

BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of	)	
Ohio Power Company for Authority to	)	Case No. 13-2385-EL-SSO
Establish a Standard Service Offer	)	
Pursuant to §4928.143, Revised Code,	)	
in the Form of an Electric Security Plan	)	
	)	
In the Matter of the Application of	)	
Ohio Power Company for Approval of	)	Case No. 13-2386-EL-AAM
Certain Accounting Authority	)	

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**DIRECT TESTIMONY OF  
CHERYL ROBERTO  
ON BEHALF OF  
OHIO ENVIRONMENTAL COUNCIL AND ENVIRONMENTAL DEFENSE FUND**

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**Counsel for the Ohio Environmental Council and Environmental Defense Fund**

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Cheryl Roberto. My business address in 1207 Grandview Ave., Suite 201,  
4 Columbus, OH 43212.

5 **Q. BY WHOM ARE YOU CURRENTLY EMPLOYED, AND WHAT IS YOUR JOB**  
6 **TITLE?**

7 A. I am employed by Environmental Defense Fund (“EDF”) as Associate Vice President,  
8 Clean Energy.

9 **Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**  
10 **YOUR RELEVANT PROFESSIONAL EXPERIENCE.**

11 A. I earned a B.A. in Political Science from Kent State University, a J.D. from the Ohio  
12 State University Moritz College of Law, and a Certificate of Completion, Strategic  
13 Management of Regulatory and Enforcement Agencies from Harvard University, John F.  
14 Kennedy School of Government, Executive Education. In my current position at EDF, I  
15 lead the national EDF Clean Energy Program. Through regulatory reform and new utility  
16 incentives, among others, the EDF Clean Energy Program aims to help modernize our  
17 outdated energy infrastructure, accelerate the deployment of cutting-edge, clean  
18 technologies into the nation' electric system and break down the regulatory and financial  
19 barriers to broad-scale adoption of renewable energy, energy efficiency and other  
20 innovative ways to generate, distribute and use energy. Prior to joining EDF, I served as a  
21 Commissioner of the Public Utilities Commission of Ohio (PUCO) from 2008 to 2012,  
22 where I was the lead commissioner for PUCO's partnership with the United States  
23 Department of Energy combined heat and power pilot project. Also I served as Co-Chair

1 of the 2012 National Electricity Forum, which centered on envisioning an intelligent,  
2 interactive and resilient electric grid.

3 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

4 A. I am testifying on behalf of EDF and the Ohio Environmental Council (“OEC”),  
5 intervenors in this case.

6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

7 A. The purpose of my testimony is to: (i) review the Company’s gridSMART Phase 2 Rider;  
8 and (ii) review the Company’s Economic Development Rider.

9 **II. GRIDSMART PHASE 2**

10 **Q. ARE YOU FAMILIAR WITH THE COMPANY’S GRIDSMART PHASE 1**  
11 **PROGRAM?**

12 A. Yes. I served on the Commission when this program was approved and when the  
13 Company started to implement the program. I have also read the Company’s status  
14 report on gridSMART Phase 1, which it filed with its application in Case No. 13-1939-  
15 EL-RDR.

16 **Q. WHAT IS YOUR OPINION OF THE GRIDSMART PHASE 1 PROGRAM?**

17 A. The program has been a success. The Company managed to install the equipment  
18 without major disruptions for its business or for customers. The equipment appears to be  
19 working as intended and this occurred because the storage equipment had not been  
20 widely used in outdoor conditions and did not function well when subjected to the  
21 weather. The Company has demonstrated a very high level of technical and managerial  
22 expertise in managing this program.

1 **Q. ARE YOU FAMILIAR WITH THE COMPANY'S PROPOSAL REGARDING**  
2 **GRIDSMART PHASE 2?**

3 A. Yes. I have reviewed the Company's application in Case No. 13-1939-EL-RDR, where  
4 the Company seeks approval of this program. I have also reviewed the testimony of  
5 Pablo Vegas, Selwyn Dias, David Roush and Andrea Mitchell in the present proceeding

6 **Q. WHAT RECOMMENDATION DO YOU MAKE REGARDING THE**  
7 **GRIDSMART PHASE 2 PROGRAM?**

8 A. I recommend that the Commission approve the program subject to certain conditions  
9 which I discuss below, regarding the following areas: (1) annual approval process; (2)  
10 treatment of operational cost savings; (3) regulatory commitments; (4) performance  
11 metrics; (5) deployment of Green Button Connect; (6) implementing a prepaid electric  
12 service program; (7) providing public outreach and education; (9) implementing the  
13 Volt/VAR proposal; and (9) continuing their dynamic pricing and time-based rate  
14 programs. In my opinion, the gridSMART Phase 2 deployment can provide meaningful  
15 benefits for customers. The Company demonstrated this in the cost/benefit information it  
16 provided in Case No. 13-1939-EL-RDR. In another example of smart grid deployment  
17 benefits, Commonwealth Edison recently sought permission to accelerate its smart grid  
18 deployment by three years, to complete the deployment in 2018 instead of the currently  
19 scheduled date of 2021, and claimed that the accelerated deployment would save  
20 customers \$150 million.

21 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THE ANNUAL**  
22 **APPROVAL PROCESS FOR THE GRIDSMART PHASE 2 PROJECT?**

1 A. I recommend that the Commission continue to use an annual update process similar to the  
2 process used for gridSMART Phase 1. An example is Case No. 12-509-EL-RDR.

3 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THE TREATMENT OF**  
4 **OPERATIONAL COST SAVINGS FOR THE GRIDSMART PHASE 2**  
5 **PROJECT?**

6 A. I recommend that the Commission require the Company to net the operational cost  
7 savings from the Phase 2 deployment against the costs of deployment. This will provide  
8 a fair allocation of project benefits between shareholders and ratepayers. The  
9 Commission approved a similar approach for Duke Energy's smart grid rider in *In the*  
10 *Matter of the Application of Duke Energy Ohio, Inc. to Adjust and Set its Gas and*  
11 *Electric recovery Rate for 2009 SmartGrid Costs Under Rider AU and Rider DR-IM,*  
12 *Case No. 10-867-GE-RDR (Opinion and Order) (March 23, 2011); Id. (Stipulation at ¶*  
13 *14)(February 14, 2011).*

14 **Q. WHAT IS YOUR RECOMMENDATION REGARDING REGULATORY**  
15 **COMMITMENTS FOR THE GRIDSMART PHASE 2 PROJECT?**

16 A. In the gridSMART Phase 1 project, the Company made certain commitments relating to  
17 real-time pricing, smart appliances, plug-in electric vehicles and plug-in hybrid electric  
18 vehicles. I recommend that the Company continue these commitments, and that the size  
19 of each commitment from the Phase 1 project should be scaled up by a factor of nine to  
20 reflect the larger size of the Phase 2 deployment. The Company stated in its initial  
21 gridSMART rider update application that the U.S. Department of Energy required these  
22 types of commitments as a condition of the grant to help fund Phase 1. It is reasonable  
23 that the Company should continue these commitments, scaled up to reflect the larger size

1 of the Phase 2 deployment. I support the Company's decision in the Phase 1 case to scale  
2 back the community energy storage program due to operational problems, and  
3 recommend that the Company continue to test this technology. If the testing is successful,  
4 the Company should deploy the equipment, scaled up to reflect the larger size of the  
5 Phase 2 deployment.

6 **Q. WHAT IS YOUR RECOMMENDATION REGARDING PERFORMANCE**  
7 **METRICS FOR THE GRIDSMART PHASE 2 PROJECT?**

8 A. I recommend that the Company do annual reporting of performance metrics on the results  
9 of Phase 2 deployment. This would help the Commission and other stakeholders to  
10 determine: (1) how well the Company is performing on the Phase 2 deployment; and (2)  
11 the program's cost-effectiveness. AEP Ohio plans to invest \$465 million on Phase 2,  
12 which is a significant sum. The annual rider updates are summary proceedings, conducted  
13 without a hearing. It would be reasonable for the Company to self-report, with each  
14 annual rider update filing, on various performance metrics related to how the  
15 implementation is proceeding. I recommend that the Company work collaboratively  
16 with interested stakeholders to develop these performance metrics. A good starting point  
17 for these discussions would be the performance metrics adopted for the Commonwealth  
18 Edison smart grid deployment in Illinois. We filed these performance metrics with the  
19 Commission in our Initial Comments in Case No. 13-1939-EL-RDR, filed November 1,  
20 2013.

21 **Q. WHAT IS YOUR RECOMMENDATION REGARDING DEPLOYMENT OF**  
22 **GREEN BUTTON CONNECT FOR THE GRIDSMART PHASE 2 PROJECT?**

1 **Q. DO YOU HAVE ANY RECOMMENDATIONS REGARDING THE COMPANY'S**  
2 **PROPOSAL FOR AN ECONOMIC DEVELOPMENT RIDER AS DESCRIBED**  
3 **IN COMPANY WITNESS SPITZNOGLE'S TESTIMONY?**

4 A. Yes. I have reviewed Mr. Spitznogle's testimony and I generally support this proposal.  
5 As I understand it, this rider is used to recover the costs of the subsidy when the  
6 Company offers discounted electricity through unique arrangements with select  
7 customers. However, I recommend that prior to seeking recovery the Company be  
8 required to undertake good faith efforts to reduce the costs to be recovered from all  
9 customers through the deployment of all cost-effective energy efficiency measures for  
10 which the investment would be recovered during the term of the unique arrangement at  
11 the facilities of the customers enjoying the discounted electricity. . The customer should  
12 commit the energy efficiency programs toward the Company's compliance with the  
13 energy efficiency standards.

14 **Q. WHY SHOULD THE UNIQUE ARRANGEMENT CUSTOMERS BE REQUIRED**  
15 **TO MAKE THIS COMMITMENT?**

16 A. The unique arrangements customer receives the benefit of subsidized rates without any  
17 obligation to try to use the electricity sensibly. The customer isn't required to make any  
18 commitments regarding the manner in which they use their energy. The unique  
19 arrangements customer can use the cost savings from the lower electricity rates to benefit  
20 their owners/shareholders, while the other customers who pay the subsidy receive no  
21 benefit. For example, in 2011 the Commission approved a ten-year unique arrangement  
22 between the Company and Timken in Case No. 10-3066-EL-AEC. From my review of  
23 publicly available information, I can find no evidence that Timken was required to make

1 any commitments regarding its use of energy at its Ohio steel facilities. Yet the lower  
2 electricity prices paid by Timken under this unique arrangement allowed Timken to flow  
3 benefits back to its shareholders. For example, in February 2014, Timken announced a  
4 9% increase in its quarterly dividend to \$0.25 per quarter  
5 (<http://news.timken.com/index.php?s=12504&item=136842> ).

6 This was a missed opportunity for the Company, its customers, and long-term for  
7 Timken. Does it make more sense to give a man a fish to feed him for a day or teach him  
8 to fish to feed him for a lifetime? Energy efficiency is extremely cost-effective. A  
9 March 2014 study by the Lawrence Berkeley National Laboratory (“LBNL”), which  
10 reviewed 1,700 energy efficiency programs in 31 states over a three-year period, found  
11 that the average cost for procuring the energy efficiency savings was 2.1¢ per kilowatt-  
12 hour. A 1999 LBNL study reviewed the steel industry’s current manufacturing practices  
13 and found that steelmakers could reduce their energy usage by 18% and also reduce their  
14 greenhouse gas emissions by 19% by adopting cost-effective energy efficiency programs  
15 (<http://eetd.lbl.gov/newsletter/nl02/eetd-nl02-7-steel.html> ). In the case of Timken, it  
16 receives a 15% discount (but potentially up to 25% discount) on its electricity bill  
17 through the subsidy while investment in cost-effective energy efficiency with a payback  
18 within the time frame of its unique arrangement could provide a long-term reduction in  
19 its overall energy needs.

20 Requiring unique arrangements customers to deploy all cost-effective energy  
21 efficiency can benefit the Company and its other customers by reducing the costs of this  
22 rider, lowering wholesale electricity costs, and providing cost-effective greenhouse gas  
23 reductions which could potentially be credited toward soon-to-be-issued carbon standards



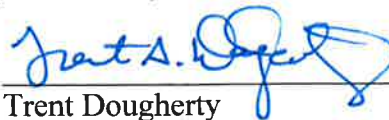
1 for existing fossil-fuel generation facilities. To the extent that energy efficiency  
2 programs have a wholesale price suppression impact, customers benefit in this manner.  
3 To the extent that the energy efficiency programs would be associated with lower  
4 greenhouse gas emissions for the customer's manufacturing operations, this may be  
5 available as a compliance option for Ohio's compliance with the U.S. EPA's upcoming  
6 rules on carbon emissions from existing fossil-fuel plants, which will be issued next  
7 month.

8 **Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?**

9 A. Yes.

CERTIFICATE OF SERVICE

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



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