**BEFORE**

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

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| In the Matter of the Application of Duke Energy Ohio, Inc. to Adjust its Distribution Decoupling Rider. | ::: | Case No. 11-5905-EL-RDR |

**COMMENTS**

SUBMITTED ON BEHALF OF THE STAFF OF

THE PUBLIC UTILITIES COMMISSION OF OHIO

# INTRODUCTION

 The Commission, in Case No. 11-5905-EL-AIR, authorized the Duke Energy Ohio, Inc. (Company) to initiate a three year pilot program establishing the Distribution Decoupling Rider (DDR) as a rate decoupling mechanism. The use of DDR should remove revenue-related disincentives that the Company may have to implement energy efficiency programs, while also removing the “lost distribution revenues” that would otherwise potentially be recovered as a part of the Company’s energy efficiency program costs. The Commission directed the Company to establish the DDR at an initial zero dollar level, and then to file annual updates establishing non-zero rates for the rider for three successive calendar years. The pilot will be for the years 2012, 2013 and 2014 with the rider applicable for July 2013 through June 2016. The rates should be based upon actual observed differences between distribution revenues collected through volumetric charges for each kilowatt-hour sold, and the test year target volumetric distri­bution reve­nues established in Case No. 08-0709-EL-AIR.

 The application filed on February 25, 2015 is the third application to establish non-zero rates. The filing includes rate calculations and supporting schedules for three rate classes – Residential Class, Rate EH - Optional Rate for Electric Space Heating, and Rate DM - Secondary Distribution Service - Small. The application filed on February 26, 2013 was the first application to establish non-zero rates and the application filed on February 26, 2014 was the second application to establish non-zero rates.

 The Commission also directed the Company to file a set of metrics to be used for the purpose of evaluating the pilot program. The Company made such filing, as directed, on November 29, 2012 in Case No. 10-3126-EL-UNC, “Aligning Electric Dis­tribution Utility Rate Structure.”

# Analysis and Recommendations

 Staff reviewed the filing for accuracy and reasonableness. The rates appear to be accurately calculated using appropriate rate determinants and appropriate methodology. Staff supports approval of the rates as filed.

 With regard to the proposed metrics, Staff is waiting for the Company to file the study of results to draw any conclusions. It may be useful to make a couple of prelimi­nary observations.

* The DDR rates are as follows.

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| Magnitude of DDR Rates (cents / KWh) |
|   |
| Residential | EH | DM |
| (0.000854) | 0.007436  | (0.002310) |

|  |
| --- |
| Percent Change from 2014 DDR Rates |
|   |
| Residential | EH | DM |
| -151% | 10% | -80% |

* DDR rates reflect both positive and negative differences between actual monthly volumetric distribution revenues and the targeted volumetric distribution levels; the 2015 annual filing produces credits for two rate classes.

 Further observations and any analysis will benefit from more complete data as the study results are filed this year.

 The Commission ordered the Company to formulate a study of the results of the decoupling pilot program to be completed and filed by the conclusion of the third year of the pilot program in Case No 11-5905-EL-RDR (Case No 11-5905-EL-RDR, 05/30/2012 Finding and Order, paragraph 11). Staff recommends to the Commission that the Company be required to file the results of the study before the DDR rate adjustments go into effect, July 1, 2015. The Commission should also clarify that the study should com­pare the distribution revenues received under DDR versus the revenues that would have been received absent the DDR.

 For purposes of evaluating the DDR, Staff recommends that the Commission direct the Company to submit a complete analysis of the DDR in terms of how well it achieved the objectives of decoupling distribution revenues from sales volumes, and removing disin­centives to offer energy efficiency. This will provide the opportunity for review and comment by Staff, interveners, and the Commission.

Respectfully submitted,

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# PROOF OF SERVICE

 I hereby certify that a true copy of the foregoing **Comments** submitted on behalf of the Staff of the Public Utilities Commis­sion of Ohio,was served by regular U.S. mail, postage pre­paid, or hand-delivered, upon the following Parties of Record, this 1st day of May, 2015.

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**Parties of Record:**

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