

FILE

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the Application of Duke Energy Ohio to Adjust and Set its Gas and Electric Recovery Rate for SmartGrid Deployment Under Riders AU and DR-IM.)	Case No. 09-543-GE-UNC
)	
In the Matter of the Application of Duke Energy Ohio for Tariff Approval.)	Case No. 09-544-GE-ATA
)	
In the Matter of the Application of Duke Energy Ohio to Change its Accounting Methods.)	Case No. 09-545-GE-AAM
)	

COMMENTS OF THE KROGER CO.

I. INTRODUCTION

The Kroger Co. is one of the largest grocers in the United States. The Kroger Co.'s grocery and related business requires The Kroger Co. to utilize substantial amounts of electric power. The Kroger Co. is also a leading innovator of demand reduction and energy efficiency techniques and technologies that have led to the savings of millions of MWhs of electricity throughout its stores. The Kroger Co. strongly believes that reducing energy consumption and electric demand is not only good for the environment, but if done properly, can lead to cost savings for all energy consumers.

With the deployment of SmartGrid and advanced metering technologies, Duke Energy Ohio ("Duke") has a unique opportunity to use these new technologies to create long term energy and cost savings. However, mere installation of these technologies will not necessarily create benefits for Duke ratepayers. The deployment of the SmartGrid and advanced metering

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technologies must also be accompanied by appropriate complementary practices and procedures to maximize the technological advantages for all customers.

With these principles in mind, The Kroger Co. submits its comments on Duke's Application. The Commission should not approve Duke's Application unless it has been conditioned or modified in accordance with The Kroger Co.'s comments. Lack of comment on a particular part of Duke's Application does not necessarily indicate The Kroger Co.'s support or objection to that part of the Application.

II. COMMENTS

A. Customers Must Have Direct, Real-Time Access to Smart Metering Information At No Additional Charge.

In the Application, Duke's witness Todd Arnold testifies that the new meters allow Duke to derive bills from an electronic read.¹ However, Mr. Arnold does not indicate that customers will be granted real-time access to the same information Duke receives.

Granting customers direct, real-time access to their meters at no additional cost is an essential element to successfully implementing advanced metering technology. Allowing customers to have full access to their own advanced meter reading devices will enable customers to reduce energy consumption when demand and prices are high. Enabling customers to make informed decisions about their energy consumption, and react to market conditions, will almost assuredly potentially reduce peak energy demand on the electric grid and should reduce energy consumption as well.

Many large scale commercial and industrial energy users, such as Kroger, are well positioned to take advantage of real-time energy consumption data. Because these customers use large amounts of energy, and have high energy expenses, they have a substantial financial

¹ Arnold Testimony at 6.

incentive to shift energy consumption to times of lower demand when electric prices are lower. Also, because demand charges are often a component of large commercial and industrial energy users' electric rates, these energy users will realize substantial cost savings by shifting energy consumption to times of lower demand. For these reasons, a small investment in a system that provides large scale commercial and industrial real-time access to energy consumption data will likely have a material effect on reducing electric demand in Duke's service territory.

Customers should also not be charged extra to access meters they already pay for through Duke's Rider DR-IM and Rider AU. Double charging for access to energy data will discourage customers from using that data to reduce energy consumption during peak demand periods, thus defeating an important purpose of installing advanced meters. In addition, the cost to Duke to provide real-time access to large scale energy consumers should be negligible. As Mr. Arnold notes, the proposed SmartGrid upgrades will give Duke an electronic read of customers energy consumption data. Providing direct customer access to energy consumption data simply requires Duke to share that information with customers, whether direct access to meter output data or otherwise.

Mr. Arnold testifies that "no meter equipment was deployed in 2008 to address electric commercial and industrial customers except for some smaller commercial customers that did receive an Echelon meter."² To The Kroger. Co.'s knowledge, no advance meter reading devices have been installed in its stores in the Duke service territory. Since it does not appear that Duke has begun deploying advanced metering technology for large scale industrial and commercial customers, the Commission can still require Duke to invest in a meter reading system that provides commercial and industrial customers real-time access to energy consumption data at no additional cost.

² Arnold Testimony at 6.

It is important that the use of advanced metering be a two-way street, and that providing information to customers be made a high priority if this expenditure is to be justified. Otherwise, the cost of installing advanced meters will largely be wasted. For these reasons, The Kroger Co. asks that the Commission require Duke to include in its large scale commercial and industrial advanced meter investments, a system that provides customers with real-time energy consumption data with no additional charge to such customers.

B. Duke Should Commit to Developing Rate Designs That Maximize the Advantages of SmartGrid Deployment.

As already noted, the installation of SmartGrid and advanced meter technologies will not, in themselves, reduce energy consumption and reduce demand unless policies are also implemented to maximize the benefit of these technologies. These policies should also include the implementation of electric rates that allow customers to best utilize these new technologies and reduce energy consumption and electric demand.

The Kroger Co. is aware that most of Duke's electric rates have already been set by the Commission in recent distribution and ESP proceedings and will not be adjusted in this proceeding. However, Duke's rate structure is directly relevant to the issues raised in Duke's Application. The costs Duke seeks to recover from ratepayers in this Application can only be justifiable if these new technologies are coupled with rate structures that give customers correct price signals to save energy and reduce demand. If rates are simply straight KWh charges for electricity with no demand component, customers will not be encouraged to fully utilize the new SmartGrid technologies.

Duke should be committed to developing rates that include a demand component in the overall price of electricity. Rate structures that compliment SmartGrid technologies include time-of-use rates and the use of demand credits for high load factor customers. These rate

structures encourage customers to shift electric usage to non-peak demand periods. It should also be Duke's goal to achieve real time pricing of electricity so that customers can immediately react as demand and prices for electricity rise and fall. With the implementation of SmartGrid technologies and sensible ancillary services, all of this is possible.

As a condition of the Application, the Commission should order that Duke conduct a study to determine rate structures that work best with the SmartGrid technology Duke seeks to deploy. The results of the study should be offered in Duke's future rate proceedings and the rate structures consistent with the SmartGrid technology should be adopted when setting Duke's future rates. Further, the Commission should reserve the right to cancel the SmartGrid initiative, and refund ratepayers contribution, if Duke does not implement the consistent rate designs in future rate cases.

C. Duke Should Implement Electronic Billing as Soon as Reasonably Practical.

Another important part of a successful approach to advanced utility infrastructure technology is the implementation of an Electronic Data Interchange ("EDI") that allows large scale energy consumers to receive bills and make payments electronically ("Electronic Billing"). Currently, Duke does not have an EDI system. An initiative to install advance metering technology without EDI, in effect, is using "smart" meters to provide "dumb" bills.

Electronic Billing reduces costs and also enhances the convenience of bill payment for customers. In addition, this technology is readily available, as several Ohio electric utilities have EDI systems that provide Electronic Billing for large scale energy consumers.³ Duke also makes Electronic Billing available for residential customers.

The usefulness of "smart" meters is diminished when customers receive only "dumb" (i.e. paper) bills. There is no excuse for Duke to lag behind other businesses that have recognized

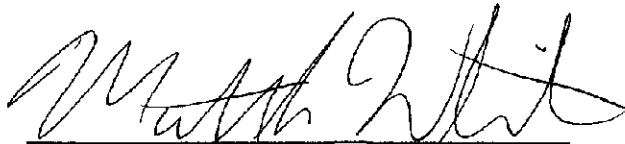
³ Both AEP and FirstEnergy offer EDI Electronic Billing in their Ohio service territories.

the benefits of EDI and Electronic Billing. As a condition of Duke's Application, the Commission should order that Duke invest in an EDI system that makes Electronic Billing available to large scale energy consumers as soon as reasonably practical.

III. CONCLUSION

In order to maximize the benefits of customers' investment in SmartGrid technologies, the Commission must condition any grant of Duke's Application consistent with The Kroger Co.'s Comments. The Commission should order Duke to provide customers with real-time access to customer energy consumption data at no additional charge. The Commission should also order that Duke conduct a study to determine which rate structures most effectively compliment the SmartGrid technologies deployed by Duke, and use that study in Duke's future rate proceedings. Finally, the Commission should order that Duke make Electronic Billing available to large scale energy customers.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "John W. Bentine", is written over a horizontal line.

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that the preceding *Comments of The Kroger Co.* was served this 8th day of October, 2009 upon the parties of record at the addresses listed below via electronic mail or U.S. regular mail, postage prepaid.

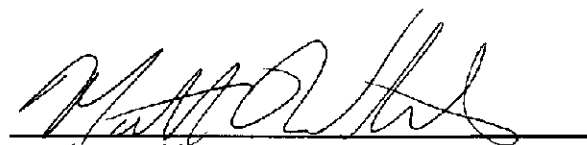
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