**BEFORE**

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

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| In the Matter of the Application of The Dayton Power and Light Company for Approval of an Energy Efficiency Pilot Program | )))) | Case No. 19-334-EL-UNC |

**OBJECTIONS OF INTERSTATE GAS SUPPY, INC.**

1. **INTRODUCTION**

On January 31, 2019, The Dayton Power and Light Company (“DP&L”) filed an application for approval of the proposed Residential Demand Response pilot program (“Pilot”) as part of its 2018-2020 Energy Efficiency Program Portfolio. As provided for by the Stipulation approved in that case, parties have 60 days to file objections to any proposed pilot programs.[[1]](#footnote-1) Interstate Gas Supply, Inc. (“IGS”) submits the following objections and urges the Commission to deny the application.

1. **ARGUMENT**

In this application, DP&L proposes a two-year residential demand response pilot program (“Pilot”) to “test a proof of concept that DP&L can effectively build and dispatch a resource to reduce the peak demand during peak summer events on the DP&L and/or PJM system.”[[2]](#footnote-2) DP&L will provide incentives to up to 2,400 residential customers with smart thermostats in exchange for the potential ability to curtail the customers’ central air conditioning usage during peak load days.[[3]](#footnote-3)

However, IGS notes the Pilot’s sharp contrast with the Commission’s PowerForward Roadmap, which provides an unambiguous recommendation that behind the meter customer applications should be provided in the retail marketplace because an enhanced customer experience is more likely to succeed in a competitive market structure.[[4]](#footnote-4) The Roadmap also recognized the generally accepted “line of demarcation” of the marketplace created by the customer’s utility meter.[[5]](#footnote-5)

Therefore, consistent with the Roadmap, IGS urges the Commission to maintain the integrity of this line by denying the application. This will properly place the risk associated with innovation on the market, not the ratepayers. In addition, this Pilot should be denied because it is premature in DP&L’s territory and will not provide meaningful data regarding residential demand response programs.

1. **Allowing an electric distribution utility to offer behind the meter generation services financed with ratepayer dollars is unreasonable.**

Quite simply, if the Commission allows the electric distribution utilities (“EDUs”) to reach behind the meter and offer subsidized energy products, then IGS is unsure of its place in the retail market. IGS has been engaged and invested in Ohio for many years in anticipation of this next phase in electricity that Ohio is on the brink of reaching – where market actors like IGS are able to build a meaningful energy future with our customers through behind the meter innovation. If the Commission allows DP&L, armed with ratepayer dollars, to experiment with innovative retail consumer products placed inside of a customer’s home to reduce their generation supply needs from the wholesale market, it will stifle the robust marketplace envisioned in the Roadmap.[[6]](#footnote-6)

Instead, IGS suggests affirming the line created by the customer’s meter, giving stakeholders regulatory certainty regarding Ohio’s retail electric market and the confidence to invest without fear of subsidized competitors. Potential confusion over that line is demonstrated in this application with DP&L stating that the Pilot will address its “key market” challenge of “enhancing customer engagement with the utility.”[[7]](#footnote-7) DP&L is a regulated monopoly; it cannot have customer-related “market” challenges because it does not provide customers goods or services in a market. In reality, DP&L’s application is *creating* a market roadblock by attempting to obfuscate the line of demarcation for behind the meter applications offer a retail product subsidized by ratepayers.

Additionally, it is unreasonable to risk ratepayer dollars on a “test” for something that is unnecessary to meet DP&L’s Energy Efficiency and Peak Demand Reduction Mandates for 2019 and 2020,[[8]](#footnote-8) and, as discussed below, premature. As recognized by DP&L, this Pilot may not even make it through its two-year term.[[9]](#footnote-9) This is the financial risk that comes with innovation that should be placed on market participants, not customers. As observed in the Roadmap, market investment would mitigate the need for ratepayer recovery and more equitably allocate the costs to those customers that find value in the product or service.[[10]](#footnote-10)

Further, this Pilot cannot be justified as one of the limited circumstances in the Roadmap where an EDU may be authorized to participate in a behind the meter customer application.[[11]](#footnote-11) This is not a demonstration project that will advance crucial technology, nor is it intended to jumpstart an offering to attract non-EDU participants into the market. Properly designed residential demand response programs need advanced metering technology – something not available in DP&L’s territory to CRES providers or DP&L. Once the technology is in place to truly provide value, the market will receive the signal to deploy these technologies. There is no need for DP&L to prevent the development of this market by utilizing its captive customer base as the source of funding.

Moreover, this is not a program that should be approved on an interim basis. First, that is not how DP&L proposed this project; rather it is to test if DP&L itself caneffectively build and dispatch a demand response resource.[[12]](#footnote-12) Second, allowing DP&L to move forward with this Pilot would introduce Ohio residential customers to demand response with unrealistic expectations – i.e. a $50 incentive to do nothing. Next, even on an interim basis, the line of what is considered a marketplace function will be crossed and ratepayer dollars will still take on unnecessary risk. Finally, discussed below, the narrow data provided by the Pilot will simply provide little value to DP&L, Commission Staff, or third-parties.

Finally, it must be recognized that this is a generation related service. When an EDU, agnostic to commodity sales, designs and implements generation programs, it can interfere with a CRES providers’ commodity business. Without smart meters and individual wholesale market settlements, IGS’ residential customers are assessed charges based on a generic load profile. Any reductions to peak demand by an individual customer will not be reflected in their wholesale charges, but any reductions in their energy usage will be. Therefore, IGS would be receiving less revenues from the customer from the reduced usage, but still be charged as if the customer was making the generic contribution to peak. Demand response programs must be offered by a CRES supplier so that it can design a program with terms that complement its sales structure, not unfairly interferes with it.

Residential demand response is the perfect example of a behind the meter product, enabled by grid modernization, that should be offered to customers in the retail market. This is the proper scope of Ohio’s competitive retail market and proper the spending of ratepayer dollars, and therefore, the Commission should reject this application.

1. **The Pilot will not meet the objectives it seeks to achieve due to a lack of advanced metering infrastructure and a meaningful incentive.**

In addition to this being an inappropriate offering from an electric distribution utility, this Pilot is premature and poorly designed. First, the current meters and associated distribution system technology for residential customers in DP&L’s territory are only capable of recording the number of kilowatt hours flowing through the meter into the home between each manual meter reading. The only additional potential usage data would be collected from the participants’ smart thermostats. Thus, any analysis will be based on the activity of one component of a home’s energy usage during select time periods with no regard for any other activity in the home occurring at any time throughout the billing period.

Next, in the first year, customers will receive an upfront incentive regardless of whether they participate in any curtailment events.[[13]](#footnote-13) Unlike traditional demand response programs, in this Pilot a customer is not receiving an incentive in exchange for a commitment to curtail when called upon; rather, a customer is receiving an incentive to consider curtailment, with zero obligation to do so. In the second year, it requires participation in just one curtailment event to receive an incentive.[[14]](#footnote-14) DP&L’s expected savings anticipate a 100% participation rate for every curtailment event,[[15]](#footnote-15) which ignores the realities of the program structure. There is little benefit for a customer participate in more than one event over two years, especially with the potential that customer’s thermostat will ramp up prior to the curtailment to maintain comfort and negate any energy usage savings. This incentive mechanism will result in a lack of insightful participation data.

With the narrow scope of data to be collected, the Pilot will not provide meaningful results or answers to the research objectives outlined by DP&L.[[16]](#footnote-16) Without advanced metering infrastructure, DP&L will be unable to determine the true energy and demand savings associated with the curtailment periods. Results will be based on a string of estimates, averages, and assumptions because of DP&L’s limited view into its distribution infrastructure. For example, DP&L does not have the tools necessary to recognize if a customer simply turns on fans or a window air conditioning unit to replace the curtailed smart thermostat. Any questions surrounding the capabilities and effectiveness of residential demand response will remain unanswered because customers will receive an incentive without participating in the curtailments, which is not sustainable.

Additionally, it would be improper to rely on the Pilot to answer some of the research objectives. For example, it would be inappropriate to use the results of the Pilot to opine on potential participation in the PJM market because customers have no commitment to curtail and DP&L is unable to determine the true demand reduction associated with the meters. Relying on this data would further amplify the exposure to non-performance penalties, in addition to the general risk and uncertainty regarding seasonal demand response in the PJM market. Similar reasoning applies to this Pilot providing useful information for a Non-Wires Alternative application. It would be inappropriate to use data from non-committed, ineffectively incentivized residential customers to provide insight for alternatives to vital distribution circuit capacity functions. Unpredictable customers and poor access to data make this an unsuitable source.

Finally, IGS notes that DP&L currently has an application pending to install smart meters and other advanced metering infrastructure within the next few years.[[17]](#footnote-17) These improvements would provide a clearer view into the energy and demand impacts from this Pilot. Thus, should the Commission believe a residential demand response demonstration is appropriate, it should refrain from approval until after the installation of the smart meters. It would be unreasonable to make the expenditures now when more accurate, useful data is just a few years away.

In sum, this Pilot is premature in DP&L’s territory and will not provide meaningful data regarding residential demand response programs because of the lack of insight into a participating customer’s energy usage. Combined with ineffective incentive, this Pilot is unreasonable in DP&L’s territory.

1. **Increasing the dollar amount of the smart thermostat rebate is a more reasonable solution to encourage the adoption of smart thermostats in DP&L’s territory.**

In the proposal, DP&L alleges the Pilot will address a second “key market” challenge of “increasing adoption of smart thermostat technology,” because the incentives for smart thermostats paired with the participation incentive will further reduce the upfront cost for customers.[[18]](#footnote-18) However, should DP&L truly desire to encourage the use of smart thermostats in its territory and believe that challenge would be addressed by reducing the upfront costs to customers, simply raising the rebate amount will provide a substantially more far-reaching impact. This would certainly increase the adoption of smart thermostats more than a Pilot that targets customers that already own smart thermostats, allows customers to opt out of any and all curtailment events, and could be cancelled during its two-year term. In fact, the Pilot’s estimated budget of $702,120[[19]](#footnote-19) would provide $100 rebates for over 7,000 customers, instead of the 2,400 reached in the Pilot. This solution properly balances the statutorily mandated benchmarks without interfering with the competitive marketplace and customer choice.

Further, the higher rebates would amplify the benefits CRES providers are able to add when the program is offered on a nondiscriminatory basis. First, CRES providers spend their own dollars to market DP&L’s rebates. Second, with a streamlined rebate process, CRES providers can supply a customer with a smart thermostat with no upfront costs, removing the barrier to acquisition attempted to be remedied by DP&L.

Finally, should DP&L’s challenge include increasing a customer’s use of the features of the smart thermostat, perhaps DP&L can engage with other utilities, Commission Staff, and third-parties to develop a marketing campaign that would teach customers how to engage with a smart thermostat, instead of a program that does the engagement for the customer.

1. **CONCLUSION**

For the objections provided above, IGS respectfully requests the Commission deny DP&L’s application.

 Respectfully submitted,

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**CERTIFICATE OF SERVICE**

 I certify that this *Objections of* *Interstate Gas Supply, Inc.* was filed electronically through the Docketing Information System of the Public Utilities Commission of Ohio on this 1st day of April, 2019. A copy was electronically served on the following parties:

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*/s/ Bethany Allen*

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1. *In re DP&L,* Case No. 17-1398-EL-POR, et al., Stipulation (Oct. 27, 2017) at 10-11. [↑](#footnote-ref-1)
2. Application, Ex. A at 2. [↑](#footnote-ref-2)
3. *Id.* at 3. [↑](#footnote-ref-3)
4. *PowerForward: A Roadmap to Ohio’s Electricity Future (Roadmap), at 23,* available at <https://www.puco.ohio.gov/industryinformation/industry-topics/powerforward/powerforward-a-roadmap-to-ohios-electricity-future/>. [↑](#footnote-ref-4)
5. *Id.* [↑](#footnote-ref-5)
6. *See Id.* at 9, 15, and 23. [↑](#footnote-ref-6)
7. App., Ex. A at 6. [↑](#footnote-ref-7)
8. *See* Ex. 3 (Objections and Responses of The Dayton Power and Light Company to the Interrogatories and Requests for Production of Documents Propounded Upon DP&L by The Ohio Consumers’ Counsel, First Set (Mar. 1, 2019), OCC INT-1-20.) [↑](#footnote-ref-8)
9. App., Ex. A at 5. [↑](#footnote-ref-9)
10. *Roadmap* at 23. [↑](#footnote-ref-10)
11. *Roadmap* at 23-24. [↑](#footnote-ref-11)
12. App., Ex. A at 2. [↑](#footnote-ref-12)
13. *Id*. at 3. [↑](#footnote-ref-13)
14. *See* Ex. 1 (DP&L’s Response to OCC INT-1-2). [↑](#footnote-ref-14)
15. *See* Ex. 2 (DP&L’s Response to OCC INT-1-19). [↑](#footnote-ref-15)
16. *See* Application, Ex. A at 2. [↑](#footnote-ref-16)
17. *In re DP&L,* Case Nos. 18-18-1875-EL-GRD, et al., Application (Dec. 21, 2018). [↑](#footnote-ref-17)
18. App., Ex. A at 6. [↑](#footnote-ref-18)
19. *Id.* [↑](#footnote-ref-19)