BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of The Dayton Power and Light Company for Approval of its Energy Efficiency and Peak Demand Reduction Portfolio Plan.	))))	Case No. 16-649-EL-POR

OBJECTIONS AND COMMENTS OF
THE OHIO MANUFACTURERS' ASSOCIATION ENERGY GROUP

The Ohio Manufacturers' Association Energy Group (OMAEG) hereby submits its objections and comments to the Application of the Dayton Power and Light Company (DP&L) for approval of its Energy Efficiency and Peak Demand Reduction (EE/PDR) Portfolio Plans for 2017 through 2019 (POR Plans), which were filed with the Public Utilities Commission of Ohio (Commission) on June 15, 2016.[1] OMAEG's failure to present a particular issue or objection herein should not be construed to bar OMAEG from presenting said issue or argument at hearing or in its brief.

[1] See Ohio Adm. Code 4901:1-39-04(D).

Respectfully submitted,

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I. Introduction

Prior to filing its application for approval of its POR Plan, DP&L filed a request for a six-month extension until October 15, 2016 to file its POR Plan.[2] The Commission denied DP&L's request and directed DP&L to file its POR Plan by June 15, noting that the six-month extension was "excessive."[3]

On June 15, 2016, DP&L filed an application for approval of its POR Plan, which includes a continuation of current programs as well as the offering of additional programs in the areas of residential programs, non-residential programs and cross sector programs.[4] DP&L states that its POR Plan was developed with assistance from its collaborative members (Collaborative), who met quarterly to discuss energy efficiency initiatives and implementation[5] and includes a number of goals, including compliance with Ohio's energy efficiency benchmark targets, development of cost-effective programs for customers, and participation of all customer classes in a variety of programs.[6]

DP&L's application also includes a request for approval of a shared savings mechanism with an after-tax benefit to DP&L of 15 percent when DP&L exceeds its cumulative energy efficiency requirements for the current year.[7] Additionally, DP&L requests to recover costs from its implementation of POR Plan through the current cost recovery mechanism, the Energy Efficiency Rider (EER Rider).

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[2] Application for Limited Waiver of the Dayton Power and Light Company and Request for Expedited Ruling (March 25, 2016).

[3] Entry at 4 (April 7, 2016).

[4] Application of the Dayton Power and Light Company for Approval of its Energy Efficiency and Peak Reduction Program Portfolio Plan at 3-4 (June 15, 2016) (Application).

[5] Application, 2017-2019 Portfolio Plan at 7.

[6] Id. at 14.

[7] Application at 5.

OMAEG is interested in ensuring that the programs offered by DP&L provide benefits to customers at a cost-effective price. Thus, OMAEG submits the following objections to and comments on DP&L's proposed POR Plan.

II. Objections and Comments

A. DP&L's proposed shared savings mechanism should be modified to include a cap on shared savings and to clarify that banked savings cannot be used to trigger the shared savings incentive mechanism.

DP&L's previously approved POR Plan included a shared savings incentive mechanism of 13 percent of after-tax net benefits, capped at $4.5 million per year and subject to the following performance tiers:[8]

Incremental Energy Savings Achievement	Shared Savings Incentive %
< 100%	0.0%
100% - 105%	5.0%
>105% - 110%	7.5%
>110% - 115%	10.0%
> 115%	13.0%

As previously stated, in its current application, DP&L proposes to increase its shared savings incentive mechanism to 15 percent of after-tax net benefits.[9] Further, DP&L proposes no performance tiers and requests to collect shared-savings based on cumulative performance, not annual performance.[10] It is unclear why DP&L has departed from using its current performance incentive tiers in calculating shared savings and why the current application does not include a cap on shared savings similar to its current POR Plan.

[8] *In the Matter of the Application of The Dayton Power and Light Company for Approval of its Energy Efficiency and Peak Demand Reduction Program Portfolio for Plan for 2013 through 2015*, Case No. 13-833-EL-POR, et al., Opinion and Order at 8 (December 4, 2013).

[9] Application at 5.

[10] Id.

Shared savings are paid to the utility on top of program costs and, therefore, are a form of utility profit. DP&L's proposed changes will increase costs to customers with no clear rationale or justification. Specifically, permitting shared savings incentives to be grossed up for taxes results in a significant additional charge to customers, especially without an annual cap on shared savings. DP&L does not explain why customers should pay DP&L's tax liabilities on profit received. Grossing up shared savings for taxes increases the amount of profit that DP&L makes on the programs, which are paid by customers. As DP&L already recovers 100 percent of program costs from customers, customers should not also be responsible to pay DP&L's taxes for its profit on energy efficiency program. Therefore, Shared savings (profit) payments should not be grossed up for taxes.

The Commission should also carefully review and consider whether the programs advanced by DP&L should be included in the shared savings calculation in order to protect customers and minimize the amount of additional costs collected from customers.

Additionally, the Commission should require that DP&L include an annual cap on their proposed shared saving incentive mechanism. This would be consistent not only with their previously approved POR Plan, but also with EE/PDR proposals of two other Ohio utilities, FirstEnergy and AEP Ohio.[11]

Moreover, the Commission should clarify that a shared savings incentive for performance is only available if DP&L exceeds the statutory benchmarks, not if DP&L only meets the statutory benchmark.

[11] See, e.g., *In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company for Approval of Their Energy Efficiency and Peak Demand Reduction Program Portfolio Plans for 2017 through 2019,* Case No. 16-743-El-POR, Application at 100 (April 15, 2016; *In the Matter of the Application of Ohio Power Company for Approval of its Energy Efficiency/Peak Demand Reduction Portfolio Plan*, Case No. 16-574-EL-POR, Direct Testimony of Jon F. Williams at 19 (June 15, 2016).

Further, it is unclear whether DP&L intends to use banked savings to collected shared savings as DP&L's proposed POR Plan refers to cumulative performance rather than annual performance.[12] The use of banked savings to trigger a shared savings incentive mechanism is improper and therefore the Commission should clarify that the DP&L shall not use banked savings to collected shared savings in any year that it does not meet the annual benchmark.

Finally, DP&L's proposed shared savings incentive mechanism should be considered in light of the quality of the proposed energy efficiency programs, which should be delivered at low costs and provide benefits to customers. Therefore, OMAEG recommends that the Commission tie shared savings incentives to performance metrics, in addition to incentive tiers, that a utility must achieve in order to receive shared savings incentives. OMAEG recommends the following new performance metrics:

- All capacity resources associated with eligible energy efficiency and demand reduction resources should be bid into the PJM capacity auctions with 100 percent of the net revenue offsetting the energy efficiency rider costs. If all of the capacity resources associated with eligible energy efficiency and demand reduction resources are not bid into the PJM capacity auctions, the value of the price suppression effects foregone should be subtracted from the system's energy savings that contribute to the shared savings incentives.
- Shared savings should be indexed to the cost of the programs, in addition to quantity of savings achieved. There is a significant discrepancy between Ohio's investor-owned utilities regarding the cost to deliver energy efficiency programs. Utilities that perform expensively receive the same shared savings

[12] Application at 5.

(profit) incentive as utilities that perform cost-effectively. Because customers cannot choose which utility provides their energy efficiency programs, the Commission should account for these significant differences and encourage utilities to deliver energy efficiency programs with low overhead costs by accounting for the cost performance in the shared savings mechanism.

- Customer satisfaction should be integrated into the shared-savings mechanism. The Commission should have the statewide evaluator conduct customer satisfaction surveys. Customer experience and satisfaction results should then be integrated into the shared-savings mechanism.
- Efficiency projects that result solely from customer actions should be explicitly barred from receiving shared savings incentives. This includes mercantile self-direct projects, as well as Non-Programmatic energy savings.

B. The Commission should require DP&L to submit a PJM capacity bidding plan and require DP&L to bid efficiency capacity into the upcoming PJM BRAs and the remainder into the PJM incremental auctions.

OMAEG believes that DP&L should bid energy-efficiency capacity into the PJM Interconnection, LLC (PJM) Base Residual Auction (BRA) to the customer's benefit as PJM pays for capacity reductions from energy efficiency projects in its auction. Historically, DP&L's bids into the PJM BRA have been better than some of its in-state utility peers. For example, the four most recent PJM BRAs have included an average of 30 MW of cleared energy efficiency from the DP&L service territory.[13] This is in contrast to an average of 16.4

[13] http://www.pjm.com/~/media/markets-ops/rpm/rpm-auction-info/2019-2020-base-residual-auction-report.ashx, *2019/2020 RPM Base Residual Auction Result;* http://www.pjm.com/~/media/markets-ops/rpm/rpm-auction-info/2018-2019-base-residual-auction-report.ashx, *2018/2019 RPM Base Residual Auction Results;* http://www.pjm.com/~/media/markets-ops/rpm/rpm-auction-info/2017-2018-base-residual-auction-report.ashx, *2017/2018 RPM Base Residual Auction Result;* http://www.pjm.com/~/media/markets-ops/rpm/rpm-auction-info/2016-2017-base-residual-auction-report.ashx, *2016/2017 Base Residual Auction Results.*

MW of cleared energy efficiency from the Duke Energy Ohio, Inc. service territory over the same four PJM BRAs.[14] However, DP&L did not address PJM capacity bids in its proposed POR Plan. It appears that this was an oversight given PJM's capacity market is important to customers, as is DP&L's stewardship of the energy-efficiency capacity resource.

Bidding energy-efficiency into the capacity auction benefits Ohio customers in two ways. First, it creates revenue which can offset the cost of running energy efficiency programs. Second, energy efficiency capacity can suppress the price of capacity, creating universal savings for all customers.

Although utilities face some barriers to maximizing capacity bids into the PJM auction, which leads to less robust participation by the utilities in the capacity auctions, there are opportunities for utilities, such as DP&L to effectively bid capacity into the PJM auctions. The table below categorizes how DP&L's capacity could be responsibly bid into the PJM auctions. The green area represents an overlap between the PJM BRA eligible years and DP&L's proposed programs. The yellow areas represent capacity that DP&L should bid into the Incremental Auctions or the BRA.

[14] Id.

	Bid Month							
	May-12	May-13	May-14	May-15	May-16	May-17	May-18	May-19
	Delivery Year							
Program Year	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
2017 - 1st Half								
2017 - 2nd Half				DP&L should bid capacity into				
2018 - 1st Half				Incremental Auctions				
2018 - 2nd Half								
2019 - 1st Half						DP&L should bid into BRA		
2019 - 2nd Half								
2020 - 1st Half							Unapproved program years - DP&L	
2020 - 2nd Half							should bid into BRA, with buy-back	
2021 - 1st Half							from Incremental Auctions if necessary	
2021 - 2nd Half								
2022 - 1st Half								
2022 - 2nd Half								
2023 - 1st Half								
2023 - 2nd Half								

Thus, the Commission should require DP&L to include a capacity bidding plan, as well as a proposed process to transparently discuss PJM capacity bids with the Collaborative. Additionally, the Commission should order DP&L to bid efficiency capacity into the upcoming BRAs, and what else is left into PJM's incremental auctions. The Commission should provide direction for DP&L and other utilities to bid efficiency capacity into the PJM BRA for later program years not-yet-approved, with the ability to buy-back capacity from incremental auctions if for some reason the utility is not providing efficiency programs in the future. Net costs/revenue could be passed through the efficiency rider. This mechanism could create revenue to offset energy efficiency program costs, and reduce capacity prices, at a low risk to customers.

C. The Commission should deny DP&L's Non-Programmatic Savings program.

Under its POR Plan, DP&L proposes to implement a new program, titled Non-Programmatic Savings program, to capture "customer efficiency efforts undertaken outside of the utility-administered programs."[15] DP&L asserts that the objective of the new program is to quantify energy efficiency savings and improvements that are occurring in the DP&L service territory outside of the utility's programs.[16]

OMAEG opposes the new Non-Programmatic Savings program. Although DP&L claims that the new program will include a $4 million cost over the three term of the POR Plan, DP&L provides no information regarding detailed operating plans, estimated savings, or financial benefits from the program. Further, customers have already paid for these energy efficiency projects, as the program is designed to account for energy efficiency projects of customers *outside* of DP&L's specific energy efficiency programs[17] and customers are already receiving the benefits associated with these projects. To require customers to pay an additional $4 million for an undefined program that includes no additional benefits is unjust and unreasonable.

Utility-operated efficiency programs are meant to provide direct benefits to participating customers and universal benefits to all customers, creating more energy efficiency than otherwise would have occurred absent the utility-operated program. However, the inclusion of savings from customer-financed actions outside of utility programs, such as the Non-Programmatic Savings Program, does not create more energy-efficiency in Ohio, and therefore does not provide additional benefits to customers. Moreover, these customer-action programs create additional costs to customers as they allow utilities, like DP&L, to recover costs from actions that were taken independently by customers outside of the utility-operated programs.

Finally, counting customer actions through the Non-Programmatic Savings program directly competes with the existing Mercantile Self-Direct program. Customer actions have been

[15] Application, 2017-2019 Portfolio Plan at 86.

[16] Id.

[17] Id.

afforded recognition and protection through the Mercantile Self-Direct mechanism, through which a customer can submit proof of energy savings resulting from its own actions and elect either a one-time incentive payment or an exemption from the EER Rider.[18] In both scenarios, DP&L's energy efficiency goals are modified based on customer actions, however, DP&L is not permitted to collect shared savings based on the customer's action.[19] The proposed Non-Programmatic Savings program may subvert the Mercantile Self-Direct program by reducing the financial benefit to customers associated with the rebate or rider exemption, while raising profits for the utility through the collection of $4 million in costs and/or a shared savings incentive.

Thus, the Commission should remove the proposed Non-Programmatic Savings program on the basis that it has provided no details on the program, and no proof of additional customer benefits. In the event the Commission allows implementation of the Non-Programmatic Savings Program, the Commission should disallow any collection of a shared savings incentive on the energy savings achieved from the non-programmatic savings projects completed by customers and captured through the program. DP&L plays no role in producing these savings and therefore should not be permitted to capture the savings through the shared savings incentive mechanism. To do so would allow DP&L to collect revenues from customers when DP&L had no responsibility for investing in or implementing the energy efficiency programs upon which they are claiming shared savings. This undermines the incentive of the shared savings mechanism as described by the Commission to "motive and reward the utility for exceeding energy efficiency standards on an annual basis. As the mandated benchmark rises every year, [the utility] must continue to find way to encourage

[18] Application, 2017-2019 Portfolio Plan at 73.

[19] *In the Matter of the Application of The Dayton Power and Light Company for Approval of its Energy Efficiency and Peak Demand Reduction Program Portfolio for Plan for 2013 through 2015*, Case No. 13-833-EL-POR, et al., Opinion and Order at 8-9 (December 4, 2013).

energy efficiency."[20] Allowing DP&L to collect shared savings when it has taken no actions to encourage energy efficiency would be unjust and unreasonable.

D. The Commission should require DP&L to provide an analysis of the impact of its proposed changes to the rate design of its EER Rider.

Pursuant to its previously approved POR Plan, DP&L allocated costs of its non-residential energy efficiency programs through the EER Rider by allocating 30 percent of the non-residential costs to the most recent 12 months of distribution revenues, and 70 percent of costs to the most recent 12 months of billed kWh sales.[21] In its current application, DP&L proposes to continue the EER Rider as a cost recovery mechanism, with two changes.[22] First, DP&L proposes to remove inclusion of costs related to distribution decoupling from the EER Rider as it proposes to collect those costs through the Distribution Decoupling Rider.[23] Second, DP&L proposes to modify the rate design of the non-residential portion of the EER Rider to allocate 100 percent of the costs associated with non-residential energy efficiency programs based on each class's share of base distribution revenue.[24] Since transmission and sub-transmission customers pay comparatively little in distribution revenue, this second change is likely to have a significant cost impact on small and medium-sized manufacturers that are served by secondary and primary service. However, the reduction in transmission and generation costs realized by energy efficiency programs is a universal benefit to all sizes and classes of customers.

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[20] *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, Finding and Order at 5 (May 20, 2015), reh'g pending.

[21] *In the Matter of the Application of The Dayton Power and Light Company for Approval of its Energy Efficiency and Peak Demand Reduction Program Portfolio for Plan for 2013 through 2015*, Case No. 13-833-EL-POR, et al., Opinion and Order at 7 (December 4, 2013).

[22] Application at 7.

[23] Application at 6-7.

[24] Application at 7.

Given that DP&L's proposed changes impact only one subset of customers while benefits are accrued to all, the Commission should require that DP&L provide an analysis of the impact of the proposed changes on all of the different customer classes to ensure that allocation of the costs are fairly implemented across customers.

E. The Commission should require DP&L to show its forecasted annual benchmarks in its proposed portfolio.

DP&L's application includes several graphics of its cumulative energy savings benchmark, and proposed cumulative energy savings achievement in Figures 1 and 2 of its portfolio plan filing. However, given DP&L does not present its forecasted benchmark requirements in a table, it is difficult for any party to know if DP&L's proposed energy savings are actually designed to meet the annual benchmark. Therefore, the Commission should require DP&L to provide a comparison of its forecasted annual savings benchmark with the proposed energy savings in its portfolio plan.

F. DP&L continues exemplary practice with combined heat and power (CHP)

Senate Bill 315, which was passed in 2012, "permits a combined heat and power system, designed to achieve at least 60% thermal efficiency, with at least 20% of the total useful energy in the form of thermal energy, and placed into service or retrofitted on or after the effective date of this provision of the bill, to qualify for the energy efficiency requirements."[25] Thus, combined heat and power (CHP) can be counted towards the state's energy efficiency requirements. Further, in September 2011, Ohio Governor John Kasich hosted an energy summit, specifically expressing interest in promoting CHP for its economic

[25] S.B. 315, 129th Gen. Assembl. (Ohio 2012).

and environmental benefits.[26] It is noteworthy that Ohio has one of the largest CHP technical potential of any state.[27]

DP&L sets incentives for CHP projects rated at 500 kW or less at the same rate as custom projects, allowing CHP developers to compete for efficiency funds on equal footing with other energy efficiency technologies. For larger CHP projects, DP&L reserves the right to use the reasonable arrangement process to set the incentives and provides up to $10,000 in technical assistance funds for customers studying CHP projects. This incentive and technical assistance structure is commendable, and should be viewed by the Commission as a potential model for other utilities. Notably, DP&L worked closely with the Ohio Environmental Council, Ohio Manufacturers' Association, Midwest CHP Technical Assistance Partnership, and CHP developers to design their CHP program.

DP&L is proposing to continue their CHP program, while requesting flexibility to hire a program implementer if CHP development does not meet expectations. The OMAEG is supportive of DP&L's approach to CHP development in its territory, and is appreciative of DP&L's collaboration and leadership with CHP.

G. DP&L's continuation of business programs are balanced and appropriate.

Overall, DP&L maintains an appropriate breadth and balance of energy efficiency programs for manufacturers and other businesses. DP&L's portfolio includes the major categories – prescriptive, customer, mid-stream, and self-direct. Additionally, DP&L has notably explored low-cost/no-cost strategic energy management initiatives, as well as novel mid-stream

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[26] http://www.puco.ohio.gov/puco/index.cfm/industry-information/industry-topics/combined-heat-and-power-in-ohio/#sthash.8b9LihL0.dpbs, *Ohio's Pilot Project for Combined Heat & Power,* U.S. Department of Energy, Midwest Clean Energy Application Center, Public Utilities Commission of Ohio (December 2012).

[27] http://www.energy.gov/sites/prod/files/2016/04/f30/CHP%20Technical%20Potential%20Study%203-31-2016%20Final.pdf, *Combined Heat and Power (CHP Technical Potential in the United States*, U.S. Department of Energy (March 2016) (see Table 2, page v, stating Ohio ranks fifth of all states in Total U.S> CHP Technical Potential Across All States).

non-lighting initiatives, and is responsive to customers and intervention groups alike. As a result, DP&L's programs invite robust participation and ease of use for manufacturers. DP&L's continued Business Programs (excluding the new Non-Programmatic Savings program) continue to be a model for good performance.

III. Conclusion

Based on the information contained herein, OMAEG respectfully requests that the Commission modify DP&L's proposed POR Plan as set forth herein. Specifically, OMAEG requests that DP&L's shared savings mechanism be modified to include a cap, to remove the gross-up for taxes, and to clarify that banked savings cannot be used to trigger the shared savings incentive mechanism. Further, OMAEG request that the Commission required DP&L to submit a PJM capacity bidding plan and require DP&L to bid efficiency capacity into the upcoming PJM BRAs, with the remainder being bid into the PJM Incremental Auctions. OMAEG also requests that the Commission deny DP&L's proposed Non-Programmatic Savings program and require DP&L to provide an analysis of the impact of its proposed changes to the rate design of the EER Rider.

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CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing was served upon the following parties via electronic mail on August 15, 2016.

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