

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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

**OBJECTIONS TO PUCO STAFF REPORT OF INVESTIGATION
FILED BY ENVIRONMENTAL DEFENSE FUND, ENVIRONMENTAL LAW &
POLICY CENTER, NATURAL RESOURCES DEFENSE COUNCIL, AND OHIO
ENVIRONMENTAL COUNCIL**

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OBJECTIONS TO STAFF REPORT

Pursuant to Ohio Admin. Code 4901:1-28, the Environmental Defense Fund (“EDF”), Environmental Law & Policy Center (“ELPC”), Natural Resources Defense Council (“NRDC”), and Ohio Environmental Council (“OEC”) (collectively, the “Environmental Intervenors”) submit the following objections to the Staff Report filed September 26, 2017 (with a supplement filed October 12, 2017).

These cases address the electric distribution charges that Duke Energy Ohio, Inc. (“Duke” or “Company”) proposes to collect from its customers. The Environmental Intervenors’ objections identify elements of the Staff Report that are unjust, unreasonable or unlawful, and meet the specificity requirement of Ohio Adm. Code 4901-1-28. The substance of many of these objections will be supplemented and/or supported with the testimony of anticipated witnesses sponsored by one or more Environmental Intervenors, including Paul Chernick and Michael Murray.

The Environmental Intervenors’ objections identify matters in the Staff Report where Staff has either made, or failed to make recommendations, that result in rates or service terms that contravene what is just, reasonable and lawful for customers in the Duke territory. Further, the lack of an objection to any aspect of the Staff Report does not preclude the Environmental Intervenors from cross-examination or introduction of evidence or argument related issues on which Staff reverses, modifies or withdraws its position on any issue contained in the Staff Report. The Environmental Intervenors also reserve the right to amend and/or to supplement their objections in the event that the PUCO Staff reverses, modifies or withdraws its position, at any time prior to the closing of the record, on any issue contained in the Staff Report.

Where the PUCO Staff has indicated that its position on a particular issue is not known at the date of the Staff Report, the Environmental Intervenors reserve the right to later supplement their objections once Staff's position is made known. The Environmental Intervenors also reserve the right to file additional expert testimony, produce fact witnesses and introduce additional evidence. Moreover, any witness called by an Environmental Intervenor also reserves the right to amend and/or supplement testimony in the event that Staff reverses, modifies or withdraws its position on any issue contained in the Staff Report.

OBJECTION 1: RATES AND TARIFFS¹

The Environmental Intervenors object that the Staff Report is unjust and unreasonable by failing to recommend that Duke Energy Ohio ("DEO") implement Green Button Connect. Green Button Connect is a national standard that allows customers and customer-authorized third parties to receive timely access to customer energy usage data. Numerous studies have shown that customers save 6-18% on their energy bills when they have access to this information. The cost of implementing this software is a one-time cost of \$2.00 per meter or less. DEO has failed to implement this software. Customers have paid 100% of the cost for their AMI meters, and it would be just and reasonable for customers to have the opportunity to receive 100% of the available benefits. Customers will not have the opportunity to receive 100% of the benefits from their AMI meters unless DEO is required to implement Green Button Connect.

OBJECTION 2: RIDER NM – NET METERING

The Environmental Intervenors object to Staff's recommendation related to the net metering tariff to the extent that Staff failed to recognize that Duke's proposed net metering tariff

¹ This objection will be supplemented with testimony from Michael Murray, sponsored by OEC and EDF.

(Rider NM) changes have been fully withdrawn from this case. *See* Duke Energy Ohio's Responses to OCC-INT-6-137; ELPC-INT-04-001; Staff Report at 21.

OBJECTION 3: RESIDENTIAL CUSTOMER CHARGE AND STRAIGHT FIXED VARIABLE (SFV) RATE DESIGN

The Environmental Intervenors do not object to Staff's recommendation to reject Duke's current proposal for an increase in the residential fixed customer charge, but do object to the extent that Staff suggests it may be appropriate to adopt a demand charge rate design in the future once smart meters are fully deployed in Duke territory. Staff Report at 33-34. Replacing Duke's SFV proposal with a demand charge is not a sound alternative because traditional demand charges do not provide efficient price signals to large customers and will not provide efficient price signals to small customers. Traditional demand charges penalize individual customers for their maximum hourly (or sub-hourly) use in each month, and do not provide any incentive to shift loads off the times at which distribution or transmission equipment reaches its peak demand, or the times at which customers' responsibility for PJM capacity charges are determined. A customer may move load off its own peak and onto the peak loads of the feeder, substation, transmission lines and generation system.

OBJECTION 4: RATES AS A REFLECTION OF COSTS

The Environmental Intervenors object to Staff's blanket statement endorsing the idea that "rates reflect costs." Staff Report at 23. Although this is framed as a general ratemaking principle, it has significant consequences for specific requests in Duke's application. In particular, this assertion may implicitly support the Company's proposal to increase its residential fixed customer charge to reflect costs that Duke asserts should be treated as fixed costs. In the interests of preserving all arguments related to the appropriateness of increasing the residential fixed customer charge, Environmental Intervenors therefore object that any such

ratemaking decision should also consider other important principles such as the effects of rates on encouraging energy conservation.

OBJECTION 5: COST OF SERVICE STUDY

The Environmental Intervenors object to Staff's acceptance of the Cost of Service Study ("COSS") as reasonable. Staff Report at 24. The cost-of-service study uses, among other assumptions and methodologies, a minimum-system analysis for classifying poles and conductor between customer number and peak load. Duke's reliance on this minimum-system analysis is unreasonable in several respects.

First, in the minimum-system analysis, Duke assumed that a system of even the smallest customers would require the same length of conductor, the same number of line transformers and the same number of poles as the existing system. This assumption is incorrect, since load levels help determine the number of units, as well as their size. For example, as load grows, DEO adds distribution feeders in parallel with existing feeders (sometimes on the same poles), and upgrades feeders from single-phase to three-phase, increasing the length of installed conductor. Similarly, large customers may be served with more transformers, rather than (or in addition to) larger transformers.

Second, Duke overstates the costs of the minimum system, by including equipment that would not be needed for very small loads, including larger wires, taller and stronger poles, and larger transformers.

Third, Duke allocates the customer-classified costs among classes in proportion to customer number, even though the number of poles and length of conductor that Duke would install to serve a single office building or shopping mall is much larger than what it would install

for a single residential customer. This error overstates the allocation of customer-related costs to the residential and small-commercial classes.

For all of these reasons, the minimum-system analysis overstates the responsibility of small customers for the common costs of providing at least a minimal level of service throughout Duke's service territory. Adding a minimal customer does not usually require these costs, and removing a customer will not eliminate the costs. Therefore, acceptance of the minimum-system analysis as a basis for rate design is unreasonable in light of the availability of alternative approaches that more appropriately reflect cost causation and other relevant considerations.

Respectfully submitted,

/s/ Madeline Fleisher

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CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing Objections submitted on behalf of Environmental Defense Fund, Environmental Law & Policy Center, Natural Resources Defense Council, and Ohio Environmental Council was served by electronic mail, upon all Parties of Record, on October 26, 2017.

/s/ Madeline Fleisher

Madeline Fleisher

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Case No(s). 17-0032-EL-AIR, 17-0033-EL-ATA, 17-0034-EL-AAM

Summary: Objection Objections to the Staff Report filed by Environmental Defense Fund, Environmental Law & Policy Center, Natural Resources Defense Council, and Ohio Environmental Council electronically filed by Madeline Fleisher on behalf of Natural Resources Defense Council and Environmental Law and Policy Center and Ohio Environmental Council and Environmental Defense Fund