BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke Energy Ohio, Inc. for an Increase in Electric Distribution Rates.	)))	Case No. 17-32-EL-AIR
In the Matter of Application of Duke Energy Ohio, Inc. for Tariff Approval.	)))	Case No. 17-33-EL-ATA
In the Matter of the Application of Duke Energy Ohio, Inc. for Approval to Change Accounting Methods.	))))	Case No. 17-34-EL-AAM
In the Matter of the Application of Duke Energy Ohio, Inc. for Approval to Modify Rider PSR.	)))	Case No. 17-872-EL-RDR
In the Matter of Application of Duke Energy Ohio, Inc. for Approval to Amend Rider PSR.	)))	Case No. 17-873-EL-ATA
In the Matter of the Application of Duke Energy Ohio, Inc. for Approval to Change Accounting Methods.	))))	Case No. 17-874-EL-AAM
In the Matter of the Application of Duke Energy Ohio, Inc., for Authority to Establish a Standard Service Offer Pursuant to Section 4923.143, Revised Code, in the Form of an Electric Security Plan, Accounting Modifications and Tariffs for Generation Service.	)))))))	Case No. 17-1263-EL-SSO
In the Matter of Application of Duke Energy Ohio, Inc. for Authority to Amend its Certified Supplier Tariff, P.U.C.O. No. 20.	))))	Case No. 17-1264-EL-ATA
In the Matter of the Application of Duke Energy Ohio, Inc. for Authority to Defer Vegetation Management Costs.	))))	Case No. 17-1265-EL-AAM

OHIO PARTNERS FOR AFFORDABLE ENERGY'S INITIAL BRIEF

I. Introduction

Ohio Partners for Affordable Energy ("OPAE") herein submits to the Public Utilities Commission of Ohio ("Commission") this initial post-hearing brief in the proceedings to consider the above-referenced applications made by Duke Energy Ohio, Inc. ("Duke") for an increase in electric distribution rates, tariff approval, and a change in accounting methods; for approval to modify a Price Stabilization Rider ("Rider PSR"), to amend Rider PSR, and a change in accounting methods; and for authority to establish a standard service offer ("SSO"), to amend Duke's certified supplier tariff, and defer vegetation management costs. OPAE is a signatory party to the Stipulation and Recommendation ("Stipulation") filed in these dockets on April 13, 2018 and entered into the hearing record as Joint Exhibit 1. The Stipulation satisfies the Commission's three-part test for the reasonableness of stipulations; therefore, the Commission should approve the Stipulation in its entirety.

II. The Stipulation Satisfies the Commission's Three-part Test for the Reasonableness of Stipulations.

Duke presented the testimony of Amy B. Spiller, state president of Duke, in support of the Stipulation. Duke Ex. 5 at 3. She testified that the Stipulation represents the product of serious bargaining among capable, knowledgeable parties. Id. at 26. The signatory parties include Duke, the Staff of the Commission ("Staff"), and a broad cross-section of customer groups, including low-income service organizations, municipalities, and industrial and commercial businesses. Id. All parties had the opportunity to participate in the settlement discussions where all issues were reviewed and discussed. The settlement discussions resulted in a series of compromises, confirming that serious bargaining occurred. Id. at 27. In addition, Ms. Spiller testified that the Stipulation does not violate any important regulatory principle or practice. The Stipulation, in its entirety, represents a compromise. Had certain terms not been included as part of the overall resolution, there would not have been a settlement. Id. at 9.

The Stipulation also provides significant benefits across all customer groups and for other interested stakeholders. Id. at 27. Customers will benefit through the reduction in Duke's base distribution rates. In addition, Duke's original proposal to increase the monthly residential customer charge using a straight-fixed variable rate design was not adopted. Id. at 8.

Staff witness Patrick Donlon also testified that the Stipulation satisfies the Commission's three-part test. Staff Ex. 17 at 8-11. Of particular interest to OPAE, Mr. Donlon referred to the Stipulation's provision of continued support of low-income weatherization initiatives. Id. at 10.

Specifically with regard to the SSO applications, Ms. Spiller testified that the Stipulation advances important regulatory policies in that it promotes the state policy contained in Revised Code ("R.C.") Section 4928.02. Duke Ex. 5 at 27. She testified that the Stipulation provides protections for at-risk populations by providing funding for weatherization programs and other programs administered by the City of Cincinnati. Id. at 23.

Mr. Donlon testified that the stipulated Electric Security Plan ("ESP") is more favorable in the aggregate than a Market-Rate Offer ("MRO"). Id. at 11-12. Under the stipulated ESP, the base generation rates to be charged SSO customers will continue to be established through a fully auction-based process so that generation rates are equivalent to the MRO. The recovery of revenue associated with distribution-related riders are the same whether recovered through the ESP riders or a distribution base rate case conducted in conjunction with an MRO so that such investment is not considered in a quantitative MRO versus ESP analysis. Id. at 12.

For qualitative benefits of the ESP versus an MRO, Mr. Donlon referred to the advances to state policy objectives listed in R.C. 4928.02, including low-income customer protections. Id. at 15. The Stipulation provides funds for weatherization programs to be administered by People Working Cooperatively to assist low-income families. These programs help low-income families by providing various weatherization techniques to help reduce the amount of energy low-income families need to heat and/or cool their residencies, which will reduce their usage and thus their overall bills. Additionally, through the Stipulation, funds will be made available to the City of Cincinnati to assist customers at or below 200 percent of the federal poverty guidelines with disconnections for nonpayment and energy efficiency programs and public service announcements. Id. at 19.

III. The Commission Should Reject the Proposal of RESA and IGS.

The Retail Energy Supply Association ("RESA") and Interstate Gas Supply ("IGS") presented the testimony of J. Edward Hess. RESA-IGS Ex. 1. Mr. Hess recommended that Duke be required to unbundle the distribution costs required to process and administer the standard service offer ("SSO") and allocate these costs only to SSO customers rather than to all distribution customers.

Mr. Hess claims that his proposal would ensure that SSO customers pay for all the services they receive, that shopping customers are not charged for services they do not receive, and that the subsidy that artificially lowers the price of SSO service is eliminated. Id. at 9-10. He claims that his proposal, by adding costs to SSO service, would make SSO rates comparable to rates of competitive generation providers. Id. at 4. He would establish a credit rider for all customers allowing them to avoid distribution costs that support the SSO administrative and processing functions and an avoidable cost-recovery rider that collects these costs only from SSO customers. Id. at 13. The credit rider and the avoidable cost-recovery rider would have to be adjusted periodically to reflect the changing levels of shopping in Duke's service territory. Every six months Duke would re-calculate both the credit rider and the avoidable cost-recovery rider. Id. at 17.

The Office of the Ohio Consumers' Counsel ("OCC") presented the testimony of Wm. Ross Willis to rebut the testimony of Mr. Hess. OCC Ex. 22 at

3. Mr. Willis recommended that the Commission not adopt the RESA-IGS proposal to charge SSO customers the cost-recovery rider amounting to $23 million per year. Mr. Willis explained that all electric distribution utilities in Ohio are required by law to provide an SSO to customers. The SSO benefits all customers, including shopping customers. For a shopping customer, if the customer's supplier fails to provide service, the customer receives the SSO as a default service. The distribution utility is obligated to stand ready to serve in the event of a supplier default. Id. at 6-7. Therefore, the cost allocation recommended by RESA-IGS to shift SSO costs way from the shopping customers and reassign them only to non-shopping customers should not be adopted. All costs that Duke incurs to provide services to or on behalf of shopping and non-shopping customers are properly assigned to the distribution function. Id. at 7.

The SSO benefits both shopping and non-shopping customers. Non-shoppers receive electric generation that is competitively bid through the SSO and shopping customers have the SSO a safety net in case their supplier defaults. The SSO also provides a price-to-compare that customers can use to evaluate competitive supplier offers. Because all customers benefit from the SSO, all customers should share in the costs of providing and administering the SSO. Id. at 8.

Staff witness Craig Smith testified that all customers pay for distribution costs in distribution rates. Shopping customers do not pay for distribution costs in supplier charges; therefore, shopping customers do not pay distribution charges twice. Staff Ex. 14 at 6. Shopping customers pay only for generation service through their suppliers' charges. Id. Therefore, there is no need for a further unbundling of distribution charges from distribution rates.

Moreover, in order to determine whether the administrative, operating, and non-operating costs associated with the provision of shopping or SSO differ substantially enough to justify an allocation, a comprehensive study would be required. The study would need to compare the services and costs associated with shopping and the SSO and find that there is a substantial difference between the costs to provide the SSO and shopping. No such study has been conducted, and it is unclear that such a study could be conducted. Id.

OPAE strongly opposes the RESA-IGS proposal and asserts that the Stipulation's omission of such a proposal is an important factor in OPAE's support of the Stipulation and the Stipulation satisfying the Commission's three-part test for the reasonableness of stipulations. For Duke, all customers are distribution customers. A customer may be an SSO or a shopping customer at any given time as the choice of generation service is fluid from month to month. Therefore, the distinction of which generation service a distribution customer chooses is not a definable class for cost allocation when a customer can choose the SSO or shopping at any time. Duke, as the distribution utility, is required to provide the SSO and shopping at all times. The embedded costs to the distribution utility to maintain SSO and shopping are costs for assets used jointly by all customers that should be recovered from all distribution customers. Therefore, the Commission should reject the RESA-IGS proposal.

IV. Conclusion

The Stipulation satisfies the Commission's three-part test for the reasonableness of stipulations, and therefore, the Commission should approve the Stipulation in its entirety. The proposal presented by RESA-IGS ignores the fact that the distribution utility must make both the SSO and shopping available to all distribution customers at all times so that the associated costs should not and cannot be allocated to each of these services separately but must be collected equally from all distribution customers.

Respectfully submitted,

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CERTIFICATE OF SERVICE

A copy of the foregoing Initial Brief will be served on this 11th day of September 2018 by the Commission's e-filing system to the parties who have electronically subscribed to these cases.

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