BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke Energy Ohio Inc., Concerning its Energy Efficiency and Peak-Demand Reduction Programs and Portfolio Planning.	))))	Case No. 13-431-EL-POR

OBJECTIONS OF OHIO PARTNERS FOR AFFORDABLE ENERGY

Ohio Partners for Affordable Energy ("OPAE") herein submits these objections to this application of Duke Energy Ohio, Inc. ("Duke") concerning Duke's Energy Efficiency and Peak-Demand Reduction Programs and Portfolio Planning ("Portfolio Application"). Duke filed its Portfolio Application, pursuant to Ohio Admin. Code 4901:1-39-04 seeking approval of a new portfolio of energy efficiency and peak demand reduction programs. These objections are filed pursuant to the attorney examiner's entry dated June 13, 2013.

In its application, Duke proposes that its customers continue to pay, over the next three years, for a number of current energy efficiency programs in addition to a number of new programs. Duke also asks for its customers to pay the extra costs associated with its shared savings mechanism for which Duke is seeking a one-year extension.

OPAE objects to the application in the following respects:

OPAE Objection 1

Duke is seeking a one-year extension of its current shared savings cost recovery mechanism set forth in Case No. 11-4393-EL-RDR. In that case, Duke agreed in a Stipulation with OPAE and other parties that the shared savings cost recovery mechanism would expire on December 31, 2015 and would be evaluated no later than the 3rd Quarter of 2014 so if any changes were required they could be filed and be effective the next program year. Duke is now seeking to extend the shared savings mechanism to run through December 31, 2016.

The shared savings mechanism requires Duke's customers to pay Duke an incentive for energy efficiency and peak demand savings once those savings exceed 100% of the benchmarks set forth in R.C. 4928.66. Once the 100% threshold is surpassed, Duke is permitted to collect shared savings on the entire amount of energy efficiency and peak demand savings, including those savings below 100% of the benchmark. All of Duke's distribution customers pay Duke a percentage of the savings resulting from the energy efficiency implemented by program participants when the statutory benchmark is exceeded. The percentage that customers pay Duke is on a sliding scale where Duke can share in up to 13% of the savings that exceed the benchmark depending upon the amount of savings by which Duke exceeds the benchmark.

In support of its proposal to extend the shared savings mechanism, Duke refers to the Stipulation that allowed for the current shared savings mechanism. According to Duke, the terms of that Stipulation were "not deemed binding with respect to related issues that may arise in any other proceeding." Duke also argues that the extension is appropriate in order to “align with the portfolio with both expiring on December 31, 2016.” Application at 3.

The use of the Stipulation in Case No. 11-4393-EL-RDR as precedent for its current request to extend the shared savings mechanism is inappropriate under the terms of that agreement. The parties negotiated for a review of the mechanism is that stipulation. If the parties had felt it appropriate to ‘align’ the recovery mechanism, they would have done so. The Commission has altered Duke’s cost recovery and shared savings mechanisms in the past and there is no impediment to doing so during the term of this portfolio. Duke’s shared savings mechanism is excessive when compared to that negotiated with American Electric Power and approved by the Commission, and the Commission-approved FirstEnergy shared savings mechanism. Both include a cap on shared savings, which OPAE, as a consumer advocate, believes is necessary to avoid the unjust enrichment of the Company.

OPAE is concerned that in the push for shared savings, utilities generally are emphasizing the lowest first-year cost efficiency measures which also provide savings for a relatively short period of time when compared to measures that provide savings over the longer term but have a higher first-year cost. There needs to be a balance in this area. Utilities are concerned about meeting the ultimate statutory benchmark of a 22% reduction. Part of the way to ameliorate that concern is to have a balanced portfolio of measures that provide short-term, low-cost savings, with more expensive programs that provide long-term savings. The cost over the life of the measure is also relevant and offsets the higher initial cost. Capping shared savings provides an incentive to utilities to over-perform while ensuring that the entire portfolio is not made up of low-cost measures. Capping the shared savings is in the best interest of utilities because it reinforces the need to develop a diversified portfolio.

OPAE Objection 2

In the stipulation filed in Case No. 11-4393-EL-POR, Duke committed to "work with the Duke Energy Community Partnership Collaborative to develop a more comprehensive low income program." Stipulation at 6. Further, the program should "complement existing low income weatherization programs that are performed outside of the Company's existing energy efficiency portfolio of programs." Id. Duke recently filed separately from this application, and the Commission approved, a pilot program to pay People Working Cooperatively for savings produced by funds leveraged from other programs. It is unclear whether this is the program anticipated by the stipulation because the filing was not discussed at the Collaborative meeting. If this is, in fact, the program, it should be extended to all agencies providing energy efficiency services funded by Duke, including the Community Action Partnership of the Greater Dayton Area, Adams-Brown Community Economic Opportunities, Inc., and, Clermont County Community Services. If the new program is not the initiative anticipated by the stipulation, then such a program should be included herein.

OPAE Objection 3

OPAE restates one of the objections filed in the related Duke application to modify its DSM recovery rider, Case No. 13-753-EL-RDR. In that application, Duke did not properly net the measurement and verification ("M&V") cost of its energy efficiency/peak demand reduction programs against the programs' avoided costs. The total amount of shared savings used to calculate Duke's shared savings incentive should have been reduced by the M&V costs. Energy efficiency and peak demand program M&V costs are legitimate program costs that should be netted against the total avoided costs. Duke did not net the energy efficiency/peak demand reduction residential and non-residential program M&V costs from the programs' avoided costs. This netting should yield the shared savings pool of dollars that is divided by consumers and Duke. This approach is consistent with the current agreement on shared savings as approved by the Commission.

OPAE Objection 4

Bidding energy efficiency and demand response into the PJM Base Residual Auction and the related incremental auctions has become a standard component of utility energy efficiency and demand response portfolios ("DSM portfolio"). Bidding these demand side attributes provides two primary advantages to customers: 1) it reduces the cost of capacity and energy region-wide; and, 2) it offsets the costs of the DSM portfolio. American Electric Power bids all installed DSM resources and projected savings from approved plans.

The Commission recently required FirstEnergy to bid 75% of the planned savings into the BRA, along with existing savings. Duke should incorporate a bidding plan into its portfolio along the lines of the proposals already approved by the Commission.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of these Objections was served on the persons stated below via electronic transmission this 1st day of July 2013.

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