

**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.	)	
	)	

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**INITIAL BRIEF OF INTERSTATE GAS SUPPLY, INC.**

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**September 2, 2016**

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**I. INTRODUCTION**

On April 7, 2016, a diverse group of parties submitted a Joint Stipulation and Recommendation (“Stipulation”) to the Public Utilities Commission of Ohio (“Commission”) in order to resolve the outstanding issues in this proceeding. The signatory parties include Interstate Gas Supply, Inc. (“IGS”), Direct Energy Business, LLC and Direct Energy Services, LLC (collectively, “Direct Energy”), Staff of the Commission (“Staff”), the Ohio Hospital Association (“OHA”), the Environmental Defense Fund (“EDF”), the Ohio Environmental Council (“OEC”), and Ohio Power Company (“AEP Ohio”).

The implementation of gridSMART Phase 2 recommended by the Stipulation will facilitate the development of new energy products and services, which have the potential to lower energy intensity on the distribution grid and place downward pressure on wholesale electric prices. Moreover, the Stipulation is the product of serious bargaining, will benefit the public interest, and does not violate any regulatory policy or practice.

Because the Stipulation provides for an equitable resolution to all of the outstanding issues in this case, IGS urges the Commission to approve the Stipulation.

## **II. Argument**

Under rule 4901-1-30, Ohio Administrative Code (“OAC”), parties to Commission proceedings may enter into stipulations to resolve contested issues. Although the Stipulation filed in this case is non-binding to the Commission, the terms of the agreement are accorded substantial weight. In considering the reasonableness of stipulations the Commission often relies on a test, colloquially known as the Three Prong Test (“Test”):

- (1) Is the settlement a product of serious bargaining among capable, knowledgeable parties?
- (2) Does the settlement, as a package, benefit ratepayers and the public interest?
- (3) Does the settlement package violate any important regulatory principle or practice?<sup>1</sup>

The Stipulation in this case is a result of significant time and effort on behalf of the signatory parties and satisfies or exceeds each of these criteria. Therefore, it should be adopted by the Commission.

### **A. The Stipulation is the Product of Serious Bargaining Among Capable, Knowledgeable Parties**

The Stipulation filed in this case is the result of over two years of thoughtful bargaining between the signatory parties. While not all parties to the negotiations signed the Stipulation, every party was invited to the negotiating table and provided the

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<sup>1</sup> See *Indus. Energy Consumers of Ohio Power Co. v. Pub. Util. Comm’n*, 68 Ohio St.3d 559 (1994).

opportunity to make their views and opinions known. As stated in Staff witness Schweitzer's testimony, "[t]he terms of the Stipulation are the result of serious bargaining between the parties to arrive at a mutually acceptable stipulation for all parties."<sup>2</sup> Moreover, no customer class was excluded from the negotiations or the collaborative meetings where much of the Stipulation negotiation took place according the witness Schweitzer.<sup>3</sup> Therefore, the Stipulation should be approved.

Despite the clear diversity of interests at the negotiating table, OCC argues in its testimony that the Commission should require a "diversity of interests" to support the Stipulation.<sup>4</sup> The Commission, however, has flatly rejected the claim that there must be a diversity of signatory parties in order to satisfy the first prong; stating "We reject OCC/APJN's attempt to revise the test to evaluate stipulations based on the diversity of signatory parties"<sup>5</sup> AS noted above, the focus of the first prong is upon the diversity of the parties at the bargaining table. Because each party had an opportunity to provide input into the Stipulation, and no customer class was excluded from negotiations, the Commission should determine that the Stipulation satisfies the first prong.

## **B. The Stipulation Benefits the Public Interest**

The three primary technological enhancements proposed in the Stipulation, Advanced Metering Infrastructure ("AMI"), Distribution Automatic Circuit Reconfiguration

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<sup>2</sup> Staff Ex 1 at 2.

<sup>3</sup> Tr. Vol. III at 569.

<sup>4</sup> OCC Ex. 21 at 6-7.

<sup>5</sup> *In the Matter of the Application Seeking Approval of Ohio Power Company's Proposal to Enter into an Affiliate Power Purchase Agreement for Inclusion in the Power Purchase Agreement Rider*, Case Nos. 14-1693-EL-RDR, *et al.*, Opinion and Order at 52 (Mar. 31, 2016)(citations omitted).

("DACR"), and Volt/VAR Optimization ("VVO") will not only improve the safety and efficiency of the electric grid in the AEP Ohio service area, but they will also provide a net benefit to customers according to AEP Ohio's Business Case submitted in this case.<sup>6</sup> Benefits proposed under the Stipulation include safety and reliability improvements through the expansion of DACR in turn, yielding more than \$1 billion in customer value according the AEP witness Osterholt. Mr. Osterholt further states that VVO will decrease capacity requirements and reduce energy consumption yielding \$220 million in customer savings and continued AMI deployment will yield \$200 in operational savings, which include money saved through reduction in meter reading and other operational savings.<sup>7</sup>

The Stipulation supports the deployment of approximately 894,000 new AMI meters and also supporting a Time-of-Use ("TOU") Transition plan.<sup>8</sup> The additional AMI enabled meter will provide a substantially larger base of AEP customers the ability to capture value through the implementation of innovative products and services that require this technology. Direct Energy witness Ringenbach's written testimony states, "(AMI), allows the design of products and services that measure and record energy usage at intervals that typically range from 15 minutes to 1 hour. Certain AMI technology also makes it possible to measure energy consumption by specific appliances."<sup>9</sup> To see the full benefit of the AMI, AEP Ohio will make AMI interval data available to CRES providers within 24 months of the approval of the Stipulation through a web portal. Before the web

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<sup>6</sup> Company Ex 2 at Attachment A.

<sup>7</sup> Company Ex 1 at 5.

<sup>8</sup> Joint Stipulation and Recommendation at 5 & 7.

<sup>9</sup> Direct Energy Ex 1 at 2.

portal is operational, AEP Ohio will provide the interval data needed by CRES providers to implement programs similar in nature to those currently being offered by AEP Ohio.<sup>10</sup>

Moreover, Witness Ringenbach's testimony describes a myriad of plans requiring the interval data provided by AMI meters currently being offered by Direct Energy across three states Texas, Illinois, and Pennsylvania, including Direct Your Energy, Reduce Your Use, and Free Weekend plans.<sup>11</sup> The full benefits of TOU plans cannot be fully quantified at this point as new products are sure to be developed when bill quality interval data is made available to and CRES provider PJM settlements statements are calculated based upon their customers' actual hourly energy usage.

The Stipulation will undoubtedly provide a net benefit to customers throughout the AEP Ohio service area both through safety and reliability upgrades through the DACR and VVO implementation and also through the development of new products that can only be offered using interval data collected by AMI meters. For the reasons listed above the Stipulation satisfies the second prong of the Test.

### **C. The Stipulation Does not Violate any Regulatory Practice or Principle**

The Stipulation does not violate any regulatory policy or principle. According to Staff witness James Schweitzer, "[b]ased on my involvement in this proceeding, my career experiences, and review of the Stipulation, I believe that it complies with all important and relevant regulatory principles and practices."<sup>12</sup>

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<sup>10</sup> Company Ex 1 at 17-19.

<sup>11</sup> *Id.* at 3.

<sup>12</sup> Staff Exhibit 1 at 3.

Indeed, the Stipulation goes even further, promoting the State Policy contained in R.C. 4928.02. As the Commission recently concluded, “we note that, under R.C. 4928.02(D), it is the policy of the state to encourage innovation through the implementation of smart grid programs and advanced metering infrastructure.”<sup>13</sup> That Section states that it is the policy of this state to “Encourage 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.” The Stipulation is undeniably pro-competitive and in line with state policy in that it promotes time-differentiated pricing, smart grid programs, and the implementation of advanced metering infrastructure. The aforementioned enhancements to the competitive market further each of these principles. Accordingly, the Stipulation satisfies the third prong; thus, IGS urges the Commission to adopt the Stipulation.

### **III. CONCLUSION**

Properly deployed, smartGrid will enable CRES providers to offer customers innovative products and services that will reduce stress on the distribution grid and place downward pressure on wholesale energy and capacity prices. Approval of the Stipulation is an important first step toward these goals. Therefore, IGS recommends that the Commission approve the Stipulation.

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<sup>13</sup> *In the Matter of the Application Seeking Approval of Ohio Power Company's Proposal to Enter into an Affiliate Power Purchase Agreement for Inclusion in the Power Purchase Agreement Rider*, Case Nos. 14-1693-EL-RDR, *et al.*, Opinion and Order at 85 (Mar. 31, 2016).

Respectfully Submitted,

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## **CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a copy of *Interstate Gas Supply, Inc.'s Initial Brief* was served this 2nd day of September 2016 via electronic mail upon the following:

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

**Commission of Ohio Docketing Information System on**

**9/2/2016 3:10:02 PM**

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

Summary: Brief electronically filed by Helen Sweeney on behalf of Interstate Gas Supply, Inc.