

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Notice of Intent by :  
**Ohio Gas Company d/b/a Dominion** : Case No. **11-5843-GA-RDR**  
**East Ohio Gas Company** to File an :  
Application to Adjust Automated Meter :  
Reading Cost Recovery Charge :

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**POST-HEARING BRIEF**  
SUBMITTED ON BEHALF OF THE STAFF OF  
THE PUBLIC UTILITIES COMMISSION OF OHIO

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**INTRODUCTION**

This case is about ensuring that customers receive the benefits of the automated meter reader (“AMR”) installation program (the “AMR program”) that they were promised. In 2006, Dominion East Ohio (“DEO”) requested approval of a five-year AMR program. This would provide DEO essentially real-time recovery of its cost to install AMRs throughout its system. DEO sold the AMR program by highlighting the substantial level of O&M savings customers would receive. Because the bulk of the O&M benefits would come near the end of the program, it was important to timely complete the program in order for customers enjoy its full benefits. This is only fair considering that customers have been paying for the AMR program, year after year, through the AMR Cost Recovery Charge (“AMR rider”).

The Commission expressed its concerns about ensuring that customers timely receive O&M benefits. The Commission ordered DEO to demonstrate how it would complete the program by the end of 2011. In addition, the Commission ordered DEO to install the AMRs at the earliest time possible in order to maximize savings for customers. Despite the Commission's orders, DEO failed to complete the program by the end of 2011 and failed to maximize savings for customers.

It is now DEO's burden to explain why it did not complete the AMR program on time. When initiating the program, DEO knew exactly how many meters it had on its system and it knew the potential problems with accessing some "hard-to-access" meters. With this information in mind, DEO represented that would complete the AMR program by the end of 2011. DEO is now reneging on this promise. It should not be allowed to do so. It would be unfair to the customers that have been paying for the AMR program. Furthermore, DEO's actions violate the Commission's Order from Case No. 09-1875-GA-RDR ("2009 Order")<sup>1</sup>. Therefore, Staff recommends an adjustment of DEO's proposed O&M savings amount in this case. This adjustment will result in a just and reasonable AMR rider charge and allow customers to fully reap the benefits of the program they paid for.

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<sup>1</sup> Staff Exhibit 3 (*In the Matter of the Application of The East Ohio Gas Company dba Dominion East Ohio for Approval of Tariffs to Recover Certain Costs Associated with Automated Meter Reading Deployment through Automatic Adjustment Clause, and for Certain Accounting Treatment*, Case No. 09-1875-GA-UNC (Opinion and Order) (May 5, 2010)) at 10.

## STATEMENT OF THE ISSUES

This case boils down two issues: (1) was DEO required to complete the AMR program by December 31, 2011 and (2) did DEO violate the 2009 Order by failing to complete the AMR program sooner? Staff believes the answer to both of these questions is “yes.”

DEO requested permission to recover the cost of installing AMRs throughout its system in the form of the AMR rider. The Commission granted this request, and DEO has been recovering of its cost from ratepayers each year. Staff always understood and intended for DEO’s five-year AMR program to be completed by December 31, 2011. Based upon the 2009 Order, Staff believes this was the Commission’s understanding and intent also. In addition, the Commission ordered DEO to install the AMRs faster in order to maximize savings for ratepayers. Despite the Commission’s order, DEO failed to complete the AMR program by the end of 2011. In addition, DEO’s pace of deployment slowed after the year 2009.

DEO claims that it was unable to complete the AMR program by the end of 2011 because it had trouble accessing “hard-to-access” and commercial meters.<sup>2</sup> But DEO has known about its issues with accessing “hard-to-access” and commercial meters for years.<sup>3</sup> Instead of requesting an extension or informing the Commission that it would not be able meet its deadline, DEO is now claiming that the deadline did not exist. By

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<sup>2</sup> Tr. at 49, ln. 6- 17.

<sup>3</sup> *Id.* at 50, ln. 5- 18; Tr. at 173, ln. 13; *Id.* at 174, ln. 14.

ignoring the December 31, 2011 deadline and the 2009 Order, DEO will ultimately cost its customers more money. Therefore, the Commission should either adopt Staff's recommended adjustment to DEO's proposed O&M savings of \$5,139,971 or order DEO to recalculate its O&M savings as if it had fully complied with the Commission's 2009 Order.

### **BURDEN OF PROOF**

DEO bears the burden of proof in this case. As the utility seeking to increase its rates or charges, DEO has the burden of proving that its proposed charge is just and reasonable.<sup>4</sup> DEO is seeking to charge customers \$.054 per month to recover for its 2011 installations.<sup>5</sup> Its revenue requirement calculation incorporates a proposed \$3,511,695 in O&M savings.<sup>6</sup> Staff recommends an adjustment to DEO proposed revenue requirement because it does not believe DEO's proposed savings level is just or reasonable. It is upon DEO to prove otherwise.

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<sup>4</sup> Ohio Rev. Code Ann. §§ 4909.19, 4929.04(C) (West 2012).

<sup>5</sup> Staff Exhibit 8 (Staff Comments) at 5.

<sup>6</sup> *Id.*

## DISCUSSION

### **A. The five-year AMR Program began January 1, 2007 and ended December 31, 2011.**

At the inception of the AMR program, DEO indicated that it would complete the five-year AMR program by the end of 2011.<sup>7</sup> DEO failed to meet this deadline. DEO is now making the dubious claim that this deadline never existed. DEO, however, cannot honestly dispute that the program was supposed to last five-years. DEO Witness Fanelly admitted that it was a five-year program.<sup>8</sup> Thus, the real question is when the five-year period began and when it ended. The evidence unequivocally proves that DEO, Staff, and the Commission all intended the AMR Program to begin January 1, 2007 and end on December 31, 2011. The Commission should require DEO to stand by its commitment and enforce the December 31, 2011 deadline.

#### **1. The application for approval of the AMR Program indicates that the program would take five years and would begin in early 2007.**

On December 13, 2006, DEO filed an application (“AMR Application”) seeking approval of the AMR program.<sup>9</sup> In the AMR Application, DEO proposed a five-year installation plan.<sup>10</sup> It proposed to “replace all of its remote meter index devices with

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<sup>7</sup> DEO Exhibit 3 Application, Case No. 06-1453 (“AMR Application”), DEO Ex. 3 at 2.

<sup>8</sup> Tr. at 139, ln. 20-23.

<sup>9</sup> DEO Exhibit 3 (AMR Application) at 4.

<sup>10</sup> *Id.* at 2, 4.



automated meter reading (“AMR”) devices and to install AMR equipment on all of its other meters over a five-year period.”<sup>11</sup>

In the AMR Application, DEO outlined how it would install the AMRs over the five-year period. It specifically mentioned its “pace of deployment” for 2007.<sup>12</sup> DEO indicated that it would “commence replacement of the American and Badger units in the first quarter of January 2007 with the intent of substantially completing those replacements within two years.”<sup>13</sup> As indicated in its AMR Application, DEO began replacing the American and Badger units in early 2007. As planned, the removal of the American and Badger units took place during the first two years of the five-year AMR program – that being, 2007 and 2008.<sup>14</sup> It also installed approximately 132,000 AMRs in 2007.<sup>15</sup> This amount is consistent DEO’s initial annual installation projection, which indicated that it would install 122,000 AMRs in 2007.<sup>16</sup> This installation of 132,000 AMRs in 2007 was a substantial amount more than the 524 that were installed in 2006.<sup>17</sup> DEO

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<sup>11</sup> *Id.* at 2.

<sup>12</sup> *Id.* at 5.

<sup>13</sup> DEO Exhibit 3 (AMR Application) at 5, 6.

<sup>14</sup> Tr. at 161, ln. 17; *Id.* at 162, ln. 3.

<sup>15</sup> *Id.* at 22, ln. 8-19.

<sup>16</sup> Staff Exhibit 7, Prefiled Testimony of Pete Baker at 4, ln. 2-9, Exhibit PB-2

<sup>17</sup> Staff Exhibit 8 (Staff Comments) at pg. 5; DEO Ex. 9 (*In the Matter of the pre-Filing Notice of Application of the East Ohio Gas Company dba Dominion East Ohio for Approval of Tariffs to Recover Certain Costs Associated with Automatic Meter Reading Deployment through an Automatic Adjustment Clause, and for Certain Accounting Treatment*, Case No. 10-2853-GA-RDR (Staff Comment) at 4.

Witness Friscic admitted that, “by and large”, DEO began the installation of the AMRs in 2007.<sup>18</sup> Thus, despite its claims to the contrary, DEO installed AMRs in 2007 at an “accelerated pace.”

Furthermore, DEO recovered for the installation of the vast majority of these 2007 installations through the AMR rider.<sup>19</sup> It is disingenuous for DEO to now claim it was entitled to recover for the 2007 installations through the AMR rider while claiming that 2007 was not part of the five-year AMR program. DEO also informed Staff, through its response to a data request, that the five-year installation plan would begin in 2007 and end in 2011.<sup>20</sup> In the data request, Staff did not specifically identify installation years.<sup>21</sup> DEO, however, clearly indicated in its response that 2007-2011 were the installation years.<sup>22</sup> This is yet another indicator that DEO planned on ending the program in 2011 all along.

**2. The time period for the AMR Program coincided with the waiver of MGSS rules, which ended on December 31, 2011.**

DEO’s AMR Program was supposed to coincide with its waiver of certain Minimum Gas Service Standards (“MGSS”) rules, which ended on December 31, 2011.

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<sup>18</sup> Tr. at 86, ln. 22-23.

<sup>19</sup> *Id.* at 28, ln. 10-25, Tr. at 68, ln 13-16.

<sup>20</sup> Staff Ex. 7 (Prefiled Testimony of Pete Baker, Exhibit PB-2).

<sup>21</sup> *Id.*

<sup>22</sup> *Id.*

This is another indication that the AMR Program was supposed to end on December 31, 2011.

The MGSS rules went into effect on January 1, 2007.<sup>23</sup> DEO Witness Friscie admits that primary purpose of the AMR program was to enable DEO to comply with the MGSS rules.<sup>24</sup> Before the rules went into effect, DEO filed the Waiver Application. DEO filed the Waiver Application on December 13, 2006 - the same day it filed its AMR Application.<sup>25</sup> Among other MGSS rules, DEO sought a waiver of Rule 4901:l-13-04(G)(1) (“actual meter read rule”), which requires natural gas companies to obtain actual readings of their customers’ meters at least once every twelve months.<sup>26</sup> DEO indicated that the waiver of the actual meter read rule would begin on “the effective date of the MGSS rules” (January 1, 2007) until DEO completed “the deployment of AMR devices throughout its system,” which it “estimate[d] [would] take five-years.”<sup>27</sup>

Like the AMR Application, the Waiver Application indicates that DEO would start the AMR Program by replacing the remote index equipment with AMRs beginning in the first quarter of 2007.<sup>28</sup> DEO proposed “[a] temporary waiver treating reads from

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<sup>23</sup> Staff Ex. 1 (Application, 06-1452 (“Waiver Application”)) at 1; Tr. at 87, ln. 10-23.

<sup>24</sup> Tr. at 88, ln. 10-14; Tr. at 20, ln. 20-25.

<sup>25</sup> Staff Ex. 1 (Waiver Application) at 1.

<sup>26</sup> Staff Ex. 1 (Waiver Application) at 1.

<sup>27</sup> *Id.* at 2.

<sup>28</sup> *Id.* at 2.

remote index devices as actual reads *during* the Company's AMR deployment.”<sup>29</sup> The Commission ultimately granted DEO's waiver request for a period of five-years.<sup>30</sup> As requested by DEO, this five-year waiver began on January 1, 2007, the effective date of the MGSS rules.<sup>31</sup> Furthermore, DEO Witness Friscie acknowledged that this five-year waiver of the MGSS rules was supposed to coincide with the time-frame for the AMR program.<sup>32</sup> Thus, both the Waiver Application and the AMR Application prove that the five-year AMR Program ended on December 31, 2011.

DEO still had 9,530 AMRs to install after December 31, 2011. The evidence shows, however, that DEO's authority for the five-year AMR program ended on December 31, 2011. Thus, because DEO has not completed installation of all the AMR devices, DEO must seek approval from the Commission to recover cost for the installing the remaining AMRs after the end of 2011.

**3. The “Project Employee Meter Reading Agreement” is further evidence that AMR program was supposed to end on December 31, 2011.**

The “Project Employee Meter Reading Agreement” is further evidence that AMR program was supposed to end on December 31, 2011. DEO entered into the “Project

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<sup>29</sup> *Id.* at 3. (emphasis added)

<sup>30</sup> Staff Ex. 2 (*In the Matter of the Application of The East Ohio Gas Company dba Dominion East Ohio for Certain Waivers of Chapter 4901:1-13, Ohio Administrative Code*, Case No. 06-1452-GA-WVR (Entry at 5) (May 24, 2007)).

<sup>31</sup> Staff Ex. 1 (Wavier Application) at 2.

<sup>32</sup> Tr. at 34, ln. 24; *Id.* at 36, ln. 6.

Employee Meter Reading Agreement”, which provided that DEO would hire and temporarily retain “project employees” to read meters until the AMR installations were complete.<sup>33</sup> DEO entered into this contract in 2007.<sup>34</sup> DEO Witness Fanelly testified that contract ended on December 31, 2011.<sup>35</sup> These “project employees” were only needed during the AMR program.<sup>36</sup> Because the “project employee” contract ended on December 31, 2011, clearly DEO did not intend the AMR program to extend beyond this date.

**B. DEO violated the 2009 Order by not completing the AMR program by the end of 2011 and not installing the AMRs at the earliest time possible. This will ultimately delay savings and force DEO’s customers to pay more money.**

DEO’s lack of authority to continue the AMR program is not the only problem in this case. DEO’s failure to timely complete the AMR program also means DEO violated the Commission’s 2009 Order. DEO also violated the 2009 Order by failing to install the meters at the earliest time possible in order to maximize savings for its customers. At the end of the day, this will cost ratepayers approximately \$1,628,276 in O&M savings.<sup>37</sup>

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<sup>33</sup> Tr. at 176, ln. 2-19.

<sup>34</sup> *Id.* at 176, ln. 2 -177, ln. 1.

<sup>35</sup> DEO Ex. 2 (Prefiled Direct Test. of Carleen Fanelly) at 9, ln. 12-15.

<sup>36</sup> *Id.*

<sup>37</sup> Staff Exhibit 9(a) (Errata to Prefiled Testimony of Kerry Adkins) at 19, ln. 17.

**1. DEO failed to complete the AMR program by the end of 2011.**

In the 2009 Order, the Commission ordered DEO to “demonstrate how it [would] achieve the installations of the devices on the remainder of the meters by the end of 2011.”<sup>38</sup> This clearly indicates that the Commission expected DEO to be finished installing the AMRs by the end of 2011. The Commission was so concerned about DEO completing the AMR program by the end of 2011 that it ordered DEO, *sua sponte*, to file an AMR Plan that described how it would meet this deadline.<sup>39</sup> Furthermore, the Commission obviously viewed “the end of 2011” as a crucial date. DEO, however, failed to complete the AMR program by this deadline.

**2. DEO failed to install the AMR devices in a manner that would maximize savings at the earliest possible time.**

The 2009 Order also required DEO to install the AMR devices in a manner that would maximize savings at the earliest possible time.<sup>40</sup> DEO admits that it was obligated to maximize savings at the earliest possible time pursuant to the 2009 Order.<sup>41</sup> To

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<sup>38</sup> Staff Exhibit 3 (*In the Matter of the Application of The East Ohio Gas Company dba Dominion East Ohio for Approval of Tariffs to Recover Certain Costs Associated with Automated Meter Reading Deployment through Automatic Adjustment Clause, and for Certain Accounting Treatment*, Case No. 09-1875-GA-UNC (Opinion and Order) (May 5, 2010)) at 10.

<sup>39</sup> *Id.* Neither Staff nor OCC specifically requested that DEO be required to file the AMR plan. The Commission ordered DEO to do so upon its own volition.

<sup>40</sup> *Id.*

<sup>41</sup> Tr. at 143-144.

maximize savings, DEO needed to reach “critical mass” faster.<sup>42</sup> “Critical mass” has been described as achieving 95% deployment in in a local shop.<sup>43</sup> The sooner DEO is able to reach critical mass in an area, the sooner O&M savings can be passed on to customers.<sup>44</sup> Staff Witness Kerry Adkins explained how DEO could have saved customers more money by installing the AMRs faster. The vast majority of the meter reading cost is comprised of salaries paid to meter readers. By substantially reducing the number of meter readers, customers begin to enjoy substantive levels of O&M savings.<sup>45</sup> Installing the AMRs faster helps DEO reach critical mass sooner and, thus, allows DEO begin substantially reducing the amount of meter readers.<sup>46</sup> On the other hand, installing the AMRs slower reduces and delays the savings because DEO must retain the meter readers for a longer period of time.<sup>47</sup> Furthermore, even slightly accelerating or delaying installations has a substantial effect on savings near the end of the AMR program because that is when the greatest O&M savings are expected to be realized.<sup>48</sup>

For example, for the installation year 2010, if a delay in installations prevented DEO from reaching critical mass in certain local shops, DEO would not be able to release

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<sup>42</sup> Prefiled Testimony of Kerry Adkins at 6, ln. 10-11.

<sup>43</sup> *Id.*

<sup>44</sup> *Id.* at 7, ln. 1-5.

<sup>45</sup> *Id.* at 12, ln. 8 -15.

<sup>46</sup> Prefiled Testimony of Kerry Adkins at 12, ln. 8-15

<sup>47</sup> *Id.* at 7, ln. 5-9.

<sup>48</sup> *Id.*

meter readers in those shops in 2010.<sup>49</sup> This would cause the O&M savings reported in the 2011 recovery year to be less than it otherwise could have been without the delay.<sup>50</sup> Customers would then have to pay a higher AMR charge from May of 2011 through April of 2012. Furthermore, if DEO did not increase its pace of deployment in 2011 to make up for the previous year's shortfall, the problem would compound and further delay O&M savings for customers in the subsequent years.<sup>51</sup>

To maximize savings, DEO could have continued installing AMR devices at the pace it was installing devices in 2009.<sup>52</sup> Instead, DEO slowed down its rate of deployment in 2010 and 2011. In 2009, DEO installed 332,135 AMRs.<sup>53</sup> However, in 2010, it installed only 257,020 AMRs, and then 243,617 in 2011.<sup>54</sup> DEO claims that its rate of deployment was faster in 2009 because it was able to install AMRs on the "outside" or "easy-to-access" meters during that year.<sup>55</sup>

But DEO knew for years about its trouble with accessing "inside" and "hard-to-access" and meters.<sup>56</sup> DEO also it had exactly 556,000 "inside" meters before the AMR

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<sup>49</sup> *Id.* at pg. 7, ln. 11- pg. 8, ln. 12.

<sup>50</sup> *Id.*

<sup>51</sup> *Id.*

<sup>52</sup> Prefiled Testimony of Kerry Adkins at 13, ln. 1-12.

<sup>53</sup> *Id.*

<sup>54</sup> *Id.*

<sup>55</sup> Tr. at 47, ln. 23; *Id.* at 48, ln. 12.

<sup>56</sup> *Id.* at 50, ln. 5-15.



program began.<sup>57</sup> It also knew that these meters comprised 43% of all the meters on its system.<sup>58</sup> Knowing all this, DEO still represented that it could complete the five-year program by the end of 2011.<sup>59</sup> DEO should not be allowed to use hard-to-access meters as an excuse for failing to meet its own deadline when it should have planning for this problem all along.

Furthermore, Staff previously warned DEO that it needed to gain access to the inside and hard-to-access meters in order to complete the program by the end of 2011.<sup>60</sup> Staff recommended that DEO begin implementing meter access procedures to install AMRs on its inside and other hard-to-access meters well before the onset of cold weather.<sup>61</sup> Despite Staff's prior warnings, DEO failed to adequately address the issue of hard-to-access meters. Thus, DEO should not be allowed to use hard-to-access meters as an excuse for failing to install meters faster.

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<sup>57</sup> DEO Ex. 3 (AMR Application) at 2.

<sup>58</sup> *Id.*

<sup>59</sup> *Id.*

<sup>60</sup> DEO Ex. 9 (*In the Matter of the pre-Filing Notice of Application of the East Ohio Gas Company dba Dominion East Ohio for Approval of Tariffs to Recover Certain Costs Associated with Automatic Meter Reading Deployment through an Automatic Adjustment Clause, and for Certain Accounting Treatment*, Case No. 10-2853-GA-RDR (Staff Comments)) at 7.

<sup>61</sup> *Id.* at 8.

**3. DEO could have potentially saved its customers another \$1,628,276 if DEO would have fully complied with the 2009 Order.**

DEO could have saved its customers approximately another \$1,628,276 in O&M savings if it would have maintained the same rate of deployment that it employed in 2009.<sup>62</sup> If DEO wouldn't have slowed down after 2009, it could have completed the AMR installations by August 2011.<sup>63</sup> It then would have been able to transition to electronic monthly meter reads. Assuming it needed two months to convert to electronic monthly meter reads,<sup>64</sup> DEO could have substantially reduced the number of meter readers by October of 2011.<sup>65</sup> This would have created three months of full meter reading savings for the last three months of 2011.<sup>66</sup>

Staff calculated that DEO's O&M savings would have been \$5,139,971 if it would have maintained its 2009 rate of deployment.<sup>67</sup> This amount is much more consistent with the \$6 million in O&M savings that DEO projected when it began the AMR pro-

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<sup>62</sup> Staff Exhibit 9(a) (Errata to Prefiled Testimony of Kerry Adkins) at 19, ln. 17.

<sup>63</sup> Prefiled Testimony of Kerry Adkins at 19, ln. 1-8.

<sup>64</sup> In calculating the amount DEO could have saved, Staff assumed DEO would need two months to convert to monthly meter reading after reaching critical mass in a local shop. DEO Witness Friscie, however, testified that DEO could begin releasing meter readers one month after it reaches critical mass in a local shop. Tr. at 81, ln. 10-15. Therefore, it is possible the DEO could have begun releasing more meter readers in September of 2011 if DEO maintained its 2009 deployment pace.

<sup>65</sup> Staff Ex. 9 (Prefiled Testimony of Kerry Adkins) at 19 ln. 11-13.

<sup>66</sup> *Id.*

<sup>67</sup> Staff Exhibit 9(a) (Errata to Prefiled Testimony of Kerry Adkins) at 18, ln. 20.

gram.<sup>68</sup> In calculating how much DEO could have saved customers, Staff used information from a Commission approved stipulation or information supplied by DEO.<sup>69</sup> First, Staff was able to determine that DEO would have completed the program by August of 2011 if it would have maintained its 2009 pace of deployment.<sup>70</sup> Next, Staff determined the annual salaries for meter readers that are built into the base line (“\$74,863”) and the total amount of meter readers that could have been reduced if DEO would have completed the program by August 2011. (116 [meter readers at the beginning of the program] minus 29 [remaining meter readers] equals a **reduction of 87 meter readers**).<sup>71</sup> Staff was then able to determine that DEO would have saved, per month, \$542,759 in meter reader savings if the program would have been timely completed.<sup>72</sup>

Using the August 2011 timeline and the amount of avoided meter reader cost, per month, Staff determined that DEO would have saved customers \$1,628,276 more if it would have maintained its 2009 pace of deployment.<sup>73</sup> (\$542,759 x 3 months =

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<sup>68</sup> Staff Ex. 7 (Prefiled Testimony of Pete Baker) at 3, ln. 7-10, Exhibit PB-1.

<sup>69</sup> Staff Ex. 9 (Prefiled Testimony of Kerry Adkins) at 21, ln. 6; *Id.* at 22, ln. 16.

<sup>70</sup> *Id.* at 19, ln. 1-9.

<sup>71</sup> Staff Ex. 9 (Prefiled Testimony of Kerry Adkins) at 18, ln. 13-17.

<sup>72</sup> *Id.* at 19, ln. 16, at 20, ln. 1; Staff Exhibit 9(a) (Errata to Prefiled Testimony of Kerry Adkins) at 19, ln. 16

<sup>73</sup> Staff Ex. 9 (Prefiled Testimony of Kerry Adkins) at 19, ln. 16; *Id.* at 20, ln. 1; Staff Exhibit 9(a) (Errata to Prefiled Testimony of Kerry Adkins) at 19, ln. 17.

\$1,628,277) Instead, less O&M savings will be passed on to DEO's customers and these customers will pay a higher AMR rider charge.

**C. DEO's contention that continuing its 2009 pace of deployment would have cost customers more is suspect and should be rejected by the Commission.**

DEO has argued that the cost of continuing its 2009 pace of deployment may have canceled out the benefits of increased O&M savings. This argument should be rejected by the Commission for a number of reasons. First, DEO has pointed to no evidence that it incurred an unusual or excessive amount of cost installing the AMRs in 2009 as opposed to the other installation years. Second, even if continuing installation of the AMRs at the 2009 pace of deployment would have increased cost, O&M savings would have increased also.<sup>74</sup> Third, although installation cost may have increased if DEO maintained a faster pace, this does not necessarily mean customers would have to pay a higher AMR rider.<sup>75</sup> This is due to the difference in how installation cost and O&M savings are calculated. Installation costs are considered plant investment in the revenue requirement calculation, and are calculated at pre-tax rate of return of 11.36%. On the other hand, O&M savings are dollar-for-dollar reductions. As a result, the effect of increases in cost on the AMR rider may be canceled out by higher O&M savings, which would help to reduce the overall rider amount.<sup>76</sup> Fourth, any increase in installation cost would

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<sup>74</sup> Tr. at 294, ln. 12-19.

<sup>75</sup> *Id.* at 275, ln. 9; *Id.* at 276, ln. 1

<sup>76</sup> *Id.* at 275, ln. 9; *Id.* at 276, ln. 1.

ultimately be justified by increased O&M savings because customers would enjoy these savings earlier and for a longer period of time<sup>77</sup>.

Finally, the 2009 Order did not provide any exception for DEO when it ordered it to maximize savings at the earliest possible time. Presumably, the Commission understood that more installations naturally lead to more cost, but also understood that this leads to greater savings for customers in the long run. Therefore, DEO's suggestion that continuing its 2009 pace of deployment would have cost customers more should be rejected.

## **CONCLUSION**

It is time for DEO to deliver the O&M savings it promised. The Commission clearly expected DEO to complete the program by the end of 2011 and install the AMRs in a manner the maximized savings for customers. DEO has not done so. Instead, it is moving the ball and ignoring the Commission's prior order. This is not fair to customers, and it would lead to an unjust and unreasonable AMR rider. Therefore, Staff recommends an adjustment of DEO's proposed O&M savings amount in this case.

Respectfully submitted,

**Michael DeWine**  
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**William L. Wright**  
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<sup>77</sup>

Staff Ex. 9, Prefiled Testimony of Kerry Adkins at 7, ln. 1- 9.

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## PROOF OF SERVICE

I hereby certify that a true copy of the foregoing **Post-Hearing Brief** submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served by regular U.S. mail, postage prepaid, or hand-delivered, upon the following Parties of Record, this 6<sup>th</sup> day of June, 2012.

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