

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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| 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 the 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 |
| |) | |
| In the Matter of the Application of Duke Energy Ohio, Inc., for Approval to Modify Rider PSR. |) | Case No. 17-872-EL-RDR |
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| In the Matter of the Application of Duke Energy Ohio, Inc., for Approval to Amend Rider PSR. |) | Case No. 17-873-EL-ATA |
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| In the Matter of the Application of Duke Energy Ohio, Inc., for Approval to Change Accounting Methods. |) | Case No. 17-874-EL-AAM |
| |) | |
| In the Matter of the Application of Duke Energy Ohio, Inc., for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Revised Code, in the Form of an Electric Security Plan, Accounting Modifications and Tariffs for Generation Service. |) | Case No. 17-1263-EL-SSO |
| |) | |
| In the Matter of the Application of Duke Energy Ohio, Inc., for Authority to Amend its Certified Supplier Tariff, P.U.C.O. No. 20. |) | Case No. 17-1264-EL-ATA |
| |) | |
| In the Matter of the Application of Duke Energy Ohio, Inc., for Authority to Defer Vegetation Management Costs. |) | Case No. 17-1265-EL-AAM |
| |) | |

In the Matter of the Application of Duke)
Energy Ohio, Inc., to Establish) Case No. 16-1602-EL-ESS
Minimum Reliability Performance)
Standards Pursuant to Chapter 4901:1-)
10, Ohio Administrative Code.

PREFILED TESTIMONY IN RESPONSE TO OBJECTIONS TO THE STAFF
REPORT

OF

CRAIG SMITH
SERVICES MONITORING AND ENFORCEMENT DEPARTMENT
SERVICE ANALYSIS AND RELIABILITY DIVISION
PUBLIC UTILITIES COMMISSION OF OHIO

STAFF EXHIBIT____

July 2, 2018

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

A. My name is Craig Smith. My business address is 180 East Broad Street,
Columbus, Ohio 43215.

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

A. I am employed by the Public Utilities Commission of Ohio (PUCO). I am
a Public Utilities Administrator with the Reliability and Service Analysis
Division within the Service Monitoring and Enforcement Department. My
current duties include the oversight of service reliability, consumer
protection policies and rules for gas, water, and electric, as well as low
income assistance programs.

3. Q. Would you briefly state your educational background and work experience.

A. I received a Bachelor of Arts degree that included a Major in Political
Science and a Minor in Chemistry from Denison University. I received a
Master’s degree in Public Administration from The Ohio State University.
I received a Juris Doctor from Capital University. In addition, I completed
over a dozen post-baccalaureate classes in accounting from Columbus State
Community College.

1 While obtaining my Master's and Law degrees, I served as a management
2 and legal intern with the Public Utilities Commission of Ohio (PUCO) in
3 the Consumers Services Department. After law school, I worked at the
4 Ohio Department of Taxation. While at the Department of Taxation I was
5 employed as an Internal Audit Supervisor 2, Chief Counsel Supervisor 2 in
6 Tax Appeals, and as a Deputy Tax Commissioner. I have also been a
7 private sector attorney and a Certified Internal Auditor (2006-2017).
8

9 In January of 2014, I accepted a Utilities Specialist 1 position with the
10 PUCO in the Accounting and Electricity Division. In October of 2014, I
11 accepted a Utilities Specialist 2 position with the PUCO in the Reliability
12 and Service Analysis Division. And in October of 2015, I accepted my
13 current position, a Public Utilities Administrator 2 with the PUCO in the
14 Reliability and Service Analysis Division.
15

16 4. Q. Have you testified before the PUCO?

17 A. Yes, I testified in Case No. 14-1031-GE-RDR.
18

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

20 A. The purpose of my testimony is: to respond to objections to the Staff
21 Report regarding Duke Energy Ohio's (Duke or the Company) Purchase of
22 Accounts Receivable (PAR) program; to respond to objections to the Staff

1 Report regarding the withdrawal of the Company's proposed net metering
2 tariff; and to respond to objections to the Staff Report regarding the lack of
3 a Standard Service Offer (SSO) allocation for administrative, operating,
4 and non-operating costs related to the provision of default generation
5 service.

6
7 6. Q. Please summarize the objections regarding the Company's PAR program.

8 A. The Ohio Consumers' Counsel (OCC), the Retail Energy Supply
9 Association (RESA), and Interstate Gas Supply, Inc. (IGS) all had filed
10 objections to the PAR program. OCC recommended discontinuing the
11 entire program.¹ RESA and IGS object to the incorporation of a discount
12 rate into the PAR program,² and IGS further advocates for a separate
13 proceeding and a structured implementation process if a discount rate is
14 being considered.³

15
16 7. Q. Does Staff agree with OCC's objection to the PAR program?

17 A. No, discontinuing the PAR program would be premature. However,
18

¹ *In the Matter of the Application of Duke Energy Ohio, Inc. for an Increase in Electric Distribution Rates*, Case No. 17-32-EL-AIR, et al., Objections to the Staff Report by OCC at 11 (Oct. 26, 2018) (*Duke Rate Case*).

² *Duke Rate Case*, Objections to the Staff Report by RESA at Objection 8; Objections to the Staff Report by IGS at 7-8 (Oct. 26, 2018).

³ *Duke Rate Case*, Objections to the Staff Report by IGS at 9-10 (Oct. 26, 2018).

1 depending on the findings of a comprehensive audit and the willingness of
2 the Company to implement internal controls, a separate proceeding may be
3 necessary to revisit discount rates, credit practices and accounting practices.
4

5 8. Q. Does Staff agree with the objections to the PAR program made by RESA
6 and IGS?

7 A. No, the stipulation and recommendation filed in this proceeding do not
8 include a discount rate making RESA's and IGS's objections irrelevant.
9

10 9. Q. Did any party object to Staff's recommendation related to the net
11 metering tariff to the extent that Staff failed to recognize that the Company
12 has withdrawn the proposal?

13 A. Yes, the Environmental Defense Fund, Environmental Law and Policy
14 Center, Natural Resources Defense Council, and Ohio Environmental
15 Council objected, collectively, in Objection 2.⁴
16

17 10. Q. If the Company withdrew the proposal to modify the net metering tariff,
18 why did Staff make a recommendation on net metering expenses in the
19 Staff Report?

20 A. Staff's recommendation in the Staff Report recognized that the Company

⁴ *In the Matter of the Application of Duke Energy Ohio, Inc. for an Increase in Electric Distribution Rates*, Case No. 17-32-EL-AIR, et al., Objections to the Staff Report by Environmental Intervenors at 3-4 (Oct. 26, 2017) (*Duke Rate Case*).

1 has expenses in the provision of net metering services that are not currently
2 captured through a rider or base rates. Per the Stipulation, Staff's net
3 metering test year adjustment of \$67,787 as part of the Rate Case Staff
4 Report was withdrawn and costs incurred shall be recovered by Supplier
5 Cost Reconciliation Rider (SCR).
6

7 11. Q. Did any party object to the lack of an SSO allocation for administrative,
8 operating, and non-operating costs related to the provision of default
9 generation service?

10 A. Yes, RESA and IGS objected to the lack of an allocation for SSO costs.
11 RESA's Objection no. 6 claims that costs are not correctly allocated and
12 that choice customers pay these costs twice.⁵ IGS's Objection A claims
13 that the Cost of Service Study accepted by Staff failed to allocate certain
14 costs to the standard service offer and that the Company charges
15 competitive suppliers certain fees that it does not charge to SSO
16 customers.⁶
17

18 12. Q. Did Staff perform any inquiry into the administrative, operating and non-
19 operating costs associated with the provision of SSO service?

20 A. No, Staff was not directed by the Commission to examine the Cost of

⁵ *Duke Rate Case*, Objections to the Staff Report by RESA at Objection No. 6 (Oct. 26, 2017).

⁶ *Duke Rate Case*, Objections to the Staff Report by IGS at 4-7 (Oct. 26, 2017).

1 Service Study regarding the embedded administrative, operating, and non-
2 operating costs associated with the provision of Choice or SSO generation.

3
4 13. Q. If the Commission had directed Staff to examine the administrative,
5 operating, and non-operating costs associated with the provision of Choice
6 or SSO generation, what would be required?

7 A. In order to determine whether the administrative, operating, and non-
8 operating costs associated with the provision of Choice or SSO generation
9 differ substantially enough to justify an allocation, a comprehensive study
10 would be required. Even if such a study was directed by the Commission,
11 it is unclear if the Company could comply depending on its accounting
12 system. The study would need to compare the services and costs associated
13 with choice and SSO and find that there is a substantial difference between
14 the provision of SSO and choice service by the Company.

15
16 14. Q. Do Choice customers pay the administrative, operating, and non-operating
17 costs associated with the provision of generation twice?

18 A. No, Choice customers do not pay these costs twice. All customers pay for
19 the Company's distribution costs in distribution rates. Choice customers do
20 not pay for the Company's distribution costs in the CRES supplier's
21 charges. Rather, Choice customers pay for generation service through the
22 CRES supplier's charges.

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15. Q. Are Choice customers charged fees that SSO customers are not charged?

A. Certain fees, such as switching fees, billing fees, and interval data fees, are not charged directly to the customer but to the generation provider by the Company. Furthermore, switching fees and interval data charges are marginal expenses, and cost causation dictates the assets used individually shall be charged individually.

16. Q. Does this conclude your testimony?

A. Yes, this concludes my testimony. However, I reserve the right to submit supplemental testimony as described herein, as new information subsequently becomes available or in response to positions taken by other parties.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the Pre-filed Testimony in Response to Objections to the Staff Report of Craig Smith has been served upon the below-named counsel via electronic mail, this 2nd day of July, 2018.

/s/ Steven L. Beeler

Steven L. Beeler

Parties of Record:

Jeanne.kingery@duke-energy.com
Elizabeth.watts@duke-energy.com
Rocco.d'ascenzo@duke-energy.com
fdarr@mwncmh.com
mpritchard@mwncmh.com
mkurtz@BKLawfirm.com
kboehm@BKLawfirm.com
jkylercohn@BKLawfirm.com
William.michael@occ.ohio.gov
Kevin.moore@occ.ohio.gov
Christopher.healy@occ.ohio.gov
Bojko@carpenterlipps.com
dressel@carpenterlipps.com
cmooney@ohiopartners.org
mfleisher@elpc.org
charris@spilmanlaw.com
dwilliamson@spilmanlaw.com
lbrandfass@spilmanlaw.com
paul@carpenterlipps.com
dborchers@bricker.com
dparram@bricker.com
eakhbari@bricker.com
tdougherty@theOEC.org
mleppla@theOEC.org

joliker@igsenergy.com
mnugent@igsenergy.com
slessor@calfee.com
jlang@calfee.com
talexander@calfee.com
mkeaney@calfee.com
mdortch@kravitzllc.com
rparsons@kravitzllc.com
jdortch@kravitzllc.com
whitt@whitt-sturtevant.com
campbell@whitt-sturtevant.com
glover@whitt-sturtevant.com
mjsettineri@vorys.com
glpetrucci@vorys.com
rsahli@columbus.rr.com
Tony.mendoza@sierraclub.org
jnewman@environlaw.com
rdove@attorneydove.com

ATTORNEY EXAMINERS

Stacie.Cathcart@puco.ohio.gov
Nicholas.Walstra@puco.ohio.gov

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Summary: Testimony Prefiled Testimony in Response to Objections to the Staff Report of
Craig Smith electronically filed by Ms. Tonneta Scott on behalf of PUC