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Duke Energy Ohio Exhibit _____

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke)
Energy Ohio, Inc., concerning its Energy) Case No. 13-0431-EL-POR
Efficiency and Peak-Demand Reduction)
Programs and Portfolio Planning.)

DIRECT TESTIMONY OF
KEVIN A. BRIGHT
ON BEHALF OF
DUKE ENERGY OHIO, INC.

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I. INTRODUCTION

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

2 A. My name is Kevin A. Bright, and my business address is 139 East Fourth Street,
3 Cincinnati, Ohio 45202.

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

5 A. I am employed by Duke Energy Business Services LLC (DEBS) as Managing
6 Director of Business Markets. DEBS provides various administrative and other
7 services to Duke Energy Ohio, Inc., (Duke Energy Ohio or the Company) and
8 other affiliated companies of Duke Energy Corporation (Duke Energy).

9 **Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL**
10 **EXPERIENCE.**

11 A. I received a Bachelor of Science degree in Marketing from Northern Kentucky
12 University, a Master of Business Administration from Northern Kentucky
13 University, and also am a Certified Energy Manager through the Association of
14 Energy Engineers. I have held various positions throughout Duke Energy and its
15 predecessor companies, including roles in Strategic Planning, Corporate
16 Development, Budget & Forecasting, Customer Service and Non-Regulated
17 Operations. I joined the Marketing organization in 2008 to manage Duke
18 Energy's commercial and industrial demand response programs. In 2009, I
19 assumed managerial responsibility for all energy efficiency products. In 2010, I
20 took over management of all non-residential products and strategy, which is still
21 my current area of responsibility.

22 **Q. PLEASE DESCRIBE YOUR DUTIES AS MANAGING DIRECTOR OF**

1 **BUSINESS MARKETS.**

2 A. My team and I oversee the operation of our energy efficiency products to ensure
3 they are delivered to customers cost effectively and efficiently. This involves
4 managing contracts with external parties, monitoring the mix of incentives
5 included in the portfolio, and planning strategies for raising customer awareness
6 of the incentives offered. We work with external engineering firms to assist with
7 developing costs for incentive measures, as well as guidance on incentives offered
8 by other utilities to aid in the evaluation of cost effectiveness. We are constantly
9 evaluating the number of incentive applications being submitted, types of
10 technologies customers are employing, and evaluating strategies to increase
11 adoption rates by customers. This also includes periodic reviews of the measures
12 included in offerings to customers to ensure our portfolio of offers stays current
13 with technology changes in the marketplace and updated efficiency standards.

14 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC**
15 **UTILITIES COMMISSION OF OHIO?**

16 A. Yes, I have provided testimony in Case No. 11-4393-EL-RDR.

II. DISCUSSION

17 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
18 **PROCEEDING?**

19 A. The purpose of my testimony in this proceeding is to explain the current commercial
20 and industrial energy efficiency portfolio offered by Duke Energy Ohio and to
21 explain some of the marketing strategies being employed to raise awareness of the
22 value of energy efficiency investments with customers.

1 **Q. WHAT ENERGY EFFICIENCY (EE) AND DEMAND RESPONSE**
2 **PROGRAMS DOES DUKE ENERGY OHIO PROPOSE TO OFFER IN**
3 **THE NEW PORTFOLIO?**

4 A. Duke Energy Ohio's non-residential energy efficiency offers consist of our Smart
5 Saver[®] for Non-Residential Customers, Non-Residential Energy Assessments and
6 PowerShare[®]. These programs were previously approved by the Commission in
7 Duke Energy Ohio's Case No. 11-4393-EL-RDR. These same programs are being
8 filed for inclusion in the new portfolio to begin January 1, 2014, as well as, one new
9 program, Energy Management and Information Services. A brief description of
10 each program is provided below. Cost effectiveness, participant and cost data for the
11 proposed portfolio of programs is included in the application to this filing.

12 Throughout this document, Smart Saver[®] for Non-Residential Customers will be
13 referred to as either Smart Saver[®] Prescriptive and/or Smart Saver[®] Custom. Non-
14 Residential Energy Assessments will be referred to as Smart Saver[®] Energy
15 Assessments. The program naming convention being used throughout this
16 document is consistent with the naming conventions used internally and externally
17 with customers. Lastly, I will provide an overview of Duke Energy Ohio's Self-
18 Direct program to comply with the Public Utilities Commission of Ohio's
19 (Commission) directives in Case No. 10-834-EL-POR.

20 **Smart Saver[®] Prescriptive**

21 The Smart Saver[®] Prescriptive program consists of over 250 measures covering the
22 five broad technology categories of: Lighting, HVAC, Motors/Pumps/Drives,
23 Energy Star Food Service Equipment, and Process Equipment. The incentives

1 offered are designed to offset a portion of the capital cost of moving to higher
2 efficiency equipment. The incentive amounts are known to the customer before they
3 undertake their project, so the customer can proceed with their project and submit
4 documentation after installation.

5 **Smart Saver[®] Custom**

6 The Smart Saver[®] Custom program is intended to capture quantifiable energy
7 savings from projects that do not fit into the Prescriptive portfolio. A key difference
8 between the Prescriptive and Custom programs is that the Custom program requires
9 that the customer submit an application before beginning a project. Once a project is
10 submitted, it undergoes a technical review to validate the viability of the technology
11 and the reasonableness of the energy savings claims. After the technical review, the
12 energy savings are modeled against the customers load profile (or a representative
13 load profile) to calculate the avoided energy and avoided capacity associated with
14 the installation. At this point, the customer is tendered an incentive offer. Provided
15 the customer acknowledges acceptance of the offer and completes the project, upon
16 verification of the installation, the customer is issued an incentive check in the
17 amount originally tendered. Duke Energy Ohio reserves the right to adjust the
18 incentive amount paid either up or down should the installation deviate from what
19 was originally submitted. Potential incentive amounts are unbounded and are based
20 on the avoided energy and avoided capacity produced by the measure(s).

21 Both the Smart Saver[®] Prescriptive and Custom programs allow for customers to
22 either receive their incentive checks directly, or to assign them to a vendor, provided
23 the vendor reduces the amount invoiced to the customer by the amount of the

1 incentive. Additionally, Duke Energy may provide calculation assistance for
2 customers that have proposed energy efficiency projects of sufficient value, as
3 determined by Duke Energy, but that lack internal or other resources to perform the
4 engineering calculations required by the Custom program.

5 **Smart Saver[®] Energy Assessments**

6 Duke Energy Ohio offers several different types of assessments to help customers
7 identify energy efficiency opportunities. The Online Assessment tool is available
8 for all non-residential customers through the Duke Energy Ohio website. This tool
9 is available free of charge. For customers with a peak demand over 500 kW, we
10 offer a Telephone Assessment for free. The assessor will gather basic data from the
11 customer and provide recommendations over the phone based on experience and
12 information provided during the interview. Lastly, Duke Energy Ohio offers an On-
13 Site Assessment wherein an assessor will spend one or more days at a customer's
14 site identifying opportunities for increased energy efficiency. After the audit is
15 completed, the customer receives a written report of the audit findings. The cost of
16 the on-site assessment varies depending on the length of time an assessor spends at a
17 customer's facility. The cost of the audit is shared by Duke Energy Ohio and the
18 customer. The customer pays 50% of the cost, and Duke Energy Ohio pays 50%,
19 but the customer's cost can be further reduced if the customer proceeds with
20 adopting the recommendations made in the audit.

21 After evaluating the success of the current audits, Duke Energy Ohio is trying new
22 approaches to drive adoption of energy efficiency through audits. One such
23 approach is a comprehensive audit that addresses the entire operation of a building,

1 as opposed to targeting end-use equipment. Duke Energy Ohio is also continuing to
2 test technology specific audits. Finally, Duke Energy Ohio is considering design
3 assistance efforts to aid in the development of high efficiency designs for customers'
4 new construction and major renovation projects. The purpose is to help customers
5 identify strategies targeted at their most energy intensive processes, provide them
6 with concrete cost estimates to implement the recommendations, and connect the
7 customer with vendors that deliver the energy efficiency improvements.

8 **PowerShare[®]**

9 PowerShare[®] is Duke Energy Ohio's demand response program offered to
10 commercial and industrial customers. The program offers various options for
11 customers to choose from. PowerShare[®] QuoteOption is offered for customers who
12 only want to reduce their load when power prices are high. In this program,
13 customers receive notice of a price offer from Duke Energy Ohio to reduce load.
14 Based on the price offered, the customer makes the decision as to whether or not
15 they will reduce load. If a customer elects not to reduce load, there are no penalties
16 for declining participation in the event. Participation is purely voluntary. The
17 customer only receives a credit for the number of kilowatt-hours they reduced during
18 the event, multiplied by the price offered by Duke Energy Ohio.

19 Customers may also participate in the CallOption program. Under the CallOption
20 program, customers receive a monthly credit for providing Duke Energy Ohio with
21 the right to call on the customers load during emergency situations. Each of the
22 CallOption offers contain an emergency provision wherein the customer agrees to
23 provide a minimum number of interruptions for curtailments initiated by the

1 Regional Transmission Operator, (RTO) or PJM, Interconnection, Inc.. The
2 minimum number of events is dictated by the RTO. But the customer also has the
3 option to agree to provide load for economic events. Under the CallOption program,
4 the customer agrees to a predetermined price at which Duke Energy Ohio has the
5 right, but not the obligation, to initiate an event. If an economic event is called, the
6 customer receives an energy credit for reducing load during the event that is equal to
7 the predetermined price for energy, less the base cost of energy that is embedded in
8 their rate. Only Standard Service Offer (SSO) customers of Duke Energy Ohio may
9 participate in the economic events. All Duke Energy Ohio non-residential
10 customers may participate in the Emergency program, provided they can meet the
11 minimum contractual load reduction commitment of 100 kW.

12
13 **Mercantile Self-Direct**

14 The Duke Energy Ohio Self-Direct program was proposed in accordance with
15 PUCO Rule 4901:1-39-05(G). O.A.C., and the Commission's Order in case
16 No.10-834-EL-POR. Mercantile and national/regional accounts customers with
17 aggregate annual usage of 700,000 kWh or greater are eligible for the program.

18
19 The Company is not proposing any program costs associated with the Ohio Self-
20 Direct program for the timeframe associated with this portfolio as the
21 Commission approved program is scheduled to expire on June 15, 2013. Duke
22 Energy Ohio continues to support the Ohio Self Direct program and will do so for
23 as long as the Commission directs us to do so.

1 **Q. ARE THERE ANY NEW NON-RESIDENTIAL PROGRAMS DUKE**
2 **ENERGY OHIO IS PROPOSING TO INCLUDE IN THE EE**
3 **PORTFOLIO?**

4 Yes, Duke Energy Ohio is proposing a new pilot program, Energy Management
5 and Information Services. Duke Energy Ohio's proposed Energy Management
6 and Information Services program is a systematic approach to reducing energy
7 usage at qualified commercial or industrial (C&I) customer facilities and
8 persistently maintaining those savings over time. In order to achieve these goals,
9 the program will utilize a remote or light onsite energy assessment, deployment of
10 an energy management and information system (EMIS) using software-as-a-
11 service (SaaS) hosted by a vendor, implementation of low cost measures by the
12 customer and periodic energy monitoring, analysis and reporting.

13 This program has the potential to encourage customers to be more proactive in
14 their management of energy. Their interaction with the software and with the
15 energy analysts will likely improve the customers' views of energy as a
16 manageable expense. Duke Energy Ohio needs to test this program offer with
17 customers and the Energy Management and Information System vendors in order
18 to prove that it is cost-effective. Other U. S. utilities are rolling out pilots or
19 programs with similar components and are seeing cost-effective results. Duke
20 Energy Ohio is seeking to recover its costs for the pilot phase.

21
22
23 **Q. DID DUKE ENERGY OHIO REFER TO ITS MARKET ASSESSMENT AND**

1 **ACTION PLAN FOR ELECTRIC DSM, AS FILED WITH THE COMMISSION**
2 **IN FEBRUARY OF THIS YEAR IN DEVELOPING THIS PORTFOLIO OF**
3 **PROGRAMS?**

4 A. Yes, the Duke Energy Ohio Market Assessment and Action Plan for Electric
5 DSM results were considered when including measures and programs to the Non-
6 Residential portfolio of programs. Exhibit 1 includes a listing of each measure by
7 category along with how Duke Energy Ohio's portfolio plan addresses incorporating the
8 measures in the Company's programs.

III. **CONCLUSION**

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

10 A. Yes.

BEFORE

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In the Matter of the Application of Duke)	
Energy Ohio, Inc., concerning its Energy)	Case No. 13-0431-EL-POR
Efficiency and Peak-Demand Reduction)	
Programs and Portfolio Planning.)	

DIRECT TESTIMONY OF

TIMOTHY J. DUFF

ON BEHALF OF

DUKE ENERGY OHIO, INC.

April 15, 2013

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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 Director, Regulatory
7 Strategy and Collaboration. DEBS provides various administrative and other
8 services to Duke Energy Ohio and other affiliated companies of Duke Energy
9 Corporation (Duke Energy).

10 **Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL**
11 **QUALIFICATIONS.**

12 **A.** I graduated from Michigan State University with a Bachelor of Arts in Political
13 Economics and a Bachelor of Arts in Business Administration, and received a
14 Master of Business Administration from the Stephen M. Ross School of Business
15 at the University of Michigan. I started my career with Ford Motor Company and
16 worked in a variety of roles within the Company's financial organization. After
17 five years with Ford Motor Company, I began work with Cinergy in 2001,
18 providing business and financial support to plant operating staff. Eighteen
19 months later I joined Cinergy's Rates Department, where I provided revenue
20 requirement analytics and general rate support for the company's transfer of three
21 generating plants. After my time in the Rates Department, I spent a short period
22 of time in the Environmental Strategy Department, and then I joined Cinergy's
23 Regulatory and Legislative Strategy Department. After Cinergy merged with

1 Duke Energy in 2006, I worked for four years as Managing Director, Federal
2 Regulatory Policy. In this role, I was primarily responsible for developing and
3 advocating Duke Energy's policy positions with the Federal Energy Regulatory
4 Commission. I assumed my current position in 2010.

5 **Q. WHAT ARE YOUR CURRENT RESPONSIBILITIES AS DIRECTOR OF**
6 **CUSTOMER PLANNING AND REGULATORY STRATEGY?**

7 **A.** As Director of Customer Planning and Regulatory Strategy, I coordinate and
8 direct policy development, compliance management, and strategy as it relates to
9 energy efficiency and peak demand programs across all of the Duke Energy
10 service territories.

11 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC**
12 **UTILITIES COMMISSION OF OHIO?**

13 **A.** Yes. I have testified in previous cases related to energy efficiency, a revenue
14 decoupling pilot and Duke Energy Ohio's Smart Grid deployment.

15 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
16 **PROCEEDING?**

17 **A.** The purpose of my testimony is to discuss Duke Energy Ohio's proposed new
18 portfolio of energy efficiency and peak demand reduction programs and
19 specifically how it aligns with the cost recovery mechanism approved by the
20 Commission in Case No. 11-4393-EL-RDR.

II. OVERVIEW OF THE PROPOSED PORTFOLIO PLAN

1 **Q. WHAT ARE THE ELEMENTS OF DUKE ENERGY OHIO'S**
2 **PORTFOLIO PLAN FILING**

3 **A.** There are two main components of Duke Energy Ohio's portfolio plan
4 application. First, in this application, Duke Energy Ohio is requesting the
5 approval of a its proposed energy efficiency and peak demand reduction programs
6 that are described in detail in the testimony of Company witnesses Kevin A.
7 Bright and Casey Mather. The second element of the Company's Portfolio Plan is
8 the Company's request for the continued approval of its Rider EE-PDR. Rider
9 EE-PDR, which was approved in Case No. 11-4393-EL-RDR, allows the
10 Company to recover the costs, as well as a shared savings performance incentive
11 associated with its portfolio of approved energy efficiency and peak demand
12 reduction programs and lost distribution margins from certain non-residential
13 customers.

14 **Q. WHY IS IT IMPORTANT FOR THE COMPANY TO CONTINUE TO**
15 **OFFER ENERGY EFFICIENCY AND PEAK DEMAND REDUCTION**
16 **PROGRAMS AND RECEIVE APPROVAL OF ITS PROPOSED**
17 **PORTFOLIO OF PROGRAMS?**

18 **A.** Electric distribution utilities are uniquely qualified and in the best position to
19 systematically capture productivity gains in the use of electricity and maximize
20 those gains for the benefit of all customers. For this reason, Duke Energy Ohio
21 has a long history of delivering cost effective energy efficiency and demand
22 response programs to its customers since 1992 and become customers' source for

1 energy efficiency. Moreover, because of this established relationship with its
2 customers, Duke Energy Ohio understands changes in customer preferences and
3 energy efficiency advancements that will allow the Company to continue
4 accommodate new technologies and design new and innovative program
5 offerings. The value that an electric distribution utility can deliver to customers
6 was formally recognized with the passage of Amended Substitute Senate Bill 221
7 in 2008, which requires Duke Energy Ohio, as an electric distribution utility, to
8 meet specified energy efficiency and peak demand reduction targets.

9 **Q. AT A SUMMARY LEVEL, PLEASE DESCRIBE THE PORTFOLIO OF**
10 **PROGRAMS THAT THE COMPANY IS PROPOSING IN THIS**
11 **APPLICATION?**

12 **A.** In its application, Duke Energy Ohio is proposing a new portfolio of programs to
13 be offered to its customers from 2014-2016 that is mostly consistent with the
14 portfolio of programs that were included and approved along with its recovery
15 and incentive mechanism on August 15, 2012, in Case No. 11-4393-EL-RDR. In
16 addition to the portfolio of programs approved for inclusion in Rider EE-PDR,
17 that are shown in Table 1 below, the Company consulted the Duke Energy Ohio:
18 Market Assessment and Action Plan for Electric DSM Programs that was
19 prepared by Forefront Economics Inc. and H. Gil Peach & Associates LLC to
20 address any potential gaps in its program offerings. As a result of reviewing the
21 Market Assessment and Action Plan, the Company is requesting approval of a
22 new non-residential program called Energy Management and Information
23 Services, the addition of over 100 new non-residential Smart Saver[®] prescriptive

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1 measures, and a number of new measures to its residential programs such as
2 energy efficient pool pumps.

Table 1

- | | |
|---|--|
| 3 | ○ Smart Saver® for Residential Customers |
| 4 | ○ Low Income Services |
| 5 | ○ Energy Efficiency Education Program for Schools |
| 6 | ○ Power Manager for Residential Customers |
| 7 | ○ Home Energy Comparison Report |
| 8 | ○ Residential Energy Assessments |
| 9 | ○ Smart Saver® Prescriptive for Nonresidential Customers |
| | ○ Smart Saver® Custom for Nonresidential Customers |
| | ○ Smart Saver® Assessments for Nonresidential Customers |
| | ○ Power Share® for Nonresidential Customers |
| | ○ Low Income Neighborhood Program |
| | ○ Appliance Recycling Program |
| | ○ Home Energy Solutions Program |

10 **Q. DOES THE COMPANY HAVE ANY PILOT PROGRAMS THAT ARE**
11 **CURRENTLY PENDING BEFORE COMMISSION FOR APPROVAL TO**
12 **BE ADDED TO ITS EXISTING PORTFOLIO THAT WOULD CONTINUE**
13 **UNDER ITS NEW PORTFOLIO?**

14 **A.** Yes. On March 15, 2013, Duke Energy Ohio filed an application in Case No. 13-
15 662-EL-UNC, to establish a new energy efficiency program targeted at low
16 income customers. This energy efficiency pilot program proposes to permit Duke
17 Energy Ohio to purchase the energy efficiency produced from low income
18 weatherization work performed by People Working Cooperatively (PWC) using
19 leveraged funds (Non-Duke Energy Funds). The pilot is designed to expand
20 funding for PWC's valuable whole home services and also provide Duke Energy
21 Ohio with energy efficiency impacts from the low income segment of Duke

1 Energy Ohio's customers at a lower cost than has traditionally been possible
2 thereby making it a cost effective program. Since the Company is proposing this
3 three year pilot to begin in 2013, the program will crossover into the period of
4 time covered by the new portfolio (2014-2016). The Company has not included
5 any impacts from this proposed pilot, since it is a new program concept and the
6 Company is awaiting Commission approval before pursuing the counting of the
7 load impacts.

8 **Q. PLEASE DISCUSS THE ROLE OF THE DUKE ENERGY OHIO**
9 **COMMUNITY PARTNERSHIP COLLABORATIVE AS IT RELATES TO**
10 **THE OPERATION OF THE COMPANY'S PROPOSED PORTFOLIO OF**
11 **PROGRAMS.**

12 **A.** The Duke Energy Ohio Community Partnership Collaborative (Collaborative) is
13 comprised of interested parties and stakeholders. The Collaborative has a long
14 and successful history with energy efficiency in Ohio. Duke Energy Ohio
15 currently engages the Collaborative to review program changes, as well as to
16 preview potential program additions to its portfolio. This allows the Company to
17 offer new program measures expeditiously and to respond to market conditions
18 and technology developments, and innovations in efficiency measures.
19 Duke Energy Ohio expects to continue to work with this Collaborative to create a
20 transparent energy efficiency process and to realize the benefits of input from the
21 diverse perspectives of the group.

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1 **Q. PLEASE DESCRIBE THE RECOVERY MECHANISM AND INCENTIVE**
2 **STRUCTURE APPROVED IN CASE NO. 11-4393-EL-RDR THAT THE**
3 **COMPANY IS PROPOSING TO CONTINUE FOR THE THREE-YEAR**
4 **PORTFOLIO OF PROGRAMS PROPOSED IN THIS APPLICATION?**

5 **A.** Duke Energy Ohio is proposing to continue to use its current cost recovery
6 mechanism that was approved by the Commission on August 15, 2012, in Case
7 No. 11-4393-EL-RDR. The mechanism was the result of a Stipulation and
8 Recommendation that was filed with the Commission on November 18, 2011.
9 The cost recovery mechanism approved had the following three distinct
10 components:

- 11 1. The recovery of the actual costs incurred by Duke Energy Ohio to deliver the
12 approved portfolio of energy efficiency and demand response programs,
13 including the evaluation, measurement and verification costs.
- 14 2. The recovery of lost distribution margins from those customers not included
15 in the Company's distribution revenue decoupling pilot approved in Case No.
16 11-5905-EL-RDR.
- 17 3. The ability to earn a shared savings incentive that varies based upon the
18 Company's ability to exceed its annual energy efficiency benchmark targets
19 that are required of all electric distribution utilities by Ohio law.

20 Under the approved shared savings incentive mechanism, the Company incentive
21 is calculated as a percentage of the net system benefits (avoided costs less the
22 program costs) generated by the Company's portfolio of energy efficiency and
23 demand response programs. The level of incentive, the magnitude of the

percentage of the net system that the Company is eligible to earn, is tiered and can range from 5.0% up to 13% depending on how much the actual efficiency savings exceed the annual target. See Table 2 below.

Table 2	
Achievement of After-Tax Shared	
Annual Target	Savings
≤ 100	0.0%
≥ 100 - 105	5.0%
≥ 105 - 110	7.5%
≥ 110 - 115	10.0%
≥ 115	13.0%

Q. PLEASE EXPLAIN DUKE ENERGY OHIO'S CURRENT SHARED SAVINGS INCENTIVE IN GREATER DETAIL.

A. The incentive that the Company is eligible to earn is calculated based upon a percentage of the net system benefits that are delivered by Duke Energy Ohio's approved portfolio of programs. For example, if the Company exceeds its annual target of energy efficiency savings by 11% and delivers \$50 million dollars of avoided cost benefits to customers associated with \$35 million dollars of energy efficiency expenditures, the Company's incentive would be \$1.5 million dollars as the result of the following calculation shown in Table 3 below.

Table 3	
	Millions
Avoided Cost Benefit	\$50.0
Utility Energy Efficiency Costs	35.0
Net System Benefit	\$15.0
Incentive Level (111% achievement)	10%
Utility Incentive Earned	\$1.5

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1 **Q. IS THE SHARED SAVINGS INCENTIVE MECHANISM EFFECTIVE IN**
2 **INCENTIVIZING DUKE ENERGY OHIO TO OVER COMPLY WITH**
3 **ITS ANNUAL ENERGY EFFICIENCY BENCHMARK IN 2012?**

4 **A.** Yes. In 2012, the first year that the approved shared saving incentive mechanism
5 was utilized, Duke Energy Ohio exceeded its annual compliance benchmark
6 through its portfolio of programs by over 50,000 MWH. The fact that the shared
7 savings mechanism is incentivizing the Company to over-achieve by over 30%,
8 will help to ensure that the Company will continue to be able to comply with the
9 annual mandates as the benchmarks become more aggressive. Even more
10 importantly, it has motivated the Company to maximize cost effectiveness, which
11 meant in 2012 that the Company achieved almost 25,000 MWH more of energy
12 efficiency impacts than it had projected in its application in Case No. 11-4393-
13 EL-RDR at a price tag that was over \$3.5 million less than what was projected in
14 the same application.

15 **Q. PLEASE EXPLAIN WHY DUKE ENERGY OHIO IS REQUESTING**
16 **THAT THE COMMISSION APPROVE AN EXTENSION OF THE COST**
17 **RECOVERY MECHANISM APPROVED BY THE COMMISSION IN**
18 **CASE NO. 11-4393-EL-RDR?**

19 **A.** At the time that Duke Energy Ohio filed its application in Case No. 11-4393-EL-
20 RDR, it recognized that unnecessary complexity had been created by the fact that
21 there was a disconnect between the expiration of its Save-a-watt recovery
22 mechanism on December 31, 2011 and the expiration of its Commission approved
23 portfolio plan which runs through 2013. In hopes of addressing this complexity

1 the Company attempted to align the timing of its recovery mechanism with its
2 approved portfolio and have the incentive mechanism terminate at the end of
3 2016, thus aligning with the next portfolio period. However, in the course of
4 reaching a stipulation with interveners, the Company agreed to have its cost
5 recovery and incentive mechanism expire at the end of 2015. In order to comply
6 with the directive set forth in the Commission's August 15, 2012 Order in Case
7 No. 11-4393-EL-RDR, the Company now requests that the cost recovery and
8 incentive mechanism run through the end of 2016. The Commission's Order
9 clearly instructs: "The Commission believes that our rules require the portfolio
10 filings to be a total package of programs and a cost recovery mechanism."

11 **Q. PLEASE EXPLAIN WHY COMMISSION SHOULD APPROVE THE**
12 **EXTENSION OF ITS CURRENT ENERGY EFFICIENCY AND PEAK**
13 **DEMAND REDUCTION COST RECOVERY MECHANISM FOR AN**
14 **ADDITIONAL YEAR.**

15 **A.** The Company's cost recovery and shared savings incentive mechanism that was
16 approved in Case No. 11-4393-EL-RDR is a well-recognized model and is fair
17 and reasonable and aligns the Company's interests with customers. The Company
18 believes that the impressive results achieved by Duke Energy Ohio in its first year
19 under the cost recovery and shared incentive mechanism have confirmed the
20 appropriateness of the mechanism. The Commission's Order in Case 11-4393-
21 RDR supports the approval of the extension of its existing cost recovery and
22 shared savings incentive mechanism. Based upon the explicit language in that
23 Order, Duke Energy Ohio understands that other than the need to align the

1 expiration of its approved cost recovery mechanism with the term of the portfolio
2 plan, issues related to the structure and design of cost recovery and incentive
3 mechanism need not be taken up again in this proceeding. The Commission's
4 approval of a one year extension to the term of its cost recovery and shared
5 savings incentive mechanism, originally approved by the Commission in Case
6 No.11-4393-EL-RDR, will align with the duration of the portfolio of programs
7 proposed in this application as required by the Commission's rules.

8 **Q. IS THE COMPANY PROPOSING ANY CHANGES TO HOW THE**
9 **COMPANY'S BANKED ENERGY EFFICIENCY IMPACTS WILL BE**
10 **APPLIED WITH RESPECT TO BOTH REACHING COMPLIANCE**
11 **WITH ITS ANNUAL EFFICIENCY TARGETS, AS WELL AS WITH**
12 **RESPECT TO ITS ABILITY TO EARN INCENTIVE?**

13 **A.** No, the Company is proposing the same methodology that was vetted and
14 approved in Case No. 11-4393-EL-RDR. Under this approach, the impacts that
15 are currently reflected in Duke Energy Ohio's impact bank are program impacts
16 or efficiency savings that have not been used to meet the Company's annual
17 compliance targets or used with respect to the calculation of company incentive
18 with respect to save-a-watt and its shared savings incentive in 2012. For this
19 reason the Company should have the ability to use these impacts for the purposes
20 of both meeting the annual compliance target and for establishing a level of
21 achievement for the purposes of determining the level of its earned shared savings
22 incentive. While the impacts will be used for these two purposes, the Company's

1 proposed rider will not reflect any incremental program related costs associated
2 with the achievement of these banked impacts.

3 **Q. PLEASE DISCUSS HOW THE SELF DIRECT MERCANTILE**
4 **PROGRAM WILL BE FACTORED INTO THE DETERMINATION OF**
5 **THE COMPANY'S ANNUAL EE RIDER.**

6 **A.** The Company is proposing that the self direct mercantile program will impact the
7 Company's EE Rider in two ways. First, the cost of running the mercantile
8 customer program including the incentives paid to these customers will be
9 included in the calculation of the EE Rider. Second, the impacts that are achieved
10 by the self direct mercantile customer will be included in the Company's annual
11 efficiency achievement for the purpose of compliance with its annual mandated
12 energy efficiency targets, but not in the calculation for the purpose of determining
13 incentive level. Additionally, the Company will not include the impacts and
14 associated avoided costs of the self direct mercantile program in the calculation of
15 its shared savings incentive. It is important to note that for the purpose of
16 determining incentive level achievement, the Company will back out the load
17 from its three-year sales baseline in determining its annual mandated target.

18 **Q. ARE THE TERMS OF THIS PROPOSAL CONSISTENT WITH THE**
19 **COMMISSION'S ENERGY EFFICIENCY RULES?**

20 **A.** Yes. As part of my responsibilities with regard to energy efficiency compliance
21 in Ohio, it is necessary to have an understanding of the Commission's rules. One
22 of the Commission's energy efficiency and peak demand reduction rules states
23 that an electric utility may request recovery of an approved rate adjustment

1 mechanism reflecting peak demand response and energy efficiency program costs,
2 lost distribution revenues and shared savings. This rule further states that any
3 such recovery shall be subject to an annual reconciliation after issuance of the
4 Commission's verification report. Duke Energy Ohio's proposed continuation of
5 Rider EE-PDR is consistent with this rule and we further propose that this
6 recovery mechanism would be reconciled each year after issuance of the
7 Commission's verification report.

8 **Q. IN COMPLIANCE WITH THE COMMISSION'S ORDER IN CASE NO.**
9 **12-1857-EL-RDR, PLEASE EXPLAIN WHY DUKE ENERGY OHIO**
10 **CONTINUED TO COLLECT REVENUES UNDER RIDER DR-SAW IN**
11 **2012?**

12 **A.** The Company has provided a detailed explanation of its continued collection in its
13 March 28, 2013 filing pertaining to its annual true-up of Rider EE-PDR. It was
14 appropriate to include a detailed explanation in Case No. 13-753-EL-RDR
15 because the revenues collected under Rider DR-SAW were a direct input into the
16 true-up calculation of Rider EE-PDR. However, in order to ensure compliance
17 with the Commission's specific directive in Case No. 12-1857-EL-RDR, the
18 Company continued to charge customers under Rider DR-SAW in 2012 until its
19 new cost recovery rider was approved for three reasons. First, the Company was
20 required to maintain its approved portfolio of energy efficiency and demand
21 response programs in order to meet its annual energy efficiency mandate targets.
22 Second, Duke Energy Ohio was concerned that if it did not continue to collect
23 under Rider DR-SAW there would be unnecessary rate volatility in 2013 due to

1 the true-up that would be required if customers did not pay any rider associated
2 with energy efficiency until Rider EE-PDR was approved. Finally, when it
3 became clear that the Company would not get approval of Rider EE-PDR in
4 January 2012, Duke Energy Ohio, continued to bill under Rider DR-SAW until
5 Rider EE-PDR was approved and then address the difference in collections when
6 the Company performed the true-up of Rider EE PDR in the 1st Quarter of 2013.

7 **Q. WHAT ADDITIONAL INFORMATION SUPPORTS DUKE ENERGY**
8 **OHIO'S REQUEST FOR APPROVAL OF ITS ENERGY EFFICIENCY**
9 **AND DEMAND RESPONSE PORTFOLIO PLAN?**

10 **A.** As mentioned previously, Duke Energy Ohio witness Casey Mather, will provide
11 a description of the mass market customer programs that are presently approved
12 and included in the Company's portfolio. Additionally, Mr. Mather will discuss
13 several new and innovative measures that the Company believes will be
14 successful in the market place.

15 Duke Energy Ohio witness Kevin A. Bright will address the non-residential
16 energy efficiency and peak demand reduction programs and components of the
17 Company's Application. Mr. Bright will discuss the self-direct option for non-
18 residential customers. Additionally, Mr. Bright will explain in detail the different
19 energy efficiency offerings for non-residential customers in the Duke Energy
20 Ohio service territory.

21 Additionally, Duke Energy Ohio witness Ashlie J. Ossege will explain the
22 Company's compliance with the Commission's evaluation, measurement and
23 verification requirements.

1 Finally, Duke Energy Ohio witness James E. Ziolkowski will discuss the
2 integration of the new portfolio costs into the Rider EE-PDR rate recovery
3 mechanism, including the timing of true-up filings.

III. PJM AUCTIONS

4 **Q. PLEASE DISCUSS DUKE ENERGY OHIO'S PLANS TO BID ANY EE**
5 **RESOURCES INTO THE PJM BASE RESIDUAL AUCTION FOR THE**
6 **PLANNING YEAR 2016/2017?**

7 **A.** Consistent with discussions with its Collaborative, Duke Energy Ohio plans to
8 offer current planning year EE resources that qualify for the auction. Only
9 resources that appear to be cost effective relative to the required incremental costs
10 of M&V and auction administration will be offered.

11 **Q. EXPLAIN DUKE ENERGY OHIO PARTICIPATION IN THE PJM**
12 **THIRD INCREMENTAL AUCTION FOR PLANNING YEAR 2013/2014?**

13 **A.** Consistent with discussions with its Collaborative, Duke Energy Ohio will offer
14 installed EE resources that qualify for the auction, but only those EE resources
15 that appear to be cost effective relative to the required incremental costs of M&V
16 and auction administration. After reviewing these incremental M&V costs and
17 the time requirements to complete incremental M&V tasks, no installed EE
18 resources were offered into the third incremental auction for 2013/2014. Duke
19 Energy Ohio also anticipates some level of constraint in auctions in the immediate
20 future because of limits to the availability of TecMarket Works, the Company's
21 independent third-party provider of evaluation measurement and verification
22 services, resources to prepare the required M&V plans and complete the required

1 incremental M&V by PJM deadlines to participate in the auctions. While no EE
2 program impacts are being offered into the auction, Duke Energy Ohio has
3 offered and cleared approximately 70 MWs of existing demand response
4 resources in the third incremental auction for 2013/2014. The associated capacity
5 resource revenues (auction proceeds) will be credited to the economic
6 competitiveness fund (Rider DR-ECF) consistent with the terms of the approved
7 stipulation in Case No. 11-3549-EL-SSO.

8 **Q. MOVING FORWARD, HOW DOES DUKE ENERGY OHIO INTEND TO**
9 **PARTICIPATE IN PJM CAPACITY AUCTIONS USING ENERGY**
10 **EFFICIENCY RESOURCES?**

11 **A.** During its discussions with its Collaborative, Duke Energy Ohio has expressed
12 concerns related to the speculative nature of some auction activities and the
13 potential business risks associated with these activities. While there appears to be
14 the opportunity to realize benefits from auction participation, there is also the
15 potential for losses. A solution to these concerns has been proposed and has the
16 initial support of the Collaborative. The Company plans to file for Commission
17 approval of a new pilot program that will create a mechanism to capture all the
18 costs and benefits of PJM auction participation. Essentially, the program
19 construct will consider the auction proceeds to be the avoided cost benefit of the
20 program, and the incremental EM&V expense and administrative cost as the
21 program cost. Using this program construct will allow the Company to provide
22 information regarding the cost effectiveness of the bidding activities and allow it
23 to fall within its existing cost recovery and incentive mechanism under Rider EE

1 –PDR. The Company plans to file this pilot proposal shortly after the PJM Base
2 Residual Auction for the planning Year 2016/2017, which will allow the
3 Company to use the Base Residual Auction results as a data point for forecasting
4 the value of the impacts bid into future auctions.

IV. CONCLUSION

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

6 **A. Yes.**

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke)	
Energy Ohio, Inc., concerning its Energy)	Case No. 13-0431-EL-POR
Efficiency and Peak-Demand Reduction)	
Programs and Portfolio Planning.)	

DIRECT TESTIMONY OF

CASEY MATHER

ON BEHALF OF

DUKE ENERGY OHIO, INC.

April 15, 2013

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I. INTRODUCTION

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

2 **A.** My name is Casey Mather and my business address is 526 Church Street,
3 Charlotte, North Carolina, 28201.

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

5 **A.** I am employed by the Duke Energy Business Services LLC, an affiliate of Duke
6 Energy Ohio, Inc., (Duke Energy Ohio or Company) as Managing Director, Mass
7 Market Strategy and Market Planning.

8 **Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL**
9 **EXPERIENCE.**

10 **A.** I graduated from North Carolina State University with a Bachelor of Science in
11 Mechanical Engineering and joined Duke Energy Corp. in 1980. At Duke Energy
12 Corp., I have held numerous positions in areas related to Generation, Distribution,
13 Planning, Customer Care and Marketing. For the past ten years, I have worked in
14 marketing management with a focus on our mass market customers.

15 **Q. PLEASE DESCRIBE YOUR DUTIES AS MANAGING DIRECTOR,**
16 **RESIDENTIAL MARKETS.**

17 **A.** As Managing Director of Residential Markets, my team and I oversee the
18 management of our energy efficiency programs to ensure cost effective delivery,
19 the achievement of planned energy and load impacts and the delivery of an
20 experience that meets our customers' expectations. Achieving these outcomes
21 requires us to manage the performance of our contracted vendors, and we develop
22 and execute a marketing plan to achieve customer adoption. In addition, we work

1 with external consulting and engineering firms to assist with development of cost,
2 impact and participation assumptions for our programs.

3 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC**
4 **UTILITIES COMMISSION OF OHIO?**

5 **A.** Yes, I provided testimony in Case No. 11-4393-EL-RDR.

6 **II. DISCUSSION**

7 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
8 **PROCEEDING?**

9 **A.** The purpose of my testimony in this proceeding is to explain the current energy
10 efficiency portfolio offered by Duke Energy Ohio and to explain some of the
11 marketing strategies the Company employs to raise awareness and adoption of our
12 programs. In addition, I will cover additional measures proposed for inclusion in the
13 existing Smart \$aver[®] Residential Program.

14 **Q. WHAT ENERGY EFFICIENCY (EE) PROGRAMS DOES DUKE**
15 **ENERGY OHIO CURRENTLY OFFER?**

16 **A.** Duke Energy Ohio's currently approved residential energy efficiency programs
17 include Smart \$aver[®] Residential, Residential Energy Assessments, Home Energy
18 Comparison Report, Energy Efficiency Education Program for Schools, Low
19 Income Services, Power Manager, Appliance Recycling Program, Low Income
20 Neighborhood Program and a pilot called Home Energy Solutions. These programs
21 were previously approved by the Commission in Duke Energy Ohio's Case No. 11-
22 4393-EL-RDR. These same programs are being filed for inclusion in the new
23 portfolio to begin January 1, 2014, as well as, new measures to be included in the

Smart Saver[®] Residential Program. A brief description of each program is provided below. Cost effectiveness, participant and cost data for the proposed portfolio of programs is included in the application to this filing.

Duke Energy Ohio's Proposed Portfolio:

Smart Saver[®] Residential

The Smart Saver[®] Program provides incentives to customers, builders, heating, ventilation and air conditioning (HVAC) dealers and weatherization contractors to promote and install high-efficiency air conditioners and heat pumps with electronically commutated fan motors (ECMs), as well as attic insulation and air sealing, duct sealing and insulation, HVAC tune-ups and lighting. These programs are promoted through trade ally outreach and direct communication to customers using numerous channels such as direct mail, community presentations and website promotions. In regard to lighting offers, online promotions and social media have been particularly effective. The Company will be offering additional light bulb types for the home such as indoor floodlighting, decorative lighting, and dimmable bulbs.

In addition, the Company is proposing to add the following measures to this program:

- Single Family and Multifamily faucet aerators for bath and kitchen
- Single Family and Multifamily low flow shower heads
- Single Family and Multifamily pipe wrap
- Heat pump water heaters

- Pool pumps

Residential Energy Assessments

Duke Energy Ohio provides an in-home assessment called Home Energy House Call. Home Energy House Call is promoted primarily through direct mail and targets owner-occupied, single family residences. The targeting also considers geographic location to better align assessor resources to manage costs and maintain a positive customer experience. The assessors are Building Performance Institute, Inc. (BPI) certified. The assessors spend sixty to ninety minutes with customers as they evaluate the home and explain ways to save energy and money. The assessors offer low cost/no cost recommendations that encourage behavioral changes and inform customers about energy efficiency considerations for higher cost investment decisions like new HVAC or appliances. The assessors also install measures from an energy efficiency kit while in the home.

Home Energy Comparison Report (Marketed as - My Home Energy Report)

The Home Energy Comparison Report compares household electric usage to similar, neighboring homes and provides recommendations to lower energy consumption. These comparisons are intended to induce an energy consumption behavior change. The Home Energy Comparison Report is promoted through direct mail to targeted customers with desirable characteristics who are likely to respond to the information.

Energy Efficiency Education Program for Schools

This program educates students in the classroom about sources of energy and energy efficiency in homes, and it provides students and their families the ability to make simple energy efficiency improvements in their homes. After completing a home

1 energy survey, participants receive an Energy Efficiency Starter Kit. The Starter Kit
2 contains two compact fluorescent bulbs, a low flow showerhead and faucet aerators,
3 weather stripping, outlet and light switch insulators, a night light and educational
4 materials and a light up ring for children.

5 The Total Resource Cost test score is 0.98. This is due to the timing of the most
6 available impact evaluation. Regarding the basis for the load impacts, the impact
7 estimates for this program are from the most recent Evaluation, Measurement and
8 Verification (EM&V) report specific to this program, titled "Evaluation of Duke
9 Energy Ohio's 2009-2011 'Get Energy Smart' Program in Ohio", completed in
10 December 2011. In 2011, Duke Energy Ohio changed vendors and modified the
11 program's distribution to increase student participation. The new approach
12 promotes directly to Principals and engages all grade levels, not selected grade
13 levels. A more recent EM&V report will be filed upon availability.

14 **Low Income Services**

15 The Company offers a refrigerator replacement program that complements
16 weatherization services offered by other parties. The program is available to
17 customers with incomes up to 200 percent of the federal poverty level and is offered
18 through Community Action Agencies and Non-Governmental Organizations.

19 **Power Manager**

20 The Power Manager program offers incentives to single family residential customers
21 that allow the Company to control their outdoor central air conditioning compressor
22 during peak load periods between May and September. The program is promoted
23 using various channels with an emphasis on direct mail, email and web based

1 promotions.

2 **Appliance Recycling Program**

3 The Appliance Recycling program encourages customers to responsibly dispose of
4 older, functional but inefficient refrigerators and freezers. These are typically
5 second or third units in the home. Participating customers have the old unit picked
6 up at their home at no charge and receive an incentive. Disposed units have 95
7 percent of material recycled with only 5 percent entering landfills. Program
8 marketing consists of direct mail, social media, and community presentations and
9 publications like newsletters. Point of sale messaging will also be pursued with
10 prominent appliance retailers.

11 **Low Income Neighborhood Program**

12 The Duke Energy Ohio Neighborhood Program takes a non-traditional approach to
13 serving income-qualified areas of the Duke Energy Ohio service territory. The
14 program engages targeted customers with personal interaction in a familiar setting
15 while ultimately reducing energy consumption by directly installing measures and
16 educating the customer on better ways to manage their energy bills. Examples of
17 direct installed measures include CFLs, water heater and pipe wrap, low flow
18 shower heads/faucet aerators, window and door air sealing and HVAC filter
19 replacements. Targeted low income neighborhoods qualify for the program if at
20 least 50% of the households are at or below 200% of the federal poverty guidelines.
21 Duke Energy Ohio analyzes electric usage data and previous program participation
22 to prioritize neighborhoods that have the greatest need and propensity to participate.
23 While the goal is to serve neighborhoods where the majority of residents are lower

1 income, the program is available to all Duke Energy Ohio customers in the defined
2 neighborhood. This program is available to both homeowners and renters occupying
3 single family and multi-family dwellings in the target neighborhoods that have
4 electric service provided by Duke Energy Ohio. A community-based kick-off event
5 will be held for targeted neighborhoods. These kick-off events will feature local
6 community leaders and energy experts that will explain program components. The
7 purpose of the kick-off event is to rally the neighborhood around energy efficiency
8 and to help customers understand steps needed to lower their energy bills.
9 Following the kick-off event, energy assessments will be completed in the
10 customers' homes and the appropriate energy saving measures will be installed if
11 the customer elects to have the work completed. Direct mail and call center
12 support will supplement community based outreach. This program will be used as a
13 lead generation source for other Duke Energy Ohio and external energy efficiency
14 programs.

15 **Home Energy Solutions (formerly called Home Energy Management)**

16 Home Energy Solutions is an approach to delivering energy efficiency solutions to
17 customers in a way that combines a number of energy efficient measures into more
18 valuable solutions. Home Energy Solutions will combine energy usage information
19 and recommendations with the ability to leverage potential pricing options and
20 energy management offerings into convenient in-home solutions.

21 At the center of the Home Energy Solutions is the Home Energy Manager (HEM).
22 HEM is a smart grid enabled consumer technology that will allow customers and
23 Duke Energy Ohio to manage in-home devices and information to deliver energy

1 efficiency optimization and demand response benefits. The HEM will integrate with
2 other devices in the home, offering customers critical feedback and control of high
3 use energy devices. Examples include thermostats, electric water heaters, pool/spa
4 pumps, electric vehicle charging stations and smart appliances, where available.
5 Customers will have the capability to set preferences on how and when these devices
6 use energy based upon their personal comfort, energy savings goals and the current
7 energy rate. This is particularly valuable for customers participating in one of the
8 various rate plans Duke Energy Ohio is offering. Customers will also have remote
9 access to their HEM system via a web browser and smart phones. Pilot participants
10 must be single family, owner occupied residences, have a central air conditioning
11 system and 12 months of historical energy usage for the existing premises. The pilot
12 will be promoted using direct mail, web, social media and interactive
13 communications.

14
15 **Q. ARE THESE PROGRAMS DESIGNED TO DELIVER ENERGY**
16 **EFFICIENCY AND PEAK DEMAND REDUCTION IN A COST**
17 **EFFECTIVE MANNER?**

18 **A.** Yes.

19 **Q. DID DUKE ENERGY OHIO REFER TO ITS MARKET ASSESSMENT**
20 **AND ACTION PLAN FOR ELECTRIC DSM, AS FILED WITH THE**
21 **COMMISSION IN FEBRUARY OF THIS YEAR IN DEVELOPING THIS**
22 **PORTFOLIO OF PROGRAMS?**

23 **A.** Yes, the Duke Energy Ohio Market Assessment and Action Plan for Electric

1 DSM results were considered when including measures and programs to the Residential
2 portfolio of programs. Exhibit 1 includes a listing of each measure by category along
3 with how Duke Energy Ohio's portfolio plan addresses incorporating the measures in the
4 Company's programs.

5

6

III. CONCLUSION

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

8 **A. Yes.**

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke)	
Energy Ohio, Inc., concerning its Energy)	Case No. 13-0431-EL-POR
Efficiency and Peak-Demand Reduction)	
Programs and Portfolio Planning.)	

DIRECT TESTIMONY OF

JAMES E. ZIOLKOWSKI

ON BEHALF OF

DUKE ENERGY OHIO, INC.

April 15, 2013

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I. INTRODUCTION

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

2 A. My name is James E. Ziolkowski, and my business address is 139 East Fourth
3 Street, Cincinnati, Ohio 45202.

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

5 A. I am employed by the Duke Energy Business Services LLC (DEBS) as Rates
6 Manager. DEBS provides various administrative and other services to Duke
7 Energy Ohio, Inc., (Duke Energy Ohio or the Company) and other affiliated
8 companies of Duke Energy Corporation (Duke Energy).

9 **Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL**
10 **EXPERIENCE.**

11 A. I received a Bachelor of Science degree in Mechanical Engineering from the U.S.
12 Naval Academy in 1979 and a Master of Business Administration degree from
13 Miami University in 1988. I am also a licensed Professional Engineer in the state
14 of Ohio.

15 After graduating from the Naval Academy, I attended the Naval Nuclear
16 Power School and other follow-on schools. I served as a nuclear-trained officer
17 on various ships in the U.S. Navy through 1986. From 1988 through 1990, I
18 worked for Mobil Oil Corporation as a Marine Marketing Representative in the
19 New York City area.

20 I joined The Cincinnati Gas & Electric Company (CG&E) in 1990 as a
21 Product Applications Engineer, in which capacity I designed and managed some
22 of CG&E's demand side management programs, including Energy Audits and

JAMES E. ZIOLKOWSKI DIRECT

1 Interruptible Rates. From 1996 until 1998, I was an Account Engineer and
2 worked with large customers to resolve various service-related issues, particularly
3 in the areas of billing, metering, and demand management. In 1998, I joined
4 Cinergy Services, Inc.'s, Rate Department, where I focused on rate design and
5 tariff administration. I was significantly involved with the initial unbundling and
6 design of CG&E's retail electric rates. I was appointed to my current position in
7 November 2010.

8 **Q. PLEASE DESCRIBE YOUR DUTIES AS RATES MANAGER.**

9 A. As Rates Manager, I am responsible for various rider filings, tariff administration,
10 billing, and revenue reporting issues in Ohio and Kentucky. I also prepare filings
11 to modify charges and terms in retail tariffs of Duke Energy Ohio and Duke
12 Energy Kentucky, Inc., (Duke Energy Kentucky) and develop rates for new
13 services. During rate cases, I prepare cost of service studies and help with the
14 design of the new base rates. I assisted in the development of the retail electric
15 tariffs in the Company's Case No. 03-93-EL-ATA, which established the
16 Company's market-based standard service offer. Additionally, I frequently work
17 with customer contact and billing personnel of Duke Energy Ohio and Duke
18 Energy Kentucky to answer rate-related questions and to apply the retail tariffs to
19 specific situations. Occasionally, I meet with customers and Company
20 representatives to explain rates or provide rate training. I also prepare reports that
21 are required by regulatory authorities.

1 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC**
2 **UTILITIES COMMISSION OF OHIO?**

3 A. Yes. Most recently, I provided testimony before the Public Utilities Commission of
4 Ohio (Commission) in support of Duke Energy Ohio's electric distribution base rate
5 case, filed under Case Number 12-1682-EL-AIR. I was also a witness in the
6 Company's Electric Security Plan case, filed under Case Number 11-3549-EL-SSO
7 and the Energy Efficiency Portfolio case, filed under Case Number 11-4393-EL-
8 RDR. I submitted testimony regarding the rate recovery calculations in the
9 Company's recent energy efficiency true-up case, filed under Case No. 13-753-EL-
10 RDR.

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

13 A. The purpose of my testimony in this proceeding is to discuss the rate recovery
14 mechanism that will be utilized for the portfolio of programs proposes in this
15 application.

II. DISCUSSION OF THE PROPOSED RATE RECOVERY MECHANISM

16 **Q. WHAT RATE RECOVERY MECHANISM DOES THE COMPANY**
17 **PROPOSE IN THIS APPLICATION?**

18 A. Duke Energy Ohio proposes to continue to use its current cost recovery
19 mechanism, Rider EE-PDR and Rider EE-PDRR, that was approved by the
20 Commission on August 15, 2012, in Case No. 11-4393-EL-RDR.

21 **Q. WHAT ARE RIDER EE-PDR AND RIDER EE-PDRR?**

22 A. Rider EE-PDR describes the process for calculating the EE-PDR recovery rates.

1 Rider EE-PDRR shows the actual recovery charges to be billed.

2 **Q. HOW WILL THE COMPANY INTEGRATE THIS NEW PORTFOLIO OF**
3 **PROGRAMS INTO THE RIDER EE-PDR RATE RECOVERY**
4 **CALCULATIONS?**

5 A. In its next Rider EE-PDR true-up filing, the Company will true-up 2013 program
6 costs, lost distribution margins, and shared savings numbers in accordance with
7 the approved Rider EE-PDR. The filing will also include the expected program
8 costs, lost distribution margins, and shared savings for 2014. The 2014 figures
9 will include the numbers associated with this new portfolio, as approved by the
10 Commission.

III. RIDER EE-PDR UPDATES

11 **Q. HOW OFTEN WILL RIDER EE-PDRR BE UPDATED?**

12 A. Duke Energy Ohio will submit an update filing each year.

13 **Q. WHEN WAS RIDER EE-PDRR LAST UPDATED?**

14 A. Duke Energy Ohio made a filing on March 28, 2013 in Case No. 13-753-EL-RDR
15 to update its Rider EE-PDRR recovery rates. The filing included a 2012 true-up
16 and 2013 expected costs. This case is pending.

17 **Q. WHEN WILL THE COMPANY MAKE ITS NEXT RIDER EE-PDRR**
18 **FILING?**

19 A. Duke Energy Ohio expects to make its next Rider EE-PDRR true-up filing in
20 March 2014. The next filing will include a 2013 true-up and 2014 expected costs.

IV. CONCLUSION

1 **Q. HOW DOES THE COMPANY PROPOSE THAT ITS TARIFFS,**
2 **INCLUDING THE PREVIOUSLY DISCUSSED RATES AND CHARGES,**
3 **BE IMPLEMENTED?**

4 **A.** Duke Energy Ohio proposes that the current Riders EE-PDR and EE-PDRR,
5 including any adjustments to Rider EE-PDRR as approved by the Commission in
6 the pending Case No. 13-753-EL-RDR, continue as the rate recovery mechanism
7 for this portfolio. The Company will implement new recovery rates pursuant to
8 an Order by the Commission in its 2014 annual true-up filing.

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

10 **A.** Yes.

11