

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of In the )  
Matter of the Application of Duke Energy ) Case No. 18-0837-GA-RDR  
Ohio, Inc. to Adjust Rider AU for 2017 )  
Grid Modernization Costs. )

**DIRECT TESTIMONY  
OF  
JAMES D. WILLIAMS**

**On Behalf of  
The Office of the Ohio Consumers' Counsel**  
*65 East State Street, 7<sup>th</sup> Floor  
Columbus, Ohio 43215*

**November 23, 2018**

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## **ATTACHMENTS**

Attachment JDW-1 List of Previous Testimony Filed at the PUCO by James Williams

1    **I.        INTRODUCTION**

2

3    ***Q1.    PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION.***

4    ***A1.***    My name is James D. Williams. My business address is 65 East State Street, 7<sup>th</sup>  
5            Floor, Columbus, Ohio 43215. I am employed by the Office of the Ohio  
6            Consumers' Counsel ("OCC") as a Utility Consumer Policy Expert.

7

8    ***Q2.    PLEASE BRIEFLY SUMMARIZE YOUR EDUCATION AND***  
9            ***PROFESSIONAL EXPERIENCE.***

10   ***A2.***    I am a 1994 graduate of Webster University, in St. Louis, Missouri, with a Master  
11            of Business Administration, and a 1978 graduate of Franklin University, in  
12            Columbus, Ohio, with a Bachelor of Science, Engineering Technology. My  
13            professional experience includes a career in the United States Air Force and over  
14            20 years of utility regulatory experience with the OCC.

15

16            Initially, I served as a compliance specialist with the OCC and my duties included  
17            the development of compliance programs for electric, natural gas, and water  
18            industries. Later, I was designated to manage all of the agency's specialists who  
19            were developing compliance programs in each of the utility industries. My role  
20            evolved into the management of OCC's consumer hotline, the direct service  
21            provided to consumers to resolve complaints and inquiries that involved Ohio  
22            utilities. More recently, following a stint as a Senior Utility Consumer Policy  
23            Analyst, I was promoted to a Utility Consumer Policy Expert. In this role, I am

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1 responsible for developing and recommending policy positions on utility issues  
2 that affect residential consumers.

3  
4 I have been directly involved in the development of policy issues that impact  
5 Ohio residential utility consumers involving natural gas, electric, water, and  
6 telecommunications for many years. Specific to smart grid, I have been involved  
7 in the review of smart grid deployments across Ohio and assessing the impact that  
8 such programs have on residential consumers. Smart grid programs can be  
9 extremely expensive and have a major impact on consumers. They also require  
10 extensive analysis to safeguard that customers are obtaining sufficient financial  
11 benefits over time to warrant the costs and that customers have the protection of  
12 reviews according to regulatory principles, such as whether the utility's practices  
13 are prudent and the facilities are used and useful. My professional experience  
14 includes review of utility business plans, annual compliance filings, participating  
15 in various collaborative forums, assisting in the development of OCC comments,  
16 and supporting testimony in numerous smart grid cases. Specific in this case, I  
17 assisted in the development of OCC's comments that were filed on October 26,  
18 2018.

1   ***Q3. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY OR TESTIFIED***  
2   ***BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO?***

3   ***A3.*** Yes. The cases in which I have submitted testimony and/or have testified before  
4   the Public Utilities Commission of Ohio (“PUCO”) can be found in Attachment  
5   JDW-1.

6  
7   ***II. SUMMARY OF MY TESTIMONY***

8  
9   ***Q4. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS***  
10   ***PROCEEDING?***

11   ***A4.*** Consistent with the testimony that was filed last year in Duke Energy  
12   Ohio’s (“Duke”) natural gas grid modernization Case No. 17-690-GA-  
13   RDR, I continue to recommend that the PUCO order an independent  
14   review of Duke’s natural gas grid modernization program and proposals  
15   for replacement of this program. This independent review should be  
16   funded exclusively by Duke’s shareholders.

17  
18   The purpose of the review should be to examine the technology that Duke  
19   deployed for gas meter reading and determine whether the technology can  
20   continue to be used to serve customers into the future. In other words,  
21   there should be an audit that looks at whether the gas meter reading  
22   technology is used and useful, before charging customers any more for

1       this program. To date, Duke has collected more than \$40 million from gas  
2       customers through Rider AU.

3  
4       I also recommend that the PUCO require Duke to file a natural gas  
5       distribution rate case. The distribution rate case should bring an end to the  
6       collection of money from customers through Duke's advanced utility rider  
7       ("Rider AU"). Reductions in operations and maintenance costs can then  
8       be incorporated as reductions in base rates. It will also help assure that  
9       Duke's customers are being billed just and reasonable charges for their  
10      natural gas service.

11

12   **III.   DUKE'S ADVANCED UTILITY RIDER**

13

14   ***Q5.   PLEASE DESCRIBE DUKE'S ADVANCED UTILITY RIDER.***

15   **A5.**   Rider AU is a single-issue ratemaking mechanism that permits Duke to  
16       collect money from customers for costs related to the installation of an  
17       automated gas meter reading system. This system has been deployed  
18       concurrently with Duke's deployment of smart grid technology relative to  
19       its electric business. Specifically, the gas meter reading system uses the  
20       communications technology and infrastructure that was deployed for the  
21       electric grid modernization program.<sup>1</sup> The costs for the grid  
22       modernization program exceeds \$200 million, which customers pay in part

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<sup>1</sup> Case No. 18-837-GA-RDR, Application (June 29, 2018).

1 through Rider AU on their monthly bill. These charges are significant.  
2 The current requested revenue requirement that Duke is seeking from  
3 customers for its advanced utility gas meter reading system is \$3.1  
4 million.<sup>2</sup> To date, Duke has collected more than \$40 million from gas  
5 customers through Rider AU. Rider AU is an additional charge of \$0.60  
6 per month on the bills for most Duke residential gas consumers.<sup>3</sup>  
7

8 ***Q6. ARE DUKE'S CUSTOMERS POTENTIALLY BEING HARMED BECAUSE***  
9 ***DUKE IS REPLACING THE GAS METER READING TECHNOLOGY***  
10 ***THAT WAS JUST DEPLOYED AND THAT CUSTOMERS ARE PAYING***  
11 ***FOR UNDER RIDER AU?***

12 ***A6.*** Yes. Duke filed an electric distribution rate increase application on March  
13 2, 2017 in a separate docket.<sup>4</sup> In that application, Duke proposes to  
14 replace the precise grid modernization infrastructure that the PUCO Staff  
15 determined to be fully deployed on October 25, 2015 that customers are  
16 continuing to pay for through Rider AU.<sup>5</sup> As indicated in the rate increase  
17 application, customers would be charged \$45 million to replace the meter  
18 reading system installed as part of its grid modernization initiative.<sup>6</sup>

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<sup>2</sup> *Id.*, Testimony of Sarah E. Lawler at SEL-1 Attachment, page 2.

<sup>3</sup> *Id.*, Lawler Testimony at page 10.

<sup>4</sup> *In the Matter of the Application of Duke Energy Ohio, Inc., for an Increase in Electric Distribution Rates*, Case No. 17-32-EL-AIR, Application (March 2, 2017).

<sup>5</sup> Case No. 17-32-EL-AIR, Direct Testimony of Donald Schneider (March 16, 2017) ("Schneider Testimony").

<sup>6</sup> *Id.* at Attachment DLS-1.

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1 Duke's request for consumers to pay to replace its gas meter reading  
2 system comes after less than two years of use on the system.<sup>7</sup> In addition,  
3 Duke is replacing communications infrastructure associated with its gas  
4 meter reading system. These issues were addressed extensively in OCC  
5 comments and testimony filed in Case No. 17-690-GA-RDR.<sup>8</sup>

6

7 ***Q7. HAVE THE GAS METER READING ISSUES BEEN RESOLVED IN THE***  
8 ***ELECTRIC RATE CASE?***

9 ***A7.*** No.

10

11 ***Q8. IS A NATURAL GAS DISTRIBUTION RATE CASE NECESSARY TO***  
12 ***FULLY RESOLVE FOR CUSTOMERS THE AUTOMATED GAS METER***  
13 ***READING ISSUES?***

14 ***A8.*** Yes.

15

16 ***Q9. PLEASE EXPLAIN.***

17 ***A9.*** A natural gas distribution rate case provides the opportunity for a full  
18 examination of the prudence of the investments that Duke made in its  
19 automated gas meter reading systems. The automated gas meter reading

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<sup>7</sup> *In the Matter of the Application of Duke Energy Ohio, Inc. to Adjust Rider DR-IM and Rider AU for 2010 SmartGrid Costs and Mid-Deployment Review*, Case No. 10-2326-GE-RDR. Notice of Staff Determination Submitted on Behalf of the Public Utilities Commission of Ohio (October 22, 2015).

<sup>8</sup> *In the Matter of the Application of In the Matter of the Application of Duke Energy Ohio, Inc. to Adjust Rider AU for 2016 Grid Modernization Costs*, Case No. 17-690-GA-RDR. Direct Testimony of James D. Williams (August 18, 2017).



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1 systems have been fully deployed for three years and Duke is already  
2 replacing the infrastructure due to obsolete communication systems. Duke  
3 should not be permitted to continue charging customers under Rider AU  
4 for meter reading infrastructure that is being replaced and whose costs will  
5 ultimately be passed on to customers as charges through rider(s) or  
6 distribution rates.

7  
8 In addition, a gas distribution rate case provides the opportunity for an  
9 examination of all of Duke's revenues and expenses to help safeguard that  
10 customers are being charged just and reasonable rates going forward.<sup>9</sup>

11 While the proposed Rider AU charges are expected to decrease by \$0.20  
12 per month after this case is resolved, customers may be due even greater  
13 monthly savings. This is especially important for Duke when substantial  
14 reductions should have occurred in natural gas operating costs due to the  
15 full deployment of automated meter reading.<sup>10</sup> Customers do y not fully  
16 share in these promised savings until rates are reduced in a distribution  
17 rate case.<sup>11</sup> A distribution rate case should also bring an end to the  
18 separate collection of money from customers through the Rider AU.

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<sup>9</sup> Ohio Revised Code 4909.15.

<sup>10</sup> *In the Matter of the Application of Duke Energy Ohio, Inc. to Adjust and Set Its Gas and Electric Recovery Rate for 2010 SmartGrid Costs Under Riders AU and Rider DR-IM and Mid-deployment Review of AMI/SmartGrid Program.* Case 10-2326-GE-RDR, Stipulation and Recommendation (February 24, 2012).

<sup>11</sup> Testimony of Sarah Lawler, SEL-1 Attachment, page 20.

1    **IV.    CONCLUSION**

2

3    ***Q10.   DOES THIS CONCLUDE YOUR TESTIMONY?***

4    ***A10.***    Yes. However, I reserve the right to incorporate new information that may  
5            subsequently become available through outstanding discovery or otherwise.

### **CERTIFICATE OF SERVICE**

I hereby certify that a true copy of the foregoing *Direct Testimony of James D. Williams on Behalf of the Office of the Ohio Consumers' Counsel* was served via electronic transmission to the persons listed below on this 23<sup>rd</sup> day of November 2018.

/s/ Terry L. Etter  
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**Testimony of James D. Williams**  
**Filed at the Public Utilities Commission of Ohio**

1. *In the Matter of the Application of the Cincinnati Gas and Electric Company for an Increase in Its Rates for Gas Service to All Jurisdictional Customers*, Case No. 95-0656-GA-AIR (August 12, 1996).
2. *In the Matter of the Application of the Cincinnati Gas and Electric Company for an Increase in Its Rates for Gas Service to All Jurisdictional Customers*, Case No. 01-1228-GA-AIR (February 15, 2002).
3. *In the Matter of the Commission's Investigation into the Policies and Procedures of Ohio Power Company, Columbus Southern Power Company, The Cleveland Electric Illuminating Company, Ohio Edison Company, The Toledo Edison Company and Monongahela Power Company regarding installation of new line extensions*, Case No. 01-2708-EL-COI (May 30, 2002).
4. *In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio for an Increase in Its Rates for Gas Service to All Jurisdictional Customers*, Case No. 07-0829-GA-AIR (June 23, 2008).
5. *In the Matter of the Application of the Columbia Gas of Ohio, Inc. for Authority to Amend Filed Tariffs to Increase the Rates and Charges for Gas Distribution*, Case No. 08-072-GA-AIR (September 25, 2008).
6. *In the Matter of a Settlement Agreement Between the Staff of the Public Utilities Commission of Ohio, The Office of the Consumers' Counsel and Aqua Ohio, Inc. Relating to Compliance with Customer Service Terms and Conditions Outlined in the Stipulation and Recommendation in Case No. 07-564-WW-AIR and the Standards for Waterworks Companies and Disposal System Companies*, Case No. 08-1125-WW-UNC (February 17, 2009).
7. *In the Matter of the Application of the Ohio American Water Company to Increase its Rates for water and Sewer Services Provided to its Entire Service Area*, Case No. 09-391-WS-AIR (January 4, 2010).
8. *In the Matter of the Application of Aqua Ohio, Inc. for Authority to Increase its Rates and Charges in its Masury Division*, Case No. 09-560-WW-AIR (February 22, 2010).

9. *In the Matter of the Application of Aqua Ohio, Inc. for Authority to Increase its Rates and Charges in Its Lake Erie Division*, Case No. 09-1044-WW-AIR (June 21, 2010).
10. *In the Matter of the Application of The Ohio American Water Company to Increase its Rates for Water Service and Sewer Service*, Case No. 11-4161-WS-AIR (March 1, 2012).
11. *In the Matter of Columbus Southern Power Company and Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Ohio Rev. Code, in the Form of an Electric Security Plan*, Case No. 11-346-EL-SSO, et al (May 4, 2012).
12. *In the Matter of the Application of The Dayton Power and Light Company for Approval of its Market Rate Offer*, Case No. 12-426-EL-SSO (June 13, 2012).
13. *In the Matter of the Application of Ohio Power Company to Establish Initial Storm Damage Recovery Rider Rates*, Case No. 12-3255-EL-RDR (December 27, 2013).
14. *In the Matter of the Application of Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Ohio Rev. Code, in the Form of an Electric Security Plan*, Case No. 13-2385-EL-SSO (May 6, 2014).
15. *In the Matter of the Application of Duke Energy Ohio for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Revised Code, in the Form of an Electric Security Plan, Accounting Modifications and Tariffs for Generation Service*, Case 14-841-EL-SSO (May 29, 2014).
16. *In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company for Authority to Provide for a Standard Service Offer Pursuant to R.C. 4928.143 in the Form of an Electric Security Plan*, Case No. 14-1297-EL-SSO (December 22, 2014).
17. *In the Matter of the Application of Duke Energy Ohio, Inc., to Adjust Rider DR-IM and Rider AU for 2013 Grid Modernization Costs*, Case No. 14-1051-EL-RDR (December 31, 2014) and (February 6, 2015).
18. *In the Matter of the Application Not for an Increase in Rates Pursuant to Section 4901:18, Revised Code, of Ohio Power Company to Establish Meter Opt Out Tariff*, Case No. 14-1158-EL-ATA (April 24, 2015).

19. *In the Matter of the Application of Duke Energy of Ohio, Inc., for Approval of a Grid Modernization Opt-out Tariff and for a Change in Accounting Procedures Including a Cost Recovery Mechanism.*, Case 14-1160-EL-UNC and 14-1161-EL-AAM (September 18, 2015).
20. *In the Matter of the Application of Duke Energy Ohio, Inc., for Approval of an Alternative Rate Plan Pursuant to Section 4929.05, Revised Code, for an Accelerated Service Line Replacement Programs*, Case No. 14-1622-GA-ALT (November 6, 2015).
21. *In the Matter of the Complaint of Jeffrey Pitzer, Complainant, v. Duke Energy Ohio, Inc. Respondent.*, Case No. 15-298-GE-CSS (December 30, 2015).
22. *In the Matter of the Application of Ohio Power Company to Initiate Phase 2 of Its gridSMART Project and to Establish the gridSMART Phase 2 Rider.*, Case No. 13-1939-EL-RDR (July 22, 2016).
23. *In the Matter of the Application of Columbia Gas of Ohio, Inc. for Approval of Demand Side Management Program for its Residential and Commercial Customers.*, Case No. 16-1309-GA-UNC (September 13, 2016).
24. *In the Matter of the Application of the Dayton Power and Light Company for Approval of Its Electric Security Plan*, Case No. 16-0395-EL-SSO (November 21, 2016). Supplemental Testimony, (March 29, 2017).
25. *In the Matter of the Application of Aqua Ohio, Inc. to Increase Its Rates and Charges for Its Waterworks Service.*, Case No. 16-0907-WW-AIR (December 19, 2016).
26. *In the Matter of the Application of Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to R.C. 4928.143, in the Form of an Electric Security Plan*, Case No. 16-1852-EL-SSO, (May 2, 2017).
27. *In the Matter of the Application of the Ohio Development Services Agency for an Order Approving Adjustments to the Universal Service Fund Riders of Jurisdictional Ohio Electric Distribution Utilities*, Case No. 17-1377-EL-USF, (August 11, 2017).
28. *In the Matter of the Application of Duke Energy Ohio, Inc. to Adjust Rider AU for 2016 Grid Modernization Costs*, Case No. 17-690-GA-RDR, (August 18, 2017).

29. *In the Matter of the Application of Duke Energy Ohio, Inc., for an Adjustment to Rider AMRP Rates*, Case No. 17-2318-GA-RDR, (April 5, 2018).
30. *In the Matter of the Application of Dayton Power and Light Company for an Increase in Electric Distribution Rates*, Case No. 15-1830-EL-AIR, (April 11, 2018).
31. *In the Matter of the Application of Duke Energy Ohio, Inc. for an Increase in Electric Distribution Rates*, Case No. 17-032-EL-AIR, et al, (June 25, 2018).
32. *In the Matter of the Complaint of Citizens Against Clear Cutting, et al., Complainants, v. Duke Energy Ohio, Inc. Respondent*, Case No. 17-2344-EL-CSS (August 27, 2018). Supplemental Direct Testimony, (November 9, 2018).
33. *In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Approval of an Increase in Gas Rates*, Case No. 18-0298-GA-AIR (November 7, 2018).
34. *In the Matter of the Application of In the Matter of the Application of Duke Energy Ohio, Inc. to Adjust Rider AU for 2017 Grid Modernization Costs*, Case No. 18-0837-GA-RDR, (November 23, 2018).

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