

THE PUBLIC UTILITIES COMMISSION OF OHIO

FINDING AND ORDER

- (1) Duke Energy Ohio, Inc. (Duke), is a public utility as defined in Section 4905.02, Revised Code, and, as such, is subject to the jurisdiction of this Commission.
- (2) On December 17, 2008, the Commission approved a Stipulation and Recommendation (ESP Stipulation) in *In the Matter of the Application of Duke Energy Ohio, Inc., for Approval of an Electric Security Plan*, Case No. 08-920-EL-SSO, to establish an electric security plan for Duke. Among other terms in the ESP Stipulation, Duke committed to convene a collaborative group with Staff and other interested stakeholders (SmartGrid Collaborative) to maximize the benefits of the SmartGrid investment and to design and implement tariffs, which will assist customers in managing their electric costs. On November 22, 2011, the Commission issued its Opinion and Order in *In the Matter of Application of Duke Energy Ohio, Inc., for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Revised Code, in the Form of an Electric Security Plan, Accounting Modifications, and Tariffs for Generation Service*, Case Nos. 11-3549-EL-SSO, et al., which provided that there would be no change to Duke's SmartGrid program or recovery mechanism during the term of the new ESP.
- (3) On February 9, 2012, as amended March 27, 2012, Duke filed an application proposing to offer two new pilot rates, which are the latest in a series of pilot time differentiated rates. The first is a new peak time rebate (PTR) rate (Rate PTR 3.0). The second is a time-of-use rate (Rate TD 2012).
- (4) As proposed, Rate PTR 3.0, will serve up to 500 additional new customers, as well as interested customers who were taking service under past time differentiated pilot rates. Duke is

proposing to employ, as it did in its prior PTR offering, PTR 2.0, a bifurcated acquisition strategy for the 500 new participants it hopes to acquire, with 250 customers being acquired through an opt-out campaign and 250 customers acquired through an opt-in campaign, in an attempt to validate some of the findings regarding savings potential from customers acquired through the opt-out segment of the acquisition. Duke believes that having two years worth of statistically significant sample data around a PTR program and the different acquisition strategies will help it determine the commercially viable approach to a PTR program. Under the opt-out approach, customers will receive notification that they are being placed in the Rate PTR 3.0 pilot and will be informed that, if they prefer not to participate, they need to contact Duke to be removed from the pilot. Duke anticipates that the offering will be well received because the tariff is designed to cause no harm to the customer and only offers a potential benefit should the customer choose to take action during peak events. Absent taking action during peak events, customers' bills should be unchanged from what they otherwise would have been.

- (5) As proposed in the application, Rate PTR 3.0 would provide for up to 15 critical peak pricing events per year during the calendar months of June, July, August, and September, excluding weekends and holidays. Ten events were previously approved for prior Rate PTR 2.0. Duke is hoping to learn from this pilot what impact the increased number of events has on customer acquisition, customer participation during events, and overall satisfaction with the program. According to Duke, Rate PTR 3.0 would offer customers the opportunity to manage their electric costs during each peak pricing period by taking action to reduce their demand from their historical levels in exchange for a credit of \$0.28 per kilowatt hour (kWh) of such reduction. Participating customers may also choose to maintain their electric usage levels at previous levels during an event. Customers who do not reduce usage levels during the event, or increase their usage, will not incur any penalties and will be billed for the electricity consumed during the event at the normal tariff rates in effect in the tariff pursuant to which the customer previously received service. Therefore, no customer's bill will increase as a result of Rate PTR 3.0. The kWh load reduction will be calculated as the difference between the estimated kWh usage that would have occurred during the

critical peak event without action by the participant (baseline kWh) and the participant's actual kWh usage during the critical peak event (actual kWh). Credits will be computed and provided on customers' bills within two monthly billing cycles. Customers enrolled in either budget billing or income payment plans, Home Energy Assistance Programs, or any other assistance plan may not participate in this program.

- (6) As proposed, Rate TD 2012 is a time-of-use rate which is based upon the three generation related riders that make up Duke's SSO for generation customers for retail capacity (Rider RC), retail energy (Rider RE), and the electric service stability charge (Rider ESSC). The modifications available to customers are designed around three seasons: summer, winter, and off-peak. Summer is defined as the period of time covering June 1 thru August 31 and features a five-hour peak period covering 2:00 p.m. to 7:00 p.m. for all non-holiday weekdays, Monday through Friday. Winter is defined as December 1 thru February 28 and features a six-hour peak period covering 7:00 a.m to 1:00 p.m. for all non-holiday weekdays, Monday through Friday. Within this seasonal structure, Duke is proposing to offer three separate pricing options: TD 2012 Max; TD 2012 Plus; and TD 2012 Base. Each has a varying degree of difference between the peak and off-peak prices.
- (7) Rate TD 2012 Max is designed with the highest peak price, which is 450 percent of the base SSO price for generation (the sum of Rider RC, Rider RE, and Rider ESSC) and also features the lowest off-peak prices. The off-peak price for Rate TD 2012 Max is less than 65 percent of the base SSO price for generation. Alternatively, Rate TD 2012 Plus is designed with a lesser peak price, which is 350 percent of the base SSO price for generation, and features a mid-level, off-peak price that is less than 75 percent of the base SSO price for generation. The final rate, Rate TD 2012 Base, is designed with the lowest of the three peak prices, which is 250 percent of the base SSO price for generation. Rate TD 2012 also features the highest off-peak price, less than 85 percent of the base SSO price for generation. In its application, Duke explains that it will first attempt to recruit 250 customers for each of the three rate levels. During that acquisition process, if participation in any one of the rate levels reaches the 250 customer level, enrollment for that rate level will close until each of the other rate levels achieves an

enrollment level of 250 customers. Thus, Duke will endeavor to enroll a minimum of 250 customers for each of the three rate levels. After all three levels have reached the enrollment level of 250 customers, all rate levels will be opened up for further enrollments. No limit is proposed for the number of customers participating in the various levels of Rate TD 2012. The term of service for Rate TD 2012 is one year. Customers who complete one year of service on the rate will be eligible to sign up for one additional year.

- (8) Duke represents that it has designed the various rates in Rate TD 2012 in the manner described above in order to gain insight into how a customer's individual risk tolerance impacts the desirability of a rate. By keeping the structure of the rate constant, yet allowing customers to choose among tiered pricing options that offer different levels of risk and reward, Duke and the Smart Grid Collaborative will learn the value that customers place on the amount of potential savings, versus the risk of higher bills due to consuming during peak periods. Additionally, this proposed pilot will be the first time that customers will have a choice in the rate under which they receive service, so that Duke may assess whether the ability to choose among price levels and differentials enhances customer acceptance of the rate structure. Duke believes the lessons learned about customer acceptance and about customer behaviors between and among the three rate levels will be critical to full scale rate offerings, as Duke moves closer to designing rates for full commercialization.
- (9) On February 29, 2012, the Ohio Consumers' Counsel (OCC) filed a motion to intervene. In support of its motion, OCC asserts that it represents the residential customers of Duke and, therefore, has a real and substantial interest in this proceeding. No memorandum contra was filed in response to OCC's motion to intervene. The Commission finds that the motion to intervene is reasonable and should be granted.
- (10) No party filed any comment or raised any substantive issue regarding Duke's application.
- (11) The Commission notes that Rate PTR 3.0 is a voluntary program that will provide customers with the opportunity to benefit by reducing peak demand. We also note that, as proposed by

Duke, Rate PTR 3.0 is limited to 500 additional new customers, and to customers who have already taken service on another pilot time differentiated rate. Moreover, in considering Duke's application with regard to Rate PTR 3.0, the Commission understands the typical issues with opt-out programs, including the concern that such programs initially place customers on a rate that they did not request. However, in this case, customers who are part of the opt-out pilot program will not be harmed, even if they wish not to participate in Rate PTR 3.0, but fail to opt out of the Rate PTR 3.0 pilot. In light of this fact and the fact that this is a pilot program, the Commission does not believe that the opt-out program, as proposed, presents any issues that could negatively impact customers and instead participation in Rate PTR 3.0 will provide valuable insight into customer behavior. However, the Commission does not intend its decision in this case to be construed as precedent in any future proceeding regarding opt-out tariffs.

- (12) The Commission is mindful that Rate TD 2012 is a voluntary program that will provide customers with the opportunity to benefit by reducing demand for energy in peak periods, while still being able to use additional energy during off-peak periods. We also note that, as proposed by Duke, Rate TD 2012 will be made available to a minimum of 750 customers, 250 for each of the three rate levels. Additional new customers will be allowed to participate, as long as 250 customers have already volunteered to take service under each of the three rates. Accordingly, the Commission finds that the proposed Rate TD 2012 and Rate PTR do not appear to be unjust or unreasonable, and should be approved. Therefore, the Commission finds that it is unnecessary to hold a hearing regarding the application.
- (13) Accordingly, the Commission finds that Duke should proceed with the process of acquiring customers to take service under these tariffs in a manner consistent with the recommendation of the participants in Duke's SmartGrid Collaborative. With regard to Rate TD 2012, the Commission directs Duke to include in all customer acquisition materials an example comparing 12 months of a typical customer's costs given his/her usage under the current residential service rate against the annual costs that a customer would experience under Rate TD 2012, if the customer does not adjust his/her usage in response to the rates built into Rate TD 2012. In addition, upon request, Duke will

prospective Rate TD 2012 customer of the potential costs and/or benefits of taking service under Rate TD 2012 based on the customer's current usage patterns and potential future modified patterns. We also direct Duke to monitor the usage of customers taking service under Rate TD 2012 and to intervene if any customer's usage pattern results in a 20 percent or greater increase from what it otherwise would have been under the current residential service rate. Furthermore, the Commission finds that Duke should submit its enrollment materials, including customer education materials, for these pilot rates to the Commission's Service Monitoring and Enforcement (SME) Department prior to commencing the customer acquisition process and should inform the SmartGrid Collaborate, the Commission's SME Department, and the Commission's Energy and Environment Department of significant events in the customer acquisition process (e.g., under- or over- subscription in the program, or complaints regarding the program). Moreover, the Commission directs Duke to educate customers participating in the pilot Rate PTR 3.0 of the opt-out provision allowing these customers to decline participation in the program, if they so desire, and to provide resources to address customer questions and concerns.

- (14) In addition, the Commission finds that Duke should proceed, in consultation with the SmartGrid Collaborative, to develop a comprehensive plan for determining what pricing, technology, and communication options will work best for different consumers and for extending time-differentiated and dynamic pricing options.

It is, therefore,

ORDERED, That the motion for intervention filed by OCC be granted. It is, further,

ORDERED, That the application and proposed tariff filed by Duke on February 21, 2012, as amended March 27, 2012, be approved. It is, further,

ORDERED, That Duke be authorized to file, in final form, four complete copies of its tariffs, consistent with this finding and order. Duke shall file one copy of each in its TRF docket (or make such filing electronically as directed in Case No. 06-900-AU-WVR) and one copy of each in this case docket. The remaining two

copies of each shall be designated for distribution to the Rates and Tariffs, Energy and Water Division of the Commission's Utilities Department. It is, further,

ORDERED, That the effective date of the new tariff shall be a date not earlier than the date of this finding and order and the date upon which four complete copies are filed with the Commission. It is, further,

ORDERED, That the directives set forth in this finding and order be observed. It is, further,

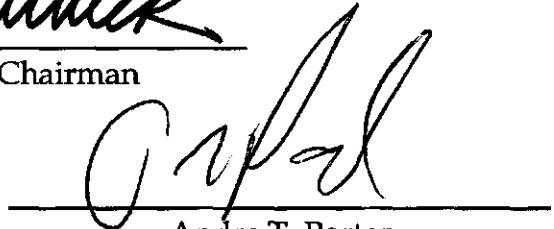
ORDERED, That nothing in this finding and order shall be binding upon this Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

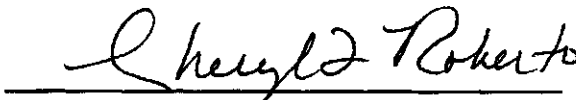
ORDERED, That a copy of this finding and order be served all parties of record.

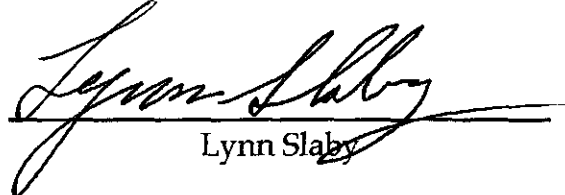
THE PUBLIC UTILITIES COMMISSION OF OHIO


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