

THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION OF
OHIO POWER COMPANY TO INITIATE
PHASE 3 OF ITS GRIDSMART PROJECT.

CASE NO. 19-1475-EL-RDR

OPINION AND ORDER

Entered in the Journal on December 1, 2021

I. SUMMARY

{¶ 1} The Commission adopts the joint stipulation and recommendation filed on October 27, 2021, resolving all of the issues related to Ohio Power Company d/b/a AEP Ohio's implementation of Phase 3 of its gridSMART program.

II. DISCUSSION

A. *Procedural Background*

{¶ 2} Ohio Power Company d/b/a AEP Ohio (AEP Ohio or the Company) is an electric distribution utility as defined in R.C. 4928.01(A)(6) and a public utility as defined in R.C. 4905.02, and, as such, is subject to the jurisdiction of this Commission.

{¶ 3} R.C. 4928.141 provides that an electric distribution utility shall provide consumers within its certified territory a standard service offer (SSO) of all competitive retail electric services (CRES) necessary to maintain essential electric services to customers, including a firm supply of electric generation services. The SSO may be either a market rate offer in accordance with R.C. 4928.142 or an electric security plan (ESP) in accordance with R.C. 4928.143.

{¶ 4} In Case No. 08-917-EL-SSO, et al., the Commission modified and approved AEP Ohio's application for a first ESP, including the Company's proposal to establish a gridSMART Rider and initiate Phase 1 of its gridSMART program, which would focus on advanced metering infrastructure (AMI), distribution automation (DA), and home area network initiatives. *In re Columbus Southern Power Co.*, Case No. 08-917-EL-SSO, et al., Opinion and Order (Mar. 18, 2009) at 37-38, Entry on Rehearing (July 23, 2009) at 18-24.

{¶ 5} On August 8, 2012, the Commission approved, with certain modifications, AEP Ohio's application for a second ESP, effective with the first billing cycle of September 2012 through May 31, 2015. Among other provisions of the ESP, the Commission approved AEP Ohio's request to continue the gridSMART Phase 1 project, as well as the gridSMART Phase 1 Rider, which enabled the Company to recover its prudently incurred costs associated with Phase 1 and was subject to an annual true-up and reconciliation. The Commission also directed AEP Ohio to file an application addressing Phase 2 of the gridSMART program. *In re Columbus Southern Power Co. and Ohio Power Co.*, Case No. 11-346-EL-SSO, et al. (*ESP 2 Case*), Opinion and Order (Aug. 8, 2012) at 62-63, Entry on Rehearing (Jan. 30, 2013) at 53.

{¶ 6} In Case No. 13-2385-EL-SSO, et al., the Commission approved, pursuant to R.C. 4928.143, AEP Ohio's application for a third ESP for the period of June 1, 2015, through May 31, 2018. Among other matters, the Commission approved AEP Ohio's proposal to extend the gridSMART program. The Commission also noted that, consistent with its directive in the *ESP 2 Case*, AEP Ohio should file, within 90 days after the expiration of ESP 2, an application for review and reconciliation of the gridSMART Phase 1 Rider. The Commission found that, after the review and reconciliation of the gridSMART Phase 1 costs, AEP Ohio should be authorized to transfer the approved capital cost balance into its distribution investment rider (DIR), which would not be subject to the DIR caps, and should also transfer any unrecovered operations and maintenance balance into the gridSMART Phase 2 Rider. *In re Ohio Power Co.*, Case No. 13-2385-EL-SSO, et al., Opinion and Order (Feb. 25, 2015) at 51-52.

{¶ 7} In Case No. 13-1939-EL-RDR, the Commission modified and approved a joint stipulation and recommendation (Phase 2 Stipulation) regarding AEP Ohio's application to implement Phase 2 of its gridSMART project. The Phase 2 Stipulation provides that costs incurred for the gridSMART Phase 2 project will be recovered through a gridSMART Phase 2 Rider to be adjusted on a quarterly basis and subject to an annual audit for prudence. *In re Ohio Power Co.*, Case No. 13-1939-EL-RDR, Opinion and Order (Feb. 1, 2017) at ¶ 33.

{¶ 8} In Case No. 16-1852-EL-SSO, et al., the Commission modified and approved a stipulation and recommendation filed by AEP Ohio, Staff, and numerous other signatory parties, which authorized the Company to implement a fourth ESP for the period of June 1, 2018, through May 31, 2024, including continuation of the gridSMART Phase 2 Rider. *In re Ohio Power Co.*, Case No. 16-1852-EL-SSO, et al., Opinion and Order (Apr. 25, 2018) at ¶ 93.

{¶ 9} On July 26, 2019, in the above-captioned case, AEP Ohio filed an application, along with supporting testimony, to continue its gridSMART deployment through a number of programs referred to as gridSMART Phase 3. AEP Ohio states that gridSMART Phase 3 will focus on deploying distribution automation circuit reconfiguration (DACR) on an additional 80 schemes and 416 distribution circuits; deploying distribution supervisory control and data acquisition (SCADA), which provides detailed information about the existence and locations of outages to dispatchers, on 160 distribution circuits; deploying volt/var optimization (VVO) on an additional 190 substation buses and 492 distribution circuits; completing the deployment of AMI to the Company's remaining customers by replacing approximately 475,000 meters; deploying fiber optic infrastructure in areas without readily available broadband service; installing a distribution line sensor demonstration of 3,100 total sensors on non-SCADA stations, hard-to-patrol segments of Phase 3 DACR circuits, and locations that have not received other reliability improvements; implementing an incremental VVO pilot through the installation and evaluation of 340 dynamic voltage controllers on 20 circuits; continuing to deploy and manage the "It's Your Power" application; and adding functionality to provide AMI data to competitive retail electric service providers via electronic data interchange for customers on time-of-use (TOU) programs. AEP Ohio notes that it would recover the costs of its Phase 3 investments through the gridSMART Rider, which is subject to an annual filing with the Commission to true up and reconcile the actual costs of investments placed in service and the revenues collected through the rider during the prior period.

{¶ 10} By Entry dated August 10, 2020, the attorney examiner directed that motions to intervene in this case be filed by September 2, 2020, and that initial and reply comments be filed by September 9, 2020, and September 25, 2020, respectively.

{¶ 11} In accordance with the procedural schedule, initial and reply comments were filed by various parties to this proceeding.

{¶ 12} On September 22, 2021, the attorney examiner set this matter for hearing on November 18, 2021, and directed that supplemental testimony on behalf of AEP Ohio be filed by October 15, 2021. A deadline of November 10, 2021, was established for the filing of testimony on behalf of Staff and intervenors. The attorney examiner also granted motions for intervention that were filed by Ohio Energy Group (OEG); Ohio Partners for Affordable Energy (OPAE); Interstate Gas Supply, Inc. (IGS); Ohio Cable Telecommunications Association (OCTA); Direct Energy Services, LLC and Direct Energy Business, LLC (collectively, Direct Energy); Mission:data Coalition (Mission:data); Ohio Manufacturers' Association Energy Group (OMAEG); The Kroger Co. (Kroger); Ohio Consumers' Counsel (OCC); Ohio Hospital Association (OHA); Environmental Law & Policy Center (ELPC); The Smart Thermostat Coalition (STC); Ohio Bell Telephone Company d/b/a AT&T (AT&T); Industrial Energy Users-Ohio (IEU-Ohio); Ohio Environmental Council (OEC); and Ohio Telecom Association (OTA).

{¶ 13} On October 15, 2021, AEP Ohio filed the supplemental testimony of Lisa O. Kelso, Stacey D. Gabbard, and Scott S. Osterholt.

{¶ 14} On October 27, 2021, a joint stipulation and recommendation (Phase 3 Stipulation) was filed by AEP Ohio, Staff, OCC, OEG, OPAE, OHA, Kroger, IGS, STC, Mission:data, IEU-Ohio, OEC, and OMAEG. In addition, OCTA, AT&T, and OTA join the Phase 3 Stipulation for purposes of supporting Sections I, II, and IV, as well as Paragraph III.J in Section III, which pertains to AEP Ohio's agreement to withdraw its broadband fiber proposal. OCTA, AT&T, and OTA take no position on the other paragraphs in Section III.

{¶ 15} By Entry dated October 29, 2021, the attorney examiner modified the procedural schedule in this matter such that any testimony supporting the Phase 3 Stipulation was due on November 3, 2021, with any opposing testimony due on November 10, 2021.

{¶ 16} On November 3, 2021, testimony in support of the Phase 3 Stipulation was filed on behalf of AEP Ohio by Jaime L. Mayhan and on behalf of OCC by James D. Williams. Additionally, Direct Energy filed correspondence stating that it neither supports nor opposes the Phase 3 Stipulation.

{¶ 17} The evidentiary hearing occurred, as scheduled, on November 18, 2021.

B. Summary of the Phase 3 Stipulation

{¶ 18} Ohio Adm.Code 4901-1-30 authorizes parties to Commission proceedings to enter into a stipulation. Although not binding upon the Commission, the terms of such an agreement are accorded substantial weight. *Consumers' Counsel v. Pub. Util. Comm.*, 64 Ohio St.3d 123, 125, 592 N.E.2d 1370 (1992), citing *Akron v. Pub. Util. Comm.*, 55 Ohio St.2d 155, 157, 378 N.E.2d 480 (1978). This concept is particularly valid where the stipulation is unopposed by any party and resolves all issues presented in the proceeding in which it is offered.

{¶ 19} The standard of review for considering the reasonableness of a stipulation has been discussed in a number of prior Commission proceedings. *See, e.g., In re Cincinnati Gas & Elec. Co.*, Case No. 91-410-EL-AIR, Order on Remand (Apr. 14, 1994); *In re Western Reserve Telephone Co.*, Case No. 93-230-TP-ALT, Opinion and Order (Mar. 30, 1994); *In re Ohio Edison Co.*, Case No. 91-698-EL-FOR, et al., Opinion and Order (Dec. 30, 1993); *In re Cleveland Elec. Illum. Co.*, Case No. 88-170-EL-AIR, Opinion and Order (Jan. 31, 1989); *In re Restatement of Accounts and Records*, Case No. 84-1187-EL-UNC, Opinion and Order (Nov. 26, 1985). The ultimate issue for our consideration is whether the agreement, which embodies considerable

time and effort by the signatory parties, is reasonable and should be adopted. In considering the reasonableness of a stipulation, the Commission has used the following criteria:

- (a) Is the settlement a product of serious bargaining among capable, knowledgeable parties?
- (b) Does the settlement, as a package, benefit ratepayers and the public interest?
- (c) Does the settlement package violate any important regulatory principle or practice?

{¶ 20} The Supreme Court of Ohio has endorsed the Commission's analysis using these criteria to resolve cases in a manner economical to ratepayers and public utilities. *Indus. Energy Consumers of Ohio Power Co. v. Pub. Util. Comm.*, 68 Ohio St.3d 559, 629 N.E.2d 423 (1994), citing *Consumers' Counsel* at 126. The Supreme Court of Ohio stated in that case that the Commission may place substantial weight on the terms of a stipulation, even though the stipulation does not bind the Commission.

{¶ 21} As previously stated, the Phase 3 Stipulation was filed on October 27, 2021, by AEP Ohio, Staff, OCC, OEG, OP&E, OHA, Kroger, IGS, STC, Mission:energy, IEU-Ohio, OEC, OMAEG, OCTA, AT&T, and OTA (collectively, Signatory Parties). The following is a summary of the Phase 3 Stipulation and is not intended to supersede or replace the Phase 3 Stipulation.

{¶ 22} AEP Ohio's authorized rate of return applicable at the time of each quarterly filing will be used for the gridSMART Phase 3 Rider (Joint Ex. 1 at 3).

{¶ 23} Except as permitted under this paragraph, AEP Ohio may not collect from customers through the gridSMART Phase 3 Rider more than \$223,113,318 in capital costs and \$78,838,617 in associated operations and maintenance (O&M) expenses, which is the current total estimated cost for the technology being implemented under the Phase 3

Stipulation, plus ten percent for a reasonable margin of error (i.e., total cost cap of \$245,424,650 in capital costs and \$86,722,479 in O&M costs). If AEP Ohio can document significant cost increases beyond the Company's control that developed after the date of the Phase 3 Stipulation (including supply chain impacts that were developing as of the date of the Phase 3 Stipulation), prudently incurred incremental cost exceeding the cost limitation may be permitted for collection from customers through the rider subject to audit and reconciliation. (Joint Ex. 1 at 3.)

{¶ 24} AEP Ohio agrees to withdraw without prejudice the proposed gridSMART Phase 3 implementation for DACR. AEP Ohio can refile a new application (Phase 3 DACR Application) under the gridSMART Phase 3 Rider to separately present Phase 3 DACR-related proposals on or after June 1, 2022. In advance of the Phase 3 DACR Application, AEP Ohio will engage an outside study to evaluate the strategic deployment of circuit ties and reconductoring that would enhance the reliability benefits of both Phase 2 and Phase 3 DACR deployment. The Phase 3 DACR Application will present performance data and cost-benefit information related to the DACR component of gridSMART Phases 1 and 2 to support the Phase 3 deployment. Based on the results of the outside study, the Phase 3 DACR Application will evaluate and present components related to circuit ties and reconductoring projects that would bolster the reliability impact of Phase 3 DACR deployment. The Signatory Parties agree to recommend an accelerated procedural schedule that includes reasonable due process for the Commission to consider the Phase 3 DACR Application, subject to the Phase 3 DACR Application being limited to the technology deployments discussed in this paragraph and Paragraph III.G in the Phase 3 Stipulation. (Joint Ex. 1 at 3-4.)

{¶ 25} AEP Ohio can also invest up to \$10 million in capital costs to construct tie lines and reconductoring in conjunction with the remaining Phase 2 DA deployments (as of the date of the Phase 3 Stipulation) and the Company will include a demonstration of where the investments were made and how they were used to enhance the reliability of the

gridSMART project as part of the Phase 3 DACR Application referenced above (Joint Ex. 1 at 4).

{¶ 26} AEP Ohio agrees to withdraw without prejudice the application for a waiver of Ohio Adm.Code 4901:1-10-33(C)(13) in Case No. 19-1389-EL-WVR within six months of the date of the Phase 3 Stipulation in this case (Joint Ex. 1 at 4).

{¶ 27} AEP Ohio agrees to withdraw without prejudice the deployment of DA Lite, formerly referenced as Distribution Supervisory Control and Data Acquisition, as part of the Phase 3 technologies (Joint Ex. 1 at 4).

{¶ 28} AEP Ohio agrees to implement the energy efficiency and retail power cost savings of cost-effective VVO, using an accelerated seven-year deployment period for VVO equipment on up to an additional 255 distribution circuits. AEP Ohio, at its option, may include an additional VVO proposal as part of the Phase 3 DACR Application referenced above. (Joint Ex. 1 at 4-5.)

{¶ 29} AEP Ohio will complete the deployment of AMI to the Company's remaining customers by replacing approximately 475,000 existing meters with smart meters, with the timing of deployment being subject to supply chain availability. Since meters are normally capitalized upon purchase, AEP Ohio can record the meters purchased in the gridSMART Phase 3 Rider in the month they are received if that month's ending inventory does not exceed 75,000 meters. If end-of-month meter inventory levels exceed 75,000 meters, then the excess meter inventory will not be eligible for inclusion in the gridSMART Phase 3 Rider until the end-of-month meter inventory falls below 75,000 meters. Once AEP Ohio installs 425,000 smart meters or 48 months has passed since an Opinion and Order is received in the current case (whichever comes first), the excess meter inventory threshold will be reduced to 30,000 meters. If AEP Ohio can document significant supply chain availability issues beyond the Company's control that significantly delay the AMI meter deployment beyond 48 months, the Company can work with Staff to determine an appropriate excess meter inventory level for the remainder of the AMI meter deployment period. (Joint Ex. 1 at 5.)

{¶ 30} AEP Ohio will initiate discussions with the gridSMART collaborative group to (1) identify opportunities to enhance the customer benefits associated with the AMI deployment and website enhancements to improve customer education and engagement (e.g., where to find gridSMART information relating to AMI data and data access); and (2) evaluate the issues associated with third-party access to data (usage, billing information, and any other data types identified by the collaborative), including customer privacy, data security, etc. Within six months of an Opinion and Order, AEP Ohio shall solicit input from collaborative participants regarding the issues associated with third-party data access through automated, machine-to-machine communication via an Application Programming Interface subject to web-based customer consent using nationally recognized standards and best practices. Within 12 months of an Opinion and Order in the current case, AEP Ohio will file a status update in this case that summarizes the discussions and recommendations resulting from the collaborative discussions. (Joint Ex. 1 at 5-6.)

{¶ 31} AEP Ohio agrees to withdraw without prejudice the broadband fiber proposal in Paragraph 8.e of its application and to withdraw the related prefiled testimony of Scott Osterholt, Lisa Kelso, and Dona Seger-Lawson (both in application testimony and supplemental testimony). The other Signatory Parties agree to withdraw without prejudice all claims, positions, and arguments made in this proceeding concerning AEP Ohio's ability to deploy fiber. (Joint Ex. 1 at 6.)

{¶ 32} AEP Ohio agrees to withdraw without prejudice the deployment of Intelligent Line Sensors as part of the Phase 3 technologies (Joint Ex. 1 at 6).

{¶ 33} AEP Ohio agrees to implement an Incremental VVO pilot through the installation and evaluation of 340 Dynamic Voltage Controller units on 20 circuits to analyze options to maximize future customer energy savings, peak demand reduction, and other benefits (Joint Ex. 1 at 6).

{¶ 34} AEP Ohio agrees to withdraw without prejudice the Company's "It's Your Power" application as part of the gridSMART Phase 3 proceeding (Joint Ex. 1 at 6).

{¶ 35} Within 20 months of an Opinion and Order in the current case, AEP Ohio will (1) implement the electronic data interchange (EDI) enhancements proposed in the application (i.e., the Company will provide customer energy usage data for customers on CRES TOU rates to CRES providers via EDI); and (2) upgrade the systems and processes for wholesale market settlements to calculate and settle peak load contribution (PLC) and network service peak load (NSPL) values for all AMI customers, instead of relying on load profiles, and provide the data via EDI. As part of the implementation of a new customer information system, AEP Ohio will calculate and settle PLC, NSPL, and the total hourly energy obligation (THEO) Settlement B (i.e., 60-day settlement) for all AMI customers using actual data, instead of relying on load profiles, and will provide customer energy usage data to CRES providers via EDI. Also as part of the implementation of a new customer information system, AEP Ohio will assess the feasibility of calculating THEO for Settlement A using actual data instead of relying on historical like-day usage. AEP Ohio shall make the residential customer energy usage data available to authorized CRES providers, in a manner consistent with Ohio Adm.Code 4901:1-10-24. Any future changes to the authorization process will be discussed as part of the gridSMART collaborative group. AEP Ohio will track the costs associated with the implementation of the new customer information system through normal accounting procedures, including a breakout of each project component outlined in this section (i.e., PLC settlement, NSPL settlement, THEO Settlement B components, and EDI enhancements), either before or contemporaneous to seeking collection from customers of the cost. (Joint Ex. 1 at 6-7.)

{¶ 36} Collection of costs from customers through the gridSMART Phase 3 Rider will be offset by an incremental operational savings credit that reflects the operational benefits associated with additional deployments that occurred after the rate case test year. Within 12 months of an Opinion and Order in the current case, Staff will issue a request for proposal to select a consultant to complete the operational benefits assessment associated with gridSMART Phase 3. Once the Commission issues a final order concerning the audit, an operational savings credit will be implemented until the effective date of a subsequent base

rate case. The Signatory Parties agree that the operational savings credit should be revisited if the Commission requires, approves, or otherwise sanctions a change in operations or Company practices or policies that were reflected in the operational savings credit as the basis for operational savings (i.e., the Commission requires a door knock for a disconnection that currently is achieved through remote disconnection). (Joint Ex. 1 at 7-8.)

{¶ 37} Commitments for customer access to data in the following categories will be made as part of a settlement, to the extent not already provided through the AEP Ohio website and the Commercial Customer portal:

- (1) At least 24 months of energy usage data in 15-minute, 30-minute, or 60-minute intervals made available on a best-efforts basis within 24 hours of performing industry-standard validation, estimation, and editing processes.
- (2) AEP Ohio commits to exploring a technical solution to create a comma separated values download of historical billing information up to 36 months by account, and presenting it to the Commission for approval.
- (3) At least 24 months of summary billing history data, including date of bill, usage, bill amount, and due date.
- (4) Flexible views (for customers with multiple accounts) with options to (a) select individual account, (b) group accounts by user-defined criteria as is feasible, or (c) access full account list.
- (5) Tariff and rebate program information (if applicable).

AEP Ohio will work with the Signatory Parties to develop a functionality roadmap that integrates other customer data needs not currently satisfied, with an agreed upon deployment schedule. Prudently incurred costs for the projects referenced in

this paragraph will be collected from customers through the gridSMART Phase 3 Rider subject to audit and reconciliation. AEP Ohio will provide information on the customer's account information page of its website that identifies third parties that have received access to the customer's energy usage data through the Business Partner Portal. In addition, AEP Ohio will increase customer awareness of the link on its website to opt out of providing customer specific information to CRES. Within 18 months of an Opinion and Order, AEP Ohio will provide to Signatory Parties a roadmap of further customer data protections, including whether it is feasible to identify and list on the customer's account information page of its website third-party access of customer data that is accessed through other means than the Business Partner Portal. (Joint Ex. 1 at 8-9.)

{¶ 38} AEP Ohio agrees to make a one-time shareholder donation to the Neighbor-to-Neighbor fund of \$250,000 (Joint Ex. 1 at 9).

{¶ 39} The allocation for gridSMART Phase 3 costs of 45 percent to residential customers will be retained (Joint Ex. 1 at 9).

{¶ 40} AEP Ohio¹ will offer a competitively neutral incentive program for smart thermostats for a total of \$0.5 million funded through shareholder dollars, using \$50 per unit as an initial rebate level. Only smart thermostats that are certified under United States Environmental Protection Agency Energy Star Connected Thermostat guidelines will be eligible for incentives. AEP Ohio will use best efforts to (1) provide an instant rebate; and (2) coordinate with the local gas utility to bundle incentives for customers. The availability of the incentive will be limited to new and existing shopping and non-shopping customers enrolled in time-varying rate offerings. The Signatory Parties will coordinate through a collaborative discussion on education and marketing efforts, which will be funded as

¹ The Phase 3 Stipulation notes that OMAEG, Kroger, and IGS do not support this paragraph in its entirety, but agree not to oppose it as part of the Phase 3 Stipulation as a package. These parties' non-opposition shall not be relied upon in any other forum or proceeding. (Joint Ex. 1 at 10.)

provided for in the Phase 3 Stipulation, along with the timing of the program. As part of its next ESP application or another similar application seeking to recover costs from customers for grid modernization investments, AEP Ohio agrees to include a proposal for a smart thermostat program targeted to equipping new and existing shopping and non-shopping TOU customers with rate-optimized smart thermostats; any other party may support or oppose the proposal on any basis that it deems appropriate. AEP Ohio agrees to include the incentive cost and overall benefits of the smart thermostats in any cost-effectiveness calculation required for future plans. (Joint Ex. 1 at 10.)

{¶ 41} AEP Ohio may collect customer outreach and education expenses regarding the technology deployments and related reliability benefits from customers through the gridSMART Phase 3 Rider. AEP Ohio agrees to reserve \$100,000 of this funding for customer outreach and education related to time-varying rate offerings and smart thermostats, and will solicit input from Signatory Parties regarding outreach and education efforts. (Joint Ex. 1 at 10-11.)

{¶ 42} Subject to the terms of this paragraph, AEP Ohio will provide a monthly billing summary report to OHA that includes OHA member customer name, account number, service delivery identifier number, CRES status, tariff, address, customer class, bill period, usage, demand, and bill amount. This will include current and at 24 months of historic billing information. Each report will only include customer data for customers that have a current letter of authorization granting permission to OHA to obtain the customer's data. AEP Ohio will provide the monthly reports for five years except the reporting obligation will terminate if the Company's customer portal capabilities develop to permit substantially the same data and format to be provided in an automated fashion to the customer or its authorized agent. (Joint Ex. 1 at 11.)

{¶ 43} If there is a change in Ohio law impacting implementation of the settlement, the Signatory Parties will agree to work together in good faith and in a manner consistent

with legal authority to preserve or restore the outcomes agreed to in the Phase 3 Stipulation (Joint Ex. 1 at 11).

{¶ 44} AEP Ohio will provide data to, and collaborate with, OMAEG, Staff, and other interested Signatory Parties on distribution circuit capacity, as set forth below, to further customer education of the state of the electric distribution grid, especially regarding the impact of customer behavior to impact peak electrical load and electricity costs. Within six months of an Opinion and Order in this case adopting the Phase 3 Stipulation, OMAEG and any other interested Signatory Parties that represent non-residential customers will notify AEP Ohio of their interest and provide the customer's name, account number, and documentation of its consent to participate in the study; the Company will confirm that each interested customer has a smart meter as a condition of participating. Within nine months of the Opinion and Order in this case adopting the Phase 3 Stipulation, AEP Ohio will provide to OMAEG, Staff, and other interested Signatory Parties a list of up to 25 distribution circuits that (a) have received VVO, DACR, and more than 50 percent of customer accounts have received smart meter updates; (b) serve interested customers that qualify to participate; and (c) are identified by the Company as having a planned circuit capacity upgrade within the next 24 months (or such longer time period needed to ensure adequate participation), including the capacity need and time of peak over the last 12 months for each circuit. In selecting the circuits involving interested customers, AEP Ohio will prioritize participation of OMAEG members but also ensure at least some interested customers from each of the Signatory Parties can participate, provided the other Signatory Party customers are on circuits that meet the screening criteria outlined above. Within 12 months, AEP Ohio shall provide, based on consent from individual participating customers, the demand of the participating customers at the day and hour of the annual distribution circuit peak. From 12 to 24 months, AEP Ohio will work proactively with OMAEG and other Signatory Parties with members/customers that are participating to measure on a monthly basis the customers' peak demand coincident with the distribution circuit's peak demand. After the 24-month period, AEP Ohio will deliver an informational webinar to

interested Signatory Parties (and their members/customers, if applicable) on circuit loading; how gridSMART investments improve customer reliability and service; the importance of available peak circuit capacity for customer electrification programs; the role of electric distribution utility based and customer sited non-wire-alternatives to relieve circuit loading, including energy efficiency, load shifting, on-site generation, and electricity storage; other recognized methods for determining capacity upgrades and a comparison of their pros and cons; and a discussion regarding the impact of participating customers' peak demand reduction efforts on the sample of distribution circuits, including a discussion of whether a pilot tariff program would be beneficial. After the informational webinar, AEP Ohio will conduct an email survey to help determine the level of interest in a coincident peak load management program for distribution service. (Joint Ex. 1 at 11-13.)

C. Consideration of the Phase 3 Stipulation

{¶ 45} Upon review, we find that the Phase 3 Stipulation offered by the Signatory Parties satisfies the three-part test used by the Commission. As to the first part, AEP Ohio witness Mayhan testified that the Phase 3 Stipulation is the product of meetings and negotiations involving experienced counsel and technical experts that are familiar with and regularly participate in regulatory matters before the Commission. Ms. Mayhan noted that there were numerous meetings in which the parties had the opportunity to negotiate each provision of the Phase 3 Stipulation. According to Ms. Mayhan, all parties were invited to these meetings and no party was excluded from the opportunity to negotiate. Ms. Mayhan added that the Phase 3 Stipulation reflects an overall compromise involving a balance of competing positions and incorporates many of the recommendations offered by Staff and intervenors. Similarly, OCC witness Williams testified that there were multiple settlement meetings and discussions with ample opportunity for the parties to advocate for their interests. Mr. Williams stated that the full inclusion of all of the intervenors in the discussions encouraged the development of a settlement agreement that represents a fair and equitable resolution of the issues. (AEP Ohio Ex. 2 at 15-16; OCC Ex. 1 at 5.)

{¶ 46} Addressing the second part of the three-part test, Ms. Mayhan testified that the Phase 3 Stipulation will result in a reasonable charge under the gridSMART Phase 3 Rider, while offering numerous customer benefits. Among other settlement provisions of value, Ms. Mayhan stated that the completion of AEP Ohio's AMI deployment, predominantly in rural areas, will benefit customers by providing the ability to remotely connect and disconnect meters, reducing bad debt expenses on past due accounts, utilizing meter interval data to expand and promote energy efficiency programs, and offering incremental meter reading advantages. Ms. Mayhan also noted that the technologies implemented under the Phase 3 Stipulation will enable customers to become more energy efficient, reduce demand, and manage costs. Ms. Mayhan added that AEP Ohio has agreed to an operational benefits offset to the gridSMART Phase 3 Rider, which will reduce the overall cost impact on customers. (AEP Ohio Ex. 2 at 16-17.)

{¶ 47} For his part, Mr. Williams testified that the Phase 3 Stipulation will benefit ratepayers and the public interest by reducing the overall gridSMART Phase 3 costs from the more than \$906 million requested in AEP Ohio's application to approximately \$332 million; allocating the gridSMART Phase 3 costs that will be charged to residential customers at a more equitable and appropriate 45-percent level; affirming that the authorized rate of return will be updated at the time when quarterly gridSMART Phase 3 Rider filings are made; delaying the deployment of the gridSMART Phase 3 DACR technology until the potential value is better known; supporting investment in circuit ties and reconductoring that provides the opportunity for the DACR deployment to provide more reliability benefits; saving energy usage and providing bill reductions through additional cost-effective deployment of VVO technology; completing the deployment of approximately 475,000 smart meters across the remainder of the Company's service territory; ensuring that an operational benefits assessment is performed and that operational savings are credited to consumers in advance of the next distribution rate case; establishing a collaborative process to discuss opportunities to further enhance the customer benefits associated with AMI and data access requirements; eliminating the proposed inclusion and

funding associated with DA Lite, Intelligent Line Sensors, expansion of the “It’s Your Power” application, and broadband fiber optics; eliminating the Company’s proposal to reduce the required amount of time that customers have to pay their electric bill for bills that are distributed from outside of Ohio from 21 days to 14 days; and providing for a one-time shareholder funded contribution to the Neighbor-to-Neighbor bill payment assistance program. (OCC Ex. 1 at 6-8.)

{¶ 48} Finally, with regard to the third part of the three-part test, Ms. Mayhan testified that the Phase 3 Stipulation advances important regulatory principles and promotes the state policies in R.C. 4928.02(A), (B), and (D). Mr. Williams testified that the Phase 3 Stipulation will help to ensure that gridSMART Phase 3 costs charged to customers are just and reasonable, while supporting important state policies regarding the provision of safe and reliable retail electric services to consumers. (AEP Ohio Ex. 2 at 17-19; OCC Ex. 1 at 8.)

{¶ 49} Based on the evidence of record, the Commission finds that the Phase 3 Stipulation satisfies the three-part test and is a reasonable resolution of the issues related to AEP Ohio’s implementation of gridSMART Phase 3 (AEP Ohio Ex. 2 at 15-19; OCC Ex. 1 at 5-8). Accordingly, the Phase 3 Stipulation should be adopted in its entirety. We note that, as with gridSMART Phase 2, AEP Ohio’s gridSMART Phase 3 Rider will be adjusted on a quarterly basis and subject to an annual audit for prudence.

III. FINDINGS OF FACT AND CONCLUSIONS OF LAW

{¶ 50} AEP Ohio is an electric distribution utility as defined in R.C. 4928.01(A)(6) and a public utility as defined in R.C. 4905.02. As such, AEP Ohio is subject to the jurisdiction of this Commission.

{¶ 51} On July 26, 2019, AEP Ohio filed an application to continue its gridSMART deployment through a number of programs referred to as gridSMART Phase 3.

{¶ 52} In accordance with the established procedural schedule, initial and reply comments were filed on September 9, 2020, and September 25, 2020, respectively.

{¶ 53} By Entry dated September 22, 2021, the attorney examiner granted motions for intervention filed by OEG, OPAE, IGS, OCTA, Direct Energy, Mission:data, OMAEG, Kroger, OCC, OHA, ELPC, STC, AT&T, IEU-Ohio, OEC, and OTA.

{¶ 54} On October 27, 2021, the Phase 3 Stipulation was filed by AEP Ohio, Staff, OCC, OEG, OPAE, OHA, Kroger, IGS, STC, Mission:data, IEU-Ohio, OEC, OMAEG, OCTA, AT&T, and OTA.

{¶ 55} An evidentiary hearing occurred on November 18, 2021.

{¶ 56} The Phase 3 Stipulation submitted by the Signatory Parties in this case meets the criteria used by the Commission to evaluate stipulations, represents a just and reasonable resolution of the issues in this proceeding, and should be adopted.

IV. ORDER

{¶ 57} It is, therefore,

{¶ 58} ORDERED, That the Phase 3 Stipulation filed by the Signatory Parties be adopted and approved. It is, further,

{¶ 59} ORDERED, That nothing in this Opinion and Order shall be binding upon this Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

{¶ 60} ORDERED, That a copy of this Opinion and Order be served upon all parties of record.

COMMISSIONERS:

Approving:

Jenifer French, Chair

M. Beth Trombold

Lawrence K. Friedeman

Daniel R. Conway

SJP/kck

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in

Case No(s). 19-1475-EL-RDR

Summary: Opinion & Order adopting the joint stipulation and recommendation filed on October 27, 2021, resolving all of the issues related to Ohio Power Company d/b/a AEP Ohio's implementation of Phase 3 of its gridSMART program.
electronically filed by Kelli C. King on behalf of The Public Utilities Commission of Ohio