

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)
Duke Energy Ohio, Inc., to Adjust) Case No. 13-1141-GE-RDR
Rider DR-IM and Rider AU for 2012)
Grid Modernization Costs.)

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

The Office of the Ohio Consumers' Counsel ("OCC") files comments on the Application of Duke Energy Ohio, Inc. to collect charges from customers for costs associated with Duke's grid modernization (also known as "smartgrid") program.¹ In its Application filed with the Public Utilities Commission of Ohio ("PUCO") on June 28, 2013, Duke seeks to collect from customers the costs it incurred in 2012 for its grid modernization program.² Duke claims that, in 2012, it incurred \$42,597,095 in modernization costs for its electric grid³ and \$7,425,481 in gas modernization costs.⁴

Duke collects its grid modernization costs from customers through two riders – Rider DR-IM for electric costs and Rider AU for gas costs. Through Rider DR-IM, Duke proposes to collect \$4.91 per month from each residential electricity customer.⁵ Through Rider AU, Duke proposes to collect \$1.48 per month from each residential gas customer, and to give Duke's gas-only customers in Adams County, Georgetown and Lebanon a

¹ These comments are filed per the procedural schedule set forth in the Entry issued in this case on September 27, 2013.

² See Application at 1.

³ See id., Direct Testimony of Peggy Laub, Schedule 13 Electric. Of this total, \$36,148,031 is allocated to residential electric customers and \$6,379,064 is allocated to non-residential electric customers.

⁴ See id., Schedule 14 Gas.

⁵ See id. at 10.

credit of \$0.70 per month.⁶ OCC is filing on behalf of all of Duke's approximately 613,000 residential electricity customers and approximately 381,000 residential gas customers.⁷

In his direct testimony, Duke witness Timothy Duff discusses Duke's various offerings of residential time-differentiated and dynamic rates starting in 2010 until the present.⁸ Duke received PUCO approval for its latest TD-13 tariff on February 13, 2013.⁹ This rate design allows participating customers to choose a shorter peak period to assess whether such flexibility will make participation in the rate program more attractive. Through its varied rate pilot programs, Duke has gathered information on consumer behavior and has developed insights that could be useful when offering dynamic and time differentiated rates to all its consumers. Duke admits to having taken "a very deliberate and calculated approach to rolling out a portfolio of time-differentiated rates."¹⁰

But it is time for Duke to make optional (i.e., not mandatory) time-differentiated and dynamic rates available to all its residential customers who have certified smart meters. New opportunities or benefits should be available to residential customers to help offset the rate increases customers will experience to pay for Duke's expansion of its smartgrid system. Duke should continue to work through its Grid Modernization

⁶ See *id.* at 15. According to Ms. Laub, Duke has customers in Adams County, Georgetown and Lebanon who receive only gas service from Duke because they are outside Duke's electric service territory. The customers are given a credit reflecting the common costs of the electric and gas smartgrid programs and the allocable project management organization costs. See *id.* at 5-6.

⁷ See R.C. Chapter 4911.

⁸ Application, Direct Testimony of Timothy J. Duff at 4-10.

⁹ *In the Matter of the Application of Duke Energy Ohio, Inc. for Pilot Tariff Approval*, Case No. 12-3281-EL-ATA, Finding and Order (February 13, 2013) at 3-4.

¹⁰ *Id.* at 4.

Collaborative to resolve any outstanding issues with competitive retail electric service (“CRES”) providers, so that they may begin offering enhanced rates to Duke’s residential customers.

OCC is concerned with the future of dynamic and time-differentiated rate offerings for residential customers in Ohio – and the fulfillment of the future benefits for customers that were to justify the enormous utility expenditures for smartgrid technology that customers are now paying in rates. In its recent gridSMART Phase 2 filing, Ohio Power stated that demand response or CRES providers “will take the lead role in these enhanced customer [rate] program offerings.”¹¹ In another case, Duke stated that “a regulatory requirement to offer such an option [time-differentiated rates] necessarily distorts the market. Such distortion should be avoided whenever possible.”¹²

It appears that the Ohio electric distribution utilities that have deployed smart meters, and that have used the benefits of demand response, among others, in their justification for the cost of smart meters, are now contemplating walking away from their commitments to the important consumer value available through time-differentiated rates. As Ohio moves toward a market determination of generation rates through a standard service offer and retail competition, Ohio’s residential customers should be provided rate offerings that may lower their bills.

¹¹ *In the Matter of the Application of Ohio Power Company to Initiate Phase 2 of Its gridSMART Project and to Establish the gridSMART Phase 2 Rider*, Case No. 13-1939-EL-RDR, Attachment A at 6.

¹² *In the Matter of the Commission’s Investigation of Ohio’s Retail Electric Service Market*, Case No. 12-3151-EL-COI, Duke Comments (July 18, 2013) at 4. See also *id.*, FirstEnergy Comments at 8 (“CRES providers are free to offer any [time-differentiated] product they choose to a customer to meet that customer’s unique needs for retail generation service, and customers are free to purchase that service. As such, that type of product is best provided by CRES providers.”)

The PUCO should instruct Duke to make dynamic and time-differentiated rates available (on a voluntary basis) to all residential customers who have a certified smart meter no later than the second quarter of 2014. The PUCO should also require Duke to resolve any outstanding issues with CRES providers, so that CRES providers can also begin to offer these enhanced rate options. For example, it is OCC's understanding that there are outstanding issues related to consumer privacy, electronic data interchange and billing system rate design adaptability.¹³ Who will pay for billing system upgrades for CRES-provided customer programs is also a matter of contention between Duke and CRES providers. OCC recommends that discussions on such unresolved issues be accelerated through Duke's Grid Modernization Collaborative.

It is also critical that the efforts of expanding time-differentiated and dynamic rates to Duke's residential customers be integrated in Duke's general education and awareness campaign related to grid modernization.¹⁴ That campaign was a component of the approved stipulation in Case No. 10-2326-GE-RDR,¹⁵ and was designed to "increase customer awareness and inform customers about the justification for time-differentiated rates and the value that they can potentially bring to customers."¹⁶ Now is the time for Duke to educate its customers so that if electric prices start increasing, customers may be able to temper generation rate increases by managing their usage through these enhanced rate design programs.

¹³ Duke indicates that its billing system allows CRES providers the capability to offer time-differentiated rates consistent with their existing supplier tariffs. See Duff Testimony at 11.

¹⁴ Id. at 11-13.

¹⁵ *In the Matter of the Application of Duke Energy Ohio, Inc. to Adjust and Set Its Gas and Electric Recovery Rate for 2010 SmartGrid Costs under Riders AU and Rider DR-IM and Mid-Deployment Review of AMI/SmartGrid Program*, Case No. 10-2326-GE-RDR, Stipulation and Recommendation (February 24, 2012) at 10-12. The PUCO approved the stipulation in an Opinion and Order issued on June 13, 2012.

¹⁶ Duff Testimony at 11.

The PUCO should ensure that time-differentiated rates are available to the Duke residential customers who want them, as a potential benefit for justifying, at least in part, Duke's huge expenditures in smartgrid that Duke is charging to customers. And Duke should make its residential customers aware, through education, of the availability and benefits of time-differentiated rates.

Respectfully submitted,

BRUCE J. WESTON
OHIO CONSUMERS' COUNSEL

/s/ Terry L. Etter

Terry L. Etter, Counsel of Record
Assistant Consumers' Counsel

Office of the Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, Ohio 43215-3485
Telephone: (614) 466-7964 (Etter direct)
etter@occ.ohio.gov

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Comments was served on the persons stated below via electronic transmission this 31st day of October 2013.

/s/ Terry L. Etter

Terry L. Etter

Assistant Consumers' Counsel

SERVICE LIST

Devin Parram
Thomas Lindgren
Assistant Attorneys General
Attorney General's Office
Public Utilities Section
180 E. Broad St, 6th Floor
Columbus, OH 43215
Devin.parram@puc.state.oh.us
Thomas.lindgren@puc.state.oh.us

Amy B. Spiller
Elizabeth H. Watts
Duke Energy Ohio
1309 East Fourth Street, 1303-Main
P.O. Box 960
Cincinnati, OH 45201-0960
Amy.spiller@duke-energy.com
Elizabeth.watts@duke-energy.com

Colleen L. Mooney
Ohio Partners for Affordable Energy
231 West Lima Street
Findlay, OH 45839-1793
cmooney@ohiopartners.org

Jennifer L. Lause
Joseph M. Clark
21 E. State St.
Suite 1950
Columbus, OH 43215
jennifer.lause@directenergy.com
joseph.clark@directenergy.com

Attorneys for Direct Energy Services, LLC
and Direct Energy Business, LLC

Mark A. Hayden
Scott J. Casto
FirstEnergy Service Company
76 South Main Street
Akron, OH 44308
haydenm@firstenergycorp.com
scasto@firstenergycorp.com

Attorney Examiner:

Kerry.sheets@puc.state.oh.us

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Summary: Comments Comments by the Office of the Ohio Consumers' Counsel electronically filed by Ms. Deb J. Bingham on behalf of Etter, Terry L.