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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke Energy Ohio, Inc. to Revise its Energy Efficiency Rider and for Approval of New Energy Efficiency Programs.	))))	Case No. 11-4393-EL-RDR

REPLY COMMENTS OF OHIO PARTNERS FOR AFFORDABLE ENERGY

Ohio Partners for Affordable Energy ("OPAE") hereby submits its reply comments in the above-referenced docket.

I. Comments of People Working Cooperatively

OPAE is unclear as to the point of the comments by People Working Cooperatively ("PWC"). PWC espouses support for its "Whole House" approach, which bears more than a passing resemblance to the "House is a System" rubric that has typified the delivery of weatherization services in the OPAE network of 60 nonprofit providers for over 20 years. PWC appears to lend support to the comments of OPAE. *The "Whole House" approach PWC espouses requires* program designs that permit multiple programs to be combined to deliver comprehensive shell, HVAC, appliance, and lighting measures as a package, along with home repairs necessary to allow weatherization services to be provided, achieving synergistic energy savings that exceed those produced by individual programs. As such, the PWC comments appear to echo the initial comments of OPAE regarding the redesign of Duke's current and proposed low income programs into a coherent whole, combining gas and electric programs into a package that can provide comprehensive services and/or be delivered in concert with programs funded by the federal and state governments, specifically the Home Weatherization Assistance Program ("HWAP") and the Electric Partnership

Program ("EPP").[1] PWC's "Whole House" approach is inconsistent with Duke's proposed Low Income Neighborhood Program which provides limited measures – an energy kit which mostly consists of heating and cooling, and hot water measures, coupled with 6 CFLs. Under Duke's program, any measures paid for by other programs will require an additional audit or assessment as well as additional visits, increasing costs and reducing the cost-effectiveness of the programs. Simply put, Duke's Low Income Neighborhood Program should be rejected and redesigned as proposed by OPAE, consistent with PWC's "Whole House" approach.

The synergistic effects resulting from the delivery of comprehensive weatherization services produces both electric and natural gas savings which are not strictly based on the measures for which deemed savings are provided by the Technical Resource Manual. For example, shell insulation in a house heated by natural gas will also result in electric savings because the furnace fan or the boiler pump need not run as often. While the TRM currently does not include this type of savings, the Commission has indicated it will conduct field evaluations that will allow the disaggregation of electric savings resulting from a "Whole House" approach, permitting a more accurate assessment of the energy savings provided by a comprehensive program.

PWC pleads that Duke be permitted to recover lost distribution revenues, a position contrary to that taken by Duke which prefers a recovery mechanism that eschews recovery of lost distribution revenues, preferring to recover based on shared savings including generation, an approach previously rejected by this Commission. See Case No. 09-1999-EL-POR, which required modifications of

[1] OPAE members have access to home repair funds from a variety of state, local, and federal programs.

Rider SAW. OPAE simply observes that prior to the passage of SB 221 and approval of the initial Duke Standard Service Offer ("SSO") in Case No. 08-920-EL-SSO, Duke Energy Ohio or its predecessor collected only program costs. Lost distribution revenue and shared savings were not recovered from customers. As Duke points out, it has overseen the delivery of residential energy efficiency programs since 1992. Between 1992 and 2008, the Company recovered only program costs.

Finally, OPAE notes that there are few, if any, innovations that enhance the level of savings produced by comprehensive weatherization services. Weatherizing the shell; balancing and sealing ducts; metering and replacing appliances, and other basic measures such as faucet aerators and low-flow showerheads are not new. These measures have been included in Ohio's Weatherization Standards Manual for the past 24 years and still represent the state-of-the-art for cost-effective residential retrofit programs. There has been experimentation with methods for attracting customers to enroll in the programs and consumer education, and there has been experimentation with technologies, both new and existing, that produce significant savings but do not have a Savings to Investment Ratio ("SIR") of greater than one (1), meaning the measures cost more than they produce in bill savings. Finding clients is not a problem for our network which has an existing database of over 400,000 eligible customers. Given that with funding under the American Reinvestment and Recovery Act ("ARRA") our network will reach only 38,000 units, innovative outreach campaigns are hardly a useful expenditure of funds when the number of pre-enrolled customers far exceeds the capacity and funding available to provide services. This is an additional reason to reject Duke's proposed Low Income Neighborhood Program, which focuses on outreach and diverges from PWC's "Whole House" philosophy.

II. Ohio Consumer and Environmental Advocates (OCEA)

OCEA begins by discussing cost recovery. OPAE agrees with OCEA that Duke's discredited Rider SAW is an inappropriate recovery mechanism. OPAE disagrees with OCEA's recommendation for implementation of a decoupling approach coupled with program cost recovery and shared savings.

Taking each in turn, decoupling involves adjusting distribution rates through a positive or negative rider to guarantee recovery of the revenue requirement established in the utility's most recent base rate case. This approach is fraught with problems. "By divorcing recovery of the utility's revenues from actual sales, revenue decoupling reduces the utility's incentive to be efficient, shifts risk from the shareholders to the ratepayers, and removes the preexisting incentives customers have to practice energy efficiency."[2] OPAE urges a rejection of the decoupling model proposed by OCEA. Should the Commission choose to move in this direction, a decoupling mechanism should be paired with a reduction in the utility's approved Return on Equity because of the reduction in the risk.

Shared savings is also promoted in OCEA's comments. This Commission has approved a number of stipulations which include a shared savings component, but has never addressed the issue in a fully litigated case. OPAE has opposed or failed to join in this component of the stipulations. OCEA justifies its support for shared savings as a means to incentivize utilities to exceed the efficiency goals of SB 221. OPAE believes utilities have more than adequate incentive to exceed the goals. First, the savings which exceed the cap can be used for compliance in future years. Most importantly, state law says that utilities must meet the

[2] Mendiola, Lina, "The Erosion of Traditional Ratemaking Through the Use of Special Rates, Riders, and Other Mechanisms", Texas Tech Administration Law Journal, Vol. 10:173, at 184, referencing Val R. Jenson, *Aligning Utility Incentives with Investment in Energy Efficiency 5-4, 5-5 (2007), http://www.epa.gov/cleanenergy/documents/incentives.pdf.*

standards, an incentive that needs no enhancement. OCEA fails to cite any examples where shared savings motivated an increase in efficiency funding or savings in excess of goals. Numerous factors can affect program performance and the achievement of savings. Increasing the costs of utility efficiency programs for ratepayers simply because a utility happens to do a good job one year seems a waste of ratepayer funds. As customers, ratepayers expect utilities to do a good job and their rate of return is more than adequate compensation for the service.

OPAE is heartened by OCEA's recommendation that the design of Duke's current and proposed low-income programs be revisited by the collaborative with an eye toward redesigning the programs to provide comprehensive services. OPAE welcomes this, though it believes that the current program design used by American Electric Power, Dayton Power & Light Company, and FirstEnergy is market-tested and nationally-recognized. The Commission should accept the recommendation included in OPAE's initial comments.

III. Staff

OPAE disagrees with Staff's conclusions regarding the proposed low income efficiency program. Unfortunately, the Staff Comments fail to provide any background material to support its conclusion that Duke's proposed program will produce the level of savings as OPAE's recommended program when measured by an in-field evaluation. It is impossible to reply to a comment that makes assertions that lack any support.

The Staff Comments describe Duke's proposed program recovery mechanism but come to no conclusion regarding its efficacy. Likewise, the Staff Comments review decoupling but merely recommend that certain information on distribution costs be filed in the Duke SSO docket. OPAE cannot divine whether these Comments support or oppose the Company proposal.

IV. Conclusion

OPAE supports the OCEA recommendation that the Company consider and ultimately support program ideas that are proposed by the Collaborative. Invigorating the Collaborative, which includes a number of participants with extensive experience in efficiency program design and delivery, provides Duke with a resource it should value and utilize. OPAE looks forward to future involvement with the Collaborative and stands by its Initial Comments regarding the DSM Portfolio.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Reply Comments was served electronically upon the following parties identified below in this case on this 5th day of October 2011.

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