

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

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

INITIAL POST HEARING BRIEF OF DUKE ENERGY OHIO, INC.

I. INTRODUCTION

In this proceeding, Duke Energy Ohio, Inc., (Duke Energy Ohio) submitted an application for approval to recover costs related to the continued deployment of advanced grid technology for the year 2012. Subsequent to the filing of the application in this proceeding, the Office of the Ohio Consumers' Counsel (OCC), Ohio Partners for Affordable Energy (OPAE), FirstEnergy Solutions, Corp. (FES), Direct Energy Business, LLC and Direct Energy Services, LLC (Direct Energy), all intervened and participated in these proceedings. The Staff (Staff) of the Public Utilities Commission of Ohio (Commission), OCC, OPAE, and FES¹ resolved the issues raised by the Company's application.

Direct Energy intervened in this docket for the sole purpose of using this proceeding as a vehicle to advance its individual interests, which are untimely and unrelated to the Company's application in this proceeding. Direct Energy provided no legal support for its position other than to quote state policy, even though Direct Energy is seeking to advance only its own agenda. No other competitive retail electric service (CRES) provider has joined with Direct Energy in these proceedings. Direct Energy wishes to begin serving customers with rates that it regards as time-of-use (TOU) based, despite clear record evidence that Duke Energy Ohio does not

¹ FES neither signed nor opposed the Stipulation.

presently have the capability to accommodate Direct Energy's demands. Direct Energy is forcing an issue that the Commission is presently working to develop and that should continue to be developed appropriately among a diverse set of stakeholders with subject matter expertise. Although it is clear that the Company's timeline for developing capabilities to accommodate TOU based rate options for supplier offerings does not meet with Direct Energy's particular demands, such extensive changes to business processes and systems would be costly and will require engagement with all of the interested stakeholders. It remains to be examined and decided whether such capabilities are necessary or desirable in the Ohio retail electric market and, further, to determine who shall pay for the changes necessary to make such capabilities possible. Direct Energy argues that all of this should happen now because Direct Energy wishes it to be so, but such arguments are not compelling. The Commission should adopt the Stipulation that was submitted by the stipulating parties. Direct Energy's concerns should be addressed in future proceedings where any interested parties may participate and contribute to a recommendation to the Commission. Only then will the issues raised by Direct Energy in this proceeding be properly resolved.

Providing accommodations for Direct Energy alone, would be anticompetitive and is contrary to the very policy that Direct Energy advances as support for its arguments. To the extent the capabilities become available to CRES providers to offer TOU based rate options, the capabilities must be made available to all at the same time.

II. RESPONSE TO POINTS RAISED BY DIRECT ENERGY

Direct Energy correctly points out that Duke Energy Ohio will be the first utility in Ohio to reach full deployment of advanced metering. This is a status of which the Company is very proud. The process of deployment has taken many years, and the Company has gained many valuable lessons along the way. During all of the years since beginning deployment in 2009,

Duke Energy Ohio has engaged with the Commission Staff and interested parties to ensure that all interests were aligned and to keep parties advised of progress. The collaborative process enabled everyone to learn together and to advance the new technology in the best interest of customers. Only recently, competitive electric service providers have expressed an interest in offering TOU rates. Duke Energy Ohio has piloted a number of TOU rates that were intended to act as an educational tool and provided detailed information about the rates and the relative success of each different iteration through the Duke Energy Ohio SmartGrid Collaborative. The process of developing proper rates, determining technology needed to support such rates, and determining proper cost recovery should continue to be handled through this collaborative setting or in another such setting created by the Commission.

1. The Stipulation Should be Adopted and Approved.

Direct Energy argues that the Stipulation does not benefit ratepayers and is not in the public interest. Direct Energy then set forth its wish list, which was not supported by the other intervenors in this proceeding. Direct Energy's wish list is designed to support Direct Energy's own business plans to the exclusion of other CRES providers or stakeholders. Direct Energy's wish list has not been shaped using a collaborative process, which should include interested CRES providers, electric distribution utilities, and other stakeholders. The wish list lacks the necessary input from the Company to ensure that the proposals set forth therein are practically possible. And finally, it remains to be determined whether the costs incurred in putting any of these proposals into place are to be paid by ratepayers or CRES providers. The Company did not seek authority in the application in this proceeding to implement the changes that Direct Energy is demanding; therefore there is no record upon which to justify these changes and no record upon which to determine cost recovery.

2. It is premature to provide Customer Interval Usage Data to CRES Providers.

The Commission has enacted rules around the proper protocols for the release of customer data to third parties. Those rules are under review in Case No. 12-2050-EL-ORD. Parties have filed applications for rehearing and the rules must be approved before the Joint Committee on Agency Rule Review (JCARR) prior to becoming final. There are many facets to those rules that will require additional refinement before Duke Energy Ohio will be able to release customer data to third parties. As testified to by Duke Energy Ohio witness Donald L. Schneider, the Company is working toward system enhancements that will ultimately enable the sharing of data with CRES providers.² However, continuation of the process must first be approved by all of the interested parties, and there must be an analysis of cost and cost recovery, none of which has occurred in this case

3. Duke Energy Ohio Has Implemented Meter Data Management System Capabilities.

Duke Energy Ohio witness Donald L. Schneider, Jr. testified at hearing that the Company has a second generation Meter Data Management (MDM) system that is capable of providing billable quality interval customer energy usage data (CEUD), but the system does not have the capacity to receive additional customer data, unless a full data migration and expansion (from first generation MDM to second generation MDM) project is undertaken.³ Although Direct Energy may wish to move more quickly to achieve its own business plans, the scaling of Duke Energy Ohio's second generation MDM system in order to accommodate Direct Energy, and any other suppliers that may be interested, will necessarily be examined in some other docket where the Company can provide support for costs, time to achieve and potential results.

² Duke Energy Ohio Exh. 7 at pg. 4, 5.

³ *Id.* at p. 34 and 42.

Additionally, Duke Energy Ohio has already committed to providing the capability to transfer CEUD, some of which will be bill quality, *via* a supplier website and in flat file format by June 2014. Implementation will depend upon further rulemaking before the Commission and with the proviso that the Company has the information system capability to comply with customer authorization documentation requirements established in new rules. It is not possible to have all interval CEUD available in billing quality format by June 2014, as that would require migrating all customer data from Duke Energy Ohio's first generation MDM system to the second generation MDM system, which does not presently have the capacity to handle such data.

It is important to note that CRES customers with certified AMI meters can already access their own prior day interval usage data on the Duke Energy Ohio website. In making its arguments, Direct Energy displays continued disregard for understanding and working within the Company's current program. In order to move forward and accommodate Direct Energy's wish list, which would entail significant costs, it is necessary to engage the Duke Energy Ohio SmartGrid Collaborative and/or a stakeholder working group.

4. Manually Moving Direct Energy Customers Is Not Feasible At This Time.

Direct Energy argues that the Commission should amend the Stipulation to require Duke Energy Ohio to provide billing quality interval CEUD to CRES providers through a flat file by manually migrating Direct Energy customers from Duke Energy's first generation MDM system to the second generation MDM system. Duke Energy Ohio performed a manual migration for 900 customers over a period of approximately three years in order to accommodate TOU rate pilot programs and provide data and rate experience to the SmartGrid Collaborative. Such work was time-consuming and costly. Direct Energy is now seeking similar processes for a much larger population of customers. Moving customers manually for Direct Energy alone would be impracticable, anticompetitive and costly. If the outcome of a collaborative process should deem

appropriate, in the future, the Company could initiate a project to move the customers on a mass migration into the second generation MDM system. As noted, this will require enhancements to the MDM system, as well as a potential significant information system expense to process customer authorizations for the release of the smart grid meter interval data, and will be done to enable services to all CRES providers who wish to make use of such service. Doing it through a collaborative process with support of all stakeholders and with cost recovery provided will be competitively neutral and much more efficient from a cost perspective.

5. Direct Energy Misunderstands EDI Enrollment Information and Meter Certification.

Many of the requests set forth by Direct Energy in its Initial Brief serve to demonstrate an unwillingness to work through an understanding of the Company's existing systems, and, instead, Direct Energy evidences a plan to move forward through litigation rather than collaboration. Direct Energy does not understand the Company's current billing and SmartGrid systems and their capabilities. Direct Energy argues that the Commission should require Duke Energy Ohio to make available to CRES providers through the EDI transaction, an indication of whether or not a customer's meter is providing billing quality interval CEUD. In so arguing, Direct Energy makes clear that it does not understand the differences between the Company's newly developed CRES portal that will become operational in June of this year, and the EDI enhancements that are necessary in order to provide billing quality interval CEUD to CRES providers through an EDI transaction. The CRES portal will provide interval CEUD, and will indicate whether that interval CEUD is billing quality for a particular customer. This is a different system from the EDI transaction, through which only billing quality data is allowed to be transferred, and EDI transfer necessarily requires coordination with a broader range of participants and through collaboration.

6. Duke Energy Ohio's Second Generation MDM System is limited.

Direct Energy argues that the Commission should ensure that the Company does not “fill up” its second generation MDM system to preclude customers from signing up for CRES provider products that utilize billable quality interval CEUD.⁴ Direct Energy states: “While the meters for larger residential and commercial customers are a different technology, there is no distinguishing factor for those meters that are automatically placed into Duke MDM Phase 2 that requires them to be put into Duke MDM Phase 2.” That is a misconception that demonstrates the need to discuss such issues with the appropriate collaborative or EDI working group. The meters currently being added to the second generation MDM system are a different technology from the mass market meters that are in the first generation MDM system, and moving meters from one MDM system to the other , if possible, would require a whole different set of costs and would be counterproductive to Direct Energy’s ultimate goal of having all meter data housed in the second generation MDM system.⁵

Addressing Direct Energy’s discussion around the fact that the TOU rate pilot program customers were manually migrated from the first generation MDM system to the second; the pilot is designed to specifically glean information on customer behavior under various TOU rate scenarios to understand system and customer benefits, and is thus subject to strict design parameters to achieve those lessons learned. It is not a competitive offering, but rather a controlled experiment that is producing publicly-shared results, and therefore fairness is not an issue. Furthermore, the public value of the pilot results justifies the currently highly work-intensive effort to produce the needed data for the pilot rates. All of this work has been done

⁴ Initial Brief at pg.
⁵

through the SmartGrid Collaborative, with member input and discussion. The work has enhanced an understanding of TOU rate applications and has been shared with all interested parties.

7. There is no “room” in the second generation MDM System to allow for additional migration.

Direct Energy suggests that the Commission should order the Company to “reserve” spots in its second generation MDM system for use by Direct Energy’s customers. The second generation MDM system is currently sized to accept data related to the Company’s “gap meters” which cannot currently be placed into the first generation MDM system. As noted above, it will be possible in the future to migrate all meters currently in the first generation MDM system into the second generation MDM system if deemed worthwhile through a collaborative process, and if costs are approved for such a project. Migrating all customers from the first generation MDM system to the second generation MDM system at one time will be more cost efficient and will allow access to all CRES providers at one time.

It should be noted that none of these parameters have been discussed or vetted within the Duke Energy Ohio SmartGrid Collaborative or any other stakeholder group that are better suited to working through the details and cost considerations of such requirements. It is inappropriate for Direct Energy to raise such requests in the context of a litigated proceeding and to do so only on brief after hearing.

8. Duke Energy Ohio is moving apace in the right direction

Direct Energy’s wish list included the request that the Commission require Duke Energy Ohio to provide a comprehensive plan to implement and fund the migration of all customers from Duke Energy Ohio’s first generation MDM system into the second generation MDM system within sixty days of an order. This addition to the Direct Energy wish list is short-sighted

and notably neglects to account for the need to include other stakeholders in the process. Prior to investing in a costly process and systems to accommodate Direct Energy alone, the Company suggests engaging other interested parties in a collaborative effort to devise a recommendation to the Commission that will best serve customers and all interested stakeholders. Direct Energy's gracious recommendation that the Company be authorized to recover \$1,368,000 to pay for an upgrade to allow the Company to meet the requirements of Direct Energy again demonstrates a misunderstanding. The total potential costs to achieve the functionality that Direct Energy currently seeks will be far greater than \$1.3M. It is likely that the Commission and other interested stakeholders will want to see significant support for such projects prior to authorizing collection of such costs. It is also likely that some stakeholders may not wish to support the concept of facilitating Direct Energy's wish list unless Direct Energy itself bears the cost, at least until more CRES providers express interest.

The balance of Direct Energy's wish list include such items as more frequent data, access to scalar reads through the CRES portal, amendment of the Company's tariffs, etc. Again, providing these capabilities is a matter that should be resolved through a collaborative process or in a stakeholder working group. Each such capability brings with it certain cost issues and should be determined to be of value to those who will potentially make use of them. In order to determine what is reasonable and what is cost effective and necessary for all stakeholders, these matters must be discussed within groups of interested participants so that all can understand the Company's existing systems, the design parameters of the current SmartGrid deployment, the necessary future capabilities and costs related to all of these concepts. Thereafter, comprehensive plans must be provided to the Commission for its consideration and to allow for cost recovery. Absent this process, Direct Energy's wish list notwithstanding, is premature and

would be ill-conceived, to acquiesce to Direct Energy's demands, absent development of the issues within the proper groups and pursuant to the Commission's regulatory and legal process.

III. Conclusion

For the reasons stated above and in Duke Energy Ohio's initial brief, the Stipulation submitted should be adopted and approved by the Commission and Direct Energy's opposition to the Stipulation should be disregarded and dismissed as untimely and irrelevant to the proceeding.

Respectfully submitted,
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CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing was delivered by U.S. mail (postage prepaid), personal delivery, or electronic mail, on this 3rd day of March, 2014, to the following parties.

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This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

3/3/2014 10:30:46 AM

in

Case No(s). 13-1141-GE-RDR

Summary: Brief INITIAL POST HEARING BRIEF OF DUKE ENERGY OHIO, INC.
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