BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke Energy Ohio, Inc. for an Increase in Electric Distribution Rates.	)))	Case No. 17-32-EL-AIR
In the Matter of Application of Duke Energy Ohio, Inc. for Tariff Approval.	)))	Case No. 17-33-EL-ATA
In the Matter of the Application of Duke Energy Ohio, Inc. for Approval to Change Accounting Methods.	))))	Case No. 17-34-EL-AAM

OHIO PARTNERS FOR AFFORDABLE ENERGY'S OBJECTIONS TO THE STAFF REPORT OF INVESTIGATION AND SUMMARY OF MAJOR ISSUES

Ohio Partners for Affordable Energy ("OPAE") herein submits to the Public Utilities Commission of Ohio ("Commission") these Objections to the Staff Report of Investigation and Summary of Major Issues in the above-referenced applications made by Duke Energy Ohio, Inc. ("Duke") for an increase in electric distribution rates, tariff approval, and a change in accounting methods. In its application for an increase in rates, Duke requested that the test period begin April 1, 2016 and end March 31, 207 and that the date certain for property valuation be June 30, 2016. OPAE objects to the Staff Report for the following reasons.

1. **OPAE objects to the Staff Report recommendation that Duke's revenue decrease be in the range from $18,357,786 to $28,932,684. Staff Report at 55, Schedule A-1, Page 1 of 1.**

The Staff Report recommends a revenue decrease from -3.77% at the lower bound of the decrease and -5.94% at the upper bound of the decrease. Staff Report at 6. OPAE objects that the Staff's recommended revenue decrease is insufficient given that it is based on excessive rates of return and costs of common equity. It is also based on costs that are not correctly attributed to the cost of rendering public utility service in the test period, April 1, 2016 through March 31, 2017.

2. **OPAE objects to the Staff Recommendation that the rate of return be set in the range of 7.20% to 7.74% and the cost of common equity set at a range of 9.22% to 10.24% because these ranges provide an excessive return when compared to the risk faced by Duke as a provider of monopoly electric distribution service. Staff Report at 18, 19.**

The Staff Report fails to quantify the level of the rate of return that is appropriate given the minimal risk to Duke as a provider of monopoly electric distribution service and as a recipient of cost recovery through various riders. In Duke's case, the risk associated with generation investments, which have significant capital costs and face a volatile market, are no longer a component of regulated rates. The Staff Report errs in not recommending a rate of return that reflects the minimal risk faced by Duke for purposes of establishing a return on Duke's investment to provide monopoly electric distribution service.

In addition to providing monopoly electric distribution service, Duke has benefited from distribution cost recovery riders that eliminate the risk of recovery for certain costs associated with the electric distribution system. The riders are designed to guarantee recovery of costs in a manner apart from traditional base rate recovery, i.e., the riders provide for current dollar-for-dollar cost recovery. As a result, the distribution utility faces little risk, as opposed to the traditional regulatory compact that had a risk premium because utilities were only provided with the opportunity to recover their costs, not guaranteed cost recovery. Because Ohio's current regulatory regime guarantees current recovery of certain costs, the appropriate allowed rate of return, along with the cost of equity, should be adjusted downward to reflect the assured current recovery of various costs through riders.

3. OPAE objects to the Staff Report's recommendations for Miscellaneous Charges because the Staff apparently looked at only one factor in making its recommendations.

The Staff Report makes the following recommendations for Miscellaneous Charges: Remote Reconnect (AMI) $10.00; Non-Remote Reconnection (Gas & Electric and Electric Only) $69.00; Pole Reconnection $110; Non-Remote after Hours $81; and Pole Reconnection after Hours $161.00. Staff Report at 22-23. The Staff Report states that the Staff analyzed Duke's proposal for reconnection charges and recommends a time adjustment to each of Duke's proposed charges. Staff Report at 22. Duke had stated that it takes 15 minutes to reconnect a customer, even in a remote reconnect. Staff believed it only takes 5 minutes. Based on this time adjustment, Staff made its recommendation. Id.

It is not apparent that the Staff looked at other cost factors in making its recommendations for reconnection charges. Other factors such as labor costs and transportation costs in the case of non-remote reconnections should also have been analyzed. Therefore, the Staff Report recommended reconnection charges are not reasonable.

4. OPAE objects to the Staff Report's discussion of the Residential Customer Charge and Straight Fixed Variable ("SFV") Rate Design.

The Staff Report states that in most cases distribution system costs are fixed costs and that the customer charge recovers some of the fixed costs that are directly attributable to serving an individual customer. These fixed costs are recovered through a flat charge per customer. According to the Staff Report, the customer charge provides a price signal to the customer that there are costs associated with serving the individual customer, independent of the customer's consumption of energy. Duke proposed to shift a significant portion of the fixed costs into the customer charge and away from volumetric charges. The Staff Report rejected this Duke proposal. However, the Staff Report notes that Duke is planning to deploy meters in the future that are capable of measuring an individual's monthly demand, and once that occurs, a proxy for demand charges may no longer be necessary. The Staff recommended that the current rate design methodology be maintained until sufficient customer demand data is available and collected from the new metering capability. Once the data is collected and evaluated, Staff believes an appropriate rate design should be developed based on this data. This approach would avoid unnecessary cost shifting and result in a rate design that not only incorporates the data collected, but also incorporates additional rate design considerations. Staff Report at 33-34. Thus, while Duke was proposing to increase the current residential customer charge from the current $6 to $22.77, the Staff Report recommends maintaining the current customer charge of $6. Staff Report at 35. However, the Staff apparently anticipates a future in which residential customers will pay customer charges based on their individual demand.

OPAE has opposed high customer charges because lower-income households live in smaller housing structures and may have lower consumption than higher-income households. Lower-income households also live in higher density housing and impose a lower distribution cost. Therefore, any move to high customer charges would shift costs from higher-income to lower-income households. The move to high customer charges would result in the placement of an unjust burden of revenue responsibility upon low-income and low-use households. In addition, with fixed charges, customers are inclined to consume more rather than conserve because the increased cost of consumption may be de minimis. Volumetric charges are preferable to fixed charges, because customers see a benefit in conservation.

OPAE appreciates that the Staff has recommended that the current residential customer charge and the current low-income residential customer charge remain in effect. However, OPAE is skeptical of the practicality of the Staff recommendation that an individual residential demand charge based on actual data can be developed in the future. This issue should be left to future Commission proceedings.

5. OPAE objects that the Staff did not consider the new burdens on PIPP customers.

The Staff Report considered the Commission's customer call center contacts with Percentage of Income Payment Plan ("PIPP") customers. The Staff Report noted that new PIPP rules went into effect in November 2016 and may have contributed to the quantity of contacts. Staff Report at 50.

Under the new PIPP rules, effective February 15, 2015, if a PIPP customer fails to pay the monthly PIPP payment and such failure results in disconnection, the customer ceases to be a PIPP customer and is ineligible to participate in PIPP until the customer pays any delinquent amounts through the date the customer was removed from PIPP including any past due monthly PIPP payments and the PIPP payments for those months that the customer was not enrolled in PIPP including payments for any months the customer was disconnected, not to exceed the account balance. The customer must pay the delinquent amounts and reconnection charges as a condition to re-enroll in PIPP. To be eligible to continue in PIPP, for the subsequent twelve months, the PIPP customer must be current on the PIPP payment on the customer's anniversary date. If a customer is not current on the anniversary date, the customer has one billing cycle to pay past due PIPP payments, and, if such payments are not timely made, the electric utility will drop the customer from PIPP. The utility shall reinstate the customer into PIPP when the customer pays all missed PIPP payments and current monthly charges for those months when the PIPP customer was not enrolled. Ohio Administrative Code ("OAC") 122:5-3-02(H)(1)(a) and (b).

Income eligibility for PIPP is subject to annual verification every twelve months. 122:5-3-03(C). If a PIPP customer fails to submit information sufficient to verify continuing eligibility within sixty days of the annual verification date, the customer will be ineligible to continue in PIPP and will be dropped from the program. The customer may re-enroll in PIPP after all missed PIPP payments have been made and monthly charges for any months the customer was not enrolled have been paid. This includes PIPP payments for any months that the customer was disconnected, but the amount due shall not exceed the amount of the customer's arrearage.

Duke's average annual PIPP enrollments for the period September 2015 through August 2016 were 24,995. Case No. 16-1223-EL-USF, Amended Application (December 29, 2016) Ex. A.2. Duke's average annual PIPP enrollments for the period September 2014 through August 2015 were 28,931. Case No. 15-1046-EL-USF, Ex. A.2. Duke's average annual PIPP enrollments for the period September 2013 through August 2014 were 29,113. Case No. 14-1002, Ex. A.2. Thus, the trend is that fewer customers are enrolled in PIPP each year. The new PIPP rules, which were effective in February 2015, will only serve to diminish the success of PIPP to allow low-income customers to maintain their electric service. The Staff Report should have considered whether the new PIPP rules result in too high a burden for low-income customers of Duke to stay enrolled in PIPP and to maintain their electric service. If maintaining PIPP eligibility is too high a burden for low-income customers, the Staff Report should have considered alternatives to allow low-income customers to maintain their electric service.

6. OPAE objects that the Staff Report did not recommend solutions for problems discovered in the Customer Service Assessment.

In February 2017, the Staff completed an audit of Duke's customer service performance, practices, and procedures. Staff Report at 49. Staff reviewed the 1,712 customer contacts to the Commission's call center for the period January 1, 2016 through December 31, 2016 that were related to Duke's electric service. Customer concerns about disconnection issues or payment arrangements constituted the largest number of contacts, with 398 contacts for the period. Most customers were seeking information about pending disconnections, medical certificates, available payment arrangements, and issues related to the Commission's winter reconnect order. Customers also called the Commission with issues of high bills, back billing, or final/initial billing questions. There were also contacts regarding PIPP and customer assistance programs. The new PIPP rules that went into effect in November 2016 may have contributed to the quantity of contacts. Staff Report at 50. Some callers also expressed concerns about the quality of Duke's customer service. Id.

In spite of these customer complaints and the Staff Report's discussion of the complaints, the Staff Report made no recommendations to improve Duke's customer outreach and payment plan offerings. The number of Duke's residential electric customers disconnected for non-payment for the period June 2016 through May 2017 was 60,757; and for the period June 2015 through May 2016, the number of disconnections was 75,834. Case No. 17-1069-GE-UNC and Case No. 16-1224-GE-UNC. Duke should be required to improve its customer service and also to work to assure that its customers are able to maintain service through reasonable payment arrangements.

7. OPAE objects to the failure of the Staff Report to require that Duke offer affordable service and payment plans based on the customer's income and the resulting burden on the customer.

Customers are not well served by service and payment plans which are unaffordable and put customers in danger of disconnection. Customers should be directed to service tariffs that are most favorable to them. Bill payment plans should work to decrease disconnections and arrearages. Payment plans should be customized based on a customer's income and the resulting burden on the customer. Payment plans should consider the percentage of a customer's income spent on utility bills. The Staff Report erred in failing to require Duke to offer affordable service tariffs and payment plans based on the customer's income and the resulting burden of utility service payments on the customer.

The Staff Report recommends maintaining the current customer charge of $2 for the rate schedule Rate RSU – Residential Service – Low Income and the same energy charges that the Staff proposes for the basic residential service, Rate RS. Rate schedule Rate RSU – Residential Service – Low Income is available to customers who are at or below 200% of the federal poverty level and who do not participate in PIPP. Staff Report at 38. Given the decline in participation in PIPP and the availability of Rate RSU for more low-income customers, the Staff should have discussed whether Duke is engaging in sufficient outreach to low-income customers who may be eligible for Rate RSU, especially customers who may no longer be eligible of PIPP. In addition, payment plans that are affordable and allow customers to maintain service should also be required.

SUMMARY OF MAJOR ISSUES

Pursuant to Revised Code Section 4903.083, OPAE proposes the following summary of major issues:

1. The appropriate level of revenues that Duke should be authorized to collect through rates;
2. The appropriate rate design and customer charges for residential and small commercial customers;
3. The appropriate rate of return for ratemaking purposes;
4. The appropriate level of test-year revenues;
5. The appropriate level of operating and maintenance expenses;
6. The appropriate level of rate base;
7. The existence of distribution cost recovery riders that undermine the ratemaking process herein.

Respectfully submitted,

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CERTIFICATE OF SERVICE

A copy of the foregoing Objections to the Staff Report and Summary of Major Issues will be served on this 26th day of October 2017 by the Commission's e-filing system to these parties who have electronically subscribed to these cases.

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