**BEFORE**
**THE PUBLIC UTILITIES COMMISSION OF OHIO**

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| In the matter of the Application of the **City of Cincinnati**, for approval of a Reasonable Arrangement | )<br>)<br>)<br>) | Case No. 14-1409-EL-EEC |

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## REPLY COMMENTS OF THE CITY OF CINCINNATI

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On September 9, 2014, Duke Energy Ohio, Inc. ("Duke") filed its Comments in response to the City of Cincinnati's (City") Application to Commit Energy Efficiency/Peak Demand Reduction ("EE/PDR") Programs for integration with Duke's EE/PDR program. The City now respectfully submits its Reply to those Comments.

Duke's only opposition to the City's application is that, because the City's application pertains to that portion of its program directed at street lighting EE/PDR, it does not qualify for an incentive because: 1) Duke's Unmetered Outdoor Lighting Electric Service ("UOLS") does not have a volumetric charge; and 2) the City does not pay into EE/PDR Rider. As a result, according to Duke, the City does not contribute toward Duke's Efficient Outdoor Lighting SmartSaver® Prescriptive Program. Thus, argues Duke, it would be inequitable to permit the City to take advantage of a program for services that do not contribute to the existence of the program. Duke Comments at 1.

Duke's position is puzzling. It is also discriminatory. Duke has had no concerns with other Energy Efficiency Credits ("EEC") applications where rate classifications that do not contain volumetric charge components and that do not contribute to Rider EE/PDR are involved. As recently as May 14, 2014 Duke jointly filed with the City of Blue Ash, in Case No. 14-874-EL-EEC, an application for traffic lighting upgrades. This filing is perfectly consistent with Duke's past practices towards the City, as well. Since 2008, Duke has provided the City nearly

$100,000 in rebates to the City for applications that receive service under Rate TL. This includes $22,000 in rebates as recently as 2013. Duke's Rate TL operates identically to Rate UOLS or Rate SC in its relation to Duke's EE/PDR programs and cost recovery rider. In light of the Blue Ash EEC application, Duke's objections to the City's application are inherently inconsistent with Duke's own practices and are discriminatory towards the City. As a service regulated under Ohio Revised Code Title 49, Duke must administer its EE/PDR program in the same just, reasonable, and non-discriminatory manner as it would any other regulated services.

In addition to the discriminatory treatment by Duke towards the City, Duke also misapprehends the basis of the City's application. The City is not filing under the auspices of one of Duke's sponsored programs, but rather under the Commission's pilot program established in Case No. 10-834-EL-POR, which, in turn, implements the directives of the General Assembly set out at Ohio Revised Code Section ("R.C.") 4928.66(B)(2)(d). Nowhere in the Commission's rules or in the Revised Code does it indicate that the EE/PDR capabilities dedicated by a mercantile customer to an EDU for inclusion in that EDU's EE/PDR benchmark obligations must be subject to the cost recovery mechanism. The City made reference to Duke's Efficient Outdoor Lighting SmartSaver® Prescriptive Program only for purposes of establishing the reasonable value of the City's program under the reasonable arrangement it seeks with Duke. Thus, the cost-effectiveness of the City's program has been thoroughly demonstrated by Duke itself, and it is not subject to reasonable dispute.

The valuation of the City's street lighting upgrade program is a separate consideration from the question of whether Rate UOLS, or any other rate, is subject to Duke's EE/PDR Rider. The only relevant consideration for the Commission in approving the City's application is whether the load reduction represented by the City's street lighting program will have a cost-effective impact on Duke's benchmark obligation. The City's street lighting load is unquestionably a component of the kilowatt hours sold by Duke, regardless of the lack of a kWh rate component, and contributes to Duke's annual baseline calculations used to compute Duke's compliance with the requirements of R.C. 4928.66(A)(1)(a). The City's street lighting upgrade program is clearly cost-effective, as demonstrated by Duke's own program numbers. In fact, the City's street lighting program is made more cost-effective by virtue of the fact that, as a mercantile self-direct program, Duke will not collect the considerable shared savings paid by all customers for the incentives provided to the City under the special arrangement sought herein. The City's street lighting upgrade program is a benefit to all customers that fund Duke's EE/PDR obligation.

It is noteworthy that Duke failed to meet its 2013 EE/PDR benchmarks without resort to its "banked" portfolio resources. Testimony of Trisha Haemmerle, at 7, Case No. 14-457-EL-RDR. This is a strong indication that Duke is finding it more difficult to find very low cost EE/PDR projects to fulfill its benchmark obligations. Duke apparently is in no position to reject the significant volume of cost-effective savings that the City's street lighting improvement project represents. Ratepayers may, at some point, be called upon to pay for much more expensive EE/PDR resources if the City's application is ultimately rejected by the Commission.

Duke dismisses as irrelevant the fact that the City is one of Duke's largest customers with over six-hundred (600) active electric service accounts—nearly five-hundred fifty (550) of these accounts are on tariffs subject to the EE-PDR Rider. By extension, the City is also one of the largest contributors to Duke's EE/PDR Rider. The City of Cincinnati pays approximately $360,000 annually towards the EE-PDR Rider and over $1.4 million since its inception. This financial burden is anything but irrelevant to the City's taxpayers, who are also customers of Duke. Far from being irrelevant, Duke is reading restrictions into its tariff that simply do not exist.

Even if Duke's position regarding the lack of a kWh rate component for street lighting were valid, it would be very poor public policy for the Commission to reject the City's application. As the City's application demonstrates, street lighting is a prime source for cost effective EE/PDR. While street lighting represents only approximately .5% of Duke's overall delivered load, this entire half-percent is open to the type of efficiency gains represented by the City's application—no trivial number. Duke's position—which is not shared by any of Ohio's other electric distribution utilities—eliminates this entire category of potential savings in one unjustified and discriminatory stroke[1].

Wherefore, the City of Cincinnati respectfully requests that the Commission reject the Comments provided by Duke and expeditiously approve the City's application, as filed in this Case.

Respectfully Submitted on behalf of
THE CITY OF CINCINNATI

Thomas J. O'Brien
BRICKER & ECKLER LLP
100 South Third Street
Columbus, OH 43215-4291
Telephone: (614) 227-2335
Facsimile: (614) 227-2390
E-mail: tobrien@bricker.com

[1] It is especially noteworthy that PJM's all-time winter peak came at 7:00 p.m. on January 7, 2014, when the street lighting load served by Duke would be a full contributor.

## CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing Reply Comments was served via electronic mail upon the parties of record listed below this 15th day of September 2014.

Thomas J. O'Brien

Amy Spiller
Elizabeth Watts
139 E. Fourth Street,
1303Main P.D. Box 961
Cincinnati, 0H 45201-0960
amy.spiller@duke-energy.com
elizabeth.watts@duke-energy.com