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Via E-file

December 29, 2014

Public Utilities Commission of Ohio
PUCO Docketing
180 E. Broad Street, 10th Floor
Columbus, Ohio 43215

In re: Case Nos. 14-841-EL-SSO; 14-842-EL-ATA

Dear Sir/Madam:

Please find attached the REPLY BRIEF OF THE OHIO ENERGY GROUP e-filed today in the above-referenced matters.

Copies have been served on all parties on the attached certificate of service. Please place this document of file.

Respectfully yours,

David F. Boehm, Esq.
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Jody Kyler Cohn, Esq.
BOEHM, KURTZ & LOWRY

MLKkew
Encl.

BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

In The Matter Of The Application Of Duke Energy Ohio, Inc. For Authority To Establish A Standard Service Offer Pursuant To Section 4928.143, Revised Code, In The Form Of An Electric Security Plan, Accounting Modifications And Tariffs For Generation Service	:	**Case No. 14-841-EL-SSO**
In The Matter Of The Application Of Duke Energy Ohio, Inc. For Authority To Amend Its Certified Supplier Tariff, P.U.C.O. No. 20	:	**Case No. 14-842-EL-ATA**

REPLY BRIEF OF THE OHIO ENERGY GROUP

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December 29, 2014

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TABLE OF CONTENTS

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REPLY BRIEF
OF THE OHIO ENERGY GROUP

I. INTRODUCTION

The Ohio Energy Group ("OEG") submits this Reply Brief in support of its recommendations to the Public Utilities Commission of Ohio ("Commission") in this proceeding. OEG's decision not to respond to other arguments raised in this proceeding should not be construed as implicit agreement with those arguments.

II. ARGUMENT

A. Many Parties Support The Continuation Of The Load Factor Adjustment Rider Throughout The Proposed ESP Period.

While Duke Energy Ohio, Inc. ("Duke" or "Company") proposes to completely eliminate its Load Factor Adjustment Rider ("LFA Rider") effective June 1, 2015,[1] Staff and many parties to this proceeding oppose such an approach.[2] The parties who oppose the immediate elimination of the LFA Rider are: The Kroger Company, Greater Cincinnati Health Council, Ohio Manufacturer's Association, the University of Cincinnati, and Miami

[1] Merit Brief of Duke Energy Ohio, Inc. (December 15, 2014) ("Duke Brief") at 34.
[2] Post-Hearing Brief Submitted on Behalf of the Staff of the Public Utilities Commission of Ohio (December 15, 2014) at 55 (*"While Staff does agree that the LFA Rider should be eliminated, Staff believes that the initial rate increase to certain customers would be too high and thus the rider should be phased out over the period of the ESP"*).

University.[3] Instead, those parties largely recommended that the Commission adopt Staff's approach to Duke's LFA Rider, under which the Rider would continue throughout the ESP period but would gradually be phased-out.[4] Staff's phase-out approach is a reasonable alternative if the Commission wishes to eliminate the LFA Rider. However, OEG continues to support its recommended phase-down approach, which preserves the possibility that the LFA Rider, and its associated economic development benefits, may continue beyond the proposed ESP period, while also mitigating adverse rate impacts to smaller customers on the DS rate schedule during the ESP period.

B. Given That Duke's Proposal To Eliminate Its Large Customer Interruptible Load Program Was Met With Only Tepid Support And Based Upon Flawed Rationale, The Commission Should Continue An Enhanced Version Of That Program Beyond May 31, 2015.

Duke suggests that the Commission allow the Company to completely abandon its large customer interruptible load program as of June 1, 2015.[5] Only one other party - the Office of the Ohio Consumers' Counsel ("OCC") - supported Duke's proposal.[6] And the rationale advanced by both Duke and OCC for eliminating the large customer interruptible load program is flawed.

Both Duke and OCC point to Duke's transition from a Fixed Resource Requirement Entity to a Reliability Pricing Model ("RPM") Entity in PJM as reason for terminating Duke's large customer interruptible load program.[7] But as OEG already explained in detail in its initial Brief, Duke's large customer interruptible load program can continue to provide reliability, economic, and energy conservation benefits to customers in Duke's territory even after the Company becomes an RPM Entity.[8]

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[3] Initial Brief of The Kroger Company ("Kroger Brief") at 5-6; Initial Brief of the Greater Cincinnati Health Council (December 15, 2014) ("GCHC Brief") at 15-16; Initial Brief of the Ohio Manufacturer's Association (December 15, 2014) ("OMA Brief") at 15; Initial Brief by the University of Cincinnati and Miami University (December 15, 2014) ("Universities Brief") at 2-6.

[4] Kroger Brief at 6 (*"Given that the principle of gradualism would benefit all rate classes impacted by Rider LFA under Staff witness Donlon's approach, Kroger requests that the Commission adopt Staff witness Donlon's proposal for Rider LFA over the term of the proposed ESP."*); GCHC Brief at 16 (*"The GCHC supports the continuance of Rider LFA in its current form and would prefer the Staff's gradual phase out proposal..."*); OMA Brief at 15 *("Staff's phase out proposal is reasonable and should be adopted as a means to mitigate any negative rate impacts that may occur to some customers from the elimination of the rider").*

[5] Duke Brief at 34-35.

[6] Initial Post-Hearing Brief by The Office of the Ohio Consumers' Counsel (December 15, 2014) ("OCC Brief") at 97-99.

[7] Duke Brief at 34; OCC Brief at 98-99.

[8] Brief of The Ohio Energy Group ("OEG Brief") at 17-19.

In addition, Duke claims that elimination of the large customer interruptible load program will help *"ensure that market forces determine the competitive generation charges that customers experience."*[9] But Duke has another Commission-approved demand response program – its PowerShare® program – under which participating customers receive a predetermined credit for interrupting their service during the summer months.[10] The level of that credit is not market-based.[11] Duke's support for its PowerShare® demand response program and associated credit therefore undermines its claim in this proceeding that customers should receive only market-based payments for curtailing their service.

Further, PJM market-based pricing may not provide sufficient incentive for customers to subject their businesses to interruption.[12] And relying solely on the PJM market to provide appropriate payments to demand response customers is bad policy since the legality of the PJM demand response programs is currently in serious question.[13] OCC attempts to use the potential elimination of PJM's demand response programs as a rationale for eliminating state interruptible demand response programs, suggesting that if PJM's demand response programs are eliminated, then large customer interruptible resources *"cannot be fairly valued"* at the state level.[14] Yet the Commission has repeatedly approved interruptible credits for Ohio utilities that are not directly tied to PJM pricing (e.g. Ohio Power Company's $8.21/kW-month credit). Hence, the Commission can determine the value of interruptible load at the state level regardless of what occurs with respect to PJM's demand response programs.

In order to ensure that the value of the interruptible load in Duke's territory is preserved regardless of the outcome of proceedings related to PJM's demand response programs, the Commission should require Duke to continue its state-sponsored large customer interruptible program for shopping and non-shopping customers during the proposed ESP period. However, the Commission should expand the terms of the program by requiring that participating customers be subject to unlimited emergency-only interruptions throughout the entire year, rather than only in the summer months. This modification would provide even greater reliability to other customers at the same cost as the current large customer interruptible load program and would compliment

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[9] Duke Brief at 35.
[10] OEG Ex. 2, Direct Testimony of Stephen J. Baron (September 26 2014), SJB-8.
[11] *Id.*
[12] OEG Brief at 19-20.
[13] OEG Brief at 23-24.
[14] OCC Brief at 99.

Duke's PowerShare® program, which is only applicable during the summer months, by providing demand response resources throughout the entire year. And the cost of providing such additional potential benefits year-round (approximately $1.2 million based upon current participation and credit levels) is reasonable.[15]

III. CONCLUSION

WHEREFORE, for the foregoing reasons, the Commission should adopt OEG's recommendations in this proceeding.

Respectfully submitted,

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December 29, 2014

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[15] Tr. Vol. VIII (October 31, 2014) at 2366:1-18.

CERTIFICATE OF SERVICE

I hereby certify that I served a true copy of the foregoing by electronic mail (when available) or ordinary mail, unless otherwise noted, this 29th day of December, 2014 to the following:

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