

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)	
Duke Energy Ohio, Inc. for Recovery)	
of Program Costs, Lost Distribution)	Case No. 15-534-EL-RDR
Revenue and Performance Incentives)	
Related to its Energy Efficiency and)	
Demand Response Programs.)	

REPLY COMMENTS OF DUKE ENERGY OHIO, INC.

I. INTRODUCTION

Duke Energy Ohio, Inc., (Duke Energy Ohio) initiated this proceeding with the filing of an application for recovery of program costs, lost distribution revenue and shared savings incentive on March 30, 2015. The Company filed the application while its previous annual filing was still pending with the Public Utilities Commission of Ohio (Commission) in Case No. 14-457-EL-RDR. That case is now before the Commission on rehearing, thus many of the matters raised by parties in their comments in this docket are also at issue in that previous filing. It is anticipated that the earlier filing will resolve many of the matters in both dockets. However, the procedural schedule in this docket required a comment period that invited comments from the intervenors on June 17, 2015. Duke Energy Ohio responds herein to the comments filed.

The Ohio Energy Group (OEG), the Office of the Ohio Consumers' Counsel (OCC), Ohio Partners for Affordable Energy (OPAE), The Kroger Company (Kroger), the Ohio Manufacturers' Association (OMA), and the Environmental Law & Policy Center (ELPC) have all moved to intervene and all have filed comments except for ELPC. Each will be addressed in turn below.

II. RESPONSE TO COMMENTS

A. Comments of OPAE

OPAE sets forth a number of cases in which it has intervened and seeks to characterize them in a casual manner that neglects to recognize the legal process that underlies each of the proceedings. For example, OPAE notes that the Company's cost recovery methodology was initially approved in Case No.11-4393-EL-RDR. However, OPAE then goes on to discuss Cases 13-753-EL-RDR and 14-457-EL-RDR as if they were the same. However, it is important to distinguish between cases where the Company's cost recovery mechanism was established, and cases where, after the Commission has already approved the mechanism, it is simply applied to adjust the relevant rider. Both of the latter two cases mentioned by OPAE are cases where the adjustment occurs based upon the previously approved cost recovery mechanism. If OPAE is misunderstanding this fundamental difference, perhaps that explains its posture in this proceeding, which is one wherein the cost recovery mechanism, already approved, is applied to adjust and set the rider.¹

In addition to the above, OPAE does little more than recite cases that are pending and its respective arguments in each case. With respect to this proceeding, OPAE merely reiterates arguments made elsewhere and thus raises nothing relevant to the Company's application in this proceeding. OPAE's comments are not relevant or helpful and should be disregarded.

¹ The current cost recovery mechanism was approved by the Commission in, *In the Matter of the Application of Duke Energy Ohio, Inc. for Approval of its Energy Efficiency and Peak Demand Reduction Portfolio of Programs*, Case No.13-431-EL-POR, Opinion and Order, (December 4, 2014).

B. Comments of Kroger

Much like OP&E, Kroger simply reiterates arguments made in other dockets. Although Kroger argues that the Company should not be permitted to use banked energy efficiency impacts in order to calculate its achievement toward the mandates and to thereafter establish the level of shared savings to which it is entitled, it neglects to recognize that the mechanism is not at issue in this proceeding. The actual mechanism that allows the Company to calculate its incentive in this case was already approved by the Commission. Thus, Kroger's argument about the actual means of calculation is misplaced in this docket.

Additionally, Kroger argues that the Staff is currently performing an audit of the costs included in the Company's previous rider proceeding and that the Commission should not take action on this case until "final determinations and actions have been made..."² This is likely to occur in the normal course of the Commission's process and the Company does not disagree.

C. Comments of OEG

OEG likewise argues that the Company is not entitled to apply banked energy efficiency impacts to calculate its achievement toward the mandates and to thereafter establish the level of shared savings to which it is entitled. In support of its argument, OEG points to testimony of Staff in the first proceeding wherein the Company's cost recovery mechanism was approved.³ The excerpted testimony cited by OEG was a response provided by Staff witness Gregory C. Scheck to a question posed on redirect by Staff's counsel, Devin Parram. While OEG has accurately restated the testimony provided by Mr. Scheck, OEG clearly misunderstands the implications of the response. Mr. Scheck was correct in noting that banked impacts may only by

² Comments of The Kroger Company at p.4

³ *In the Matter of the Application of Duke Energy Ohio, Inc. for an Energy Efficiency Cost Recovery Mechanism and for Approval of Additional Programs for Inclusion in its Existing Portfolio*, Case No. 11-4393-EL-RDR, Opinion and Order, (August 15, 2012).

used once. The Company does not ever apply banked impacts more than once and it did not and has not done so in this case. Thus, the record cited by OEG does not support its argument. Moreover, as noted above, the cost recovery mechanism is not at issue in this proceeding as it was already approved by the Commission. Thus, the application of the formula is not under debate. The OEG's recommendation should be denied.

D. Comments of OMA

OMA demonstrates in its comments that it has never correctly understood the proper calculation of the Company's approved cost recovery mechanism. OMA argues that using banked energy efficiency impacts to calculate achievement toward the mandates and to thereafter establish the level of shared savings to which it is entitled somehow equates to a "double recovery of shared savings as the Company has already received an incentive on any excess savings that it banked in those previous years."⁴ This is simply incorrect. The Company provided a detailed explanation of how the calculation is performed in its Application for Rehearing in the previous annual rider proceeding,⁵ and it is anticipated that this clarification will assist OMA in understanding how the calculation works. However, it is important to note that the net benefits achieved from savings generated by Duke Energy Ohio's energy efficiency programs are only recognized once to calculate the shared savings incentive and are not banked. There is simply no double counting.

OMA's next incorrect assertion is that the Company has not properly bid its demand response resources into the PJM, and that the Company "fails to pass the economic benefits of

⁴ Comments of the Ohio Manufacturers' Association at p.2.

⁵ *In the Matter of the Application of Duke Energy Ohio, Inc., for Recovery of Program Costs, Lost Distribution Revenue, and Performance Incentives Related to its Energy Efficiency and Demand Response Programs*, Case No. 14-457-EL-RDR, Application for Rehearing, (June 19, 2015) at p.16.

doing such back to customers.”⁶ Once again, OMA neglects to provide any foundation for this claim and is misinformed.

The Company has in fact bid the capacity resources associated with its demand response (DR) programs into the PJM Capacity auction. In 2014, consistent with the terms of its “PJM Pilot Program” that was agreed to and approved by the Commission,⁷ Duke Energy Ohio bid in the capacity from its eligible DR Programs for the 2017/2018 delivery year. This participation resulted in 59.2 MW of capacity clearing the Base Residual Auction, which will generate nearly \$2.3 million of proceeds. These proceeds will be returned to customers through the rider mechanism. Additionally, the Company participated in the PJM 3rd Incremental Auction for the 2014/2015 Delivery Year, with its eligible DR resources and cleared 64.9 MW, that yielded proceeds that were used to reduce program expenditures and benefit customers with a lower cost included in the Rider.

Beyond clearly not understanding the Company’s participation in the PJM capacity auctions that occurred in 2014, OMA attempts to dispute the method by which the avoided costs associated with its demand response programs are quantified. The methodology for calculating the avoided costs associated with its programs is consistent with the Commission’s rules and was approved by the Commission. OMA was a party to the Company’s previous rider proceeding and took no issue with the methodology that was used to quantify the actual avoided costs achieved from the Company’s DR programs in 2013, nor did it oppose the projections for 2014 which are now being adjusted in this proceeding.⁸

Finally, OMA uses these comments to discuss the Company’s proposed strategy with respect to participating in the 2015 BRA for 2018/2019 delivery year. OMA is correct regarding the Company’s plan to not participate with its DR resources in the upcoming August BRA. Due to the uncertainty regarding the impact of the implementation of PJM’s recently approved Capacity Performance Plan, the pending U.S. Supreme Court decision regarding FERC Order 745, and the fact that the 2018/2019

⁶ *Comments of the Ohio Manufacturers’ Association at p.3.*

⁷ *In the Matter of the Application of Duke Energy Ohio, Inc. for Approval of its Energy Efficiency and Peak Demand Reduction Portfolio of Programs*, Case No.13-431-EL-POR, Opinion and Order, (December 4, 2014).

⁸ Id.

delivery year is beyond the Company's approved portfolio of programs, Duke Energy Ohio believes it is not prudent to participate in the BRA with projected DR resources. OMA fails to mention that the Company intends to participate in the PJM Incremental Capacity auctions with its DR resources as it gains more clarity and certainty regarding its portfolio of programs and the rules regarding demand response resources. OMA is misinformed about the matters it seeks to argue. Its recommendations are unreliable and should be denied.

Finally, OMA asserts that because the Company's cost per KWH is at 17.2 cents/KWH that the Company is not running its programs effectively. However this argument is again without basis. Duke Energy Ohio has a long history of aggressively managing its costs. The Company delivered its actual efficiency savings at cost per KWH that was less than 84% of its approved projections. This demonstrates that Duke Energy Ohio has done an excellent job of managing its costs and it further illustrates OMA's lack of understanding regarding the Company's performance. Additionally, the Company's performance over the entire period of SB221 demonstrates that Duke Energy Ohio quickly ramped up its programs and delivered significant energy efficiency in the early years operating under the mandates. While this extremely strong up front performance has benefited customers, the reality is that as the more easily attainable impacts are achieved, the cost of incremental efficiency gets more expensive and difficult. Duke Energy Ohio's shared savings incentive structure provides it with a very effective incentive to manage its program costs and Duke Energy Ohio's record of managing its costs demonstrates the effectiveness. OMA's lack of experience with such programs and its lack of knowledge about Duke Energy Ohio's energy efficiency history cause it to be out of step with current matters as well as misinformed. OMA's comments do not add value to the Commission's review.

E. Comments of Staff

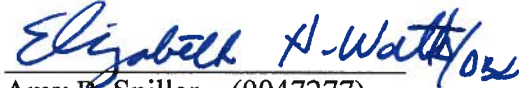
Staff merely recommends that any approval given by the Commission for the Company to adjust its Rider EE-PDR should be subject to the Staff's further review. Duke Energy Ohio agrees that the rider approval process is less cumbersome in the normal course if the Commission issues its decision after the Staff has concluded its audit and provided its input to the application. The Application in this proceeding was filed on March 30th, and the Attorney Examiner issued a procedural schedule on April 29th. Ordinarily, Staff, like other parties is required to comply with the procedural schedule that is established. When necessary, Staff may seek an extension of the schedule in order to allow all of the parties to the proceeding to have the additional time provided. It is anticipated that to the extent the Staff concludes its audit and has any additional comments to provide, the Commission will permit additional process to allow all parties to respond.

III. CONCLUSION

For the reasons stated above, Duke Energy Ohio respectfully requests that the Commission approve the requested application as submitted by the Company.

Respectfully submitted,

Duke Energy Ohio, Inc.



Amy B. Spiller (0047277)

Deputy General Counsel

Elizabeth H. Watts (0031092)

Associate General Counsel

Duke Energy Business Services LLC

139 East Fourth Street, 1303-Main

P.O. Box 960

Cincinnati, Ohio 45201-0960

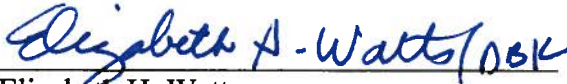
614-222-1331

amy.spiller@duke-energy.com

elizabeth.watts@duke-energy.com

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 1st day of July, 2015, to the following parties.


Elizabeth H. Watts

<p>Katie L. Johnson Ryan O'Rourke Assistant Attorney General Office of Attorney General Mike DeWine 180 East Broad Street, 7th Floor Columbus, Ohio 43215 Katie.johnson@puc.state.oh.us Ryan.O'Rourke@puc.state.oh.us</p> <p>Counsel for Staff of the Commission</p>	<p>Colleen L. Mooney Ohio Partners for Affordable Energy 231 West Lima Street Findlay, Ohio 45839 Cmooney@ohiopartners.org</p> <p>Counsel for Ohio Partners for Affordable Energy</p>
<p>Jodi Bair Kyle Kern Assistant Consumers' Counsel Office of the Ohio Consumers' Counsel 10 West Broad Street, Suite 1800 Columbus, Ohio 43215 Jodi.bair@occ.ohio.gov Kyle.kern@occ.ohio.gov</p> <p>Counsel for the Office of the Ohio Consumers' Counsel</p>	<p>Rebecca L. Hussey Carpenter Lipps & Leland LLP 280 Plaza, Suite 1300 280 North High Street Columbus, Ohio 43215 hussey@carpenterlipps.com</p> <p>Counsel for The Kroger Company</p>

<p>Kimberly W. Bojko Carpenter Lipps & Leland LLP 280 Plaza, Suite 1300 280 North High Street Columbus, Ohio 43215 Bojko@carpenterlipps.com hussey@carpenterlipps.com</p> <p>Counsel for The Ohio Manufacturers Association</p>	<p>David F. Boehm Michael L. Kurtz Jody Kyler cohn Boehm, Kurtz & Lowry 36 East Seventh Street Suite 1510 Cincinnati, Ohio 45202 mkurtz@bkllawfirm.com dboehm@bkllawfirm.com jkylercohn@bkllawfirm.com</p> <p>Counsel for Ohio Energy Group</p>
<p>Justin Vickers Natural Resources Defense Council 20 North Wacker Drive Suite 1600 Chicago, Illinois 60606 jvickers@elpc.org</p> <p>Counsel for Natural Resources Defense Council</p>	

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

7/1/2015 5:00:16 PM

in

Case No(s). 15-0534-EL-RDR

Summary: Comments Reply Comments of Duke Energy Ohio, Inc. electronically filed by Dianne Kuhnell on behalf of Duke Energy Ohio, Inc. and Spiller, Amy B. and Watts, Elizabeth H.