

**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.)	
)	

REPLY BRIEF OF INTERSTATE GAS SUPPLY, INC.

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I. INTRODUCTION

This Reply Brief focuses on various concerns addressed in the post-hearing Briefs filed by the Office of the Ohio Consumers Counsel (“OCC”) and the Ohio Partners for Affordable Energy (“OPAЕ”). Specifically this Reply Brief addresses the benefits of expanding Time of Use (“TOU”) programs, the allocation of costs associated with TOU programs, and OPAЕ’s requested implementation of shadow billing for TOU programs.

Contrary to the arguments made in opposition, TOU programs provided by competitive retail electric service (“CRES”) providers, as proposed in the Stipulation, have the ability to provide benefits to every Ohio Power Company (“AEP”) customer on varying levels. Accordingly, the Commission should reject the arguments submitted by OCC and OPAЕ.

II. ARGUMENT:

A. The Benefits of Time of Use Programs

Both OCC and OPAЕ challenge the potential benefits of TOU rates being made available to a much larger swath of AEP customers as part of the proposed Stipulation. OCC’s post-hearing brief states that the costs of the web portal, as proposed in the

Stipulation to provide interval data to CRES providers, will be “borne by residential customers – even those who are not [sic] on a TOU rate or cannot even participate in a TOU program.”¹ OPAE echoes a similar sentiment in their post-hearing brief stating, “the costs will be collected from all customers regardless of whether they participate in a TOU program or not.”² Both the OCC and OPAE miss the mark when judging the overall impact of TOU programs.

TOU programs are designed to promote and incentivize customer behavioral shifts that will impact both the customer participating in the program and also the grid as a whole by reducing demand at peak moments. The correct incentive structure will provide customers the ability to benefit from these new behaviors while customers not directly participating receive the benefit of less congestion on the grid during peak times and, consequently, lower wholesale prices. AEP witness Osterholt described the portal as “an important tool for CRES providers in identifying which customers are the best candidate for TOU rates.”³

TOU program are functioning correctly when certain customers are properly engaged and incentivized to alter their usage patterns at peak time and other customers benefit from system-wide decreased demand. In order to do this properly, and receive the most system benefit, there needs to be a system that makes TOU programs available to all customers, even if some customers may not avail themselves of such an option. For

¹ OCC Post-Hearing Brief at 27

² OPAE Post-Hearing Brief at 11

³ AEP Ohio Ex. 1 (Osterholt Direct Testimony) at 22.

these reasons, developing a portal to all CRES providers to provide TOU programs to customers, bring great benefits to all customers, contrary to OCC's and OPAE's claims.

B. Appropriate Allocation of Costs

OPEA challenges the stipulation's proposal to allocate the costs of the web portal, stating that "the Stipulation should be modified to require that CRES providers, the beneficiaries of the stipulated provisions for TOU rates, pay for the web portal and other infrastructure investments required to implement TOU rates."⁴ OCC mirrors OPEA's argument in their post hearing brief as well.⁵ The logic of this argument is flawed on two fronts.

Initially, the web portal is a part of AEP's billing system that CRES providers cannot control or develop through their own means. Until the Commission declares otherwise, billing is a non-competitive distribution service under Ohio law.⁶ Distribution-related costs are born by all distribution customers. Moreover, the costs associated with developing the CRES web portal should be allocated across all customers, as all customers have the ability to benefit either directly or indirectly from the expansion of TOU programs. Direct Energy witness Ringenbach outlined only a few of the many potential programs or rates that can be developed using the web portal data.⁷

Furthermore all customers, including shopping customers who have been unable to access the benefits of AEP's pilot TOU programs, have paid for the development of AEP's

⁴ OPAE Post Hearing Brief at 12.

⁵ OCC Post-Hearing Brief at 27.

⁶ See R.C. 4928.04; R.C. 4928.01(B).

⁷ Direct Energy Ex 1 at 3.

existing TOU programs through gridSMART Phase 1.⁸ It defies logic to require shopping customers to pay for pilot programs only available to default service customers and to then require shopping customers to pay for the web portal needed for their own TOU programs. Such a paradigm would be unduly discriminatory and unreasonable.

C. Shadow Billing is not applicable to TOU programs

OPEA asserts that AEP should be required to perform shadow billing on the TOU programs offered with their service territory to determine “if customers on TOU rates are actually saving money, especially with respect to the CRES TOU programs.”⁹ OPAE’s proposal is as unreasonable as it is underdeveloped and misguided.

Initially, OPAE does not specify what rate they suggest to compare the TOU programs. Comparing TOU rates against the default service rate is the same as comparing fish tacos to apples. Because of the ability of CRES providers to tailor TOU programs that fit specific customer needs, the way in which customers are compensated can vary widely. Any comparison of TOU rates to any other rate is not reasonable because of the level of engagement a customer has in impacting their usage and overall cost.

Ultimately, TOU programs are designed to promote behavioral change among customers. The behavioral change will dictate the bill the customer receives. Comparing the amount the customer pays, however, to some other unrelated product would be unjust and unreasonable and likely lead to customer confusion. Therefore the Commission should reject OPAE’s proposal to implement shadow billing.

⁸ Direct Energy Ex. 1 at 4.

⁹ OPAE post-hearing brief at 12.

III. CONCLUSION:

TOU programs offered by a broad market have the ability to provide benefits to customers across all customer classes and all income levels. Infrastructure costs associated with the offering of TOU programs should be collected across the entire customer base, as each customer has the ability to receive value. Further, shadow billing is not applicable to a rate structure that is completely dependent on customer engagement, as a difference in final cost is simply reflective of specific customer engagement and shifts in energy pricing. Accordingly the Commission should reject the arguments made by OCC and OPAE that challenge the implementation of TOU programs by CRES providers.

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 16th day of September 2016 via electronic mail upon the following:

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