

BEFORE**THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)	
Duke Energy Ohio, Inc., for an)	Case No. 12-1682-EL-AIR
Increase in Electric Distribution Rates.)	
 In the Matter of the Application of)	
Duke Energy Ohio, Inc., for Tariff)	Case No. 12-1683-EL-ATA
Approval.)	
 In the Matter of the Application of)	
Duke Energy Ohio, Inc., for Approval)	Case No. 12-1684-EL-AAM
to Change Accounting Methods.)	

DIRECT TESTIMONY OF**BRUCE L. SAILERS****ON BEHALF OF****DUKE ENERGY OHIO, INC.**

_____	Management policies, practices, and organization
_____	Operating income
_____	Rate Base
_____	Allocations
_____	Rate of return
_____	Rates and tariffs
<u> X </u>	Other: Demand Response

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I. INTRODUCTION AND PURPOSE

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Bruce L. Sailers, and my business address is 139 East Fourth Street,
3 Cincinnati, Ohio 45202.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by Duke Energy Business Services LLC (DEBS), as Manager,
6 Product Development Analytics. DEBS provides various administrative and other
7 services to Duke Energy Ohio, Inc., (Duke Energy Ohio or Company) and other
8 affiliated companies of Duke Energy Corporation (Duke Energy).

9 **Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATIONAL BACKGROUND**
10 **AND PROFESSIONAL EXPERIENCE.**

11 A. I received a Bachelor's Degree in Finance & Quantitative Analysis and a Masters
12 Degree in Marketing from the University of Cincinnati. After three years working
13 with Marathon Oil Company as a systems analyst, I began my career with The
14 Cincinnati Gas & Electric Company, the predecessor to Duke Energy Ohio, in
15 Load Forecasting. I worked in the Load Forecasting area for approximately five
16 years in various capacities, and then transferred to Market Research for
17 approximately ten years. I moved to my current role in early 2006.

18 **Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AS MANAGER,**
19 **PRODUCT DEVELOPMENT ANALYTICS.**

20 A. As Manager, Product Development Analytics, I am responsible for demand
21 response product support analysis, certain demand response product operational
22 support functions, demand response product measurement and verification, and

1 demand response product Regional Transmission Organization (RTO) integration
2 for Duke Energy affiliates, including Duke Energy Ohio.

3 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC**
4 **UTILITIES COMMISSION OF OHIO?**

5 A. No.

6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THESE**
7 **PROCEEDINGS?**

8 A. The purpose of my testimony is to:

- 9 - Describe the Company's PowerShare[®] program offered through Rider PLM
10 (Peak Load Management); and
- 11 - Describe revisions to Rider PLM including:
 - 12 ○ the availability of all PowerShare[®] program options to both Duke
13 Energy Ohio customers who have not selected a competitive retail
14 electric service (CRES) provider and those who have selected a CRES
15 provider,
 - 16 ○ general terminology changes to reflect Duke Energy Ohio's
17 participation in the PJM Interconnection LLC (PJM); and
 - 18 ○ the exclusion of Rate RTP (Real Time Pricing) customers from
19 participation.

II. POWERSHARE[®] PROGRAM DESCRIPTION

20 **Q. PLEASE DESCRIBE THE POWERSHARE[®] PROGRAM.**

21 A. The PowerShare[®] program is offered under Duke Energy Ohio's Peak Load
22 Management Program, or Rider PLM. The current version of Rider PLM is

1 contained in Schedule E-2, which was filed in these proceedings on July 9, 2012.
2 Rider PLM was approved by the Public Utilities Commission of Ohio
3 (Commission) on January 21, 2010, in Case No 09-780-EL-ATA. The
4 PowerShare[®] program provides financial incentives in the form of bill credits to
5 Duke Energy Ohio industrial and commercial customers who reduce their electric
6 demand during Duke Energy Ohio's peak load and/or high marginal price periods.
7 Customers may choose to participate in either CallOption or QuoteOption.

8 **Q. PLEASE DESCRIBE THE CALLOPTION COMPONENT OF**
9 **POWERSHARE[®].**

10 A. CallOption requires customers to commit to a pre-selected load reduction, based
11 on historic or usual demand, at a selected strike price. In return for this
12 commitment to reduce load when called upon by the Company, CallOption
13 customers receive a monthly premium payment from Duke Energy Ohio as a
14 credit to their bill. In addition, when customers are called to reduce load, they
15 receive an energy credit. Duke Energy Ohio may exercise its rights under the
16 standard CallOption products based on economic and/or reliability concerns. For
17 economic-related events, when the next day's market prices are projected to be
18 greater than the strike price, Duke Energy Ohio can call the option by notifying
19 customers the day ahead of the event. For reliability purposes, Duke Energy Ohio
20 can call the option by notifying customers at least ninety minutes ahead of an
21 event. Reliability events would typically be initiated in response to a request by
22 PJM. The level of incentive received by the customer depends upon the following
23 customer-selected parameters: the contracted for option load, the strike price, the

1 selected duration (number of hours), and the maximum number of calls. The term
2 of the CallOption program varies depending on the option selected. There are
3 four options from which customers may choose:

- 4 - CallOption 0/10 incorporates no economic-based events and ten reliability-
5 based events with a term of June through May.
- 6 - CallOption 5/10 incorporates five economic-based events with a term of June
7 through September and ten reliability-based events with a term of June
8 through May.
- 9 - CallOption 10/10 incorporates ten economic-based events with a term of June
10 through September and ten reliability-based events with a term of June
11 through May.
- 12 - CallOption 15/10 incorporates fifteen economic-based events and ten
13 reliability-based events both with a term of June through May.

14 Each option has “built-in” limitations on how frequently economic events can be
15 invoked during the applicable term.

16 **Q. PLEASE DESCRIBE THE QUOTEPTION COMPONENT OF**
17 **POWERSHARE®.**

18 A. QuoteOption allows a customer to elect whether or not to reduce its load in
19 response to an offer price provided by Duke Energy Ohio. No monthly premium
20 is paid to QuoteOption customers because they may elect not to respond when
21 called, but an energy credit is paid for load reductions made in response to Duke
22 Energy Ohio’s calls. Because customers have the right to elect whether or not to
23 respond to a call, QuoteOption essentially offers customers a no-risk proposition.

1 This election feature does give Duke Energy Ohio less control over, and certainty
2 of, load reductions; however, it also provides the Company with load reductions
3 from a group of customers that would not participate if they had to contractually
4 commit to load reductions. QuoteOption is available year round.

5 **Q. DOES DUKE ENERGY OHIO REGISTER THE POWERSHARE®**
6 **PROGRAMS WITH PJM?**

7 A. This depends on the program. Duke Energy Ohio registers the PowerShare®
8 CallOption program participants' load reduction with PJM as Demand Resources
9 (DR) under the Emergency Full PJM participation program. Duke Energy Ohio
10 does not register PowerShare® QuoteOption with PJM since this program would
11 not qualify for capacity use; nor is it well suited for economic participation in the
12 PJM markets.

13 **Q. DO THESE REGISTRATIONS ALLOW DUKE ENERGY OHIO TO**
14 **INCORPORATE ITS CALLOPTION CAPACITY INTO THE PJM**
15 **CAPACITY MARKETS?**

16 A. Yes. Registering programs as DR allows Duke Energy Ohio to incorporate the
17 registered capacity in various ways permitted by PJM and demonstrates that the
18 program meets the requirements established by Ohio's Amended Substitute
19 Senate Bill 221 (SB 221) for use in meeting the SB 221 mandated requirements.

III. PROPOSED REVISIONS TO RIDER PLM

1 **Q. IS THE COMPANY PROPOSING ANY CHANGES TO RIDER PLM IN**
2 **THESE PROCEEDINGS?**

3 A. Yes. The proposed revisions to Rider PLM are contained in Schedule E-2.1,
4 which was filed in these proceedings on July 9, 2012.

5 **Q. PLEASE DESCRIBE THE SIGNIFICANT REVISIONS TO RIDER PLM**
6 **THE COMPANY IS PROPOSING.**

7 A. The current Rider PLM allows Duke Energy Ohio customers that have selected a
8 CRES provider for their generation supply (shopping customers) to only
9 participate in the PowerShare[®] emergency only option, PowerShare[®] CallOption
10 0/10. Duke Energy Ohio proposes to allow shopping customers to participate in
11 any of the PowerShare[®] options offered by the Company.

12 **Q. WHY IS THE COMPANY PROPOSING TO ALLOW SHOPPING**
13 **CUSTOMERS TO PARTICIPATE IN ANY OF THE POWERSHARE[®]**
14 **OPTIONS OFFERED BY DUKE ENERGY OHIO?**

15 A. The lack of clarity regarding Aggregators of Retail Customers' (ARC) ability to
16 participate in demand response constructs has been the primary reason why
17 shopping customers have not been permitted to participate in PowerShare[®]
18 options that allow for economic curtailment requests. ARC is a term used by the
19 Midwest Independent System Operator, Inc., (Midwest ISO) and the demand
20 response construct relevant to ARC is thus that found in the Midwest ISO. Duke
21 Energy Ohio is now a member of PJM, where market participation for
22 Curtailment Service Providers is well defined and actively practiced. Duke

1 Energy Ohio proposes to revise Rider PLM to align the rider with its membership
2 in PJM and afford all eligible customers, regardless of their shopping status, with
3 the opportunity to participate in PowerShare®.

4 **Q. ARE THERE ADDITIONAL REVISIONS TO RIDER PLM?**

5 A. Yes. The Company is removing Rate RTP from the list of eligible rates that can
6 participate in PowerShare® under Rider PLM.

7 **Q. WHY IS DUKE ENERGY OHIO EXCLUDING RATE RTP CUSTOMERS**
8 **FROM PARTICIPATING IN POWERSHARE® UNDER RIDER PLM?**

9 A. Rate RTP participants have a well-defined incentive structure under Rate RTP to
10 encourage load curtailment during periods of high market prices. This incentive
11 structure, based on market-driven prices, presents challenges to the Company with
12 regard to coordinating and managing incentives offered under the avoided cost
13 based PowerShare® program and with the Rate RTP incentives. These challenges
14 result from the potential for participants enrolled in both programs (*i.e.*, Rate RTP
15 and Rider PLM) to receive double incentives for the same load curtailment. Duke
16 Energy Ohio proposes to eliminate the potential for double incentives by
17 removing Rate RTP from the eligible list of rates for participation in Rider PLM.

18 **Q. ARE THERE ADDITIONAL REVISIONS TO RIDER PLM?**

19 A. Yes. The Company has revised Rider PLM text to make it more consistent with
20 the environment and terminology in PJM, such as the use of the terms Firm
21 Service Level and Guaranteed Load Drop.

IV. CONCLUSION

1 **Q. IS THE INFORMATION YOU SPONSOR WITH REGARD TO RIDER**
2 **PLM, AS REFLECTED IN SCHEDULE E-2.1, ACCURATE TO THE**
3 **BEST OF YOUR KNOWLEDGE AND BELIEF?**

4 **A. Yes.**

5 **Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?**

6 **A. Yes.**