



September 12, 2016

Ms. Barcy F. McNeal
Docketing Division
Public Utilities Commission of Ohio
180 East Broad Street, 11th Floor
Columbus, OH 43215

Re: *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*, Case No. 13-1939-EL-RDR

Dear Ms. McNeal:

Ohio Power Company (“AEP Ohio”) recently filed with the Commission a Stipulation and Recommendation in the above referenced case. The Environmental Defense Fund (“EDF”) and Ohio Environmental Council (“OEC”) are intervenors in this case and are signatory parties to the Stipulation and Recommendation. EDF and OEC write this letter to express their support for the Stipulation and Recommendation and to urge the Commission to approve it.

The Stipulation and Recommendation would enable AEP Ohio to implement several cost-effective programs to modernize its grid. EDF and OEC strongly support the efforts of utilities and state utility commissions to implement cost-effective grid modernization programs. Grid modernization can lower customer energy bills, reduce greenhouse gas emissions and allow utilities to deliver more reliable electricity service for customers. The Stipulation and Recommendation, if approved by the Commission, would accomplish all of these objectives.

The Stipulation and Recommendation is also consistent with the Commission’s efforts to encourage other Ohio electric distribution utilities to modernize their grids. The Commission approved Duke Energy Ohio’s grid modernization program in 2008.¹ The Commission required FirstEnergy to file a grid modernization plan in 2016,² and FirstEnergy’s application is pending before the Commission.³ The Commission will have an opportunity to require Dayton Power &

¹ *In the Matter of the Application of Duke Energy Ohio for Approval of an Electric Security Plan*, Case No. 08-920-EL-SSO (Opinion and Order) (December 17, 2008).

² *In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company for Authority to Provide for a Standard Service Offer Pursuant to R.C. 4928.143 in the Form of an Electric Security Plan*, Case No. 14-1297-EL-SSO (Opinion and Order) (March 31, 2016).

³ *In the Matter of the Filing by the Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company of a Grid Modernization Business Plan*, Case No. 16-481-EL-UNC (Application) (February 29, 2016).

Light Company (“DP&L”) to implement a grid modernization plan when the Commission rules on DP&L’s pending Electric Security Plan case.⁴

AEP Ohio has been implementing grid modernization in a thoughtful, prudent manner for the past several years. The Commission approved gridSMART Phase 1 in AEP Ohio’s first Electric Security Plan case.⁵ AEP Ohio deployed Phase 1 and now has substantial experience with it. AEP Ohio reported on Phase 1 customer benefits when it filed its application in the present case. These benefits were significant, including a 3% energy reduction from the Volt/VAR Optimization (“VVO”) deployment. AEP Ohio’s successful implementation of the Phase 1 deployment demonstrates that the Company has the management and technical expertise to implement this type of complex, large-scale project and to deliver on the projected customer benefits.

The Stipulation and Recommendation provides for AEP Ohio to install 894,000 smart meters, to automate its distribution grid and to install VVO on 160 distribution circuits. The Commission follows a three-prong test in approving stipulations: (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?; and (3) Does the settlement package violate any important regulatory principle or practice? EDF and OEC submit that the Stipulation and Recommendation easily satisfies this test and should therefore be approved.

The Stipulation and Recommendation resulted after a lengthy negotiation. Several parties participated in the settlement negotiations and signed onto the Stipulation and Recommendation as settling parties. AEP Ohio made a serious effort to take into account the other parties’ concerns. AEP Ohio made numerous concessions during these settlement negotiations. These concessions can be discerned by comparing AEP Ohio’s original application with the provisions of the Stipulation and Recommendation. EDF and OEC made numerous settlement demands throughout the negotiations and AEP Ohio made a good faith effort to respond to these settlement demands in a reasonable manner.

The Stipulation and Recommendation will result in significant customer benefits that will greatly exceed the program costs. AEP Ohio calculated that every \$1.00 spent on the program would result in \$2.80 of customer benefits. Moreover, the program will result in additional benefits that are not easily quantified. The number of grid modernization programs other state utility commissions have approved can demonstrate the fact that utility grid modernization programs benefit customers.

The Stipulation and Recommendation’s benefits include numerous environmental benefits, as follows:

- AEP Ohio will install VVO on 160 distribution circuits. AEP Ohio demonstrated in Phase 1 that VVO results in energy savings of 3%. This reduced energy usage will lead to significant reductions in greenhouse gas emissions and AEP Ohio will file annual

⁴ *In the Matter of the Application of the Dayton Power and Light Company to Establish a Standard Service Offer in the Form of an Electric Security Plan*, Case No. 16-395-EL-SSO (Application) (February 22, 2016).

⁵ *In the Matter of the Application of Columbus Southern Power Company for Approval of its Electric Security Plan*, Case No. 08-917-EL-SSO (Opinion and Order) (March 18, 2009).

reports on the energy savings, peak demand reductions, monetary savings and greenhouse gas reductions resulting from VVO.

- AEP Ohio will conduct a feasibility study for deploying VVO throughout its distribution system. The feasibility study will determine how much additional VVO deployment would be cost-effective.
- AEP Ohio will provide interval energy usage data to customers and Competitive Retail Electric Supply (“CRES”) providers, to enable CRES providers to offer time-of-use rate plans. Studies have shown that when customers have access to time-of-use rates and energy usage data, they can save up to 18% on their energy bills, with corresponding greenhouse gas emission reductions.⁶ AEP Ohio will develop a collaborative process with stakeholders to discuss data access issues, including implementation of Green Button Connect.
- the smart meter deployment will eliminate the need for meter readers to manually read meters and to turn on/turn off the meters at the customer’s residence. This will reduce the miles driven by AEP Ohio personnel by 440,380 miles annually, thus avoiding 186,556 metric tons of CO₂ avoided annually.
- AEP Ohio will hire a third party to quantify all of the air emission benefits resulting from its grid modernization plan.

Whether Phase 2 leads to full deployment of VVO and full access to energy usage data by customers and third parties will be critically important to the program’s ultimate success. The Stipulation and Recommendation provides a framework for achieving these objectives and AEP Ohio has demonstrated a reasonable approach to resolving these types of issues. Phase 2 requires AEP Ohio to do a full cost/benefit study for deploying VVO throughout its distribution grid. AEP Ohio would need to seek Commission approval, in a gridSMART Phase 3 filing, to recover the costs of additional VVO deployment beyond the 160 distribution circuits covered by the present Stipulation and Recommendation. EDF and OEC expect AEP Ohio to seek approval for full VVO deployment because we support deployment of all cost-effective VVO. This would be consistent with the efforts other Ohio electric distribution utilities have taken or are taking to modernize their grids, particularly Duke Energy Ohio.

We also expect AEP Ohio to work constructively with its stakeholders to develop data access procedures. AEP has committed to resolve these issues through a collaborative process with stakeholders. At a minimum, AEP Ohio should conduct a cost-benefit study for deploying Green Button Connect. Customers in California, Texas, Illinois and New York have, or soon will have, timely access to energy usage data through Green Button Connect or a similar tool. This is leading to a robust market where third-party providers provide energy savings equipment and services directly to customers. As noted above, studies have shown that customers can save up to 18% on their bills when they have access to such tools. Moreover, other utilities have

⁶ Mission;data, *Got Data?: The Value of Energy Data Access to Consumers* at 2 (January 2016), available at: <http://www.missiondata.org/news/2016/2/2/got-data-report-shows-benefits-of-consumer-access-to-their-energy-data>

shown that Green Button Connect can be implemented at very low cost, such as Xcel Colorado's report that it could implement this service for approximately \$1.5 million. It is important that customers receive access to all the benefits from this smart meter deployment because they are paying for the full cost of the deployment in their rates. Customers must have access to Green Button Connect to derive the full benefits from the smart meters.

Finally, the Stipulation and Recommendation is consistent with the third prong of the Commission's test for approving stipulations because the Commission has regularly approved rate riders allowing utilities to timely recover their distribution grid investments, including Duke Energy Ohio's grid modernization program discussed earlier. Furthermore, the stipulation supports a number of important provisions in Ohio's codified energy policies, including ORC 4928.02 (D), 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."

Based on the foregoing, EDF and OEC support the Stipulation and Recommendation and urge the Commission to approve it. Please accept this correspondence for filing in the case docket for the above referenced proceeding.

Very Truly Yours,

/s/ John Finnigan

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cc: Parties of Record

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

Summary: Correspondence Correspondence in support of Stipulation electronically filed by Mr. Trent A Dougherty on behalf of Environmental Defense Fund and Ohio Environmental Council