BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Implementation of Sections 4928.54 and 4928.544 of the Revised Code.	)))	Case No. 16-247-EL-UNC

COMMENTS OF DUKE ENERGY OHIO, INC.

I. Introduction

The Public Utilities Commission of Ohio (Commission) initiated this case to seek comments regarding the aggregation of Percentage of Income Payment Plan (PIPP) program customers for purposes of establishing a competitive procurement process for the supply of competitive retail electric service for those customers. The Staff of the Commission (Staff), has submitted a Second Recommendation and the Commission has invited additional comments. Duke Energy Ohio, Inc. (Duke Energy Ohio or the Company) appreciates Staff's efforts to create a workable solution and to accommodate auction schedules. Staff's recommendation for a Request for Proposal (RFP) Option is procedurally more feasible as compared to Option One and Option Two proposed in Staff's earlier comments. However, in order to make the RFP Option work for Duke Energy Ohio, it is imperative that the process be designed to facilitate the integration of the RFP result into retail prices and that there only be one successful bidder as the result of the RFP. Duke Energy Ohio's additional comments are set forth below.

II. Discussion – The Request for Proposal Option

In response to Staff's Request for Proposal Option (RFP Option), it should be noted that timing for any procurement to serve PIPP customers remains very tight as Duke Energy Ohio is moving toward its established auction date of March 14, 2016. It may not be possible to incorporate any PIPP RFP coincident with this next auction. The Company will need to establish and execute the qualification criteria for participation. The Company will need time to market and promote the RFP process to potential bidders and bidders will need time to understand all of the risks associated with serving PIPP customers. It will take time to create detailed rules and obtain approval from Staff, and educate potential bidders on the process. We believe the Company would have sufficient time to execute a PIPP RFP prior to the June 1, 2016, delivery period, however any such RFP would not occur immediately following the March SSO auction.

Also, the Commission must consider that the RFP Option still creates unnecessary risk inherent in the Standard Service Offer (SSO). Customer migration and municipal aggregation have always been risks for SSO Suppliers. However, with PIPP aggregation becoming increasingly likely, the risk for suppliers is more acute. If bidders know going into the SSO auction that the inclusion of PIPP load in the auction product is contingent on the results of the RFP, there is tremendous uncertainty about the size of the SSO obligation. The increased PIPP aggregation risk under this and other proposed Options increases the uncertainty for SSO suppliers and uncertainty can lead to higher SSO prices. Likewise, the opportunity for a second chance to bid for a portion of the SSO/PIPP load through the subsequent RFP process may provide incentive for certain bidders to bid less aggressively in the SSO auction itself.

Any PIPP procurement plan should be for one hundred percent of PIPP load regardless of what portion of the current SSO load is already under contract. It would be administratively more manageable and also would allow the winning bid to be more easily translated into retail rates. While aggregating 100% of PIPP load would affect current SSO suppliers, the risk of aggregation and customer migration is an inherent part of the SSO process for suppliers. There is no compelling reason to protect current suppliers from PIPP aggregation given the administrative costs required to do so.

If the RFP for only a portion of the PIPP load is successful, rates become a function of the blended PIPP RFP and SSO prices. The calculation of such rates and subsequent reconciliation of revenues and payments owed to the various suppliers would be complicated and administratively burdensome to all parties.

The PIPP RFP should be for retail residential metered load and not wholesale load. All PIPP customers take service under residential tariffs. Retail residential metered load is more consistent with an aggregation and avoids mixing the wholesale and retail markets for the purposes of facilitating shopping. Therefore, bidders in the PIPP auction should bid to beat the retail residential SSO price-to-compare (PTC), and not the wholesale auction price. The wholesale auction price is only one component of the retail residential rate. Retail prices are approximately seven percent higher than wholesale prices due to the inclusion of charges such as Transmission and Distribution (T&D) losses, commercial activity taxes and adjustment for load shape.

The retail price-to-compare (PTC) for metered load is the number that CRES are familiar with and understand. CRES providers normally provide prices to customers at the retail level and competing to serve PIPP at a retail rate will be more familiar to potential bidders in the RFP potentially increasing RFP participation and reducing uncertainty for RFP participants. If some portion of the PIPP load is settled under a retail RFP and some portion is settled through a wholesale SSO auction, rates will be a function of the blended PIPP RFP and SSO prices. This blended rate would be much more complicated from an administrative standpoint because of adjustments required to translate the wholesale auction price into a residential retail rate and because of customer migration into and out of the PIPP program.

CRES residential retail rates include energy, capacity, and Renewable Energy Credits, (RECs). On the other hand, standard SSO auctions are for capacity and energy, and they exclude RECs. The utility converts the blended auction prices into retail rates. This retail rate plus a separate rider that recovers the utility's cost of RECs comprises the SSO PTC. Thus, CRES bidders bidding on PIPP load should also include the costs of the necessary RECs to align with the load served and so that the PTC is an "apples-to-apples" comparison.

Staff's RFP Option includes a recommendation that costs associated with the SSO RFP Option be included for recovery in the same manner as costs associated with the SSO auction. However, this approach is unfair to SSO customers who should not bear the sole responsibility for the cost of any PIPP RFP. Any costs associated with serving the PIPP load should be paid for by all customers, just like the PIPP program is paid for by all customers. Through this process, PIPP is effectively shopping so it does not make sense for non-shopping customers to bear the entire cost.

Duke Energy Ohio respectfully requests that the Commission clarify that the PIPP RFP would occur at the last SSO auction for a respective planning year, and the RFP should occur as soon as possible to the certification of the auction price by the Commission so that the PTC can be accomplished fairly.

III. Conclusion

For the reasons stated above, Duke Energy Ohio appreciates Staff's continued efforts to create a workable solution to the questions presented by the new legislation requiring an auction of the PIPP load, and respectfully requests that the Commission incorporate the Company's recommendations as set forth herein.

Respectfully submitted,

Elizabeth Watts / jkr

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Comments of Duke Energy Ohio, Inc. was filed electronically through the Docketing Information System of the Public Utilities Commission of Ohio on this 29th day of February, 2016. The Commission's electronic filing system will electronically serve notice of the filing of this document on counsel for all parties.

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This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

2/29/2016 3:45:48 PM

in

Case No(s). 16-0247-EL-UNC

Summary: Comments Comments of Duke Energy Ohio, Inc. electronically filed by Mrs. Adele M. Frisch on behalf of Duke Energy Ohio, Inc. and Spiller, Amy B and Watts, Elizabeth H