

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Adoption of a Portfolio)	
Plan Template for Electric Utility Energy)	Case No. 09-714-EL-UNC
Efficiency and Peak Demand Reduction)	
Programs)	

COMMENTS OF DUKE ENERGY OHIO, INC.

1. General Comments

On April 23, 2008, the Ohio legislature adopted Amended Substitute Senate Bill No. 221 (SB 221), which became effective on July 31, 2008. Among the provisions of SB 221 was the requirement in Section 4928.66, Revised Code, for the Public Utilities Commission of Ohio (Commission) to take certain actions related to the implementation of energy efficiency and peak-demand reduction programs by the electric utilities. In furtherance of that policy, the Commission will now require each electric utility to create and file an energy efficiency and peak demand reduction program portfolio. In its August 28, 2009 Entry the Commission issued a draft portfolio plan template for stakeholder comment. These comments are submitted in response to that request.

The proposed portfolio plan template indicates that each utility must file a plan for the period 2010 through 2012, and that this process is to be repeated every three years. Duke Energy Ohio, Inc. (Duke Energy Ohio or

Company) has a comprehensive portfolio of programs that has already been approved by the Commission in Duke Energy Ohio's Electric Security Plan, Case No. 08-920-EL-SSO, (Opinion and Order, December 17, 2008). The programs approved in the electric security plan case were approved for the period 2009 through 2011, and these programs are currently being offered to customers. Given the timing of the Commission's approval of the Company's programs, Duke Energy Ohio respectfully suggests that the requirement to complete a portfolio plan should be deferred until January 2011, at which time the Company will present its plan for the period 2012 to 2014. Otherwise, the Commission will be re-investigating programs that were the subject of a previous proceeding. This is not consistent with the terms of the stipulated settlement in that proceeding, a settlement agreement which has been approved as noted.

2. Energy Efficiency Portfolio – Program Summary

A. Arbitrary Classification

With respect to Section 2, Duke Energy Ohio notes the template requests a description of programs according to seven customer classifications: residential, low income, small enterprise, mercantile self-directed, mercantile-utility, governmental and nonprofit, and transmission and distribution. However, the proposed segmentation of programs is inconsistent with existing customer classes, especially with regard to separating out the residential and non-residential sectors. Segmentation of customers using these classifications presumes that detailed marketing knowledge exists for these segments, when

in fact, it does not. Also, it tends to split up traditional customer groups, such as commercial customers, among several arbitrary segments, making reporting cumbersome, overly-burdensome, and needlessly repetitive. In addition, this proposed segmentation does not follow the standard methods by which programs are designed, implemented, and promoted across the United States, needlessly raising program costs and affecting cost effectiveness because it builds in unnecessary and redundant administrative costs. In order to avoid the unnecessary costs and complicating factors listed above, the Company proposes the Commission use traditional customer segmentation, residential, commercial, manufacturing, and institutional/government.

In addition to the issues relating to customer segments, the Company notes that the same general channels are used to market energy efficiency to non-residential customers across the small enterprise, mercantile, and government & non-profit segments. The portfolio plan template appears to require the establishment of new marketing channels for these arbitrary segments, wasting resources and imposing greater burdens on data collection while producing no additional value. Moreover, programs are generally marketed to a specific segment based on that segment's similar needs. Using these new segments will undermine the utility's existing marketing plans, requiring the utility to now market unwanted or unneeded products to new segments with very heterogeneous customer needs. The set of market segments targeted by the utility should be driven more by the type of business and customer need rather than the size of the customer's energy consumption

or voltage delivery. The methodology proposed by the Commission puts the cart before the horse. Marketing and reporting is more appropriately done by program, not by sector or segment. For example, the Non-Residential SmartSaver Program is marketed to customers across multiple segments including schools, hospitals, property managers, retail managers, etc. Requiring utilities to report results across a new arbitrary set of customer segments would be burdensome and costly. While the creation of such segments may provide some structure which eases the Commission's regulatory oversight, it does not make sense in the marketplace. It is also unclear how these proposed segments are any more "targeted" and how they would minimize any cross subsidies. Thus, the Company believes the Commission should require the utility to report programs and plans based on the programs offered rather than customer segment.

B. Mercantile Self Directed Customer Issues

The requirement to create programs for the Mercantile Self-Direct segment should be eliminated. These are the customers that are not paying for utility-sponsored energy efficiency programs. It is not consistent with good regulatory policy to market programs to a segment that does not contribute to the cost of those programs. Additionally, investigating the cost-effectiveness of efficiency-related actions by a mercantile customer makes reporting cumbersome, slow, and does not afford any value to the process. The customer has already completed the implementation of the energy efficiency measure and is unlikely to remove the measure if a utility finds it to be not cost effective for

the utility. The customer must have judged the investment to be cost effective for its business, regardless of the process used to evaluate the measure. The utility will never know what the complete set of factors was that lead the mercantile customer to make the investment. This suggested exercise appears somewhat futile and not appropriate for a utility to undertake. Thus, the Company respectfully suggests the Commission instead, only require the utility to report on Mercantile Self-Directed customer activity which is integrated with the Company. However, a cost effectiveness test should not be required.

C. Transmission and Distribution Requirements

The program description which requires a separate report on the transmission and distribution sector is inappropriate. There is no guarantee that a Company will have any transmission and distribution programs that target line losses specifically.

The information requested according to the seven segments listed in the proposed portfolio suffers from the same impediments mentioned above. In addition, requiring a cost effectiveness test results for Mercantile Self-Directed efforts is impossible to calculate because the utility does not have access to this information and is not in the best position to judge cost-effectiveness of a customer's actions. Therefore, such an analysis would be difficult to calculate, affording no value.

D. Market Transformation

With respect to item 3.7.3 regarding market transformation, it is important to note market transformation can occur for individual measures as

well as for whole programs. There may not be programs focused solely on market transformation, but that does not mean that market transformation does not occur within or through individual measures or a portfolio of products as well.

E. Program Budgets and Data

With respect to section 3.8, the cost structure for implementing programs, assessing the Total Resource Cost (TRC) Test by sector is difficult, if not impossible, to implement. The TRC Test should be implemented at the program level and not at the proposed sector level because programs cut across the proposed arbitrary sectors, rendering cost effectiveness by segment meaningless.

Section 4 - Planning, Reporting and Tracking Systems

This section proposes to require quarterly reporting. Such a requirement is extremely burdensome and time-consuming. This requirement would take time away from resources that should be focused on the marketing of programs and does not provide value commensurate with its burden. Furthermore, the Commission, in its draft rules, has already established significant reporting requirements that make quarterly reporting redundant.

Section 5. Portfolio Management and Implementation Strategies

This section proposes the use of Gantt charts to provide detailed information on the timing of the steps associated with the implementation of programs. This requirement is overly burdensome and unnecessary for the Commission to assess the reasonableness of a utility's programs. This level of

detail is associated more with the roll out of programs. While it is useful to list the steps involved and items considered in rolling out programs, timing of the steps needs to be flexible to allow the utility to adapt to changes in the market place. These are steps that should be left up to the discretion of the utility because the utility is best positioned to recognize and react to swiftly-changing market conditions. Furthermore, because markets and consumer preferences change quickly, the utility cannot provide such detailed plans with any high degree of accuracy.

Section 7. Cost Recovery Mechanism

Duke Energy Ohio has already submitted and received approval for cost recovery in connection with its Electric Security Plan Case. That proceeding is complete. Duke Energy Ohio supports the methodology approved in that proceeding and does not have a suggested alternative methodology.

Section 9. Plan Compliance Information

The only comment Duke Energy Ohio can offer with respect to the detailed data requests proposed in Section 9, is that these areas of inquiry illustrate the need to report on a program or portfolio basis rather than a sector basis. Each of the items requires information that cut across the set of segments or sectors selected by the Commission. For example, item 9.2 requests information on how the programs can affect the construction of new facilities. This really needs to be at the portfolio level, not at a program or sector level.

Section 11. Appendices

The proposal set forth in this section is unduly burdensome on the utilities and does not provide for concomitant benefits. The Commission should revisit its past rules related to Short-Term Implementation plans (STIP) for the level of detail required on programs.

Section 12. Glossary

The category in this proposed glossary that is defined as Mercantile Self-Directed, implies that the utility will know about programs that were not integrated into the utility's programs. Knowing and including this information is impossible. Mercantile customers do not fall within the Commission's jurisdiction, and therefore, if the program is not voluntarily brought to the Company's attention by the customer, there is no likelihood that the utility will even know it exists. Furthermore, there may be legitimate competitive reason that will preclude the customer from wanting to disclose the information to Duke Energy.

Comments on Tables (by Number)

- 1.** This table is arranged by sector rather than program and for the reasons previously mentioned, should be restructured and arranged instead by program.
- 2.** Same comment as Table 1. Also, this table has the year 2012 included. Duke Energy Ohio has programs approved through 2011.
- 3.** Duke Energy Ohio does not budget by sector, but rather by program. The requested information does not exist.

4. This table includes net lifetime MWh savings. Besides the fact that net lifetime MWh savings is not defined, in previous documents, the Commission has requested gross savings. The switch to a different regime appears to run counter to what the Commission has already directed the Company to do.

5. Table 5 proposes a budget and parity analysis which is again set forth with arbitrary definitions. Most utilities, including Duke Energy Ohio, do not keep records according to this arbitrary classification. To collect data to meet these requirements would necessitate a costly and burdensome reconfiguration of the Company's existing billing and information systems. In addition, the Company is not readily able to determine whether a particular customer is a for-profit or non-profit entity. Equity should not be an issue since all customers benefit from the deferral of the need for new resources, and regulatory focus should be on least cost planning.

6. Table 6 should be designed to collect data by program rather than sector.

7. Table 7 should be designed to collect data by program rather than sector. Also, it does not make sense to report on the TRC Test for the mercantile self-directed sector for the reasons previously mentioned.

Conclusion

In closing, Duke Energy Ohio respectfully notes that the level of detail contemplated by this undertaking is onerous, burdensome, and unlikely to deliver value commensurate with its cost. Duke Energy Ohio has a history of

delivering energy efficiency that has been effective and verifiable and it is committed to continuing that tradition pursuant to the save a watt program as approved in its Electric Security Plan.

Respectfully submitted,

/s/Elizabeth H. Watts

Elizabeth H. Watts
Assistant General Counsel
Amy B. Spiller
Associate General Counsel
Duke Energy Ohio

Columbus Office:
155 East Broad Street
Suite 2100
Columbus, Ohio 43215
(614) 222-1330

Cincinnati office:
139 E. Fourth Street
P.O. Box 960
Cincinnati, Ohio 45201-0960
(513) 419-1871

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Summary: Comments Comments of Duke Energy Ohio, Inc. In the Matter of the Adoption of a Portfolio Plan Template for Electric Utility Energy Efficiency and Peak Demand Reduction Programs electronically filed by Carys Cochern on behalf of Watts, Elizabeth H