BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

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

OBJECTIONS
BY THE
GREATER CINCINNATI ENERGY ALLIANCE, INC.

TABLE OF CONTENTS

I. INTRODUCTION

The Greater Cincinnati Energy Alliance, Inc. (Energy Alliance) submits these objections to the Energy Efficiency and Peak Demand Reduction Program Portfolio Plan (Portfolio Plan) of Duke Energy Inc. (Duke) in accordance with the April 15, 2013 entry in this proceeding and Ohio Administrative Code § 4901:1-39-04(D). According to this rule, any person may file objections to a utility's proposed Portfolio Plan; those objections must specify the basis for all objections and include any proposed additional or alternative programs or modifications to the proposed Portfolio Plan.

Before stating its objections and recommended changes, the Energy Alliance wishes to recognize the success of Duke's energy efficiency program team. Duke has led the way among utilities in Ohio. As one of the first utilities to develop a portfolio of energy efficiency programs, dating back to the early 1990s, Duke has paved the way for much of the progress that has taken place in the state. Since the implementation of Ohio's Energy Efficiency Resource Standard in 2008, Duke has continued to achieve impressive results. Duke's early program development and continued refinement has proven itself to be a valuable asset for Ohio ratepayers, creating a robust set of energy efficiency and demand response programs. Duke remains committed to working with the Duke Energy Community Partnership (Collaborative), openly discussing how best to improve energy efficiency program opportunities. The Energy Alliance has played an active role in Duke's Collaborative since 2011 and has found the process to be a vital source for program development and oversight.

II. OBJECTIONS

A. The Energy Alliance objects to Duke's failure to adequately consider coordinated program development and integration. Duke should leverage existing programs and resources to support and enhance Duke's Portfolio Plan. Failure to do so reduces the effectiveness and cost efficiency of programming and serves as a barrier to participation by organizations seeking to support state efficiency goals.

The Energy Alliance recognizes the value of the state's Energy Efficiency Resource Standard and Duke's energy efficiency programs to the implementation of energy efficiency improvements throughout Southwest Ohio. Without the support of these programs, ratepayers would be exposed to increased pressure on energy prices, greater infrastructure demands, limited access to information on energy efficiency opportunities, and fewer financial resources to facilitate improvements. Non-ratepayer funded energy efficiency programs provide similar value throughout the state. To realize the full potential of ratepayer funded programs, utilities should be required to leverage these outside resources through better program planning and collaboration.

Leveraging existing programs would support and enhance Duke's own Portfolio Plan. Indeed, developing the most cost effective programs is a requirement for consideration under the statute. Ohio Revised Code § 4901:1-39-03(B) establishes program design criteria, including: cost effectiveness, potential for broad participation, magnitude of energy savings, non-energy benefits, avoiding lost opportunities to attain energy savings, engaging the energy efficiency supply chain, and promoting market transformation. Each of these elements can be significantly enhanced by program collaboration.

Leveraging outside opportunities brings greater value to customers by providing additional resources and incentives. Energy efficiency incentives are increasingly

funded by municipalities, foundations, and state agencies through nonprofit organizations like the Energy Alliance, given the economic development and environmental benefits. Allowing customers access to these additional resources and incentives improves a customer's program experience and is likely to increase a customer's willingness to participate in additional program opportunities. In addition, with well-crafted partnerships that enable collaborative program design, customers are likely to undertake larger efficiency projects, which avoid missing potential energy efficiency upgrade opportunities. For example, a customer who receives a Duke rebate for completing an HVAC upgrade may elect to complete additional upgrades if connected to other incentive programs. As discussed below, effective energy efficiency assessment programs can help create opportunities for greater efficiency.

Duke's current program development and administration model does not take full advantage of these third party resources. Indeed, Duke's Market Potential Study largely ignores such opportunities. The Energy Alliance has seen this problem first hand. As part of its own effort to improve energy efficiency outcomes throughout Southwest Ohio, the Energy Alliance offers a variety of programs to support residential and commercial property owners in the identification and implementation of energy efficiency projects. In some cases, these programs parallel programs proposed or administered by Duke.

Duke's proposed Smart $aver® program provides incentives on select high-efficiency equipment and services. Duke also proposes to offer rebates on air sealing and insulation upgrades. The Energy Alliance operates a Department of Energy approved Home Performance with ENERGY STAR® program,[1] which offers a deep

[1] The Energy Alliance is one of only two Home Performance with ENERGY STAR program providers within the State of Ohio.

home retrofit model.[2] After a whole home energy assessment, customers are presented with a comprehensive Home Energy Report, which offers line-by-line recommendations of energy upgrade opportunities, details the projected cost of recommended improvements, and explains the expected savings generated by each upgrade. Rebates of up to $500 exist for projects that will achieve at least 15 percent energy savings. In addition to using incentives for HVAC replacements, air sealing, and insulation, Energy Alliance incentives can be used to support home appliances, lighting upgrades, windows, doors, and other energy efficiency improvements.

As a market intermediary, the Energy Alliance connects homeowners with additional incentives that exist in their community.[3] A three year funding partnership with the City of Forest Park and a new partnership with the City of Cincinnati offer added customer incentives. While Duke program participants may be eligible for these additional incentives, there is no procedure for informing residents that these additional incentives exist, limiting the potential for additional upgrades. Note that added upgrades not only create value for customers and enhance local economic development, but also can improve Duke's own efficiency metrics.

The Energy Alliance recognizes that the use of outside funds may create questions around program attribution and free ridership. Still, the Energy Alliance believes that the benefit of leveraging other programs and incentives (greater overall program participation and more extensive projects) outweighs these limitations. The evaluation, measurement, and verification (EM&V) process is designed to ensure

[2] Home Performance with ENERGY STAR® program that has delivered nearly 3,000 assessments and 2,000 upgrades in the last three years.
[3] Similar programs in other markets around the country have had more success in integrating with local utilities. These programs include Better Buildings Michigan/Michigan SAVES, Clean Energy Works Oregon, and Philadelphia Energy Works, among others.

proper attribution. As such, well-designed programs that collaborate with existing energy efficiency programs will enhance, rather than take away from Duke's program totals.

In addition to adding ratepayer value, more robust collaboration is important to meet future energy efficiency targets and market transformation. Though Duke has met its program goals to date, the escalation of the state's efficiency targets will require more and aggressive programs. Rather than placing this entire burden on ratepayers, Duke should take advantage of third-party program resources to increase participation. Failure to consider program collaboration and leverage opportunities limits the reach of ratepayer funds in achieving state efficiency goals. Better program collaboration also enhances market transformation opportunities and community and public institutions are brought together to develop solutions that meet future energy efficiency needs.

Another area in need of greater program coordination is the certification and training of contractors. As referenced in the above example, Duke and the Energy Alliance operate similar (and potentially complimentary) residential efficiency programs. The work performed in each of these programs is completed by a separate, but in some cases the same, network of contractors. Since its organization in 2009, the Energy Alliance has developed a network of more than 60 residential home performance and installation contractors throughout the region. Further, the Energy Alliance has provided ongoing training opportunities to support the professional and technical development of

these local businesses, investing more than $750,000 in this effort.[4] Ensuring a capable community of energy efficiency providers is part of the Energy Alliance's core mission.

Duke's program also requires the support of local contractors. Rather than developing a partnership to jointly use and train a local contractor network, Duke has created an independent network of contractors to perform work under its program, wasting administrative resources on a structure that already exists in the current marketplace. Though Duke must be allowed to establish its own standards for quality control, Duke has not taken full advantage of the existing network. As a result, duplicative networks have developed, causing confusion and greater administrative challenges for local contractors participating in or deciding between programs. This inefficient system creates unnecessary complications for contractors that must meet multiple sets of program participation criteria, submit multiple program applications, and in many cases qualify customers through multiple programs.

With a coordinated effort, Duke and the Energy Alliance could ensure a long-term network of contractors and enhanced training opportunities. Joint program participation could be streamlined to ease burdens on local businesses and enhance participation. As efficiency targets increase in the years ahead, the development and support of this contractor network will be critical.

The Energy Alliance recommends that the Commission stipulate that Duke seek to coordinate with existing efficiency program providers where program coordination likely leads to enhanced program participation, larger project size, or greater cost savings for customers. The Energy Alliance further recommends the creation of a

[4] More than $500,000 has been dedicated to supporting workforce training through the Cincinnati State Technical and Community College in an effort to provide long-term training opportunities for the region's contractors. An additional $250,000 has been dedicated to individual training incentives.

shared pool of energy efficiency contractors supported by existing energy efficiency organizations in the region.[5]

B. The Energy Alliance objects to the lack of consideration and inclusion of a pay-for-performance model to enhance the utilization and value of energy efficiency programs.

Another means of enhancing Duke's Portfolio Plan is through a pay-for-performance system. Pay-for-performance would allow the utility to pay a third-party energy efficiency provider to create energy efficiency. This model is similar to the standard contract model, whereby Duke establishes a contract with a third-party energy efficiency provider to administer Duke-developed programs. The difference is that a pay-for-performance program allows the third-party to design and administer energy efficiency programs independently, thereby promoting flexibility and innovation.

Under a pay-for-performance program, Duke would establish an agreement with a third-party energy efficiency provider that stipulates program parameters and sets a per kilowatt hour price for the efficiency the provider generates. The Commission's Finding and Order in Case No. 13-662-EL-UNC contemplates such a process. In that case, the Commission approved a pilot program for Duke to purchase energy efficiency created by a third-party provider (People Working Cooperatively) at a fixed rate per kilowatt hour for efficiency created as part of its low-income program. The Energy Alliance believes that a similar model, applying similar stipulations of leveraged funding,

[5] In addition to the Energy Alliance and the Cincinnati State Technical and Community College, Efficiency First Cincinnati, a home performance trade association for home performance professional throughout the region, could provide support to such an effort.

should be used in other market segments to drive down Duke's cost of program administration and increase energy efficiency outcomes.

The Energy Alliance recommends that the Commission require Duke to consider whether a pay-for-performance model would help reduce costs of administration, increase participation, or improve efficiency outcomes.

C. The Energy Alliance objects to the Portfolio Plan's narrow view of attribution and recommends program development to take advantage of collaborative opportunities.

Ohio legislation and regulations require that utilities undertake evaluation, measurement, and verification (EM&V) procedures to confirm efficiency savings. As part of the evaluation process, third-party evaluators assess the amount of energy savings attributable to the utility versus other contributing factors. These attribution standards are an important component in ensuring claimed savings are the result of utility programs.

One problem with this system is the disincentive this creates for effective program collaboration. By partnering with third-party energy efficiency providers, a utility risks market confusion and loss of attribution. While attribution rules are necessary to ensure that efficiency is generated as the result of a given program, collaborative efforts create value by enhancing the total amount of efficiency created. A utility's willingness to collaborate and bring enhanced value to ratepayers (through higher participation and larger project size) should not be disincentivized with a narrow application of attribution rules. Rather, attribution rules should encourage effective collaboration.

As such, the Energy Alliance recommends that the Commission clarify that collaborative efforts between Duke and third-party energy efficiency providers that create additive value are beneficial to the state's energy efficiency policy and will be recognized as part of an attribution analysis. Specifically, the Energy Alliance recommends that the Commission include in its order, language to specify that collaborative programs, if approved by the Commission, can be credited to the utility if measured to be a result of the collaboration. The Energy Alliance believes that such a directive will enhance program collaboration, enhance program outcomes, and clarify the regulatory requirements currently in place.

D. The Energy Alliance objects to Duke's failure to adequately develop or to offer customers access to supportive financing programs to help bolster cost effective achievement of EE goals.

Studies and program experience have shown that financing is an important element in supporting residential and commercial building owners to complete energy efficiency upgrades. A March 2013 report from the American Council for an Energy-Efficient Economy notes, "Capitalizing energy efficiency projects, particularly in the current economic environment, can pose a significant challenge. While energy efficiency improvements are often cost-effective in the long run, challenges to adoption and implementation include high initial costs, budgetary and debt constraints, and split incentives . . ."[6] Industry leader Johnson Controls stressed a similar need for greater financing support as part of its 2012 Energy Efficiency Indicator Survey. "Finances remained as the major barrier to pursuing energy efficiency for U.S./Canada

[6] Shruti Vaidyanathan et al., *Overcoming Market Barriers and Using Market Forces to Advance Energy Efficiency*, xiv, (American Council for an Energy-Efficient Economy Report E136, 2013).

respondents. The top barrier was a lack of funding to pay for improvements (37%) . . . The top financial barriers to pursuing energy efficiency were competition for other capital investments (36%) and insufficient internal capital budget (30%)."[7]

With effective financing programs, ratepayers can use third-party capital to complete energy efficiency projects and support the financing costs with the energy savings generated. In many cases, monthly energy savings is greater than the monthly financing costs, and property owners can begin saving money from day one. While a number of supportive financing programs exist, customers often lack information about the available opportunities.

In addition to supporting new projects, financing can enhance the size of existing projects. Customers that may seek a small energy efficiency upgrade with their own capital may be willing to take on a larger project that generates greater energy efficiency savings if given access to outside capital. In this way, financing promotes further market development and transformation.

The Energy Alliance has a number of valuable financing tools to help support residential and commercial buildings. The GC-HELP residential loan fund offers a low-interest unsecured loan option for local homeowners. Loans of 6.99 percent up to ten years based on the life of the equipment installed. The Building Communities Loan Fund provides targeted lending support for nonprofit businesses, enabling them to reduce operating expense and focus on their mission-based goals. In the months ahead, the Energy Alliance will develop, in collaboration with the Port of Greater Cincinnati Development Authority, a Property Assessed Clean Energy (PACE) program to provide long-term capital for commercial energy efficiency enhancements.

[7] Johnson Controls, *2012 Energy Efficiency Indicator Survey: U.S./Canada Results*, 2 (2012).

Duke has not provided customers with supportive financing opportunities and has not offered customers information on existing external financing programs. Duke's Portfolio Plan again fails to identify ways to support customers through financing over the next three years. The Energy Alliance believes these external financing opportunities are vital to cost-effective program development. The Energy Alliance recommends that Duke identify available easy-to-access, low-rate, financing opportunities that can support existing residential and commercial programs. The Energy Alliance is committed to supporting Duke in this area.

E. The Energy Alliance objects to Duke's program provider selection process.

Vendor selection to support implementation of energy efficiency programs is not sufficiently addressed in Duke's Portfolio Plan. Vendor selection is an important aspect of program development. Program vendors are the front line of implementation and customer engagement. In the past, Duke has undertaken a multi-state, utility-wide vendor selection process that has required interested vendors to commit to serving Duke's entire five-state service territory.[8] Though this multi-state effort brings value through economies of scale to the selection process, it does not create maximum value for Ohio residents and businesses.

Using local vendors to support Duke's energy efficiency programs will enhance energy efficiency outcomes through better understanding of the local market and the development of local resources to support the community. Local vendors are more likely to understand the challenges that local residents and businesses are facing. Further,

[8] Duke service territory has since expanded.

local vendors will have greater knowledge of available resources and networks that Duke and subcontractors can use in improving program outcomes.

Local economic development and market transformation is also supported through the selection of local vendors. The Ohio legislature has a long history of in-state preference to help drive local economic development.[9] The state's policy of requiring half of all advanced and renewable energy sources to be obtained in state is another indication of this preference. Though utilities are not state agencies for the purpose of the procurement preference program, they do operate with public funding similarly to state agencies. As such, creating greater opportunity for local businesses should be included in Duke's provider selection planning.

The Energy Alliance recommends that the Commission require Duke to unbundle vendor service contracts to allow greater local participation. Consideration of these important decisions with the Duke Collaborative will help ensure better outcomes.

F. The Energy Alliance supports the continuation of the shared savings model.

Implementation of the shared savings model has offered Duke an important incentive to not only meet, but exceed its energy efficiency mandates. In 2012 under the shared savings program Duke exceeded its annual compliance benchmark by more than 50,000 megawatt hours. The Energy Alliance believes that this shared savings model is an important motivational tool for Duke to achieve greater results. This model provides direct value to ratepayers by ensuring that Duke is in a strong position to meet

[9] The Buy Ohio Program, established under Ohio Revised Code sections 125.09 and 125.11, is one long-standing example of the legislature's preference for local vendor selection as a means of enhancing economic development within the state.

future EERS benchmarks and by continuing to reduce strain on the grid and price escalation for customers. The Energy Alliance recommends that the Commission approve the continuation of the shared savings model to maintain the incentive for Duke to achieve higher efficiency targets.

G. The Energy Alliance supports continued program flexibility in administering and altering programs in response to new information and changing market conditions.

As part of the Commission's order in Case No. 09-1999-EL-POR, it recognized the value of ensuring flexibility in the administration of Duke's energy efficiency and demand response portfolio. The Energy Alliance supports the maintenance of this standard to allow Duke to adjust its programs in accordance with changing markets, customer demands, and new opportunities. The Energy Alliance recommends that the Commission include language in its order to make reasonable program changes over the lives of the programs to achieve optimal results. Further, the Energy Alliance believes that the Collaborative is an appropriate forum to consider and explore such changes.

III. CONCLUSION

In presenting the foregoing objections and recommendations the Energy Alliance remains committed to working with the Commission and Duke to refine and develop a Portfolio Plan that complies with the state's energy policy and brings the greatest possible value to Ohio ratepayers.

Respectfully Submitted,

/s/ J. Thomas Hodges
J. Thomas Hodges (0082511)
Attorney for Greater Cincinnati Energy Alliance
708 Walnut Street, Suite 600
Cincinnati, OH 45202
P: 513-421-8454
tom@jthlaw.com

CERTIFICATE OF SERVICE

I hereby certify that true and accurate copy of the foregoing Objections has been filed with the Public Utilities Commission of Ohio and has been served upon the following parties via electronic mail on July 1, 2013:

William Wright
Attorney General
Public Utilities Commission of Ohio
william.wright@puc.state.oh.us

Amy Spiller
Elizabeth Watts
Duke Energy Ohio
Elizabeth.watts@duke-energy.com
amy.spiller@duke-energy.com

Trent Dougherty
The Ohio Environmental Council
trent@theOEC.org

Colleen Mooney
Ohio Partners for Affordable Energy
cmooney2@columbus.rr.com

Michael Schuler
Kyle Kern
Office of the Ohio Consumers' Counsel
schuler@occ.state.oh.us

Nicholas McDaniel
Environmental Law & Policy Center
nmcdaniel@elpc.org

Todd Williams
Ohio Advanced Energy
toddw@wamenergylaw.com

Jody Kyler Cohn
Ohio Energy Group
jkylercohn@bkllawfirm.com

Kimberly Bojko
The Kroger Co.
bojko@carpenterlipps.com

Christopher Allwein
Natural Resources Defense Council
callwein@wamenergylaw.com

Rebecca Hussey
EMC Development Company, Inc.
hussy@carpenterlipps.com

/s/ J. Thomas Hodges
J. Thomas Hodges

Summary: Objection Objections of The Greater Cincinnati Energy Alliance, Inc. electronically filed by Mr. James T Hodges on behalf of Greater Cincinnati Energy Alliance, Inc.