

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke)
Energy Ohio, Inc., for Authority to Establish) Case No. 13-662-EL-UNC
an Energy Efficiency Pilot Program for Low)
Income Customers.)

**APPLICATION OF DUKE ENERGY OHIO, INC.,
TO ESTABLISH AN ENERGY EFFICIENCY PILOT PROGRAM
FOR LOW INCOME CUSTOMERS**

INTRODUCTION

Duke Energy Ohio, Inc. (Duke Energy Ohio) is an Ohio corporation engaged in the business of supplying electric transmission and distribution service to customers in southwestern Ohio, all of whom will be affected by this Application, and is a public utility as defined by R. C. 4905.02 and 4905.03. Duke Energy Ohio serves incorporated communities and unincorporated territory within its entire service area, which includes all or parts of Adams, Brown, Butler, Clinton, Clermont, Hamilton, Montgomery, and Warren counties in Ohio.

Pursuant to the requirements set forth in Revised Code 4928.66 and Chapter 4901:1-39, O.A.C., Duke Energy Ohio is required to implement peak demand reduction programs that will enable it to achieve a one per cent reduction in peak demand in 2009 and an additional seventy-five hundredths of one per cent reduction each year through 2018, and a cumulative, annual energy efficiency savings in excess of twenty-two per cent by the end of 2025.

Duke Energy Ohio submitted its most recent application for approval of a portfolio of energy efficiency and peak demand reduction programs in Case No. 11-4393-EL-POR. The Commission adopted and approved a stipulation that contained agreement on the proposed programs in the proposed portfolio on August 15, 2012.

People Working Cooperatively, Inc., (PWC) is a unique, non-profit organization serving low-income, elderly and disabled homeowners. PWC strengthens communities by providing professional and critical home repairs, weatherization, and modification and maintenance services to help residents stay safely in their homes.

Duke Energy Ohio and PWC have worked together for almost thirty years to help the financially challenged residents of southwestern Ohio remain independent homeowners by supporting PWC's "whole house" approach, part of which focuses on lowering residential energy costs. The efforts of Duke Energy Ohio and PWC have been enormously successful. Over the last thirty years, PWC, with significant funding from Duke Energy Ohio, has provided services to more than 150,000 homes. During that time PWC has provided residents with home repair, enhanced mobility in the form of ramps and rails, and most relevant to this proceeding, energy efficiency services.

The services provided by PWC have had a profound effect on the individuals who receive the services directly and the community in which the dwellings are located. The whole house service provided by PWC makes it possible for disabled people to stay in their homes because they are able to physically move throughout the home and interact with their larger community. The PWC whole house services also decrease the cost for those with limited financial resources to remain in their homes through home repair and maintenance and energy efficiency. An energy efficient home is a less expensive home

to maintain and live in, which helps to keep residents from becoming participants in the Percentage of Income Payment Program (PIPP) by lowering energy costs. For the same reasons, it lowers the overall cost of PIPP programs by lowering the energy usage and the associated cost for those who are on PIPP.

The PWC whole house service, including energy efficiency services, also provides significant non-energy benefits. It is less expensive for people to receive health care in their home. Children who remain in their home perform better in school. Homes that are kept in good repair and are made energy efficient, increase in value and increase the value of homes in the surrounding community. In these difficult economic times, increasing value so that homes are worth more represents an important non-energy benefit that can help make credit from lending institutions available to support residential communities.¹

There is, however, an opportunity to increase the magnitude of funding for PWC's valuable work and continue to help this under-served segment of the population and, at the same time, generate valuable energy efficiency that Duke Energy Ohio needs to meet its annual energy efficiency requirement under SB221. With this synergy in mind, the Parties to Case 11-3549-EL-SSO, *et al.*, unanimously agreed, through a Stipulation approved by the Public Utilities Commission of Ohio (Commission) that Duke Energy Ohio and PWC should begin an energy efficiency pilot program to permit PWC to leverage Duke Energy Ohio's energy efficiency funding to obtain funding from other sources to produce more energy efficiency that PWC will credit to Duke Energy

¹ See *Increasing Property Values and Decreasing Forced Mobility: Analysis of Nonenergy Benefits for Low-Income Programs*, Jamie Drakos, The Cadmus Group, Inc, Portland, Oregon M. Sami Khawaja, PhD, The Cadmus Group, Inc, Portland, Oregon Jennifer S. Pitzer, PhD, Economics Center, Cincinnati, Ohio (---, --, 2011) (An analysis of the non-energy benefits resulting from services provided by PWC).

Ohio's statutory mandate. Given the extraordinary benefits to the community that result from such an energy efficiency pilot program, Duke Energy Ohio respectfully requests that the Commission approve the energy efficiency pilot program set forth below.

BACKGROUND

Duke Energy Ohio and PWC have, for many years, recognized that low income customers in Duke Energy Ohio's service territory derive significant benefits from energy efficiency. While the price tag for energy efficiency is relatively inexpensive compared to the benefits that it can bring to a low income household, it has been challenging to market energy efficiency to customers who have other more pressing priorities such as food, shelter and clothing. This inability to effectively deliver energy efficiency to this segment of Duke Energy Ohio's customers presents an opportunity for PWC's whole home approach to delivering energy efficiency.

Duke Energy Ohio has leveraged the effectiveness of PWC and has utilized this organization to deliver a large portion of its low-income weatherization activities. PWC has been able to use weatherization funds provided in settlement of various proceedings before the Commission, effectively to generate funding from unaffiliated parties, including funds from government programs and private donors, (leveraged funds). For example, PWC has received leveraged energy efficiency funds from the United States Department of Energy (US DOE) as a direct result of the direct funds PWC receives from Duke Energy Ohio. Duke Energy Ohio's commitment to provide financial support has allowed PWC to attract and utilize the leveraged funds to provide its whole house services including energy efficiency services. Although the incremental energy efficiency PWC produces with the leveraged funds is made possible only by Duke

Energy Ohio's support, currently Duke Energy Ohio does not receive credit toward its statutory energy efficiency mandate for the energy efficiency PWC produces from leveraged funds. This energy efficiency pilot proposes to solve this issue by permitting Duke Energy Ohio to purchase the energy efficiency produced from leveraged funds (Non-Duke Energy Funds).

The underlying rationale for the pilot is that incremental energy efficiency generated by PWC's whole home program is made possible only by Duke Energy Ohio's direct funding and, for this reason, it makes sense to develop a means by which Duke Energy Ohio and its customers can count the impacts toward the Company's statutory energy efficiency mandates. This energy efficiency pilot proposes to recognize the synergy of this relationship by permitting Duke Energy Ohio to purchase the energy efficiency produced from leveraged funds. This benefits all parties by providing PWC with additional funds for its whole house services and Duke Energy Ohio with incremental cost effective energy efficiency. In other words, Duke Energy Ohio has reached a proposed agreement with PWC whereby it will agree to purchase energy and capacity savings associated with the PWC leveraged impacts generated by PWC's whole home program, notwithstanding that the incremental impacts result from funding other than that which is provided by Duke Energy Ohio.

As detailed in the attached proposed contract (Statement of Work) between Duke Energy Ohio and PWC, Duke Energy Ohio will pay PWC a fixed rate for the actual kWh achievement in year one (the year of customer participation) of \$0.255 per kWh installed weatherization measure that it achieves through its non-Duke Energy Ohio funded weatherization programs. By purchasing these energy efficiency impacts at the agreed

upon rate of \$0.255 per first year KWh, the program cost associated with this pilot will be slightly less than the net present value of avoided cost benefit from the energy efficiency. Therefore the proposed pilot program is projected be a cost-effective program. Under the pilot the Company is only paying PWC for actual impacts that are subject to the same robust independent measurement and verification (M&V) to which all other Commission-approved energy efficiency programs are subject.

The pilot program proposed by Duke Energy Ohio and PWC represents a small portion of the energy efficiency that Duke Energy Ohio must achieve to meet its statutory mandate. It is targeted toward low-income customers who make up a small portion of the energy efficiency market. If the program is a success, Duke Energy Ohio believes that it may provide a model that could allow other energy efficiency providers to produce low-cost energy efficiency for the benefit of Ohio's utility customers.

The pilot is proposed for a three-year period beginning on the effective date of the Commission's order approving the program. Since the Company is seeking to include the pilot program's impacts, costs, and avoided costs under its shared savings mechanism recovered through Rider EE-PDR, Duke Energy Ohio and PWC shall include an annual report setting forth the energy efficiency benefits and costs associated with the pilot program in its annual Rider EE-PDR true-up applications. If, at the end of the three-year pilot period, Duke Energy Ohio and PWC agree to continue the program and the Commission does not end the program, the energy efficiency program shall continue indefinitely.

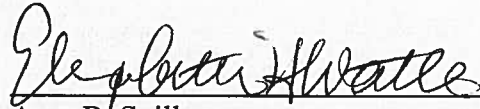
Duke Energy Ohio is mindful that it is proposing a pilot energy efficiency program outside of its required and soon to be filed portfolio application, and that the

Commission prefers to have such programs incorporated into a package of proposed programs so that it can best determine the parameters of the overall portfolio. Because the underlying basis for the pilot is PWC's ability to leverage a funding stream from Duke Energy Ohio into additional funding, Duke Energy Ohio believes that it is critical to start the pilot as soon as possible to begin attracting funds from other entities. Given that this program is proposed as a pilot, and because of the need for PWC to begin to attract the funding that will be used to provide the impacts that Duke Energy Ohio will purchase, Duke Energy Ohio is proposing this pilot program as a stand-alone, apart from its portfolio application which will be filed for the Commission's approval on or before April 15, 2013. Accordingly, Duke Energy Ohio respectfully requests that the Commission grant a waiver from the requirements set forth in Rules 4901:1-39-03, and 4901:1-39-04, and 4901:1-39-07,O.A.C. to the extent required in order to approve a separately proposed program.

CONCLUSION

The energy efficiency pilot program proposed by Duke Energy Ohio and PWC is designed to expand funding for PWC's valuable whole home services and also provide Duke Energy Ohio with energy efficiency impacts from the low income segment of Duke Energy Ohio's customers at a lower cost than has traditionally been possible, making it cost effective. The pilot program is targeted to help those customers that most need it, low income utility customers. Duke Energy Ohio respectfully requests that the honorable Commission approve the proposed pilot program.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Elizabeth H. Watts", is written over a horizontal line.

Amy B. Spiller

Deputy General Counsel

Elizabeth H. Watts

Associate General Counsel

Duke Energy Business Services LLC

139 E. Fourth Street, 1303 Main

Cincinnati, Ohio 45202

Attorneys for Duke Energy Ohio, Inc.

STATEMENT OF WORK

This Statement of Work ("SOW" or "Statement of Work") is pursuant to the Master Service Agreement, effective January 1, 2009 (the Effective Date) by Duke Energy Ohio, Inc. (Duke Energy Ohio) an Ohio Public Utility, Electric Light Company subject to the jurisdiction of the Public Utilities Commission of Ohio (Commission) and People Working Cooperatively of the Midwest, Inc. (PWC), a non-profit corporation organized under the laws of Ohio. Duke Energy Ohio and PWC are hereinafter collectively referred to as the Parties. The specific terms which will apply to this request are described below:

WHEREAS, Ohio Revised Code (R.C.) 4928.66 sets energy efficiency benchmarks for Duke Energy Ohio. And, the Commission, in Case No. 11-4393-EL-RDR, approved Rider EE-PDR to incentivize Duke Energy Ohio to achieve its energy efficiency benchmarks and recover the costs associated with such achievement;

THEREFORE, for the good and valuable consideration set forth below, the Parties enter into this three (3) year pilot program Statement of Work.

1. Consideration

A. During the term of this Statement of Work, PWC shall provide Duke Energy Ohio with all of the energy efficiency benefits (impacts as a Deliverable) in the Duke Energy Ohio service territory that it produces through its weatherization programs funded by third parties where such third parties fund PWC because of Duke Energy Ohio's prior funding commitments (Leveraged Funds). Since PWC receives Leveraged Funds expressly based on Duke Energy Ohio's funding of PWC's whole-home weatherization portfolio, Duke Energy Ohio shall be able to recognize 100% of the energy efficiency benefits produced throughout the useful life of the weatherization measures for the purposes of its annual energy efficiency and demand response achievements related to its performance toward meeting its annual energy efficiency benchmarks as established in 4928.66 of the Ohio Revised Code, any other regulatory requirements that may be established in the future, or any Commission-approved performance incentive mechanism. Energy efficiency benefits include reducing consumption of electric energy and the associated capacity savings, measured in a manner consistent with Duke Energy Ohio's requirements so as to enable it to apply such benefits to its benchmark for purposes of meeting its energy efficiency mandate and to allow for cost recovery from customers. Leveraged Funds may include funds from any private or governmental source, but not from Duke Energy Ohio.

B. Duke Energy Ohio shall pay PWC a fixed rate for the actual kWh achievement in year one (the year of customer participation) of \$0.255 per kWh installed weatherization measure that it achieves through its non-Duke Energy funded weatherization programs. PWC shall provide Duke Energy Ohio with participation and supporting data (Supporting data to include but not limited to participant premise address, account number, date of weatherization, and measure installation) at an installed measure level for the purposes of determining the first year kWh energy efficiency savings achieved from its programs on a monthly basis along with all invoices. For the purposes of this Statement of Work under the Master Services Agreement, in support of this pilot energy efficiency program, the term "Deliverable" shall not include any supporting data provided by PWC to Duke Energy Ohio under this Agreement. All such

supporting data shall remain the property of PWC. PWC and Duke Energy Ohio have agreed to use all of the impacts and measure life assumptions included in Attachment A of this Statement of Work. Consistent with the practice of all other Duke Energy Commission approved Energy Efficiency programs; Duke Energy will utilize their independent third party evaluation measurement and verification methodology for producing the process and impact evaluations. The Energy Efficiency impacts and measure life assumptions recognized under the pilot will not be changed by Duke Energy Ohio unless PWC is given thirty (30) days prior notification of the changes, and all changes shall be applied prospectively from the first calendar day of the month after the Final EM&V Report is received. Any change to impact or measure life assumptions emanating from the EM&V results shall not be applied retroactively to work previously performed by PWC.

C. Duke Energy will make all payments for monthly invoices within 30 days of receipt of the correct invoice and the required supporting documentation. Since Duke Energy is paying PWC for energy efficiency achievement, the Company will true-up payments based upon verification of proper installation by Duke Energy's independent third party provider. All true-ups associated with the application shall occur within 150 days of Duke Energy Ohio's payment of an invoice. The third party evaluator will receive the program tracking database from PWC in a timely manner. Upon receipt of the database, the third party evaluator will select appropriate samples for verification of installation purposes. The third party evaluator will verify the installations based on phone surveys or site visits or any other methods deemed appropriate by the third party evaluator. Total savings reported by PWC will be true-d up based on actual measure installation verified by the third party evaluator versus claimed installation as well as based on proper installations. The third party evaluator will make adjustments in the form of a realization rate to account for improper installations (improper installation is defined as installations in which the energy efficiency impacts are not realized from in the installation.). However, the per unit saving estimates used by the third party evaluator will be the same as those reflected in Attachment A and used in the pilot planning, until such time they have been updated based upon the results of a Final EM&V Report.

D. The Parties may request the commercialization of the pilot, meaning it is an on-going Commission-approved Program, upon an application to the Commission filed after completion of the EM&V associated with the pilot and no sooner than after the second year the pilot. In support of their application the Parties state that:

a. Duke Energy is an Ohio Public Utility, Electric Light Company subject to the jurisdiction of the Commission pursuant to R.C. 4905.02 and R.C. 4905.03. The Parties assert that during the three-year pilot program PWC can leverage additional energy efficiency funding based upon Duke Energy Ohio's continued support for PWC's whole-house mission and, in particular, its energy efficiency programs. PWC has a long history of successfully attracting Leveraged Funds.

b. Duke Energy Ohio shall not purchase from PWC energy efficiency benefits associated with energy efficiency measures not included in the detail in this application and previously approved by the Commission. Duke Energy Ohio will seek Commission approval of any new energy efficiency measures to be included in PWC's weatherization efforts before including its costs and benefits in this pilot program

E. PWC shall perform energy efficiency services for targeted residential customers in accordance with the residential energy efficiency programs approved by the Commission in Case No. 11-4393-EL-RDR or as approved in its next portfolio filing.

F. In the event the Commission deems the pilot to be no longer necessary or warranted, this Statement of Work shall immediately terminate upon such notice from the Commission.

IN WITNESS THEREOF, the Parties have caused this Statement of Work to be executed by their duly authorized representatives as of the date first above-written.

PWC People Working Cooperatively of the Midwest, Inc.		DUKE ENERGY OHIO Duke Energy Ohio, Inc.
By:		By:
Print: Jock J. Pitts		Print:
Title: President		Title:

Attachment A**Impact Assumptions for PWC Pilot**

Measure	Measure Net Savings Per Unit	Measure Life IN USE	Measure Unit
Electrically Heated Homes			
Refrigerator Replacement	1263.00	8	Per Refrigerator
CFL	38.90	5	Per CFL
Faucet Aerator (1.5 GPM assumed)	18.70	5	Per Aerator
Energy Efficient Shower Head (1.625 GPM Avg Assumed)	157.68	5	Per Showerhead
Water Heater Tank Wrap	59.30	5	Per Water Heater
Water Heater Pipe Insulation	99.80	10	Per Water Heater
Water Heater Replacement (Electric)	117.21	13	Per Water Heater
Water Heater Replacement (Gas)	0.00	13	Per Water Heater
Attic/Ceiling/Roof Insulation (Space Heating Only)	2.14	25	Per Installed Square Foot
Attic/Ceiling/Roof Insulation (Space Cooling Only)	0.03	25	Per Installed Square Foot
Wall Insulation (Space Heating Only)	4.36	25	Per Installed Square Foot
Wall Insulation (Space Cooling Only)	0.07	25	Per Installed Square Foot
Floor Insulation (Space Heating Only)	0.70	25	Per Installed Square Foot
Floor Insulation (Space Cooling Only)	0.00	25	Per Installed Square Foot
Foundation Insulation (Space Heating Only)	0.90	25	Per Installed Square Foot
Air Sealing (Space Heating Only)	1.10	15	Per CFM Reduction
Air Sealing (Space Cooling Only)	0.02	15	Per CFM Reduction
Non-Electrically Heated Homes			
Refrigerator Replacement	1263.00	8	Per Refrigerator
CFL	38.90	5	Per CFL
Faucet Aerator (1.5 GPM assumed)	18.70	5	Per Aerator
Energy Efficient Shower Head (1.625 GPM Avg Assumed)	157.68	5	Per Showerhead
Water Heater Tank Wrap	59.30	5	Per Water Heater
Water Heater Pipe Insulation	99.80	10	Per Water Heater
Water Heater Replacement (Electric)	117.21	13	Per Water Heater
Water Heater Replacement (Gas)	0.00	13	Per Water Heater
Attic/Ceiling/Roof Insulation (Space Heating Only)	0.00	25	Per Installed Square Foot
Attic/Ceiling/Roof Insulation (Space Cooling Only)	0.03	25	Per Installed Square Foot
Wall Insulation (Space Heating Only)	0.00	25	Per Installed Square Foot
Wall Insulation (Space Cooling Only)	0.07	25	Per Installed Square Foot
Floor Insulation (Space Heating Only)	0.00	25	Per Installed Square Foot
Floor Insulation (Space Cooling Only)	0.00	25	Per Installed Square Foot
Foundation Insulation (Space Heating Only)	0.00	25	Per Installed Square Foot
Air Sealing (Space Heating Only)	0.00	15	Per CFM Reduction
Air Sealing (Space Cooling Only)	0.02	15	Per CFM Reduction

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Case No(s). 13-0662-EL-UNC

Summary: Application Application of Duke Energy Ohio, Inc., to Establish an Energy Efficiency Pilot Program for Low Income Customers electronically filed by Carys Cochern on behalf of Watts, Elizabeth H. Ms.