

**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) Case No. 13-0431-EL-POR
Reduction Portfolio of Programs)
)
)

**OBJECTIONS TO DUKE ENERGY OHIO'S PROGRAM PORTFOLIO PLAN BY
THE ENVIRONMENTAL LAW & POLICY CENTER**

I. INTRODUCTION

Duke Energy Ohio, Inc., (“Duke”) filed its application for approval of its energy efficiency and peak demand reduction portfolio (“Portfolio” or “Plan”) with the Public Utilities Commission of Ohio (“Commission” or “PUCO”) on April 15, 2013. Pursuant to Ohio Administrative Code (“OAC”) 4901:1-39-04(D), the Environmental Law & Policy Center (“ELPC”) submits the following initial objections to Duke’s proposed Plan. These objections are not meant to be exhaustive, and ELPC reserves the right to challenge other aspects of the Plan as the Commission continues its review.

As detailed below, ELPC presents the following two objections to Duke’s proposed Plan:

(1) the Plan fails to adequately capture the benefits of bidding energy efficiency resources into the PJM capacity market and (2) the Plan fails to include a program for combined heat and power (“CHP”) projects.

II. OBJECTIONS

1. Duke must bid anticipated eligible energy efficiency resources into the PJM Base Residual Auctions to realize the significant benefits.

Along with its application, Duke presented testimony from its Director of Regulatory Strategy and Collaboration, Timothy Duff, who explained the company's activities with regard to PJM. Although Mr. Duff states that Duke "plans to file for Commission approval of a new pilot program that will create a mechanism to capture all the costs and benefits of PJM auction participation,"¹ Duke fails to explain the level or quantity of energy efficiency resources it plans to bid into future PJM auctions. To fully realize the significant benefits of energy efficiency participation in the capacity market, the Commission should require Duke to bid anticipated eligible energy efficiency resources, including resources expected to be created in years beyond the proposed 2013-2015 Plan, into future PJM Base Residual Auctions.

The PJM Base Residual Auction ("BRA") is a competitive auction that secures capacity commitments three years before the resources will be needed. Energy efficiency resources (i.e. energy savings from utility energy efficiency programs) are eligible resources for participation in the auction. Participants in the BRA bid eligible resources into the auction, which commits them to install those resources by the delivery year. There is no requirement that the resources utilities bid into the BRA are actually installed at the time of the bid, only that they will be available when needed in three years, which means that resources do not need to be installed and producing savings at the time of the bid. Utilities, therefore, are free to bid the savings they generate to meet Ohio's energy efficiency standard into the BRA.

In his testimony, Mr. Duff recognizes that "there appears to be the opportunity to realize benefits from auction participation."² Bidding into the BRA has the potential to significantly reduce costs for consumers in three ways. First, cleared bids would serve as a revenue source

¹ Testimony of Timothy Duff at 16.

² Testimony of Timothy Duff at 16.

that could be used to offset the costs of energy efficiency portfolio plans since the resources that clear the auction receive the clearing price for those resources. Customers are already paying for the EE and PDR resources produced by portfolio plans, and they should reap all the rewards from those investments, including revenues from the BRA. The potential revenue is significant. In Illinois, ComEd has earned as much as \$20 million in revenue by bidding eligible anticipated resources into the BRA. Second, bidding anticipated eligible resources at a low price could shift the supply curve to the right and cause the auction to clear at a lower price than it otherwise would have. Energy efficiency resources, which can be bid into the auction at a very low price, can displace higher cost resources, which results in a lower auction clearing price and savings for all ratepayers in the form of lower capacity prices. Third, the participation of energy efficiency resources could delay or obviate the need for expensive new transmission and distribution projects.

Bidding only already-installed energy efficiency resources captures only a small fraction of the benefits. Because the BRA occurs three years before the resources are needed, any resources that a utility produces between the auction date and the delivery year of the resources are not bid into the BRA. To make the most of BRA bids, Duke should bid not only installed resources, but resources that it anticipates will be installed in future years to comply with the efficiency standard.

FirstEnergy's recent participation in the 2016-2017 BRA, which took place in May 2013, demonstrates the substantial benefits of bidding energy efficiency resources into the capacity market. Pursuant to the Commission's Order in Case No. 12-2190-EL-POR, et al., FirstEnergy bid approximately 160 MWs of energy efficiency more than it would have otherwise bid absent the Commission Order. According to PJM, around 196 MWs of energy efficiency cleared in the

ATSI zone, which corresponds to FirstEnergy’s territory. Assuming the majority of those MWs came from FirstEnergy, FirstEnergy’s customers will receive close to \$8 million in revenue from the auction.³ In addition, FirstEnergy customers will enjoy much lower capacity prices for 2016-2017, as the auction clearing price dropped from \$357/MW-day in last year’s 2015-2016 auction to \$114.23/MW-day in this year’s 2016-2017 auction.

The substantial benefits described above will only be realized if utilities bid anticipated eligible energy efficiency resources into the PJM auctions. The Commission should require Duke to commit to bidding these resources into future BRAs.

2. Duke should implement a CHP Program to capture the significant potential savings from these projects.

Ohio Senate Bill 315 (“SB 315”) implemented certain modifications to Ohio’s energy efficiency standard, including allowing efficient CHP projects to be considered an eligible energy efficiency program under the standard. Despite the fact that SB 315 has been in effect for nearly a year, Duke’s proposed Plan does not address the potential savings from CHP projects within its territory.

CHP projects could produce significant energy efficiency savings that would help Duke achieve its escalating benchmarks moving forward. The Commission should require Duke to implement a CHP Program that specifically seeks out and incents these important projects.

III. CONCLUSION

Duke’s proposed Plan should include the recommendations described above. ELPC looks forward to further participating in the Commission’s review of Duke’s Plan as the process goes forward.

³ 196 MWs x Clearing Price of \$114.23/MW-day x 365 days = \$8,172,014.20

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing *Objections to Duke Energy Ohio's Program Portfolio Plan*, submitted on behalf of the Environmental Law & Policy Center, was served by electronic mail, upon the following Parties of Record, this 1st day of July, 2013.

/s/ Nicholas McDaniel

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Summary: Objection by the Environmental Law & Policy Center electronically filed by Mr. Nicholas A. McDaniel on behalf of Environmental Law and Policy Center