BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke Energy Ohio, Inc. for Authority to Defer Energy Efficiency and Peak Demand Reduction Program Costs and Lost Distribution Revenue.	)))))	Case No. 17-0349-EL-AAM

APPLICATION OF DUKE ENERGY OHIO, INC. FOR AUTHORITY TO DEFER ENERGY EFFICIENCY AND PEAK DEMAND REDUCTION PROGRAM COSTS AND LOST DISTRIBUTION REVENUE.

Comes now Duke Energy Ohio, Inc., (Duke Energy Ohio or the Company) and states as follows:

1. Duke Energy Ohio is an Ohio corporation engaged in the business of providing electric distribution service to approximately 690,000 customers in southwest Ohio and, as such, is a public utility as defined by R.C. 4905.02 and an electric light company, as defined by R.C. 4905.03, and is subject to the jurisdiction of the Public Utilities Commission of Ohio (Commission).

2. Pursuant to Ohio Revised Code (R.C.) 4928.66, *et seq.*, Duke Energy Ohio is required to implement energy efficiency and peak demand reduction programs designed to achieve energy savings that comply with the state of Ohio mandates.

3. This Application is made pursuant to R.C. 4905.13, and related sections. R.C. 4905.13 authorizes the Commission to establish systems of accounts to be kept by public utilities and to prescribe the manner in which these accounts shall be kept.

4. Since the Commission's Opinion and Order in Case No. 08-920-EL-SSO, *et al*., the Company has recovered costs for implementation of energy efficiency and peak demand reduction programs. The cost recovery mechanism approved in that case was called Rider Save-

a-Watt or Rider SAW. This novel cost recovery mechanism took effect with the Company's first electric security plan on January 1, 2009, and was effective through December 31, 2011.

5. Subsequent to the Commission's approval of Rider SAW, the Commission promulgated rules to facilitate compliance with the states mandates for energy efficiency. In order to comply with these new rules, the Company resubmitted its energy efficiency portfolio for approval under new O.A.C. 4901:1-39-04. The Company did not request approval of a new cost recovery mechanism at that time because its cost recovery mechanism had already been approved.

6. Duke Energy Ohio next received Commission approval to recover costs for energy efficiency and peak demand reduction programs, lost distribution revenue and incentives through Rider EE/PDR. This rider was approved by the Commission in Case No.11-4393-EL-RDR, on August 15, 2012. With that proceeding, Rider EE/PDR replaced Rider SAW. Rider EE/PDR was perpetuated in Case No. 13-753-EL-RDR. In that case, the Rider EE/PDR was approved to continue as the Company's cost recovery rider through 2016.

7. Since the implementation of Rider SAW and Rider EE/PDR, Duke Energy Ohio has consistently maintained compliance with the Ohio energy mandates set forth initially in Amended Substitute Senate Bill 221, and amended in SB310 and again in Ohio Senate Bill 310.

8. Duke Energy Ohio submitted an application for approval of a new energy efficiency and peak demand reduction portfolio on June 15, 2016, so that its portfolio could be approved and in place for January 1, 2017. This timing was important in order to make it possible for the Company to meet the mandates set forth in Ohio law and to provide for uninterrupted services to Duke Energy Ohio customers.

9. As the portfolio has not yet been approved by the Commission, in order to continue providing cost-effective programs for energy efficiency, thereby complying with Ohio law and specific mandates, the Company is continuing its existing, approved portfolio of programs until the Commission approves a new portfolio for Duke Energy Ohio customers. The Company intends to recover the cost of continuing these programs through the existing rider, or through any new rider that may be approved by the Commission for such purposes, or through an alternative recovery mechanism as ordered by the Commission. The Company reserves the right to terminate its programs due to any regulatory or legislative change that materially modifies existing regulatory or legal requirements, or due to rejection of this application. If such termination should occur, the Company would pursue recovery of costs up until programs were discontinued.

10. Since costs incurred for energy efficiency and peak demand reduction program work done in 2017 should be recovered through a rider or cost recovery mechanism specific to the 2017 portfolio, the Company would expect to count such energy efficiency benefits for measurement in 2017, and would use the impacts to meet statutory mandates applicable to 2017.

11. On December 22, 2016, the Company and many of the intervenors in the Company's pending portfolio proceeding submitted a stipulation stating that all of the signatories to that document support this application and the Company's ability to defer program costs and lost distribution revenue associated with programs offered during 2017.

12. Accordingly, the Company seeks to defer these costs incurred for energy efficiency and peak reduction programs and lost distribution revenue incurred between January 1, 2017, and the Commission's issuance of a final order in Case No.16-576-EL-POR.

13. In some cases involving deferral requests, the Commission Staff has suggested certain criteria to be considered when the Commission is determining whether to approve a request for a deferral. According to Commission Staff, the following six criteria should be considered:

1. Whether the current level of costs included in the last rate case insufficient;
2. Whether the costs requested to be deferred are material in nature;
3. Whether the problem was outside of the Company's control;
4. Whether the expenditures are atypical and infrequent;
5. Whether the costs would result in financial harm to the Company; and
6. Whether the Commission could encourage the utility to do something it would not otherwise do through the granting of deferral authority.

The Company is able to meet all of these criteria with respect to the ongoing expenditures related to the provision of energy efficiency and demand response services. First, none of these costs are recovered in base rates, as they have been recovered through riders since their inception. Second and third, the costs are most certainly material in nature and the reason for incurrence of such costs is outside the control of the Company. The Company filed its application in this proceeding in June 2016 in an effort to provide sufficient time to prosecute the case prior to the end of 2016. Fourth, these expenditures are atypical in that it is an unusual circumstance for the Company to be placed in the predicament of either having to shut down all of its ongoing energy efficiency services or otherwise risk non-recovery of costs. Fifth, inability to recover costs related to providing energy efficiency and demand reduction does indeed present a risk of very serious financial harm to the Company. Finally, the Commission can most

certainly affirm and support the ongoing provision of these valuable services to Duke Energy Ohio customers through approval of this deferral request. Without a deferral, the ongoing risks inherent in providing these programs in an environment of uncertainty may discourage more positive outcomes and could instead result in suspension of programs altogether.

WHEREFORE, Duke Energy Ohio respectfully requests that the Commission approve Duke Energy Ohio's request to defer costs and lost distribution revenues, as well as any incentive associated with impacts achieved during 2017, for recovery in a mechanism to be determined in by the Commission.

Respectfully submitted,

Duke Energy Ohio, Inc.

/s/ Elizabeth H. Watts
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

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Summary: Application APPLICATION OF DUKE ENERGY OHIO, INC.
FOR AUTHORITY TO DEFER ENERGY EFFICIENCY AND PEAK DEMAND REDUCTION PROGRAM COSTS AND LOST DISTRIBUTION REVENUE. electronically filed by Carys Cochern on behalf of Watts, Elizabeth H. Ms.