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BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke Energy Ohio to Adjust and Set its Gas and Electric Recovery Rate for SmartGrid Deployment Under Riders AU and Rider DR-IM	)	Case No. 09-543-GE-UNC
In the Matter of the Application of Duke Energy Ohio for Tariff Approval	)	Case No. 09-544-~~EL~~GE-ATA
In the Matter of the Application of Duke Energy Ohio to Change its Accounting Methods	)	Case No. 09-545-GE-AAM

PREPARED TESTIMONY

OF

PETER K. BAKER

Date submitted: November 2, 2009

1. Q. Please state your name and business address.

A. My name is Peter Baker. My address is 180 E. Broad Street, Columbus, Ohio 43215-3793.

2. Q. By whom are you employed?

A. I am employed by the Public Utilities Commission of Ohio.

3. Q. What is your present position with the Public Utilities Commission of Ohio and what are your duties?

A. I am a section chief in the Reliability and Service Analysis Division of the Service Monitoring and Enforcement Department. My section analyzes reliability and service quality performance, and enforces reliability, service quality, and consumer protection rules for electric, gas, and water utilities. This includes analyzing and assessing the electric reliability and maintenance performance of electric distribution utilities. My section also reviews the general terms and conditions in the tariffs of electric, gas, and water utilities to ensure compliance with consumer protection rules.

4. Q. Would you briefly state your educational background and work history?

A. I have bachelor's degrees in Psychology (1967) and Philosophy (1971) from the University of Oklahoma, and a 1987 bachelor's degree in Business Administration (with major in Accounting) from Franklin University. From 1972 to 1986, I was employed by Dowell Division of Dow Chemical

Company (an oil field service operation later called Dowell Schlumberger) where I functioned as clerk/dispatcher and administrative assistant. In 1987, I joined the PUCO, where I worked as an analyst and coordinator in the Performance Analysis Division of the Utilities Department. In December of 1994, I was promoted to Administrator in the Consumer Services Department (now called the Service Monitoring and Enforcement Department), and assigned to the Compliance Division (now the Facilities and Operations Field Division). In that organization, I enforced electric, gas, and telephone service quality, customer service, and consumer protection rules. In 1997, I was transferred to the Service Quality and Analysis Division (now called the Reliability and Service Analysis Division), and in 2000, I was promoted to my current position and duties.

5. Q. What is the subject matter of your testimony is this case?

A. My testimony concerns certain objections and a request for clarification that Duke Energy Ohio (Duke) made in the Reply Comments that it filed in this case. The objections I will address appear on Page 4 (Items 3 and 4) of Duke's Reply Comments, and concern: (1) the amount of allowable inventory for uninstalled gas modules[1]; and (2) whether gas meter replacement costs should be recovered through Rider AU. Duke's clarification request appears on pages 11 and 12 and concerns the collection of momentary interruption data.

[1] "Gas module" is the term Duke uses to describe the automatic meter reading (AMR) devices that it installs on gas meters to transmit the meter reading data via radio signal to a communication box, which re-transmits the data to Duke's back office operations.

6. Q. What was Duke's objection concerning gas module inventory?

A. In the Comments it filed in this case, Staff noted that Duke had purchased about twice as many gas modules as it installed during 2008. Staff concluded that such a large quantity (23,573) of uninstalled modules constitutes an excessive amount of inventory and therefore recommended that the cost of only 2,994 (or 12.7 %) of those uninstalled modules be recovered through Rider AU. Duke objected that this amount of inventory was insufficient and asserted that a three-month supply is more reasonable.

7. Q. Does Staff agree with Duke's assertion that a three-month inventory is a more reasonable level of inventory?

A. Yes. Staff agrees with Duke's position, which is consistent with a recommendation Staff made concerning the inventory of automatic meter reading (AMR) devices in a similar rider case for East Ohio Gas Company.[2]

8. Q. What was Duke's objection concerning replacement of certain gas meters?

A. Duke included in its rider AU application the cost of replacing gas meters that are incompatible with the gas modules it is installing. Staff recommended an adjustment to exclude the cost of such replacement gas meters as well as the associated contractor labor on the grounds that these meters are incompatible due to their advanced age and obsolescence. Duke objected to that

[2] See page 7-8 of the Staff Comments and Recommendations filed in Case No. 09-0038-GA-UNC In the Matter of the Application of the East Ohio Gas Company dba Dominion East Ohio to Adjust its Automated Meter Reading Cost Recovery Charge and Related Matters, April 10, 2009.

adjustment, arguing that since the meter replacements were necessary to complete the gas module installations, it should be allowed to recover these costs through Ruder AU.

9. Q. How old are Duke's incompatible meters?

A. Nearly all of Duke's incompatible meters were manufactured before 1969, which means they are over 40 years old.[3]

10. Q. Why did Staff recommend an adjustment to exclude the cost of replacing gas meters that are incompatible with the gas modules?

A. Such replacements are not required for gas meters that were manufactured during the last forty years. Staff believes that Duke should have been routinely replacing its old and obsolete gas meters as part of its normal maintenance operations, and therefore should recover the costs of such replacements through the normal rate making process instead of through an accelerated cost-recovery rider.

11. Q. Has Staff taken this position in other cases?

A. Yes. In the last base rate cases for Columbia Gas of Ohio, Inc.[4] and for East Ohio Gas Company,[5] Staff recommended that the cost of replacing

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[3] See Duke's response to Staff Data Request 8-2.

[4] See page 30 of the Staff Report of Investigation filed on August 21, 2008 in Case No. 08-0072-GA-AIR. In the Matter of the Application of Columbia Gas of Ohio, Inc. for Authority to Amend Filed Tariffs to Increase the Rates and Charges for Gas Distribution Service.

incompatible gas meters not be recovered through special riders for AMR devices.

12. Q. Did the applicants in either of these rate cases object to that recommendation?

A. No, they did not object.

13. Q. What was Duke's objection to the same recommendation when it was made in Duke's base rate case?

A. With respect to gas meter replacement, Duke stated that non-recovery, through Rider AU, of gas meter replacement costs "would not prevent the Company from timely recovering its Utility of the Future costs relating to gas service, because the Company generally does not intend to replace gas meters under the Utility of the Future program."[6]

14. Q. Does Staff have other issues concerning Duke's inclusion in Rider AU of costs for gas meters purchased to replace incompatible meters?

A. Yes. During 2008, Duke purchased 12,770 meters, and included their cost in the Rider AU application. As stated above, staff believes that these replacement meters should have been purchased in the normal course of business and should not be eligible for accelerated recovery. Duke installed 3,535 of these meters to replace old obsolete incompatible meters, leaving

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[5] See page 43 of the Staff Report of Investigation filed on May 23, 2008 in Case No. 07-0829-GA-AIR. In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio for Authority to Increase Rates for its Gas Distribution Service.

[6] See pages 10 and 11 of Duke Energy Ohio, Inc.'s Objections to Staff Report of Investigation and Summary of Major Issues, filed on January 22, 2008 in Case No. 07-589-GA-AIR.

9,235 meters in inventory. Staff estimates the cost of these remaining uninstalled meters at $837,507 and again asserts that these costs should not be included in Rider AU.

15. Q. What did the Company seek to clarify concerning the collection of momentary interruption data?

A. Duke wants Staff to clarify its recommendation "to conduct a study to identify any incremental cost, additional time, and impact on Rider IM, of compiling and processing the momentary interruption data that its smart meters detect on a daily basis."

16. Q. Why is Staff interested in momentary interruptions in the context of installing electric smart meters?

A. The Commission in two previous orders[7] directed Staff to monitor the ability of electric utilities to accurately measure and report the momentary interruption frequency index (MAIFI)[8] and to make recommendations with respect to momentary interruptions and their impact on customers.[9] The Commission also stated: "it would be imprudent for the electric utilities to make investments to improve MAIFI accuracy without taking the time to

[7] FN7 Entry on Rehearing, pg 10 and Finding and order pg. 14, 06-653-EL ORD In the Matter of the Commission's Review of Chapters 4901:1-9, 4901:1-10, 4901:1-21, 4901:1-22, 4901:1-23, 4901:1-24, and 4901:1-25 of the Ohio Administrative Code.

[8] MAIFI = the total number of customer momentary interruptions divided by the total number of customers served.

[9] Id. Entry on Rehearing, pg 10 and Finding and order pg. 14,

consider integrating such improvements with other potential programs such as an automated metering infrastructure and/or distribution automation."[10] Staff is aware that electric smart meters are capable of detecting momentary interruptions. During its investigation in this case, Staff asked Duke to what extent it was planning to the collect momentary interruption data its smart meters detect in order to compute MAIFI performance. Duke responded that it had not made plans for accumulating this data. Staff therefore recommended that Duke conduct the study.

17. Q. Can you clarify what Staff expects Duke to include in the study?

A. Yes. The study should identify the additional steps required to record and time-stamp the occurrence and specific customers affected by each momentary interruption detected by each smart meter, and to record such information in a database for analysis and future development of MAIFI performance data as it pertains to individual distribution circuits or across Duke's Ohio distribution system.

18. Q. Does Staff have in mind a specific methodology for computing MAIFI?

A. Although Staff is aware of different methodologies for computing MAIFI, it believes the decision on a particular methodology should be reserved for a future rule making. In the meantime, Staff believes Duke should plan on

[10] Id. Entry on Rehearing, pg 10

collecting sufficient data to utilize any of the IEEE[11] recognized MAIFI methodologies.

19. Q. What are the main results Staff expects to see in the study?

A. Staff expects the study results to contain the following components:

- Duke's overall plan for accumulating the momentary interruption data;
- A description of each action step included in the plan;
- A schedule for implementing the action steps;
- The estimated incremental costs (capital and O&M) for such implementation and the timing of such costs; and
- The estimated dollar impact of such incremental costs on Rider IM.

20. Q. How does Staff expect to see the study results reported?

A. Staff recommends that Duke file the study and in this docket within 60 days following the Commission's order this proceeding.

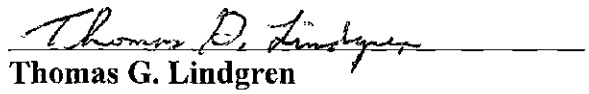
21. Q. Does this conclude your testimony?

A. Yes it does.

[11] The IEEE is the Institute of Electrical and Electronics Engineers

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing **Testimony of Pete Baker**, submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served by regular U.S. mail, postage prepaid, or hand-delivered, upon the following parties of record, this 2nd day of November, 2009.



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