

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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

**REPLY BRIEF OF
OHIO PARTNERS FOR AFFORDABLE ENERGY**

I. Introduction

Ohio Partners for Affordable Energy (“OPAE”) herein submits to the Public Utilities Commission of Ohio (“Commission”) this reply brief in this proceeding concerning the application of Ohio Power Company (“AEP Ohio”) to initiate Phase 2 of its gridSMART program and to establish a rider to collect from its customers the costs associated with Phase 2. On April 7, 2016, a Stipulation and Recommendation (“Stipulation”) was filed to resolve the issues in this case. OPAE is not a signatory party to the Stipulation and requested in our initial brief that the Commission modify the Stipulation.

II. The Stipulation should be modified to state that the stipulated operational savings process will occur and that the initial \$1.6 million annual credit will be replaced by a Commission-established credit based on actual savings as determined by the operational savings process.

AEP Ohio argues that the Stipulation’s operational savings review process is mandatory and will occur. AEP Ohio states that the only discretionary aspect of the

operational savings process in the Stipulation is whether the Staff of the Commission will retain an auditor to conduct the review or conduct the review itself. AEP Ohio Brief at 23. AEP Ohio also states that the operational savings credit will be changed to reflect actual realized operational savings. AEP Ohio Brief at 25.

The Commission should recognize the necessity of quantifying the operational cost savings from the grid smart program and crediting the savings to customers through the cost recovery rider in an expeditious manner. The Stipulation is not sufficiently explicit on the need to recognize cost savings and credit the savings through the rider as quickly as the savings are realized. The Stipulation should be modified to expedite the process by which operational costs savings are identified and credited to customers. The Stipulation should state explicitly that the operational cost savings process will occur expeditiously with the commencement of the Phase 2 program, that the Staff will hire an auditor to conduct a review of the operational savings credit, and that the Commission will adopt a new operational savings credit as soon as the review process has determined the level of operational cost savings to be credited to customers through the rider.

III. TOU rates will not benefit all customers, especially low-income customers; therefore the Stipulation should be modified so that the costs to implement TOU rate offers from CRES providers should not be assigned to all customers.

Direct Energy supports the Stipulation and argues that it opens the door for Competitive Retail Electric Service ("CRES") provider Time of Use ("TOU") options that are not currently available in any service territory in Ohio. Direct Energy Brief at 4. Direct Energy states that whether CRES providers are able to provide a more

diverse selection of TOU products depends on AEP Ohio's development of the necessary systems and processes to enable the TOU products developed by CRES providers. Id. Direct Energy notes that the Stipulation provides that AEP Ohio will develop a CRES interval data portal, which will allow CRES providers to offer a more strategic and competitive slate of TOU products than is currently possible with the systems AEP Ohio currently has in place. Direct Energy also notes that the development of the data access to allow for TOU products by CRES providers will require a significant financial investment.

This significant cost to be assigned to all customers is one reason that OPAE is not a signatory party to the Stipulation. To address this cost issue, Direct Energy argues that all consumers must be responsible for their "fair share" of the smart grid investment, which the Stipulation ensures. Id. Direct Energy also argues that CRES customers should not face "discriminatory charges" for taking a TOU offer from a CRES provider when a current AEP Ohio TOU customer is not charged extra for the use of data to apply the TOU rate. Direct Energy argues that all customers should pay a portion of the cost of the technology even if some customers may not choose to avail themselves of TOU rates. Id. at 6.

TOU rates allow some customers to pay lower prices by reducing peak demand usage and reacting to pricing signals to control their consumption. Only certain customers can benefit from TOU rates. While there are always references to "savings" from TOU rates, these savings only occur if the customer is able to react to price signals and monitor usage on practically an hourly basis. This is an unrealistic requirement for many customers, especially low-income customers, who may end up paying far more than a standard offer when they are unable to monitor and control their usage on an hourly basis. Low-income customers work, often at multiple jobs with varying work times. TOU rates are appropriate only for customers who are

willing and able to purchase certain equipment and appliances and expend the time necessary to benefit from these rate offerings by monitoring their hourly usage. The risks imposed by these rates are not acceptable for most customers, especially low-income customers.

There is also no assurance that customers will be able to participate in TOU programs in sufficient numbers to assure the Stipulation's investment is reasonable. As few as 5% of customers may participate in TOU offers. OCC Ex. 21 at 12. The Stipulation requires customers who have no interest in TOU rates (and who probably should avoid TOU rates) to pay for TOU system capabilities when only a relative few number of customers may actually participate and even fewer may benefit. Id. There is no assurance that customers will actually participate or save money on the CRES TOU programs.

The Commission should monitor the impact of the CRES TOU products, especially once AEP Ohio is no longer offering TOU rates itself, as the Stipulation envisions. Direct Energy refers to TOU programs now offered by AEP Ohio, but the Stipulation intends that AEP Ohio's TOU programs be eliminated once CRES TOU products are sufficiently available. The Commission should modify the Stipulation to require AEP Ohio to perform shadow billing so that a determination can be made if customers on CRES TOU rates are actually saving money in comparison to the AEP Ohio standard service offer when CRES TOU offers are established and when AEP Ohio no longer offers TOU rates. The level of customer savings from CRES TOU programs as compared to the AEP Ohio standard service offer should be made public and evaluated. OCC Ex. 21 at 13.

In addition, the Stipulation should be modified to require that CRES providers and their customers, the beneficiaries of the stipulated provisions for CRES TOU rates, pay the full cost of the web portal and other infrastructure investments

required to implement CRES TOU rates. Contrary to Direct Energy's argument, all customers should not pay the costs associated with the Stipulation's CRES TOU provisions. If CRES TOU rate offers are really a good deal for customers, one would expect that the CRES provides and their customers would be fully able to pay the technology costs associated with these products.

IV. Conclusion

OPAE requests that the Commission modify the Stipulation and Recommendation as set forth in our initial brief and herein. In addition to the modifications suggested in this reply brief, OPAE again calls special attention to the need to maintain all existing consumer protection rules with the coming of the smart grid era. Especially, the disconnection of service rules, the on-site visit to a residence on the day of disconnection, the provision of information to avoid disconnection on the day of disconnection, and all rules in place to allow customers to maintain service should be enforced and not waived. The rules for customer deposits to establish service and maintain service should also be enforced. Finally, Ohio's consumer protection rules make pre-paid electric utility service unlawful. The Stipulation's provision calling for further discussion of pre-paid service should be eliminated because such service is unlawful and could only occur unlawfully.

Respectfully submitted,

/s/Colleen Mooney

Colleen L. Mooney

Ohio Partners for Affordable Energy

PO Box 12451

Columbus, OH 43212

Telephone: (614) 488-5739

cmooney@ohiopartners.org

(electronically subscribed)

CERTIFICATE OF SERVICE

A copy of the foregoing Reply Brief will be served electronically by the Commission's Docketing Division upon the following electronically subscribed parties identified below on this 16th day of September 2016.

/c/Colleen Mooney
Colleen L. Mooney

stnourse@aep.com
msmckenzie@aep.com
terry.etter@occ.ohio.gov
bojko@carpenterlipps.com
tdougherty@theoec.org
ifinnigan@edf.org
mfleisher@elpc.org
ricks@ohanet.org
joliker@igsenergy.com
mswhite@igsenergy.com
vparisi@igsenergy.com
mwarnock@bricker.com
dborchers@bricker.com
campbell@whitt-sturtevant.com
whitt@whitt-sturtevant.com
glpetrucci@vorys.com
haydenm@firstenergycorp.com
scasto@firstenergycorp.com
Werner.margard@ohioattorneygeneral.gov

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Summary: Reply Brief electronically filed by Colleen L Mooney on behalf of Ohio Partners for Affordable Energy