

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke)
Energy Ohio, Inc. for Approval of its)
Energy Efficiency and Peak Demand) Case No. 13-431-EL-POR
Reduction Portfolio of Programs.)

SUPPLEMENTAL DIRECT TESTIMONY OF

TIMOTHY J. DUFF

ON BEHALF OF

DUKE ENERGY OHIO, INC.

September 10, 2013

TABLE OF CONTENTS

	PAGE
I. INTRODUCTION AND PURPOSE OF TESTIMONY	1
II. OVERVIEW OF THE STIPULATION	2
III. CRITERIA FOR APPROVAL OF A STIPULATION	4
IV. CONCLUSION	6

I. INTRODUCTION AND PURPOSE OF TESTIMONY

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Timothy J. Duff. My business address is 526 South Church Street,
3 Charlotte, North Carolina 28202.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by Duke Energy Business Services LLC, an affiliate of Duke
6 Energy Ohio, Inc., (Duke Energy Ohio, or Company) as General Manager, Retail
7 Customer and Regulatory Strategy, Customer Strategy & Innovation.

8 **Q. ARE YOU THE SAME TIMOTHY J. DUFF WHO FILED DIRECT**
9 **TESTIMONY IN THIS PROCEEDING?**

10 A. Yes.

11 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL DIRECT**
12 **TESTIMONY IN THIS PROCEEDING?**

13 A. The purpose of my supplemental direct testimony is to support the Stipulation and
14 Recommendation (Stipulation) related to the Company's application in this
15 proceeding; a Stipulation filed by all of the parties to this proceeding. I will
16 discuss the criteria employed by the Public Utilities Commission of Ohio
17 (Commission) when reviewing stipulations. My testimony will confirm that the
18 Stipulation filed in this proceeding: (1) is the product of serious bargaining among
19 capable, knowledgeable parties; (2) does not violate any important regulatory
20 principle or practice; and (3) as a package, benefits ratepayers and the public
21 interest. I will explain that the Stipulation is a fair and reasonable resolution to
22 the issues relevant to this proceeding.

II. OVERVIEW OF THE STIPULATION

1 **Q. PLEASE IDENTIFY THE SIGNATORY PARTIES TO THE**
2 **STIPULATION.**

3 A. In addition to the Commission Staff, twelve parties intervened in this proceeding
4 and these parties reflect diverse interests and represent customers in Duke Energy
5 Ohio’s service territory. Only one party, the Ohio Energy Group, is not a
6 signatory to this Stipulation and Recommendation. The signatory parties are the
7 Staff of the Public Utilities Commission of Ohio, the Office of the Ohio
8 Consumers’ Counsel, Ohio Partners for Affordable Energy, Greater Cincinnati
9 Energy Alliance, Natural Resources Defense Council, Ohio Environmental
10 Council, The Kroger Company, Ohio Energy Group, Environmental Law and
11 Policy Center, Sierra Club¹, EMC Development Company, and Ohio Advanced
12 Energy Economy. Many of these parties have extensive experience with
13 participation in Duke Energy Ohio’s Community Partnership. The Duke Energy
14 Community Partnership is a collaborative group focused on understanding and
15 providing input into the Company’s energy efficiency and peak demand
16 programs. Both OCC and OPAE have participated in this collaborative effort for
17 many years. They have significant experience and understanding of the history of
18 the Company with respect to providing energy efficiency and peak demand
19 reduction and each has knowledge of the matters relevant to this proceeding.

20 **Q. PLEASE PROVIDE AN OVERVIEW OF THE TERMS OF THE**
21 **SETTLEMENT AGREEMENT AS DETAILED IN THE STIPULATION.**

¹ The local chapter of the Sierra Club is a signatory to the Stipulation and Recommendation. Approval is pending from the national chapter of the Sierra Club.

1 A. The Stipulation provides that the Company's portfolio of energy efficiency and
2 peak demand reduction programs and measures should be adopted and approved
3 by the Commission. The Stipulation also recommends continuation of the
4 mechanism for recovering prudent program costs, lost distribution revenues and
5 an incentive. The Parties recommend that the incentive portion of the mechanism
6 expire at the end of 2015, but it will be evaluated in 2014 and the Parties will
7 endeavor to recommend to the Commission whether or not to continue the
8 incentive portion through 2016. The parameters of this proposed procedure are
9 spelled out in greater detail in the Stipulation and Recommendation.

10 The Stipulation contains a proposal for a program wherein the Company
11 will bid at least 80% of eligible, projected cost-effective, approved Program
12 Portfolio resources into the PJM Base Residual Auctions (BRAs). Auction
13 proceeds, less the reasonable incremental measurement and verification and
14 administrative costs, PJM incremental auction or replacement capacity purchases,
15 and prudently incurred PJM penalties, will fall within the existing cost recovery
16 and incentive mechanism under Rider EE-PDR. Auction revenue or shortfall
17 shall be netted against cost recovery under the rider as further explained in the
18 Stipulation and Recommendation.

19 Finally, the Stipulation and Recommendation contains various provisions
20 that provide for ongoing collaboration with some of the Parties to explore matters
21 related to combined heat and power, additional energy efficiency programs such
22 as Information Technology system efficiency, lighting technologies, etc., and
23 coordination of home energy improvements.

III. CRITERIA FOR APPROVAL OF A STIPULATION

1 **Q. PLEASE IDENTIFY THE CRITERIA USED BY THE COMMISSION IN**
2 **REVIEWING A STIPULATION.**

3 A. As I understand it, the Commission will approve a stipulation when it (1) is the
4 product of serious bargaining among capable, knowledgeable parties; (2) does not
5 violate any important regulatory principle or practice, and (3) as a package
6 benefits ratepayers and the public interest.

7 **Q. DOES THE STIPULATION REPRESENT THE PRODUCT OF SERIOUS**
8 **BARGAINING AMONG CAPABLE, KNOWLEDGEABLE PARTIES?**

9 A. Yes. The capability and knowledge of the parties and their counsel is readily
10 apparent. The signatory parties regularly participate in rate proceedings before
11 the Commission, are very knowledgeable in regulatory matters, and were
12 represented by experienced competent counsel. Furthermore, the signatory
13 parties represent a broad range of interests.

14 I personally participated in the process that resulted in the Stipulation. I
15 can therefore confirm that all of the issues raised by the signatory parties in the
16 proceeding were thoroughly reviewed and addressed during negotiations and
17 despite the divergent interests among them, all parties had an opportunity to
18 express their opinions in the negotiation process.

19 Further, the settlement discussions resulted in beneficial modifications and
20 compromises, thereby confirming that serious bargaining occurred at settlement
21 meetings.

1 For all of these reasons, I believe that the Stipulation is a compromise
2 resulting from those negotiations and, therefore, represents a product of the efforts
3 of capable, knowledgeable parties.

4 **Q. DOES THE STIPULATION VIOLATE ANY IMPORTANT**
5 **REGULATORY PRINCIPLE OR PRACTICE?**

6 A. No. Based upon my experience, involvement in this proceeding, and review of
7 the Stipulation, I believe that it complies with all relevant and important
8 principles and practices. The Stipulation furthers important regulatory principles
9 and practices through the advancement of energy efficiency and peak demand
10 reduction that is consistent with Ohio energy policy.

11 **Q. DOES THE STIPULATION BENEFIT CONSUMERS AND THE PUBLIC**
12 **INTEREST?**

13 A. Yes. As set forth in the Stipulation, and as agreed to by the signatory parties, the
14 Stipulation provides benefits for all customer groups and interested stakeholders,
15 while advancing and remaining consistent with state policy.

16 **Q. IS THE STIPULATION A JUST AND REASONABLE RESOLUTION OF**
17 **THE ISSUES IN THE PROCEEDING?**

18 A. Yes. As described above, the Stipulation affords benefits to our customers and
19 the public and is consistent with established regulatory policy and practice. The
20 Stipulation represents a timely and efficient resolution of all of the issues in this
21 proceeding, after thoughtful deliberation and discussion by the parties.

IV. CONCLUSION

1 Q. **DOES THIS CONCLUDE YOUR TESTIMONY?**

2 A. Yes, it does.