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Chairman Thomas W. Johnson
The Public Utilities Commission of Ohio
180 E. Broad Street
Columbus, Ohio 43215

December 15, 2014

Re: Duke Energy Ohio, Case #14-0841-EL-SSO

Dear Chairman Johnson:

We are writing to you on behalf of our coalition members who represent surface mining, ready-mixed concrete, asphalt manufacturing, and forestry interests to express our concern regarding Duke Energy's Load Factor Adjustment (Rider LFA).

Many of our members have been adversely affected by Rider LFA which was implemented in January 2012 as a result of Duke Energy's last ESP case (#11-3549-EL-SSO).

Prior to the Public Utilities Commission of Ohio (PUCO) approving the last ESP, we had sent a letter asking the PUCO to carefully consider the potential impacts from Rider LFA. We had estimated that if approved, some of our members could receive increases that would nearly double the amount billed by Duke Energy for electric distribution and transmission service (delivery).

Most of our members shop for generation service, and many have been doing so since deregulation began in Ohio in 2001. Their charges for generation service are market based and are negotiated between the member and their Competitive Retail Electric Supplier (CRES) and are separate and independent from the charges billed by Duke Energy for delivery.

For many of our members, the charges for delivery are as much as their charges for generation service. For them, a doubling (100% increase) in the delivery charges would equate to about a 50% increase in their total cost of electric service (generation and delivery). A potential increase of this magnitude was very concerning to us because stable and predictable electric rates are critical to the construction materials industry in Ohio.

Despite our request for the PUCO to consider potential impacts, the PUCO approved Rider LFA effective January 2012. The increase has been difficult for some of our members to absorb and some have even shut down their operations as a result.

We were pleased Duke Energy proposed in its current ESP case (#14-0841-EL-SSO) to eliminate Rider LFA in its entirety effective with the beginning of the next ESP period, June 2015, acknowledging that the rider has been a burden for many customers and is no longer necessary.

It shocked us to learn that PUCO Staff has proposed Rider LFA be phased out over a three year term rather than eliminated as proposed by Duke Energy. Patrick Donlon, PUCO Interim Director of Rates and Analysis Department, in his testimony filed with the PUCO on October 2, 2014 states "Staff believes that the initial rate increase to certain customers would be too high and thus the rider should be phased out over the period of the ESP." He included the following table in his testimony:

Estimated Impacts of Eliminating LFA Rider

Schedule	Total # of Customers	Approximate # of Customers over 50% LF	% of Total	Est. % Impact on Non-Shop Customers with 83% LF
DS	18,703	3,711	20%	12%
DP	273	183	67%	11%
TS	34	21	62%	15%

Generally customers above 50% LFA currently benefit from rider

We certainly support gradualism and agree customers should not receive large increases in their electric bills; however, we are very confused regarding the PUCO's position. Many of our members experienced increases in their Duke Energy electric bills in the neighborhood of 100%. It does not make sense to us that an increase of 100% (approx. 50% increase in total costs) would be acceptable in one case and 15% would not be acceptable in another case. Not only is 50% much larger than 15%, but the 15% increase isn't even an increase; it's the removal of a subsidization that Duke Energy has indicated is no longer justified.

Since Mr. Donlon's table only shows impacts to non-shopping customers and is lacking in detail regarding the magnitude of the dollar impacts (shows percentages only), we performed a set of our own calculations.

Our calculations showed, among other things, that Rider LFA could provide a large discount to certain customers under certain scenarios. In fact, the potential discounts are so large, that they could render the Duke Energy delivery bill negative. For certain customers, the credit that they receive from Rider LFA, could be large enough to cover all of the delivery (non-shoppable) charges: base distribution, FERC mandated transmission charges,

Universal Service Rider, Energy Efficiency Rider, Ohio kWh tax, etc. The credit certain customers could receive could not only be large enough to cover all of these charges so that the customer doesn't receive any charges from Duke Energy for delivery service, but it could be so large that it could actually discount the Duke Energy bill amount below zero!

It's our understanding that this situation has actually occurred and Duke Energy does send some customers checks for these negative monthly bill amounts for their bill having been discounted below zero.

Duke Energy has indicated the rider is not necessary and should be removed in its entirety. We urge the Commission to approve Duke Energy's proposal.

We also ask the Commission to investigate the practice of discounting bills to determine the scope. It's our understanding that some of the same customers that may be receiving checks for negative bills due to Rider LFA, may also receive above market demand response payments through negotiated interruptible credits and may also be (or will be) exempt from the Energy Efficiency rider as a result of SB310. This could mean that their electric bills for delivery service could be very negative (large checks being sent to customers).

We understand Rider LFA is revenue neutral to Duke Energy and none of the increases some of our members experienced from Rider LFA went to improvements (i.e. upgrading the grid for reliability, security, etc.) **but rather provides money only to fund the discounts to other Duke Energy customers**. In many cases the amount our members pay through Rider LFA to other customers is as much as their generation charges and as much as their delivery charges. In other words, some of our members are essentially giving as much money to high load factor customers as they pay to their alternate supplier and as much as they pay Duke Energy for delivery.

We understand reasonable arrangements and discounts for economic development and believe affordable electric rates are important to industry in Ohio; however, we disagree vehemently with making so many customers pay so much more than they would otherwise, in order to provide steep discounts to a few very large industrial customers, in amounts so large they could render their bills negative (customers get paid for delivery service instead of having to pay for delivery service).

We would be willing to meet with you to share our members' impacts and our calculations. We appreciate your assistance in reviewing this matter.

Respectfully Submitted,

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