

# THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION OF  
DUKE ENERGY OHIO, INC. FOR  
APPROVAL OF AN ADVANCED METER  
OPT-OUT SERVICE TARIFF

CASE NO. 14-1160-EL-UNC  
14-1161-EL-AAM

## ENTRY ON REHEARING

Entered in the Journal on February 1, 2017

### I. SUMMARY

{¶ 1} The Commission denies the application for rehearing filed by the Ohio Consumers' Counsel.

### II. APPLICABLE LAW

{¶ 2} Duke Energy Ohio, Inc. (Duke) is a public utility as defined in R.C. 4905.02 and an electric utility as defined in R.C. 4928.01(A)(11) and, as such, is subject to the jurisdiction of this Commission.

{¶ 3} Pursuant to Ohio Adm.Code 4901:1-10-05(J), each electric utility must provide customers with the option to remove an installed advanced meter and replace it with a traditional meter, and the option to decline installation of an advanced meter and retain a traditional meter, including a cost-based, tariffed opt-out service. Ohio Adm.Code 4901:1-10-05(J)(5)(c) and (d) provide that the electric utility may establish a one-time fee to recover the costs of removing an existing advanced meter, and the subsequent installation of a traditional meter, and the electric utility may establish a recurring fee to recover costs associated with providing meter reading and billing services associated with the use of a traditional meter. Additionally, Ohio Adm.Code 4901:1-10-05(J)(5)(e) provides that costs incurred by an electric utility to provide advanced meter opt-out service shall be borne only by customers who elect to receive advanced meter opt-out service. Ohio Adm.Code 4901:1-10-05(J)(5)(b)(ii) provides that such fees shall be calculated based upon the costs incurred to provide advanced meter opt-out service

### III. PROCEDURAL HISTORY

{¶ 4} On June 27, 2014, Duke filed an application to adopt an advanced meter opt-out service tariff and change in accounting procedures to include a cost recovery mechanism in the above-captioned dockets. The Company's application was opposed by the Ohio Consumers' Counsel (OCC), Staff, and the Ohio Partners for Affordable Energy (OPAЕ) at the hearing of this matter on October 15, 2015.

{¶ 5} On April 27, 2016, the Commission issued its Opinion and Order in these cases authorizing Duke to defer the cost of system improvements necessary to implement an advanced meter opt-out service tariff, and approving a one-time charge of \$100.00 and a monthly charge of \$30.00 for advanced meter opt-out service, pursuant to Ohio Adm.Code 4901:1-10-05 (April 27, 2016 Order).

{¶ 6} On May 27, 2016, OCC filed an application for rehearing of the April 27, 2016 Order. On June 6, 2016, Duke filed a memoranda contra to OCC's application for rehearing. On June 15, 2016, the Commission granted the OCC's application for rehearing for the limited purpose of consideration of the matters raised therein.

### IV. DISCUSSION

{¶ 7} R.C. 4903.10 states that any party who has entered an appearance in a Commission proceeding may apply for rehearing with respect to any matters determined in that proceeding, by filing an application within 30 days after the entry of the order upon the journal of the Commission.

#### A. *OCC Assignment of Error 1*

{¶ 8} OCC argues the Commission erred by establishing the advanced meter opt-out service charges in this proceeding instead of waiting for Duke's next distribution rate case. OCC asserts that the filing of Duke's next distribution rate case is imminent. OCC recommends that the tariff in this proceeding be approved, but the charges set at zero

dollars pending resolution of the base rate proceeding in which the costs at issue can be accurately determined. OCC avers that the heightened scrutiny of a rate proceeding will provide the Commission with a clearer picture of Duke's actual costs to provide the advanced meter opt-out service.

{¶ 9} Duke argues that the Commission's Opinion and Order was both just and reasonable, and was based upon a full and complete record. Duke avers that it met its burden in this case by demonstrating the costs for the advanced meter opt-out service charges, and asserts that OCC had ample opportunity to seek discovery related to all the charges and to depose Duke's witnesses. Duke argues that it is unnecessary to delay implementation of the cost-based charge to a distribution rate case because all the matters in dispute were fully litigated in this case, including the opportunity for full discovery and vetting of the application. Duke asserts that contrary to OCC's claim, there would be no advantage to OCC or any other party to argue these same issues in a distribution rate proceeding. More importantly, Duke argues there is nothing unreasonable or unlawful with the Commission's decision in this case, which was based upon a full and complete record.

#### CONCLUSION

{¶ 10} The Commission finds that OCC's first assignment of error lacks merit. The purpose of this proceeding was to determine Duke's actual cost to provide advanced meter opt-out service. Therefore, there is no merit to OCC's argument that this service and the charges would receive greater scrutiny in a distribution rate case. A complete record was established and this case was fully litigated, so there is no reason to relitigate the issues and defer ruling in a subsequent proceeding. Despite OCC's assertions, Duke demonstrated its cost of providing advanced meter opt-out service, even if those costs are based upon its best estimates. The Commission then relied on Duke's estimates, Staff's testimony, and OCC's testimony when it modified Duke's proposed tariffs to decrease the charges to customers for advanced meter opt-out service. However, just

because the Commission modified and adopted advanced meter opt-out service tariffs does not mean that they cannot be further reviewed in a subsequent distribution rate case. In fact, these costs would be included in the test year of a subsequent distribution rate case, and necessarily would be reviewed. Accordingly, we find that rehearing should be denied on OCC's first assignment of error.

***B. OCC Assignment of Error 2***

{¶ 11} OCC argues the Commission violated R.C. 4903.09 by failing to explain the reasons that a \$100.00 one-time charge to replace an advanced meter with a traditional meter should be imposed upon customers. OCC asserts the Commission failed to explain how it arrived at its determination for Metering Services costs and Distribution Maintenance costs, which are the cost components that the advanced meter opt-out service charges are derived from. OCC asserts that the Commission erred when it applied a one-third reduction to Duke's proposal for all of the Metering Services costs. Instead, OCC alleges, the Commission should have denied Duke any cost recovery to maintain a reserve stock of traditional meters and for meter storage labor, which are two of the components of Duke's Metering Services costs. Further, OCC avers that the Commission erred in approving deferral authority for the costs associated with IT system improvements related to advanced meter opt-out service. OCC alleges that Duke is already collecting these IT system improvement costs through base distribution rates charged to customers.

{¶ 12} Duke notes that Justin C. Brown testified at hearing regarding the Metering Services costs and Distribution Maintenance costs that would be incurred to provide advanced meter opt-out service (Duke Ex. 2 at 4-5). Duke then avers that the Commission found it appropriate, based upon the testimony of Staff witness Rutherford, to reduce the Company's cost estimates by one-third, because Duke would not be required to purchase meters to hold in reserve (Order at 8). Therefore, Duke asserts that OCC's argument that the one-third reduction to the charge should only relate to the inventory of existing

meters is nonsensical and overlooks the costs incurred by Duke for other work related to meter maintenance and replacement.

{¶ 13} Duke asserts that its application and testimony in this case were based upon estimates that were developed by those within the Company who have the best experience and knowledge of the work and costs involved. Duke avers that the Commission's Opinion and Order is based upon the testimony and facts established at hearing, and is a fair and reasonable estimate of the costs that will be incurred by Duke.

#### CONCLUSION

{¶ 14} The Commission finds that OCC's second assignment of error lacks merit, and rehearing should be denied. The Commission found that Duke met its burden in this case and demonstrated the costs of providing advanced meter opt-out service (Order at 6; Duke Ex. 1 at 3, 6). Duke demonstrated that it would have Metering Services costs, which include meter repair/testing, meter storage labor, and buying meters for reserve stock. Additionally, Duke demonstrated that it would have Distribution Maintenance costs, which include the cost of meter removal and installation. Additionally, Duke demonstrated that IT System Improvement costs would be necessary, which include building billing and service routing functionalities into Duke's customer management system. (Order at 3, 6.)

{¶ 15} The Commission fully explained its reasoning for establishing the \$100.00 one-time charge for advanced meter opt-out service (Order at 7-9). This one-time charge is necessary for meter repair/testing, meter storage labor, buying meters for reserve stock, and meter removal and replacement (Order at 8). Duke broke down this one-time charge into three components: a Metering Service component for the meter repair/testing, meter storage labor, and maintaining reserve stock; a Distribution Service component for meter removal and replacement; and an IT System Improvement component (Order at 3). The Commission arrived at the \$100.00 one-time charge by

decreasing Duke's proposed Metering Service charge by one-third, based upon the testimony of Staff witness Rutherford who demonstrated that Duke will not need to purchase all new meters for reserve stock since it has an existing inventory of traditional meters (Order at 8; Staff Ex. 2 at 3-4; Tr. at 24, 27-28). There is some dispute in the record regarding how many of Duke's existing traditional meters will test accurately, so the Commission determined that a decrease of one-third would be just and reasonable (Tr. at 32, 136-137; Order at 8).

{¶ 16} Further, the Commission adopted Duke's proposed amount for the Distribution Maintenance portion of its one-time charge, since this is based upon the cost to remove an existing meter and install a traditional meter. Duke's Smart Grid project will soon be fully deployed, which means that any customer that chooses advanced meter opt-out service will likely need to have their meter replaced<sup>1</sup> (Tr. at 14-16, 205-206). However, the Commission directed that if a customer already has a traditional meter and chooses advanced meter opt-out service, then that customer will not have to pay the one-time charge (Order at 7, 8).

{¶ 17} The Commission then granted Duke's proposal for deferral authority of the IT System Improvement costs (Order at 7). The Commission found that these costs are atypical or infrequent, since they were imposed upon Duke by the Commission to implement this new service. Further, the Commission determined that there was little concern regarding an uncapped deferral, since Duke demonstrated the actual cost of the improvements to be \$243,122. (Order at 7). Additionally, we find no merit to OCC's argument that these IT system improvement costs are already included in base distribution rates. There is no evidence in the record to support OCC's assertion that IT

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<sup>1</sup> On October 22, 2015, Staff filed a Notice of Staff Determination in Case No. 10-2326-GE-RDR declaring that Duke has achieved full deployment of its Smart Grid Program. *In re Duke Energy Ohio, Inc.*, Case No. 10-2326-GE-RDR, Notice of Staff Determination (Oct. 22, 2015) at 1.

System Improvement costs for advanced meter opt-out service are already being recovered in Duke's existing distribution rates.

{¶ 18} Finally, the Commission adjusted the one-time charge downward from a calculated amount of \$101.03 to \$100.00 in order to simplify customer bills. Accordingly, the Commission fully explained its reasoning for arriving at the \$100.00 one-time charge for advanced meter opt-out service.

*C. OCC Assignment of Error 3*

{¶ 19} OCC argues the Commission violated R.C. 4903.09 for failing to explain the reasons for its determination that a \$30.00 recurring monthly charge for servicing a traditional meter should be imposed upon customers. OCC asserts the Commission failed to explain how it arrived at its determination for Metering Services costs and Distribution Maintenance costs, which make up the costs to be recovered in Duke's monthly \$30.00 advanced meter opt-out service charge.

{¶ 20} Similar to its arguments regarding OCC's second assignment of error, Duke notes that Justin C. Brown testified at hearing regarding the Metering Services costs and Distribution Maintenance costs that would be incurred by Duke to provide advanced meter opt-out service (Duke Ex. 2 at 4). Duke asserts that the Commission found it appropriate, based upon the testimony of Staff witness Rutherford, to then reduce the Company's cost estimates. In respect to the monthly costs incurred by Duke to provide this new service, Duke avers the Commission determined it appropriate to reduce the Company's proposed monthly charge by 25 percent. Duke points out that the Commission explained that the \$30.00 charge was appropriate to simplify customer bills and could be reviewed in the future.

{¶ 21} Further, Duke asserts that its application and testimony in this case were based upon estimates that were developed by those within the Company who have the best experience and knowledge of the work involved and related costs. Duke avers that

the Commission's Opinion and Order is based upon the testimony and facts established at hearing, and is a fair and reasonable estimate of the costs that will be incurred by Duke. Duke argues that the Commission's Opinion and Order does not violate R.C. 4903.09 and is not unjust or unreasonable. Duke asserts that OCC's arguments merely represent OCC's disagreement with the Commission's ultimate determination in this case. According to Duke, the Commission's decision is based upon Duke's application, and adjusted to reflect partial acceptance of Staff's recommendations. The Commission reached a conclusion that is well within its discretion, and OCC's third assignment of error should be denied.

#### CONCLUSION

{¶ 22} The Commission finds that OCC's third assignment of error lacks merit and rehearing should be denied. Similar to the one-time charge, Duke broke down the monthly charge into two components: a Metering Services component for manual meter reading and revenue assurance; and a Distribution Maintenance component for the cost of purchasing, locating, and installing additional communication devices to read stranded meters caused by advanced meter opt-out service customers (Order at 4; Duke Ex. 1 at 8). Duke proposed a monthly charge of \$40.63 for advanced meter opt-out service based upon these two components.

{¶ 23} However, Staff witness Rutherford identified three costs that should not be included in Duke's proposed charges; mesh network costs, certain meter reading costs, and revenue assurance (theft) costs. Accordingly, Staff recommended a monthly charge of \$24.00 (Staff Ex. 2 at 6-7; Order at 8). The Commission then explained that it was adopting neither Duke's cost estimates nor Staff's estimates, but relied upon both estimates to arrive at a monthly charge of \$30.00. The Commission arrived at this amount by taking Duke's proposed Metering Services charge and reducing it by 25 percent, based upon the testimony of Staff witness Rutherford (Order at 9). This resulted in a charge of \$30.59, which the Commission adjusted downward to \$30.00 to simplify customer bills.



The Commission fully explained its reasoning and arrived at a monthly charge that is cost-based, just and reasonable. Accordingly, OCC's third assignment of error lacks merit and rehearing on this assignment of error should be denied.

**D. OCC Assignment of Error 4**

{¶ 24} OCC argues the Commission's Opinion and Order is unreasonable because it fails to order Duke to help customers avoid meter reading charges through alternative options to advanced meter opt-out service. Further, OCC asserts the Commission failed to explain why it rejected OCC's proposals for options that could help customers avoid meter reading charges.

{¶ 25} Duke argues that OCC's fourth assignment of error is its least compelling argument for rehearing. Duke asserts that Justin C. Brown testified specifically that the Company works with customers to provide alternatives to advanced meter opt-out service, where appropriate (Tr. at 78-79). One option for customers includes relocating the meter base to a more agreeable location on the customer's property (Tr. at 78-79, 100-103). However, Duke avers that OCC ignores that Duke provides this option and, in fact, Duke works with customers who have concerns about the communication functions of advanced meters (Tr. at 202). Finally, Duke argues that OCC lacks record evidence in support of its arguments.

**CONCLUSION**

{¶ 26} The Commission finds that OCC's fourth assignment of error lacks merit and rehearing should be denied. Duke testified that it would work with customers, where applicable, to decrease their meter related costs, such as having the advanced meter moved to a more satisfactory location. However, we find that if a customer refuses an advanced meter, even in a new location, then that customer should pay for advanced meter opt-out service. There is little support in the record for OCC's assertion that Duke does not work with customers or provide alternative to advanced meter opt-out service.

OCC witness James Williams testified that alternatives to advanced meter opt-out service could include moving the meter location, disabling the communication devise, or providing more information to customers on advanced meters (Tr. at 215). However, Duke does provide the option for customers to have their meter moved to a more satisfactory location and works with customers to provide them with information regarding advanced meters (Tr. at 202). The only option raised by OCC that is not provided to customers is disabling the meter, yet Mr. Williams did not know the cost of offering such an alternatives or whether, from an engineering perspective, it was even possible (Tr. at 213-215). Further, Mr. Williams had not conducted any customer surveys regarding advanced meter opt-out service, had not personally talked to any customers in Duke's service territory that intend to opt-out, and was not aware of anyone who had done so (Tr. at 217). Accordingly, we find that OCC's application for rehearing should be denied.

## V. ORDER

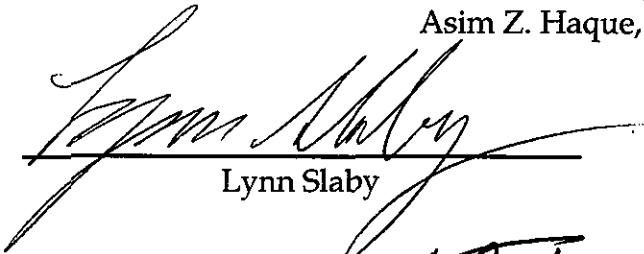
{¶ 27} It is, therefore,

{¶ 28} ORDERED, That the application for rehearing filed by OCC be denied. It is, further,

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

THE PUBLIC UTILITIES COMMISSION OF OHIO

  
Asim Z. Haque, Chairman

  
Lynn Slaby

  
M. Beth Trombold

  
Thomas W. Johnson

RMB/dah

Entered in the Journal

FEB 01 2017

  
Barcy McNeal

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Secretary