

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Duke)
Energy Ohio, Inc. to Adjust Rider DR-IM and) Case No. 14-1051-GE-RDR
Rider AU for 2013 Grid Modernization Costs.)

**REPLY COMMENTS
OF THE RETAIL ENERGY SUPPLY ASSOCIATION**

Duke Energy Ohio, Inc. (“Duke”) proposes, in this proceeding, to adjust its Distribution Reliability – Infrastructure Modernization Rider (“Rider DR-IM”) and its Advanced Utility Rider (“Rider AU”) to collect roughly \$60 million in grid modernization deployment costs incurred in 2013 and some 2012 costs not collected before. As pointed out by multiple parties, this adjustment proceeding occurs at a critical juncture – Duke has nearly completed its grid modernization efforts¹ and its recovery of the prudent deployment costs should be allowed so long as the deployed equipment is operating successfully, including the advanced metering infrastructure (“AMI”) meters. Moreover, since Duke is close to completing its grid modernization and Duke expects to receive Department of Energy stimulus funds (but when is unknown), Duke should be specifically directed to incorporate the anticipated future stimulus monies into the riders, once those monies are received.

I. Multiple Parties Seek to Tie the Cost Recovery to the Grid Modernization Benefits

The Retail Energy Supply Association (“RESA”)² believes that, in general, Duke should be compensated for its prudent expenditures on its advanced grid system, but RESA and other parties³

¹ Duke expects its Smart Grid project deployment to be completed, with all benefits in place, by the second quarter of 2015. (Schneider Direct Testimony at 3)

² RESA’s members include: AEP Energy, Inc.; Champion Energy Services, LLC; Consolidated Edison Solutions, Inc.; Constellation NewEnergy, Inc.; Direct Energy Services, LLC; GDF SUEZ Energy Resources NA, Inc.; Homefield Energy; IDT Energy, Inc.; Integrys Energy Services, Inc.; Interstate Gas Supply, Inc. dba IGS Energy; Just Energy;

believe that, now, cost recovery should be tied to full and appropriate use of the SmartGrid equipment. Not only is establishment of this link between cost recovery and program success/benefits logical at this time, it is imperative. Duke has reported that its grid modernization is close to complete. In particular, the AMI meter deployment is very close to completion: Duke has confirmed that the AMI deployment is approximately 99.9% complete and more than 93% of the AMI meters installed have data ready for billing, while the remainder is expected to be completed in the near future.⁴ Nearly every Duke customer's energy usage will soon be measured by AMI meters. The time is now to ensure that full use and benefits of the AMI meters deployed are available.⁵

Duke highlighted that with these AMI meters in place, as well as the other components of the grid modernization project, customer experience benefits. RESA too wants customers to be able to benefit from the AMI meters. AMI meters provide the platform for advanced conservation programs and innovative competitive market offers, and, when paired with the proper distribution network, AMI meters allow customers both greater knowledge and greater control over their energy usage. Duke should not simply recover all of the requested amounts (roughly \$60 million)⁶ without any counterbalance from the Public Utilities Commission of Ohio ("Commission"), namely the opportunity to receive all benefits of the AMI meters.

Just like a homeowner would not pay all the costs for a major construction project well in advance of its full and successful completion, the Commission should not require Duke's ratepayers

Liberty Power; MC Squared Energy Services, LLC; Mint Energy, LLC; NextEra Energy Services; Noble Americas Energy Solutions LLC; NRG Energy, Inc.; PPL EnergyPlus, LLC; Stream Energy; TransCanada Power Marketing Ltd. and TriEagle Energy, L.P. The comments expressed in this filing represent only those of RESA as an organization and not necessarily the views of each particular RESA member.

³ Ohio Partners for Affordable Energy ("OPAE") Initial Comments at 2-4, IGS Energy Initial Comments at 8; and Ohio Consumers' Counsel ("OCC") Initial Comments at 4, 8-9.

⁴ Schneider Direct Testimony at 3-4.

⁵ RESA's argument on this point is within the directive of the Attorney Examiner (in his October 16, 2014 Entry), which prohibited RESA and others from examining witnesses *at hearing* or otherwise raising *at hearing* the customer energy usage data and data sharing issues, including smart meters.

⁶ Laub Direct Testimony at Attachment PAL-1, pages 2 and 21; and at Attachment PAL-2, pages 2, 3 and 17.

to pay \$60 million (nearly all of Duke's outstanding costs for its grid modernization) without recognizing that successful completion has not yet occurred without the AMI meter data being accessible to the customers and competitive suppliers in Duke's service territory. Both representative of customers who filed comments in this proceeding make this very same point. OCC contends that the Commission must take action to ensure that the SmartGrid equipment being paid for by customers is providing benefits to those very customers.⁷ OPAE went even further, arguing that the suppliers' concern should not only be addressed in this proceeding so that suppliers can obtain the AMI data needed to enhance the use of smart meters for the benefit of customers, but that the two riders should not be continued without the AMI meter data being provided to suppliers.⁸ Such consistency across the industry participants should highlight the importance of this issue and the need to impose such an appropriate condition at this time. Accordingly, the Commission should expressly condition the recovery of the \$60 million upon Duke making the usage data available to customers and to competitive suppliers so that the customers can learn about their usage and so that competitive suppliers may develop advanced products, offer them in the market, and use the data for billing purposes.

II. Department of Energy Stimulus Monies are Anticipated and Should be Recognized

Duke expects to receive stimulus monies from the Department of Energy related to the SmartGrid modernization, but it is not clear when those monies will arrive. Nothing stated in the other parties' comments touched upon this point, including the Staff's proposed adjustments to the rider calculations. The Commission should make any approval of rider adjustments at this time subject to further adjustment when those monies are received. This is an additional point because the SmartGrid modernization is nearing its conclusion, but it is not known when the stimulus

⁷ OCC Initial Comments at 4, 8-9.

⁸ OPAE Initial Comments at 2, 4.

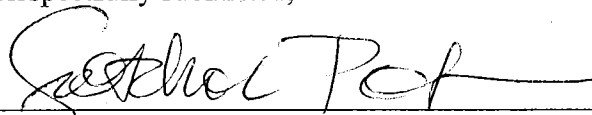
monies will be received. Such an additional directive will ensure that those monies are passed on via an appropriate credit in the riders.

III. Conclusion

WHEREFORE, RESA respectfully requests that the Commission:

- condition the recovery of the 2013 deployment costs upon Duke making the AMI meter usage data available to customers and to competitive suppliers; and
- require Duke to file a notification and appropriate rider adjustments with the Commission when Duke receives the anticipated stimulus funds from the Department of Energy.

Respectfully submitted,



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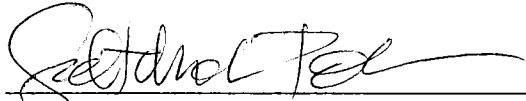
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CERTIFICATE OF SERVICE

The Public Utilities Commission of Ohio's e-filing system will electronically serve notice of the filing of this document on the parties referenced on the service list of the docket card who have electronically subscribed to the case (those individuals are marked with an asterisk below). In addition, the undersigned certifies that a courtesy copy of the foregoing document is also being served (via electronic mail) on the 31st day of October 2014 upon all persons/entities listed below:



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