

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Commission’s)
Investigation of Ohio’s Retail Electric) **Case No. 12-3151-EL-COI**
Service Market)

**COMMENTS OF
THE OHIO ENVIRONMENTAL COUNCIL**

Pursuant to the January 16, 2014 Entry of the Attorney Examiner in the above captioned case, Ohio Environmental Council (“OEC”) respectfully submits the following comments on the Public Utilities Commission of Ohio Staff’s Market Development Work Plan (“Work Plan”).

I. Introduction

As an environmental organization we appreciate the Staff’s attention to, and recommendations on Advanced Metering Infrastructure (“AMI”), Time-Differentiated Rates, and the resultant energy efficiency benefits of those initiatives. OEC also, appreciates the Work Plan’s focus on the billing process, as we feel standardized billing opens the doors for innovative ways to allow for increased energy efficiency options. OEC has limited its comments on the Staff’s Work Plan to these issues.

As a public interest advocate, though, OEC has a strong interest in the transparency and regulatory oversight of corporate separation generally, and affiliate transactions specifically. Therefore, OEC supports Staff’s conclusion that it is “imperative that utility and its affiliate activities should be vigilantly monitored to ensure

compliance with section 4928.17, O.R.C. and Chapter 4901:1-37, Ohio Administrative Code.”¹ Without such monitoring, the potential for utilities to share competitive information across functions (and the resultant negative the impact on the competitive market becomes greater. OEC further is encouraged by the Staff’s recommendation to audit each utility's policy and procedures pertaining to compliance with the Code of Conduct rules between affiliates. While OEC does not provide detailed comments on the Corporate Separation aspects of the Work Plan, OEC does encourage the Staff and the Commission to initiate further proceedings to ensure protection of the market, its participants, and energy customers from improper affiliate dealings.

Any lack of comment on other issues in the Work Plan should not be construed as OEC’s full assent to the Staff’s recommendations. OEC, in its reply comments, reserves the right to comment on these and other aspects to the Work Plan.

II. Comments on Staff’s Work Plan

A. OEC Agrees with Staff’s that Advanced Metering Infrastructure (“AMI”) is an important part of the modernization of Ohio’s electric distribution system, yet recommends more needs to be done ensure full state-wide deployment of AMI.

It is the stated policy of Ohio to “[e]ncourage innovation and market access for cost-effective supply- and demand-side retail electric service including, but not limited to, demand-side management, time-differentiated pricing, waste energy recovery systems, smart grid programs, and implementation of advanced metering infrastructure.”² The Staff, in its Work Plan, notes the benefits of AMI, including: providing a pathway to “the data acquisition and data analysis necessary to modernize the electric distribution

¹ *In the Matter of the Commission’s Investigation of Ohio’s Retail Electric Service Market*. PUCO Case No. 12-3151-EL-COI. Staff’s Market Development Work Plan (“Work Plan”), Page 12 (January 16, 2014).

² Ohio Rev. Code §4928.02(D).

system;” providing customers the opportunity to save money through providing them the data necessary to increase customer awareness of their consumption patterns, and price incentives to adopt energy efficient choices in usage; and supporting the market development of third-party energy efficiency offerings.³

However, Staff’s Work Plan lacks any recommendation as to further deployment of AMI, and thus the further reaping of these benefits for the state’s competitive market and its energy customers. OEC supports Staff’s recommendation that the Commission require utilities *who have deployed* AMI to amend supplier tariffs to assist with providing customer usage data.⁴ However, Staff provides no direction nor recommendation on how to encourage those utilities that *have not fully* deployed AMI.

Ohio’s Electric Distribution Utilities (“EDUs”) have taken distinct approaches at how and when to deploy AMI to its customers, and are at varying phases of deployment. For Example, Duke Energy has already fully deployed AMI to the tune of 426,000 electric meters and 288,000 natural gas meters in southwest Ohio. AEP, after a relatively successful first phase of its gridSmart plan, has proposed through Phase 2 of gridSmart, which is currently before the Commission, to deploying over 800,000 smart meters.⁵ First Energy initiated a one-year pilot program in spring 2011 to deploy 5,000 meters to Cleveland Electric Illuminating customers, with the company working to deploy an additional 39,000 meters in Phase 2.⁶ Finally, Dayton Power and Light is to

³ See Work Plan at p. 23

⁴ Work Plan at 25.

⁵ See PUCO Case No. 13-1939-EL-RDR, *In the Matter of the Application of Ohio Power Company to Initiate Phase 2 of its gridSMART Project and to Establish the gridSMART Phase 2 Rider.*

⁶ See *In the matter of the application of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company for approval of Ohio Site Deployment of the Smart Grid Modernization Initiative and Timely Recovery of Associated Costs.* PUCO Case No. 09-1823-EL-AAM.

file an application with the Commission by July 1, 2014 for implementation and deployment of smart grid technology.⁷

With AMI not yet available at the significant levels necessary to reap the economic and environmental benefits, OEC, thus, recommends that the Commission monitor and encourage increased planning, implementation, and deployment at the EDU level.

What is more, throughout all phases of AMI deployment (pilot, initial-large scale, and full deployment), proper performance metrics need to be tracked and reported by the EDUs. Performance metric reporting encourages the transparency that the Staff has recommended in its Work Plan. To provide the Commission and other stakeholders with state-wide standardized information and EDU accountability, OEC recommends annual reporting of performance metrics on the results of each EDU AMI deployment plan. Such reporting would demonstrate: (1) how well each EDU is performing on its AMI deployment; (2) the program's cost-effectiveness; and (3) and how important ancillary benefits of AMI achieved. Commission Staff, EDU, and stakeholder collaboration should be harnessed to develop these metrics on a state-wide basis.

One area of particular emphasis to be reflected in such metrics is improved air quality resulting from the smart grid deployment. Smart grid deployment will achieve cleaner air emissions in several areas, such as fewer truck rolls to read meters, and to disconnect and reconnect electric service; and energy savings and greenhouse gas

⁷ *In the matter of the application of the Dayton Power and Light Company for Authority to Establish a Standard Service Offer in the form of a Market Rate Offer.* PUCO Case No. 12-0426-EL-SSO. Opinion and Order (September 4, 2013) at 28.

emission savings from energy efficiency and demand response programs enabled by the smart grid deployment.

Reporting these environmental matrices is important for two reasons. First, it allows EDUs to demonstrate to customers additional benefits arising from its smart grid deployment. Second, the results may be useful for helping inform compliance with new regulations that will be forthcoming from the U.S. Environmental Protection Agency next year relating to greenhouse gas emissions from existing coal plants.

The promise of AMI as a mechanism to modernize Ohio's energy delivery service is real. However, such promise will only be realized if the Commission initiates proceedings to provide statewide oversight to encourage full AMI deployment and proper metrics to analyze AMI and smart grid success.

B. OEC supports the Staff's recommendation that EDUs that have deployed AMI should offer time-based rate plans until CRES providers have widespread time-based rate offerings.⁸

Time-based tariffs provide significant environmental and economic benefits for customers who shift their energy usage to off-peak periods. The environment benefits because, in PJM, wind energy generally forms a higher proportion of the total generation mix during off-peak periods as compared to on-peak periods.⁹ From an economic

⁸ Work Plan at 25.

⁹ Monitoring Analytics, *Quarterly State of the Market Report for PJM: January through September 2013* at 52-53, Tables 3-4 and 3-5 (November 14, 2013).

perspective, several studies have shown that customers on time-based rates save energy and save money.¹⁰

Customers can save money on time-based rates due to how rates are calculated. Standard utility rates are based on the average annual cost to serve a customer, so a customer pays the same rate regardless of when they use energy. Customers can receive lower prices under time-based rates because the rates are based on the time of day when the customer uses energy and the utility's cost-to-serve is typically lower during off-peak periods as compared to on-peak periods. In addition, small businesses served by rate schedules with demand charges can reduce their demand charges.

In juxtaposition to the Staff's current recommendation, however, one utility is looking to discontinue time-differentiated pricing. In its recent application currently before the Commission, AEP Ohio seeks to cancel five experimental time-based pricing tariffs established as part of its gridSMART Phase 1 smart grid deployment project.¹¹ Without evidenced that an adequate CRES penetration exists, less adequate CRES availability of time-differentiated pricing mechanisms, it is highly premature and wholly unreasonable to allow an EDU to eliminate an offer with such customer and environmental benefits. While the current AEP case is a starting point for Commission action to put Staff's recommendation into practice, the Commission should through current¹² or future dockets monitor time-differentiated pricing mechanisms at the EDU

¹⁰ Ahmad Faruqui, Ph.D., *Dynamic Pricing: The Top 10 Myths*. The Brattle Group (April 7, 2011), available at: http://www.brattle.com/_documents/UploadLibrary/Upload936.pdf.

¹¹ See In the matter of the application of Ohio Power Company to Establish an Expiration for its gridSMART™ Experimental Tariffs. PUCO Case No. 13-1937-EL-ATA.

¹² *In the Matter of the Commission's Review of Time-Differentiated and Dynamic Pricing Options for Retail Electric Services*, Case No. 12-150-EL-COI (Entry) (January 11, 2012).

level, and allow them to mature and not be dissolved until it is substantially demonstrated that CRES providers have widespread time-based rate offerings.

C. As part of any Commission actions concerning the Staff recommendations on Standardized Billing,¹³ OEC recommends the inclusion of On-Bill Repayment to finance energy efficiency and renewable electricity generation projects.

To advance the objectives of the Commission in initiating this investigation to “establish actions that the Commission can take to enhance the health, strength, and vitality of the market,”¹⁴ innovative ways to deploy energy efficiency and distributed generation must be a high priority. In furtherance of this objective, OEC recommends that the Commission Staff amend its January 16, 2014 Work Plan to include a recommendation that the Commission open a new docket to implement on-bill repayment (“OBR”) for commercial and industrial customers. The Advanced Energy Economy Ohio made a similar recommendation in its comments filed on March 1, 2013 in this proceeding responding to one of the questions originally raised by the Commission—whether utilities should offer standardized billing – and OEC believes it deserves further consideration in this investigation.

OBR provides an opportunity for commercial and industrial property owners and tenants to finance energy efficiency and renewable electricity generation projects with capital provided by third-party investors. The investments are repaid through the utility bills of consumers who make these improvements, and the improvements are financed at no additional cost to ratepayers. The repayment obligation runs with the meter, meaning

¹³ See Work Plan at 19-22.

¹⁴ Work Plan at 4.

that it survives transfers in ownership and occupancy, which allows for longer term loans with lower interest rates. OBR creates a repayment platform that can accommodate a variety of financing techniques, including loans, leases, Energy Service Agreements and Power Purchase Agreements.

The benefits of OBR include:

- No direct costs to taxpayers or ratepayers;
- Job creation;
- Customer access to low-cost capital;
- Acceleration of clean energy investments and emissions reductions;
- Reduced program costs through a scalable platform and standardized processes;
- Avoided cost of new generation capacity and reduced use of higher-cost generation for ratepayers; and
- Flexibility to accommodate a wide variety of financing structures and business models.

On the national level, a study by the Environmental Defense Fund has estimated that expanding low-cost energy efficiency financing, through programs like OBR, could boost employment job-years by 615,000 over the next decade (a job-year is a full-time job that lasts for one year). The study estimates that OBR could help to avoid 1,152 million metric tons of carbon dioxide equivalent over the course of a decade, or about the equivalent of taking 288,000 cars off the road. The carbon dioxide reductions available through this program could possibly be used in the Ohio state implementation plan to help comply with upcoming U.S. EPA regulations on carbon dioxide emissions from existing coal plants.

OBR differs from On-Bill Financing (“OBF”), which has been offered in approximately 20 states. OBF utilizes ratepayer funds to finance projects, while OBR utilizes third-party private capital. OBF usually places the utility in the role of the underwriter. OBF programs are operating in many states and can produce low financing

rates but are difficult to scale and often have poor customer service. In addition, OBF puts utility ratepayers at risk for paying defaulted loans, while OBR does not. OBR programs are also expected to have lower interest rates than conventional financing because several characteristics of OBR provide natural credit enhancements: utility bill default rates are extremely low; the repayment obligation would arise from the utility tariff and would not be dischargeable in bankruptcy; the loan pool would be statewide; the programs would be financed by third-party lenders with low capital costs; and a secondary market may develop as the market matures and the loans are securitized.

The OBR obligation is structured as a rate under the utility tariff for a specific utility meter. The repayment obligation for a project that is funded through OBR would flow through the utility bill as a rate under the tariff, thus any future utility customers at that property will receive the benefits of the project and incur the repayment charge for the term of the obligation. A subsequent customer would not be responsible for any payments due prior to the customer's occupancy. This is similar to the obligation incurred by successive owners when a property owner finances special improvements through the utility bill. Stranded asset obligations, payment for line extensions and undergrounding are all examples of finance based rates that automatically bind successor-customers without requiring consent.

California, Connecticut, and Hawaii have approved the OBR concept and are in the process of implementing their programs. Maryland, New York, New Jersey, and Pennsylvania are considering OBR programs.

OBR would be a useful tool to increase adoption of renewable energy and energy efficiency. OBR could also increase retail competition because retailers could increase

their product offerings to expand their offers of retail electric generation service by adding renewable energy and energy efficiency offers.

III. Conclusion

OEC appreciates the opportunity to submit comments in response to the Commission's investigation of Ohio's retail electric service market, and Staff's Market Development Work Plan, and OEC urges the Commission's consideration of the above recommendations.

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CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing has been served upon the following parties by first class or electronic mail this 6th day of February, 2014.

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Summary: Comments Comments on behalf of the Ohio Environmental Council electronically filed by Mr. Trent A Dougherty on behalf of Ohio Environmental Council