

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Duke Energy)
Ohio, Inc. to Adjust Rider AU for 2017 Grid) Case No. 18-837-GA-RDR
Modernization Costs.)

**INITIAL POST-HEARING BRIEF
BY
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL**

I. INTRODUCTION

Duke Energy Ohio, Inc. (“Duke”) seeks to collect from customers 2017 operation and maintenance and capital-related expenses associated with its 2017 investment in grid modernization and related systems associated with gas service. Duke collects these expenses from customers through a charge in Rider AU. The current monthly rate for most Duke gas customers is 80 cents and the proposed monthly rate in the application is 60 cents.¹

Duke attempts to cast this case as strictly involving a reduction in the amount customers pay for natural gas.² But that is not the situation for Duke’s 8,365 gas-only customers residing in Adams County, Georgetown, and Lebanon, Ohio.³ These customers will see a rate increase in the form of a reduced monthly credit. Duke’s gas-only customers receive a credit because of the cost allocation between electric and gas.

¹ Duke Exhibit 2 (Lawler Direct Testimony) at Att. SEL-1, page 21.

² See Duke Exhibit 4 (Lawler Supplemental Testimony) at 1.

³ See Duke Exhibit 2 (Lawler Direct Testimony) at 5-6.

That credit has steadily decreased through the years.⁴ Per the application, the credit will decrease by 11 cents, from 40 cents per month to 29 cents per month. So, Duke's gas-only customers will pay more as a result of this case.

The Office of the Ohio Consumers' Counsel ("OCC") is concerned that all of Duke's natural gas customers may be overpaying for gas service. OCC does not dispute the charges to customers proposed in this case. However, there is a broader issue regarding Duke's natural gas service that the Public Utilities Commission of Ohio ("PUCO") has deemed to be relevant to this case – a natural gas distribution rate case for Duke.

It has been six years since Duke's last natural gas rate case (Case No. 12-1685-GA-AIR) and at least four years since Duke's natural gas smart grid was fully deployed.⁵ Consumers should be receiving actual savings attributable to Duke's natural gas smart grid, rather than the estimated savings they have received since 2012 from the PUCO's Order in Case No. 12-1811-GE-RDR. As part of this case, the PUCO should order Duke to file a natural gas rate case.

⁴ In 2013, the credit was \$1.37 per month. *See In the Matter of the Application of Duke Energy Ohio, Inc., to Adjust Rider DR-IM and Rider AU for 2011 SmartGrid Costs*, Case No. 12-1811-GE-RDR, Opinion and Order (March 27, 2013) at 5.

⁵ *See* Tr. at 56.

II. RECOMMENDATIONS

- A. The PUCO should reject Duke's claim that a natural gas distribution rate case, which would safeguard that Duke's gas customers pay just and reasonable rates, is irrelevant to this proceeding.**

Duke has vigorously opposed the PUCO considering a natural gas distribution rate case in this proceeding. OCC properly raised the issue in two filings in this case: Comments filed in October 2018 and the testimony of James Williams filed on November 23, 2018. Duke then moved to strike Mr. Williams's testimony in its entirety.⁶ In its motion, Duke also asked the PUCO to delay the deadlines for Duke to file supplemental testimony (November 30, 2018) and for the hearing in this case (December 6, 2018).⁷

The PUCO properly denied Duke's motion to strike Mr. Williams's testimony.⁸ Nevertheless, Duke continues to argue that the issue of a natural gas distribution rate case is irrelevant to this proceeding.⁹ The PUCO should question Duke's motives in continuing to argue against an issue that the PUCO has already decided. Why is Duke so vehemently against a natural gas distribution rate case?

⁶ Duke Motion to Strike OCC's Testimony, Motion to Continue Date for Filing Testimony and Hearing and Request for Expedited Treatment (November 28, 2018).

⁷ *Id.* The PUCO suspended the procedural schedule in an Entry issued on December 11, 2018.

⁸ Entry (March 6, 2019).

⁹ *See* Duke Exhibit 4 (Lawler Supplemental Testimony) at 3, 5-6.

B. Duke should be required to file a natural gas distribution rate case within the next 12 months so that Duke's gas customers are charged only just and reasonable rates, actual operational savings are passed along to consumers, and prudently incurred smart grid investment is placed into base rates.

It has been six years since Duke's last natural gas rate case (Case No. 12-1685-GA-AIR) and at least four years since Duke's natural gas smart grid was fully deployed.¹⁰ It has also been six years since the estimated operational savings that Duke is passing along to consumers were last examined (in Case No. 12-1811-GE-RDR). It is time for Duke to file a natural gas distribution rate case so that customers are guaranteed that they are paying just and reasonable rates.

As Mr. Williams testified, a gas distribution rate case will provide for an examination of all of Duke's revenues and expenses to help safeguard that customers are being charged just and reasonable rates.¹¹ Even though the charges to most of Duke's natural gas customers would decrease by 20 cents per month under the application in this case, customers may be due even greater monthly savings. Duke's natural gas operating costs should have been substantially reduced due to the full deployment of automated meter reading.¹² Customers will not fully share in these promised savings until rates are reduced in a distribution rate case.¹³

In addition, part of the rates in Rider AU include a level of operational savings that was agreed upon in previous rider cases.¹⁴ But these savings are based only on

¹⁰ See Tr. at 56.

¹¹ OCC Exhibit 5 (Williams Direct Testimony) at 7.

¹² See *id.*

¹³ *Id.*, citing Lawler Direct Testimony, Attachment SEL-1, page 20.

¹⁴ See Duke Exhibit 2 (Lawler Direct Testimony) at 5.

projected operational savings from the audit in the mid-deployment review case.¹⁵ As Mr. Williams testified, the projected operational savings should be passed along to customers through the rider only until “actual operational savings are established through a distribution base rate proceeding.”¹⁶

Even though a level of smart grid operational savings for Duke’s electric customers are now in base rates,¹⁷ the projected savings for natural gas customers have not been addressed or updated since 2012. Even then, the same projected savings from Case No. 10-2326-GE-RDR were merely incorporated into Case No. 12-1811-GE-RDR. Now that Duke’s smart grid is fully deployed, it is time to examine the actual operational savings from Duke’s natural gas smart grid and to fully pass those savings along to consumers. A natural distribution rate case is needed for that purpose.

Further, a natural gas distribution rate case provides the opportunity for a full examination of the prudence of the investments that Duke made in its automated gas meter reading systems. The automated gas meter reading systems have been fully deployed since at least 2015. And as Mr. Williams testified, Duke has plans to replace the infrastructure due to obsolete communication systems.¹⁸ Duke should not be permitted to continue charging customers under Rider AU for meter reading infrastructure that is being replaced and whose costs will ultimately be passed on to customers as charges through rider(s) or distribution rates.

¹⁵ *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 No. 10-2326-GE-RDR.

¹⁶ Tr. at 45.

¹⁷ In the electric case, smart grid expenses were incorporated into base rates and the electric smart grid rider (Rider DR-IM) was eliminated. Case No. 17-32-EL-AIR, Order (December 19, 2018), ¶112.

¹⁸ OCC Exhibit 5 (Williams Direct Testimony) at 6-7.

III. CONCLUSION

For seven years Duke has been calculating its charges to customers for smart grid expenses using savings calculations that were projected in the audit in Case No. 10-2326. It is time for natural gas consumers to receive the actual savings from Duke's smart grid deployment. The PUCO should instruct Duke to file a base rate case within one year of the Order in this case. The base rate case will allow Duke's investment to be reviewed for prudence and will help safeguard that actual operational savings from the smart grid program are being passed on to Duke's gas customers. A gas distribution rate case is necessary to protect consumers.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of this Initial Brief was served on the persons stated below via electronic transmission, this 30th day of May 2019.

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