the distribution system at the substation level and results in an increase in distribution grid efficiency by managing distribution voltage and thus reducing losses on the distribution grid.

more than \$248.5 million during the five-year term of the project,³ \$155 million of which would be charged to residential customers.⁴ If the Application is approved, each Ohio Power residential customer would pay \$121.92 over the intended duration of the project.⁵

OCC has reviewed Ohio Power's Application and has several recommendations for action by the Public Utilities Commission of Ohio ("PUCO"). The PUCO should deny Ohio Power's Application because Ohio Power has not met its burden of proof and because the Application is premature under the PUCO's decision in Ohio Power's second electric security plan ("ESP") case.⁶

If the PUCO does not deny the Application, it should require Ohio Power to levelize the projected savings from gridSMART Phase 2 as an offset to the projected costs of the deployment. In addition, Ohio Power's customers should not be required to pay for Phase 2 investments that do not provide quantifiable improvements to Ohio Power's reliability. Ohio Power should not be allowed to remotely disconnect customers for non-payment without personal contact from Ohio Power, but if the PUCO allows such remote disconnections, any cost savings should be passed along to customers. Phase 2 deployment should also include a strong commitment by Ohio Power to time-differentiated rates for residential customers. And the PUCO should reject the \$20 million investment in VVO proposed by Ohio Power, and should reject Ohio Power's

³ See *id.*, Attachment B, assuming years 1-5 cumulative revenue requirement. AEP Ohio also estimates that the 15-year costs associated with the gridSMART program will total \$465 million in Operation & Maintenance and Capital costs. See *id.*, Attachment A at 10.

⁴ See *id.*, Attachment B.

⁵ See *id.* According to Ohio Power, the monthly bill of each residential customer would increase by \$0.42 per month the first year (a total of \$5.04 for the year); \$1.75 per month the second year (\$21 for the year); \$2.34 per month the third year (\$28.08 for the year); \$2.75 per month the fourth year (\$33 for the year); and \$2.90 per month the fifth year (\$34.80 for the year).

⁶ *In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to Section 4928.14, Revised Code, in the Form of an Electric Security Plan*, Case No. 11-346-EL-SSO ("ESP 2").

effort to include efficiency gains from installation of VVO in any distribution lost revenue or shared savings calculations.

II. COMMENTS

A. **Ohio Power's Application Lacks Sufficient Supporting Documentation and Thus Ohio Power Fails to Meet its Burden of Proof to Institute Phase 2 of the Gridsmart Project and to Charge Customers About \$250 Million.**

While Ohio Power argues that the PUCO “directed the Company to continue gridSMART Phase 1 and to initiate Phase 2 of the gridSMART project,”⁷ it failed to mention (or meet) the burden of proof the PUCO placed upon Ohio Power in its ESP case:

The Company shall file its proposed expansion of the gridSMART project, gridSMART Phase 2, as part of a new gridSMART application including **sufficient detail** on the equipment and technology proposed **for the Commission to evaluate the demonstrated success, cost-effectiveness, customer acceptance and feasibility of the proposed technology.**⁸

Despite shouldering the burden of proof in seeking hundreds of millions of dollars from customers for initiating Phase 2 of the gridSMART program, Ohio Power submitted a paucity of supporting documentation with its Application, which totaled only 26 pages. Ohio Power certainly did not provide the necessary documentation and testimony to demonstrate that Phase 2 would be cost-effective for customers.

Ohio Power also makes a number of claims about the impacts of Phase 2, including a total of \$1.325 billion in benefits over the next 15 years (based on the Cash

⁷ Application, Attachment B at 2, citing ESP 2, Opinion and Order (August 8, 2012 (“ESP 2 Order”) at 62-63.

⁸ ESP 2 Order at 62 (emphasis added).

View),⁹ without any supporting documentation beyond the one-page Attachment C. For instance, Ohio Power claims that \$1.016 billion of the total 15-year savings come from reliability improvements through Distribution Automation Circuit Reconfiguration Outage Reduction (“DACR”).¹⁰ Those savings are allegedly calculated by “compar[ing] annual Customer Minutes of Interruption for DACR circuits to pre-deployment data.”¹¹ However, Ohio Power provided none of this data with its filing.

Ohio Power also asserts \$6 million to \$7 million in yearly savings, for a total of \$83 million,¹² from advanced metering infrastructure (“AMI”) meter reading and meter operations savings based upon an estimated \$6.71 to \$7.83 per meter.¹³ But Ohio Power fails to explain or demonstrate why the savings per meter estimates are calculated at a rate greater than the \$6.50 per meter that is currently saved by smart meters installed under Phase 1 of the gridSMART project.¹⁴

Without any detailed explanation or supporting documentation, Ohio Power also estimates \$8 million to \$10 million in annual savings from credit, collections and revenue enhancements through the AMI infrastructure.¹⁵ In fact, \$1.5 million to \$2 million of these annual credit and collections savings are contingent upon the PUCO granting the

⁹ Application, Attachment A at 10.

¹⁰ Id. at 4; see also id., Attachment C.

¹¹ Id., Attachment C.

¹² Id.

¹³ Id., Attachment A at 5.

¹⁴ Id. Ohio Power also failed to provide documentation to support that installation of AMI meters under Phase 1 of the gridSMART program saved \$860,000 at \$6.50 per meter.

¹⁵ Id.

waiver that Ohio Power is seeking in Case No. 13-1938-EL-WVR, which was filed simultaneously with this action.¹⁶

In addition to the financial savings, Ohio Power also claims that the installation of DACR technology on approximately 250 circuits could result in a reduction of more than 21 million customer minutes interrupted (“CMI”) per year on circuits serving more than 330,000 customers.¹⁷ Ohio Power further claims that this could reduce societal costs by approximately \$71 million per year through the reduction of outages experienced by customers¹⁸ But as is the case with most of Ohio Power’s claims, these alleged benefits of DACR are unsupported by any documentation.

Finally, Ohio Power claims that the gridSMART technology is successful and garners customer acceptance, but did not file any supporting documentation beyond the conclusory allegations contained in Attachment A to the Application. In a weak attempt to establish the successfulness of the program, Ohio Power cites to the increasing number of meters that have been deployed nationwide and the amount of megawatt and peak demand reduction in Oklahoma.¹⁹ But Ohio Power does not provide the amount of megawatt and peak demand reduction that was attained through Phase 1 of the gridSMART project in Ohio. And an increasing number of installed smart meters on a nationwide basis does not necessarily mean that *Ohio Power’s* gridSMART is a successful project. Moreover, Ohio Power is seeking to end its dynamic and time-

¹⁶ As discussed in Section II.E, below, OCC opposes Ohio Power’s request to waive the requirements of Ohio Adm. Code 4901:1-18-06(A)(2) for the reasons set forth in OCC’s Motion to Intervene and Objections filed on October 18, 2013.

¹⁷ Application, Attachment A at 4.

¹⁸ *Id.*

¹⁹ *Id.* at 11.

differentiated pricing at the beginning of 2014,²⁰ which could negatively impact customer satisfaction going forward.

Similarly, Ohio Power cites to the satisfaction of customers who are utilizing AMI meters in other service territories in other states, which does not necessarily reflect the satisfaction of Ohio Power's gridSMART customers. While claiming that its customers equipped with AMI-enabled programs were 7% more satisfied with their electric service than customers overall,²¹ Ohio Power does not explain the parameters of that study or provide any specifics beyond that conclusion.

Ohio Power claims that Phase 2 of the gridSMART project will result in a number of specific savings and reliability benefits without providing any supporting documentation to back it up. Many of these alleged benefits are labeled as "customer benefit[s]"²² but lack any specific plans for quantification of those benefits/savings. In addition, Ohio Power provides no explanation as to how the benefits will "flow through to customers."²³

In addition, it is the utility's burden of proof to establish that an increase in rates is just and reasonable.²⁴ Ohio Power has not met its burden of establishing that the Phase 2 gridSMART costs are just and reasonable for customers to pay.

For these reasons, the PUCO should deny Ohio Power's Application to implemental Phase 2 of the gridSMART rider. If the PUCO does not deny Ohio Power's

²⁰ See Case No 13-1379-EL-ATA.

²¹ Application, Attachment A at 11.

²² Id., Attachment C.

²³ Id.

²⁴ *Cincinnati Bell Tel. Co. v. Public Utilities Com.*, 12 Ohio St.3d 280, 466 N.E.2d 848 at 287 (July 25, 1984) (citing R.C. 4909.18).

Application, it should conduct a full hearing (including discovery) and require Ohio Power to file testimony to justify its charges to customers.

B. Ohio Power's Request to Institute a Rider to Collect from Customers the Costs of Installing Phase 2 of gridSMART Is Premature under the PUCO's Ruling in the ESP 2 Case.

The PUCO should deny Ohio Power's request to institute the Phase 2 gridSMART Rider because it is premature and directly contravenes the PUCO's ESP 2 Order. With respect to the anticipated gridSMART Phase 2 rider, in the ESP 2 Order, the PUCO explained that "[k]eeping subsequent non-DIR, gridSMART expenditures in a new separate recovery mechanism facilitates enforcement and a Commission determination **that recovery of gridSMART investment occur only after the equipment is installed, tested, and is in-service.**"²⁵

Ohio Power filed this action seeking a rider to collect from customers, beginning January 1, 2014, the costs associated with 894,000 AMI meters, DACR technology on 250 distribution circuits and VVO on 80 circuits before installation. In contravention of the PUCO's ESP 2 Order, Ohio Power is seeking to simultaneously charge customers for costs associated with installing, testing and placing the various components of gridSMART Phase 2 into service. Because the Application is premature and violates the ESP 2 Order, the PUCO should deny Ohio Power's request for a Phase 2 gridSMART rider.

²⁵ ESP 2 Order at 63.

C. If the PUCO Does Not Deny the Application, Ohio Power Should be Required to Levelize the Projected Savings Resulting from gridSMART Operational Benefits and Use Them as an Offset to the Proposed gridSMART Phase 2 Rider for the Benefit of Customers.

If the PUCO does not deny Ohio Power's request to immediately begin collecting costs from customers under a gridSMART Phase 2 rider, it should require Ohio Power to, at a minimum, offset the costs by levelizing the projected savings. In the original Phase 1 gridSMART filing that was part of its first ESP (Case No. 08-918-EL-SSO), Ohio Power did not present a full-blown business case for a complete gridSMART deployment scenario. In fact, OCC's smart grid expert witness in that case stated that "[b]efore proceeding with the remainder of gridSMART, a more detailed project plan involving budget, resource allocations and life cycle operating cost projections for the full 7-10 year implementation period and beyond should be submitted for Commission approval, along with a specific set of performance measures and metrics that will apply to full system implementation."²⁶

Five years later, in its Phase 2 gridSMART filing, Ohio Power has yet to present a detailed and fully documented business case. Instead, Ohio Power offers a summary of its business case on page 10 of Attachment A to the Application, with additional summary information on estimated gridSMART Phase 2 benefits in Attachment C to the Application. Ohio Power, however, has not provided any background documentation or detailed testimony supporting the estimated benefits for customers in its Application.²⁷

²⁶ *In the Matter of the Application of the Columbus Southern Power Companies for Approval of its Security Plan; an Amendment to its Corporate Separation Plan; and the Sale or Transfer of Certain Generating Assets*, Case No. 08-918-EL-SSO ("ESP 1"), Direct Testimony of Edmund P. Finamore (October 31, 2008) at 8.

²⁷ OCC has served discovery on Ohio Power to attain the necessary documentation supporting higher level cost and benefit estimates contained in Attachment A, page 10 and in Attachment C.

In addition, the Application is silent on the question of when the stated benefits will occur.

Ohio Power's "Benefit/Cost Analysis," filed with its Application, estimates that customers will receive \$160 million net in O&M, Capital, and Energy/Capacity benefits under the Net Present Value View ("NPV").²⁸ Specifically, the \$160 million is comprised of the six categories: meter reading; credit and collection; uncollectible revenue; theft reduction; VVO; and reduction in inactive meter consumption benefits.²⁹ Ohio Power suggests that most of these benefits will "flow back to customers" in a future distribution rate case or through the establishment of a future uncollectible rider.³⁰ That is, Ohio Power would have consumers pay for Phase 2 of gridSMART now, and hope they receive the operational and other savings sometime in the future. This proposed cost collection mechanism is unacceptable.

Given that this proceeding addresses the desirability of continuing the gridSMART program into a second phase starting in 2014 and continuing for five years, Ohio Power should be required to levelize the projected savings resulting from gridSMART operational benefits and to use them as an offset to the proposed gridSMART Phase 2 Rider. In this way, Ohio Power's shareholders will share the investment risk with customers in order to move the program forward.

²⁸ Application, Attachment A at 10. The large reliability benefits estimated by Ohio Power at \$519 NPV are based on the cost to customers of power interruptions.

²⁹ Id., Attachment C. For comparison purposes, a MetaVu audit report on Duke Energy of Ohio's smart grid deployment included 26 separate potential benefits totaling \$383 NPV million in savings. *In the Matter of the Application of Duke Energy Ohio, Inc. to Adjust Rider DR-IM and Rider AU for 2010 SmartGrid Costs and Mid-Deployment Review*, Case No. 10-2326-GE-RDR, Duke Energy Ohio Smart Grid Audit and Assessment prepared by MetaVu, Inc. (June 30, 2011), Public Version at 72.

³⁰ Application, Attachment C, column 4.

By putting forth a plan whereby customers must obtain benefits through future cases or mechanisms, Ohio Power would have customers assume nearly all the risk of actually realizing the operational benefits and other customer benefits. Ohio Power's customers should not be responsible for paying the full cost of the gridSMART Phase 2 system deployment if the program does not realize the projected savings from operational benefits or if the investment is found at a later date not to have been cost-effective.

If Ohio Power's proposal is approved as is, significant consumer dollars would flow to Ohio Power before consumers realize any significant benefits in the form of the operational savings described earlier. As a result, consumers would bear the risk should the full value of the estimated benefits not come to fruition. In addition, Ohio Power has control over the timing of filing distribution rate cases and the test year used in those cases, thus, there is no guarantee customers will get the full impact of any future savings.

Ohio Power, on the other hand, would assume almost no financial risk at all. This is particularly concerning given the history of Ohio Power's gridSMART Phase 1 performance where, for several years, Ohio Power did not meet its projected gridSMART Phase 1 deployment schedule and over-collected significant sums from its customers for gridSMART costs.³¹

The PUCO's intention in approving Ohio Power's first ESP was not to require customers to bear the full risk of potential technology mistakes, budget overruns and realizing benefits in the deployment of Ohio Power's gridSMART system. Moreover, if the gridSMART program were not to progress as projected by Ohio Power, the PUCO

³¹ See *In the Matter of the Application of Ohio Power Company to Update Its gridSMART Rider*, Case No. 12-509-EL-RDR, Application (February 1, 2012) at 2.

would, in the best case have to consider rebates to customers or, in the worst case, have no way to return customers' monies.

Ohio Power's customers should not bear the entire risk of the gridSMART Phase 2 program. The PUCO agreed in its Opinion and Order in Duke's smartgrid mid-term evaluation in Case No. 10-2326-GE-RDR. In particular, the PUCO agreed that the cost recovery mechanism was in the public interest in that it "guaranteed future savings to the customers related to the deployment of the SmartGrid meters and AMI."³² The PUCO should adopt the same collection mechanism in this proceeding.

In addition, as the Maryland Public Service Commission ("MPSC") recognized in addressing a smartgrid program proposed by Baltimore Gas & Electric ("BGE"):

BGE, the Commission and the customers are, essentially, affecting a partnership by embarking on the Smart Grid initiative. For the partnership to be effective..., *the customers should not be solely responsible for the program costs if the benefits do not materialize. If BGE is convinced of the TRC and the forecast of customer behavior based on the pilot programs, then during the rider true-up BGE shareholders should have some exposure consistent with the risk inherent capital.*³³

In this proceeding, the PUCO should follow the MPSC's determination and order that the risk associated with Ohio Power's gridSMART Phase 2 program be shared between Ohio Power's customers and its shareholders. Otherwise, this may not be a reasonable "investment" for customers to continue making.

The MPSC, in the case cited above, required the smart grid initiative to be collected as a regulatory asset, stressing the importance of mitigating the risk for

³² Case No. 10-2326-GE-RDR, Opinion and Order (June 13, 2012) at 26.

³³ *In the Matter of the Application of Baltimore Gas and Electric Company for Authorization to Deploy a Smart Grid Initiative and to Establish a Surcharge for the Recovery of Cost*, MPUC Case No. 9028, Order No. 83531 (August 13, 2010) at 24 (citing Direct Testimony of Maryland Energy Administration witness Fred Jennings (July 19, 2010) at 13) (emphasis in original Order) (available at <http://webapp.psc.state.md.us/Intranet/sitesearch/CN9208.pdf>).

customers. In Ohio, however, customers are paying for Ohio Power's gridSMART through a rider, and the costs are being collected from Ohio Power's customers concurrent with spending. In order to protect customers through risk mitigation and a fair allocation of that risk, as in Maryland, the operational benefits of Ohio Power's smartgrid proposal need to be levelized and used to offset gridSMART costs.

Similarly, to address this risk to customers, the California Public Utilities Commission ("CPUC") has required each utility implementing smart meters to credit the operational benefits it has estimated would occur with each meter that the utility puts into service. The Southern California Edison Co. is required to credit \$1.4246 of the operational benefit per month beginning eight months after the meter is reflected in rate base. Similar approaches have been adopted for smart metering deployments by Pacific Gas & Electric and San Diego Gas & Electric.³⁴ As a result, the utilities' estimated operational costs are required to be booked as the meters are deployed and the risk that the operational benefits will not occur rests primarily with the utility.

OCC urges the PUCO to follow its own action in the Duke case, as well as the MPSC and CPUC, and order that the risk associated with Ohio Power's gridSMART Phase 2 program be shared between Ohio Power's customers and its shareholders. As smart meters are deployed, the operational benefits should be quantified upfront and assessed as a credit against the costs. This will reduce the cost paid by Ohio Power's customers. This is a key point in that benefits should be netted against the costs, and calculating the benefits becomes critical in order to maximize the potential netting or cost reduction to customers. Therefore, since customers are being asked to pay for the cost of

³⁴ CPUC Decision No. 08-09-039 (September 18, 2008). The California utilities submitted a business case for smart metering that included over 80% of the benefits in the form of reduced operational costs.

Ohio Power's extensive deployment, the benefits should be levelized and subtracted from the gridSmart Phase 2 Rider so that they are synchronized closely with the recovery of prudently incurred costs.

As an additional customer protection, the PUCO should adopt Ohio Power's proposal to institute annual rider caps ranging from \$1.00 to \$3.25 for residential customers,³⁵ as long as they are "hard caps" (i.e., any amounts over the caps do not carry over from year to year).

D. Ohio Power Customers Should not be Required to Pay for gridSMART Phase 2 Investments That Have No Quantifiable Impact on Ohio Power's Reliability Standards for Customers' Electric Service.

As part of the gridSMART Phase 2 initiative, Ohio Power plans to install AMI on approximately 894,000 meters and DACR capabilities for approximately 250 circuits within its service territory. While the Application alludes to potential reliability benefits associated with AMI and DACR, Ohio Power has made no commitment to improve the reliability standards that it is required to fulfill under Ohio Adm. Code 4901:1-10-10.

Ohio Power is currently required to adhere to two different reliability standards for the Columbus Southern Power ("CSP") and Ohio Power ("OP") rate zones.³⁶ These standards include the System Average Interruption Frequency Index ("SAIFI") and the Customer Average Interruption Duration Index ("CAIDI"). SAIFI is a measure of the number of outages an average customer experiences in a year and CAIDI measures the average restoral time. Each of the performance standards is established based upon the

³⁵ Application, Attachment A at 10.

³⁶ *In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Approval of Proposed Reliability Standards*, Case No. 09-756-EL-ESS, Opinion and Order (September 8, 2010) at 6.

specific characteristics of the service territory including historical system performance, system design, technological advancements, service area geography, customer perception survey results and other factors.³⁷ Ohio Power's current reliability standards are as follows³⁸:

RATE ZONE	SAIFI	CAIDI
CSP	1.54	135.17
OP	1.19	169.22

The Application does not specify which gridSMART Phase 2 initiatives are planned for circuits that serve CSP rate zone customers and which are planned for circuits that serve OP rate zone customers. Without this level of specificity, it is impossible to determine the impact that the Application will have on the reliability standards currently used by Ohio Power in each rate zone. Ohio Power has filed an Application to amend its reliability standards such that a single CAIDI and SAIFI standard will apply to all of its customers.³⁹ OCC has filed comments opposing the combined standards, partially because the gridSMART Phase 2 initiatives will have a different reliability impact on different areas within Ohio Power's service territory.⁴⁰

Ohio Power installed DACR on 70 circuits as part of the Phase 1 of the gridSMART program. According to the Application, CMI were allegedly reduced by 1,861,441 minutes for 22,427 customers in 2012 through the deployment of these DACR

³⁷ Ohio Adm. Code 4901:1-10-10(B)(4)(a).

³⁸ *In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Approval of Proposed Reliability Standards*, Case No. 09-756-EL-ESS, Opinion and Order (September 18, 2010) at 6.

³⁹ *In the Matter of the Establishment of 4901:1-10-10(B) Minimum Reliability Performance Standards for Ohio Power Company*, Case No. 12-1945-EL-ESS, Application (June 29, 2012).

⁴⁰ Id., OCC Initial Comments, (January 4, 2013) at 11.

circuits.⁴¹ However, Ohio Power also admits that weather conditions are the primary contributing factor behind changes in the reliability indices.⁴² Therefore it is unclear to what extent DACR improved the reliability on the affected 70 circuits and/or how those improvements were determined.

In the Application, Ohio Power contends that reliability performance improvements were achieved in the SAIFI and System Average Interruption Duration Index (“SAIDI”)⁴³ for the circuits where DACR was installed. Yet Ohio Power provided no details in the Application to substantiate these claims.⁴⁴ A more complete analysis is necessary of the 70 circuits where DACR was deployed in gridSMART Phase 1 to determine the potential for real reliability benefits in Phase 2. Without a more complete analysis, the PUCO will be unable to quantify the impact that the DACR deployment will have on the additional 250 circuits and the effectiveness of the dollars that are being spent on DACR.

Ohio Power also claims that CMI can be reduced by up to 30 percent over the three-year average reliability performance on the circuits where DACR is deployed during Phase 2 of the gridSMART project.⁴⁵ Ohio Power alleges that this will result in a reduction of more than 21 million CMI per year on the DACR circuits that will serve over 330,000 customers.⁴⁶ Reductions in the number of CMI in this magnitude should result in improvements in Ohio Power’s reliability standards. However, Ohio Power has

⁴¹ Application, Attachment A at 4.

⁴² Id.

⁴³ SAIDI indicates the total duration of interruptions for the average customer during a predefined period of time. IEEE Guide for Electric Power Distribution Reliability Indices, IEEE Std 1366-2012, at 17.

⁴⁴ Id., Attachment A at 4.

⁴⁵ Id.

⁴⁶ Id.

not proposed any improvements in its reliability standards to coincide with the deployment of DACR. Customers should not be required to pay for the deployment of DACR capabilities when Ohio Power is making no guarantee to provide quantifiable improvements in reliability.

Ohio Power further contends that the DACR deployment on the 70 circuits in Phase 1 resulted in crew labor savings of up to two hours per event, and in some instances avoidance of a service call altogether.⁴⁷ While Ohio Power claims that this labor savings provides an opportunity for additional proactive work to be performed on circuits and the further enhancement of reliability,⁴⁸ it has not committed to allocate crew labor savings towards enhancing reliability. Without such a commitment, the system-wide reliability benefits that Ohio Power alleges customers will obtain from DACR deployment could be easily diminished if fewer resources are actually made available to respond to proactive reliability measures.

Ohio Power estimated that DACR deployment could reduce societal costs by approximately \$71 million per year through a reduction of outages experienced by customers.⁴⁹ While the Application does not detail how this estimate was calculated, Ohio Power cited research that was performed by a national laboratory involving the cost of outages.⁵⁰ Interestingly, this same study found that momentary outages account for

⁴⁷ Id.

⁴⁸ Id.

⁴⁹ Id.

⁵⁰ Cost of Power Interruptions to Electricity Customers in the United States, Ernest Orlando Lawrence Berkeley National Laboratory, (2006).

two-thirds of the overall annual U.S. outage costs.⁵¹ Despite these high outage costs attributable to momentary outages, Ohio Power does not have any reliability standards concerning such outages.

The large-scale deployment of AMI meters and DACR will increase Ohio Power's capability to quantify how often momentary outages are occurring throughout its distribution system. Customers should obtain the benefit from the technologies that Ohio Power is asking them to pay for in the form of better reliability standards. Therefore, as a condition for approval of gridSMART Phase 2, the PUCO should require Ohio Power to establish a Momentary Average Interruption Event Frequency Index reliability standard based on the number of outages of less than five minutes duration that customers experience.

E. Ohio Power Should not be Allowed to Remotely Disconnect Customers' Service for Non-Payment Without Personal Notification, but if it is Allowed, Any Cost Savings Resulting from Remote Disconnections Should be Passed Along to Customers Through the gridSMART Rider, With Annual True-Up and Reconciliation.

As part of its plan for gridSMART Phase 2, Ohio Power seeks a waiver of the personal notice requirements of Ohio Adm. Code 4901:1-18-06(A)(2) for residences equipped with smart meters.⁵² Ohio Adm. Code 4901:1-18-06(A)(2) provides:

On the day of disconnection of service, the utility company shall provide the customer with personal notice. If the customer is not at home, the utility company shall provide personal notice to an adult consumer. If neither the customer nor an adult consumer is at

⁵¹ Id. at 15. Momentary outages in Ohio are considered to be outages whose duration is less than five minutes. Ohio Adm. Code 4901:1-10-01(Y) defines a sustained outage as an interruption in service that lasts more than five minutes.

⁵² *In the Matter of the Application of Ohio Power Company for a Limited Waiver of Rule 4901:1-18-06(A)(2), Ohio Administrative Code*, Case No. 13-1938-EL-WVR, Request for Waiver of Ohio Power Company ("Waiver Request") (September 13, 2013).

home, the utility company shall attach written notice to the premises in a conspicuous location prior to disconnecting service.

Ohio Power estimates that it will save \$1.5 million to \$2 million annually in operational savings by disconnecting customers remotely through smart meters.⁵³ But the savings could be greater than \$3 million per year, as Ohio Power estimates the savings, based on a 15-year cash view, at \$49 million.⁵⁴

OCC opposes Ohio Power's Waiver Request, and filed objections in the Waiver Request docket (Case No. 13-1938-EL-WVR) on October 18, 2013.⁵⁵ In that proceeding, OCC noted that in 2010 the PUCO denied a similar request by Duke that was more protective of consumers than Ohio Power's request.⁵⁶ OCC also pointed out that Ohio Power's proposal to continue providing personal notice to those customers with smart meters whom Ohio Power deems to be "vulnerable"⁵⁷ does not account for all at-risk members of a household.⁵⁸ In addition, OCC observed, Ohio Power would need to collect personal information from customers and family members, which creates privacy

⁵³ See Application, Attachment A at 5.

⁵⁴ Id., Attachment C.

⁵⁵ OCC will not repeat its objections verbatim in these Comments, but instead OCC incorporates its objections by reference.

⁵⁶ See OCC Objections at 5-6, discussing *In the Matter of the Application of Duke Energy Ohio, Inc. for a Waiver of Certain Sections of the Ohio Administrative Code for SmartGrid Pilot Programs*, Case No. 10-249-EL-WVR.

⁵⁷ Ohio Power defines a "vulnerable" customer as one "with either an advanced age over 60 years old and has shown difficulty in the past with comprehension of AEP Ohio's practices or procedures, someone with mental impairments who therefore is unable to comprehend the bill/disconnection notice, a customer marked with either life support and/or medical certificates as verified by physicians, or a customer identified as 'vulnerable' through interactions with the company, social workers, physicians, law enforcement or other officials who deem the customer as such." Waiver Request at 2.

⁵⁸ OCC Objections at 6-7. OCC noted that Ohio Power's definition of "vulnerable" does not include low or moderate income customers, customers with physical disabilities, educationally challenged customers, customers with recently discovered medical issues (who have not had an opportunity to seek a medical certificate), customers with chronic illnesses or even members of the household who have ailments but who have not been deemed by Ohio Power to be "vulnerable."

concerns for them.⁵⁹ OCC also mentioned that the Waiver Request is premature because of the small number of smart meters to be deployed,⁶⁰ and that Ohio Power has not proposed to immediately pass cost savings on to customers.⁶¹

The benefit that Ohio Power may receive through the use of remote disconnection through smart meters is also an issue in this proceeding. Like many of the other cost savings discussed in these Comments, Ohio Power intends to delay passing on to customers any cost savings that might result from smart meters' remote disconnection capability. Ohio Power proposes that any reduction in uncollectibles resulting from the use of remote disconnection will "[f]low back to customers through a future Uncollectible Revenue Rider that the company plans to file separate from this gridSMART Phase 2 filing."⁶² Ohio Power has not filed an uncollectible revenue rider associated with gridSMART Phase 2, and does not state in its Application how soon after approval of Phase 2 such a rider would be filed.

In fact, an uncollectible revenue rider should not be filed in connection with gridSMART Phase 2, but instead should be addressed as part of Ohio Power's next distribution rate case. Ohio Power presently does not have a rider to address uncollectibles regarding distribution service. Ohio Power's uncollectibles associated with its distribution service are embedded in distribution rates, which were set in the

⁵⁹ Id. at 7-8.

⁶⁰ Id. at 8-9.

⁶¹ Id. at 9-11.

⁶² Application, Attachment C.

stipulation approved in Ohio Power's recent distribution rate case.⁶³ Ohio Power cannot remove uncollectibles from its base distribution rates until its next distribution rate case, and thus cannot pass savings onto customers through a separate rider until its next distribution rate case.

But customers should not have to wait until Ohio Power receives approval of an uncollectibles rider or files its next rate case to realize the benefit of cost savings resulting from remote disconnections. If Ohio Power is allowed to remotely disconnect customers with smart meters for non-payment without personal notification, which OCC does not recommend, any cost savings should be passed along to customers immediately. The amount Ohio Power collects from customers through its gridSMART Phase 2 Rider should be reduced by the amount of savings from uncollectibles specifically attributed to the remote disconnection of AMI meters installed under Phase 2 of the gridSMART project. This should be included as part of the annual true-up and reconciliation of the gridSMART Phase 2 Rider.⁶⁴

F. Ohio Power Should Make a Strong Commitment in Support of Time-Differentiated and Dynamic Rate Designs for Residential Customers as Part of the Phase 2 gridSMART Deployment.

OCC is concerned with Ohio Power's lukewarm commitment to providing voluntary dynamic and time-differentiated rates to residential consumers. The time-differentiated pricing programs contained in Ohio Power's current tariffs is one of the

⁶³ *In the Matter of the Pre-Notification of the Application of Columbus Southern Power Company and Ohio Power Company, Individually and, if Their Proposed Merger Is Approved, as a Merged Company (Collectively AEP Ohio) for an Increase in Electric Distribution Rates*, Case No. 11-351-EL-AIR.

⁶⁴ See Application at 3.

consumer “value propositions” of the expensive AMI meters that Ohio Power touted in the process of gaining approval for the installation of the gridSMART infrastructure.⁶⁵

As part of its Phase 1 gridSMART program, Ohio Power has approximately 9,000 residential customers availing themselves of dynamic and time-differentiated pricing opportunities.⁶⁶ In a companion case to this proceeding, Ohio Power has requested that these enhanced rates be terminated.⁶⁷ In the Application in this proceeding, Ohio Power states that it may make a “supplemental simple time-differentiated Standard Service Offering (SSO) rate option,”⁶⁸ but believes that demand response and Competitive Retail Electric Service (“CRES”) providers should take the lead.⁶⁹ However, all the conditions for CRES providers to offer such programs have not been resolved.

For example, there continues to be issues related to consumer privacy, electronic data interchange and billing system protocols, and who will pay for billing system upgrades for CRES-provided customer programs. Ohio Power should therefore not be allowed to walk away from their previous commitment to Ohio consumers and should continue to offer time-differentiated rates as part of its gridSMART Phase 2 program until there is either a time-differentiated standard service offer available to Ohio Power residential customers or when CRES providers are offering enhanced rates in the Ohio

⁶⁵ ESP 1, Direct Testimony of Karen L. Sloneker (July 31, 2008) at 9-10 (“AMI, when paired with tariff options and the [Home Area Network], can empower customers to control their energy usage by providing real-time information and usage data, allowing them to better understand their energy consumption and potentially reduce their electricity bill”). See also *id.*, Tr. Vol. III (November 20, 2008) at 304-305.

⁶⁶ Customer count from “gridSmart Phase 1 Update” PowerPoint presented to the AEP Ohio Collaborative Meeting on August 21, 2013, page 4.

⁶⁷ *In the Matter of the Application Not for an Increase in Rates Pursuant to Section 4909.18, Revised Code, of Ohio Power Company to Establish an Expiration for its gridSMART Experimental Tariffs*, Case No. 13-1937-EL-RDR.

⁶⁸ Application, Attachment A at 6.

⁶⁹ *Id.*

Power service territory. Without such a commitment, OCC questions Ohio Power's claims that Phase 2 will add value for customers and improve customer satisfaction.

G. The \$20 Million Investment in VVO Proposed by Ohio Power Should Instead be Used to Offset Storm Costs that Ohio Power Seeks to Charge to Customers in Case No. 12-3255-EL-RDR.

Ohio Power remains obligated to expend \$20 million on the Turning Point project or other similar project, pursuant to PUCO orders issued in Case No. 10-1261-EL-UNC. In that proceeding, the PUCO gave consideration to Ohio Power's future committed expenditure of \$20 million in the Turning Point project in its annual application of the significantly excessive earnings test of R.C. 4928.143(F).⁷⁰

Ohio Power proposes to invest the \$20 million in VVO that will allow Ohio Power to optimize approximately 80 circuits.⁷¹ OCC urges the PUCO to reject use of the Turning Point funds for such a limited purpose.

The PUCO has stated that these funds could be used in other ways to benefit Ohio Power's customers, such as to help reduce the amount of storm costs that Ohio Power seeks to collect from customers in Case No. 12-3255-EL-RDR.⁷² OCC agrees with the PUCO. Reducing the storm costs by \$20 million would be a sensible approach to allow customers to benefit now from Ohio Power monies not yet expended, but which the PUCO previously considered as a future commitment by Ohio Power.

⁷⁰ See *In the Matter of the Annual 2009 Filing of Columbus Southern Power Company and Ohio Power Company Required by Rule 4901:2-35-10, Ohio Administrative Code*, Case No. 10-1261-EL-UNC, Entry on Rehearing (March 9, 2011) at 10.

⁷¹ Application, Attachment A at 9.

⁷² *In the Matter of the 2010 Long Term Forecast Report of the Ohio Power Company and Related Matters*, Case No. 10-501-EL-FOR, Opinion and Order (January 9, 2013) at 28.

H. Ohio Power Should not be Allowed to Include Efficiency Gains From Installation of VVO in Any Distribution Lost Revenue or Shared Savings Calculations.

Ohio Power is proposing that “VVO should qualify for recovery of all distribution lost revenues and shared savings, and the VVO energy efficiency savings should count towards Ohio Power’s energy efficiency targets.”⁷³ Ohio Power states that it “anticipates the approval” for collection from customers in its 2015-2017 Energy Efficiency filing.⁷⁴ OCC opposes Ohio Power’s shared savings request in this area.

Ohio Power already receives a return for distribution capital investments. Thus, in asking for shared savings Ohio Power is seeking a double incentive to be paid by consumers. VVO reduces losses on the distribution system; it does not reduce customers’ energy consumption. Customers already compensate Ohio Power for the transmission and distribution grid losses associated with the energy they consume. Customers should not have to pay Ohio Power again through the shared savings mechanism.

Ohio law allows electric utilities to count this reduction in losses and increase in grid efficiency towards compliance with Ohio’s energy efficiency targets.⁷⁵ But it is entirely inappropriate for Ohio Power to include these efficiencies in any calculations of distribution lost revenues or shared savings. The PUCO should reject Ohio Power’s proposal.

III. CONCLUSION

Ohio Power’s Application is premature and does not meet the burden of proof the PUCO established for deployment of gridSMART Phase 2. The PUCO should deny the

⁷³ Application, Attachment A at 8.

⁷⁴ Id.

⁷⁵ R.C. 4928.66(A)(2)(c).

Application. But if the PUCO does not deny the Application, it should hold a hearing on the Application and adopt the conditions on the Application recommended by OCC in these Comments. And the PUCO should require Ohio Power to help reduce the amount of storm costs that Ohio Power seeks to collect from customers in Case No. 12-3255-EL-RDR, per the PUCO's own excellent idea in a recent case.⁷⁶

Respectfully submitted,

BRUCE J. WESTON
OHIO CONSUMERS' COUNSEL

/s/ Terry L. Etter

Terry L. Etter, Counsel of Record
Michael J. Schuler
Assistant Consumers' Counsel

Office of the Ohio Consumers' Counsel

10 West Broad Street, Suite 1800
Columbus, Ohio 43215-3485
(614) 466-7964 (Etter Direct)
(614) 466-9547 (Schuler Direct)
terry.etter@occ.ohio.gov
michael.schuler@occ.ohio.gov

⁷⁶ See note 72, *infra*.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Comments was served on the persons stated below via electronic transmission this 1st day of November 2013.

/s/ Terry L. Etter

Terry L. Etter
Assistant Consumers' Counsel

SERVICE LIST

Devin.parram@puc.state.oh.us
Ryan.orourke@puc.state.oh.us
sam@mwncmh.com
fdarr@mwncmh.com
joliker@mwncmh.com
mpritchard@mwncmh.com
jfinnigan@edf.org
TDougherty@theOEC.org
ricks@ohanet.org
tobrien@bricker.com
NMcDaniel@elpc.org
haydenm@firstenergycorp.com
scasto@firstenergycorp.com

stnourse@aep.com
yalami@aep.com
cmooney@ohiopartners.org
vparisi@igsenergy.com
mswhite@igsenergy.com
whitt@whitt-sturtevant.com
campbell@whitt-sturtevant.com
williams@whitt-sturtevant.com
mhpetricoff@vorys.com
glpetrucci@vorys.com
jennifer.lause@directenergy.com
joseph.clark@directenergy.com

Attorney Examiners:

Sarah.parrot@puc.state.oh.us
Jonathan.tauber@puc.state.oh.us

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

11/1/2013 5:20:11 PM

in

Case No(s). 13-1939-EL-RDR

Summary: Comments Comments by the Office of the Ohio Consumers' Counsel electronically filed by Ms. Deb J. Bingham on behalf of Etter, Terry L.