

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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

**PREFILED TESTIMONY
OF
MARCHIA RUTHERFORD
RATES & ANALYSIS DEPARTMENT
REGULATORY SERVICES DIVISION
PUBLIC UTILITIES COMMISSION OF OHIO**

Staff Exhibit _____

October 2, 2015

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

2 A. My name is Marchia Rutherford. My business address is 180 E. Broad
3 Street, Columbus, Ohio 43266-0573.

4

5 2. Q. By whom are you employed and in what capacity?

6 A. I am employed by the Public Utilities Commission of Ohio as a Utility
7 Specialist in the Rates & Analysis Department.

8

9 3. Q. Please outline your educational background.

10 A. I received a Bachelor of Science Degree in Business Administration from
11 Franklin University, Columbus, Ohio, and received a Master of Business
12 Administration Degree from Ashland University, Ashland, Ohio.

13

14 4. Q. Please outline your work experience.

15 A. I came to the Public Utilities Commission in February, 1989 as a Utility
16 Rate Analyst 2. I have been in my current position as a Utility Specialist 2
17 for approximately thirteen years. I have been involved with utility rates
18 and tariff issues the majority of my time working at the Commission, and
19 most recently involved with various riders.

20

21

1 5. Q. What is the purpose of your testimony?

2

3 A. I will be addressing issues pertaining to Duke Energy Ohio, Inc.'s (Duke or
4 Company) proposed Smart Grid Modernization opt-out tariff specifically
5 relating to the one-time fixed charge and the monthly charge.

6

7 6. Q. Did Duke change the one-time charge per customer of \$1,073.10 (derived
8 from dividing \$777,998 by 725 anticipated customers) provided in its appli-
9 cation?

10 A. Yes, Duke witness Justin Brown stated in his prefiled testimony that the
11 actual one-time IT costs of the project ended up being \$243,122. Through
12 Duke's response to Staff's data request 01-004, Staff discovered that the
13 remaining non-IT one-time costs of \$91,858 are for meter repair/testing,
14 meter storage labor, cost of traditional meters, and distribution maintenance
15 (i.e., meter swaps/installs). The one-time charge per customer is \$462.04
16 (derived from adding \$243,122 and \$91,858 and then dividing the sum by
17 725 anticipated customers).

18

19 7. Q. Is Staff proposing modifications to the Company's Smart Grid Moderniza-
20 tion opt-out tariff?

1 A. Yes. The Company proposed a \$462.04 one-time charge and a \$40.63
2 monthly charge. Staff recommends that the Commission approve a \$38.00
3 one-time charge and a \$24.00 monthly meter reading charge.

4
5 8. Q. Will you be providing testimony on all components of the proposed tariff?

6 A. No. Staff witness Liphtratt will provide testimony pertaining to the
7 Company's request for a deferral of the IT systems cost portion of the
8 Company's one-time \$462.04 proposed charge.

9 **One-Time, Non-IT Related Costs**

10 9. Q. What elements of the one-time charge does your testimony address?

11 A. Excluding IT systems costs, I will address all other components that make
12 up the Company's proposed one-time charge including costs for additional
13 non-standard (traditional) meters, costs for meter testing/repair and labor
14 storage costs, and distribution maintenance costs, as well as the proposed
15 monthly charge.

16
17 10. Q. Please explain Staff proposed adjustments to the one-time charge relating to
18 costs for additional traditional meters.

19 A. As part of the Company's proposed one-time charge, the company included
20 costs for additional traditional meters. Based upon a 30% reserve for
21 meters for opt-out service, the Company would need approximately 950

1 meters to accommodate the potential 725 opt-out customers. The Company
2 indicated that it had 3,772 traditional meters on hand at its meter lab, and
3 anticipates that only half of those meters will test accurately. Given the
4 potential number of customers and the number of available meters on hand,
5 Staff does not recommend including costs for additional meters as part of
6 the proposed one-time charge.

7
8 11. Q. Please explain Staff proposed adjustments to the one-time charge relating to
9 costs for meter testing/repair and labor storage costs.

10 A. Meter testing/repair and labor storage costs are currently recovered through
11 the Company's distribution base rates. Staff found no indication that the
12 current cost recovery for these activities is insufficient to support the poten-
13 tial 725 opt-out customers. Therefore, Staff recommends that the Company
14 not be allowed to include costs for testing/repair and labor storage as part of
15 the proposed on-time charge.

16
17 12. Q. Do you have any additional thoughts or considerations regarding your rec-
18 ommendations on costs for meter testing?

19 A. Yes, the Company's current tariff language allows meter testing charges to
20 be waived for the customer's first meter test request. Although opt-out cus-
21 tomers are not requesting that their replacement traditional meter be tested,

1 Staff recommends that the Company waive testing costs for opt out custom-
2 ers for the one-time only meter swap/installation in line with similar
3 language included within the Company's current tariff.
4

5 13. Q. Please explain Staff proposed adjustment to the one-time charge relating to
6 distribution maintenance costs.

7 A. Distribution maintenance expenses cover travel and cost to remove an
8 Advanced Metering Infrastructure (AMI) meter and install a non-standard
9 (traditional) meter. The Company's proposed costs for this function
10 amounts to \$51 for a 60-minute period. Staff reduced the time frame for
11 this function from 60 minutes to 45 minutes. The 60 minutes was reduced
12 to 45 minutes, which recognizes the minimum amount of travel time that it
13 may take field employees to perform this function.
14

15 14. Q. Please explain Staff's overall recommendation as it relates to the one-time
16 charge.

17 A. With the adjustments for costs of IT systems, additional traditional meters,
18 meter testing/repair and labor storage, and distribution maintenance the
19 Staff recommends reducing the one-time charge from \$462.04 to \$38.
20

1 **On-going Costs**

2 15. Q. Please explain the elements of the Company’s proposed monthly charge.

3 A. The Company proposed a \$40.63 monthly charge per customer. The
4 charge consists of mesh network costs, monthly meter reading, off-cycle
5 meter reading and revenue assurance (theft) associated costs.

6
7 16. Q. Please explain Staff proposed adjustments to the monthly charge relating to
8 mesh network costs.

9 A. The Company proposes to include mesh network communication costs in
10 situations where a customer opts out of AMI metering. Removal of the
11 AMI meter could cause disruption if the customer is part of a mesh
12 network. According to the Company’s response to data request #01-005,
13 the existing mesh communication structure is not a dense solution, and
14 relies on each meter to build a mesh. The Company stated that it does not
15 recover its costs for communication devices through the Smart Grid rider
16 until it has installed and certified these communication devices. Communi-
17 cation devices support the Smart Grid system and Staff believes that the
18 Company should not recover costs for these devices from opt-out customers
19 who choose not to use the Smart Grid service. Therefore, Staff recom-
20 mends that the Company not be allowed to include costs for mesh network
21 communication costs as part of the proposed monthly charge.

1 17. Q. Please explain Staff proposed adjustments to the monthly charge as it
2 relates to investigation costs.

3 A. Theft related investigation costs are also included as part of the proposed
4 on-going charge. The Company does not currently charge an investigation
5 fee unless it can confirm that tampering has occurred through an investiga-
6 tion. This practice was in effect prior to its mass deployment of AMI
7 meters, and should be maintained according to tariff language already in
8 place. Staff therefore recommends that the Company continue its current
9 practice and continue to assess a penalty only in cases where the Company
10 has proven fraudulent activity has occurred, and not as the Company pro-
11 posed in this case. Maintaining the Company practice as it exists does not
12 prevent the Company from recovering costs associated with meter damage
13 and fraudulent usage. Therefore, Staff recommends that the Company not
14 be allowed to recover theft related costs as part of the proposed monthly
15 charge.

16
17 18. Q. Please explain Staff proposed adjustments to the monthly charge relating to
18 opt-out meter reading costs.

19 A. Opt-out meter reading costs component are costs that could be avoided if
20 customers choosing opt-out service remained on the Smart Grid system.
21 The Company should be allowed to recover costs associated with meter
22 reading activity that support the meter reading function. Staff proposed that

1 the 60-minute timeframe proposed by the Company be reduced to 35
2 minutes to reflect Staff's adjustment for meter reading costs.

3

4 19. Q. Please explain Staff's overall recommendation as it relates to the monthly
5 charge.

6 A. With adjustments for mesh network costs, theft related investigation costs,
7 and monthly meter reading costs the Staff recommends reducing the
8 monthly charge from \$40.63 to \$24.00.

9

10 20. Q. Do you have any additional recommendations pertaining to the proposed
11 opt-out tariff?

12 A. Yes. Staff recommends the costs and rate structure for the Smart Grid Mod-
13 ernization opt-out tariff be reviewed in the next base rate case.

14

15 21. Q. Does this conclude your testimony?

16 A. Yes, it does. However, I reserve the right to submit supplemental testi-
17 mony as described herein, as new information subsequently becomes avail-
18 able or in response to positions taken by other parties.

PROOF OF SERVICE

I hereby certify that a true copy of the foregoing Prefiled Testimony of **Marchia Rutherford** submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served by regular U.S. mail, postage prepaid, hand-delivered, and/or delivered via electronic mail, upon the following parties of record, this 2nd day of October, 2015.

/s/ John H. Jones

John H. Jones

Assistant Attorney General

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Summary: Testimony Prefiled Testimony of Marchia Rutherford submitted by Assistant Attorney General John Jones on behalf of the Staff of the Public Utilities Commission of Ohio. electronically filed by Kimberly L Keeton on behalf of Public Utilities Commission of Ohio