

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Duke)
Energy Ohio, Inc. to Adjust Rider DR-)
IM and Rider AU for 2010 SmartGrid)
Costs and Mid-Deployment Review.)

**REPLY COMMENTS
BY
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL**

I. INTRODUCTION

The Office of the Ohio Consumers' Counsel ("OCC") replies to the comments submitted on Duke Energy Ohio's ("Duke's" or "the Company's") application requesting that the Public Utilities Commission of Ohio ("PUCO" or "Commission") approve the adjustment of certain cost recovery riders related to Duke's SmartGrid deployment, that would allow the Company to collect additional money from customers.¹ Comments on the Application, and the audit and assessment of Duke's Smart Grid program conducted by MetaVu, Inc. ("MetaVu"),² were filed individually by OCC, Ohio Partners for Affordable Energy ("OPAE") and the PUCO Staff.

In its Comments, OCC supported MetaVu's recommendations that Duke a) design a thorough and formal change management plan to be executed as part of the data management system ("DMS") implementation, b) address certain informational, physical and environmental security concerns and c) establish explicit policies, procedures and guidelines limiting the availability and access associated with customer energy data to protect customer privacy.³ In

¹ Application (June 30, 2011) ("Application").

² Case No. 10-2326-GE-RDR, Duke Energy Ohio Smart Grid Audit and Assessment prepared by MetaVu, Inc. (June 30, 2011).

³ OCC Comments at 3-5.

addition, OCC urged the Commission to require Duke to levelize the projected savings resulting from SmartGrid operational benefits and to use them as an offset to the rider, so that Duke's shareholders appropriately share the investment risk with customers, who currently assume nearly all the risk of the SmartGrid program.⁴ OCC also recommended that Duke be required to study the reduction in annual load research costs attributable to its investment in smart meters and to pass any savings realized on to customers.⁵

In these brief Reply Comments, OCC makes additional recommendations, based on the PUCO Staff's comments. Specifically, OCC recommends that the Commission require Duke to work with Staff and parties in refining the measurement of the benefits customers receive from SmartGrid. In addition, OCC supports OPAE's recommendation that the Commission should suspend Duke's collection of the costs associated with SmartGrid from residential customers until such time Duke can show that significant tangible and intangible benefits are being provided to consumers and can be netted against deployment costs.

II. THE COMMISSION SHOULD ENSURE THAT BENEFITS RELATED TO DUKE'S SMARTGRID DEPLOYMENT ARE SPECIFIC AND MEASURABLE.

In its comments, the PUCO Staff stated that two principal tenets comprise its position regarding Duke's business case for SmartGrid:

1. The Smart Grid business case must demonstrate a net benefit to consumers and society.
2. There must be a value proposition to customers that facilitates their ability to manage energy use and costs.⁶

⁴ Id. at 5-9.

⁵ Id. at 9-10.

⁶ Staff Comments at 12.

The PUCO Staff stated that “[t]he demonstration of both a net benefit and a value proposition to customers is the fundamental rationale for continued investment in grid modernization, both in Duke Energy Ohio’s service territory and beyond.”⁷ The Staff concluded that “although many of the benefits derived from SmartGrid will be easily identifiable and measurable, other benefits are more obscure and not easily measured.”⁸

In light of the PUCO Staff’s position, OCC recommends that the Commission require Duke to continue to work with Staff and parties to this case in refining the measurement of customer benefits projected to emanate from Dukes SmartGrid investment. Currently, according to information provided at Duke’s SmartGrid collaborative, the Company has only achieved modest savings through its SmartGrid pilot program offerings, and has been challenged getting customers enrolled. Clearly, the small amount of subscription to date is insufficient for customers to achieve the level of savings that would be needed to reach a positive business case for SmartGrid as discussed in the PUCO Staff’s initial comments, especially when removing the effect of the SmartGrid investment grant.⁹

Also the Duke SmartGrid collaborative should continue to consider the various means to educate customers on the benefits of SmartGrid and should examine ways for customers to access needed information as well as review the various types of dynamic pricing options that can be offered. To date, Duke’s customer education efforts surrounding SmartGrid benefits and how to capture them have been lagging behind the meter deployments. As one example, Duke has made no effort to invite its customers to the Company’s Envision Center, Duke’s SmartGrid demonstration site in Erlanger, Kentucky, which features a “smart” home complete with solar

⁷ Id.

⁸ Id.

⁹ Id. at 24-26.

panels and an electric vehicle, an apartment complex with advanced meters, and a power delivery control center with real-time monitoring.¹⁰ An open invitation for customers to visit the Envision Center and receive presentations on the effects of SmartGrid and how to personally benefit – with printed information to take home and the ability to sign up for various rate designs – could prove very beneficial in attracting customers to time of use rates. This, and other similar ideas, should be discussed in detail.

Duke should expedite the availability of its billing and meter data management systems to CRES providers who want to offer customers dynamic and time-differentiated pricing. The PUCO Staff's recommendation that Duke strive to subscribe 20% of customers in the SmartGrid program has merit, and is feasible if CRES providers can count towards that goal.

III. THE COMMISSION SHOULD SUSPEND DUKE'S COLLECTION OF SOME OR ALL THE COSTS ASSOCIATED WITH GRIDSMART UNTIL CUSTOMERS RECEIVE SUBSTANTIVE BENEFITS FROM THE PROGRAM.

Until more customer value is demonstrated, the collection of SmartGrid costs from Duke's customers should be immediately stopped and remain on hold at least until the Company makes a better case of the benefits of the SmartGrid from a customer perspective. Duke can choose to continue its SmartGrid investment in the interim, but without the guarantee of cost collection from customers.

In its comments, OPAE noted that because of the delays in deploying SmartGrid, Duke's customers are not receiving tangible benefits from the program.¹¹ OPAE stated that "[t]he Commission could suspend recovery of the costs associated with smart grid deployment through Rider DR-IM from residential customers and reinstate recovery only when tangible and

¹⁰ See <http://sustainabilityreport.duke-energy.com/2008/products/Energy-Future.asp>.

¹¹ OPAE Comments at 4.

intangible benefits are being provided to consumers and can be netted against deployment costs.”¹² According to OPAE, “[i]f Duke is confident that its business case is correct, it could continue the deployment of smart grid with its own resources and recover from customers only when those benefits begin to accrue.”¹³ As an alternative, and consistent with OCC’s levelization of net benefits recommendation, OPAE proposed that the Commission could impute the value of benefits projected by Duke’s business case and determine the appropriate amount to be recovered from customers, as recommended by PUCO Staff witness Greg Scheck in Case No. 09-543-GE-UNC.¹⁴

OCC concurs with OPAE’s position. Duke’s customers should not be required to pay for SmartGrid investment while they are not receiving benefits from the investment. In furtherance of this position, the Commission should immediately suspend the collection of SmartGrid costs from Duke’s customers until the detailed analysis discussed in the previous section is completed, filed and ultimately approved by the Commission. It is improper to require Duke’s customers to continue to pay for SmartGrid deployment that likely will not provide customers with the needed level of benefits to make the deployment cost effective.

IV. CONCLUSION

Given that the continued investment in SmartGrid can only benefit customers if the savings, derived primarily from the active participation in dynamic pricing options, outweigh the costs of SmartGrid, the Commission should require Duke to comprehensively analyze how best to engage customers on these rate designs and determine the level of expected benefits. The

¹² Id. at 5-6.

¹³ Id. at 6.

¹⁴ Id.

collection of SmartGrid costs from Duke's customers should be immediately suspended at least until Duke shows that customers are receiving a substantive benefit from the SmartGrid program.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Reply Comments was served on the persons stated below via regular U.S. Mail Service, postage prepaid, on this 18th day of November 2011.

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