

## PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke )  
Energy Ohio, Inc. for Authority to Establish )  
a Standard Service Offer Pursuant to Section ) Case No. 14-841-EL-SSO  
4928.143 Revised Code, in the Form of an )  
Electric Security Plan, Accounting )  
Modifications and Tariffs for Generation )  
Service. )

In the Matter of the Application of Duke )  
Energy Ohio, Inc. for Authority to Amend ) Case No. 14-842-EL-ATA  
its Certified Supplier Tariff, P.U.C.O. No. )  
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### NATURAL RESOURCES DEFENSE COUNCIL'S INITIAL POST-HEARING BRIEF

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#### **I. INTRODUCTION**

On May 29, 2014 Duke Energy Ohio, Inc.'s ("Duke") submitted an application to establish a standard service offer in the form of an electric security plan ("Application") that will be in effect for the period between June 1, 2015 through May 31, 2018. An extensive hearing process was conducted. The Natural Resources Defense Council ("NRDC") now submits this brief in support of Duke's Distribution Decoupling Rider ("Rider DDR"). NRDC requests that the Public Utilities Commission of Ohio ("Commission") approve Duke's request to extend the Rider DDR, which is currently in the final year of its 3-year pilot.

#### **II. Rider DDR is Working as Intended With Minimal Impact on Consumers and Thus the Commission Should Extend It.**

The Rider DDR was first raised in Duke's 2011 Electric Security Plan docket. On November 22, 2011, the Commission issued its Opinion and Order in that case, approving a stipulation filed by various parties providing that, among other things, Duke would file a separate

application for approval of a distribution revenue decoupling mechanism to adjust rates between cases for all metered rate schedules except DS, DP, and TS.<sup>1</sup> Consistent with the Commission Order, on December 8, 2011, Duke filed an application requesting approval of a three-year pilot for Rider DDR intended to “remove the link between sales and distribution revenues.”<sup>2</sup> As NRDC and Ohio Environmental Council (“OEC”) pointed out in our initial comments on that docket, decoupling is an essential part of the policy package (in addition to cost-recovery and shared savings) encouraging Duke to engage in robust customer energy efficiency programs, while at the same time eliminating its need to collect lost distribution revenues. Rider DDR is structured to adjust rates annually to ensure Duke collects its authorized, weather-adjusted distribution revenues in the covered rate classes, no less and no more. And—importantly—it provides a straightforward method of aligning Duke’s interests with investment in energy efficiency programs and forwarding Ohio’s conservation goals by rendering the utility indifferent to fluctuations in sales.

Staff has articulated its support for the pilot mechanism,<sup>3</sup> as have intervenors on the original decoupling docket. Ohio Consumers’ Council (“OCC”) explained that the use of a volumetric decoupling mechanism has the potential to promote cost-effective energy efficiency, and thus save customers money on their energy bills.<sup>4</sup> Ohio Partners for Affordable Energy (“OPAE”) also supported the rider in principle.<sup>5</sup> In addition, Duke incorporated into the pilot a

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<sup>1</sup> *In the Matter of the 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.

<sup>2</sup> *In the Matter of Duke Energy Ohio, Inc. for Approval of a Distribution Decoupling Rider*, Case No. 11-5905-EL-RDR, Testimony of James E. Ziolkowski (attached to the Application) at 3 (December 8, 2011).

<sup>3</sup> Case No. 11-5905-EL-RDR, Staff Reply Comments (March 22, 2012).

<sup>4</sup> Case No. 11-5905-EL-RDR, OCC Initial Comments at 2 (February 23, 2012).

<sup>5</sup> Case No. 11-5905-EL-RDR, OPAE Initial Comments at 2-3 (indicating that “[t]he only portion of the application with which OPAE disagrees is the inclusion of carrying charges on the monthly over- or

three percent cap on the rider to protect customers from any potential volatility in annual surcharges, at the request of NRDC, OEC, OPAE, and OCC.<sup>6</sup> The mechanism places no limit, however, on refunds to customers from any over-recovery of revenues.<sup>7</sup> On May 30, 2012, the Commission concurred with the parties' support for the mechanism and approved the Rider DDR, finding that it is "a better alternative than the recovery of lost distribution revenues with respect to energy efficiency programs and serves to incent Duke to implement meaningful energy efficiency programs."<sup>8</sup>

Duke now proposes to extend Rider DDR for the covered classes at least until the Commission approves the utility's next distribution base rate case filing.<sup>9</sup> NRDC supports this extension. Rider DDR is a tool that will continue to remove Duke's throughput incentive, thereby freeing the utility to help its customers save energy through efficiency and peak demand response programs. In this, the rider is an important component of the ESP, as it addresses Duke's ongoing efforts to comply with S.B. 221's (as modified by S.B. 310) energy efficiency requirements.

NRDC concurs with Duke that Rider DDR has been successful in its first two years of implementation, having allowed for the true-up of base distribution revenues for the applicable rate classes with "only minor impacts on customer bills."<sup>10</sup> Indeed, in 2012 the true-up added approximately \$0.72 per month for an average residential customer using 1,000 kWh per

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under-recovery" and recommending a few other modifications, including a cap on any annual surcharges, and recommending that Duke "be required to submit its rates for review every three to five years.")

<sup>6</sup> Case No. 11-5905-EL-RDR, Duke Reply Comments at 2-3 (March 22, 2012).

<sup>7</sup> *See id.* The Company initially proposed a symmetrical cap that would also apply to refunds, which was rejected by several of the parties, and ultimately the Commission.

<sup>8</sup> Case No. 11-5905-EL-RDR, Finding and Order at 3-4 (May 30, 2012) (noting that the rider was approved with a few modifications: three percent cap on the annual adjustment with balances carrying forward; and any carrying charges on balances carried forward at the long-term cost of debt.)

<sup>9</sup> Direct Testimony of James E. Ziolkowski at 19-20.

<sup>10</sup> *Id.* at 20.

month.<sup>11</sup> Compare this minimal impact with the significant benefits Duke has delivered to customers via its energy efficiency programs. While Duke has not yet completed the three-year cycle on the Rider DDR pilot, NRDC notes that the first and second years of implementation correspond with years of excellent performance in Duke's energy efficiency programming. In 2012, Duke's package of energy efficiency-promoting policies (including the decoupling rider, cost-recovery and a shared savings incentive) enabled the utility to exceed the savings benchmarks that year by 31%, with the net present value of the system avoided costs associated with the energy and capacity achievements over 3.5 times the cost incurred to achieve the impacts (~\$55.7 million in benefits to customers).<sup>12</sup> Similarly, while Duke only achieved its statutory benchmarks in 2013 with the use of banked savings, it delivered programs that year at 83% of projected costs with net present benefits over 3.8 times the cost incurred to achieve the impacts (~\$60.3 million in benefits to customers).<sup>13</sup>

Commission orders on the annual true-ups are consistent with these findings. In 2012 and 2013 the Commission opined that Rider DDR adjustments do "not appear to be unjust or unreasonable, and should be approved."<sup>14</sup> OCC also noted with respect to Duke's 2012 true-up

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<sup>11</sup> Case No. 11-5905-EL-RDR, Duke Application to Adjust and Set Rider DDR (February 26, 2013).

<sup>12</sup> *In the Matter of the Application of Duke Energy Ohio, Inc., for Recovery of Program Costs, Lost Distribution Revenue and Performance Incentives Related to its Energy Efficiency and Demand Response Programs*, Case No. 13-753-EL-RDR, Direct Testimony of James E. Ziolkowski at Schedule JEZ-1 (March 28, 2013); Direct Testimony of Timothy Duff (March 28, 2013).

<sup>13</sup> *In the Matter of the Application of Duke Energy Ohio, Inc., for Recovery of Program Costs, Lost Distribution Revenue and Performance Incentives Related to its Energy Efficiency and Demand Response Programs*, Case No. 14-457-EL-RDR, Direct Testimony of James E. Ziolkowski at Schedule JEZ-1 (March 28, 2014).

<sup>14</sup> *In the Matter of the Application of Duke Energy Ohio, Inc., for Approval of a Distribution Decoupling Rider*, Case No. 11-5905-EL-RDR, Finding and Order at 2-3 (June 11, 2013), Finding and Order at 2-3 (June 11, 2014).

that “Duke calculated Rider DDR as approved by the Commission in its May 30, 2012 order in this Case.”<sup>15</sup>

NRDC also supports extension of Rider DDR to enable Duke and stakeholders to continue to assess the performance of the rider and evaluate the metrics reported by Duke in its annual rider updates. In Staff’s initial comments on Duke’s application for the three-year pilot, it expressed an interest in seeing a longer-term analysis of the rider, noting that “the proposed evaluation report at the end of the pilot period will add value to Ohio’s experience with decoupling.”<sup>16</sup>

### **III. CONCLUSION**

For the foregoing reasons, NRDC respectfully requests that the Commission approve Duke’s request to extend Rider DDR past the three-year pilot term.

Dated: December 15, 2014

Respectfully submitted,

Samantha Williams, Staff Attorney  
Natural Resources Defense Council  
20 N Wacker Drive, Suite 1600  
Chicago, IL 60606  
(312) 651.7930  
[swilliams@nrdc.org](mailto:swilliams@nrdc.org)

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<sup>15</sup> OCC Comments at 3 (May 1, 2013) (OCC also noted that as part of the DDR calculation, Duke used a sales forecast covering the period from July 2013 through June 2014 kWh. OCC recommended that the rider be modified such that the annual true-ups reconcile any difference between actual and forecasted kWh sales). No parties filed comment on Duke’s 2013 true-up for Rider DDR.

<sup>16</sup> Case No. 11-5905-EL-RDR, Staff Initial Comments at 2 (March 22, 2012).

## CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing *Initial Post-Hearing Brief*, submitted on behalf of the Natural Resources Defense Council, was served by electronic mail, upon the following Parties of Record, this 15<sup>th</sup> day of December, 2014.

/s/ Samantha Williams

Samantha Williams

<a href="mailto:Steven.beeler@puc.state.oh.us">Steven.beeler@puc.state.oh.us</a> <a href="mailto:Thomas.lindgren@puc.state.oh.us">Thomas.lindgren@puc.state.oh.us</a> <a href="mailto:Ryan.orourke@puc.state.oh.us">Ryan.orourke@puc.state.oh.us</a> <a href="mailto:dboehm@BKLawfirm.com">dboehm@BKLawfirm.com</a> <a href="mailto:mkurtz@BKLawfirm.com">mkurtz@BKLawfirm.com</a> <a href="mailto:jkylercohn@BKLawfirm.com">jkylercohn@BKLawfirm.com</a> <a href="mailto:Schmidt@sppgrp.com">Schmidt@sppgrp.com</a> <a href="mailto:Judi.sobecki@aes.com">Judi.sobecki@aes.com</a> <a href="mailto:Bojko@carpenterlipps.com">Bojko@carpenterlipps.com</a> <a href="mailto:mohler@carpenterlipps.com">mohler@carpenterlipps.com</a> <a href="mailto:Maureen.Grady@occ.ohio.gov">Maureen.Grady@occ.ohio.gov</a> <a href="mailto:Joseph.Serio@occ.ohio.gov">Joseph.Serio@occ.ohio.gov</a> <a href="mailto:mjsatterwhite@aep.com">mjsatterwhite@aep.com</a> <a href="mailto:yalami@aep.com">yalami@aep.com</a> <a href="mailto:asonderman@keglerbrown.com">asonderman@keglerbrown.com</a> <a href="mailto:mkimbrough@keglerbrown.com">mkimbrough@keglerbrown.com</a> <a href="mailto:hussey@carpenterlipps.com">hussey@carpenterlipps.com</a> <a href="mailto:mhpetricoff@vorys.com">mhpetricoff@vorys.com</a> <a href="mailto:mjsettineri@vorys.com">mjsettineri@vorys.com</a> <a href="mailto:glpetrucci@vorys.com">glpetrucci@vorys.com</a> <a href="mailto:dmason@ralaw.com">dmason@ralaw.com</a> <a href="mailto:mtraven@ralaw.com">mtraven@ralaw.com</a>	<a href="mailto:Amy.Spiller@duke-energy.com">Amy.Spiller@duke-energy.com</a> <a href="mailto:Elizabeth.watts@duke-energy.com">Elizabeth.watts@duke-energy.com</a> <a href="mailto:Rocco.dascenzo@duke-energy.com">Rocco.dascenzo@duke-energy.com</a> <a href="mailto:Jeanne.Kingery@duke-energy.com">Jeanne.Kingery@duke-energy.com</a> <a href="mailto:haydenm@firstenergycorp.com">haydenm@firstenergycorp.com</a> <a href="mailto:jmcdermott@firstenergycorp.com">jmcdermott@firstenergycorp.com</a> <a href="mailto:scasto@firstenergycorp.com">scasto@firstenergycorp.com</a> <a href="mailto:joliker@igsenergy.com">joliker@igsenergy.com</a> <a href="mailto:mswhite@igsenergy.com">mswhite@igsenergy.com</a> <a href="mailto:joseph.clark@directenergy.com">joseph.clark@directenergy.com</a> <a href="mailto:sam@mwncmh.com">sam@mwncmh.com</a> <a href="mailto:fdarr@mwncmh.com">fdarr@mwncmh.com</a> <a href="mailto:mpritchard@mwncmh.com">mpritchard@mwncmh.com</a> <a href="mailto:callwein@wamenergylaw.com">callwein@wamenergylaw.com</a> <a href="mailto:tdougherty@theOEC.org">tdougherty@theOEC.org</a> <a href="mailto:dhart@douglasshart.com">dhart@douglasshart.com</a> <a href="mailto:Edmund.Berger@occ.ohio.gov">Edmund.Berger@occ.ohio.gov</a> <a href="mailto:NMcDaniel@elpc.org">NMcDaniel@elpc.org</a> <a href="mailto:gpoulos@enernoc.com">gpoulos@enernoc.com</a> <a href="mailto:swilliams@nrdc.org">swilliams@nrdc.org</a> <a href="mailto:tobrien@bricker.com">tobrien@bricker.com</a> <a href="mailto:ghull@eckertseamans.com">ghull@eckertseamans.com</a>
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