

THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION OF
DUKE ENERGY OHIO, INC. FOR
AUTHORITY TO ADJUST RIDER AU FOR
2016 GRID MODERNIZATION COSTS.

CASE NO. 17-690-GA-RDR

ENTRY

Entered in the Journal on September 14, 2017

{¶ 1} On March 24, 2017, Duke Energy Ohio, Inc. (Duke or Company) filed an application, along with supporting testimony, to adjust Rider Advanced Utility (Rider AU) for grid modernization deployment.

{¶ 2} By Entry issued on April 4, 2017, the procedural schedule in this matter was established, and the attorney examiner listed in the Entry, among other pertinent dates, July 21, 2017, as the deadline for the filing of comments on the application by Staff and intervenors, August 4, 2017, as the deadline for all parties to file reply comments, and August 31, 2017, as the hearing date, in the event a hearing is deemed necessary. By Entry dated August 25, 2017, the hearing was rescheduled to October 5, 2017.

{¶ 3} On July 21, 2017, the Ohio Consumers' Counsel (OCC) filed comments. Thereafter, Duke filed reply comments on August 11, 2017.

{¶ 4} In its comments, OCC states that, in this case, Duke's customers are paying for SmartGrid technology to automate the meter reading functions on their gas meters. However, according to OCC, Duke has stated in its recent electric distribution rate case filing that the Company intends to replace the newly installed gas meter reading technology, which Duke's customers are continuing to pay for through Rider AU, with a newer advanced metering infrastructure (AMI) technology for both electric and gas customers. *See In re Duke Energy Ohio, Inc.*, Case No. 17-32-EL-AIR, et al. (*Duke Electric Rate Case*), Direct Testimony of Donald L. Schneider, Jr. (Mar. 16, 2017) at 10. OCC argues that Duke's consumers should not bear the risk of any undepreciated rate base for obsolete equipment that is no longer used and useful and that a determination should be made regarding the

prudence of Duke's decision to invest in the recently installed gas meter reading technology in the first place. (OCC Comm. at 3-4.)

{¶ 5} Additionally, OCC states that the Commission will have to determine if the upgrades that Duke alleges are needed, for electric meter reading, are necessary for natural gas customers. OCC argues that the Commission should order an independent review, funded by shareholders, that looks at whether Duke's gas meter reading system is sustainable for serving gas customers before any additional money is spent and charged to Duke's consumers for upgrading or replacing this system. (OCC Comm. at 4-5.)

{¶ 6} On August 11, 2017, Duke filed a motion to strike OCC's comments. In the memorandum in support of the motion, Duke states that OCC's comments address topics that are outside the scope of this proceeding and irrelevant to the subject matter of this case.

{¶ 7} Duke argues that the question posed by the Company's application in this case is whether or not the costs incurred in deployment of gas grid modernization for 2016 were incurred prudently. Duke further notes that Staff has reviewed these costs and determined that they were appropriate. However, according to Duke, OCC has submitted comments that are factually incorrect and concern issues from the *Duke Electric Rate Case*, which have no bearing on this case, and which are more appropriately addressed in that entirely separate rate-case docket. Duke, therefore, argues that OCC's comments concern unrelated matters that were not developed or addressed in this docket and that OCC's comments must be stricken as irrelevant and inappropriate. (Duke Mot. at 3.)

{¶ 8} On August 28, 2017, OCC filed a memorandum contra Duke's motion to strike. In the memorandum contra, OCC initially states that the direct testimony of OCC's witness in this matter was filed on August 18, 2017, and, therefore, rather than move to strike OCC's comments, the proper procedural method would be to address the direct testimony of OCC's witness through Duke's own testimony, or through cross-examination of OCC's

witness at hearing. OCC argues that Duke's motion to strike OCC's comments should be denied on this basis alone. (OCC Memo. Cont. at 2-3.)

{¶ 9} Noting Duke's contention that OCC's comments are factually incorrect and, therefore, must be stricken, OCC argues that whether its factual statements are true and reliable is up to the attorney examiner or the Commission to decide, not Duke. OCC argues that the Commission should give OCC's comments the weight that it believes they deserve, and should not strike the comments simply because Duke disagrees with them. (OCC Memo. Cont. at 3.)

{¶ 10} OCC states that, contrary to Duke's assertion that its comments are irrelevant, the point of OCC's comments is that the costs for Duke's gas SmartGrid program were not prudently incurred. OCC also notes the argument, in its comments, that the Company has installed what may be prematurely obsolete equipment and that Duke's plan to replace it could cause consumers to pay twice for Duke's gas SmartGrid program (OCC Comm. at 4). With regard to this assertion, OCC argues that, based on these concerns, the Commission clearly has the authority to grant OCC's request to investigate the prudence of Duke's decisions to have invested in what may now be obsolete equipment, with the exercise of this authority being imperative to ensure that Duke's residential customers do not pay twice for gas SmartGrid equipment. (OCC Memo. Cont. at 3-4.)

{¶ 11} Finally, noting the attorney examiner's April 4, 2017 procedural Entry in this matter, which included a phrase stating that Duke's automated gas meter reading system would share the SmartGrid communications technology for Duke's electric system (Entry at ¶ 2), OCC states that there is an interrelationship between the SmartGrid equipment in this case and the equipment that Duke proposes to replace in the *Duke Electric Rate Case*. OCC argues that Duke's disclosure in the *Duke Electric Rate Case*, that the Company proposes to replace this shared equipment because it is obsolete, is relevant to this proceeding because customers are being asked to pay in this proceeding for a SmartGrid system composed of what may be obsolete equipment. Further, according to OCC, customers are being asked to

pay again for components of the shared system in the *Duke Electric Rate Case*. OCC argues that it thus has the right to assert in this case that Duke's residential customers should not be forced to pay for Duke's imprudent decisions. (OCC Memo. Cont. at 4-5.)

{¶ 12} On August 30, 2017, Duke filed a reply to OCC's memorandum contra. In the reply, Duke states that this case is about the prudence of Duke's expenditures to complete grid modernization through 2016. Duke states, however, that OCC has submitted comments that seek to broaden the scope of this case to include matters currently pending before the Commission in the *Duke Electric Rate Case*. Duke argues that these issues must be dealt with in the *Duke Electric Rate Case* and are irrelevant to the purpose of this case and that considering such issues in this proceeding would be administratively inefficient and duplicative. (Duke Reply at 2.)

{¶ 13} Duke states that OCC neglects to recognize that its purported factual assertions in this case cannot be resolved in this proceeding as they are related to the pending *Duke Electric Rate Case*. Duke points out that the testimony supporting the proposals put forth in that case has not been sponsored in this case and that, if the Company were to address OCC's contentions here, it would necessarily need to reiterate all of the supporting testimony from the *Duke Electric Rate Case*, in this proceeding, and to address identical questions twice. Duke argues that such a process would significantly waste administrative time and resources. (Duke Reply at 2.)

{¶ 14} Duke states that nothing yet has been demonstrated in the *Duke Electric Rate Case* and that the Company's application in that case is pending and the hearing has not yet been held. Further, Duke states that OCC misreads the Company's application because there is no pending proposal to replace gas meter reading technology. Rather, according to Duke, as noted in the *Duke Electric Rate Case* (Direct Testimony of Donald L. Schneider, Jr. (Mar. 16, 2017) at 11), the Company proposes instead to update communication modules. (Duke Reply at 3.)

{¶ 15} Duke notes that OCC's argument for an independent review, to determine whether the Company's gas meter reading system is sustainable for serving gas customers, has already occurred. Duke explains that the Commission did obtain a consultant to advise with respect to deployment of Duke's SmartGrid and, in the Opinion and Order in that case, the Commission approved a stipulation that provided for continuation of the deployment. As a result, the Company completed the deployment as planned, with the approval of the Commission and pursuant to the terms of a stipulation that was agreed to by OCC. *See In re Duke Energy Ohio, Inc.*, Case No. 10-2326-GE-RDR, Opinion and Order (June 13, 2012). (Duke Reply at 3-4.)

{¶ 16} Duke argues that the Company does not believe its meters are obsolete and that OCC is misreading the Company's application and misdirecting the Commission's attention. Further, Duke argues that the *Duke Electric Rate Case* outcome is far from settled, and matters related to electric distribution rates will be addressed in the *Duke Electric Rate Case* as needed and should not be duplicated in this proceeding. Duke notes that, in this case, the charge to customers through Rider AU will decrease, but despite this circumstance, OCC unduly seeks to broaden the scope of this proceeding. Duke thus argues that the Commission should strike OCC's comments in this matter. (Duke Reply at 4.)

{¶ 17} The attorney examiner finds that Duke's motion to strike OCC's comments should be granted. OCC's comments on Duke's future plans to replace its AMI technology are irrelevant in the context of this Rider AU proceeding. Duke has made no request in this proceeding to recover costs for new AMI technology in its application to adjust Rider AU for costs incurred in 2016. Discussion of any concern relating to Duke's future intentions regarding its AMI technology is beyond the scope of this proceeding. Thus, OCC's comments are not ripe for discussion in this matter, and they are hereby stricken in their entirety.

{¶ 18} The attorney examiner notes that, as both OCC and Duke state in their filings, Duke has recently filed an application to increase its electric rates in the *Duke Electric Rate*

Case, including a proposal to update its communication modules. Consistent with the traditional framework of a rate case, that docket, rather than the present case, is the proper venue for the discussion of issues relating to Duke's proposal to implement new or updated AMI technology. OCC should, therefore, raise its concerns for the Commission's review in the *Duke Electric Rate Case*.

{¶ 19} Finally, the attorney examiner notes that all of the issues raised in the filed comments in this matter have now been resolved, in light of the ruling granting Duke's motion to strike OCC's comments in their entirety. Accordingly, the attorney examiner finds that the procedural schedule in this case should be held in abeyance, pending the Commission's consideration of Duke's application.

{¶ 20} It is, therefore,

{¶ 21} ORDERED, That Duke's motion to strike OCC's comments be granted. It is, further,

{¶ 22} ORDERED, That the procedural schedule in this matter be held in abeyance, pending the Commission's consideration of Duke's application. It is, further,

{¶ 23} ORDERED, That a copy of this Entry be served upon each party of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO

/s/ Kerry K. Sheets

By: Kerry K. Sheets
Attorney Examiner

jrj/vrm

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

9/14/2017 2:49:19 PM

in

Case No(s). 17-0690-GA-RDR

Summary: Attorney Examiner Entry granting Duke's motion to strike OCC's comments and that the procedural schedule be held in abeyance, pending the Commission's consideration of Duke's application; electronically filed by Vesta R Miller on behalf of Kerry K. Sheets, Attorney Examiner, Public Utilities Commission of Ohio