

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

- - -

In the Matter of the Application :  
of Duke Energy Ohio, Inc. for :  
Approval of a Grid Modernization : Case Nos.  
Opt-Out Tariff and a Change in : 14-1160-EL-UNC  
Accounting Procedures Including : 14-1161-EL-AAM  
a Cost Recovery Mechanism. :

- - -

PROCEEDINGS

Before Bryce McKenney, Attorney Examiner, at the  
Public Utilities Commission of Ohio, 180 East Broad  
Street, Room 11-C, Columbus, Ohio, called at  
10:00 a.m. on Thursday, October 15, 2015.

- - -

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On behalf of the Staff of the PUCO.

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By Ms. Elizabeth Watts  
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On behalf of Duke Energy Ohio, Inc.

Bruce E. Weston, Ohio Consumers' Counsel  
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Bricker & Eckler  
By Mr. Dane Stinson  
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On behalf of the Residential  
Consumers of Duke Energy Ohio, Inc.

Ohio Partners for Affordable Energy  
By Ms. Colleen L. Mooney  
231 West Lima Street  
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On behalf of the Ohio Partners for  
Affordable Energy.

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1                               Thursday Morning Session,  
2                               October 15, 2015.

3                               - - -

4                               EXAMINER MCKENNEY:  Let's go on the  
5                               record.

6                               Good morning.  The Public Utilities  
7                               Commission of Ohio calls for hearing at this time and  
8                               place Case Nos. 14-1160-EL-UNC and 14-1161-EL-AAM  
9                               being in the Matter of the Application of Duke Energy  
10                              Ohio, Inc. for Approval of an Advanced Meter Opt-Out  
11                              Service Tariff.

12                             My name is Bryce McKinney, and I'm the  
13                             Attorney-Examiner assigned by the Commission to hear  
14                             this case.

15                             At this time I'd like to take the  
16                             appearances of the parties with the company if that's  
17                             all right.

18                             MS. WATTS:  Yes.  Thank you, Your Honor.  
19                             Good morning.  On behalf of Duke Energy Ohio, Amy  
20                             Spiller and Elizabeth Watts, 139 East Fourth Street,  
21                             Cincinnati, Ohio 45202.  Thank you.

22                             EXAMINER MCKENNEY:  Thank you.

23                             MR. ETTER:  Good morning, Your Honor.  
24                             On behalf of Residential Utility Customers, the  
25                             Office of the Ohio Consumers' Counsel, Bruce J.

1 Weston, Consumers' Counsel, Terry L. Etter, Assistant  
2 Consumers' Counsel. We are at 10 West Broad Street,  
3 Suite 1800, Columbus, Ohio 43215. With me today is  
4 Dane Stinson from Bricker & Eckler, 100 South  
5 Street -- excuse me, 100 South Third Street,  
6 Columbus, Ohio 43215.

7 EXAMINER McKENNEY: Thank you,  
8 Mr. Etter.

9 Ms. Mooney.

10 MS. MOONEY: Yes, Your Honor. On behalf  
11 of Ohio Partners for Affordable Energy, I'm Colleen  
12 Mooney, 231 West Lima Street, Findlay, Ohio 45840.

13 EXAMINER McKENNEY: And staff.

14 MR. JONES: Good morning, Your Honor.  
15 On behalf of the staff of the Public Utilities  
16 Commission of Ohio, Ohio Attorney General Mike  
17 DeWine, Assistant Attorneys General, Natalia  
18 Messenger, John Jones, 180 East Broad Street,  
19 Columbus, Ohio 43215.

20 EXAMINER McKENNEY: Thank you,  
21 Mr. Jones.

22 Before we went on the record, we had a  
23 brief discussion. For purposes of this hearing, I'm  
24 going to refer to advanced meters and what the  
25 company has titled nonstandard meters as advanced

1 meters and traditional meters. Other than that, I  
2 see no further matters to discuss before we proceed.

3 Is the company ready to call?

4 MS. WATTS: The company is ready to  
5 call. And we would ask Justin Brown to take the  
6 witness stand, please.

7 May I approach, Your Honor?

8 EXAMINER McKENNEY: You may.

9 Mr. Brown, I'm going to ask you to raise  
10 your right hand.

11 (Witness placed under oath.)

12 EXAMINER McKENNEY: Thank you. Be  
13 seated.

14 MS. WATTS: Your Honor, I would ask that  
15 the application in this proceeding be marked as Duke  
16 Energy Ohio Exhibit 1.

17 EXAMINER McKENNEY: It will be so  
18 marked.

19 (EXHIBIT MARKED FOR IDENTIFICATION.)

20 MS. WATTS: And we would ask that the  
21 testimony of Justin C. Brown be marked as Duke Energy  
22 Ohio Exhibit 2.

23 EXAMINER McKENNEY: So marked.

24 (EXHIBIT MARKED FOR IDENTIFICATION.)

25 - - -

1 JUSTIN C. BROWN,  
2 being first duly sworn, as hereinafter certified,  
3 deposes and says as follows:

4 DIRECT EXAMINATION

5 BY MS. WATTS:

6 Q. Sir, would you state your name, please?

7 A. Justin C. Brown.

8 Q. And your place of employment, sir?

9 A. Duke Energy.

10 Q. And do you have in front of you what's  
11 been marked as Duke Energy Ohio Exhibit 2?

12 A. Yes.

13 Q. And is that the testimony you caused to  
14 be prepared in this proceeding?

15 A. Yes.

16 Q. Do you have any additions or  
17 corrections?

18 A. No.

19 Q. If I were to ask you the questions  
20 contained therein again today, would your answers be  
21 the same?

22 A. Yes.

23 Q. And are they true and accurate to the  
24 best of your knowledge?

25 A. Yes.

1           Q.    Thank you.

2                   MS. WATTS:  Mr. Brown is available for  
3 cross-examination.

4                   EXAMINER MCKENNEY:  Thank you.  Is there  
5 an order that the companies prefer that the  
6 intervenors would like to go in?  OCC.

7                   MR. STINSON:  I think we're first.  
8 That's fine.

9   - - -

10                                   CROSS-EXAMINATION

11       BY MR. STINSON:

12               Q.    Good morning, Mr. Brown.

13               A.    Good morning.

14               Q.    My name's Dane Stinson, I'm representing  
15 the Office of the Ohio Consumers' Counsel.

16                   Just a few other housekeeping matters  
17 before we begin.  When I refer to Duke Energy Ohio, I  
18 may use the term "Duke" or "the company."  Do you  
19 know what I'll mean if I use those terms then?

20               A.    Yes.

21               Q.    I also may use the terms "grid  
22 modernization/Smart Grid" interchangeably.  Do you  
23 understand that?

24               A.    Yes.

25               Q.    Also I may use the term "operating

1 company" to mean the Duke affiliate to provide  
2 utility services to customers such as Duke Energy  
3 Ohio being an operating company. Do you understand  
4 the distinctions I'm making with that term?

5 A. Yes.

6 Q. And you have before you your direct  
7 testimony filed in this proceeding.

8 A. I do.

9 Q. Did you have any assistance in preparing  
10 that testimony?

11 A. I prepared the testimony.

12 Q. Did you have any assistance in preparing  
13 it?

14 A. No.

15 Q. No one?

16 A. Other than my legal counsel reviewing  
17 it.

18 Q. You've got to speak up a little bit for  
19 me.

20 A. Other than my legal counsel reviewing  
21 it.

22 Q. Okay. Thank you.

23 Now, you're employed with Duke Energy  
24 Business Services, correct?

25 A. That's correct.

1 Q. And that's an affiliate of Duke Energy  
2 Ohio?

3 A. Yes.

4 Q. Have you ever been an employee of Duke  
5 Energy Ohio?

6 A. No.

7 Q. Your current position with Duke Energy  
8 Business Services is manager of Grid Solutions,  
9 Planning and Regulatory Support, correct?

10 A. Yes.

11 Q. And just to get my arms around what that  
12 means, that means that you're manager of Planning for  
13 Grid Solutions?

14 A. I do some planning associated with Grid  
15 Solutions as well, yes.

16 Q. And you're also the manager of  
17 Regulatory Support for Grid Solutions?

18 A. Yes. It's all together, Planning and  
19 Regulatory Support.

20 Q. But your duties pertain solely to Grid  
21 Solutions?

22 A. Correct.

23 Q. And you were appointed to that position  
24 in 2012?

25 A. Correct.

1           Q.    And what are your duties with respect to  
2   Planning?

3           A.    With respect to Planning, I do -- I  
4   assist with strategy in the Grid Solutions group. I  
5   also assist with Planning from determining whether we  
6   need to file various regulatory proceedings on  
7   projects that we are hoping to do.

8           Q.    And what are your duties with respect to  
9   Regulatory Support?

10          A.    So Regulatory Support, any time there's  
11   questions that come back from any of the Commissions  
12   that we work with across the enterprise, my team, I'm  
13   responsible for coordinating that to subject matter  
14   experts.

15                   Also if we have to file something, I'm  
16   kind of the business side and I make sure that  
17   we're -- what we're saying aligns with what we're  
18   doing as a department from a regulatory perspective.  
19   For instance, in this particular case I had  
20   responsibility for -- once the Commission issued a  
21   rule in this opt-out case, I had the responsibility  
22   for working with subject matter experts to determine  
23   the cost and for the filing.

24          Q.    And by the rule, you're referring to the  
25   rule issued in Order No. 12-2050?

1 A. I believe that's correct, yes.

2 Q. That's contained in your testimony,  
3 correct?

4 A. Yes. 12-2050-EL-ORD, yes.

5 Q. Okay. Thank you. And with respect to  
6 your Planning and Regulatory Support duties, isn't it  
7 correct that you perform these duties not only for  
8 Duke Energy Ohio, but for other affiliated operating  
9 companies?

10 A. Yes.

11 Q. I just want to clarify something for the  
12 record then. On Page 1, at Lines 20 to 21, my source  
13 of confusion here, I'll back up to page -- or the  
14 same page at Lines 5 and 6 where you refer to Duke  
15 Energy Ohio as the company. Do you see that?

16 A. I see that.

17 Q. And on Page 1, Line 21, you state, "I  
18 have responsibility for both federal and state public  
19 policy and regulatory proceedings affecting the  
20 Company's Grid Solutions organization."

21 A. I see that.

22 Q. Did I read that correctly?

23 A. That's right.

24 Q. And that does not refer to solely Duke  
25 Energy Ohio, but it refers to the other affiliated

1 operating companies of Duke as well, correct?

2 A. That would be correct, yes.

3 Q. Okay. And in the state of Ohio, you  
4 coordinate the activities that relate to Duke's  
5 annual Smart Grid filings, correct?

6 A. Correct.

7 Q. How many employees do you oversee?

8 A. Two.

9 Q. And what are their functions?

10 A. They essentially -- because we work in  
11 multiple jurisdictions, they're under my guidance and  
12 leadership. They both also do planning and  
13 regulatory support as needed.

14 Q. And what are their names?

15 A. Brian Hughes and Evan Shearer.

16 Q. And you're based in North Carolina, your  
17 office?

18 A. Charlotte, yes.

19 Q. And as manager of Grid Solutions,  
20 Planning and Regulatory Support, you also receive  
21 periodic reports regarding Duke Energy Ohio's Smart  
22 Grid implementation, correct?

23 A. Correct.

24 Q. And isn't it true that Duke Energy Ohio  
25 had substantially completed its Smart Grid

1 implementation of Ohio?

2 A. Yes.

3 Q. As far as percentages, do you know how  
4 far along the deployment is?

5 A. The -- as far as percentages, I don't  
6 believe we have any projects that go past the end of  
7 the year -- of this year; so of December 31, 2015, to  
8 close out the program.

9 Q. So you anticipate that the Smart Grid  
10 projects will be fully deployed by the end of the  
11 year?

12 A. So I anticipate that we will be finished  
13 with our project work.

14 Q. Is there any type of work to finish  
15 prior to the end of the year?

16 A. I'm sorry, I don't understand the  
17 question.

18 Q. Well, you said you'll be finished with  
19 the deployment by the end of this year. I'm  
20 asking --

21 MS. WATTS: Objection, inaccurately  
22 quotes his testimony.

23 MR. STINSON: Well, can we have the last  
24 few questions reread, please, and answers?

25 BY MR. STINSON:

1           Q.    I'll just restate it.  I believe you  
2 indicated that there would be no other projects to  
3 complete after the end of the year; is that correct?

4           A.    That's correct.

5           Q.    Okay.  By that you mean the Smart Grid  
6 project will be deployed by the end of the year?

7           A.    Yes.

8           Q.    Now, between now and the end of the  
9 year, are there other duties to be performed to  
10 deploy the Smart Grid project or program?

11          A.    So that the remaining projects that I'm  
12 aware of that are continuing is remediation of  
13 meters -- AMI meters, Smart meters, remaining through  
14 the end of the year.

15          Q.    What do you mean by "remediation"?

16          A.    There could be a meter that has been  
17 installed and for whatever reason is not getting good  
18 reads back to the company, and we need to investigate  
19 as to why that's occurring.

20          Q.    And you're aware, aren't you, that  
21 within one year after staff declares that Duke has  
22 completed its Smart Grid deployment in Ohio, Duke is  
23 committed to file a base distribution rate proceeding  
24 with the PUCO?

25          A.    I am.

1           Q.    Is that a part of a stipulation,  
2           correct, in a prior proceeding?

3           A.    That is, yes.

4           Q.    Were you involved in that prior  
5           proceeding?

6           A.    I was not.

7           Q.    Are you aware of it?

8           A.    Yes, I am.

9           MR. STINSON:  If I could approach, Your  
10          Honor.

11          EXAMINER MCKENNEY:  You may approach.

12          MR. STINSON:  I'm going to mark what is  
13          OCC Exhibit 1.

14          EXAMINER MCKENNEY:  This is the  
15          stipulation and recommendation in 10-2326.  It will  
16          be so marked.

17          (EXHIBIT MARKED FOR IDENTIFICATION.)

18          MS. WATTS:  Mr. Stinson, yes, thank you.

19          MR. STINSON:  I didn't forget.  I was  
20          going the other way.

21          BY MR. STINSON:

22                Q.    I'll give you a chance to look at that,  
23                Mr. Brown.

24                A.    Uh-huh.

25                (Witness reviewing document.)

1 Q. You ready?

2 A. Yes.

3 Q. I placed before you what is captioned  
4 "Stipulation and Recommendation" in Case  
5 No. 10-2326-GE-RDR. Do you recognize that as the  
6 stipulation we just referred to?

7 A. I do.

8 Q. And just to draw your attention to  
9 Page 7, Paragraph d. That sentence refers to the  
10 filing of the rate case in the first year after full  
11 deployment, correct?

12 A. I see Paragraph d. Is there a specific  
13 sentence you would like me to reference?

14 Q. First sentence.

15 A. Yes.

16 Q. And then the definition of full  
17 deployment is in Footnote 4 at the bottom of Page 6.

18 A. Correct.

19 Q. Now, on Page 2, Line 10 of your  
20 testimony, you state that you're sponsoring two  
21 attachments to your testimony, correct?

22 A. Correct.

23 Q. And the first attachment is JCB-1,  
24 correct?

25 A. Correct.

1 Q. And that document generally provides for  
2 the calculation of the opt-out rates to be charged in  
3 this proceeding?

4 A. Correct.

5 Q. And JCB-2 is the proposed tariff for  
6 this proceeding, correct?

7 A. Correct.

8 Q. Now, looking at JCB-1 first, was that  
9 prepared by you?

10 A. Yes, it was.

11 Q. And if we could just look at Page 1 of  
12 3, Page 1 of 3 provides for the total -- in the  
13 second column, the total of one-time costs, correct?

14 A. Correct.

15 Q. And in the last column, that's broken  
16 down to costs per customers, correct?

17 A. The last column would be --

18 Q. The \$462.04.

19 A. Correct. That would be the one-time fee  
20 line item.

21 Q. Correct. And that one-time fee was  
22 calculated by dividing the one-time costs of  
23 \$334,979.50 by the 725 assumed NSMO customers,  
24 correct?

25 A. Correct.

1 Q. And the NSMO customers would be the same  
2 as traditional meter customers?

3 A. Correct.

4 Q. Similarly, the ongoing costs, there's  
5 annual costs listed as \$352 -- I'm sorry, \$352,000 --  
6 \$352,553.29, correct?

7 A. Correct.

8 Q. And the monthly costs are \$29,379.44,  
9 correct?

10 A. Correct.

11 Q. And the monthly costs were calculated by  
12 dividing the annual costs by 12, correct?

13 A. The monthly costs were calculated by  
14 dividing the annual costs by 12, correct.

15 Q. And then the monthly costs of \$40.53 was  
16 calculated by dividing the \$29,379.44 by 725 assumed  
17 NSMO customers, correct?

18 A. Correct.

19 Q. Thank you. Now, the one-time costs of  
20 334-plus thousand dollars on Page 1 of Exhibit JCB-1  
21 is broken down on Page 2 of JCB-1, correct?

22 A. That's correct.

23 Q. And it's broken down into metering  
24 services, distribution maintenance, IT systems,  
25 correct?

1 A. That's correct.

2 Q. And have you provided any documents or  
3 workpapers to support those figures?

4 A. I had supported a discovery request  
5 during the process of discovery that gave a further  
6 breakdown of those numbers.

7 Q. Do you recall if that was in response to  
8 Staff Data Request 1-008?

9 A. Yes.

10 Q. I don't have copies of this data  
11 request, but I want to put it as part of the record  
12 just for context. I can show it to --

13 MS. WATTS: May we go off the record for  
14 a moment?

15 EXAMINER McKENNEY: Let's go off the  
16 record.

17 (Discussion held off the record.)

18 EXAMINER McKENNEY: Let's go back on the  
19 record.

20 Would you like this marked as OCC  
21 Exhibit 2?

22 MR. STINSON: Yes. Mark this OCC 2,  
23 please.

24 EXAMINER McKENNEY: This is the data  
25 request.

1 MR. STINSON: This is Staff Data Request  
2 01-008. At this point, Your Honor, this data  
3 request, the responses are marked confidential, and I  
4 believe at this point Duke is willing to waive the  
5 confidentiality and enter these on the public record;  
6 is that correct?

7 MS. WATTS: That's correct, Your Honor.

8 EXAMINER MCKENNEY: All right. Thank  
9 you. Then we will go ahead and stamp for the record,  
10 this will be marked OCC Exhibit 2.

11 MR. STINSON: Thank you.

12 (EXHIBIT MARKED FOR IDENTIFICATION.)

13 BY MR. STINSON:

14 Q. And, Mr. Brown, I've handed you what has  
15 been marked as OCC Exhibit 2. Do you recognize this  
16 as your responses to the Staff Data Request  
17 DR-01-008?

18 A. I do.

19 Q. Now, these attachments to the data  
20 request are not marked; so if you can bear with me.  
21 I'm going to look at what is in your packet, the  
22 fourth page. The first column under Topic Area is  
23 Meter Repair/Testing, Meter Storage Labor, and Cost  
24 of Non-Standard Meters.

25 A. Okay.

1 Q. And those would be the one-time costs  
2 listed on JCB-1, Page 1, correct?

3 A. So the total 54,737.50 aligns with the  
4 metering services line item associated with -- on  
5 Page 2 of my JCB-1.

6 Q. Thank you. And in looking at that page,  
7 as well as the other four pages attached to the  
8 discovery response, why did you prepare these four  
9 pages, the four attachments?

10 A. I prepared it in response to the  
11 question that was asked on Staff-DR-01-008.

12 Q. So these four attachments were prepared  
13 in response to the data request?

14 A. Correct.

15 Q. And in the top left-hand corner of each  
16 of those four pages, it states that the draft was  
17 prepared at the request of counsel, correct?

18 A. Yes, in relation to this data request.

19 Q. Going back to the fourth page again,  
20 we'll look at the cost of nonstandard meters in the  
21 first column. That would be the same thing as buying  
22 meters for reserve stock as you mention in Footnote 1  
23 on Page 2 of JCB-1?

24 A. That is correct.

25 Q. And the rate of \$35 listed there is the

1 actual cost of a traditional meter?

2 A. Traditional meter.

3 Q. And the number of meters addressed in  
4 Column 6 is 218, correct?

5 A. That's correct.

6 Q. How is that figure derived?

7 A. That figure was derived utilizing 30  
8 percent -- needing basically to have a 30 percent  
9 meter stock; 30 percent times 725 is 218.

10 Q. Okay. How was the 30 percent developed?

11 A. That was from working with our subject  
12 matter experts, what the company typically would like  
13 to keep on hand as it relates to needing to have a  
14 specialized meter in place. So we needed to have  
15 approximately 30 percent stock.

16 Q. How many traditional meters has Duke  
17 Energy Ohio removed in its advanced meter deployment,  
18 or Smart Grid deployment?

19 A. We have removed hundreds of thousands.  
20 I don't know the exact number.

21 Q. How many of those meters does Duke  
22 Energy retain on hand?

23 A. As part of the Smart Grid deployment,  
24 part of the benefits customers receive is any meter  
25 salvage value that would flow back to customers in

1 the Smart Grid rider. So throughout the project  
2 those meters were salvaged.

3 Q. Duke Energy Ohio has no other  
4 traditional meters on hand at this point?

5 A. I'm not aware of the number that we  
6 would have on hand at this particular point.

7 Q. Is there a number on hand apart from the  
8 218 that would be purchased?

9 A. Like I said, I don't know the number  
10 that we would have on hand at this point of  
11 traditional meters.

12 Q. I'm not asking for the number. I'm  
13 asking if there are any.

14 A. I'm assuming we probably do have some  
15 number of traditional meters still on hand, yes.

16 Q. Now, in the -- the total costs of the  
17 meters is listed as 7,612.50, correct?

18 A. Correct.

19 Q. And that sum was derived by multiplying  
20 the 35 meter -- \$35 meter cost by the number of  
21 meters, 218?

22 A. Correct.

23 Q. And the \$35 unit cost, how was that  
24 developed or determined?

25 A. That was provided to me by our subject

1 matter experts.

2 Q. Do you know on what the \$35 was based?

3 A. The actual cost of purchasing a meter.

4 Q. That's an actual vendor's cost?

5 A. I believe so.

6 Q. And when you're discussing the costs not  
7 only with the standard meter cost -- or the  
8 traditional meter cost, I'm sorry, but also the other  
9 costs on the four pages to the attachment, you  
10 developed those costs in project meetings with  
11 subject matter experts, correct?

12 A. That's correct.

13 Q. And those project meetings generally  
14 occurred by telephone, correct?

15 A. Yes.

16 Q. Other than what you have listed here in  
17 OCC Exhibit 2, the four attachments, is there any  
18 other documentation as to how the costs in those  
19 attachments were derived?

20 A. So the rates being -- some of them would  
21 be labor rates, you see on that particular page that  
22 we're on shows \$50 as a rate. Additional background  
23 of those rates were provided in data requests by the  
24 subject matter experts in this case.

25 Q. Let's go to meter storage labor. What

1 is involved in meter storage labor?

2 A. So that would be pulling in meters,  
3 tagging them -- unboxing them, tagging them into our  
4 system, reboxing them and putting them into a  
5 separate storage area, because these would be  
6 nonstandard or they would be traditional meters that  
7 are not the current standard for Duke Energy Ohio, so  
8 they have to be kept and managed separately.

9 So whenever there's a meter request or a  
10 request from a customer to opt out, to take advantage  
11 of the optional program, the individuals in this area  
12 would have to pull the nonstandard meter --  
13 traditional meter out of a separate storage stock and  
14 send it to a meter technician for it to be installed.

15 Q. And this is only a labor expense,  
16 correct?

17 A. That is correct.

18 Q. Does Duke have employees responsible for  
19 storing advanced meters or AMI meters?

20 A. Yes.

21 Q. And do those same employees who perform  
22 the storage responsibilities for advanced meters, are  
23 those the same employees that also have  
24 responsibility for the storage responsibilities for  
25 the traditional meters?

1           A.    They would be, yes.

2           Q.    How many advanced meters does Duke  
3   Energy Ohio have installed?

4           A.    I don't know the exact number.  It's  
5   hundreds of thousands.

6           Q.    How many of the advanced or AMI meters  
7   does Duke Energy Ohio have in storage?

8           A.    I don't know that number.

9           Q.    Do you have an estimation as to whether  
10   it's more than a thousand or more than 5,000?

11          A.    I have no estimation.

12          Q.    But they do have some in storage,  
13   correct?

14          A.    Yes.

15          Q.    Would Duke Energy Ohio follow the same  
16   30 percent rule?

17          A.    It seems logical to me, because when we  
18   had the discussions that was how the 30 percent was  
19   somewhat based on, that we needed to have 30 percent  
20   stock, but it also took into consideration that this  
21   was a specialized -- this was no longer the standard  
22   meter, and, therefore, may have to have more on hand.  
23   A lot of the comments and the discussion surrounding  
24   traditional meters are becoming more and more a  
25   nonstandard meter in the utility industry as a whole,

1 and so they're likely to become harder to obtain in  
2 future years.

3 MR. STINSON: Could I have the question  
4 and answer reread, please?

5 (Record read back as requested.)

6 MR. STINSON: Your Honor, I move to  
7 strike the response after the word "but." After the  
8 word "but," Mr. Brown talks about how the traditional  
9 30 percent was calculated. My question went to the  
10 advanced meters, the number of advanced meters under  
11 the 30 percent.

12 EXAMINER MCKENNEY: Response.

13 MS. WATTS: Yes, Your Honor. Thank you.  
14 Mr. Stinson has asked a question about the company's  
15 policy with respect to storing meters and the 30  
16 percent rule, and the witness is just describing how  
17 that 30 percent is arrived at and what the logic is  
18 behind it, and I think it was entirely responsive to  
19 the question.

20 MR. STINSON: My question went to the 30  
21 percent for the advanced meters. His response went  
22 to the 30 percent for the traditional.

23 EXAMINER MCKENNEY: Can you read it back  
24 to me one more time?

25 (Record read back as requested.)

1 EXAMINER MCKENNEY: I'm going to grant  
2 the motion to strike. Everything in the first half  
3 of the question is fine, everything after "but" will  
4 be struck.

5 MR. STINSON: Thank you, Your Honor.

6 BY MR. STINSON:

7 Q. Now, getting back to the exhibit, we're  
8 looking at the topic area Meter Storage Labor. You  
9 indicated that the rate of \$50 is a labor rate,  
10 correct?

11 A. That's correct.

12 Q. And hours to complete is one?

13 A. Correct.

14 Q. And that one hour would comprise the  
15 responsibilities you indicated earlier?

16 A. Correct.

17 Q. The unit cost would be one hour times  
18 the \$50-per-hour labor rate, correct?

19 A. Correct.

20 Q. And that would be multiplied by 218  
21 meters to reach the total cost of \$10,875, correct?

22 A. Correct.

23 Q. Do you know how the hourly labor rate of  
24 \$50 was derived?

25 A. So the labor rate was provided by our

1 subject matter experts, but generally speaking in our  
2 discussions we talked about needing to provide an  
3 all-in rate. And so typically the rates that are in  
4 the -- in this filing include your base labor rate,  
5 they include fringes and benefits, and for some of  
6 the line items that require travel they include  
7 vehicle charges.

8 Q. Is travel involved in meter storage  
9 labor?

10 A. No.

11 Q. This is a purely labor rate?

12 A. It's purely labor.

13 Q. And those costs were communicated to you  
14 during the project meeting with subject matter  
15 experts?

16 A. Yes.

17 Q. Were there any studies or analyses done  
18 as to the length of time it took to perform the  
19 storage to do these?

20 A. The time -- hours to complete in this  
21 particular instance was based on the knowledge and  
22 experience of our subject matter experts.

23 Q. So no additional studies or analyses  
24 were done outside of their experience?

25 A. To my knowledge, no.

1           Q.    Let's move on to Meter Testing/Repair.  
2   What's involved with that duty?

3           A.    So the meter testing and repair, what  
4   would occur there is a meter would be brought onto  
5   the testing bench. There is two separate tests that  
6   are performed; one is a low usage test, the second  
7   one is a high usage test. If perhaps after those  
8   tests are performed, the meter needs calibration for  
9   whatever reason, the meter technician would calibrate  
10   the meter and then reperform both the low usage test  
11   and -- as well as the high usage test.

12                Additionally, the meter tech would also  
13   pull the cover off the meter and do a physical  
14   inspection of the meter. And then if the meter is in  
15   good working order; in other words, it passes the low  
16   usage as well as the high usage tests, the cover is  
17   put back on with a seal and put back into meter  
18   stock. If for some reason the meter does not pass  
19   the low and high usage test and it cannot be  
20   calibrated, the meter would be scrapped.

21           Q.    And that service is performed with  
22   respect to the meters -- the 218 meters?

23           A.    Meter repair and testing would assume  
24   that we would need -- that all the meters that we  
25   would have to replace as a part of this opt-out

1 service would be required.

2 Q. So all replacement meters would be  
3 tested?

4 A. Correct.

5 Q. And by that you mean that if a customer  
6 had an advanced or AMI meter, and that meter were  
7 switched out for the traditional meter, correct?

8 A. Yes.

9 Q. Are there or have there been any Duke  
10 Energy Ohio customers who have had installed an  
11 advanced or AMI meter and requested that that be  
12 switched out for a traditional meter?

13 A. Could you repeat the question, please?

14 MR. STINSON: Could you read it, please?

15 (Record read back as requested.)

16 THE WITNESS: Yeah. I don't have any  
17 direct knowledge that if after we've installed  
18 something, an AMI meter, if a customer has requested  
19 it being removed. I'm not aware of any direct  
20 customers asking for that, but it's -- it quite could  
21 be likely.

22 BY MR. STINSON:

23 Q. But you're not aware of it, correct?

24 A. I'm not aware.

25 Q. Do Duke's employees also repair and test

1 AMI meters?

2 A. Yes.

3 Q. And would the employees who have the  
4 responsibility with repairing and testing traditional  
5 meters be the same employees that have the  
6 responsibility for repair and testing AMI meters?

7 A. Yes.

8 Q. And, again, just referring to Page 4  
9 again of the Attachment 2, OCC Exhibit 2 under the  
10 topic Meter Repair and Testing, the rate of \$50 is an  
11 hourly labor rate, correct?

12 A. Yes, it is.

13 Q. And you've estimated in the fourth  
14 column it would take one hour to complete the meter  
15 repair and testing?

16 A. Yes.

17 Q. And to derive the total cost of \$36,250,  
18 you have multiplied the \$50 one-hour labor rate times  
19 725 meters, correct?

20 A. That's correct.

21 Q. Let's talk a little bit about the 725  
22 meters. My understanding is that 325 of those meters  
23 were for or represent customers who, quote, at any  
24 time had requested to retain their traditional meter,  
25 correct?

1           A.    So the -- are you asking how the 725  
2           was --

3           Q.    I'm asking about the 325 right now, what  
4           that figure represents.

5           A.    Yes.  In my testimony I believe I  
6           explained that at any time during our deployment, a  
7           total of 325 customers at any time requested not  
8           having a Smart meter.

9           Q.    And by "any time during the deployment,"  
10          is that a cumulative figure?

11          A.    It's a cumulative figure.

12          Q.    And when would that have begun?

13          A.    2008.

14          Q.    So from 2008 to the present, 325  
15          customers at some point requested to retain their  
16          traditional meters, correct?

17          A.    Yes.

18          Q.    And how many customers currently have a  
19          traditional meter that they have requested to retain  
20          in lieu of the AMI meter?

21          A.    So today there's 105 customers who have  
22          requested not to have an AMI meter and so, therefore,  
23          they have not been installed as an AMI meter.  We  
24          have not performed a meter swap for those customers,  
25          so the 105 today still have a traditional meter.

1 Q. On Page 7, Lines 3 -- beginning at  
2 Line 3 of your testimony, if you could preview that.

3 A. Page 7, Line 3?

4 Q. Right. Beginning at Line 3 through  
5 Line 8.

6 A. Yes, okay.

7 Q. I believe we've already discussed the  
8 325 customer at any time issue, so we can move on  
9 from that. I want to talk about the 400 customers  
10 who did not receive AMI meters because they were  
11 unresponsive to the company during the deployment and  
12 have hard-to-access meters that are not accessible by  
13 the company, i.e. indoors, behind locked gates, and  
14 require the customer to provide the company access.

15 Now, by "unresponsive," am I correct  
16 that by that you mean that you sent notices to those  
17 customers asking that you would be permitted to do  
18 this -- asked Duke to have access to do the swap and  
19 that customer didn't respond to those notices?

20 A. So the notice was a letter or postcard  
21 that was sent out letting them know what we would be  
22 doing, that we would be coming to their house within  
23 the next couple weeks. And what would actually occur  
24 with these customers, the company would have gone on  
25 site to the customer premise, identified that the

meter is not where they can gain access to it, and therefore we couldn't do a meter swap. And then the company would typically do phone calls -- at least three phone calls to the customer to try to get in touch with them about the meter swap project.

We also would send another letter to the customer asking them to try to schedule an appointment time with us, either during the day, evening hours or weekends to try to do a meter swap. And those 400 are customers who have not responded and have a hard-to-access meter basically being -- that we cannot access it -- have access to it, it's either indoors or behind locked gates without the customer present.

Q. Okay. In the other circumstance where there's not hard-to-access meters, if the company sends the notice and there's no response, could the company just switch out the traditional meters for an advanced meter?

A. Yes.

Q. So the problem there is that it's hard to access?

A. Correct.

Q. Does the company have any program that permits customers with hard-to-access meters to

1 telephone in their meter readings per month?

2 A. I believe there was a legacy program  
3 that -- for -- that customers were -- would be able  
4 to call in their meter read if for some reason the  
5 meter reader could not gain access to it that  
6 particular month.

7 Q. And that program is still in effect,  
8 correct?

9 A. It's really not used anymore to my  
10 knowledge, because predominantly all of our customers  
11 have advanced meters in place where we're able to  
12 read remotely.

13 Q. Well, those 400 customers don't, do  
14 they?

15 A. They do not.

16 Q. So my question is: Is the program still  
17 in place?

18 A. It is still listed on our website. To  
19 my knowledge, it's still in place.

20 Q. And customers can still use that  
21 program?

22 A. They could still phone in their meter  
23 read.

24 Q. Pardon me?

25 A. They could still phone in their meter

1 read.

2 Q. Now, going back to your testimony, which  
3 is Duke Exhibit 2, JCB-1, Page 2, back to the first  
4 line, Metering Services, you calculated -- well, let  
5 me back up.

6 What you did there, you took the total  
7 cost from the Attachment 2, Staff Data Request 1-008,  
8 the total of 54-thousand-plus dollars, and placed  
9 that in the second column, correct?

10 A. Correct.

11 Q. And then you divided that by 725 assumed  
12 customers to get the \$75.50?

13 A. I believe that's a monthly cost --

14 Q. Right.

15 A. -- on the right-hand column.

16 I'm sorry, the one-time cost, not  
17 monthly cost, yes, correct.

18 Q. Okay. Thank you. With respect to the  
19 meter testing and repair we've been talking about,  
20 was there any -- first of all, was that one-hour  
21 project period or hours to complete, was that  
22 conveyed to you during the project meetings with your  
23 subject matter experts?

24 A. Yes.

25 Q. And do you know if there was any

1 analysis done as to how long it typically takes to  
2 repair and test those meters?

3 A. They use their knowledge that they have  
4 been doing meter repair and testing for quite some  
5 time to derive the one-hour time.

6 Q. Would every nonstandard -- I'm sorry.  
7 Would every traditional meter purchased need to be  
8 repaired?

9 A. Would -- please repeat the question.

10 Q. Well, you've indicated that under your  
11 30 percent rule Duke Energy wants to purchase 218  
12 meters, and you're requesting a cost for repair and  
13 testing to include those meters. I'm asking if those  
14 218 meters, would they need to be repaired?

15 A. So we assume the total of 725 customers  
16 would take advantage of the program. The 218 meters,  
17 if you'll note there on that particular page, the  
18 meter storage labor is only including the 218, but  
19 the -- as well as the cost of nonstandard meters is  
20 only 218, so that represents 30 percent of 725. Then  
21 meter repair and testing would be testing and making  
22 sure all the 725 meters that we would deploy for  
23 those customers would be tested out correct.

24 Q. And that would include the 218 meters,  
25 correct?

1           A.     So the new meters that come in were not  
2     included -- the ones we would buy for meter stock are  
3     not included in the 725, because those are in  
4     additional meter stock. The meter testing and repair  
5     would be the meters that we deployed. The 725 would  
6     be what we would deploy for the customers we assumed  
7     will take advantage of the program.

8           MR. STINSON: I'm sorry, could you read  
9     that answer back?

10           (Record read back as requested.)

11     BY MR. STINSON:

12           Q.     Well, where did the 725 meters you  
13     deploy come from?

14           A.     That was assumed we would have some sort  
15     of meters flowing back from our deployment that we'd  
16     be able to take advantage of and deploy the 725.

17           Q.     So the 725 you're talking about would be  
18     the traditional meters that were replaced by the  
19     advanced meters?

20           A.     Correct.

21           Q.     So I suppose you have at least 725 of  
22     those traditional meters still on hand?

23           A.     We were assuming that we would have that  
24     amount.

25           Q.     I'm still asking whether all those 725

1 meters you would deploy, whether each of those will  
2 need some type of repair.

3 A. Yes. We would need to repair -- we  
4 would need to test those meters.

5 Q. I'm not talking -- the category lists  
6 testing and repair. I know you want to test all of  
7 them. My question goes to whether you need to repair  
8 all 725.

9 A. We wouldn't know if we need to repair  
10 all 725 until we test them.

11 MR. STINSON: Could we take a quick  
12 break, Your Honor?

13 EXAMINER MCKENNEY: Let's take a short  
14 recess. Go off the record.

15 (Recess taken.)

16 EXAMINER MCKENNEY: Let's go back on the  
17 record.

18 Mr. Stinson.

19 BY MR. STINSON:

20 Q. Okay. Just a few more questions about  
21 the meter services costs. Customers who have never  
22 had an AMI meter installed, they're going to keep  
23 their traditional meters, correct?

24 A. Yes. They would keep a traditional  
25 meter.

1           Q.    And that would be true of the 725  
2 customers we've talked about?

3           A.    I'm not sure I understand your exact  
4 question there.

5           Q.    Well, the 325 customers who have  
6 requested to retain their traditional meters, the 400  
7 customers who can't be switched out because of the  
8 access issues, those customers are going to retain  
9 their existing traditional meters, correct?

10          A.    So it would be the 105 that you  
11 previously mentioned and the 400, we continued to  
12 work with those customers to see if we can gain  
13 access. So, but, yes, they would retain a  
14 traditional meter if they chose to opt out.

15          Q.    And under the proposed tariff, which is  
16 in Attachment JCB-2, those customers would incur the  
17 meter services charge, correct?

18          A.    Yes. We filed a uniform tariff that  
19 aligned with the -- what we believe aligned with the  
20 Commission rule, and it would be a one-time charge  
21 and an ongoing fee.

22          Q.    And those same customers -- let me  
23 preface it by the fact that we talked about the same  
24 employees would be performing meter reading -- meter  
25 repair and testing on AMI meters and storage labor on

1 AMI meters, and those 105 customers and 400 customers  
2 we've discussed will pay the costs of those services  
3 as well, correct?

4 A. Yes.

5 Q. And that would be through the Smart Grid  
6 rider?

7 A. When you were referring to the cost of  
8 these services --

9 Q. I'm referring to the service -- the  
10 meter repair and testing and the meter storage labor  
11 for AMI meters.

12 A. For AMI meters?

13 Q. Right. You indicated that Duke  
14 employees also perform meter reading -- metering  
15 repair and testing and meter storage labor services  
16 on AMI meters, correct?

17 A. Yes.

18 Q. And my question is whether the persons  
19 that retain their traditional meters would also pay  
20 those costs for repair, testing and storage for the  
21 AMI meters?

22 A. For what would be our traditional meter,  
23 yes, I'm assuming so.

24 Q. Well, I think we got confused there.  
25 Let me back up again.

1 A. Okay.

2 Q. Traditional meter is the -- the non-AMI,  
3 correct?

4 A. Traditional meter is non-AMI.

5 Q. Okay. Let's back up.

6 A. Okay.

7 Q. We -- you've testified before regarding  
8 the meter repair, testing, and the meter storage,  
9 labor expenses with respect to traditional meters,  
10 correct?

11 A. Yes.

12 Q. And I believe you also indicated that  
13 Duke employees also perform those same services on  
14 AMI advanced meters, correct?

15 A. It would be the same group, yes.

16 Q. Yes. So I'm asking whether persons who  
17 retain a traditional meter would also be charged for  
18 those services with respect to AMI or advanced  
19 meters?

20 A. So I'm -- so that would get to the point  
21 of where -- I'm assuming, yes, that they would.

22 Q. Why don't we move on. The next category  
23 that we have on JCB-1, Page 2, is Distribution  
24 Maintenance, correct? In Footnote 2 it states,  
25 "Distribution Maintenance includes: removal of AMI

1 meters and/or installation of non-standard meters,"  
2 correct?

3 A. It does, yes.

4 Q. And let's go to OCC Exhibit 2, that  
5 would be the second page of that exhibit, and the  
6 topic area is Meter Swaps and Installs, correct?

7 A. Yes.

8 Q. And that would be the same thing as  
9 Distribution Maintenance?

10 A. Yes.

11 Q. Now, on JCB-1, Page 2, distribution  
12 maintenance expense was calculated by dividing the  
13 \$37,120 by 725 assumed NSMO customers, correct?

14 A. Correct.

15 Q. And that would give a one-time cost of  
16 \$51.20, correct?

17 A. Correct.

18 Q. Now, going to OCC Exhibit 2, the second  
19 page, Meter Swaps and Installs, the rate there is  
20 listed as \$51.20.

21 A. Correct.

22 Q. That was multiplied by one hour to  
23 complete the task, correct?

24 A. Correct.

25 Q. That would give a unit cost of 51.20?

1 A. Yes.

2 Q. And multiplied by \$725 gives you the  
3 37,120 total cost, correct?

4 A. Correct.

5 Q. And do you know how the -- well, first  
6 of all, is the rate of \$51.20 a labor rate?

7 A. The rate in this instance includes  
8 labor, as well as fringes and benefits, as well as  
9 car costs -- vehicle costs associated with the -- in  
10 the rate.

11 Q. Do you have a breakdown of what those  
12 different costs are?

13 A. Those were provided in discovery in the  
14 case, the additional breakdown of the labor of that  
15 rate.

16 Q. I'm asking if you know, though.

17 A. I don't have it in front of me, no.

18 Q. And that information was conveyed to you  
19 as to the rate cost during your project meetings with  
20 project experts -- subject matter experts?

21 A. That's correct.

22 Q. Going back to the footnote on  
23 Footnote 2, Attachment JCB-1, Page 2, it states  
24 there, "...removal of AMI meters and/or installation  
25 of non-standard meters."

1 Now, there's no situation, is there,  
2 that Duke would just be installing nonstandard  
3 meters?

4 A. That would be better read as "and," so  
5 the "or" shouldn't really be in there.

6 Q. So removal of AMI meters and  
7 installation of nonstandard meters would refer to the  
8 swapout, replacing an AMI with a traditional meter?

9 A. That's correct.

10 Q. And the charge of -- the one-time charge  
11 of \$51.20 would then capture the cost of removing the  
12 AMI meter and installing the nonstandard meter,  
13 correct?

14 A. Yes.

15 Q. And the 105 customers we've been talking  
16 about, the 400 customers we've been talking about who  
17 retained their traditional meters, those customers  
18 would still be assessed the distribution maintenance  
19 charge?

20 A. I think from that perspective, when we  
21 filed our tariff we wrote up a uniform tariff rider  
22 that would really apply to customers now as well as  
23 moving forward. So we assumed that all the customers  
24 would essentially have an AMI meter in place.

25 Q. Well, in answer to my question, would

1 customers who retain their traditional meters still  
2 be subject to the 500 -- I'm sorry, \$51.20 charge  
3 listed on Attachment JCB-1, Page 2?

4 A. They would be.

5 Q. And is it also the case with respect to  
6 meter swaps that the project managers developed the  
7 \$51.20 based upon their experience?

8 A. Yes. That came from the subject matter  
9 experts, yes.

10 Q. Based upon their experience?

11 A. Yes.

12 Q. No other analyses or studies were  
13 performed to determine, well, the lengths of time it  
14 took to perform that test?

15 A. It's based on their experience of  
16 previously having to swap meters in the past.

17 Q. We may have covered this somewhat, but  
18 you testified that the labor costs include fully  
19 loaded labor costs, correct?

20 A. Yes.

21 Q. And that would include fringe benefits,  
22 such as vacation and healthcare costs; is that right?

23 A. Yes.

24 Q. Pardon me?

25 A. Yes.

1           Q.    Okay.  During deployment of the Smart  
2   Grid program, did Duke hire nonemployee contractors  
3   to install the AMI meters?

4           A.    We did.

5           Q.    Duke did not pay those contract  
6   employees fringe benefits, correct?

7           A.    Contractors did not get paid fringe  
8   benefits.

9           Q.    No vacation, no healthcare costs?

10          A.    No.

11          Q.    Does Duke currently -- my understanding  
12   is that Duke currently intends to do the meter swaps  
13   with its own employees, correct?

14          A.    That's correct.

15          Q.    But that plan also could change in the  
16   future to use contract employees, correct?

17          A.    I think -- I would assume that it could  
18   based on business needs, but these numbers were based  
19   off of employee costs.

20          Q.    The third line on Attachment JCB-1,  
21   Page 2, lists IT costs, correct?

22          A.    Yes.

23          Q.    And that amount, the one-time cost is  
24   \$243,122, correct?

25          A.    Yes.

1 Q. And the one-time, per-customer cost was  
2 developed by dividing that sum by 725, correct?

3 A. Correct.

4 Q. Footnote 3 says, "IT systems includes:  
5 IT project to build NSMO billing and service routing  
6 functionalities into Customer Management System  
7 (CMS)," correct?

8 A. Correct.

9 Q. And isn't it true that the \$243,120  
10 figure is the actual cost of improvements?

11 A. That is the actual cost, correct.

12 Q. Does the cost relate to building a new  
13 IT system or modifying an existing one?

14 A. Refers to modifying an existing.

15 Q. Now, Duke had proposed to defer the  
16 \$243,122 in IT costs; is that correct?

17 A. Correct.

18 Q. And by that you mean that Duke would  
19 defer recovery of the costs to Duke Energy Ohio's  
20 next base rate proceeding?

21 A. Correct.

22 Q. If that deferral is allowed, all  
23 distribution customers would pay those IT costs,  
24 correct?

25 A. Yes.

1 Q. And, in fact, Duke Energy Ohio currently  
2 recovers IT capital costs and expenses in  
3 distribution rates set in Duke Energy Ohio's last  
4 distribution rate case, correct?

5 A. I wasn't a party to the negotiations in  
6 that particular case; so I don't know exactly what  
7 all's included in that base rate case.

8 EXAMINER McKENNEY: I'll follow up on  
9 that.

10 IT costs are a capital expenditure,  
11 correct?

12 THE WITNESS: IT costs can be both  
13 capital and expense.

14 EXAMINER McKENNEY: Capital and expenses  
15 are recovered in distribution rate cases in base  
16 distribution rates?

17 THE WITNESS: That sounds correct, yes.

18 EXAMINER McKENNEY: Okay.

19 BY MR. STINSON:

20 Q. Do you have a copy of your application  
21 before you, that's Duke Exhibit 1?

22 A. Are you referring to my testimony?

23 Q. Duke's application in this proceeding.

24 A. The only thing I have in front of me is  
25 my testimony that you handed me and the exhibits, as

1 well as the data request from Staff 01-008, and I  
2 have the -- what you've handed to me as the stipulation  
3 and recommendation in Case 10-2326-GE-RDR.

4 Q. Well, are you aware in the application  
5 that Duke expected IT costs to amount to \$777,997.50?  
6 Let me strike that. I'll just move on to --

7 EXAMINER MCKENNEY: Well, let the record  
8 reflect I'll hand the witness a copy of Duke's  
9 application. Do you have a copy of that application?

10 THE WITNESS: I do not have a copy of  
11 the application.

12 EXAMINER MCKENNEY: I'll hand the  
13 witness a copy of Duke's application which has  
14 already been marked as Duke Exhibit 1, unless Duke  
15 has a copy.

16 MS. WATTS: I have one.

17 EXAMINER MCKENNEY: As your exhibit.

18 MS. WATTS: I don't have extras.

19 EXAMINER MCKENNEY: Take mine.

20 Mr. Stinson, is there a page in that  
21 application you'd like to direct the witness to?

22 MR. STINSON: Yes. It's on Page 3,  
23 Paragraph 6.

24 THE WITNESS: Page 3, Paragraph 6. I do  
25 see the 777-.

1 BY MR. STINSON:

2 Q. And that's for total one-time costs,  
3 correct?

4 A. That's for total one-time costs.

5 Q. And Page JCB-1, Page 1, states that  
6 those one-time costs are 33 -- I'm sorry,  
7 \$334,979.50, correct?

8 A. Correct.

9 Q. And the only difference between the  
10 one-time costs on that page and the application would  
11 be the IT costs listed in JCB-1, Page 2?

12 A. Correct. The -- so JCB-1, Page 2,  
13 reflects IT costs of 243,122, which is the actual  
14 costs -- actual costs to perform the IT system  
15 modification.

16 Q. So the IT estimated costs were decreased  
17 from \$686,140 to the \$243,122 in your testimony,  
18 correct?

19 A. That is correct.

20 Q. You led the team that developed the  
21 costs for IT modifications, correct?

22 A. There was a project manager specifically  
23 assigned from the IT team that put that together, and  
24 I led the team, yes, that was responsible for all the  
25 costs.

1           Q.    You didn't have any direct  
2   responsibility for developing those costs, correct?

3           A.    I did not specifically develop the line  
4   item costs for the IT.  That was from our subject  
5   matter experts in the IT Department.

6           Q.    And you're relying on what they provided  
7   you in their project meetings, correct?

8           A.    Yes.

9           Q.    Now, the IT modifications you describe  
10  are currently completed, correct?

11          A.    Yes.

12          Q.    But that system will not be used until  
13  the -- a proposed opt-out tariff is approved,  
14  correct?

15          A.    That the modifications will not be used  
16  until the opt-out tariff is approved.

17          Q.    And what do those modifications support?

18          A.    So when we started as a project team  
19  looking at the rule that the Commission issued, we  
20  kind of -- we quickly realized that to do an  
21  efficient and scaleable program to be able to offer  
22  to all customers, we had to do the IT modifications.  
23  Those modifications included the ability to bill any  
24  approved fees one time as well as ongoing, it put a  
25  special condition for customers who choose this --

1 the nonstandard meter option so that when customers  
2 call in, maybe have bill questions or complaints, you  
3 can see that they are traditional customer -- using a  
4 traditional meter as opposed to an AMI meter.

5 It also flags the customer so that if we  
6 had to do a meter swap, it will automatically route  
7 through our work management system to send a tech out  
8 to do the meter swap so they make sure they have the  
9 right meter with them. And I believe that was all  
10 the major components.

11 Q. And aren't there already some Duke  
12 customers that do not -- we've already established,  
13 correct, that some Duke customers, the 105 and 400 we  
14 talked about earlier, do not have advanced meters,  
15 correct?

16 A. Correct.

17 Q. And although the IT modifications are  
18 not being used at this point, Duke is still serving  
19 those customers who have retained their traditional  
20 meters, correct?

21 A. We are still, yes, serving those  
22 customers, yes.

23 Q. Pardon me?

24 A. Yes.

25 Q. And Duke bills those customers for their

1 per-kilowatt-hour electric usage?

2 A. We do.

3 Q. And the IT costs will be billed to all  
4 customers regardless of whether they have an AMI  
5 meter or have retained a traditional meter, correct?

6 A. We are requesting in our application to  
7 defer the IT costs to the next base rate case.

8 Q. And if it's not deferred, do you propose  
9 that AMI customers and customers who retained their  
10 traditional meters be charged that IT cost?

11 A. Yes.

12 Q. Mr. Brown, isn't it true that Duke  
13 Energy Ohio currently -- through its base  
14 distribution tariffs currently recovers costs for  
15 meter installation and meter replacement?

16 A. Of our standard meter, yes.

17 MR. STINSON: Could you read that answer  
18 back, please?

19 (Record read back as requested.)

20 BY MR. STINSON:

21 Q. And by "standard meter," you mean?

22 A. AMI.

23 Q. AMI meter.

24 And were those costs developed or  
25 charges developed at the last base distribution rate

1 case?

2 A. So I want to make sure we're clear, that  
3 there was a project initiative that has gone on for  
4 many years, since 2008, that you asked me previously  
5 about. That project cost is recovered through the  
6 Smart Grid rider on an annual basis, and that would  
7 have included the cost to install an AMI meter.

8 Q. Were costs to install or replace meters  
9 included in the last distribution rate case, to your  
10 knowledge?

11 A. I wasn't involved in the negotiations  
12 for that rate case.

13 Q. So your answer is you don't know?

14 A. I don't know.

15 Q. Why don't we move on to recurring costs  
16 then. What I'm referring to then is your Attachment  
17 JCB-1, Page 3 of 3. And the first line there under  
18 topic area is Metering Services. And in Footnote 1  
19 it indicates, "Metering Services includes: manual  
20 meter reading for monthly on-cycle reads, off-cycle  
21 reads, and revenue assurance," correct?

22 A. That's correct.

23 Q. And on-cycle reads is essentially the  
24 monthly meter reading?

25 A. Yes.

1 Q. And off-cycle reads are meter reads at  
2 the customer's request?

3 A. Yeah. They're typically for move-in,  
4 move-out, bill complaints type situations.

5 Q. Initiation/termination of service?

6 A. Right.

7 Q. And the revenue assurance service is  
8 related to theft investigations, correct?

9 A. Correct.

10 Q. I think on OCC Exhibit 2, again, the  
11 last of the four attachments, under Topic Area on the  
12 left-hand side, there are areas captioned "Monthly  
13 Meter Reading," "Off-cycle Meter Reading," and  
14 "Revenue Assurance," correct?

15 A. Correct.

16 Q. And does that correspond to the metering  
17 service of Line 1 of JCB-1, Page 3?

18 A. Yes.

19 Q. Attachment JCB-1, Page 3, there's annual  
20 costs listed there of \$349,015, and monthly costs of  
21 \$29,084.58, correct?

22 A. Yes.

23 Q. And, again, the monthly cost was  
24 calculated by dividing the 349,000 figure by 12,  
25 correct?

1 A. Correct.

2 Q. And the last column is Monthly Cost per  
3 NSMO Customer. And that cost was calculated by  
4 dividing the monthly cost of 29,000-plus dollars by  
5 725 customers, correct?

6 A. Correct.

7 Q. And that 349- -- \$349,015 also appears  
8 in the calculation on the fourth sheet of OCC  
9 Exhibit 2, correct?

10 A. Correct.

11 Q. And the costs for the monthly meter  
12 reading on OCC Exhibit 2, the fourth page, that would  
13 be the same as the on-cycle?

14 A. Correct.

15 Q. And the rate of \$40, is that a labor  
16 rate or does it include something else?

17 A. So that rate includes labor, fringes and  
18 benefits, as well as vehicle costs.

19 Q. And you know the breakdown between the  
20 labor and the vehicle costs?

21 A. That was provided in discovery. I don't  
22 have it in front of me.

23 Q. And the hours to complete is one hour,  
24 correct?

25 A. Correct.

1 Q. And that, again, was based upon the  
2 experience of the subject matter experts?

3 A. Correct.

4 Q. The seventh column, Number of Events  
5 Annually, is 800 -- or 8,700, correct?

6 A. Correct.

7 Q. And that figure was developed by  
8 multiplying the 725 customers by 12 --

9 A. Correct.

10 Q. -- for the total of \$348,000, correct?

11 A. Correct.

12 Q. On Page 5, Line 21 of your testimony.

13 A. What line was that again, please?

14 Q. Page 5, line -- beginning of Line 21, it  
15 states there that, "Customers opting out will likely  
16 be spread throughout the entire service territory  
17 making travel to and from each customer location more  
18 time consuming..."

19 Isn't it correct that you developed the  
20 monthly meter reading cost based upon travel from the  
21 central Queensgate location to a customer meter  
22 location and back, correct?

23 A. It was developed -- we talked about this  
24 when it was -- like I mentioned in testimony, the  
25 customers are likely to be spread out across the

1 service territory, and we do have our meter  
2 operations consolidated to the Queensgate operations  
3 center.

4 So we looked at -- generally speaking,  
5 the furthestest customer away would be approximately  
6 70 miles and estimated it would probably take about  
7 90 minutes to drive there, and the nearest customer  
8 would be about 15 minutes away. And so we looked at  
9 that, and through the experience of the subject  
10 matter expert and meter reading, we kind of derived  
11 it was going to take approximately one hour to read a  
12 meter.

13 Q. But my question is that you derived that  
14 one-hour figure by assuming that the meter reader  
15 would drive from the Queensgate central office area  
16 to the customer's location and then back?

17 A. I think that it would be -- so part of  
18 the meter reading would include route analysis to  
19 make sure that it's as sufficient as possible. So if  
20 these customers are all in the same billing cycle,  
21 there could be an opportunity to go from meter to  
22 meter.

23 Q. I'm talking about how you calculated  
24 this amount on OCC Exhibit 2, the fourth page to the  
25 attachment. Did you assume that the meter reader

1 would travel from the company's headquarters to the  
2 meter location and back?

3 A. They would eventually have to come back,  
4 but they could potentially read multiple meters along  
5 the way.

6 Q. And was that how the cost was developed?

7 A. Correct. Correct.

8 Q. Based upon a route rather than  
9 individually going to a meter and back for each  
10 customer?

11 A. Because we didn't know what the routes  
12 would potentially look like because folks haven't  
13 taken -- we don't know where the customers would be.  
14 If they're on the same billing cycle, then you would  
15 be able to go from meter to meter.

16 Q. Do you have a copy of your deposition in  
17 front of you, Mr. Brown?

18 A. No.

19 MR. STINSON: May I approach, Your  
20 Honor?

21 EXAMINER MCKENNEY: You may.

22 MS. WATTS: Mr. Stinson, do you also  
23 have the errata sheet that was provided yesterday?

24 MR. STINSON: The errata sheet is at the  
25 back. It is attached to the back.

1 MS. WATTS: Thank you.

2 MR. STINSON: Do you have a copy?

3 MS. WATTS: I do. I don't have that  
4 sheet, but I do.

5 BY MR. STINSON:

6 Q. If you'd like to -- I'm going to present  
7 to you what is your deposition, Mr. Brown. I placed  
8 before you, Mr. Brown, what is captioned with this  
9 case caption and entitled "Telephone Conference Call  
10 Deposition of Justin C. Brown." Do you have that  
11 before you?

12 A. I do.

13 Q. And do you recognize that as your  
14 deposition in this proceeding taken October 7th?

15 A. I do.

16 Q. And you were under oath during that  
17 deposition, correct?

18 A. Yes.

19 Q. I'd like to direct your attention to  
20 Page 67 of the deposition.

21 A. Okay.

22 Q. And I'm going to read at the bottom,  
23 "Question: The one-hour travel time or average  
24 travel time you calculated, was that calculated based  
25 upon a trip to and back to the operation center from

1 an individual customer's location?

2 "Answer: It was."

3 Did that correctly state the question  
4 and answer in your deposition?

5 A. I think when I was answering that  
6 question --

7 Q. Well --

8 EXAMINER MCKENNEY: I'm going to ask you  
9 just to answer the question that he asked. Did he  
10 correctly read that?

11 THE WITNESS: He correctly read it, yes.  
12 BY MR. STINSON:

13 Q. Thank you. Have any routes been  
14 developed to this point for the customers who have  
15 retained their traditional meters?

16 A. I'm not aware that they -- that a  
17 special route has been created for them.

18 Q. Does the -- does Duke Energy Ohio  
19 currently have large industrial customers who have  
20 their meters manually read?

21 A. Yes.

22 Q. And isn't it true that some of the  
23 customers who have retained traditional meters, their  
24 meters are read on the routes along with the  
25 industrial customers?

1           A.    I believe so.

2           Q.    And that would be from meter to meter,  
3 correct?

4           A.    Correct.

5           Q.    Without a trip back to operations  
6 headquarters after each meter read, correct?

7           A.    Correct.

8           Q.    And typically for the 105 customers and  
9 the 400 customers we've talked about that have the  
10 traditional meters, typically a meter reader would  
11 report to the Queensgate facility, he or she would be  
12 given a list that they'd perform the meter reads, and  
13 then would return to the Queensgate location after  
14 the readings have been taken, correct?

15          A.    Correct.

16          Q.    And isn't it true that it takes  
17 approximately seven minutes to read a meter?

18          A.    That's an average, yes.

19          Q.    Let's talk a little bit about the  
20 off-cycle meter reading. I'm referring again to OCC  
21 Attachment 2, it would be the fourth page of that  
22 attachment, the second topic area. The rate, again,  
23 is \$40, and that would be also the same combined  
24 labor rate and vehicle charge, correct?

25          A.    Correct.

1           Q.    And you don't have a breakdown for  
2   those, either, correct?

3           A.    That was provided through discovery.

4           Q.    And the one hour was developed by the  
5   subject matter expert's experience, correct?

6           A.    Correct.

7           Q.    Conveyed to you during project meetings?

8           A.    Yes.

9           Q.    And isn't it correct that the total cost  
10   was developed by assuming that one percent of  
11   traditional customers would need an off-cycle meter  
12   reading, correct?

13          A.    Correct.

14          Q.    So that would calculate to seven events  
15   annually?

16          A.    Yes.

17          Q.    And then the annual cost of \$290 was  
18   calculated by multiplying the seven events times the  
19   \$40 rate, correct?

20          A.    Correct.

21          Q.    So in this situation, the customer who  
22   actually requested the special meter reading wouldn't  
23   pay the \$40 cost his or herself, but all customers  
24   would be charged that fee, correct, or that charge,  
25   all opt-out customers?

1           A.    All opt-out customers.

2           Q.    Is that correct?

3           A.    Yes.

4           Q.    Was there any type of studies performed  
5 to determine that one percent of traditional -- or  
6 opt-out customers would require the service?

7           A.    That was based on experience from the  
8 team I was working with, the subject matter experts,  
9 on what they see as normal course of business.

10          Q.    But no data or analyses were performed,  
11 no data gathered or analyses performed to corroborate  
12 that figure?

13          A.    There's really no way we could have  
14 determined that, because the individuals -- we don't  
15 know who would be opting out yet to look at the  
16 history of their request for off-cycle meter reads.  
17 This was, generally speaking, what we see in the  
18 normal course of business across our meter  
19 population.

20          Q.    The one percent is based upon the  
21 general experience?

22          A.    Correct.

23          Q.    And is there data that would reflect the  
24 general experience?

25          A.    It's from our subject matter experts.

1           Q.    But I'm talking about whether there's  
2           data -- any records as to the number of times  
3           customers have requested the off-cycle meter read.

4           A.    No.

5           Q.    The company doesn't keep those records?

6           A.    I'm not aware.  I relied on the subject  
7           matter experts to -- for that information.

8           Q.    The next line, Revenue Assurance, you  
9           made the same one percent assumption there, correct?

10          A.    Correct.

11          Q.    And that is also based upon the subject  
12          matter expert's experience?

13          A.    Yes.  They generally go out and  
14          physically inspect for revenue assurance purposes  
15          prior to our implementation of AMI, the meter  
16          population.  And since we are no longer able to  
17          remotely interrogate a meter if they have a  
18          traditional meter -- you can remotely interrogate an  
19          AMI meter and get certain information to help us  
20          ascertain if there could be tampering going on -- you  
21          physically have to send an individual out to the  
22          customer location to do a physical inspection.

23               MR. STINSON:  Could I have the question  
24          and read reread, please?

25               (Record read back as requested.)

1 MR. STINSON: Move to strike everything  
2 after "Yes" as nonresponsive to the question.

3 EXAMINER McKENNEY: Response.

4 MS. WATTS: Your Honor, he's answering  
5 the question. He was asked what this was based upon,  
6 and he's explaining what the experience is that form  
7 the answer to the question. I don't know how he  
8 could answer it any differently.

9 EXAMINER McKENNEY: I agree with  
10 Ms. Watts. Motion to strike is denied.

11 I want to clarify the record too. By  
12 "revenue assurance," you mean tampering and theft; is  
13 that correct?

14 THE WITNESS: Correct.

15 EXAMINER McKENNEY: Thank you.

16 BY MR. STINSON:

17 Q. Does the charge here represent the  
18 number of meters that will be tampered with?

19 A. Please -- repeat the question, please.  
20 I don't understand it.

21 Q. Well, I'm trying to figure out whether  
22 the -- again, we have a number of events annually,  
23 there's seven. Is that the number of investigations?

24 A. So as I mentioned previous, if a  
25 customer has a traditional meter, we're no longer

1     able to remotely interrogate that meter. Previous to  
2     our Smart Grid implementation, which AMI was a part  
3     of, you had to -- we had to physically inspect  
4     approximately one percent of our total meter base.

5             Since we are unable to do that remotely  
6     with these traditional meters, we still have to send  
7     a person out to do a physical inspection of this  
8     meter population. And so these costs here, this line  
9     item is associated with sending out an individual to  
10    do a physical check.

11            Q.    So that charge is for sending a person  
12    out to investigate, right?

13            A.    That's correct.

14            Q.    And the charge is not for confirmed  
15    incidents of tampering, correct?

16            A.    It is not.

17            Q.    And just to go back to the Page 4 of OCC  
18    Exhibit 2, Page 4 of the attachment, under the  
19    Revenue Assurance row, the rate there is \$100. Is  
20    that a labor rate only?

21            A.    This includes labor rate, fringes and  
22    benefits, as well as vehicle costs.

23            Q.    And do you have a breakdown of the  
24    vehicle costs for that?

25            A.    I do not in front of me. It was

1 provided in discovery.

2 Q. And the one hour to complete, that was  
3 based upon the subject matter expert's experience?

4 A. Yes.

5 Q. And the \$725 figure is just based upon  
6 the hourly rate of \$100 times 725 customers, correct?

7 A. It's actually, yeah, it's times -- it's  
8 one percent of that -- of the 725, which I think was  
9 actually 7.25, and that gets you \$725.

10 Q. Well, let's stick with that. I mean,  
11 there's a rate of \$100, seven annual occurrences; so  
12 should the total cost be 700?

13 A. It's -- actually it's -- one percent of  
14 725 -- 725 is 7.25, and that's how it was calculated.

15 Q. Let's move on to Distribution  
16 Maintenance, again, referring to Attachment JCB-1,  
17 Page 3, Footnote 2 indicates "Distribution  
18 Maintenance includes: purchasing, locating, and  
19 installing additional communication devices to read  
20 stranded meters caused by NSMO."

21 By "stranded meter," what do you mean?

22 A. So part of our deployment includes  
23 meters that are read via a mesh network. And there  
24 is a possibility that a customer that chooses to opt  
25 out -- we have mesh networks -- meters can talk

1 through meters and get back essentially to a grid  
2 communication device, and that grid communication  
3 device backhauls the information to the company.

4 If -- certain meters could be left  
5 stranded if -- they communicate through a meter that  
6 has -- a customer has elected to opt out and,  
7 therefore, it would be installed with a traditional  
8 meter. The stranded meters would be left without any  
9 communication back to the company. And this line  
10 item would be costs to install additional  
11 communication devices to be able to make those  
12 stranded meters talk back to the company.

13 Q. And the company has not yet installed  
14 any additional communication devices, correct?

15 A. The deployment of AMI meters was still  
16 ongoing during 2014, and it would be hard to  
17 determine if those -- any customers who had requested  
18 a nonstandard meter would warrant a communication  
19 device being installed.

20 MR. STINSON: Motion to strike, it's not  
21 responsive, Your Honor. I asked if any of the  
22 communication devices had been installed.

23 MS. WATTS: Well, I would object,  
24 because Mr. Stinson hasn't specified a time period.  
25 Perhaps if he would specify a time period, the answer

1 could be more clear.

2 EXAMINER MCKENNEY: Can I have the  
3 question and answer back?

4 (Record read back as requested.)

5 EXAMINER MCKENNEY: Motion to strike's  
6 going to be denied.

7 BY MR. STINSON:

8 Q. So has the company, to your knowledge,  
9 installed any communication devices as a result of a  
10 stranded meter?

11 A. So as part of our deployment, there was  
12 engineering analysis performed on where to place  
13 communication devices, and there was, through the  
14 project deployment, reworking of communication  
15 devices to ensure all meters read correctly.

16 Q. Again, my question is: Have any  
17 communication devices been installed as a result of a  
18 stranded meter?

19 MS. WATTS: Objection, again, as to  
20 there's no time specified.

21 MR. STINSON: I'm asking --

22 EXAMINER MCKENNEY: Objection's  
23 overruled. If you know the answer, you can answer  
24 the question.

25 THE WITNESS: Well, would you repeat the

1 question?

2 BY MR. STINSON:

3 Q. Again, my question is: During the  
4 deployment, has there been any communication device  
5 installed as a result of a stranded meter?

6 MS. WATTS: Asked and answered.

7 EXAMINER MCKENNEY: Objection's  
8 overruled.

9 THE WITNESS: So as I mentioned, when  
10 you -- when we do -- during the deployment, we  
11 engineer it where the communication devices lived,  
12 and you asked because of a stranded meter.

13 I guess I'm going to help you here. A  
14 stranded meter would be, in your question, somebody  
15 that has requested to opt out. To my knowledge, that  
16 has not occurred.

17 BY MR. STINSON:

18 Q. Well, there are 105 customers with  
19 traditional meters, and there are 400 customers with  
20 the access issues who have traditional meters. As a  
21 result of those customers retaining their traditional  
22 meters, has the company had to install a  
23 communication device?

24 A. I'm not aware of specifically having to  
25 install a communication device related to those

1 customers that we had -- have not been able to do a  
2 meter swap for.

3 Q. And going back to the fourth page of OCC  
4 Exhibit 2, the attachment -- sorry, we're on the  
5 third page.

6 A. Okay.

7 Q. In the top area it's captioned  
8 "Communication Device Installation," "Communication  
9 Device" on the second line.

10 The rate of \$344.30, what does that  
11 represent?

12 A. So that rate, that represented fully  
13 loaded labor, two technicians, the truck to go out  
14 and actually perform the installation of an  
15 additional communication device.

16 Q. And that rate was provided to you from  
17 your subject matter experts during your project  
18 meetings?

19 A. It was. And I believe I also updated  
20 that particular rate in my testimony as well.

21 Q. And the hours, do you believe that's  
22 based upon the subject matter expert's experience?

23 A. It is.

24 Q. No additional analyses or data was  
25 reviewed to derive that period?

1           A.    It was based on recent project  
2   experience of installing communication devices.

3           Q.    And the frequency is one percent of the  
4   customers, correct?

5           A.    Correct.

6           Q.    And how is that derived?

7           A.    So we assumed that this tariff, that you  
8   would have churn, customers coming off and on  
9   choosing this particular program. One percent-type  
10   churn could represent a need to install seven  
11   communication devices annually on our system.

12                   MR. STINSON: Can I have that answer  
13   reread, please?

14                   (Record read back as requested.)

15   BY MR. STINSON:

16           Q.    That assumption was made without respect  
17   to the customer's location, correct?

18           A.    I'm not sure I understand your question.

19           Q.    Well, you're assuming a churn of one  
20   percent --

21           A.    Right.

22           Q.    -- for the need to install a  
23   communications device?

24           A.    Right.

25           Q.    And that one percent assumption's made

1 without regard to the customer's physical location?

2 A. Yes, because we don't know who would  
3 take it at this time.

4 Q. The next line is the cost for a range  
5 extender. That's an equipment cost?

6 A. It is.

7 Q. And is that the actual vendor cost, the  
8 \$270?

9 A. It is.

10 Q. And isn't it true that the communication  
11 devices would support reading AMI meters?

12 A. Yes.

13 Q. Do you know when Duke intends to file  
14 its next base rate distribution rate proceeding?

15 A. I do not.

16 Q. Now, isn't it true that if a customer  
17 expresses a concern about having an AMI meter  
18 installed, the customer has two options, the first  
19 being to have a traditional meter?

20 A. I believe that's what this tariff was  
21 filed for.

22 Q. And is another option to have the AMI  
23 meter located further from the customer's residence?

24 A. The customer can have their meter base  
25 moved, and we will install a meter base somewhere

1       else -- or, excuse me, a meter and that meter base  
2       somewhere else on their property.

3               Q.    And isn't it true that the customer pays  
4       for that relocation?

5               A.    Yes.

6               Q.    Is another option for Duke to turn off  
7       the communications function of the Smart meter, or  
8       the advanced meter?

9               A.    I don't think that that's allowed by  
10       Commission rule in that we have to offer a  
11       traditional meter, and the traditional meter is a  
12       meter that doesn't have the ability to do two-way  
13       communication.

14              Q.    Isn't it true that if you turn off the  
15       communications functionality, that meter would not  
16       have the capability to communicate with two-way  
17       communications?

18              A.    The meter wouldn't communicate via  
19       two-way, it would still have the capability.

20              Q.    Let's talk a little bit now about your  
21       Exhibit JCB-2. That is the proposed tariff, correct?

22              A.    That's correct.

23              Q.    Did you prepare that tariff or was it  
24       prepared under your supervision?

25              A.    It was with assistance from our Rates

1 Department.

2 MR. STINSON: I'm sorry. Could you  
3 reread the answer, please?

4 (Record read back as requested.)

5 BY MR. STINSON:

6 Q. Why don't we look at the Background  
7 section of the tariff. That provides, "Section  
8 4901:1-10-5(J) of the Ohio Administrative Code (OAC)  
9 states that electric utilities shall provide  
10 customers with the option to remove an installed  
11 advanced meter and replace it with a traditional  
12 meter," correct?

13 A. Correct.

14 Q. So will the one-time charge in Duke's  
15 proposed tariff apply to customers who choose to  
16 remove an already installed advanced meter and  
17 replace it with a traditional meter?

18 A. It would.

19 Q. The Background section goes on to state  
20 that the rule -- that under the rule, customers must  
21 be given the option to decline installation of an  
22 advanced meter and retain a traditional meter,  
23 correct?

24 A. Correct.

25 Q. So the one-time fee in Duke's proposed

1       tariff -- let me start over.

2                       So would the one-time fee in Duke's  
3       proposed tariff apply to customers who choose to  
4       decline installation of an advanced meter and retain  
5       a traditional meter?

6                       A.     So as we wrote and come up with the  
7       costs associated with this, we submitted a uniform  
8       tariff. Like I mentioned earlier, our implementation  
9       is predominantly complete with our meters.

10                      Q.     So your answer's yes?

11                      A.     Yes.

12                      Q.     Let's look at the Charges section of the  
13       tariff. It states that, "Residential customers who  
14       request a traditional meter rather than an advanced  
15       meter shall pay a one-time fee of \$462.04 and a  
16       recurring monthly fee of \$40.53," correct?

17                      A.     Correct.

18                      Q.     Now, that language does not distinguish  
19       between customers who want an already installed  
20       advanced meter replaced with a traditional meter, and  
21       those customers who decline an advanced meter and  
22       want to keep their traditional meter, does it?

23                      A.     It does not.

24                      Q.     Duke's calculation of the one-time  
25       charge was based on an estimated 725 customers who

1 would refuse to have an advanced meter installed at  
2 their premises, correct?

3 A. Correct.

4 Q. And that 725 number includes 325  
5 customers who has already refused to have an advanced  
6 meter installed at their premises, correct?

7 A. At any time through the project had not  
8 wanted an advanced meter.

9 Q. So Duke would not have to remove an  
10 advanced meter and install a traditional meter for  
11 those customers, correct?

12 A. Only for the customers who currently do  
13 not have a traditional meter.

14 Q. And the 325 customers we referenced  
15 already had the traditional meter, correct?

16 A. No. The 105 that we've talked about  
17 previously are the customers who -- 105 is a subset  
18 of the 325.

19 Q. Uh-huh.

20 A. And so the delta between 105 and 325,  
21 those customers currently have an AMI meter.

22 Q. But at the time -- at one time they  
23 didn't refuse to take the advanced meter, correct?

24 A. Correct.

25 Q. And at that time they had retained their

1 traditional meter, correct?

2 A. They currently have -- so the delta, the  
3 difference between 105 and 325, that subset of  
4 customers currently have an AMI meter.

5 Q. I understand that. But at the -- at one  
6 point they refused the advanced meter, correct?

7 A. They did.

8 Q. And when they refused, they had the  
9 traditional meter at their premises, correct?

10 A. When they refused, they still had the  
11 traditional meter at their premise.

12 Q. Okay. And the 400 customers that we've  
13 been talking about with access issues, those  
14 customers still have the traditional meter at their  
15 premises, correct?

16 A. Correct.

17 Q. Are you familiar with the Ohio Revised  
18 Code rules that implement the rulemaking you  
19 reference in your testimony, the Ohio Administrative  
20 Code?

21 MS. WATTS: Object as to form.

22 MR. STINSON: Well, I think I said --  
23 let me restate the question.

24 MS. WATTS: Thank you.

25 MR. STINSON: Well taken.

1 BY MR. STINSON:

2 Q. Are you familiar with Section  
3 4901:10-05(J) of the Ohio Administrative Code?

4 A. I am.

5 Q. And would you agree that that would be  
6 the rule that implements the rulemaking we discussed  
7 earlier?

8 MS. WATTS: And, Mr. Stinson, I'm sorry,  
9 but I think you said 29 instead of 49, but I think we  
10 all know what you're talking about.

11 MR. STINSON: It is 49, Section 4901.

12 THE WITNESS: I'm familiar with the  
13 opt-out provisions around that in that rule area,  
14 yes.

15 MR. STINSON: If I could approach, Your  
16 Honor.

17 EXAMINER MCKENNEY: You may.

18 MR. STINSON: I won't mark this, I'll  
19 just provide it to the witness for a reference since  
20 he's familiar.

21 THE WITNESS: Thank you.

22 BY MR. STINSON:

23 Q. And if you could turn to that,  
24 4901:1-10-05(J).

25 A. Do you know what page it's on to help me

1 speed?

2 Q. It's hard to see.

3 MS. WATTS: It's the last page.

4 THE WITNESS: It's Page 4 of 4.

5 MR. JONES: 3 of 4.

6 THE WITNESS: 3 of 4.

7 BY MR. STINSON:

8 Q. And Subdivision (J) (5) (c), do you have  
9 that?

10 A. I have -- so middle of Page 3 of 4.

11 Q. Uh-huh.

12 A. Section (J), okay.

13 Q. And then at the very bottom of the page,  
14 there's tariffs, and then on Page 4 of 4 there's  
15 Subdivision (c).

16 A. Yes.

17 Q. And that provision provides that an  
18 electric utility may establish a one-time fee to  
19 recover the costs of removing an existing meter, and  
20 the subsequent installation of a traditional meter,  
21 correct?

22 A. Correct.

23 Q. While we're discussing this, the rule  
24 does state that the utility may establish a recurring  
25 fee; is that correct?

1 A. Yes.

2 Q. Or it may establish a one-time fee, I'm  
3 sorry?

4 A. Correct. Yes.

5 Q. Go back to OCC Exhibit 2 for a second,  
6 the last of the four attachments with monthly meter  
7 reading costs. We've identified before that the \$40  
8 includes both fully loaded labor costs and some  
9 vehicle expenses, correct?

10 A. So which one are you looking at? I'm  
11 sorry.

12 Q. OCC Exhibit 2 has the four attachments.  
13 I'm at the last attachment looking at Monthly Meter  
14 Reading, the first row of that table.

15 A. Okay. Yes. Okay. I'm there.

16 Q. And I'll repeat that we've established  
17 that the rate of \$40 is for the fully loaded labor  
18 costs plus some vehicle expense, correct?

19 A. Yes.

20 Q. And that \$40 applies to what I would  
21 call typical meter reads and as well to the  
22 hard-to-access meter reads?

23 A. The monthly meter reading would be, yes,  
24 sending a meter reader to a customer's location that  
25 has a -- that's chosen the opt-out service, the

1 traditional meter.

2 Q. Were the estimated labor costs hard for  
3 the hard-to-access meters?

4 MS. WATTS: Objection as to the form.

5 MR. STINSON: Well, do you know with  
6 respect to the \$40 rate, Mr. Brown, whether it  
7 includes estimated labor costs for the hard-to-access  
8 meters?

9 MS. WATTS: Objection as to form again.

10 EXAMINER MCKENNEY: I'm going to --  
11 what's wrong with the form in the second one?

12 MS. WATTS: Well, indoor meters are not  
13 necessarily hard-to-access meters, and the witness  
14 has not said anything about hard-to-access meters.

15 EXAMINER MCKENNEY: Mr. Stinson, care to  
16 rephrase?

17 MR. STINSON: Well, I think we've had  
18 lots of testimony about hard-to-access meters, and  
19 that's why they haven't been changed. I'm just  
20 wondering whether there's additional labor expenses  
21 through additional time to gain access to read that  
22 meter.

23 EXAMINER MCKENNEY: I'll allow the  
24 question.

25 THE WITNESS: So for meters that would

1 be indoors or behind locked gates, we would have --  
 2 we'd hope to have a key for those premises that the  
 3 customers would give us to be able to continue to  
 4 read those meters.

5 BY MR. STINSON:

6 Q. Would there be hard labor costs  
 7 associated with that?

8 A. So the rate -- the hours really to  
 9 complete the meter read includes both indoor and  
 10 outdoor meters. Some of those indoor meters would  
 11 likely have to have the technician also have to have  
 12 a key and catalog that in and out to be able to read  
 13 the customer's meter.

14 Q. So you're saying that the one-hour  
 15 completion time is the same for the hard-to-access  
 16 readers as other meters?

17 MS. WATTS: Objection as to form.

18 EXAMINER MCKENNEY: Again --

19 MS. WATTS: Your Honor, we're not  
 20 talking about here hard to access, we're talking  
 21 about indoor meters. Those are two different  
 22 categories.

23 MR. STINSON: I'm going with the  
 24 witness's testimony, Your Honor, that hard-to-access  
 25 meters on Page 7, Line 7, "...hard-to-access meters

1 that are not accessible by the Company (i.e. indoors,  
2 behind locked gates) and require the customer to  
3 provide the company premises." I'm using the  
4 witness's terminology.

5 EXAMINER McKENNEY: Objection's  
6 overruled.

7 MS. WATTS: Your Honor, if I may, I do  
8 think there's a misunderstanding, but we -- I'll --

9 EXAMINER McKENNEY: If there's a  
10 misunderstanding, I'll allow Mr. Stinson to ask the  
11 question, you can clear it up on redirect.

12 MS. WATTS: Okay thank you.

13 EXAMINER McKENNEY: As to the form of  
14 the question, the question goes to hard-to-access  
15 meters as indicated in your testimony. So you may  
16 answer to the best of your knowledge in accordance  
17 with the question that was asked.

18 THE WITNESS: So the 400 customers that  
19 we cited here, they would be given the option of  
20 whether to come on to the opt-out program, and we  
21 would then read those meters on a monthly basis.  
22 Does that answer your question?

23 BY MR. STINSON:

24 Q. No.

25 A. I'm sorry. I'm just confused by what

1       you're asking.

2               Q.     I'll try to ask it again.

3               A.     Okay.

4               Q.     I'm looking at the time to read the  
5       hard-to-access meters you've described in your  
6       testimony versus the time to read a typical meter  
7       that is not identified as hard to access. Is more  
8       time involved in reading the hard-to-access meters?

9               A.     Okay. So we would hopefully, if a  
10      customer were to come on to the program, we would  
11      have -- we would work with the customer so that the  
12      meter is not hard to access on a walk-by meter read.

13              So as I stated in my testimony, these  
14      are typically indoors and behind locked gates, of  
15      which we don't have a key. So we would try to work  
16      with these customers to gain a key so that they're  
17      not hard to access, because what we previously talked  
18      about, that generally speaking once you arrive at a  
19      customer's site it takes on average seven minutes to  
20      do the full meter read, and that took into account  
21      indoor and outdoor meters.

22              Q.     And the company still has 400  
23      hard-to-access meters where it hasn't been able to  
24      access the company's property to make the meter swap,  
25      correct?

1           A.    That is correct.

2           Q.    On Page 7, Line 5 of your testimony, you  
3 mention Duke's multi-year deployment, correct?

4           A.    Yes.

5           Q.    And just to clarify, is that deployment  
6 of Duke's Smart Grid system?

7           A.    Yes.   Yes.

8           MR. STINSON:   Can we have a moment, Your  
9 Honor?

10          EXAMINER McKENNEY:   Let's go off the  
11 record.

12                   (Discussion held off the record.)

13          EXAMINER McKENNEY:   Let's go back on the  
14 record.

15   BY MR. STINSON:

16          Q.    Mr. Brown, the company proposes to  
17 charge the meter reading charge on a monthly basis,  
18 correct?

19          A.    That's correct.

20          Q.    And will that charge apply if a meter is  
21 not read during a given month?

22          A.    We will attempt to read all meters.

23          Q.    So if a meter is not read in a given  
24 month, the charge will still apply?

25          A.    Yes.

1           Q.    We've discussed a lot about the 105  
2 customers and the 400 customers. Do you understand  
3 what we're talking about still, right?

4           A.    Yes, sir.

5           Q.    And am I correct that the company knows  
6 the locations of those customers?

7           A.    I think that would be reasonable, yes.

8           Q.    And the company bills those customers?

9           A.    Yes.

10          Q.    And that -- nevertheless, the company  
11 did not do any analysis as to the cost to serve the  
12 105 customers, correct?

13          A.    To serve -- no, we did not specifically  
14 for those 105, because we don't know if they were  
15 willing to take the opt-out service.

16          Q.    And by -- let me rephrase the question.

17                The company did no analysis as to the  
18 cost to provide those customers with the standard  
19 meter, correct, or the traditional meter?

20          A.    We did our costs based on how long it  
21 would take to actually perform the service. And so,  
22 therefore, it could be applied to whatever -- ever  
23 how many customers choose to take the service.

24          Q.    But you did not consider specifically  
25 the locations of those 105 customers?

1           A.    We did not.

2           Q.    Or the 400 customers?

3           A.    No.

4                   MR. STINSON:  No further questions, Your  
5 Honor.

6                   EXAMINER MCKENNEY:  Thank you,  
7 Mr. Stinson.

8                   Let's go off the record.

9                   (Discussion held off the record.)

10                  EXAMINER MCKENNEY:  Let's go back on the  
11 record.

12                  Mr. Jones.

13                  MR. JONES:  Thank you, Your Honor.

14                                 - - -

15                                 CROSS-EXAMINATION

16         BY MR. JONES:

17                 Q.    Good morning, Mr. Brown.

18                 A.    Good morning.

19                 Q.    I'm John Jones, I represent the staff in  
20 this proceeding.

21                         I have a question for you:  Do you still  
22 have a copy of the metering rule up there,  
23 4901:1-10-05?

24                 A.    I do.

25                 Q.    Okay.  And are you familiar with that

1 rule?

2 A. I am.

3 Q. Okay. And does that rule provide that  
4 the metering accuracy shall be the responsibility of  
5 the utility?

6 A. Metering accuracy?

7 Q. Accuracy.

8 A. You would have to point me to specific  
9 language.

10 Q. Yes. I would refer you to (F), letter  
11 F.

12 A. "Metering accuracy shall be the  
13 responsibility of the electric utility," yes.

14 Q. So having that responsibility, that's  
15 something you wouldn't charge the tariff then, right,  
16 that's the company's responsibility that the meter  
17 has to be accurate absent a request from a customer?

18 A. Yes.

19 Q. Okay. All right. Now, I want to ask  
20 you: When did you become aware that the number of  
21 customers that refused the AMI meter became -- or was  
22 reduced to 105?

23 MS. WATTS: Objection as to form.

24 EXAMINER McKENNEY: Can you explain what  
25 is wrong with the form?

1 MS. WATTS: Yeah. There is no  
2 reduction. The current number of customers who do  
3 not wish a Smart meter is 105. That number wasn't  
4 reduced from anything.

5 BY MR. JONES:

6 Q. I guess I'm asking: When did you become  
7 aware of the 105 number?

8 A. It was through working to gather the  
9 costs associated with this -- this program.

10 Q. And when was that?

11 A. That would have been last year when it  
12 was filed.

13 Q. Okay. And you prefiled this testimony  
14 on September 18th, 2015, correct?

15 A. Correct.

16 Q. So why did you say 325 customers on  
17 Page 7 instead of 105?

18 A. On Page 7 of my testimony?

19 Q. Page 7, Line 4.

20 A. Right. So I said, "That number is based  
21 roughly on 325 customers who have at any time refused  
22 an AMI meter during the Company's multi-year  
23 deployment..."

24 And so the 325 in our eyes, in my eyes,  
25 were customers who were interested in an alternative

1 solution. So assuming that those customers are still  
2 interested in, that's why the 325 was included as  
3 part -- makes up the 725, that they could, quite  
4 frankly, still be interested in taking a non- -- the  
5 advanced meter opt-out service.

6 Q. But you testified that the delta between  
7 the 125 and the -- excuse me, 105 and 325 have since  
8 decided to go with the AMI meter; is that correct?

9 A. That's correct.

10 Q. So those customers, the delta, they're  
11 no longer in play here for being customers who are  
12 refusing the AMI meter; is that correct?

13 A. No. I wouldn't characterize it like  
14 that. I'd characterize it as over the course of our  
15 deployment, roughly 325 said at any time "I don't  
16 want it," and currently today there is 105 customers  
17 who have said that that still don't have an AMI  
18 meter. So our assumption is the delta between that,  
19 that those customers are likely to still be  
20 interested in an optional advanced meter opt-out  
21 service.

22 Q. So it's your position today that you're  
23 sticking with your 725; is that correct?

24 A. As an estimate of how many customers we  
25 believe could take advantage of it, yes.

1           Q.   Well, let me ask you about the 400  
2 customers who did not respond and you couldn't --  
3 they have hard-to-access meters. When is the last  
4 time you checked on that number?

5           A.   I know that we have continued to reach  
6 out to those customers to see if we can gain access  
7 to do the meter swap. I believe that number is  
8 probably lower than 400, but at the time that we put  
9 this together we still went with 400 customers are  
10 likely to in that section.

11          Q.   How much lower than 400?

12          A.   I don't know.

13          Q.   So it's probable those numbers will go  
14 down, correct, from 400?

15          A.   It could if the customers don't choose  
16 to have the service. Like I said, this tariff filing  
17 was meant to be offered to all of our electric  
18 residential customers, so any of those customers  
19 could take advantage of the program.

20          Q.   And now those 400 customers you say that  
21 are unresponsive, were they not responsive to the  
22 postcard and to the letter that the company sent out?

23          A.   And phone calls.

24          Q.   And phone calls. And when was this  
25 number first -- when did you first develop this

1 number?

2 A. It was last year when we originally  
3 filed the application.

4 Q. Okay. And since that time, the company  
5 has continued to reach out to these customers?

6 A. We have.

7 Q. But today you don't know how many of  
8 those customers have been contacted and had this  
9 discussion with -- about their options here?

10 A. So this is not specifically discussing  
11 the opt-out program?

12 Q. No. I mean, you're saying they're  
13 unresponsive, but you've continued to reach out to  
14 those customers.

15 A. Correct.

16 Q. But this has been a year ago, right?

17 A. Right.

18 Q. Well, since that time, you don't know  
19 how many customers then have since been responsive to  
20 the company; is that correct?

21 A. That's correct.

22 Q. But you believe that number would be  
23 lower today?

24 A. Of the 400 that we're discussing here,  
25 it's likely to be lower.

1 Q. And how much lower, you don't know?

2 A. Correct.

3 Q. Could be substantially lower, couldn't  
4 it?

5 A. It could be.

6 Q. What is the life of a traditional meter?

7 A. Life of a traditional meter? I guess I  
8 don't understand your question.

9 Q. Use and useful life of a traditional  
10 meter.

11 A. I would -- I don't know the exact life,  
12 but I would estimate, you know, 30 years perhaps.

13 Q. Thirty years. How about an advanced  
14 meter?

15 A. Those have a lot more technology in  
16 them, and it's likely lower, probably 15, 20.

17 Q. Now, are you familiar with the  
18 Commission's order in Case No. 12-2050-EL-ORD?

19 A. I don't recall that number off the top  
20 of my head. Could you explain what that --

21 Q. This is the case and the proceeding  
22 where the metering rule was developed and approved.

23 A. 2050?

24 Q. Yes.

25 A. Yes, okay.

1           Q.   And you previously had a discussion with  
2   Mr. Stinson about alternate -- alternatives to opt  
3   out working with customers. Do you remember that?  
4   Do you recall that conversation?

5           A.   Yes.

6           Q.   Okay. And you had testified that  
7   turning off the communication function was not an  
8   option because the Commission's rules prohibited  
9   that. Was that your testimony?

10          A.   I did say that. I believe the  
11   Commission specifically -- in the first order in the  
12   case specifically discussed about that, that that  
13   wasn't really an option for complying with the rule.

14          Q.   Okay.

15               MR. JONES: Your Honor, may I approach  
16   the witness?

17               EXAMINER McKENNEY: You may.

18               MR. JONES: Approach counsel first.

19               EXAMINER McKENNEY: Off the record real  
20   quick.

21               (Discussion held off the record.)

22               EXAMINER McKENNEY: Back on the record.

23   BY MR. JONES:

24               Q.   Mr. Brown, I'm handing you a copy of the  
25   Commission's order. It's the entry on rehearing in

Case No. 12-2050-EL-ORD, which was issued on  
December 18th, 2013. Do you see that before you?

A. I do.

MR. JONES: Your Honor, I'm not going to  
mark this as an exhibit, I just want to reference the  
order as to this discussion.

EXAMINER MCKENNEY: That's fine.

MR. JONES: Thank you.

BY MR. JONES:

Q. And, Mr. Brown, if you would refer to  
Page 3 of the entry on rehearing, and the first full  
paragraph, and middle of that paragraph, beginning  
with "The Commission notes," do you see that?

A. On Page 3?

Q. Yes. First full paragraph that starts  
with "Further."

A. Yes, I do see that.

Q. If you go halfway down that paragraph,  
or a little bit less than halfway where it begins  
with, "The Commission notes."

A. Yes.

Q. Would you please read that sentence,  
please?

A. "The Commission notes that the electric  
utility may continue to work with customers on

1 alternatives to opt-out, such as turning off the  
2 communication function of the meter or moving the  
3 meter to another area of the property, but the  
4 customer shall have the option to request full  
5 advanced meter opt-out service for replacement of the  
6 advanced meter with a traditional meter."

7 Q. Thank you.

8 A. If I --

9 Q. That's fine. Thank you.

10 So now after reading that, would you  
11 agree with me that that is an option as an  
12 alternative?

13 A. If we -- it does say that it's an option  
14 to work with the customer, but the second part of the  
15 sentence essentially says that you'd have to still  
16 offer the advanced meter opt-out.

17 Q. But the point is that that could be an  
18 agreement between the company and the customer as to  
19 that being -- that sufficing for the customer to  
20 disconnect the two-way communication of the advanced  
21 meter and not going with the opt-out tariff; is that  
22 correct?

23 A. I didn't read it like that. I read it  
24 as that's an option that they could ask for the  
25 communication capability to be turned off. If the

1 communication capability is turned off, you no longer  
2 have two-way communication occurring. The capability  
3 is still there, but the communication ability does  
4 not exist.

5 Q. And it becomes a traditional -- in  
6 essence, it becomes a traditional meter, correct?

7 A. It becomes like a traditional meter, but  
8 per the definition of a traditional meter, it's still  
9 not a traditional meter, it's still an advanced  
10 meter.

11 Q. But it functions as a traditional meter,  
12 correct?

13 A. Functions after you turn off the  
14 communication capability.

15 Q. Thank you. Now, for the communication  
16 devices that you're requesting in your application,  
17 you had responded to a data request from OCC that  
18 there was no communication gap that the company was  
19 aware of for the 725 customers; is that correct?

20 A. Could you reference the data request?

21 Q. Yes. If you give me one second, please.

22 Okay. Let me establish, I have some  
23 preliminary questions to build up to that.

24 Do you know Donald Schneider, Junior?

25 A. I do.

1 Q. Does he work for you in your department?

2 A. He does not work for me.

3 Q. Does he work with you?

4 A. Yes.

5 Q. Okay. Are you aware that he responded  
6 to an OCC request, OCC-INT-OT-036 interrogatory, May  
7 15th, 2015, where the question was asked of the  
8 company: Has Duke had to install any devices to fill  
9 in communications gaps caused by a customer who opted  
10 out from having an advanced meter?

11 The response then by Mr. Schneider: For  
12 the customers currently without AMI meters, due to  
13 installation refusal, the company has not experienced  
14 any communication gaps requiring additional devices.

15 That was the response Mr. Schneider had  
16 given to that request. Do you dispute that response  
17 by the company?

18 A. I don't dispute that response, because  
19 as I mentioned earlier, is the -- those 725, as you  
20 reference there, the customers who currently don't  
21 have an advanced meter, they raised their hand and  
22 said, "I don't want it," during -- still during our  
23 deployment. So it's not likely that we were able to  
24 determine if an additional communication device was  
25 needed for those particular customers because it was

1 a part of our mass deployment. So I don't dispute  
2 what Mr. Schneider mentioned.

3 Q. Okay. Let me ask you the -- for your  
4 deferral request, would the company be seeking  
5 carrying charges?

6 A. I'm not aware of carrying charges in the  
7 deferral request.

8 Q. Have you had any discussions with  
9 anybody about carrying charges on the deferral  
10 request?

11 A. No.

12 Q. Mr. Brown, would you agree with me that  
13 there's nowhere in your testimony or your attachments  
14 as to the discussion of what IT costs are currently  
15 being recovered in base rates?

16 A. Yes, my testimony doesn't touch on that.

17 Q. Okay. And the same is true as far as  
18 storage, testing, removal, and installation of meters  
19 in base rates?

20 A. I think what my testimony articulates is  
21 essentially what's in the rule.

22 Q. No. I'm just asking you whether it does  
23 or does not include in your testimony that  
24 information?

25 A. No.

1 MS. WATTS: Objection. The witness is  
2 trying to answer the question.

3 EXAMINER McKENNEY: Let's allow the  
4 witness to finish the question.

5 MR. JONES: Okay.

6 EXAMINER McKENNEY: Or the answer,  
7 excuse me. Do you have anything further?

8 THE WITNESS: No. Other than to say  
9 that we interpreted the rule in Letter (E) to say  
10 costs incurred by the electric utility to provide the  
11 advanced meter opt-out service shall be borne only by  
12 customers who elect to receive the advanced meter  
13 opt-out service.

14 EXAMINER McKENNEY: Go off the record.

15 (Discussion held off the record.)

16 EXAMINER McKENNEY: Back on the record.

17 MR. JONES: No questions, Your Honor.

18 EXAMINER McKENNEY: Thank you. I just  
19 have two quick questions I'll try to ask, and then I  
20 may have a few again to clean up.

21 - - -

22 EXAMINATION

23 BY EXAMINER McKENNEY:

24 Q. We've talked a lot about AMI meters and  
25 traditional meters. Does Duke have any AMR meters,

1 or advanced meter reading meters?

2 A. For electric customers, not to my  
3 knowledge.

4 Q. Thank you. And these meters, the  
5 company tries to read them 12 times annually per  
6 customer?

7 A. Yes.

8 Q. If the number were less than 12 manual  
9 meter reads per year, this would actually decrease  
10 the metering services portion of the monthly charge;  
11 is that correct?

12 MS. WATTS: Your Honor, with respect to  
13 traditional meters are we talking about?

14 EXAMINER McKENNEY: Yes.

15 THE WITNESS: So would you repeat your  
16 question?

17 BY EXAMINER McKENNEY:

18 Q. If on average the company read  
19 traditional meters less than 12 times per year, this  
20 would actually result in decrease in the metering  
21 services portion of the monthly charge, would it not?

22 A. It would reduce -- so the way the charge  
23 was calculated, it was the meter -- the cost of  
24 reading the meter times 12, read it 12 times a year.  
25 So if you were to read it less in your situation,

1 then that cost would be less. It still would cost,  
2 you know, what we articulate to go out and do the  
3 meter read, but what you're saying is just the 12,  
4 the number of times you read it would be reduced. So  
5 the total annual cost would be reduced.

6 Q. Do you know the average number of times  
7 the company reads a traditional meter per year?

8 A. We attempt to read it on every billing  
9 cycle.

10 Q. I know you attempt to read it every  
11 year. Do you know the average number of times that  
12 you actually read traditional meters per year?

13 A. I do not.

14 EXAMINER McKENNEY: Thank you. Nothing  
15 further.

16 Redirect.

17 MS. WATTS: Your Honor, may we break for  
18 lunch before?

19 EXAMINER McKENNEY: Lunch. Let's go off  
20 the record.

21 (Discussion held off the record.)

22 (Luncheon recess taken.)

23 - - -

24

25

1 Thursday Afternoon Session,  
2 October 15, 2015.

3 - - -

4 EXAMINER MCKENNEY: Let's go back on the  
5 record.

6 Redirect, Ms. Watts.

7 MS. WATTS: Yes. Thank you, Your Honor.  
8 I promise I'll be quick.

9 - - -

10 REDIRECT EXAMINATION

11 BY MS. WATTS:

12 Q. Mr. Brown, do you recall some questions  
13 from Mr. Stinson with respect to some of the labor  
14 costs that are associated with the charges that the  
15 company is requesting be included in the opt-out  
16 program?

17 A. Yes.

18 Q. And he asked you in particular what kind  
19 of breakdown there was for some of those labor costs.

20 A. Correct.

21 Q. Did you review the discovery responses  
22 that were submitted by the company in the case?

23 A. I did.

24 Q. In particular, I'm going to --

25 MS. WATTS: If I may, Your Honor, I'm

1 going to place before the witness a Data  
2 Request 03-004 from staff, and I don't have extra  
3 copies of this.

4 EXAMINER MCKENNEY: That's fine.

5 BY MS. WATTS:

6 Q. Would you review that, please, sir?

7 A. Okay.

8 Q. And to the best of your knowledge, was  
9 that discovery response provided to all the parties  
10 in the case?

11 A. Yes, it was.

12 Q. And could you explain what that  
13 discovery response lays out in terms of breakdown for  
14 labor costs?

15 A. Yes. It asks to provide the  
16 calculations showing a breakdown of labor costs for  
17 meter reading, meter repair and testing, storage,  
18 also meter swap, as well as the revenue assurance  
19 rate.

20 Q. And could you describe the individual  
21 dollar amounts that go with each of those components?

22 A. Yes. So the \$40 -- there was also a  
23 clarification on this that talks about the \$35 for  
24 the cost of the meter, which we clarified that that's  
25 not a labor cost, that's an equipment cost. And then

1 we go into and talk about the \$40 hourly rate  
 2 includes base hourly labor rate of 23.93, plus 50  
 3 percent loading for fringes and benefits, to make a  
 4 total labor of 35.90; vehicle hourly rates of \$2.80;  
 5 \$1.30 for costs and support functions, equipment such  
 6 as route analysis, key management, equipment  
 7 maintenance, administration, supervision; \$50 hourly  
 8 labor rate for meter repair, testing and storage  
 9 includes a base hourly rate of \$37, plus labor  
 10 overheads of \$13.69; and \$51.20 hourly rate includes  
 11 32.67 and 18.53 for fringes and benefits; and then  
 12 the \$100 hourly rate is for revenue assurance,  
 13 includes a base hourly labor rate of \$38 plus labor  
 14 overheads of \$22, fleet overheads of 20 and other  
 15 corporate overheads of 40.

16 Q. And the information that was provided in  
 17 response to that data request was provided by people  
 18 other than yourself, correct?

19 A. It was.

20 Q. Could you say the names of those people?

21 A. Jeff Campbell, David Lasater, Everett  
 22 Greene.

23 Q. Now, are those some of the people you  
 24 worked with in this project in order to obtain  
 25 information with respect to what costs might be?

1 A. Yes.

2 Q. And are those people with subject matter  
3 expertise in particular?

4 A. Yes.

5 Q. Do you recall some questions from  
6 Mr. Stinson and also from Mr. Jones with respect to  
7 having to purchase additional communication notes to  
8 fill in the mesh network?

9 A. Yes.

10 Q. Could you sort of explain why no  
11 particular nodes have been purchased to date?

12 A. Because our ongoing project was still in  
13 deployment, essentially the mesh network was created  
14 around -- or created so that the customers who raised  
15 their hand and said "I don't want an advanced meter,"  
16 we took into account that during deployment.

17 Moving forward, however, if there is a  
18 customer that already has an AMI meter that  
19 participates on the mesh network and they asked to be  
20 a part of this program, then that's where the costs  
21 were associated with installing communication  
22 devices. That can cause stranded meters.

23 Q. So, in essence, the occasion for  
24 replacing those kinds of nodes has not yet arisen?

25 A. Correct.

1 Q. When a customer phones in a meter read,  
2 is that regarded as an estimated read?

3 A. Yes.

4 Q. Are there errors with estimated reads?

5 A. There could be with customers calling  
6 in, they could transpose numbers or do an incorrect  
7 reading for someone.

8 Q. And is it necessary at some point in  
9 time to get an actual read from those customers?

10 A. Yes.

11 Q. And were you involved, sir, in last  
12 year's -- I wish I had the case number -- but the  
13 most recently concluded Smart Grid rider proceeding  
14 before the Commission?

15 A. Yes.

16 Q. And do you recall an issue being raised  
17 in that case with respect to estimated reads?

18 A. Yes.

19 Q. And what particularly was the complaint  
20 in that case?

21 MR. STINSON: Objection as to  
22 foundation. I don't have -- I don't have the case.  
23 I don't have the case number. I don't have anything  
24 to verify what's going on.

25 BY MS. WATTS:

1 Q. Do you happen to recall the case number,  
2 sir?

3 A. It was a -- I don't recall the case  
4 number.

5 Q. Does 14-1051 refresh your recollection?

6 A. Yes, it would have been 14, yes.

7 Q. And that would be GE-RDR, correct?

8 A. RDR case, yes.

9 Q. So that was the most recently concluded  
10 Smart Grid rider proceeding?

11 A. Yes.

12 Q. And was there an issue raised with  
13 respect to estimated reads in that case?

14 A. Yes.

15 Q. What was the concern?

16 A. The concern was raised that --

17 MR. STINSON: I'm going to object again  
18 just on the basis of I don't know in what documents  
19 or hearing the issue was raised. If it's raised and  
20 it's addressed in the opinion and order, I don't have  
21 much of a problem. If it's raised in something  
22 that's not been a part of the record, I have a  
23 problem.

24 EXAMINER MCKENNEY: Ms. Watts.

25 MS. WATTS: It's most definitely in the

1 record everywhere.

2 EXAMINER MCKENNEY: In the record in  
3 this proceeding?

4 MS. WATTS: In 14-1051.

5 EXAMINER MCKENNEY: Okay. We need to  
6 make it in the record of this proceeding, I believe,  
7 to really establish the foundation for this; so...

8 MS. WATTS: Can we let the witness  
9 finish the answer first before we --

10 EXAMINER MCKENNEY: I think the  
11 objection was made.

12 MS. WATTS: I'll withdraw the question.

13 EXAMINER MCKENNEY: Okay.

14 BY MS. WATTS:

15 Q. Okay. Mr. Brown, do you have a copy of  
16 what was marked this morning as OCC Exhibit 1?

17 A. To the best -- the stipulation and  
18 recommendation in Case No. 10-2326-GE-RDR?

19 Q. Yes. Is that sometimes by some parties  
20 referred to as the midterm review?

21 A. Yes.

22 Q. Did Mr. Stinson ask -- you recall that  
23 Mr. Stinson asked you some questions about this  
24 document, correct?

25 A. Yes, he did.

1 Q. Could you turn, please, to Page 5 and 6?

2 A. Okay. I'm there.

3 Q. There's a discussion there about the  
4 netting of benefits. Is that a topic about which you  
5 are familiar?

6 MR. STINSON: Objection, Your Honor.

7 THE WITNESS: I am.

8 EXAMINER MCKENNEY: What grounds?

9 MR. STINSON: Beyond the scope of  
10 cross-examination, there was no questions about  
11 netting of benefits.

12 EXAMINER MCKENNEY: Ms. Watts.

13 MS. WATTS: The subject of this  
14 stipulation has been introduced into the case, and  
15 I'd like to have a full record about what is  
16 contained in the stipulation.

17 EXAMINER MCKENNEY: I think the door was  
18 opened. Objection's overruled.

19 BY MS. WATTS:

20 Q. So, Mr. Brown, would you explain what  
21 netting of benefits against costs relates to in this  
22 document?

23 A. So there were certain operational  
24 benefits that were identified as part of the Smart  
25 Grid program that these netting of benefits against

1 costs, essentially what is occurring is the  
2 stipulation was an agreement by the parties that  
3 signed it that these were the benefits associated  
4 with Smart Grid, and these benefits that are  
5 articulated in here, financial benefits flow back to  
6 customers annually in the rider.

7 Q. Okay. And are those financial benefits  
8 calculated on the basis of a -- an audit report that  
9 was done in that midterm case?

10 A. Yes.

11 Q. And are some of those benefits related  
12 to meter reading services?

13 A. Yes.

14 Q. So, in essence, the meter reading  
15 services savings that result from the deployment of  
16 Smart Grid are returned to customers?

17 MR. STINSON: Objection.

18 THE WITNESS: Yes.

19 MR. STINSON: Leading the witness.

20 EXAMINER McKENNEY: Objection's  
21 overruled. I'll allow it.

22 I'm going to ask a follow-up question.  
23 Those benefits are returned to customers through a  
24 reduction in the revenue requirement; is that  
25 correct?

1 THE WITNESS: Yes.

2 EXAMINER MCKENNEY: Okay.

3 BY MS. WATTS:

4 Q. Sir, do you remember some questions with  
5 respect to IT costs that were incurred in order to  
6 create the opt-out program for the company?

7 A. Yes.

8 Q. And were those IT costs, so long as you  
9 understand in this case, expense related or capital  
10 investment?

11 A. I understand they're expense related.

12 Q. You were asked to also refer to the Rule  
13 4901:1-10-05. Do you recall that?

14 A. Yes.

15 Q. Would you take a look at that again,  
16 please? On the very last page, the very last item,  
17 would you read that item number (e), please?

18 A. Letter (e) is, "Costs incurred by an  
19 electric utility to provide advanced meter opt-out  
20 service shall be borne only by customers who elect to  
21 receive advanced meter opt-out service."

22 Q. And would you say that the application  
23 and supporting material that the company offered in  
24 this case essentially supports that concept?

25 A. Yes.

1           Q.    And was that more or less your -- your  
2   guiding concept behind what you did in your project  
3   in order to gather the costs?

4           MR. STINSON:  I'm going to object again  
5   to the leading questions.  Counsel is essentially  
6   testifying.

7           EXAMINER MCKENNEY:  Objection sustained.  
8   Please rephrase the question.

9   BY MS. WATTS:

10          Q.    Can you tell me how that provision --  
11   that rule section applied when you were gathering  
12   costs for this case?

13          A.    It was one of the central tenets in  
14   everything that we look at with our team to try to  
15   determine costs associated with providing the opt-out  
16   tariff.  It was essentially a guiding principle that  
17   we used.

18          MS. WATTS:  Thank you.  I have nothing  
19   further.

20          EXAMINER MCKENNEY:  Thank you.  I'll  
21   allow very limited recross if you have it to clarify,  
22   just if you have any clarifying questions for  
23   recross.

24          MR. STINSON:  Yes.  Just a second, Your  
25   Honor.  I'm conferring with my client right now.

1 EXAMINER MCKENNEY: Let's go off the  
2 record.

3 (Discussion held off the record.)

4 EXAMINER MCKENNEY: Let's go back on the  
5 record.

6 Mr. Stinson.

7 MR. STINSON: Yes. Just a couple of  
8 questions.

9 - - -

10 RECROSS-EXAMINATION

11 BY MR. STINSON:

12 Q. Mr. Brown, in response to your counsel's  
13 question regarding the stipulation which has been  
14 marked in OCC Exhibit 1, I'd like to draw your  
15 attention to Page 6 of that stipulation. Under  
16 Paragraph b, have you reviewed that?

17 A. Yes. Sorry.

18 Q. My question: Isn't it true that the  
19 financial benefits or savings you refer to end in  
20 2014?

21 A. No. I believe there's other areas in  
22 the document that essentially state that there's also  
23 a revenue requirement degradation for 2015.

24 Q. Where is that in the document?

25 A. Page 7.

1 Q. What --

2 A. Paragraph d talks about "...the Company  
3 will continue filing Rider DR-IM for each year until  
4 full deployment occurs and will net against costs in  
5 the Rider DR-IM revenue requirement for 2015 the  
6 electric distribution share of savings of \$12.933  
7 million. Insofar as 2015 represents the projected  
8 full deployment date and the estimated benefits for  
9 that year should approximate steady state savings,  
10 the Company will continue to include the electric  
11 distribution share of savings of \$12.933 million in  
12 the Rider DR-IM revenue requirement for as long as it  
13 continues."

14 Q. So it ends 2015?

15 A. No. It says that -- at the end of the  
16 sentence it says, "...the Company will continue to  
17 include the electric distribution share of savings of  
18 \$12.933 million in the Rider DR-IM revenue  
19 requirement for as long as it continues."

20 Q. Once the full deployment is announced,  
21 that rider will end, correct?

22 A. Once the full deployment is confirmed by  
23 staff, the company has to file -- agreed to file a  
24 rate case, and I believe the intent of this is that  
25 those -- that Rider DR-IM would be rolled into that

1 base rate case.

2 Q. You also referred, in response to your  
3 counsel's questions, concerning Ohio Administrative  
4 Code 4901:1-10-5(J) (5) (e) on Page 4 of 4 of the last  
5 sentence of the rule. Do you recall stating that the  
6 overriding or overarching or the guideline of your  
7 testimony is that the costs for the opt-out service  
8 be borne by those who receive that service?

9 A. Yes.

10 Q. And isn't it true in this proceeding  
11 you're requesting a deferral of certain one-time  
12 costs?

13 A. We are requesting the deferral of the  
14 one-time cost of the IT system that's necessary to  
15 comply with the rule.

16 Q. Thank you.

17 A. So that we are able to offer it to all  
18 customers.

19 MR. STINSON: No further questions.

20 EXAMINER McKENNEY: Thank you. Go off  
21 the record.

22 (Discussion held off the record.)

23 EXAMINER McKENNEY: Let's go back on the  
24 record.

25 Mr. Jones.

1 MR. JONES: Thank you, Your Honor.

2 - - -

3 RECROSS-EXAMINATION

4 BY MR. JONES:

5 Q. Mr. Brown, what's the basis for your  
6 change in the testimony as to saying that the IT  
7 costs recovered in the last rate case is expensed  
8 now, but earlier you said they were capitalized and  
9 expensed?

10 MS. WATTS: Objection. That was not the  
11 testimony.

12 MR. JONES: It was the testimony.

13 THE WITNESS: I believe I answered that  
14 question.

15 EXAMINER McKENNEY: Well, we have an  
16 objection; so you have to hold up just a second.

17 THE WITNESS: Sorry.

18 EXAMINER McKENNEY: I've got to take  
19 care of this.

20 THE WITNESS: All right.

21 MR. JONES: Your Honor, he did testify  
22 earlier to the Bench's question and to counsel's  
23 question that those -- the IT costs being recovered  
24 in the electric distribution rate case were both  
25 capitalized and expensed, and the Bench even had the

1 question to the witness for that question, and now on  
2 redirect he's clarified that it's just expensed and  
3 not capitalized. So I'm asking what's the basis,  
4 since the break, that he's changing his testimony.

5 EXAMINER MCKENNEY: I'm going to allow  
6 the question. I'm going to allow you to answer to  
7 the best of your ability if there was a change in  
8 your testimony or what you meant by your testimony.

9 THE WITNESS: So as I understood the  
10 question, the question was do I have an understanding  
11 that both capital and IT expenses are in base rates.  
12 My answer was yes, typically capital and IT expenses  
13 are in base rates.

14 I was asked, I believe, the IT project  
15 in which we initiated to modify the system to comply  
16 with this rule, my -- those costs will be expensed.

17 BY MR. JONES:

18 Q. For this case?

19 A. The IT costs for -- able to -- that  
20 we're asking about in this case are expensed.

21 MR. JONES: Okay. That's it. That's  
22 all I have.

23 EXAMINER MCKENNEY: Thank you,  
24 Mr. Jones. Let me review my notes real quick.

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FURTHER EXAMINATION

BY EXAMINER McKENNEY:

Q. You testified that the Grid Smart rider has created numerous operational benefits for all customers; is that correct?

A. Smart Grid rider, yes.

Q. Yes.

A. Yes.

Q. And when customers choose to opt out, that decreases the operational efficiencies of the Smart Grid rider?

A. Correct.

Q. Therefore, the opt-out for nonstandard metering rider recovers the costs of providing the new service and the loss of operational efficiencies; is that correct?

A. So with the -- what we're asking for, because we are already flowing back through operational efficiencies in the rider, these are incremental costs believed for providing the service.

Q. Customers are not getting charged twice for the same service?

A. Correct.

EXAMINER McKENNEY: Thank you. Nothing further.

1 Mr. Brown, thank you for being here.

2 THE WITNESS: Thank you.

3 EXAMINER McKENNEY: You're welcome to  
4 step down from the stand.

5 MR. STINSON: At this time, Your Honor,  
6 OCC would move the admission of OCC Exhibits 1 and 2.

7 EXAMINER McKENNEY: Objection to the  
8 admission of OCC Exhibits 1 and 2?

9 MS. WATTS: No objection.

10 MR. JONES: No objection, Your Honor.

11 EXAMINER McKENNEY: We will admit them  
12 now.

13 (EXHIBITS ADMITTED INTO EVIDENCE.)

14 EXAMINER McKENNEY: I do want to note,  
15 only because I want to note that Staff Data  
16 Request 01-001, I want to add page numbers to the  
17 bottom of that. So when you cite that in your brief,  
18 you will cite to the page numbers that we have. The  
19 first page has a 1 on it, the next page will be 2,  
20 after that 3, after that 4, and so on and so forth.

21 MS. WATTS: Did you mean 001-008?

22 EXAMINER McKENNEY: Yes. OCC Exhibit 2.

23 MS. WATTS: Okay.

24 EXAMINER McKENNEY: Yes. That's  
25 correct. That make sense.

1 MS. WATTS: Yes.

2 MR. JONES: Yes, Your Honor.

3 MS. WATTS: And, Your Honor, Duke Energy  
4 Ohio moves admission of Duke Energy Exhibits 1 and 2,  
5 please.

6 EXAMINER McKENNEY: Objection to the  
7 admissions of Duke Energy Exhibits 1 and 2?

8 MR. STINSON: No objection, Your Honor.

9 MR. JONES: No objection, Your Honor.

10 EXAMINER McKENNEY: Go ahead and admit  
11 those now, too.

12 (EXHIBITS ADMITTED INTO EVIDENCE.)

13 MS. WATTS: And we have no further  
14 witnesses, Your Honor.

15 EXAMINER McKENNEY: Thank you. Let's go  
16 off the record real quick.

17 (Discussion held off the record.)

18 EXAMINER McKENNEY: Let's go back on the  
19 record.

20 Mr. Jones.

21 MR. JONES: Thank you.

22 MS. MESSENGER: Yes, Your Honor. We've  
23 been made aware that there is no -- that counsel has  
24 waived cross-examination of Ms. Bossart's testimony  
25 and stipulated to its admission. We would like to

1 mark Ms. Bossart's testimony as Staff Exhibit 1. May  
2 I approach?

3 (EXHIBIT MARKED FOR IDENTIFICATION.)

4 EXAMINER MCKENNEY: You may approach.

5 MS. MESSENGER: We would move for that  
6 admission at this time.

7 EXAMINER MCKENNEY: Any objection to the  
8 admission of Ms. Bossart's testimony?

9 MS. WATTS: No objection.

10 EXAMINER MCKENNEY: Hearing none, it  
11 will be so admitted.

12 (EXHIBIT ADMITTED INTO EVIDENCE.)

13 EXAMINER MCKENNEY: Thank you. I think  
14 next is OCC prepared to call its witness or staff  
15 witnesses? Go off the record.

16 (Discussion held off the record.)

17 MR. JONES: At this time, Your Honor,  
18 staff would call Marchia Rutherford to the stand.

19 EXAMINER MCKENNEY: All right. Please  
20 raise your right hand.

21 (Witness placed under oath.)

22 EXAMINER MCKENNEY: Thank you.

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MARCHIA RUTHERFORD,  
being first duly sworn, as hereinafter certified,  
deposes and says as follows:  
  
DIRECT EXAMINATION  
  
BY MR. JONES:  
  
Q. Would you please state your name for the  
record, please?  
  
A. Marchia Rutherford.  
  
Q. Where are you employed?  
  
A. Public Utilities Commission of Ohio.  
  
Q. And what is your job title and  
responsibilities?  
  
A. I'm a utilities specialist. I review  
rates and tariff issues, work rate case --  
distribution rate cases, and occasionally work tariff  
riders.  
  
Q. And did you have occasion to prefile  
testimony in this proceeding?  
  
A. I did.  
  
Q. And I have before you what's marked as  
Staff Exhibit 2. Could you please identify that  
document for the record, please?  
  
A. It is my prefiled testimony.  
  
Q. And do you have any -- was this prepared  
by you or at your direction?

1           A.    It was prepared by me.

2           Q.    And do you have any changes or additions  
3 to make to that prefiled testimony?

4           A.    Page 4, Line 15 should state "one" as  
5 opposed to "on."

6           Q.    So on Page 4, Line 15, that line should  
7 read "the proposed one-time charge"; is that correct?

8           A.    That is correct.

9           Q.    Do you have any other changes or  
10 additions to make to your testimony?

11          A.    I do not.

12          Q.    And with that change, if I were to ask  
13 you the same questions contained within your prefiled  
14 testimony, would your answers be the same?

15          A.    Yes, they would.

16               MR. JONES:  At this time, Your Honor, I  
17 would offer Ms. Rutherford for cross-examination.

18               EXAMINER MCKENNEY:  All right.

19               Ms. Watts.

20               MS. WATTS:  Thank you, Your Honor.  Ever  
21 the optimist, all my cross-examination starts with  
22 good morning; so I'll adjust that.

23                               - - -

24

25

CROSS-EXAMINATION

BY MS. WATTS:

Q. Good afternoon.

A. Good afternoon.

Q. Ms. Rutherford, did you write your testimony for this proceeding?

A. Yes, I did.

Q. And other than your attorney, can you tell me who else within the Commission reviewed it before it was filed?

A. Various management.

Q. And who specifically would that be?

A. That would be David Lipthratt, Tammy Turkenton -- David Lipthratt, Tammy Turkenton, Patrick Donlon and Theresa White.

Q. Thank you. Looking at your testimony in this case, staff is recommending a number of decreases to the charges proposed by the company, correct?

A. That is correct.

Q. And you're aware that Mr. Lipthratt is recommending that the company not be permitted to defer the costs of IT work done to create the opt-out program, correct?

A. I'm aware of that.

1 Q. Did you have a recommendation for how  
2 those costs be recovered otherwise?

3 A. My testimony does not address any  
4 IT-related issues.

5 Q. So you do not have any recommendation in  
6 that regard?

7 A. Not based on my testimony, it does not  
8 address the issue.

9 Q. Okay. Thank you.

10 On Page 3 of your testimony, you begin a  
11 discussion about staff adjustments to the one-time  
12 charge relating to costs for maintaining a supply of  
13 traditional meters. Do you see that?

14 A. What line are you referring to?

15 Q. Page 4, Line 2.

16 A. Page 4, Line 2?

17 Q. Yeah.

18 A. Okay.

19 Q. And that -- at that cite you referred to  
20 the 3,772 traditional meters on hand at the company's  
21 meter lab. Do you see that?

22 A. Yes, I do.

23 Q. Do you know what timeframe that is  
24 relevant to?

25 A. At the point that I had asked for the

1 information, don't know what data request was dated,  
2 but I believe the way I asked the question, it would  
3 have pertained to what was actually on hand at the  
4 point that I had asked that question.

5 Q. Okay. And was that this year or last  
6 year?

7 A. I believe that was -- let me confirm  
8 that before I put that out there.

9 Q. Okay.

10 A. The data request response is dated  
11 September the 5th, 2014.

12 Q. And do you have any knowledge as to why  
13 the company had 3,700-plus meters on hand at that  
14 time?

15 A. According to Data Request 05-002, the  
16 response was based on the removal of traditional  
17 meters in place of the AMI meters installations.

18 Q. Okay. So is it your understanding,  
19 then, that they were there because the company was in  
20 the process of deploying meters at the time?

21 A. They're there as a result of deployment  
22 of AMI meters.

23 Q. Okay. And do you have any knowledge as  
24 to how many meters are on hand today at the company's  
25 offices?

1           A.    As it pertains to AMI only or just in  
2    general?

3           Q.    I believe we're discussing traditional  
4    meters.

5                   MR. JONES:  Objection, Your Honor.  I  
6    think it calls for speculation.

7                   EXAMINER MCKENNEY:  Objection's  
8    overruled.  She can answer if she knows.

9                   THE WITNESS:  I'm going to ask you to  
10   reask that question or could you --

11   BY MS. WATTS:

12           Q.    I can back up.

13           A.    Okay.

14           Q.    So the meters that were on hand that you  
15   refer to on Page 4, Line 2, is it your understanding  
16   that those are the traditional meters that were  
17   removed in order to install AMI meters?

18           A.    That's my understanding based on the  
19   response.

20           Q.    Okay.  So for those traditional meters,  
21   do you have any idea how many the company might have  
22   on hand today?

23           A.    I would have no way of knowing that.

24           Q.    Okay.  On average, do you know how old  
25   those meters might be?

1           A.    I do not know that.

2           Q.    Okay.  Would you expect customers who  
3   opt for a traditional meter to accept an older meter  
4   to be installed on their premises?

5           MR. JONES:  Objection, Your Honor.  
6   There's no foundation that there -- it's been  
7   established these are old meters or new meters or  
8   whatever, there's no foundation for that question.

9           MS. WATTS:  It's a hypothetical  
10   question.

11          MR. JONES:  It assumes facts not in  
12   evidence.

13          EXAMINER McKENNEY:  I think the  
14   objection's sustained.

15   BY MS. WATTS:

16          Q.    Would staff -- is staff recommending  
17   that the company use the meters that it has removed  
18   from other customer premises and reuse them for  
19   customers who choose to opt out?

20          MR. JONES:  Objection again, Your Honor,  
21   no foundation, assumes facts not in evidence.

22          EXAMINER McKENNEY:  I think she's asking  
23   the question.  I don't think she's assuming the facts  
24   of the matter.  The intention --

25          MR. JONES:  She's premised it on the

1 fact that apparently she's saying these have been  
2 removed from the residence, and she's asking her then  
3 is it -- should they be allowed to then use an old  
4 meter to -- for the opt out.

5 EXAMINER MCKENNEY: I'm not sure where  
6 she's trying to go with it, but at least the question  
7 itself is allowed. Your objection's overruled.

8 THE WITNESS: Based on the response for  
9 05-003, according to the information that was  
10 provided, there is no way of knowing what was a part  
11 of the original reserve that serves traditional  
12 meters -- customers with traditional meters, or it  
13 does not disclose the age of those particular meters.  
14 So I will not make an assumption based on a lack of  
15 information that was provided.

16 BY MS. WATTS:

17 Q. Okay. So let me back up a little bit.  
18 Staff understands that the company has removed  
19 traditional meters from customer premises, correct?

20 A. That's correct.

21 Q. And do you have any knowledge as to what  
22 the disposition of those meters is once they're  
23 removed?

24 A. No, I do not, but, again, based on the  
25 response according to the individual that answered

1 that, it was established that there's the potential  
2 that 50 percent of those meters would test  
3 accurately.

4 Q. And then is it your expectation that  
5 those meters that test accurately would be reused; in  
6 other words, redeployed to customer premises?

7 A. I believe that based on the meters being  
8 accurate and being established that it would be  
9 usable, it would be feasible depending on the age,  
10 and the ages of those meters may vary, it would be  
11 feasible to potentially use some of those meters  
12 considering that you're taking of approximately  
13 600,000 customers that were originally served, and  
14 you have potentially 725, that would be one-tenth of  
15 a percentage that you have to serve, and I think that  
16 would be a reasonable estimate.

17 Q. Okay. And for the meters that are  
18 removed from the customer premises, is it your  
19 understanding that the company salvages any of those  
20 meters?

21 A. I don't have an estimate on that basis.  
22 I relied on the response which established that 50  
23 percent of those meters could test accurately.

24 Q. Okay. Maybe I need to rephrase --

25 A. Okay.

1           Q.    -- because I'm not sure we're connecting  
2           here.

3                     You've testified that you don't know  
4           what the company does with those meters when they're  
5           removed from the customer premises, correct?

6           A.    I do not.

7           Q.    Okay.  Would it surprise you to know  
8           that they're sold for salvage value, and that that  
9           value is returned to customers?

10          A.    I think if circumstances warrant that it  
11          could be salvaged, then there is that potential, but  
12          that doesn't have to necessarily happen.

13          Q.    But you don't know either way?

14          A.    I don't know either way.

15          Q.    Okay.  Ms. Rutherford, have you worked  
16          on any of the Smart Grid rider cases?

17          A.    No, I haven't.

18          Q.    Okay.  Again, on Page 4 you discuss  
19          matters related to meter testing, repair, labor, and  
20          storage costs, isn't that correct, beginning on  
21          Line 8?

22          A.    I need to go back to my testimony.

23          Q.    Okay.

24          A.    Okay.  I'm there.

25          Q.    And at Line 11 you indicate that staff

1 found no indication that the current cost recovery  
2 for these activities is insufficient to support  
3 opt-out customers. Do you see that?

4 A. Yes.

5 Q. Do you know if AMI meters must be tested  
6 and repaired and stored in the same way as  
7 traditional meters?

8 A. I do not.

9 Q. Do you know if the savings related to  
10 repair, testing, and storage of traditional meters is  
11 one of the operational savings that's returned to  
12 customers in the Smart Grid rider?

13 A. I need you to reask that question.

14 Q. Okay. We might be able to shorten it up  
15 a bit.

16 A. Okay.

17 Q. You've heard testimony earlier today  
18 about the fact that in a Smart Grid stipulation --  
19 and I believe it relates to OCC Exhibit 2, there was  
20 a Smart Grid stipulation. If you need it, I can put  
21 it in front of you, but we might be able to make this  
22 quicker if we just --

23 A. Okay.

24 Q. You heard testimony that there's an  
25 operational savings value that's returned to

1 customers in the rider proceeding.

2 A. Yes, I'm aware.

3 Q. Do you have any understanding of how  
4 that works?

5 A. No. I was not involved.

6 Q. Okay. And, Ms. Rutherford, you've never  
7 worked for a utility, correct?

8 A. No, I have not.

9 Q. And you've never walked a meter route,  
10 correct?

11 A. Are we still dealing with the question  
12 premised on Line 10 where you're addressing meter  
13 testing or --

14 Q. I'm not referring to your testimony; I'm  
15 just asking you a straightforward question.

16 A. I just wanted to know if it pertained to  
17 something in particular, because the way that you've  
18 asked the question I'm not quite understanding.

19 Q. Okay. I'm just clarifying that you've  
20 never actually had to walk a meter route in any  
21 employment experience that you've had?

22 A. I have not.

23 Q. Okay. Do you know how many counties are  
24 included in the Duke Energy Ohio service territory?

25 A. No.

1           Q.    Okay.  Do you have any knowledge as to  
2           how long it takes to drive from east to west across  
3           the Duke Energy Ohio service territory?

4           A.    Based on the response that was provided,  
5           I believe it's Data Request 1-008 -- it may be  
6           another response.  Just a moment.

7           Q.    Okay.  Data Request 8-001.

8           A.    Based on the information provided in  
9           this data request response, it established that the  
10          minimum travel time would be 15 minutes and the  
11          maximum could be 90.

12          Q.    Okay.  But you've not personally driven  
13          from one end of the service territory to the other?

14          A.    I have not.

15          Q.    Turning to Page 5 of your testimony,  
16          staff reduced the timeframe required to install a  
17          nonstandard or traditional meter from 60 minutes to  
18          45 minutes, correct?

19          A.    Correct.

20          Q.    What data was used to arrive at that  
21          adjustment?

22          A.    The information that was provided in  
23          08-001.

24          Q.    And what was -- what data in that -- in  
25          the information in 08-001 specifically was used to

1       reduce that number?

2               A.     The 15-minute one trip, one way.

3               Q.     So what information did staff use to  
4       change the -- to vary the numbers?

5               A.     Based on the response, establishing that  
6       the minimum travel time would be 15 minutes. In the  
7       analysis of determining what the average would be,  
8       there appeared to be a lack of information provided  
9       by the company to provide that level of information  
10       that would enable the use of some higher average.

11               At that point it seemed to be more  
12       reasonable -- because of a lack of data supporting  
13       why it should be any higher, it would be more  
14       reasonable and a more safe approach in utilizing the  
15       15 minutes.

16               Q.     Okay. I guess I'm asking you: What is  
17       it -- why do you believe that staff's estimate is  
18       more accurate than the company's estimate?

19               A.     There needs to be a consideration from  
20       the perspective of the company and the customer. If  
21       costs associated with opting out is imposed on  
22       customers, it seems to be more reasonable to come in  
23       at the low end of costs as opposed to having a higher  
24       level of costs that is not supported by any data  
25       provided.

1           Q.    So is it fair to say, then, that it's  
2           more of a policy determination than an actual  
3           data-driven determination?

4           A.    I wouldn't consider it as a policy.  I  
5           believe that -- and I could be reiterating what I've  
6           already said -- based on the information that was  
7           provided and the lack thereof, it appears to be more  
8           reasonable to take that approach as opposed to  
9           establishing a cost without any support to show why  
10          the cost should be higher based on an hour average as  
11          opposed to the 15 minutes.

12          Q.    Okay.  But staff, likewise, didn't  
13          provide any data, correct, staff doesn't have any  
14          independent data different from what the company  
15          provided?

16          A.    There is no additional data other than  
17          what was provided by the company.

18          Q.    On Page 6 of your testimony, you begin a  
19          discussion related to the company's mesh network.  Do  
20          you see that?

21          A.    Yes.

22          Q.    Do you understand what a mesh network  
23          is?

24          A.    Based on response --

25          Q.    Do you have any particular engineering

1 understanding of how the mesh network works?

2 A. No, I do not.

3 Q. Line 16 on that page states that,  
4 "Communication devices support the Smart Grid  
5 system," and then goes on to say that "Staff believes  
6 that the Company should not recover costs for these  
7 devices from opt-out customers..." Is that a correct  
8 reading of your statement?

9 A. That's correct.

10 Q. So is it your understanding that the  
11 costs of communication devices are recovered from all  
12 customers in the company's Rider DR-IM?

13 A. Could you reask that question, please?

14 Q. Sure. The costs of the communication  
15 devices that comprise the mesh network, is it your  
16 understanding that those -- the costs are recovered  
17 from customers through the company's Rider DR-IM?

18 A. Whatever the mechanism that is utilized  
19 or will be utilized to recover communication devices,  
20 that should be the protocol for recovering the costs  
21 for re-establishing communication for stranded meters  
22 as a result of opt-out customer activity.

23 Q. So if the mesh network is built today to  
24 serve all customers and then needs to be adjusted  
25 based upon the fact that customers, once the tariff

1 is approved, will opt out, is it your belief that all  
2 customers should pay for the replacement of  
3 communication devices?

4 A. All customers including opt-out  
5 customers, because opt-out customers are currently  
6 paying part of that rider, so that would fall for all  
7 customers.

8 Q. I'm sorry. I didn't mean to interrupt.  
9 Does that then create a subsidy between  
10 all customers and opt-out customers?

11 A. No, it does not.

12 Q. And why is that?

13 A. Had the -- that particular customer, an  
14 opt-out customer had been given an opportunity to not  
15 be part of that -- and I'm referring to the 725  
16 initially -- had been given the opportunity not to  
17 take part in this, that device could have -- that  
18 needed to be used to replace the stranded meters  
19 would have potentially been needed anyway. So in  
20 that particular circumstance, the cost should be  
21 carried by the Grid Smart rider.

22 Q. I'm not sure I followed that. Could you  
23 help me understand that logic, because I'm not sure  
24 what you just said.

25 A. Mesh network system is in place to

1 support AMI meters. If as a result an opt-out  
2 customer or a customer chooses to opt out of a Grid  
3 Smart system, in order for that Grid Smart system to  
4 continue to work, the equipment needs to be  
5 installed. That function supports the Grid Smart  
6 system as a whole. So, therefore, it is -- to me it  
7 justifies the basis for it being maintained and  
8 recovered under the Grid Smart rider.

9 Q. And you would -- you would hold that  
10 view even though the replacement of a communication  
11 device would not be necessary absent the opt-out  
12 option?

13 THE WITNESS: Could I please have that  
14 reread?

15 MR. JONES: I think I object, too. I  
16 think it's been asked and answered, she's just saying  
17 it another way.

18 EXAMINER MCKENNEY: Well, can we have  
19 the question and answer read back and then I'll  
20 entertain your objection?

21 (Record read back as requested.)

22 EXAMINER MCKENNEY: You object why?

23 MR. JONES: Asked and answered.

24 EXAMINER MCKENNEY: Ms. Watts.

25 MS. WATTS: I don't recall having asked

1       that particular question.

2                       EXAMINER MCKENNEY: I don't recall it,  
3       either; so objection's overruled.

4                       THE WITNESS: I need for you to rephrase  
5       it, because I'm not sure I'm going to be able to  
6       answer it based on how you're asking it.

7       BY MS. WATTS:

8                       Q.    Okay. So the mesh network is built to  
9       support the AMI network, correct?

10                      A.    That's correct.

11                      Q.    Okay. So now along comes an opt-out  
12       customer who opts out, and as a result of that it may  
13       be necessary to replace a communication device,  
14       correct?

15                      A.    That is correct.

16                      Q.    Okay. So it's your view that that mesh  
17       network serves all customers and, therefore, all  
18       customers should pay for the network and the  
19       replacement of the communication device, correct?

20                      A.    That is correct.

21                      Q.    And so you maintain that view even  
22       though the replacement of the communication device  
23       would not be necessary if there were no opt-out  
24       program?

25                      A.    I maintain that position.

1           Q.    Okay.  Just -- I just needed to be clear  
2    about that.

3                   Turning to Page 7 of your testimony,  
4    there's a discussion about theft-related costs.  Do  
5    you see that?

6           A.    Yes.

7           Q.    Can you describe your understanding of  
8    what the company did with respect to theft  
9    investigation prior to the implementation of Smart  
10   Grid?

11          A.    If there was tampering, fraudulent  
12   practice, the company personnel would visit the  
13   premise to determine if that is actually taking  
14   place.  Once it is determined that there is  
15   fraudulent activity, there are costs that are imposed  
16   on the customer.

17          Q.    And do you understand that the company  
18   performed a certain amount of proactive theft and  
19   tampering investigation?

20          A.    I don't know any particulars; so, no.

21          Q.    Okay.  Do you know anything about how  
22   the company investigates the potential for theft or  
23   tampering with respect to the AMI meters?

24          A.    I do not.

25          Q.    Do you know whether or not costs related

1 to theft detection is one of the operational savings  
2 that are flowed back to customers in the Smart Grid  
3 rider?

4 A. Based on one of the data request  
5 responses, it established that there are measures  
6 that don't have to be taken as a result of customers  
7 being AMI.

8 Q. Okay. Looking at Page 7 of your  
9 testimony again, there's a discussion about staff's  
10 recommendation to reduce costs associated with the --  
11 with opt-out meter reading. In that discussion,  
12 staff proposes that the 60-minute timeframe be  
13 reduced to 35 minutes. Do you see that?

14 A. Yes.

15 Q. Did staff perform any analysis or gather  
16 any data independently to make that determination?

17 A. Based on the information provided by the  
18 company and the lack thereof, the 35 minutes was  
19 established on the 15-minute one way, and adding an  
20 additional five minutes for the meter reading time  
21 which had already been established also, I believe  
22 the company provided approximately a seven-minute  
23 period.

24 Q. Is it that staff is just -- just doesn't  
25 believe the data that the company provided?

1           A.    I don't think it's a matter of not  
2   believing the company.  There are so many unknowns  
3   and there are so many variables that exist, that it  
4   is more reasonable, as I've established earlier, it  
5   is more reasonable to take a safe approach in  
6   assigning costs to opt-out customers because there is  
7   no evidence that given what customers -- or the  
8   number of customers that choose to take that service,  
9   that it actually would warrant the higher timeframe  
10  for 60 minutes as opposed to the 15.

11           Q.    Now, staff proposed a \$24 monthly fee in  
12  this case, correct?

13           A.    Correct.

14           Q.    Do you know how that compares to what  
15  staff recommended in the AEP opt-out case?

16           A.    Reasonably close.

17           Q.    Is it actually identical?

18           A.    The end number -- I can't remember the  
19  exact dollars, but it may be.

20           Q.    And so are you aware of what the monthly  
21  fee is for the AEP companies?

22           A.    That case was stipulated.

23           MR. JONES:  I'm going to object to this  
24  line of questioning as to relevance to this  
25  proceeding.  We're not trying the AEP case here,

1 we're trying the Duke case here.

2 EXAMINER McKENNEY: Ms. Watts.

3 MS. WATTS: I think there's some  
4 precedential value to understanding staff's  
5 recommendation in other cases.

6 EXAMINER McKENNEY: There is. I don't  
7 think we've gotten there yet. Objection's sustained.

8 BY MS. WATTS:

9 Q. Staff recommends that the cost and rate  
10 structure for Smart Grid opt-out be reviewed in the  
11 company's next base rate case, correct?

12 A. Correct.

13 Q. Do you know when the company will file  
14 its next base rate case?

15 A. I do not.

16 Q. Do you have any knowledge as to when the  
17 Commission will render an opinion in this proceeding?

18 A. I do not.

19 Q. Do you have any reason to believe that  
20 the Commission will not adequately address questions  
21 related to proper cost recovery in this proceeding?

22 MR. JONES: Objection. This calls for  
23 speculation, it's -- she's not the Commission.

24 EXAMINER McKENNEY: Objection sustained.  
25 This is direct speculation.

1 MS. WATTS: I have no further questions.

2 EXAMINER MCKENNEY: Thank you.

3 OCC.

4 MR. STINSON: Thank you, Your Honor.

5 - - -

6 CROSS-EXAMINATION

7 BY MR. STINSON:

8 Q. Good afternoon, Ms. Rutherford.

9 A. Good afternoon.

10 Q. I just have a few questions that are  
11 clarifying in nature.

12 I think what I want to do first of all  
13 is direct you to your testimony at Page 2, beginning  
14 at Line 10.

15 A. I have it.

16 Q. And just to paraphrase what you're  
17 looking at there, you're looking at one-time IT costs  
18 of \$243,122, correct, on Line 11?

19 A. This is referenced only for the basis of  
20 establishing the change in IT costs, but I am not  
21 addressing in my testimony any IT-related issues  
22 other than the fact of spelling out what change had  
23 occurred from the application to Mr. Brown's  
24 testimony.

25 Q. Well, I'm just using this as a

1 foundation for the calculation of the \$462.04. If  
2 you just bear with me.

3 So there you state that the IT costs  
4 were \$243,122 per Mr. Brown's testimony, correct?

5 A. Correct.

6 Q. And that there are also non-IT one-time  
7 costs of \$91,858, correct?

8 A. Correct.

9 Q. And then on page -- on Lines 15 through  
10 17, the one-time charge per customer of \$462.04 was  
11 derived by adding the IT and non-IT costs and  
12 dividing by the 725 customers, correct?

13 A. That's correct. That is correct.

14 Q. I'm sorry. Thank you.

15 Then I'd like to go to Page 7 -- I'm  
16 sorry, Page 5, and specifically Lines 17 through 19.  
17 There you state, correct, that staff recommends  
18 reducing the one-time charge from \$462.04 to \$38,  
19 correct?

20 A. That's correct.

21 Q. And to reduce that, you took into  
22 consideration the adjustments in your testimony to  
23 non-IT one-time costs, correct?

24 A. That is correct.

25 Q. And you also did not include the cost of

1 the IT system, correct?

2 A. Correct.

3 Q. Pardon me?

4 A. Correct.

5 Q. Thank you. Another question relates to  
6 your adjustments. I guess we're back on Page 5,  
7 Ms. Rutherford. You made an adjustment to  
8 distribution maintenance costs on Lines 10 and 11  
9 from 60 minutes to 45 minutes, correct?

10 A. Correct.

11 Q. And you indicated that that was based  
12 upon the company's statement of a 15-minute minimum  
13 drive time?

14 A. Yes.

15 Q. Now, my question is: Did you base your  
16 calculation of the 45 minutes on the drive time from  
17 the operations center at Queensgate and back for each  
18 customer premise?

19 A. Based on the response, that 15 minutes  
20 was established, the Queensgate being the starting  
21 point.

22 MR. STINSON: Could I have the answer  
23 reread, please? I'm having a hard time hearing.

24 THE WITNESS: I can speak up.

25 MR. STINSON: Plus I have the air

1 conditioning behind me.

2 (Record read back as requested.)

3 BY MR. STINSON:

4 Q. So just to be clear, your estimate is  
5 based upon a meter reader departing Queensgate, going  
6 to the customer premises, and then returning to  
7 Queensgate, correct?

8 A. The acceptance of the 15 minutes was  
9 established as a basis for utilizing in my  
10 calculation.

11 Q. What I'm getting at is whether your  
12 calculation or consideration of the 15 minutes  
13 considers 15 minutes to a customer premise, reading a  
14 meter, and then going to another meter, then going to  
15 another meter, and then coming back to Queensgate; or  
16 is your calculation based upon leaving Queensgate and  
17 going to the customer's premises, then returning 15  
18 minutes to the Queensgate center?

19 A. It is based on 15 minutes leaving  
20 Queensgate and 15 minutes returning.

21 Q. Thank you. And with respect to the --  
22 I'm looking at Page 7, Line 17, that question  
23 regarding the monthly charge relating to opt-out  
24 meter reading costs. There at the bottom of the  
25 page, Line 22, the sentence beginning, "Staff

1 proposed that the 60-minute timeframe proposed by the  
2 Company be reduced to 35 minutes to reflect Staff's  
3 adjustment for meter reading costs"; is that correct?

4 A. I'm sorry. What page are you on?

5 Q. Page 7.

6 A. Thank you.

7 Q. I just read from Line 22 beginning  
8 "Staff proposed."

9 A. That is correct.

10 Q. And that reduction is also based upon  
11 the 15-minute minimum drive time?

12 A. Correct.

13 Q. And it's also created based upon travel  
14 to the customer's premise from Queensgate 15 minutes,  
15 and then from the customer's premise back to  
16 Queensgate 15 minutes?

17 A. That is correct.

18 MR. STINSON: If I could have just a  
19 moment, Your Honor.

20 EXAMINER MCKENNEY: You may.

21 MR. STINSON: No further questions, Your  
22 Honor.

23 Thank you, Ms. Rutherford.

24 THE WITNESS: You're welcome.

25 MR. JONES: Your Honor, can I have one

1 second, please?

2 EXAMINER McKENNEY: Yes. Let's go off  
3 the record.

4 (Discussion held off the record.)

5 EXAMINER McKENNEY: Back on the record.  
6 Redirect.

7 MR. JONES: No redirect, Your Honor.

8 EXAMINER McKENNEY: No redirect. Let's  
9 go back off the record real quick.

10 (Discussion held off the record.)

11 EXAMINER McKENNEY: Let's go back on the  
12 record.

13 - - -

14 EXAMINATION

15 BY EXAMINER McKENNEY:

16 Q. Ms. Rutherford, I have a couple of quick  
17 questions to clarify.

18 You recommend that the Commission  
19 decrease the amount of one-time charge and recurring  
20 charge down to \$40.63 for one-time and \$23 for the  
21 recurring, correct?

22 A. That's correct.

23 Q. Is that based upon the variables in the  
24 company's projections and expected costs, these  
25 things are variable and go up or down and can be less

1 or more than what the company projected?

2 A. They can be as a result. One of the  
3 factors would be not knowing what customers would  
4 sign up once the tariff is approved, that would be  
5 one factor.

6 Q. So some number between \$40.63 and the  
7 company's projected recovery could be reasonable than  
8 the actual cost to recover the cost of installing and  
9 removing meters?

10 A. Yes.

11 Q. And that's true also for the recurring  
12 charge, some number between \$24 and the company's  
13 proposal could be reasonable as well?

14 A. I believe the \$24 is more reasonable as  
15 a result of not having data to support anything  
16 greater than that. There is no evidence that it  
17 would take on average more than the 15 minutes to  
18 serve those potential customers.

19 Q. Over time would you expect the company  
20 to have more information about the actual amount of  
21 time it takes to serve those customers?

22 A. I believe so.

23 Q. Do you believe in the future the company  
24 would be able to update the rider with more accurate  
25 information?

1           A.    I believe the company would be able to  
2 based on the actions of those customers that have  
3 chosen to opt out, they're dealing with more  
4 particulars as to the customer base that they would  
5 be dealing with.

6           Q.    Would more information be available  
7 pursuant to a base distribution rate case?

8           A.    I believe that information would be  
9 available pursuant to a rate case.

10           EXAMINER McKENNEY: Thank you. Nothing  
11 further. You may step down.

12                     Staff ready to call its next witness?

13           MR. JONES: Your Honor, I'd move for the  
14 admission of Ms. Rutherford's testimony as Staff  
15 Exhibit 2.

16           EXAMINER McKENNEY: Any objection to the  
17 admission of Staff Exhibit 2?

18           MS. WATTS: No objection.

19           MR. STINSON: No objection, Your Honor.

20           EXAMINER McKENNEY: It will be so  
21 admitted.

22                     (EXHIBIT ADMITTED INTO EVIDENCE.)

23           MR. JONES: Thank you, Your Honor.

24                     Your Honor, at this time staff would  
25 call David Lipthratt.

1 EXAMINER MCKENNEY: Please raise your  
2 right hand.

3 (Witness placed under oath.)

4 THE WITNESS: I do.

5 EXAMINER MCKENNEY: Thank you. You may  
6 be seated.

7 Is this marked Staff 3?

8 MR. JONES: Staff Exhibit 3, that's  
9 correct, Your Honor.

10 (EXHIBIT MARKED FOR IDENTIFICATION.)

11 - - -

12 DAVID M. LIPTHRATT,  
13 being first duly sworn, as hereinafter certified,  
14 deposes and says as follows:

15 DIRECT EXAMINATION

16 BY MR. JONES:

17 Q. Could you please state your name for the  
18 record, please?

19 A. David Lipthratt.

20 Q. And where are you employed?

21 A. Public Utilities Commission of Ohio.

22 Q. What is your job title and  
23 responsibilities?

24 A. I am a Public Utilities Administrator 3.  
25 I'm responsible for the Research and Policy Division

1 where we're responsible for reviewing riders, rates  
2 and tariffs, distribution rate cases, et cetera.

3 Q. And did you have occasion to prefile  
4 testimony in this proceeding?

5 A. I did.

6 Q. I have before you what's marked as Staff  
7 Exhibit 3. Could you please identify that document  
8 for the record, please?

9 A. That's my prefiled testimony in this  
10 case.

11 Q. And was this prefiled testimony prepared  
12 by you or at your direction?

13 A. Yes, sir.

14 Q. And do you have any changes or additions  
15 to make to that testimony?

16 A. Yes, sir. I have two. The first is on  
17 Page 5, Line 13, there should be "was" added to the  
18 end of that line so that it reads, "whether the  
19 current level of costs included in the last rate case  
20 was insufficient" continuing on to Line 14.

21 The second modification would be on  
22 Page 7 where I would strike Lines 1 through 8,  
23 removing that paragraph.

24 Q. Okay. So removing on Page 7 of your  
25 testimony, Lines 1 through 8; is that correct?

1 A. Yes, sir.

2 Q. Okay. And the other change occurring on  
3 Page 5 at Line 13 where you would add the word "was"  
4 after "rate case"; is that correct?

5 A. Yes, sir.

6 Q. Do you have any other changes --

7 A. No, sir.

8 Q. -- or additions to make?

9 A. No, sir.

10 Q. So taking into consideration the changes  
11 you just discussed with us, if I were to ask you  
12 these same questions contained in your prefiled  
13 testimony, would your answers be the same?

14 A. Yes, sir.

15 MR. JONES: At this time, Your Honor,  
16 I'd offer Mr. Lipthratt for cross-examination.

17 EXAMINER McKENNEY: Thank you,  
18 Mr. Jones.

19 Ms. Watts.

20 MS. WATTS: Thank you, Your Honor.

21 - - -

22 CROSS-EXAMINATION

23 BY MS. WATTS:

24 Q. Good afternoon, Mr. Lipthratt.

25 A. Good afternoon.

1           Q.    Would you tell me, please, when you  
2 first started working at the Commission?

3           A.    Roughly five years ago.  I believe July.  
4 It may be in my testimony, but approximately five  
5 years ago.

6           Q.    Okay.  That's close enough.

7           A.    Okay.

8           Q.    Is it fair to say that you've been  
9 involved in a number of applications made by  
10 utilities for deferral of costs?

11          A.    I think I have been involved probably  
12 about a half a dozen.

13          Q.    Okay.  And in some of those  
14 applications, the product of staff's review ends up  
15 being, in some cases, a letter that's docketed?

16          A.    That is correct, yes, ma'am.

17          Q.    And sometimes maybe there's testimony  
18 that's docketed?

19          A.    That is correct.

20          Q.    Okay.  Turning to Page 5 of your  
21 testimony, beginning on Line 12, you set forth a list  
22 of criteria that you recommend should be included in  
23 reviewing a utilities application for a deferral,  
24 correct?

25          A.    Yes, ma'am.

1 Q. And I noticed that there's no particular  
2 cite to any case in your testimony, correct?

3 A. There is not.

4 Q. And is there any prior Commission order  
5 where that criteria may be found?

6 A. The most recent would be 15-0222-GA-AAM  
7 is regarding Ohio's gas request for deferral. There  
8 was a finding and order in that case roughly July of  
9 this year.

10 Q. And the criteria that you set forth here  
11 was applied in that case?

12 A. Yes. That was actually mentioned in  
13 staff's letter and was used in that recommendation.

14 Q. And did the Commission adopt the staff's  
15 recommendation in that case?

16 A. They did.

17 Q. Other than that particular case, have  
18 you filed any comments or testimony in other  
19 proceedings with this list of criteria?

20 A. Not listing this criteria in the  
21 comments or letter, but I can say that has been used  
22 in staff's determination in putting forth this  
23 recommendation as long as I've been here.

24 Q. Do you know where that list of criteria  
25 originated within the staff?

1           A.    You know, I think the earliest roots of  
2           that would be Case No. 98-1701-WS-AAM, is Citizens  
3           Utility Company of Ohio, had to do with the Y2K  
4           issue. And actually the company put forth a large  
5           amount of this criteria in their request, and it kind  
6           of began to grow from there.

7           Q.    Which company was involved in that case?

8           A.    Citizens Utilities Company of Ohio.

9           Q.    Okay. Thank you. Did staff do any  
10          research with respect to how deferral requests were  
11          treated in any other state jurisdiction?

12          A.    I personally have been involved in that  
13          analysis for some time now in various cases; so it's  
14          a continued analysis, if you will.

15          Q.    So I don't know if you answered my  
16          question directly. Did you do any research with  
17          respect to deferral treatment in any specific other  
18          state jurisdiction?

19          A.    Yes, I have.

20          Q.    Okay. Do you recall which?

21          A.    Which state?

22          Q.    Yeah.

23          A.    Not right offhand, no.

24          Q.    The second of the five criteria that you  
25          suggest is an analysis as to whether the costs being

1 requested for deferral are material in nature. Do  
2 you see that?

3 A. Yes, ma'am.

4 Q. Who determines whether an amount is  
5 material or not?

6 A. That's -- you know, material in nature  
7 is a professional judgment call. In financial  
8 accounting, typically materiality is judged by the  
9 relative amount of the nature of the item. This  
10 usually speaks to financial misstatements when you're  
11 doing a GAAP audit or a gas-based GAAP, generally  
12 accepted auditing standards audit.

13 In a broader sense, materiality from a  
14 broader sense from a financial perspective just means  
15 the -- along the lines of magnitude, relative to  
16 some, you know, standard -- or, not standard, but  
17 relative to the facts and circumstances of that case,  
18 of that item or that particular cost, it could be  
19 applied in many different ways.

20 Q. Can you provide any guidelines to assist  
21 the company in understanding how -- what staff would  
22 review -- would view is material?

23 A. I think -- well, first off is each case  
24 is unique and it needs to be reviewed as a whole.  
25 There's facts and circumstances unique to each set

1 of -- case. So, therefore, you -- there's not a -- I  
2 can't point to A, B, C, and D, and every time you're  
3 going to consider that. It's dependent upon the  
4 facts of the case.

5 From -- in a case similar to this, you'd  
6 want to refer back to the -- obviously to the last  
7 rate case to determine if those level of expenses  
8 were, you know, sufficient compared to what was  
9 established or embedded in base rates. So that's  
10 pretty much the end of my response.

11 Q. Do you have an opinion as to what level  
12 of costs you believe would result in financial harm  
13 to Duke Energy Ohio?

14 MR. JONES: Objection. Calls for -- in  
15 what context? I'm not -- in this case or some other  
16 case?

17 EXAMINER McKENNEY: What do you mean by  
18 "harm to Duke Energy Ohio"?

19 MS. WATTS: Sure. Mr. Lipthrott has  
20 criteria, and I'll refer him to Item No. 5 in his  
21 list of criteria. One of the examinations he  
22 evidently performs is whether a particular cost will  
23 result in financial harm to a company. And I want to  
24 understand, since he's making this analysis on behalf  
25 of Duke Energy Ohio, what level of expense he deems

1 to be one which will result in financial harm.

2 EXAMINER McKENNEY: The objection's  
3 overruled. If it's in his testimony, she can explore  
4 it.

5 THE WITNESS: Often, you know, financial  
6 harm -- if there's financial harm, staff assumes that  
7 it would be brought forth and identified. Many cases  
8 have done that in the past where, you know, pensions,  
9 change, things outside the company's control have  
10 resulted in what they deem to be financial harm;  
11 therefore, they file applications with the Commission  
12 requesting deferral authority because they state  
13 there's financial harm.

14 We built that into our criteria in order  
15 to ensure that if that's being stated or just that --  
16 if that's being stated, that we would consider that  
17 and review that.

18 BY MS. WATTS:

19 Q. Okay. So you're saying that the company  
20 files an application for deferral of a particular  
21 cost, and if I understand you correctly, you're  
22 saying that in some instances companies will allege  
23 that if we don't recover these costs we will  
24 experience financial harm?

25 A. Yes, ma'am.

1           Q.   And then staff reviews that application  
2           and determines whether it agrees that financial harm  
3           will occur?

4           A.   Based upon the facts and circumstances  
5           of that case and the evidence provided within that  
6           case.

7           Q.   Okay.  And I'm wondering if you can tell  
8           me with respect to Duke Energy Ohio what level of  
9           costs staff would determine would result in financial  
10          harm to the company?

11          A.   I am not in a position here today to  
12          give you a dollar amount.  I am in a position to say  
13          staff's recommendation is that the 243,000 plus in IT  
14          costs are not, in staff's eyes, material and would --  
15          nor would it result in financial harm given the  
16          evidence and the information provided in this case.

17          Q.   And is it -- if the -- you've  
18          recommended that the deferral be disallowed, correct?

19          A.   Yes, ma'am.

20          Q.   And how do you recommend that the  
21          company recover that -- those dollars otherwise?

22          A.   I believe the company's already  
23          recovering those costs through base rates, that these  
24          costs are nonincremental to the current rate.

25          Q.   And what evidence do you have to support

1 that?

2 A. There was no evidence provided within  
3 data requests to state otherwise, and actually having  
4 performed on the expense team involved in the  
5 company's last base rate case and my review of the  
6 workpapers and support in that case, I found no  
7 evidence that these costs would result -- that in my  
8 professional judgment and in staff's view these costs  
9 did not elevate to material, they were viewed as  
10 captured within the test year. They would not be  
11 incremental, and they would not in any way result in  
12 financial harm given any information that was made  
13 available to us.

14 Q. Okay. You've just gone through a number  
15 of your criteria. I want to kind of keep it narrowed  
16 here.

17 A. Okay.

18 Q. So let's just talk about the rate case.  
19 You testified that you were involved in the last rate  
20 case. Do you recall what the test year period was?

21 A. Not right offhand.

22 Q. Okay. So if I represent to you that it  
23 was 2012, would that refresh your recollection?

24 A. Yes.

25 Q. Okay. And do you know when the

1 Commission's opinion and order came out in this  
2 rulemaking case which was 12-2050? And if you don't  
3 understand that to be the document, I'm happy to try  
4 and refresh your recollection on that.

5 A. It was, what, December 18, 2014?

6 Q. I believe that's correct. So now the  
7 test year --

8 EXAMINER MCKENNEY: I believe that's  
9 incorrect.

10 MR. JONES: 2013.

11 MS. WATTS: '13.

12 THE WITNESS: '13, I apologize.

13 Apparently I didn't know.

14 BY MS. WATTS:

15 Q. So the test year was 2012, correct?

16 A. Yes, ma'am.

17 Q. And we can all agree that the company --  
18 that Duke Energy Ohio was not engaged in any effort  
19 to create an opt-out program during 2012, correct?

20 A. I -- I don't know that for sure. I  
21 mean, I don't know what the company was planning at  
22 that point in time. I can't speak to that.

23 Q. Did you participate in any of the Smart  
24 Grid collaborative discussions?

25 A. On occasion, I may have. I'm part of

1 the Grid Smart team. On occasion, I will take part  
2 in those.

3 Q. Is it your understanding that the  
4 company accommodated opt-out customers in years  
5 previous to the time that the company -- that the  
6 Commission initiated the opt-out docket?

7 A. I'm sorry. Can you restate that?

8 Q. I'll withdraw the question.

9 So you've only -- is it fair to say that  
10 you've not attended on a regular basis the Smart Grid  
11 collaborative discussions that have occurred over the  
12 last five years?

13 A. Over the -- no. I would not -- I would  
14 think -- that's a fair statement.

15 Q. Okay. So you don't know whether or not  
16 the company accommodated opt-out customers during the  
17 course of its deployment?

18 A. Through my involvement in the Grid Smart  
19 team, I know the company has been very good at  
20 educating customers who have chosen not to  
21 participate. As to, you know, accommodating that,  
22 you know, I'm only vaguely aware.

23 Q. Okay. So you can't say, then, whether  
24 there was any provision for opt-out customers during  
25 the test year of 2012?

1           A.    Provision for opt-out customers.  Can  
2   you describe a little bit what you mean by that?

3           Q.    During the test year time period, 2012,  
4   if a customer chose not to have a Smart meter, do you  
5   know how the company dealt with that issue?

6           A.    Financially?  Operationally?  I'm not  
7   sure -- maybe I don't understand the question.

8           Q.    Was the customer permitted to continue  
9   with the traditional meter if the customer expressed  
10  an interest in doing so?

11          A.    That was my understanding.

12          Q.    You're aware that the company underwent  
13  some changes to its IT system?

14          A.    Vaguely, being on the peripheral, yes.

15          Q.    Well, these are the changes that gave  
16  rise to the costs that you're recommending  
17  disallowance for, correct?

18          A.    I'm sorry.  Can you restate that?

19          Q.    Yes.  Let me start again.

20                You're -- the company has submitted in  
21  the application in this proceeding a request to defer  
22  a certain amount of costs for IT expense.

23          A.    Yes.  To clarify, being involved in Grid  
24  Smart there's been billing systems and things --  
25  there's constant, so I believe you were -- yes.

1           Q.    Okay.  Just to be -- just to keep the  
2           record clear and so that none of us are confused,  
3           Duke Energy Ohio refers to its meter program as Smart  
4           Grid, and I believe AEP Ohio refers to its program as  
5           Grid Smart, and I want to make sure that we're clear  
6           that we're talking about Duke Energy Ohio here.

7           A.    Yeah.  For some reason I always default  
8           to that.  Don't know why.  But I agree with you.

9           Q.    Okay.  So -- now I lost my train of  
10          thought.

11                 So the IT program that the company  
12          initiated in order to facilitate opt-out, do you know  
13          when that program -- the work for that program began?

14          A.    I believe from a data request response  
15          we received, it was roughly January of 2013.

16          Q.    Okay.  And so can you explain to me how  
17          you think the company would be recovering something  
18          in base rates which was not occurring during the test  
19          year?

20          A.    I think it's representative of the type  
21          of expenses that would occur.  Just because it dealt  
22          with one specific tariff, base rates are intended to  
23          capture just that, a normal, typical year.  It is  
24          expected that billing system modifications to some  
25          level would be a normal activity that every utility

1 is constantly in some effort updating their systems,  
2 tweaking their systems, things of that nature;  
3 therefore, we believe it is part of base rates.

4 Q. And so if you expect the company to  
5 absorb this cost in its base rates, then all  
6 customers are essentially paying the costs, correct?

7 A. That would be true.

8 Q. And isn't that contrary to the  
9 Commission's rule that says that opt-out costs should  
10 be borne only by opt-out customers?

11 A. I -- I understand that, but at the same  
12 time I think the Commission has a concern of double  
13 recovery. And I -- so I'm -- staff is balancing that  
14 view, given what you just stated, in the fact that we  
15 believe that it's already being recovered. I mean,  
16 it's kind of hard to go back and readjust base rates,  
17 technically it's not possible.

18 I think any -- any incremental costs  
19 would be appropriately borne as the Commission  
20 requested or required by those specific customers,  
21 but if they're already embedded in base rates we  
22 can't adjust base rates, and we don't think it's  
23 appropriate to charge it twice.

24 Q. In order to inform your opinion in this  
25 case, did you go back and look at anything from the

1 2012 rate case proceeding?

2 A. I did.

3 Q. Did you look at what level of costs were  
4 included for IT charges?

5 A. IT charges can show up in various  
6 accounts. I looked at Account 903 in particular and,  
7 yes, I did.

8 Q. What comprises Account 903?

9 A. 903, the type of expenses?

10 Q. Uh-huh.

11 A. 903, customer records and collection  
12 expenses. It would include various items such as  
13 preparing billing data, operating billing and  
14 bookkeeping machines, verifying billing records with  
15 contracts and rate schedules, preparing bills for  
16 delivery and mailing or delivering bills, various  
17 items of that nature.

18 Q. And do you know whether the IT work that  
19 was performed in order to facilitate opt-out would  
20 fall into that account number?

21 A. If it would be expensed -- it's likely  
22 based upon the staff's assumptions that it would be  
23 this account if it was expensed. If it was  
24 capitalized, obviously not.

25 Q. Are you certain of that?

1           A.    I can't be certain of -- no.  Being an  
2    accountant and performing duties and previous  
3    experiences, there are judgment calls as to what  
4    accounts you can -- there is discretion to some  
5    degree as to what accounts you can charge expense  
6    items to; so, no, I cannot be certain to that.

7           Q.    Regarding the deferral criteria that  
8    staff has put forth in its testimony, is it staff's  
9    recommendation that the Commission adopt this  
10   criteria for use with respect to all deferral  
11   requests?

12          A.    That is up to the Commission.  I think  
13   in staff's view in many cases it makes sense.  There  
14   may be possibility -- there may be a possibility that  
15   there's a set of facts and circumstances that doesn't  
16   fit within this.  I don't think you want to bind the  
17   Commission to just this set of criteria, but, you  
18   know, where it makes sense, yes, I would recommend  
19   that to be considered.

20          Q.    Now, staff issued some data requests in  
21   this case, correct?

22          A.    That is correct.

23          Q.    Did you review the data requests?

24          A.    Yes, ma'am.

25          Q.    And staff had some questions related to

1 IT costs, correct?

2 A. Yes, ma'am.

3 Q. Do you have any reason to believe that  
4 any of the responses were incorrect?

5 A. I have no reason to believe that.

6 Q. Can you -- are you aware of when, over  
7 the past three or four years, the company has made  
8 changes to its IT system to accommodate Commission  
9 regulation?

10 A. Having sat in and been involved in the  
11 market development working group, various utilities,  
12 have sat in and talked to various -- and spoke to  
13 various changes and billing -- billing systems can be  
14 a very broad term -- so I am aware of updates,  
15 changes, things of that nature to billing systems,  
16 yes.

17 Q. And specifically with Duke Energy Ohio,  
18 do you know what billing changes have been required  
19 by the Commission in the past three or four years?

20 A. Not extensively.

21 Q. And do you know whether those -- the  
22 costs for any such changes are recoverable elsewhere?

23 A. I have no specifics to that.

24 Q. Is it staff's intention to apply the  
25 criteria with respect to deferral to other companies

1       that seek -- I'll withdraw that.

2                   MS. WATTS: Your Honor, may I approach?

3                   EXAMINER MCKENNEY: You may approach.

4                   MS. WATTS: I think this would be Duke  
5 Energy Ohio Exhibit 3.

6                   EXAMINER MCKENNEY: It will be so  
7 marked.

8                   (EXHIBIT MARKED FOR IDENTIFICATION.)

9                   EXAMINER MCKENNEY: What is it?

10                  MS. WATTS: This is a letter to the  
11 docket in Case No. 14-2042-AA -- EL-AAM.

12 BY MS. WATTS:

13                  Q. Mr. Lipthrott, have you seen this letter  
14 before?

15                  A. Yes, ma'am.

16                  Q. And does it bear your signature?

17                  A. It does.

18                  Q. Is this the letter that was docketed in  
19 Case No. 14-2042-EL-AAM, being in the Matter of the  
20 Application of the Dayton Power and Light Company for  
21 Approval of a Revised Bill Format for Electric  
22 Service and for Approval of Certain Accounting  
23 Authority?

24                  A. It is.

25                  Q. And does this letter document that staff

1 is recommending approval of a request for a deferral?

2 A. It does.

3 Q. And do you see the criteria that you set  
4 forth in your testimony in this case applied in that  
5 case anywhere?

6 A. It is not stated in the letter.

7 Q. Is it stated in the record of that case?

8 A. Not to my knowledge.

9 EXAMINER MCKENNEY: Did the Commission  
10 authorize the deferral in this case?

11 THE WITNESS: Honestly, I do not  
12 remember -- I do not recall if there's an order yet  
13 issued in this case.

14 BY MS. WATTS:

15 Q. Do you have any idea what Dayton Power &  
16 Light's operating income was for 2014?

17 A. I --

18 MR. JONES: Objection, Your Honor,  
19 relevance. Again, this is not DP&L we're dealing  
20 with here.

21 EXAMINER MCKENNEY: It's getting pretty  
22 far out there. Do you have a reason why this is  
23 relevant?

24 MS. WATTS: Your Honor, the staff is  
25 seeking to make a recommendation that Mr. Lipthratt

1 has stated staff wants to apply somewhat uniformly,  
2 and I'd like to demonstrate that it's not being  
3 applied uniformly.

4 EXAMINER MCKENNEY: And I understand  
5 where you're headed, but I don't know if Dayton  
6 Power & Light's operating costs or operating  
7 revenue --

8 MR. JONES: There's no foundation for  
9 this.

10 EXAMINER MCKENNEY: I don't think  
11 there's any foundation, either. The objection is  
12 sustained.

13 BY MS. WATTS:

14 Q. The operating income figures on Page 6  
15 of your testimony, including the 2014 operating --  
16 this is for Duke Energy Ohio I'm talking about, just  
17 to be clear. Do you see that on Page 6?

18 A. Page 6. Is it Line 17?

19 Q. Yeah.

20 A. Yes, ma'am.

21 Q. Do you see that? Those figures were  
22 sourced from Duke Energy Ohio's SEC Form 10-K,  
23 correct?

24 A. Yes, ma'am.

25 Q. Is there any reason you used the 10-K

1 instead of the company's annual report filed with the  
2 Commission in the Form 1?

3 A. No. There is no specific reason.

4 Q. Okay. To your knowledge, are the  
5 figures reported in the 10-K for Duke Energy Ohio  
6 exclusively related to Duke Energy Ohio's operation  
7 in Ohio?

8 A. My understanding it was.

9 Q. So I take it, then, you're not aware  
10 that it includes Duke Energy Kentucky?

11 A. Under Duke -- no. If that's the case, I  
12 was not aware of that.

13 Q. Were you aware that it also included  
14 Duke Energy's Gas Operations?

15 A. Yes. I was aware of that. Again, I  
16 refer to the Duke -- I referred to the Duke Energy  
17 Ohio portion of that document. So that's what I  
18 relied on, what was presented within that section of  
19 that document.

20 Q. Okay. And so the fact that it may  
21 include Duke Energy Kentucky and Duke Energy Gas  
22 Operations was not clear to you at the time?

23 A. Regarding Kentucky, no, it was not.

24 Q. Is it fair to assume that the number  
25 would be less for Duke Energy Ohio only?

1           A.    It's hard for me to venture a guess is  
2 basically what it would be.

3           Q.    Would you -- when you're making -- when  
4 you're undertaking an analysis with respect to  
5 whether a cost included in a request for a deferral  
6 is material, would you compare that to financial  
7 information related to Duke Energy Ohio only?

8           A.    Yes.

9           MS. WATTS:   That's all I have.   Thank  
10 you.

11           EXAMINER MCKENNEY:   Thank you.

12           Mr. Stinson.

13           MR. STINSON:   Thank you.   Just a few  
14 questions.

15                               - - -

16                               CROSS-EXAMINATION

17           BY MR. STINSON:

18           Q.    Refer to your testimony at Page 3, Line  
19 14.   There you indicate that Duke's IT system costs  
20 were reduced to \$370,343 on Line 16, correct?

21           A.    I wouldn't really characterize it as  
22 reduced.   I think what I was trying to indicate here  
23 or state here was that at the time of this data  
24 request, I believe those were still estimates, yeah,  
25 that it was an estimate at that time.

1 Q. A revised estimate?

2 A. Yes, sir.

3 Q. Then on the next line, you state that  
4 the final actual costs of the project ended up being  
5 \$243,122, correct?

6 A. Yes, sir.

7 Q. And did the PUCO staff audit any of  
8 those costs?

9 A. No, sir. If it's deemed that these  
10 costs should be deferred, at the time that the  
11 company would seek recovery we would audit those  
12 costs at that time.

13 Q. Are you aware that except for  
14 Mr. Brown's testimony, Duke amended its application  
15 to reflect these actual costs?

16 A. That is the only -- my understanding,  
17 that testimony is the most current, up-to-date  
18 information and is what I relied on to form -- and  
19 what staff relied on to put forth its recommendation  
20 and this testimony.

21 Q. With your experience in Duke's Smart  
22 Grid program, do you believe that it's -- the Smart  
23 Grid project is fully deployed at this point?

24 A. I do not believe that it's fully  
25 deployed at this point.

1 Q. Does staff have an estimate when that  
2 would occur?

3 A. Not sitting here today, I do not.

4 Q. Does staff have an estimate as to when  
5 Duke should file its next distribution rate case?

6 A. Within one year of reaching full  
7 deployment or if the company deems it needed before  
8 that full deployment is reached.

9 Q. Okay. And what would you consider to be  
10 full deployment?

11 A. I think that's a staff determination  
12 that would be -- I'm not in a position to put forth  
13 such a definition here today.

14 MR. STINSON: No further questions.

15 EXAMINER MCKENNEY: Thank you,  
16 Mr. Stinson.

17 Redirect.

18 MR. JONES: Thank you, Your Honor.

19 - - -

20 REDIRECT EXAMINATION

21 BY MR. JONES:

22 Q. Mr. Lipthratt, going back to your  
23 testimony on Page 6, Lines 16 through 20, do you see  
24 that?

25 A. Yes, sir.

1           Q.   Now, just for clarification purposes,  
2           when you looked at the Form 10-K, the operating  
3           income, what part of that form did you look at to  
4           gather the information you have in your testimony?

5           A.   It's what's referred to as Part 2 of the  
6           10-K, and it's specific to Duke Energy Ohio. There's  
7           obviously multiple years. The one that I have before  
8           me today is -- begins on Page 49.

9           Q.   Thank you.

10           MR. JONES: No other questions, Your  
11           Honor.

12           EXAMINER MCKENNEY: Hard to imagine any  
13           recross on that. Do you have anything? Nothing.

14           MS. WATTS: (Shakes head.)

15           EXAMINER MCKENNEY: Anything? I do have  
16           some questions for you Mr. Lipthrott.

17                               - - -

18                               EXAMINATION

19           BY EXAMINER MCKENNEY:

20           Q.   The advanced meter opt-out service for  
21           the nonstandard metering service is a new service,  
22           correct?

23           A.   Yes, sir.

24           Q.   And this service is available now to all  
25           customers to choose?

1           A.    Yes, sir.

2           Q.    The number of customers that choose  
3   advanced meter opt-out service does not change the  
4   amount of the IT costs; is that correct?

5           A.    That is correct, yes, sir.

6           Q.    So if one customer opts out, the IT cost  
7   is the same?

8           A.    Yes, sir.

9           Q.    If a thousand customers opt out, the IT  
10  costs are the same?

11          A.    Yes, sir.

12          Q.    And if all customers have access to this  
13  service, does the principle of cost causation require  
14  all customers to pay for it, the IT cost portion?

15          A.    Can you restate that?  I'm sorry.

16          Q.    If all customers have access to this  
17  service, should all customers pay for the IT costs  
18  necessary to provide this service?

19          A.    I think where I'm -- my thought process  
20  on that is -- well, first off, as I stated in my  
21  testimony, we believe this is not incremental to base  
22  rates; therefore, it's already been applied to all  
23  customers.  If it's deemed to be incremental, the  
24  Commission orders that it should be borne by those  
25  customers.  So I'm a little bit, you know --

1 Q. You're saying it's nonincremental?

2 A. If it's nonincremental, applying the  
3 Commission's order that it should be borne by those  
4 customers, I would venture to try to adhere to that  
5 requirement.

6 Q. Okay. Did you review the attachments to  
7 Justin Brown's testimony prepared for today's  
8 hearing?

9 A. Not -- not too much, no, sir.

10 Q. Would you agree that IT system's cost is  
11 the largest portion of the one-time charge that a  
12 customer -- the company's proposed?

13 A. Yes, that is correct, according to the  
14 information provided by the company.

15 Q. Is it true that IT costs from the rider  
16 would significantly decrease the one-time charge on  
17 opt-out customers?

18 A. I think what would be left is  
19 approximately \$92,000 in non-IT costs.

20 Q. And that 725 customers, you'd be at  
21 approximately \$126 one-time charge?

22 A. Yes, sir.

23 EXAMINER McKENNEY: Thank you. No  
24 further questions. You may step down.

25 MR. JONES: Your Honor, at this time I'd

1 move for admission of Staff Exhibit 3.

2 EXAMINER McKENNEY: Any objection to the  
3 admission of Staff Exhibit 3?

4 MS. WATTS: No objection.

5 MR. STINSON: No objection.

6 EXAMINER McKENNEY: So admitted.

7 (EXHIBIT ADMITTED INTO EVIDENCE.)

8 EXAMINER McKENNEY: Duke, I believe you  
9 also had an exhibit. You're not marking it or you  
10 are? Did we mark the letter in Case No. 14-2042?

11 MS. WATTS: I would like to mark that,  
12 and I would offer that into evidence.

13 MR. JONES: Your Honor, I would -- I'm  
14 sorry. Can I object to that?

15 EXAMINER McKENNEY: Do you have any  
16 objection?

17 MR. JONES: Yes. I have an objection.

18 This exhibit deals with a case involving  
19 Dayton Power & Light. You know, there was not a  
20 sufficient foundation other than the fact that  
21 Mr. Lipthratt's signature does appear on this  
22 document, but there is nothing as to relevance to  
23 this proceeding as to assisting the Commission in the  
24 determination of these issues in this case.

25 MR. STINSON: OCC would join.

1 EXAMINER McKENNEY: He's seen it, he's  
2 signed it. We will give it the appropriate weight;  
3 however, the objection's overruled and it will be  
4 admitted.

5 (EXHIBIT ADMITTED INTO EVIDENCE.)

6 MR. JONES: Thank you, Your Honor.

7 MR. ETTER: Can we go off the record for  
8 a moment?

9 (Discussion held off the record.)

10 (Recess taken.)

11 EXAMINER McKENNEY: Let's go on the  
12 record.

13 Mr. Stinson.

14 MR. STINSON: Yes, Your Honor. OCC will  
15 call James Williams.

16 EXAMINER McKENNEY: Mr. Williams, please  
17 raise your right hand.

18 (Witness placed under oath.)

19 EXAMINER McKENNEY: Thank you. You may  
20 be seated.

21 MR. STINSON: May I approach, Your  
22 Honor?

23 EXAMINER McKENNEY: You may.

24 MR. STINSON: I have what is to be  
25 marked as OCC Exhibit 3, the testimony of James D.

1 Williams.

2 EXAMINER MCKENNEY: It will be so  
3 marked.

4 (EXHIBIT MARKED FOR IDENTIFICATION.)

5 EXAMINER MCKENNEY: Thank you.

6 MS. WATTS: OCC 3, Dane?

7 MR. STINSON: Yes.

8 - - -

9 JAMES D. WILLIAMS,  
10 being first duly sworn, as hereinafter certified,  
11 deposes and says as follows:

12 DIRECT EXAMINATION

13 BY MR. STINSON:

14 Q. Mr. Williams, I've placed before you  
15 what I've marked as OCC Exhibit 3. Can you identify  
16 that?

17 A. Yes. This is my prefiled testimony  
18 filed in this case.

19 Q. And was it prepared by you or under your  
20 supervision?

21 A. Yes, it was.

22 Q. Do you have any corrections to the  
23 testimony?

24 A. I have a couple minor corrections. In  
25 the list of attachments on the second page, right

1 after the title page, JDW-1 -- JDW-9 should reflect  
2 Duke response to OCC-INT-01-008, remove the words  
3 "Staff-DR."

4 And the second correction is on Page 16,  
5 Line 5, JDW-17 should be 9, and on Line 13, the same  
6 page, JDW-17 should be 12.

7 Q. Should be, I'm sorry, 12?

8 A. 12.

9 EXAMINER MCKENNEY: Should be JDW-12.

10 THE WITNESS: Yes. It should be JDW-12  
11 instead of 17.

12 EXAMINER MCKENNEY: Okay.

13 THE WITNESS: Those are the only  
14 changes.

15 BY MR. STINSON:

16 Q. Thank you, Mr. Williams. And if I were  
17 to ask you those same questions today, would your  
18 answers as corrected be the same?

19 A. Yes, they would.

20 Q. Thank you.

21 MR. STINSON: I move the admission of  
22 OCC Exhibit 3 subject to cross, and tender  
23 Mr. Williams for cross-examination.

24 EXAMINER MCKENNEY: Ms. Watts?

25 MS. WATTS: Thank you, Your Honor.

- - -

CROSS-EXAMINATION

BY MS. WATTS:

Q. Good morning, Mr. Williams.

A. Good afternoon.

Q. It's me again.

A. It's good to see you, Ms. Watts.

Q. It's good to see you, too.

You, sir, have been with OCC for 19 years, correct?

A. Yes, I have.

Q. In your employment with OCC, you've served in several different roles, correct?

A. Yes, I have.

Q. In your employment with OCC, you have familiarized yourself to a significant extent with the Commission's rules, correct?

A. Yes, I have.

Q. Okay. And today we've talked on several occasions about 4901:1-10-05(J). Are you familiar with just that reference with which rule I'm talking about?

A. I believe that to be the AMI opt-out rule.

Q. Okay. Thank you. And so if I refer to

1 it as the AMI opt-out rule, you'll know which one I'm  
2 talking about?

3 A. Yes.

4 Q. That rule was enacted by the Commission  
5 in Case No. 12-2050-EL-ORD.

6 A. That was one of many changes that were  
7 formed as part of that rulemaking. That rulemaking  
8 involved all of the electric service and safety  
9 standards.

10 Q. Correct. Thank you. And the opt-out  
11 rule specifically directed utilities to file opt-out  
12 tariffs within 30 days of the effective date of the  
13 rule, correct?

14 A. I believe that to be correct.

15 Q. And in your opinion, is it fair to say  
16 that utilities are required to comply with directives  
17 issued by the Commission?

18 A. Yes.

19 Q. And the rule directs the utility to  
20 establish a one-time fee to recover the costs of  
21 removing an existing advanced meter, correct?

22 A. I believe that the rule establishes that  
23 a utility may charge -- may establish a charge for  
24 one time.

25 Q. Okay. And it also states that a utility

1 may establish a recurring fee to recover costs  
2 associated with providing meter reading and billing  
3 services, correct?

4 A. I believe that's an accurate reflection  
5 of the rule.

6 Q. And, finally, the rule states that costs  
7 incurred by a utility to provide advanced meter  
8 opt-out service shall be borne only by customers who  
9 elect to receive advanced opt-out meter service,  
10 correct?

11 A. I believe the rule says that.

12 Q. Now, you would agree with me, would you  
13 not, that Duke Energy Ohio filed a tariff application  
14 in this case in compliance with the rule?

15 A. I don't know that it's in compliance  
16 with the rule. I believe there was an application  
17 filed. I believe -- I don't know that it necessarily  
18 fully complies with the rule, though.

19 Q. Okay. I guess I wasn't asking you to  
20 confirm that, and probably only the Commission can  
21 confirm that. But I guess what I'm asking you is you  
22 understand the application in this case to be the  
23 company's effort to comply with the rule?

24 A. I believe that to be the intent.

25 Q. And as provided for in the rule, the

1 company's application proposes a one-time fee for  
2 removal of an existing advanced meter, correct?

3 A. Well, yes, it's a one-time fee for  
4 removal of an AMI meter and replacement with a  
5 traditional meter.

6 Q. Okay. And also as provided for in the  
7 rule, the application further proposes a recurring  
8 fee to recover costs associated with providing meter  
9 reading and billing services, correct?

10 A. That's correct.

11 Q. And then the company in its application  
12 in this case explained that it had incremental costs  
13 associated with putting the program together that it  
14 proposed that the Commission defer for future  
15 recovery, correct?

16 A. Again, as part of the application, I  
17 recall it as being really two different options: One  
18 option was established where customers would pay the  
19 full one-time fee of 1,037.10; there was another  
20 option provided where part of the costs would be  
21 deferred, and then just a portion of the one-time  
22 costs being passed to customers.

23 Q. Okay. So OCC is not contending that the  
24 application is deficient in that it does not comply  
25 with that part of the rule, correct?

1 MR. STINSON: Could I have that reread,  
2 please?

3 (Record read back as requested.)

4 THE WITNESS: If we're talking about the  
5 deferral, I believe that the Commission rules require  
6 that costs -- you know, that the costs be paid by  
7 those that would cause the cost. I believe the  
8 deferral would subject those costs for cost recovery  
9 by all customers in some future proceeding.

10 BY MS. WATTS:

11 Q. Okay. I guess I was being more general,  
12 and I appreciate your response. I guess what I was  
13 asking was: Given the provisions in the rule that  
14 establish that the company may file an application  
15 for a one-time fee and a recurring fee, OCC is not  
16 contending that the company's application is not  
17 consistent with what the rule provides, correct?

18 A. To the -- only to the extent that the  
19 rule says the company may apply for a one-time fee  
20 and for recurring monthly fees. But the rule --  
21 there's other provisions within the rule that I  
22 believe are also at play here, including the fact  
23 that there could be extenuating circumstances, and I  
24 believe that to be the case.

25 Q. Okay. And I understand that from your

1 testimony. We can talk about that in a bit.

2 Do you agree as a general proposition  
3 that the Commission's rule explicitly requires costs  
4 incurred by a utility to provide advanced meter  
5 opt-out service to be borne only by customers who  
6 elect to receive advanced meter opt-out service?

7 A. I believe that accurately reflects the  
8 rule.

9 Q. And can you agree with me that that's a  
10 generally -- that's a well-known ratemaking  
11 principle, that costs be borne by those who create  
12 the costs?

13 A. Yes, cost causation.

14 Q. Okay. And in your testimony on Page 3,  
15 Lines 5 through 8, you state that the purpose of your  
16 testimony is to make recommendations to the PUCO that  
17 are fair for consumers. Do you see that?

18 A. Yes, I do.

19 Q. Is it fair to say that one of OCC's  
20 points in this case is that it doesn't believe that  
21 the company should recover any costs now through the  
22 opt-out tariff?

23 A. I don't believe that the company has  
24 provided sufficient justification for either the  
25 one-time or the recurring monthly fee.

1           Q.    Okay.  I guess I was referring otherwise  
2           to OCC's recommendation that these matters be  
3           considered in a base rate case as opposed to in this  
4           proceeding.

5           A.    I understand that the Commission rules  
6           require Duke to file an application for a tariff.  My  
7           recommendation, and I'm not -- I'm not suggesting  
8           that there not be a tariff, but I do believe that the  
9           tariff should be set at zero for both the one-time  
10          cost as well as the recurring cost until some point  
11          in time in the future where there's a base rate  
12          proceeding.

13          Q.    So then if the tariff were approved, and  
14          you and I both understand that this is unlikely, but  
15          if the tariff were approved next week and set at zero  
16          as you suggested, you would then expect the company  
17          to perform opt-out services and not recover any  
18          costs?

19          A.    Again, the company is providing opt-out  
20          service today, and has been for at least 725  
21          customers at some point in time since the Smart Grid  
22          deployment began.  What I'm suggesting is that that  
23          process merely continue until there's a base rate  
24          proceeding and an opportunity to look at revenues and  
25          expenses in a broader context.

1           Q.    Do you have, sir, a fundamental  
2 understanding of the ratemaking process?

3           A.    I believe I do.

4           Q.    And do you understand what a test year  
5 is?

6           A.    Yes, I do.

7           Q.    So if the company -- let's say the  
8 company files a rate case in the middle of next year  
9 and requests that the Commission make the test year  
10 be 2016. Are you with me so far?

11          A.    I am.

12          Q.    Okay. So if the company incurs IT costs  
13 in 2015 which are expenses, those would not be  
14 recovered in 2016 based on the test year application,  
15 would they?

16          A.    I think it depends on when the test  
17 year's established. And I believe that, you know,  
18 that Duke could incur the costs that are necessary as  
19 part of its test year if it felt like that's where  
20 they needed to be incurred for ratemaking purposes.

21          Q.    Okay. But hypothetically if the costs  
22 are incurred in 2015 and the test year is 2016, those  
23 expenses in 2015 would not be captured, correct?

24               MR. STINSON: Objection, asked and  
25 answered.

1 EXAMINER MCKENNEY: Response.

2 MS. WATTS: I don't believe his answer  
3 was responsive, Your Honor.

4 EXAMINER MCKENNEY: Objection's  
5 overruled.

6 THE WITNESS: Could you repeat the  
7 question, please?

8 (Record read back as requested.)

9 THE WITNESS: If they're not part of the  
10 test year, then, no, they wouldn't be included within  
11 the test year.

12 BY MS. WATTS:

13 Q. And, Mr. Williams, you're aware that  
14 Duke Energy Ohio has such a thing as a Smart Grid  
15 collaborative?

16 A. I am aware of that.

17 Q. And you, yourself, have attended two or  
18 three of those Smart Grid collaboratives, correct?

19 A. Yes, I have.

20 Q. And do you understand that those  
21 collaborative meetings have been ongoing since  
22 approximately 2009?

23 A. I don't know when that collaborative  
24 started or whether or not it's ongoing. From time to  
25 time, there's been -- the topic about a collaborative

1 has came up, and perhaps the subject matter was  
2 something where someone at the office might have  
3 wanted me to attend, but I, myself, would have no  
4 idea how frequently that meets, the purpose of the  
5 collaborative, what exactly is accomplished through  
6 it. I wouldn't know that.

7 Q. Okay. Do you know historically what the  
8 company did when a customer stated that they did not  
9 wish to have an advanced meter?

10 MR. STINSON: Could I have that reread,  
11 please?

12 (Record read back as requested.)

13 THE WITNESS: I believe that it's  
14 already been established within the record that the  
15 company has permitted to retain their traditional  
16 meter.

17 BY MS. WATTS:

18 Q. Okay. And to the extent a customer  
19 expresses a desire not to have an advanced meter, do  
20 you know what actions the company undertakes to  
21 persuade the customer otherwise?

22 A. Only from what I've seen in discovery  
23 responses, the type of information maybe that's made  
24 available, but I have not seen an exhaustive list or  
25 procedures for how the company addresses that.

1           Q.    On Page 5 of your testimony, Lines 6  
2           through 7, you reference that the Commission rules  
3           also contemplate special tariff provisions related to  
4           circumstances that are not addressed in the rule. Do  
5           you see that?

6           A.    Yes, I do.

7           Q.    Is this reference to the rule to support  
8           OCC's argument that the Commission should wait until  
9           a rate case to determine the cost for opt-out?

10          A.    I believe that the Commission rule  
11          established there can be circumstances that just  
12          aren't covered within the rules. I believe that the  
13          Commission as a regulatory body established a very  
14          clear rule that there may be circumstances where it's  
15          best to look at these topics later.

16                It's much the same way that the  
17          Commission didn't require Duke or any other EDU to  
18          actually file a cost for one-time fees or recurring  
19          fees, it said they may. Special circumstances are  
20          just that, special circumstances.

21          Q.    Now, sir, you've heard discussion  
22          earlier today about a stipulation that was entered in  
23          the Smart Grid case, the rider case, 10-2326. Do you  
24          recall this discussion?

25          A.    Yes, I do.

1           Q.    Do you recall that there was discussion  
2           about netting operational benefits back to customers  
3           in each Smart Grid rider proceeding?

4           A.    I believe that to be the case.

5           Q.    And do you have any particular knowledge  
6           about that?

7           A.    I've reviewed the stipulation. I know  
8           that the costs are at a very high level, they're not  
9           the level of granularity that we're talking about  
10          today in terms of those few customers who have, for  
11          whatever reason, chose not to participate in the AMI.  
12          It's just a very high level of what the costs could  
13          be, and then recognition that a base rate case is  
14          needed at some point in time when the deployment is  
15          complete to more accurately nail down those  
16          operational savings and what rate should be for  
17          customers on a going-forward basis.

18          Q.    Okay. Can we back up a little bit?  
19          You're mentioning that certain costs are at a very  
20          high level. Which costs are you referring to in that  
21          statement?

22          A.    At the point in time -- for example,  
23          there's -- I believe salvage costs might be an  
24          example or a representative of a line item of costs  
25          that are included within that stipulation. But I

1 don't know -- at the time when this review was done,  
2 when this stipulation was done, I presume there were  
3 customers even then that had chose not to participate  
4 in Duke's program.

5 So this -- the fact that there's some  
6 resistance to the AMI meters I believe is -- has  
7 occurred since Duke's grid modernization program  
8 began. It occurred during the time this mid-term  
9 review was being performed. I believe that it could  
10 be reflected within the costs that are outlined  
11 within that stipulation and the operational savings  
12 that are flowed to customers.

13 Q. Okay. Let -- I'm sorry. Were you  
14 finished?

15 A. And ultimately that's a topic that ought  
16 to be addressed in a rate case.

17 Q. Okay. Let's back up a little bit here.

18 The 10-2326 case was obviously filed in  
19 2010, correct?

20 A. I believe that to be the case.

21 Q. And do you know when the Smart Grid  
22 deployment began for Duke Energy?

23 A. 2008, 2009.

24 Q. Okay. And as of 2010, do you know how  
25 many Smart Grid meters have been deployed?

1           A.    I believe that 99.1 percent of the  
2   deployment is now complete, or as of December 2014.

3           Q.    The question was:  Do you know in any --  
4   at any point during 2010 how many Smart Grid meters  
5   were deployed?

6           A.    I don't know this exact number.

7           Q.    Okay.  So you don't know in 2010 whether  
8   the company had any opt-out customers, in fact, do  
9   you?

10          A.    No.  But it seems like a reasonable  
11   assumption if the deployment was going on at that  
12   time.  I mean --

13          Q.    But that's an assumption on your part?

14               MR. STINSON:  Objection.  If he could  
15   finish.

16               THE WITNESS:  I mean, I've read the  
17   entire application that Duke provided, and it's one  
18   assumption after another.  I'm just making an  
19   assumption.  I believe that customers -- that AMI  
20   meters were being installed then, and that there  
21   could have been customers that didn't want to  
22   participate at that time and that were being  
23   recognized as part of that proceeding.

24   BY MS. WATTS:

25          Q.    But you have no specific knowledge in

1 that regard?

2 A. No, I do not.

3 Q. And in that 2326 case, those operational  
4 benefits that are netted against costs and returned  
5 to customers, that list of operational savings, you  
6 don't know the origin of that, do you?

7 A. I believe that the origin of that was  
8 a -- that there was a fairly extensive study that was  
9 performed, referred to often as the MetaVu study, and  
10 I believe that it came from that. I don't recall  
11 seeing that specific table, though, as much as the  
12 types of costs that were outlined as those  
13 operational savings.

14 Q. And is it your understanding that MetaVu  
15 was an auditor that was retained by the Commission  
16 staff for purposes of performing that analysis?

17 A. That is my understanding.

18 Q. So since that analysis, among other  
19 things, was performed during either 2010 or 2011, it  
20 by definition could not possibly include activities  
21 undertaken by the company in response to the  
22 Commission's order in Case No. 12-2050, correct?

23 MR. STINSON: Objection as to form and  
24 foundation, with respect to other things.

25 EXAMINER McKENNEY: Do you want to

1 rephrase the question?

2 MS. WATTS: Yeah. I'll rephrase.

3 BY MS. WATTS:

4 Q. So do you recall or do you have any  
5 knowledge when MetaVu did its analysis of operational  
6 benefits?

7 A. 2011, subject to check.

8 Q. Okay. And you understand that the  
9 Commission's order requiring the company to create an  
10 opt-out mechanism was at least a couple years after  
11 that, correct?

12 A. I believe it would have been December of  
13 2013. But the fact that there were customers that  
14 were -- while perhaps there wasn't an opt-out tariff,  
15 there were customers that continued to be served with  
16 traditional meters during that time, and continue to  
17 today apparently.

18 Q. On Page 6 of your testimony, you have a  
19 footnote to the fact that staff will determine when  
20 deployment is complete. Do you see that? It's  
21 Footnote 13 in your testimony.

22 A. I do see it.

23 Q. Do you have any idea how staff intends  
24 to make that determination?

25 A. No, I do not.

1           Q.    Do you have any idea when the staff  
2 plans to make that determination?

3           A.    Given that the grid modernization is  
4 substantially complete, I would -- I would think that  
5 determination would be eminent, but I don't know the  
6 exact date.

7           Q.    Do you have any idea how procedurally  
8 staff will make that determination?

9           A.    No, I don't. But just to be clear,  
10 we're talking about a rate case that's triggered as a  
11 result of staff's activities, you know, and staff  
12 determining that the deployment is complete, that  
13 Duke could do a rate case itself if it felt like it  
14 was being financially harmed in some way. I don't  
15 know that this -- that the -- that the base rate case  
16 that was addressed within that stipulation was an  
17 end-all for any other base rate case.

18           MS. WATTS: Your Honor, I'm going to  
19 move to strike everything after "just to be clear."

20           MR. STINSON: Explaining his answer,  
21 Your Honor.

22           EXAMINER MCKENNEY: I'm going to grant  
23 the motion to strike. That was a late response.  
24 That was not quite responsive, I didn't think.

25           BY MS. WATTS:

1 Q. As of today, do you know specifically  
2 whether or not Duke Energy Ohio is recovering any  
3 incremental costs with respect to providing services  
4 to customers who refuse a Smart meter?

5 THE WITNESS: Can you repeat the  
6 question?

7 (Record read back as requested.)

8 THE WITNESS: I don't believe so.

9 BY MS. WATTS:

10 Q. And OCC submitted discovery in this  
11 case, correct?

12 A. Yes.

13 Q. But OCC did not perform any analysis of  
14 its own with respect to proposing what costs would be  
15 appropriate for customers to pay for opting out?

16 A. I believe that Duke had the burden of  
17 proof in this proceeding, not OCC.

18 Q. I understand that that's your belief.  
19 My question is: Did OCC perform any independent  
20 analysis or put forth its own view of what customers  
21 should pay?

22 A. The analysis that I performed was that  
23 customers shouldn't pay anything --

24 Q. Okay.

25 A. -- either in terms of one-time costs or

1 a recurring fee until after there is an appropriate  
2 regulatory proceeding where this could be examined.

3 Q. On Page 10 of your testimony, you argue  
4 that you don't think costs appear to be incremental  
5 to and above what the company is already collecting  
6 from consumers in base rates. Do you see that?

7 A. Could you point me to where you're at,  
8 Ms. Watts?

9 Q. Sure. I think it's Lines 1 and 2.

10 A. Thank you.

11 Q. Okay. Do you see your argument there?

12 A. I do see that.

13 Q. And do you have any analysis to support  
14 that generalization?

15 A. I believe between the base rates and the  
16 cost recovery that's occurring through the grid  
17 modernization, I don't know where else those costs  
18 would be incurred.

19 Q. You haven't done any particular  
20 analysis?

21 A. No, I've not.

22 Q. Do you know when the last electric  
23 distribution rate case was filed?

24 A. We talked earlier today, 2012.

25 Q. Do you recall what the test year was for

1       that case?

2               A.     Not as I sit here at the moment.

3               Q.     And do you know how far along Smart Grid  
4       deployment was in 2012?

5               A.     It would have been roughly halfway  
6       complete, or more than halfway actually.

7               Q.     Are you speculating?

8               A.     Well, if the case started in 2008, '09,  
9       and in 2012, I'd say that's about midway along, not  
10      further.

11              Q.     But that's a guess.

12              A.     Okay.

13              Q.     Okay. Turning to Page 7 of your  
14      testimony, at Line 17 you refer to other  
15      alternatives. Do you see that?

16              A.     Yes, I do.

17              Q.     And you believe that the number of  
18      customers who would be subject to the advanced meter  
19      opt-out tariff would decrease if the company provided  
20      other alternatives, is that a correct recitation of  
21      your testimony?

22              A.     Yes, it is.

23              Q.     Are you aware of exactly what the  
24      company does when a customer expresses an interest in  
25      opting out?

1           A.    As I believe I explained earlier, I  
2    don't know all of the options that are provided.

3           Q.    Do you -- have you suggested any  
4    particular alternatives yourself?

5           A.    I believe at some point in my testimony,  
6    I did mention the disabling of the communications  
7    device, if that would help address a customer's  
8    concern. It may have been something else also.

9           Q.    Sir, do you know what kind of  
10   communication device the company uses?

11          A.    No, I don't.

12          Q.    Do you know whether from an engineering  
13   perspective it's possible to disable the  
14   communication device of the Duke Energy hardware?

15          A.    I don't know that it's impossible.  
16   Again, this would be part -- part of the information  
17   I would think that Duke would provide as part of a  
18   properly filed application, to provide the support.

19          Q.    But you don't know yourself whether it's  
20   possible to disable the communication device in the  
21   Duke Energy system?

22          A.    No, I don't.

23          Q.    Do you have any understanding of what  
24   the relative costs associated with offering different  
25   alternatives to customers would be?

1 MR. STINSON: Objection, foundation as  
2 to what alternatives are and to determine their  
3 relative costs.

4 MS. WATTS: Well, I'd like to know what  
5 those alternatives are myself, Your Honor, that the  
6 witness has suggested that the company should offer  
7 alternatives.

8 EXAMINER MCKENNEY: I believe you're  
9 asking about the costs of the alternatives.

10 MS. WATTS: Right.

11 EXAMINER MCKENNEY: I think we can  
12 explore the alternatives. I don't think we can get  
13 into the costs right now. Objection sustained. I  
14 think that's speculation until we establish what  
15 alternatives you're referring to.

16 MS. WATTS: Okay. I'll back up then.

17 EXAMINER MCKENNEY: Yeah.

18 BY MS. WATTS:

19 Q. So, again, Mr. Williams, are there any  
20 specific alternatives that you can cite that the  
21 company should be employing to persuade customers to  
22 accept an advanced meter?

23 A. I believe that the Commission, in  
24 ordering the advanced meter opt-out, that the  
25 Commission provided very explicit direction to Duke

1 and the other EDUs to be working with customers to  
 2 address customer-specific concerns. And I suspect  
 3 the number of possibilities that could be available  
 4 for addressing specific concerns could be unlimited,  
 5 but it does seem to me, though, as though the  
 6 Commission did require Duke to work with customers to  
 7 address the concerns. And apparently even without an  
 8 advanced meter opt-out the numbers of customers who  
 9 have chose not to have an AMI has dropped to 105  
 10 customers plus some number of hard to access.

11 EXAMINER McKENNEY: Would moving the  
 12 meter location be an alternative?

13 THE WITNESS: This could be an  
 14 alternative; disabling communications devices was  
 15 addressed within the order as being an alternative;  
 16 proper explanation to customers could be an  
 17 alternative; maybe -- maybe give the thing a little  
 18 bit more time to where maybe there -- you know,  
 19 customers kind of find out from their family and  
 20 friends that they don't have major objections to  
 21 things.

22 EXAMINER McKENNEY: Do you know what the  
 23 cost is to move a meter?

24 THE WITNESS: No, I don't.

25 EXAMINER McKENNEY: Do you know what the

1 cost is to disable a communication?

2 THE WITNESS: I don't have the cost.

3 EXAMINER McKENNEY: Okay.

4 BY MS. WATTS:

5 Q. And do you have any reason, sir, to  
6 believe that the company isn't already offering such  
7 alternatives?

8 A. That could be some of the alternatives  
9 that are being provided to customers now even without  
10 an advanced meter opt-out.

11 Q. So you really don't know what the  
12 company does when a customer says, "I want to opt  
13 out"?

14 A. I suspect that the company tries to  
15 address the concern. That's much -- and I think this  
16 is kind of fundamental to the -- to this -- to this  
17 entire issue. What the company is doing today, more  
18 of that needs to be done to try to address customers'  
19 concerns.

20 And the concern I have with my testimony  
21 is the advanced meter opt-out makes it kind of simple  
22 just to tell customers, "Either pay this, or,"  
23 instead of truly addressing their concerns.

24 Q. On Page 8 of your testimony, at Lines 10  
25 through 13, you speculate that customers will feel

1       pressured into taking an advanced meter against their  
2       wishes. Do you see that?

3               A.     Given the magnitude of these charges,  
4       yes.

5               Q.     Has OCC done any customer surveys to  
6       determine customer views as related to opting out of  
7       an advanced meter?

8               A.     No, we've not.

9               Q.     Have you personally talked or  
10       corresponded in any way with any customer in the Duke  
11       Energy Ohio service territory that wishes to opt out  
12       of receiving an advanced meter?

13              A.     I've not.

14              Q.     Has anyone at OCC done so, to your  
15       knowledge?

16              A.     Not to my knowledge.

17              Q.     So you have no specific facts to support  
18       your statement, correct?

19              A.     I believe that the hefty nature of the  
20       charges speaks for itself.

21              Q.     And that's the only thing upon which  
22       you're basing that statement?

23              A.     The nature of that charge, yes, the  
24       magnitude of the charge.

25              Q.     And if the Commission should agree to

1 defer some of the costs that go with the lower  
2 one-time charge, do you believe customers would still  
3 feel pressured?

4 A. Yes.

5 Q. Is it possible that some customers might  
6 be willing to pay those charges?

7 MR. STINSON: Objection, calls for  
8 speculation.

9 EXAMINER MCKENNEY: Sustained.

10 BY MS. WATTS:

11 Q. In your testimony, sir, on Page 8, you  
12 state that the company is attempting to force  
13 customers to subscribe to advanced meter technology,  
14 and that that is inconsistent with the Commission  
15 rules. Is -- other than the magnitude of the  
16 potential opt-out charges, do you have any other  
17 basis for suggesting that the company is attempting  
18 to force customers to opt out?

19 A. One thing that we talked about even  
20 earlier today is disabling the communication devices,  
21 and there were responses to discovery that -- where  
22 Duke does not provide that option.

23 Q. Okay. I'm going to repeat the question,  
24 because I don't think you answered it.

25 Other than the magnitude of the opt-out

1 charges, do you have any other basis for suggesting  
2 that the company is attempting to force customers to  
3 opt out?

4 A. I believe it's the magnitude of the  
5 charges.

6 Q. And you've not talked to any Duke Energy  
7 Ohio customers to see if they feel that they've been  
8 pressured, coerced into taking an advanced meter,  
9 correct?

10 A. I've talked to Duke Energy customers who  
11 were opposed to Smart meters for whatever reason, but  
12 not -- not specifically felt like they were forced.  
13 Right now this tariff doesn't exist except for in a  
14 regulatory proceeding. The Commission hasn't  
15 approved it.

16 Q. Turning to Page 11 of your testimony,  
17 you argue that the company's estimate for changes to  
18 its IT system is unreasonable, correct?

19 A. Yes, I do.

20 Q. And you support that argument with  
21 references to responses you received in discovery,  
22 correct?

23 A. Yes, I do.

24 Q. And in particular, you argue that since  
25 the company is currently billing customers who do not

1 have a Smart meter, the charges are inflated,  
2 correct?

3 A. The functionality currently exists  
4 within the billing system. I don't -- it seems  
5 unreasonable to remove that functionality.

6 Q. And you further argue that the primary  
7 change that the company was making was to bill  
8 customers for the advanced meter opt-out fee,  
9 correct?

10 A. Yes. That is correct.

11 Q. And do you know specifically what  
12 changes were made to the IT system?

13 A. I believe that there was a staff data  
14 request, in fact, I believe I included it in JDW-6,  
15 that provided just that answer. The first item that  
16 was addressed was the ability to bill the fee. The  
17 second was the ability for customers to have the  
18 correct meter type based on nonstandard metering  
19 option stats.

20 But the PUCO rules require the  
21 utilities, and have required for many years, have  
22 required electric utilities to maintain the serial  
23 number or other identifying number of the meters that  
24 are in the field and to maintain those records of  
25 those meters for many years. So it didn't seem to me

1 as though that's a new function within the system.  
2 The rules require that today and have required that.

3 Q. So is it your belief that the company  
4 made changes to its IT system that were unnecessary?

5 A. I don't know what was specifically done  
6 on -- in the IT system. I think the \$226,000 of  
7 alleged costs that were incurred to do this work need  
8 to be looked at as part of a prudence review at some  
9 point in time in a base rate proceeding.

10 Q. So since you don't know what work was  
11 done on the IT system, how is it that you can say  
12 that the numbers are unreasonable?

13 A. Again, unreasonable to the extent that  
14 in my opinion the -- the being able to maintain the  
15 location or serial number of a meter already -- is  
16 functionality that has to exist within the system.  
17 The functionality to bill customers based upon  
18 estimates of rates has existed in the systems for  
19 many, many years.

20 Q. And do you have any specific knowledge  
21 as to whether that functionality that you believe  
22 exists is connected with customer service  
23 representatives in the company?

24 MR. STINSON: Can I have the question  
25 reread, please?

1 MS. WATTS: I can restate it.

2 EXAMINER McKENNEY: We'll restate the  
3 question.

4 MS. WATTS: Okay.

5 BY MS. WATTS:

6 Q. So, Mr. Williams, you believe that the  
7 company has a system whereby meter numbers and  
8 information related to meters is kept, correct?

9 A. The Commission rules require it.

10 Q. Okay. And you understand that customers  
11 from time to time call into the company with  
12 questions about their meters?

13 A. I do.

14 Q. And is it your understanding, or your  
15 belief, or do you have any specific knowledge as to  
16 whether the data about customer meters is connected  
17 up with company systems such that cost interrupts can  
18 respond appropriately?

19 A. Seems to me if a call center can be  
20 talking to customers about their usage, that there  
21 would have to be some indication to the exact meter  
22 that's being discussed.

23 Q. But this is speculation on your part?

24 A. Again, it seems unreasonable it  
25 wouldn't.

1           Q.    But you don't have any specific  
2           knowledge?

3           A.    I don't know the procedures that Duke  
4           uses.

5           Q.    And likewise, you don't know what was  
6           done to the IT system in order to enable opt-out?

7           A.    Only based upon the response that I was  
8           providing in discovery, and that was -- the primary  
9           change seems to be able to bill this new fee.

10          Q.    Do you know how many people were  
11          required on the project that was established to  
12          enable opt-out through the IT system?

13          A.    No, I don't.

14          Q.    On Page 12 of your testimony, you begin  
15          a discussion where you explain that you believe that  
16          the estimates of the costs for metering services is  
17          not reasonable because you believe the company has no  
18          need to purchase, store, test, and repair traditional  
19          meters, correct?

20          A.    That would be correct.

21          Q.    So, Mr. Williams, you understand that  
22          when the company deploys an AMI meter to a customer,  
23          the company removes a traditional meter from those  
24          premises, correct?

25          A.    Yes.

1           Q.   And once that meter -- that traditional  
2 meter is removed, do you have any knowledge as to  
3 what happens with it after that?

4           A.   No, I don't.

5           Q.   And, sir, do you understand what mesh  
6 architecture is?

7           A.   No, I don't.

8           Q.   So you wouldn't have an understanding of  
9 what happens when a customer's -- a customer opts out  
10 and what effect that might have on the mesh  
11 architecture?

12          A.   Again, I don't have a full understanding  
13 of the mesh network. I did ask some discovery along  
14 those lines, and I asked for the 725 customers who  
15 don't have an AMI meter now, what impact that's had  
16 on the communication structure and if more  
17 communication devices need to be purchased, and Duke  
18 said no.

19          Q.   But did you hear Mr. Brown testify  
20 earlier today that the mesh network is built around  
21 customers who have already -- who are currently not  
22 using AMI meters?

23          A.   Yes, I did.

24          Q.   So is it -- is it your understanding  
25 that -- strike that.

1                   So since you don't understand what --  
2                   how a mesh network works, you can't really say  
3                   whether it's necessary to replace a communication  
4                   device based on a customer opting out?

5                   MR. STINSON: Could I have that reread,  
6                   please?

7                   (Record read back as requested.)

8                   THE WITNESS: 725 customers haven't  
9                   needed one thus far, there may be -- and that  
10                  number's continuing to dwindle. While there may  
11                  be -- there may be other customers that show up at  
12                  some point in time, it's highly doubtful that that  
13                  would then occur at some point later.

14                 Again, I think that's all part of what  
15                 would be looked at as part of a review in a base rate  
16                 case where these communication modules and real  
17                 engineering that's involved in it, and all that was  
18                 looked at to determine what's reasonable for these  
19                 costs.

20                 BY MS. WATTS:

21                 Q. But you heard Mr. Brown testify that the  
22                 mesh network was built around customers who are  
23                 currently not using an AMI meter, correct?

24                 A. Yes, I did.

25                 Q. Do you have any knowledge as to how many

1 miles it is to drive from one side of Duke Energy  
2 service territory to the other, east/west?

3 A. I have no idea.

4 Q. How about north/south?

5 A. I don't know.

6 Q. And can you agree with me that none of  
7 us know today where all the opt-out customers will be  
8 located when the tariff is approved?

9 A. We don't know exact locations, but we do  
10 know that there's 125 -- 105 customers that have  
11 opted out thus far. So we do know those locations,  
12 and we do know the meter routes. Things like that  
13 can be prepared around them.

14 Q. And some of those customers may change  
15 their mind and agree to accept an AMI meter, correct?

16 A. If this tariff with these charges are  
17 approved, I suspect most.

18 Q. And once the tariff goes into effect,  
19 it's possible that some customers may opt on to the  
20 tariff, correct?

21 A. Suspect that could occur.

22 Q. And driving times around the city can  
23 change based on time of day, correct?

24 A. Seems -- if Cincinnati's like Columbus,  
25 that seems reasonable.

1           Q.    So there's rush hour, non-rush hour, for  
2 instance, okay.

3                   And do you have any specific knowledge  
4 about all the functions necessary in order to  
5 generate a meter read?

6           A.    You're not asking just to read a meter,  
7 just how to get to a location, get a key, get inside,  
8 read a meter, no, I don't.

9           Q.    Okay. And you attached JDW-13 as a  
10 response that the company gave to a Staff Data  
11 Request 03-009, correct?

12          A.    Yes.

13          Q.    And that data request asks about the  
14 primary functions of a meter reading, correct?

15          A.    Yes, it does.

16          Q.    But you, yourself, have no particular  
17 knowledge about performing that service?

18          A.    Only to the extent, again, that one hour  
19 would represent going from a Queensgate location to  
20 read a meter, going back to Queensgate, getting an  
21 assignment and an address to drive to a new location.  
22 That doesn't seem efficient to me.

23          Q.    Do you know how the company manages this  
24 process specifically?

25          A.    No, I don't.

1           Q.    Do you know how routes are planned for  
2 meter-reading purposes?

3           A.    I don't believe that there is any route  
4 here.  It's apparently go back to Queensgate, get a  
5 second location, go read the meter.  That's exactly  
6 what I'm suggesting, is that the costs be looked at  
7 with more efficient routes for these meter reads.

8           Q.    Do you have any specific reason to  
9 believe that the company would not plan meter reading  
10 routes in an efficient manner?

11          A.    Again, from what I saw and what I've  
12 heard is that the intent is to go from the Queensgate  
13 location, read a meter, go back to Queensgate.  If  
14 these costs are high, I don't know that we'd  
15 necessarily expect Duke to come in at some later time  
16 and then adjust them downward.  So it seems to me as  
17 though that optimization needs to occur now and more  
18 realistic costs need to be determined.

19          Q.    On Page 19 of your testimony, again, you  
20 state that the company appears to be using the  
21 advanced meter opt-out tariff as a punitive measure.  
22 Do you see that?

23          A.    Could you direct me?

24          Q.    Line 2.

25          A.    Yes, I see that.

1           Q.   And, again, your only support for that  
2   is what you deem to be unreasonable proposed charges?

3           A.   Unreasonable charges, yes, unreasonable  
4   proposed charges.

5           Q.   Do you have any specific knowledge about  
6   how the overall percentage of customers opting out in  
7   the Duke Energy Ohio service territory compares with  
8   any other utility in Ohio?

9           A.   Not specifically, because Duke is a  
10   system-wide rollout. The other considered fairly  
11   major Smart Grid deployment is in a much, much more  
12   limited area.

13          Q.   And you haven't looked anywhere else in  
14   the country, for instance, in terms of opting out?

15          A.   Not specifically.

16          Q.   Okay. Could you turn to Page 17 of your  
17   testimony? At Line 18 you state that providing  
18   traditional metered service to the small -- to a  
19   small -- to this small number of customers doesn't  
20   appear to financially impact Duke Energy. Do you see  
21   that?

22          A.   Yes, I do.

23          Q.   Have you done any particular analysis to  
24   demonstrate that?

25          A.   That the -- the basis for my statement

1 is that even if -- even if staff doesn't declare that  
2 the Smart Grid is complete and that that provision of  
3 the stipulation would take place, where the company  
4 would file a base rate case within 12 months, if Duke  
5 was financially harmed now by their additional costs  
6 to serve these 105 customers, it could come in for a  
7 rate case now.

8 Q. What sort of financial impact would you  
9 require in order to support recovery of costs in this  
10 proceeding?

11 A. In this proceeding, I'm not recommending  
12 there be any costs. I'm recommending that these --  
13 this tariff be approved with zero for one time and  
14 for the recurring monthly fee.

15 Q. Sure. I understand that. But on  
16 Page 17, part of your argument is that the company  
17 should not be permitted to recover costs because it's  
18 not financially harmed. I'm wondering what level of  
19 financial harm would be sufficient to convince you  
20 that the company should be permitted to recover  
21 costs.

22 A. Highly speculative.

23 Q. So you have no number for that?

24 A. I don't have a number for that.

25 Q. Do you believe that an electric utility

1 in Ohio should only recover costs if there's a  
2 financial -- an impact of financial harm on that  
3 company?

4 A. Should only recover costs if there's  
5 harm? Can you restate that question, or can you  
6 please reread that?

7 (Record read back as requested.)

8 THE WITNESS: No. There's -- the whole  
9 ratemaking process is about recovery of costs,  
10 establishment of rates and recovery of costs.

11 BY MS. WATTS:

12 Q. And so your position is that the only  
13 way to recover costs is in a rate case?

14 A. In this particular proceeding with this  
15 set of circumstances, then I believe a rate case is  
16 the appropriate mechanism to set the rates for  
17 this -- for the advanced meter opt-out, very specific  
18 to this situation.

19 MS. WATTS: I have -- one moment, Your  
20 Honor.

21 EXAMINER MCKENNEY: Let's go off the  
22 record.

23 (Discussion held off the record.)

24 EXAMINER MCKENNEY: Back on the record.

25 MS. WATTS: Thank you, Your Honor. Just

1 one additional brief question.

2 BY MS. WATTS:

3 Q. Sir, would you turn to JDW-13, please?  
4 This is a -- an attachment to your testimony, and  
5 it's a staff -- company response to a Staff Data  
6 Request 03-009, correct?

7 A. Yes, it is.

8 Q. And would you read the response that the  
9 company provided?

10 A. The response -- the response is  
11 "Manual" --

12 MR. STINSON: I'm going to object here,  
13 because the document speaks for itself.

14 EXAMINER McKENNEY: I think the document  
15 speaks for itself. He can review the document. If  
16 you have questions on it, you can examine.

17 BY MS. WATTS:

18 Q. Okay. Sir, would you just review that  
19 paragraph, that response, so that I can ask you a  
20 question?

21 (Witness complies with request.)

22 A. I've read it.

23 Q. Based on that response, is it your  
24 understanding that the company would create meter  
25 reading routes and would travel on a route from meter

1 to meter prior to returning back to the Queensgate  
2 location?

3 A. Yes. It seemed reasonable to me that  
4 the company could do just that.

5 Q. Okay. So you have no reason to believe  
6 that the company would not do that?

7 A. I believe we've already established the  
8 one hour was the drive from Queensgate to a location  
9 and back to Queensgate. I believe that that could be  
10 optimized fully by integrating the meter reading for  
11 the customers that opt out along with those  
12 customers, I don't know how many there are, of  
13 industrial commercial customers have their meters  
14 read and do all this in a more optimal manner.

15 Q. I'm going to restate my question, sir.  
16 Do you have any reason to believe that the company  
17 would not do just that?

18 A. Only the response here, and what we've  
19 heard is returning to Queensgate after each meter  
20 read doesn't seem to be efficient to me.

21 MS. WATTS: I have nothing further, Your  
22 Honor.

23 EXAMINER McKENNEY: Thank you.

24 Any cross from staff?

25 MR. JONES: No questions, Your Honor.

1 EXAMINER MCKENNEY: Thank you.

2 Redirect?

3 MR. STINSON: Could we have a few  
4 minutes, Your Honor?

5 EXAMINER MCKENNEY: Go off the record.  
6 Take a five-minute recess.

7 (Recess taken.)

8 EXAMINER MCKENNEY: Let's go back on the  
9 record.

10 Mr. Stinson, all set?

11 MR. STINSON: Just a few questions, Your  
12 Honor.

13 EXAMINER MCKENNEY: The floor is yours.

14 - - -

15 REDIRECT EXAMINATION

16 BY MR. STINSON:

17 Q. Mr. Williams, counsel for Duke just  
18 questioned you about the likelihood that Duke would  
19 create routes for the opt-out customers. Do you  
20 recall that?

21 A. Yes, I do.

22 Q. And how are the costs for this rider in  
23 this proceeding based?

24 A. Those costs are in the -- in the  
25 proceeding are based going from the Queensgate

1 location to a meter and back to Queensgate. I've not  
2 seen any type of a cost of service or anything else  
3 that looked at what the cost would be if they were  
4 optimized -- more optimized routes.

5 Q. Thank you. And one last question:  
6 There's been a considerable discussion regarding the  
7 net benefits provisions in the stipulation that was  
8 marked as OCC Exhibit 1. Do you know if those -- if  
9 the projected benefits in that stipulation are  
10 estimated or not?

11 A. My understanding is that these were  
12 estimates that were based on the -- at the time that  
13 that review was being performed in 2011. I'm not  
14 aware of any type of an audit or review of whether or  
15 not those benefits are actually being -- how they've  
16 panned out over time and whether or not the benefits  
17 should perhaps be more, and that's why I believe that  
18 that review would occur as part of the base rate  
19 case.

20 MR. STINSON: Thank you, Mr. Williams.  
21 Nothing further.

22 EXAMINER McKENNEY: Brief recross if you  
23 have a clarifying question.

24 MS. WATTS: Very brief, Your Honor.

25 - - -

RECROSS-EXAMINATION

BY MS. WATTS:

Q. Sir, with respect to the benefits that were estimated and agreed to in the Smart Grid proceeding that you just discussed, as a matter of fact you have no idea how those estimates were arrived at or how the audit was performed, isn't that correct?

A. I just know it came out of the MetaVu study, but I don't know how each of those benefits were determined.

Q. Right.

A. I just know they were based on estimates.

Q. So you don't know whether the estimates were -- you have no idea about the rigor with which the estimates were formed?

A. An estimate's an estimate.

Q. And in the case of the operational benefits that are flowed back to customers, the dollars are returned to customers regardless of how those estimates pan out, isn't that correct?

A. Well, return -- it's an offset to a revenue requirement in the Smart Grid proceeding. I don't believe there's actual dollars that flow back

1 to customers.

2 Q. Okay. Well, we can agree to call it an  
3 offset to the revenue requirement then. That offset  
4 occurs regardless of the actual performance in the  
5 operational benefit table, correct?

6 A. That would be my understanding.

7 MS. WATTS: Nothing further.

8 EXAMINER McKENNEY: Thank you.

9 - - -

10 EXAMINATION

11 BY EXAMINER McKENNEY:

12 Q. Mr. Williams, just real quick, you agree  
13 this is a new service, correct?

14 A. The advanced meter opt-out, it's a new  
15 tariff. My view is this is a service that's been  
16 provided for customers that have chose not to have a  
17 traditional meter. They've been obtaining this  
18 service thus far since the grid modernization program  
19 began.

20 Q. Prior to December 2013, there was no  
21 requirement to provide an advanced meter opt-out  
22 service?

23 A. Yes. There's a new requirement post  
24 December 2013.

25 Q. And prior to the requirement, if this

1 service would -- there's a charge associated with  
2 this service that would not have been included in a  
3 test year; is that correct?

4 A. I don't know if it was included in a  
5 test year for customers that at that point in time  
6 had a traditional meter, not an AMI, I don't know  
7 whether or not it was included in the test year.

8 EXAMINER McKENNEY: Fair enough. I have  
9 nothing further. You may step down.

10 THE WITNESS: Thank you, Your Honor.

11 EXAMINER McKENNEY: Mr. Stinson.

12 MR. STINSON: Yes, Your Honor. At this  
13 time, we'd move the admission of OCC Exhibit 3.

14 EXAMINER McKENNEY: Any objection to the  
15 admission of OCC Exhibit 3?

16 MS. WATTS: No objection.

17 MR. JONES: No objection, Your Honor.

18 EXAMINER McKENNEY: It will be so  
19 admitted.

20 (EXHIBIT ADMITTED INTO EVIDENCE.)

21 EXAMINER McKENNEY: Let's go off the  
22 record real quick.

23 (Discussion held off the record.)

24 EXAMINER McKENNEY: Let's go back on the  
25 record.

1                   Briefing schedule for this case: We'll  
2                   do briefs 30 days after the transcripts are filed in  
3                   the docket, reply briefs 15 days thereafter.

4                   Seeing nothing further, we are  
5                   adjourned. Let's go off the record.

6                   (Thereupon, the hearing was  
7                   concluded at 4:57 p.m.)

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CERTIFICATE

I do hereby certify that the foregoing  
is a true and correct transcript of the proceedings  
taken by me in this matter on Thursday, October 15,  
2015, and carefully compared with my original  
stenographic notes.

---

Carolyn D. Ross, Registered  
Professional Reporter and  
Notary Public in and for  
the State of Ohio.

My commission expires April 3, 2019.  
(CDR-79520)

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**Case No(s). 14-1160-EL-UNC, 14-1161-EL-AAM**

Summary: Transcript in the matter of the Duke Energy Ohio, Inc. hearing held on 10/15/15 electronically filed by Mr. Ken Spencer on behalf of Armstrong & Okey, Inc. and Ross, Carolyn D.