

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. :

In the Matter of the :
 Application of Duke Energy:
 Ohio, Inc., for Approval : Case No. 17-872-EL-RDR
 to Modify Rider PSR. :
 In the Matter of the :
 Application of Duke Energy:
 Ohio, Inc., for Approval : Case No. 17-873-EL-ATA
 to Amend Rider PSR. :

In the Matter of the :
 Application of Duke Energy:
 Ohio, Inc., for Approval : Case No. 17-874-EL-AAM
 to Change Accounting :
 Methods. :

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 : Case No. 17-1263-EL-SSO
 Code, in the Form of an :
 Electric Security Plan, :
 Accounting Modifications, :
 and Tariffs for Generation:
 Services. :

In the Matter of the :
 Application of Duke Energy:
 Ohio, Inc., for Authority :
 to Amend its Certified : Case No. 17-1264-EL-ATA
 Supplier Tariff, P.U.C.O. :
 No. 20. :

In the Matter of the :
 Application of Duke Energy:
 Ohio, Inc., for Authority : Case No. 17-1265-EL-AAM
 to Defer Vegetation :
 Management Costs. :

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

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PROCEEDINGS

before Mr. Nicholas Walstra and Ms. Stacie Cathcart,
 Attorney Examiners, at the Public Utilities
 Commission of Ohio, 180 East Broad Street, Room 11-A,
 Columbus, Ohio, called at 9:00 a.m. on Friday,
 July 20, 2018.

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VOLUME X

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Friday Morning Session,
July 20, 2018.

- - -

EXAMINER WALSTRA: We'll go back on the
record for Day 10 of In Re: Duke Energy, regarding
their global stipulation.

OCC, you may call your next witness.

MR. HEALEY: Thank you, your Honor. The
Ohio Consumers' Counsel calls Paul Alvarez.

(Witness sworn.)

EXAMINER WALSTRA: Thank you.

MR. HEALEY: Your Honor, at this time, I
would like to mark as OCC Exhibit 18, the direct
testimony of Paul Alvarez in opposition to the
stipulation filed on June 5, 2018. May I approach?

EXAMINER WALSTRA: So marked, and you
may.

MR. HEALEY: Thank you.

(EXHIBIT MARKED FOR IDENTIFICATION.)

(Witness sworn.)

- - -

1 PAUL J. ALVAREZ

2 being first duly sworn, as prescribed by law, was
3 examined and testified as follows:

4 DIRECT EXAMINATION

5 By Mr. Healey:

6 Q. Good morning, Mr. Alvarez. Can you
7 please state your name for the record, please.

8 A. Paul J. Alvarez.

9 Q. And do you have in front of you what has
10 now been marked OCC Exhibit 18?

11 A. I do.

12 Q. And can you tell me what OCC Exhibit 18
13 is?

14 A. It's my testimony in the -- in this case.

15 Q. And did you prepare that testimony
16 yourself?

17 A. I did.

18 Q. Do you have any corrections or changes to
19 that today?

20 A. No.

21 Q. If I were to ask you the questions found
22 in your prefiled testimony today, would the answers
23 be the same?

24 A. They would.

25 MR. HEALEY: Thank you, your Honor. With

1 that, OCC moves for the admission of Mr. Alvarez's
2 testimony, subject to cross-examination.

3 EXAMINER WALSTRA: Thank you.

4 Mr. Alvarez, can you turn on your mic.

5 THE WITNESS: There we go.

6 EXAMINER WALSTRA: Any cross-examination?
7 Welcome.

8 MR. DOUGHERTY: Thank you, thank you.
9 Yes, I've got a couple of clarifying questions.

10 - - -

11 CROSS-EXAMINATION

12 By Mr. Dougherty:

13 Q. Hi. I'm Trent Dougherty, Counsel for the
14 Environmental Defense Fund and Ohio Environmental
15 Council. I just had a couple of clarifying
16 questions, Mr. Alvarez.

17 On page, I think on pages 6, as well as
18 46 of your testimony, you recommend that the
19 Commission should adopt the Connect My Data standard.
20 Is that fair to say?

21 A. Yes.

22 Q. And are you referring to what is also
23 referred to as the "Green Button" Connect My Data
24 standard?

25 A. Correct.

1 Q. Are you familiar with the testimony of
2 OEC/EDF Witness Michael Murray in this proceeding?

3 A. No.

4 Q. Am I correct that you are recommending
5 the standard in order to ensure customers receive the
6 full benefits from the Itron meters for which Duke is
7 requesting cost recovery?

8 A. I would argue that functionality is
9 valuable, regardless of the type of meter involved.

10 MR. DOUGHERTY: Thank you. That's all
11 the questions I have.

12 EXAMINER WALSTRA: Thank you.

13 MR. OLIKER: Thank you, your Honor.

14 - - -

15 CROSS-EXAMINATION

16 By Mr. Oliker:

17 Q. Hello, Mr. Alvarez. My name is Joe
18 Oliker, and I represent IGS Energy. I just have a
19 few questions for you today.

20 Am I correct that in your testimony you
21 speak about energy settlements in general?

22 MR. HEALEY: Object to that as
23 potentially vague.

24 MR. OLIKER: If he doesn't understand, he
25 can --

1 EXAMINER WALSTRA: The witness can seek
2 clarification if need be.

3 THE WITNESS: Am I to answer, I'm sorry?

4 EXAMINER WALSTRA: Yeah. If you need
5 clarification, you can ask.

6 A. Okay. Yes. Settlements as in how the
7 wires companies settle energy charges to customers.

8 Q. Yes.

9 A. Yes.

10 Q. And are you familiar with the existing
11 process that Duke Energy Ohio has in place?

12 A. Not really, no.

13 Q. And are you familiar with PJM
14 Interconnection?

15 A. Somewhat.

16 Q. What is your familiarity with PJM
17 Interconnection?

18 A. I understand they have energy and
19 capacity markets that are available for people to
20 either sell energy into, or buy energy into, or
21 capacity into or out of.

22 Q. And would you agree that energy
23 settlements occur throughout the day at different
24 prices?

25 A. Yes.

1 Q. And do you agree there can be -- there's
2 off-peak and on-peak hours?

3 A. Yes.

4 Q. Would you agree the prices between
5 on-peak and off-peak can be different?

6 A. The costs to consumers might be
7 different.

8 Q. And would you agree that on-peak and
9 off-peak pricing sends signals to people that are
10 using energy?

11 A. Yes, I agree with that.

12 Q. What are those signals supposed to be
13 indicative of?

14 A. The varying prices throughout the day.

15 Q. Okay. And do you think it's a good thing
16 or a bad thing if people are reacting to those
17 prices?

18 A. I guess I would argue it could be a good
19 thing.

20 Q. And that good thing would be if people
21 are using energy more responsibly to help make the
22 grid more efficient?

23 A. If their pricing structure reflected
24 those prices, I imagine.

25 Q. Would you agree that the existing --

1 okay. Now, let's switch gears.

2 Would you agree that the wholesale market
3 fundamentals in pricing is not always indicative of
4 retail pricing?

5 A. I agree with that.

6 Q. And would you agree that the way that the
7 wholesale market settles on an hourly basis is not
8 the same way that metering information settles from a
9 retail perspective?

10 A. That's a little bit beyond my
11 understanding.

12 Q. Okay. Let me ask you a hypothetical
13 then. Maybe we can get a little further. Let's
14 assume you have two customers. Mr. Healey is one
15 customer and I'm the other customer. And we have
16 houses. We like each other, so we live in the same
17 neighborhood.

18 MS. WATTS: They're forts.

19 Q. Yeah, they're forts. They're forts, but
20 they have electric meters.

21 MR. MICHAEL: And you get there by
22 railroad.

23 Q. We live in the same neighborhood because
24 we're good friends. But I've got a Nest thermostat
25 and Mr. Healey does not. And Mr. Healey and I have

1 the same air conditioner and we both like to keep the
2 temperature at about 65 degrees in the summertime,
3 but the difference is that I -- I am participating in
4 a demand response program and I've got somebody
5 cycling my air conditioner before -- between the
6 hours of 2:00 and 6:00.

7 In the Duke Energy Ohio service territory
8 now, would you agree that I have no way of monetizing
9 the value of my air conditioner interruption if a
10 CRES provider is serving me?

11 MR. HEALEY: I am going to object to that
12 as, though thorough, still an incomplete hypothetical
13 and also outside the scope of Mr. Alvarez's testimony
14 who does not testify on Nest thermostats. He doesn't
15 testify about demand response programs. His
16 testimony is about the process that Duke should be
17 following in any grid modernization proceeding.

18 MR. OLIKER: And, your Honor, I'm simply
19 getting to the entire point of his testimony which is
20 whether it makes sense to change the meters they have
21 now, to the meters that Duke is proposing to put in
22 place, and I'm trying to see whether or not his
23 assumptions and conclusions are correct based upon
24 what may actually happen now and what may happen in
25 the future.

1 EXAMINER WALSTRA: I'll allow the
2 question as long as you don't make Karen reread it.

3 MR. OLIKER: I will not.

4 Q. Mr. Alvarez, do you understand my
5 question?

6 A. Maybe you could summarize a little bit.

7 Q. Sure. Okay. Let's maybe just break it
8 down very simply.

9 Assume you have two houses and all of the
10 usage characteristics are identical except for the
11 fact that one customer is cutting their air
12 conditioner between the hours of 3:00 and 6:00 during
13 all of the system peaks. Now, would you agree that
14 currently, on a metered basis, those customers will
15 get the exact same capacity assignment currently?

16 A. Yes. To my understanding, that's
17 correct.

18 Q. And would you agree that if Duke were to
19 move to a paradigm where they were assigning capacity
20 responsibility based upon a customer's actual energy
21 usage in each hour, that would change the capacity
22 assignment for a customer?

23 MR. HEALEY: I am going to continue to
24 object to this as outside the scope. It is unclear
25 what connection this has to this proposal which,

1 again, is about the process that Duke should follow
2 in developing a grid modernization initiative, not on
3 the -- Mr. Alvarez is not testifying to the specific
4 steps that Duke should or should not take in the
5 future and what type of technology it should or
6 should not install. This is getting very detailed
7 and well beyond what he is testifying to today.

8 EXAMINER WALSTRA: I'll allow it.

9 A. I'm sorry, I lost track of the question
10 again.

11 Q. Okay. Would you agree that it would be
12 beneficial for -- let's go back to the hypothetical.

13 For those two customers, and if somebody
14 is cutting their air conditioning during the peak
15 hours for capacity assignments, it would be
16 beneficial, from a price signal standpoint, to allow
17 the customer that is reducing their consumption to
18 get a lower capacity assignment?

19 A. I would agree with that.

20 Q. Okay. And in general, as we're talking
21 about system design for grid modernization, is not
22 the aim to remove the disconnect between the
23 operation of the wholesale markets and the retail
24 market?

25 A. I would say that's one of the goals.

1 Q. And so we've talked about capacity.
2 Would you agree that the same goal applies in the
3 energy markets?

4 A. More or less.

5 Q. So -- and would you agree that the goal
6 would be the same for purposes of transmission use?

7 A. I'm not as familiar with the whole
8 transmission area and how that works.

9 Q. Okay. And turning to -- on page 34, when
10 it says on line 14, "But marketers can also cover
11 high settlement costs for their customers by raising
12 costs per kWh."

13 A. Yes.

14 Q. In that statement are you referring to
15 the fact if a customer happens to have a higher
16 assignment of capacity or energy, then the marketer
17 can just raise their rates?

18 A. To cover that cost, yes.

19 Q. And, but isn't it also true that if a
20 customer happens to get a higher bill because of the
21 cost responsibility assigned to them, that will send
22 a more efficient price signal to the customer?

23 A. Yeah, I guess I would have to agree with
24 that.

25 MR. OLIKER: Okay. Thank you,

1 Mr. Alvarez.

2 Thank you, your Honor. No more
3 questions.

4 EXAMINER WALSTRA: Ms. Watts.

5 MS. WATTS: Thank you, your Honor.

6 - - -

7 CROSS-EXAMINATION

8 By Ms. Watts:

9 Q. Good morning, Mr. Alvarez.

10 A. Good morning, Ms. Watts.

11 Q. Regarding the Wired Group which is the
12 entity for which you are employed.

13 A. Yes.

14 Q. That's an organization that you actually
15 founded, is it not?

16 A. Correct.

17 Q. And you are its only full-time employee,
18 correct?

19 A. Yes.

20 Q. And you started or founded it, began
21 Wired Group in 2008.

22 A. 2012.

23 Q. 2012, okay. Thank you.

24 And, sir, do you not have an engineering
25 degree; is that correct?

1 A. No, that's correct.

2 Q. And in June of 2011, while you were with
3 a different entity known as MetaVu, Incorporated, you
4 were retained by the Staff of the Public Utilities
5 Commission of Ohio to do an audit of Duke Energy
6 Ohio's SmartGrid deployment, correct?

7 A. That's correct.

8 Q. And you did do that audit with MetaVu,
9 correct?

10 A. Yes.

11 Q. And do you recall that the audit was
12 relevant to a case that was Case No. 10-2326?

13 A. I am.

14 Q. And can we agree to refer to that case as
15 the "midterm review case"?

16 A. Sure.

17 Q. So if I ask you about the midterm review,
18 we will both know we're talking about Case 10-2326?

19 A. Okay.

20 Q. Okay. In your testimony on page 2, you
21 state that prior to doing the audit for MetaVu, you
22 did an audit of the SmartGrid performance for Xcel
23 Energy, correct?

24 A. That's correct.

25 Q. And you cited the docket where that case

1 was heard in Colorado and it's in your footnote 2,
2 correct?

3 A. Yes.

4 Q. After your report was filed in that
5 proceeding, did you follow-up to determine whether
6 your client was successful or not?

7 A. I did not.

8 Q. Do you recall reading portions of the
9 Administrative Law Judge's opinion in your
10 deposition?

11 A. Yes.

12 Q. And isn't it true that the ALJ stated
13 there were significant problems with the MetaVu
14 Report?

15 MR. HEALEY: Object to best evidence, I
16 guess. The document that she's referring to speaks
17 for itself and asking Mr. Alvarez to interpret a
18 document that's not before us would violate the best
19 evidence rule.

20 MS. WATTS: Your Honor, this is a report
21 he authored for the Colorado Utilities Commission and
22 he should be familiar with the Commission's decision
23 on how that was received.

24 MR. HEALEY: Whether he is familiar or
25 not is not the issue; it's whether the document is in

1 front of us right now.

2 EXAMINER WALSTRA: I'll see how far in
3 the weeds we get in this, but I will allow him to
4 speak of it generally.

5 MS. WATTS: Actually, that was my last
6 question, your Honor.

7 Q. I was just going to ask if it's not true
8 that the ALJ stated there were significant problems
9 with the MetaVu Report.

10 A. I think I recall from the deposition that
11 I did read that in his Order, yes.

12 Q. Okay. Thank you.

13 And when you did the midterm review audit
14 for the Ohio Commission Staff, you spent roughly
15 hundreds of hours with the -- with Duke Energy folks,
16 did you not?

17 A. I did.

18 Q. And you were involved in working with the
19 Staff to determine the scope of the audit, correct?

20 A. I would argue that scope was largely
21 defined in the request for proposal that we responded
22 to, so I think it was largely set at that time.

23 Q. And did you feel that you did a thorough
24 audit?

25 A. I do.

1 MS. WATTS: Your Honor, may we have this
2 marked as Duke Energy Ohio Exhibit 37, and may we
3 approach, please?

4 EXAMINER WALSTRA: So marked, and yes.

5 (EXHIBIT MARKED FOR IDENTIFICATION.)

6 Q. Sir, do you have what was just now marked
7 as Duke Energy Ohio Exhibit 37?

8 A. I do.

9 Q. And is that, in fact, the MetaVu Report
10 that was produced for the Duke Energy -- for the
11 Commission's Staff in the midterm review case?

12 A. It is.

13 Q. And did you have a significant
14 responsibility for this report and for producing the
15 ultimate writing?

16 A. I did.

17 Q. Would you turn to page 9 of that report,
18 please.

19 A. Uh-huh.

20 Q. Referring to page 9, would you agree that
21 the purpose for the MetaVu audit was to verify and
22 quantify the value of SmartGrid deployment and to
23 identify changes or revisions to the current Duke
24 Energy plan?

25 A. Yes.

1 Q. And referring to page 10, part of your
2 review was the analysis of 23 operational benefits
3 that were identified by the company in its original
4 application seeking approval of the SmartGrid plan,
5 correct?

6 A. That's correct.

7 Q. And referring to page 11, you noted that
8 MetaVu reviewed the Validation, Editing, and
9 Estimation routines utilized by the two data
10 processing systems, EDMS and MDMS, and found that
11 they were adequate, correct?

12 A. That's correct.

13 Q. And on page 32 of your report, page 32
14 consists of sort of a picture, correct?

15 A. Correct.

16 Q. Or a photograph, if you will.

17 A. Uh-huh.

18 Q. And in that picture there is reference to
19 both EDMS and MDMS, correct?

20 A. Yes.

21 Q. Okay. And turning to page 36.

22 A. Uh-huh.

23 Q. You stated that MetaVu was asked to
24 verify accuracy of customer bills calculated under
25 time differentiated rates, and MetaVu did this and

1 found that the system yielded entirely accurate
2 bills, correct?

3 A. That's correct.

4 Q. And, sir, you are aware that Duke Energy
5 received United States Department of Energy funding
6 for its SmartGrid project, correct?

7 A. Correct.

8 Q. And after you completed your midterm
9 review for the Staff of the Commission, you were
10 subsequently retained by Duke Energy Ohio, were you
11 not?

12 A. Subsequently, yes.

13 Q. And you were retained to summarize, in
14 writing, some reports that could be provided to the
15 Department of Energy, correct?

16 A. That's correct.

17 Q. Now, I believe you've said you first
18 became aware that Duke Energy was installing Itron
19 meters in addition to Echelon meters at approximately
20 the time when you were retained by OCC in connection
21 with these proceedings, correct?

22 A. Correct.

23 Q. So that was approximately 2017.

24 A. Or possible a little bit earlier, but
25 2016, 2017.

1 Q. Okay. And in your testimony, you mention
2 a book that you've written.

3 A. Yes.

4 Q. And your first edition was published in
5 2014, correct?

6 A. That's correct.

7 Q. I have a copy of your book.

8 A. Yes.

9 Q. Does this look familiar to you?

10 A. It does look familiar to me.

11 MS. WATTS: Your Honor, I only have one
12 book, but I have copied just the one page from the
13 book that's relevant to my question so.

14 EXAMINER WALSTRA: Okay. I think he
15 would appreciate it if you bought copies for
16 everyone.

17 MS. WATTS: I think he would. I tried to
18 hold back from that.

19 THE WITNESS: I would have appreciated
20 that.

21 MS. WATTS: Would you like to distribute
22 them for free?

23 May we approach, your Honor?

24 EXAMINER CATHCART: You may.

25 EXAMINER WALSTRA: You may.

1 Q. (By Ms. Watts) I am going to refer you to
2 page 287, Mr. Alvarez.

3 A. Yes.

4 Q. And so, Mr. Alvarez, that's an
5 accurate -- that is, in fact, the book that you
6 authored, correct?

7 A. It is, yes.

8 Q. And I have also given you what I would
9 like to have marked as Duke Energy Ohio Exhibit 38.

10 EXAMINER WALSTRA: So marked.

11 (EXHIBIT MARKED FOR IDENTIFICATION.)

12 Q. That is one of the Acknowledgments pages
13 from your book, correct?

14 A. It is.

15 Q. Would you take a moment to make sure it's
16 an accurate copy. You don't have the page?

17 A. Yes, this has the accurate -- this is an
18 accurate copy.

19 Q. Okay. Thank you.

20 And on that page you thanked members of
21 the Ohio Public Utilities Commission staff, correct?

22 A. I did.

23 Q. And you said that you applauded their
24 efforts to maximize SmartGrid benefits for Ohio
25 citizens, correct?

1 A. Correct.

2 Q. In what way did you believe the Staff
3 maximized SmartGrid benefits for Ohio citizens?

4 A. I think the Settlement Agreement in that
5 case reflected some things that I was complimentary
6 of.

7 Q. Is there anything else that you can think
8 of?

9 A. Well, I can -- I mean a couple of things
10 in particular were the fact that they addressed the
11 rate case timing issue. That's a situation where,
12 you know, benefits are -- economic benefits are maybe
13 available from the smart meters but not translated
14 into rates until the rate case. And so, I remember
15 the Settlement Agreement had something in there to
16 that extent and I was appreciative of that.

17 And then also the scalability of the
18 Validation, Editing, and Estimating routines, which I
19 pointed out in the report were maybe an issue. They
20 appear to address that in that -- in that order, in
21 that Settlement Agreement and subsequently approved.
22 And so, I was complimentary of that as well.

23 Q. Thank you.

24 A. Uh-huh.

25 Q. You also thanked Don Schneider on

1 page 287, correct?

2 A. Correct.

3 Q. That's the same Don Schneider that
4 testified in these proceedings, correct?

5 A. Yes.

6 Q. And you stated in -- on that page that
7 "My teams have worked with many utilities over the
8 years, but the professionalism, focus, and integrity
9 of every Duke Energy employee with whom we've ever
10 worked have been truly exceptional." Is that a
11 correct reading of what you put in that page?

12 A. It is.

13 Q. And you wrote that after having completed
14 the MetaVu audit, correct?

15 A. That's correct.

16 Q. And do you have any reason to doubt those
17 qualities in Don Schneider today?

18 A. I do not.

19 Q. And would you agree that in working with
20 Duke Energy folks in the SmartGrid audit that you
21 accomplished while with MetaVu, that you were
22 learning a lot about SmartGrid deployment at that
23 time?

24 A. Yes.

25 Q. On page 3 of your testimony.

1 A. Uh-huh.

2 Q. At lines 8 and 9, you mention the report,
3 the MetaVu Report, and you say portions of which are
4 at issue in these cases. Do you see that?

5 A. I do.

6 Q. The portions you believe that are at
7 issue include billing processes, the use of interval
8 data, the design capabilities of the communications
9 network, the metering communication network, and
10 functionalities of back office systems and software,
11 correct?

12 A. Can you repeat that list again?

13 Q. Yeah. Billing processes, the use of
14 interval data, the design capabilities of the
15 communications network, the metering communication
16 network, and functionalities of back office systems
17 and software.

18 A. Yeah, I would say that's fair.

19 Q. Do you believe that the Settlement
20 Agreement in the midterm review case stated that Duke
21 was to make billing-quality interval data available
22 to competitive suppliers?

23 A. That's my understanding.

24 Q. But you would admit, would you not that,
25 the stipulation does not specify for what volume of

1 customers, how frequently the data was to be
2 accessed, and what timeframes it was to be provided?

3 A. I don't remember that.

4 MS. WATTS: Your Honor, the Stipulation
5 and Recommendation in Case No. 10-2326, is that
6 already an exhibit and do --

7 EXAMINER WALSTRA: I believe OCC
8 presented that yesterday.

9 MR. HEALEY: It's Duke 35.

10 MS. WATTS: It is?

11 EXAMINER WALSTRA: Yes.

12 MS. WATTS: May we approach, your Honor?

13 EXAMINER WALSTRA: You may. We will make
14 sure the witness has this, but if everybody already
15 has it. I think the Bench only got one copy
16 yesterday.

17 Q. (By Ms. Watts) Mr. Alvarez, would you
18 take a moment to review that document.

19 A. Uh-huh.

20 Q. That's the Settlement Agreement to which
21 you have been referring, correct?

22 A. Correct.

23 Q. And would you turn to page 10, please, of
24 that document.

25 A. Yep.

1 Q. On page 10, towards the bottom, there's a
2 section entitled "Customer Pilots and Time
3 Differentiated Rates." Do you see that?

4 A. I do.

5 Q. And would you agree with me that that
6 section requires the company, Duke Energy Ohio, to
7 "continue to work with the Duke Energy Ohio SmartGrid
8 collaborative in developing a portfolio of
9 time-differentiated rate offerings that include
10 further pilot programs of innovative designs and
11 non-pilot rates that provide standard service offer
12 customers pricing structures that incentivize them to
13 shift energy usage to reduce their electric bills"?

14 A. Yes.

15 Q. And do you know whether Duke Energy Ohio
16 did that?

17 A. I do not.

18 Q. Okay. Is that the section to which you
19 were referring in regard to offering
20 time-differentiated rates to competitive retail
21 energy suppliers?

22 A. No.

23 Q. Can you point us to that section, please?

24 A. I believe that's Section c on page 11.

25 Q. Okay. And the first sentence of

1 Section c states "The Company will provide CRES
2 providers the necessary billing system functionality
3 to offer CRES customers time differentiated rates
4 consistent with its existing supplier tariff
5 beginning January 1, 2013." Do you see that?

6 A. I do.

7 Q. Have you ever reviewed the company's
8 supplier tariff as it was on that date?

9 A. No.

10 Q. Do you know what "consistent with its
11 existing supplier tariff" means in reference to that
12 sentence?

13 A. Well, I could guess. I imagine that's
14 the agreement between Duke and the CRES providers,
15 that tariff. That's my guess.

16 Q. But you don't actually know.

17 A. No, I do not know.

18 Q. Okay. Now, you read Mr. Schneider's
19 testimony in this proceeding, correct?

20 A. I have.

21 Q. And you're familiar with what he refers
22 to as the Business Continuity Plan?

23 A. Yes.

24 Q. And you understand that Mr. Schneider in
25 his testimony offers a cost evaluation of two

1 different scenarios for Duke Energy, correct?

2 A. Correct.

3 Q. And if I refer to them as the transition
4 to mesh environment and the continued node
5 environment, will you understand what I mean?

6 A. Yes.

7 Q. Okay. With respect to those two
8 different scenarios, would you expect that regardless
9 of which scenario is selected, the Business
10 Continuity Plan would take place in either case?

11 MR. HEALEY: I would object. That calls
12 for speculation as to what Duke -- Duke may or may
13 not do. Mr. Alvarez doesn't have personal knowledge
14 of what Duke will do with respect to making
15 investments in its distribution system.

16 EXAMINER WALSTRA: I will allow the
17 question.

18 A. Sorry, Ms. Watts, could you repeat that?

19 Q. Sure. And maybe I can state it in a
20 different way.

21 You have offered alternatives to what
22 Mr. Schneider has offered in terms of two different
23 plans for going forward.

24 A. Yes.

25 Q. And you have provided some financial

1 analysis with respect to your view of Mr. Schneider's
2 plan.

3 A. Yes, correct.

4 Q. Isn't it true in either analysis with
5 respect to either continued node environment or
6 transition to mesh environment, in either case in the
7 meantime, the company is required to do the
8 continued -- what's it called -- the Business
9 Continuity Plan?

10 A. Well, I know the company's required to
11 read meters. How they actually do that I guess is --
12 there are many options available. I don't -- I
13 don't -- that's my answer.

14 Q. With respect to the Business Continuity
15 Plan, is it your understanding that the company is
16 seeking approval in these cases for that plan?

17 A. I'm not sure how the company plans to
18 recover those costs.

19 Q. Shifting gears for a moment, are you
20 aware that the Verizon network is upgrading from 3G
21 to 4G technology?

22 A. Yes.

23 Q. And you don't dispute the need to do
24 something to address that shift, correct?

25 A. I do not.

1 Q. And you are further aware, are you not,
2 that Ambient has gone bankrupt and the technology
3 owned by Ambient has been purchased by Ericsson
4 Corporation.

5 A. Yes, I'm aware of that.

6 Q. Sir, are you aware of any utility in the
7 U.S. that's currently deploying Echelon meters?

8 A. I'm not.

9 Q. On page 7, line 2, of your testimony.

10 A. I have it.

11 Q. I believe you discuss billing
12 enhancements there.

13 A. Yes.

14 Q. Have you ever done a review or audit of
15 Duke Energy's billing system?

16 A. Yes.

17 Q. And what did that involve other than
18 verifying the accuracy?

19 A. It involved verifying the accuracy, but
20 in that process we had to understand the process used
21 to translate data into bills, so we did look at and
22 examine the systems and business processes along the
23 way.

24 Q. Okay. And that audit that you referred
25 to was done sometime between 2010 and 2012, correct?

1 A. Correct.

2 Q. And are you aware that Duke Energy has
3 engaged in mergers with other utility companies since
4 2012?

5 A. Yes.

6 Q. And do you know anything about any
7 changes to the billing system that may or may not
8 have occurred since 2012?

9 A. I do not.

10 Q. On page 8, line 15 of your testimony.

11 A. Uh-huh.

12 Q. You reference Ms. Alexander stating that
13 the Echelon metering system has multiple
14 shortcomings. Do you see that?

15 A. I do.

16 Q. And you have, no doubt, read
17 Ms. Alexander's testimony?

18 A. I have.

19 Q. And do you agree with it?

20 MR. HEALEY: Objection, your Honor.

21 Mr. Alvarez was simply cross-referencing
22 Ms. Alexander's testimony. If Ms. Watts appears to
23 be wanting to cross-examine Mr. Alvarez on what is in
24 Ms. Alexander's testimony, her opportunity to
25 cross-examine Alexander was yesterday. It's not

1 appropriate for her to start asking Mr. Alvarez
2 questions which effectively are cross-examination of
3 the evidence that's already been admitted.

4 EXAMINER WALSTRA: Ms. Watts.

5 MS. WATTS: Your Honor, I am not
6 interested in -- I'm not trying to get at anything
7 Ms. Alexander said yesterday. I want to understand
8 what Mr. Alvarez's view is of some of the statements
9 she made with respect to a system that he audited
10 some years ago.

11 EXAMINER WALSTRA: I'll allow it.

12 A. I'm sorry, the question again, Ms. Watts?

13 Q. Did you agree with Ms. Alexander's
14 testimony?

15 A. Yes.

16 Q. And Ms. Alexander stated that the
17 metering -- the Echelon metering system had
18 shortcomings relative to promises made in the 07-589
19 case, correct?

20 A. That's correct.

21 Q. And you did your audit after the 07-589
22 case, correct?

23 A. That's correct.

24 Q. Is there somewhere in the MetaVu audit,
25 that you can point to, where you address meter

1 shortcomings?

2 MR. HEALEY: I object to that as vague as
3 to what a meter shortcoming is just for purposes of
4 clarity in the record.

5 EXAMINER WALSTRA: Overruled.

6 A. Well, I think the most relevant one to
7 this case is on page 38, where I talk about the
8 Validation, Editing, and Estimating routines which
9 are used to, you know, create bills. And these
10 variable -- time-variable rate bills were
11 insufficient for larger volumes.

12 Q. Sure. And would you agree with me that
13 that actually relates to the MDM and the EDMS systems
14 rather than the meters?

15 A. Yes, I would agree with that.

16 Q. Is there any other reference to the
17 meters? Where there are shortcomings pointed out?

18 A. I mean, there may be. I would have to
19 look. It would take some time to find them, but I do
20 not believe there are any other
21 substantially-relevant shortcomings mentioned.

22 Q. Turning to page 9 of your testimony, you
23 reference the average age of the Echelon metering
24 system to be six to seven years. Do you see that?

25 A. Yes.

1 Q. Do you know when Duke installed its first
2 Echelon meter?

3 A. I do not.

4 Q. And do you know when it installed its
5 first Ambient node?

6 A. I do not.

7 Q. On page 9 of your testimony, with
8 reference to Verizon Wireless, you use the word
9 "allegedly" there. Do you see that?

10 A. I do.

11 Q. Do you have any reason not to believe
12 that that -- that it's true?

13 A. No, I have no reason to believe they will
14 not discontinue the system. The 2G system.

15 Q. And item 2 on page 9 of your testimony.

16 A. Uh-huh.

17 Q. Talks about the number of customers for
18 whom billing-quality data is available being
19 extremely limited. Do you see that?

20 A. I do.

21 Q. Do you know how many total customers the
22 company has?

23 A. Roughly.

24 Q. Could you tell us what?

25 A. Oh, roughly 700,000 is what my estimate

1 is.

2 Q. Okay. And do you know how many customers
3 for whom the company has billing-quality customer
4 energy usage data?

5 A. I do not know that.

6 Q. In your testimony, on page 19, you
7 reference a Massachusetts proceeding, correct?

8 A. Correct.

9 Q. And in that proceeding the Attorney
10 General -- you were employed by the Attorney
11 General's Office of Ratepayer Advocacy, correct?

12 A. Correct.

13 Q. And you were asked to review the
14 benefit/cost analysis of smart meter deployments by
15 Massachusetts investor-owned utilities, correct?

16 A. Correct.

17 Q. And the proceeding was, in essence, an
18 application by all investor-owned utilities being
19 considered all in one proceeding, correct?

20 A. I think they had different docket numbers
21 but yes, in essence, it was the same proceeding.

22 Q. Okay. And each company's application was
23 a bit different from the other, correct?

24 A. Correct.

25 Q. And you stated in your testimony that the

1 Massachusetts Department of Public Utilities rejected
2 the smart meter deployments, citing the high cost of
3 prematurely-retired assets as a primary
4 consideration. Do you see that?

5 A. I do see that.

6 Q. And do you believe that the Massachusetts
7 Department of Public Utilities' decision uses the
8 terms "primary consideration"?

9 A. I do not recall. It could be my -- my
10 language, not theirs.

11 Q. All right. And would you agree with me
12 that the chief decision for -- the chief -- one of
13 the chief reasons for the Department's decision not
14 to preauthorize customer-facing investment was
15 because, in their view, the cost versus benefits
16 didn't prove out?

17 A. Correct.

18 Q. And isn't it also true that the
19 Massachusetts Department of Public Utilities
20 determined that the primary benefits had to do with
21 dynamic pricing and many customers were aggregated or
22 shopping?

23 A. That's correct.

24 Q. And so, the Massachusetts Department of
25 Public Utilities stated that it needed the supply

1 market to maximize benefits of advanced metering.
2 Without that assurance, they didn't see sufficient
3 value; is that correct?

4 A. That's correct.

5 Q. Isn't it also true that the Massachusetts
6 Department of Public Utilities said in that Order
7 that they were not moving away from deployment of
8 advanced metering, but they were going to engage
9 stakeholders to remove barriers to implementation of
10 dynamic pricing?

11 A. That's my recollection, yes.

12 Q. And are you aware of whether or not such
13 stakeholder engagement has incurred -- occurred in
14 Ohio?

15 A. I'm not aware.

16 Q. And do you know what the Ohio Commission
17 has done in terms of removing barriers to
18 implementation of dynamic pricing?

19 A. I'm not aware.

20 Q. Have you ever discussed dynamic pricing
21 with anyone at Duke Energy?

22 A. Not that I can recall.

23 Q. In your report, your MetaVu Report that
24 was filed in the midterm review, provided an overview
25 of 25 benefits resulting from SmartGrid deployment,

1 correct?

2 A. That's correct.

3 Q. And we could agree those are potential
4 benefits.

5 A. That's right.

6 Q. Have you rereviewed any of these to
7 create an updated analysis?

8 A. No.

9 Q. And do you have any knowledge of how each
10 of those 25 benefits manifested once deployment was
11 complete?

12 A. I do not.

13 Q. So now, sir, I would like to turn to
14 page 17 of your testimony where you provide a summary
15 of what you call the "Customer Cost Ignored in Duke's
16 Projections."

17 A. Yes.

18 Q. Now, three -- three of the cost types
19 included in your table there on page 17 involved
20 carrying charges, correct?

21 A. Yes.

22 Q. And you calculated a nominal and a
23 present value for those carrying charges, correct?

24 A. Correct.

25 Q. And you provided exhibits to show those

1 calculations if I'm understanding your testimony
2 correctly.

3 A. That's correct.

4 Q. And the calculations on page 17 come from
5 your Exhibit PJA-3, correct?

6 A. That's correct.

7 Q. In the first series of rows in PJA-3, you
8 calculate profits by multiplying the weighted cost of
9 equity which you used 50.75 equity ratio in your
10 assumptions, times 9.84 ROE, by the total book value
11 of the investment; is that correct?

12 A. That's correct.

13 Q. And so, for example, in 2020, your math
14 is 96,0009 -- 96,906,422 multiplied by a
15 50.75 percent equity ratio, multiplied again by
16 9.84 percent, to get to \$4,839,313 in profit,
17 correct?

18 A. I'm sorry. I'm going to have to magnify
19 here.

20 Q. I have extra glasses if you need it.

21 A. Got it.

22 Can you run through the calculation again
23 for me, please, I'm sorry.

24 Q. Sure.

25 96,906,422 multiplied by 50.75 equity

1 ratio.

2 A. Uh-huh.

3 Q. Multiply again by 9.84 percent.

4 A. Uh-huh.

5 Q. To get to 4,839,313 in profit. Is that
6 accurate?

7 A. That's correct.

8 Q. And you calculated income tax by
9 multiplying 21 percent federal income tax times the
10 profit you calculated, correct?

11 A. That's correct.

12 Q. And you calculated interest expense as
13 well, correct?

14 A. Correct.

15 Q. On the far right side of your
16 spreadsheet, you add up the numbers for a nominal
17 dollar calculation, and on the left side you
18 calculate in net present value, correct?

19 A. Correct.

20 Q. So with respect to PJA-3, you've
21 calculated a utility return on net book value of an
22 asset, correct?

23 A. That's correct.

24 Q. In other words, it's the gross plant
25 minus the book depreciation, correct?

1 A. Correct.

2 Q. Do you know what deferred taxes are?

3 A. Somewhat.

4 Q. Would you agree that because a utility
5 can depreciate assets faster for computing income tax
6 liability than it does for accrual purposes, it gets
7 a benefit in the form of cash in the early years of
8 an investment that it will have to repay at some
9 later time?

10 A. Yes.

11 Q. Essentially deferred taxes are a free
12 loan from the government, would you agree?

13 A. I would.

14 Q. And would you agree that a utility
15 generally gets to earn a return on its rate base and
16 not just its net plant?

17 A. My understanding is that those two are
18 equivalent.

19 Q. On page 24 of your testimony.

20 A. Uh-huh.

21 Q. You have a table that again purports to
22 show "Costs Duke Failed to Include in the Transition
23 to Mesh Environment." Do you see that?

24 A. Uh-huh.

25 Q. And again in that table you make

1 reference to Exhibits PJA-3 and PJA-4, correct?

2 A. I can see that.

3 Q. To your knowledge does Duke Energy Ohio
4 have any outstanding applications before the Public
5 Utilities Commission for recovery of costs related to
6 the gas portion of the AMI transition?

7 A. Not to my knowledge.

8 Q. And can you explain why you would have
9 included, in an electric-only case, the cost
10 associated with gas service?

11 A. Well, in Mr. Schneider's Exhibit DLS-1,
12 he makes the business case for removing the old
13 system, the existing system prematurely to, you know,
14 replace it with this new system, the -- I can't
15 remember what you call it -- the node environment,
16 the Itron environment --

17 Q. The mesh.

18 A. The mesh environment, thank you. And in
19 that analysis he includes gas costs and benefits, so
20 I did -- I did as well.

21 Q. In the table on page 24 of your
22 testimony, in Section B.2. Are you with me?

23 A. Uh-huh.

24 Q. You again calculate carrying costs on a
25 nominal and net present value basis. Is it fair to

1 say that you calculated the carrying costs and net
2 present value in the same manner as discussed earlier
3 in PJA-3?

4 A. Yes.

5 Q. Referring to PJA-4, just focusing on the
6 electric data for the moment, you used the book value
7 numbers from the company's rate case, correct?

8 A. That's correct.

9 Q. And those book value numbers were based
10 on the company's book value reported as of June 30,
11 2016?

12 A. That seems about right, yes.

13 Q. And would you agree that Duke Energy
14 continues to depreciate the value of those assets
15 since June 30, 2016?

16 A. Yes, certainly.

17 Q. So, all else being equal, would you
18 expect that the book value today to be less than,
19 equal to, or greater than what it was in June 30,
20 2016?

21 A. Somewhat less than.

22 Q. And would you agree that because the book
23 value today must be lower than what you have shown in
24 your table, that all of your present value
25 calculations related to the existing plant would be

1 overstated?

2 A. By a small amount, yes.

3 Q. Referring to Table 3 on page 24 again.

4 A. Uh-huh.

5 Q. Do you know if costs for the company's
6 business continuity effort have already occurred?

7 A. I assumed so in this -- in this document,
8 in this calculation.

9 Q. And do you believe that those costs
10 should be added to both of the scenarios offered by
11 Mr. Schneider, both the continued node and transition
12 to mesh scenarios?

13 A. I believe those costs should be
14 considered in any kind of business case analysis of
15 the metering system replacement.

16 Q. On page 18 of your testimony, at lines 16
17 through 18, you reference testimony of Chris Kiergan
18 from a previous Duke Energy case. Do you see that?

19 A. Yes.

20 Q. Are you certain that the Echelon meters
21 were projected to deliver benefits to customers for
22 20 years?

23 A. Yes. I am quite certain of that.

24 Q. And do you recall that the Ambient
25 communication nodes were projected to deliver

1 benefits to customers for 10 years?

2 A. Yes, I do recall that.

3 Q. On page 20 of your testimony, you
4 consider 15 years to be a better estimate of the new
5 system's service life, correct?

6 A. That's correct.

7 Q. And so, that's assuming that benefits
8 associated with new Itron meters installed beginning
9 in 2019 should only be projected for the remaining
10 estimated service life of those meters?

11 A. Correct.

12 Q. And does that mean there should be no
13 benefits associated with the original Echelon meters
14 after they have been in service for 20 years?

15 A. I think that's correct.

16 Q. Do you know if Echelon still
17 manufacturers AMI meters for use in the United
18 States?

19 A. I do not know.

20 Q. Do you have any way of knowing whether
21 Echelon would continue to manufacture AMI meters for
22 use in the United States 10 years from now?

23 MR. HEALEY: Objection, that calls for
24 speculation.

25 A. No.

1 MR. HEALEY: He can't possibly know what
2 Echelon may or may not do 10 years from now.

3 EXAMINER WALSTRA: I think that's the
4 question.

5 MS. WATTS: Exactly.

6 EXAMINER WALSTRA: Overruled.

7 A. Can you repeat that, Ms. Watts?

8 Q. Yeah.

9 Do you have any way of knowing whether
10 Echelon will continue to manufacture AMI meters for
11 use in the United States 10 years from now?

12 A. I have no way of knowing that.

13 Q. And is it reasonable to assume that a
14 10-year-old Echelon meter will last another 15 years
15 from now?

16 A. I think it's hard to say how long they'll
17 last.

18 Q. On page 25 of your testimony, at lines 1
19 through 13.

20 A. Uh-huh.

21 Q. You offer some alternative solutions
22 there, correct?

23 A. Yes.

24 Q. Now, can we agree that with respect to
25 Duke Energy's -- can we call the SmartGrid deployment

1 to date the "Echelon Ambient solution"?

2 A. Sure.

3 Q. Okay. Do you know any other utility that
4 has opted for that solution in the United States?

5 A. I do not.

6 Q. And do you know any other utilities that
7 have experience using the EDMS Oracle product?

8 A. I do not.

9 Q. On page 26, line 4 you referenced "EDMS
10 VEE limitations." Do you see that?

11 A. Yes.

12 Q. And you discuss those same VEE
13 limitations on pages 38, 39 of the MetaVu Report,
14 correct?

15 A. That's correct.

16 Q. Did you recommend that VEE functions be
17 performed on interval data for EDMS in your MetaVu
18 Report?

19 A. I do not recall.

20 Q. Again on page 26, at lines 8 through 11.

21 A. Yes.

22 Q. You state that it's "possible that a
23 translation program could be written to 'map' the
24 individual elements from an EDMS data record into the
25 corresponding elements in an MDM-compatible data

1 record." Do you see that?

2 A. I do.

3 Q. Did you include that in a scenario? A
4 cost scenario?

5 A. I did not specifically include that in
6 any of the cost elements of my analysis, no.

7 Q. Do you know how that concept is different
8 from the EDMS to MDM conversion that is included in
9 Duke Energy Ohio's Scenario A?

10 A. I do not.

11 Q. Do you have any idea how mapping meters
12 from EDMS to MDM, such as you discuss there, would
13 address the problem with the sunseting of 3G to 4G?

14 A. I do not believe it's related to that.
15 It's related to the interval data, not the sunset of
16 the communications protocol.

17 Q. Okay. And that mapping wouldn't solve
18 the problem of the node failures that the company's
19 experiencing either, would it?

20 A. It would not.

21 Q. On page 27 of your testimony, at line 11,
22 you state that the company did not consider any of
23 the options that you discussed, correct?

24 A. Correct.

25 Q. Looking at Scenario A on page 25 --

1 actually, I think it's on page 17.

2 A. 24 maybe?

3 Q. Yeah. Thank you. Yes. Thank you for
4 that.

5 In Scenario A, now you stated that
6 Scenario A is essentially a recreation of Duke Energy
7 Witness Schneider's continued node environment,
8 correct?

9 A. Some of the columns are, yeah, the Duke
10 columns, the columns with Duke there.

11 Q. And do you see an EDMS to MDM conversion
12 cost in Scenario A?

13 A. I do.

14 Q. Is it possible that this is the
15 conversion that can be done by mapping work from MDMS
16 to EDMS as you suggested?

17 MR. HEALEY: I would object to the
18 relevance, your Honor. Mr. Schneider's proposal
19 under Part A speaks for itself. If Mr. Schneider, in
20 fact, said that in his testimony, Duke is free to
21 point to that. But to ask Mr. Alvarez whether that
22 might be possible is really not relevant to
23 Mr. Schneider's testimony, it's his own testimony;
24 and ask Mr. Alvarez to speculate as to the intent of
25 Mr. Schneider's testimony can't possibly be relevant

1 here.

2 MS. WATTS: Your Honor, Mr. Alvarez has
3 testified that the company has not considered any of
4 the possibilities that he's referencing in his
5 testimony and I want him to tell me whether he
6 believes this actually is a consideration of one of
7 his suggestions.

8 EXAMINER WALSTRA: Overruled.

9 A. I would say it's possible.

10 Q. And with respect to the alternative
11 solutions that you've offered in your testimony, to
12 be clear, you're not specifically recommending any of
13 these as alternative scenarios to the Commission
14 today, correct?

15 A. They're just examples, that's correct.

16 Q. For one of your recommendations with
17 respect to the X -- 3G to 4G meter changes, would the
18 company have to visit each individual meter to
19 accomplish that solution?

20 A. Yes.

21 Q. Have you done any cost estimate for the
22 differential between the CGR node or ongoing cellular
23 cost per meter?

24 A. No.

25 Q. And do you have any technical expertise

1 to suggest that that scenario is possible?

2 A. I would say based on my experience, it is
3 possible.

4 Q. Would you agree that all of the
5 alternative solutions you have suggested would
6 require some capital investment?

7 A. I would agree with that.

8 Q. Would you further agree that the
9 solutions you've suggested would, in some cases,
10 leave aging hardware in the field?

11 A. I would argue that all Duke equipment in
12 the field is aging all the time.

13 Q. Well, I don't believe that's responsive
14 to my question. So the question is: The scenarios
15 that you propose, would you agree that in those
16 scenarios they would leave aging hardware in the
17 field?

18 MR. HEALEY: Objection, asked and
19 answered. He responded that all hardware is aging.

20 EXAMINER WALSTRA: I'll sustain. If you
21 have a follow-up question, you can clear that up.

22 MS. WATTS: I'll just move on, your
23 Honor.

24 EXAMINER WALSTRA: Thank you.

25 Q. Do you know how many different metering

1 systems are used in the United States?

2 A. No.

3 Q. Can you offer an estimate of
4 approximately how many there are?

5 A. I mean, there are thousands of electric
6 utilities in the U.S., so there are many, many
7 different systems out there. I couldn't attempt to
8 estimate.

9 Q. Do you know how many companies have gone
10 with the Itron solution?

11 A. No.

12 Q. On page 30 of your testimony you state
13 that Duke Energy's metering system, planning design,
14 and build stages, all these steps seem to have been
15 missed. Do you see that?

16 A. What page are you on?

17 Q. 30.

18 A. I don't see that on 30.

19 Q. Did you state that in your testimony?

20 A. I believe so, yes. One moment.

21 Yeah, page 38, yes.

22 Q. Thank you.

23 Isn't it true the planning and design
24 phases of Duke Energy Ohio's system was complete at
25 the time the MetaVu audit occurred?

1 A. Yes.

2 Q. Would you further agree with me that
3 the -- actually, the build stage had already started?

4 A. Yes.

5 MS. WATTS: That's all I have, your
6 Honor. Thank you.

7 EXAMINER WALSTRA: Thank you.

8 Staff?

9 MR. EUBANKS: No questions.

10 EXAMINER WALSTRA: Thank you.

11 Any redirect?

12 MR. HEALEY: May we have a couple of
13 minutes?

14 EXAMINER WALSTRA: Sure. We'll go --
15 we'll take a 10-minute recess and go off the record.

16 (Recess taken.)

17 EXAMINER WALSTRA: Back on the record.

18 Redirect?

19 MR. HEALEY: Yes, your Honor.

20 - - -

21 REDIRECT EXAMINATION

22 By Mr. Healey:

23 Q. Mr. Alvarez, do you still have in front
24 of you a copy of the MetaVu Report?

25 A. I do.

1 Q. And can you turn to page 32.

2 A. Yes.

3 Q. And do you recall when Counsel for Duke
4 asked you whether this sheet identifies both EDMS and
5 MDMS?

6 A. Yes.

7 Q. And can you -- can you see on this sheet
8 it also mentions something called a "communication
9 node"?

10 A. I see that.

11 Q. And which of the two metering systems as,
12 between the Echelon and Itron system, has a
13 communication node?

14 A. That's the Echelon system that's
15 currently installed.

16 Q. And does this diagram at all show the
17 Itron systems or Itron meters?

18 A. No.

19 Q. Do you recall when Duke's counsel asked
20 you about whether the Business Continuity Plan would
21 be necessary under both the continued node
22 environment and transition to mesh?

23 A. Yes.

24 Q. Do you believe that there are any
25 alternatives to Mr. Schneider's Business Continuity

1 Plan for Duke's short-term planning?

2 A. I think there may be. I think there may
3 be several. And that's, as discussed in my
4 testimony, that's something that should be examined
5 in a more transparent manner.

6 Q. Do you recall when Duke's counsel was
7 discussing whether you identified shortcomings in
8 meters in your MetaVu Report?

9 A. That's correct. I remember that.

10 Q. And she asked if you could identify any
11 shortcomings in the meters in that report you had
12 pointed out.

13 A. Right.

14 Q. And I believe you -- I believe she had
15 said or asked you whether the shortcomings were an
16 issue with the EDMS versus the MDM, correct?

17 A. I believe that's correct.

18 Q. And Duke's suggestion was that this was
19 not a metering issue. Would you agree with that?

20 A. Right.

21 Q. Would you agree that the distinction
22 between EDMS and MDM is an issue that is unrelated to
23 the meters?

24 A. Well, EDMS and meters are kind of one and
25 the same. They function -- they function together.

1 And so, I don't think you can necessarily distinguish
2 between those.

3 Q. Can you turn to Exhibit PJA-4, please.

4 A. Got it.

5 Q. And do you recall questions from Duke's
6 counsel regarding the dates you used in the date
7 column?

8 A. Yes.

9 Q. And why did you use June 30, 2016, as the
10 date in your calculations in PJA-4?

11 A. Well, that's the date certain in the rate
12 case.

13 Q. And Ms. Watts asked you if the numbers in
14 your calculations would change if you were to use a
15 more recent date based on continued depreciation of
16 assets. Do you recall that line of questioning?

17 A. Yes.

18 Q. And why didn't you use a more recent date
19 than June 30, 2016?

20 A. Well, you could do it on a daily basis if
21 you had to. It would be onerous to do so and the
22 benefit for doing so would be minimal because there's
23 not that much time elapsed between that date and
24 today.

25 Q. Do you remember questions from Ms. Watts

1 regarding concerns about accuracy of billing in your
2 MetaVu Report?

3 A. Yes.

4 Q. And she pointed out that you had
5 concluded that the billing was accurate, correct?

6 A. Yes.

7 Q. Did you identify any concerns you had
8 with billing accuracy though?

9 A. Well, yes. That was -- that led to the
10 whole finding about the concerns of volume and
11 scalability.

12 Q. And can you explain what you mean by
13 concerns with volume and scalability?

14 A. Well, according to the current system
15 limitation, they couldn't, in volume, in large
16 volumes, validate, edit and estimate interval data
17 such to produce billing-quality data, and so that
18 would imply a challenge in higher volumes of
19 producing accurate bills.

20 Q. Do you recall questions from Mr. Olikier
21 related to providing interval data to CRES?

22 A. Yes.

23 Q. And what are -- can you describe to me
24 how Duke's system might potentially be upgraded to
25 allow for that capability?

1 A. Well, I think there's a variety of
2 options that need to be explored which is the, you
3 know, the point I make in my testimony. My testimony
4 attempts to say that not that we don't need interval
5 billing data, but that we should -- we should strive
6 to find the cheapest way to get that data.

7 Q. Mr. Alvarez, you recall generally
8 questions from Duke's counsel about your role in
9 preparing the MetaVu Report, correct?

10 A. Yes.

11 Q. And she had asked you about potential
12 shortcomings in Duke's SmartGrid system that you may
13 or may not have identified in that report, correct?

14 A. Right.

15 Q. And you identified, at a minimum,
16 potential issues with VEE, correct?

17 A. Yes.

18 Q. And based on your testimony and
19 Mr. Schneider's and Ms. Alexander's, your belief now
20 is that there are many more issues with Duke's system
21 beyond that here in 2018, correct?

22 MS. WATTS: Your Honor, I object as this
23 witness can only speak for his own testimony himself.
24 He can't testify as to other witnesses's testimony.

25 MR. HEALEY: Just confirming he's aware

1 of other witnesses's testimony regarding issues with
2 SmartGrid. It's Duke's own testimony admitting that
3 there are issues that need to be resolved.

4 EXAMINER WALSTRA: The question is to his
5 belief. I'll allow the question.

6 A. Sorry, Chris, can you repeat that?

7 Q. Sure.

8 You are aware that now in 2018,
9 Mr. Schneider, in addition to Ms. Alexander, and your
10 testimony as well, identify problems with Duke's
11 SmartGrid system beyond just the VEE issues you
12 identified in the MetaVu analysis, correct?

13 A. Yes.

14 Q. And can you explain to me why you -- why
15 those issues were not addressed in 2011 when you did
16 your MetaVu Report?

17 A. Well, I would argue at the time, at the
18 time we did our analysis -- the report speaks for
19 itself. At the time we did the analysis, the bills
20 were accurate. We identified issues that we felt
21 were going to be problematic at volume.

22 And so, honestly, the stip came out and
23 also addressed -- and the Order was approving, that
24 Settlement Agreement came out clearly specifying that
25 the interval data issue was going to get addressed.

1 And so, quite frankly, I'm surprised at this point
2 that those things didn't get fixed. We pointed it
3 out, the stipulation addressed it, and so here we are
4 years later, I'm surprised that they're -- those
5 issues weren't addressed as indicated in the Order or
6 in the Settlement Agreement.

7 MR. HEALEY: Nothing further, your Honor.

8 EXAMINER WALSTRA: Thank you.

9 Any recross?

10 Ms. Watts.

11 - - -

12 RECROSS-EXAMINATION

13 By Ms. Watts:

14 Q. Mr. Alvarez, with respect to the
15 stipulation and the midterm review, what specifically
16 are the issues that you are testifying were not
17 addressed?

18 A. III.c, on page 11, where it says "The
19 Company will provide CRES providers the necessary
20 billing system functionality to offer CRES customers
21 time differentiated rates consistent with its
22 existing supplier tariff beginning January 1, 2013."

23 Q. Is that the only issue that you believe
24 was not addressed from the stipulation?

25 A. Well, the other issue I would argue that

1 hasn't been addressed is the actual benefits secured.
2 You know, the midterm review was conducted at the
3 midterm, and so we were unable at that time -- at
4 that point to quantify the actual benefits. So those
5 are the two shortcomings from this stipulation, I
6 argue, have not been addressed.

7 Q. And paragraph c that you reference on
8 page 11 states also that "Duke Energy Ohio shall
9 provide a quarterly update to the Collaborative on
10 the status of implementing the necessary billing
11 functionality." Do you see that?

12 A. Uh-huh.

13 Q. Did you attend any of those
14 collaboratives where that topic was discussed?

15 MR. HEALEY: Your Honor, we are getting
16 well outside the scope of redirect. This is whether
17 he attended a Collaborative meeting. That wasn't
18 even remotely touched upon.

19 EXAMINER WALSTRA: I'll see where she's
20 going with it.

21 THE WITNESS: I am sorry?

22 EXAMINER WALSTRA: You can answer.

23 A. I did not.

24 Q. And so, you don't know, sir, what
25 additional discussions were had between Duke Energy

1 and members of that Collaborative with respect to
2 that necessary billing functionality that's
3 referenced in that paragraph, correct?

4 A. Well, I do not, but clearly the
5 capability is not available, so.

6 MS. WATTS: I don't have anything else.

7 EXAMINER WALSTRA: Thank you.

8 Staff?

9 MR. EUBANKS: No questions.

10 EXAMINER WALSTRA: Thank you,
11 Mr. Alvarez.

12 THE WITNESS: Thank you.

13 EXAMINER WALSTRA: Move your exhibit,
14 Mr. Healey?

15 MR. HEALEY: Yes, your Honor. OCC moves
16 for the admission of Exhibit 18.

17 EXAMINER WALSTRA: Any objections?

18 Hearing none, it will be admitted.

19 (EXHIBIT ADMITTED INTO EVIDENCE.)

20 Duke?

21 MS. WATTS: Duke moves for admission of
22 Exhibits 34 and 36.

23 EXAMINER WALSTRA: 37, 38?

24 MS. WATTS: 37, 38. By the end of the
25 hearing I'll get it straight, I promise.

1 EXAMINER WALSTRA: Can I get the title of
2 the book and the year?

3 MS. WATTS: Yes.

4 MS. BOJKO: Your Honors, it's footnote 3.

5 MS. WATTS: Would the Bench like to have
6 the book?

7 EXAMINER WALSTRA: I will be okay.

8 MS. WATTS: It's entitled "Smart Grid
9 Hype & Reality" by Paul Alvarez.

10 EXAMINER WALSTRA: What year?

11 MS. WATTS: 2014.

12 EXAMINER WALSTRA: Thank you.

13 MS. BOJKO: Your Honor, I'm sorry, isn't
14 footnote 3. Could you tell, for clarification, where
15 it is in this testimony? We thought you were
16 referring -- since we didn't have a copy of the book,
17 we thought you were referencing footnote 3.

18 MR. HEALEY: It's underlined on page 2.
19 "Smart Grid Hype & Reality."

20 MS. BOJKO: Great. Thank you.

21 EXAMINER WALSTRA: Thank you.

22 Both of the exhibits, with no objections,
23 they will both be admitted.

24 (EXHIBITS ADMITTED INTO EVIDENCE.)

25 OCC, would you like to call your next

1 witness?

2 MR. WOLTZ: Yes. Thank you, your Honor.
3 OCC calls, as our next witness, Peter J. Lanzalotta.
4 And if we may approach, your Honor?

5 EXAMINER CATHCART: You may.

6 (Witness sworn.)

7 EXAMINER CATHCART: You may be seated.

8 MR. WOLTZ: OCC would like to have marked
9 as OCC Exhibit 19, the direct testimony of Peter J.
10 Lanzalotta.

11 EXAMINER CATHCART: So marked.

12 (EXHIBIT MARKED FOR IDENTIFICATION.)

13 - - -

14 PETER J. LANZALOTTA

15 being first duly sworn, as prescribed by law, was
16 examined and testified as follows:

17 DIRECT EXAMINATION

18 By Mr. Woltz:

19 Q. Mr. Lanzalotta, can you state your name
20 for the record, please.

21 A. Peter J. Lanzalotta.

22 Q. And for whom and by where are you
23 employed?

24 A. I'm employed by Lanzalotta & Associates,
25 LLC; and they have offices at 67 Royal Point Drive,

1 Hilton Head Island, South Carolina.

2 Q. And do you have in front of you what has
3 now been marked as OCC Exhibit 19?

4 A. Yes.

5 Q. Can you identify that document for me?

6 A. It's my direct testimony in this case.

7 Q. And do you have any changes to make to
8 your testimony at this time?

9 A. No.

10 Q. And was this testimony prepared by you or
11 at your direction?

12 A. Yes.

13 Q. And if I were to ask you the same
14 questions today, would your answers also be the same?

15 A. Yes.

16 MR. WOLTZ: Thank you.

17 Your Honor, OCC moves for Exhibit 19,
18 pending cross-examination.

19 EXAMINER CATHCART: Thank you.

20 Any cross-examination?

21 Mr. Whitt?

22 MR. WHITT: No questions.

23 EXAMINER CATHCART: Mr. Olikier?

24 MR. OLIER: No, thank you, your Honor.

25 EXAMINER CATHCART: Duke?

1 MS. KINGERY: Thank you, your Honor.

2 - - -

3 CROSS-EXAMINATION

4 By Ms. Kingery:

5 Q. Good morning, Mr. Lanzalotta.

6 A. Good morning.

7 Q. My name is Jeanne Kingery. I believe we
8 met during your deposition.

9 A. Yes, I remember.

10 Q. Good. And I am with Duke Energy.

11 Your direct testimony filed on June 25,
12 and it's OCC Exhibit 19, contains all of the opinions
13 that you're offering on behalf of OCC in these
14 proceedings, correct?

15 A. Yes.

16 Q. And you are aware of the Commission's
17 standard three-prong test for the consideration of
18 stipulations, correct?

19 A. Yes.

20 Q. And looking, if we could, at page 3 of
21 your testimony, on line 4, you state that you oppose
22 those portions of the stipulation that address
23 reliability index performance, standards proposed for
24 Duke's reliability index performance, and proposals
25 to address costs and other aspects of the company's

1 vegetation management program, correct?

2 A. Yes.

3 Q. So you are not opining as to any other
4 aspects of the stipulation, correct?

5 A. Correct.

6 Q. And you believe that the Commission
7 should reject the stipulation because the proposed
8 reliability standards promote less reliable electric
9 service, correct?

10 A. Correct.

11 Q. And because of this, you believe the
12 stipulation does not benefit customers or the public
13 interest, correct?

14 A. Correct.

15 Q. But you have not analyzed any other
16 portions of the stipulation, correct?

17 A. Correct.

18 Q. And you have not made any attempt to
19 balance the reliability standards portion of the
20 stipulation with all of the other portions such that
21 you would be considering the entire package, correct?

22 A. Correct.

23 Q. Okay. Let's turn to page 8 of your
24 stip -- of your testimony. And you have a table in
25 the middle of that page. Do you see that?

1 A. Yes.

2 Q. And that table reflects the reliability
3 standards that are proposed in the stipulation,
4 correct?

5 A. Correct.

6 Q. And following the table, you begin to
7 analyze it and you first talk about the CAIDI or
8 Customer Average Interruption Duration Index,
9 correct?

10 A. Yes.

11 Q. And CAIDI measures how long, on average,
12 it takes the company to restore service per
13 interrupted customer, correct?

14 A. Yes.

15 Q. And am I correct that it is calculated by
16 adding up all of the minutes of interruptions over a
17 year and dividing that sum by the number of customer
18 interruptions?

19 A. Yes.

20 Q. So CAIDI is the result of a fraction
21 where the numerator is the minutes of interruptions
22 during the year and the denominator is the number of
23 customer interruptions, right?

24 A. Yes.

25 Q. And you express in your testimony that

1 you're concerned because the proposed CAIDI standards
2 would increase over time; is that right?

3 A. Yes.

4 Q. And you believe that a reduction in CAIDI
5 reflects an improvement in reliability, correct?

6 A. A reduction in CAIDI implies shorter
7 customer interruptions; yes, that's increase in
8 reliability.

9 Q. Okay. So let's just talk for a minute
10 about the arithmetic that goes into CAIDI. So if
11 you're dividing one number by another and expressing
12 it as a fraction, you can reduce the result in two
13 ways, either by decreasing the numerator or by
14 increasing the denominator; is that right?

15 A. Yes.

16 Q. So the company could reduce CAIDI, which
17 you believe is the right goal, correct?

18 A. It's a performance standard set for the
19 company by the Commission, yes.

20 Q. Yes. And you believe reducing it is a
21 good thing.

22 A. Well, I'm -- the company is trying to
23 meet the Commission's set standards, I thought.

24 Q. Well, certainly.

25 A. Okay. So, yeah, I think that's a good

1 thing.

2 Q. Okay. So the company could reduce CAIDI
3 in those same two ways, either by reducing the
4 numerator or increasing the denominator, correct?

5 A. Yes. By reducing the customer minutes of
6 interruption or by increasing the number of customer
7 interruptions.

8 Q. Certainly, or by increasing the number of
9 shorter-than-average interruptions, correct?

10 A. I'm sorry. Shorter-than-average customer
11 interruptions -- I am going to need that question
12 again.

13 Q. Okay.

14 A. In its entirety.

15 Q. That's fine. So let me just start again.
16 I'll try and rephrase.

17 If the denominator of our fraction
18 increases faster than the numerator does, then the
19 result will go down, correct?

20 A. Yes.

21 Q. Okay. So if the number of interruptions
22 goes up, we certainly agree that it would -- CAIDI
23 would go down, correct?

24 A. All else held equal, yes.

25 Q. Correct. If the number of very short

1 interruptions goes up, then if those very short ones
2 are shorter than average, then the denominator will
3 be going up faster than the numerator, therefore
4 resulting in a decrease in CAIDI, correct?

5 A. If the denominator increases faster than
6 the numerator, CAIDI will go down.

7 Q. Thank you.

8 So if CAIDI is reduced by increasing the
9 number of very short interruptions, would you
10 describe that in your expert opinion as an
11 improvement in reliability?

12 A. You're saying if CAIDI goes up --

13 Q. No. CAIDI goes down.

14 A. CAIDI goes down.

15 Q. But the reason why CAIDI goes down is
16 because there are more shorter-than-average
17 interruptions. Is that a good thing?

18 A. Taken in isolation, yes. If you are
19 looking at customer reliability, you are looking at
20 more than just CAIDI. You are looking at SAIFI,
21 SAIDI, and CAIDI. The Commission has set standards
22 for SAIFI and CAIDI. So those are the ones that
23 we're mainly focusing on, I thought, in this
24 proceeding.

25 Q. And I'm asking about CAIDI.

1 A. Okay.

2 Q. And I'm -- I'm proposing to you a
3 question of whether you think that it -- that
4 customers would see it as an improvement in
5 reliability if they were getting more and more very
6 short outages.

7 MR. WOLTZ: Objection, asked and
8 answered. I think the witness just testified to his
9 understanding of how the effect of CAIDI and SAIFI
10 would establish customers' perception of reliability
11 and how he understands reliability as it is here in
12 Ohio.

13 MS. KINGERY: Your Honor, he didn't
14 answer my question. I am asking only about CAIDI
15 here, not about SAIFI. And I'm -- we just went
16 through an investigation into their discussion about
17 the arithmetic, and the witness has agreed that if
18 CAIDI -- that CAIDI will go down if there are many
19 more short interruptions, and I want to know what he
20 thinks about whether that's -- an improvement in
21 reliability.

22 MR. WOLTZ: And, your Honor, I think he
23 did answer. He said in isolation that that could
24 potentially be an improvement. However, from the
25 customer's standpoint, you look at reliability not

1 just from CAIDI but you look at it with CAIDI, SAIFI,
2 SAIDI; and he continued on to his understanding of
3 how the customers and the PUCO evaluate reliability
4 in Ohio. Therefore, I think the question was
5 answered.

6 EXAMINER CATHCART: Overruled. I'll
7 allow the question.

8 MS. KINGERY: Thank you.

9 A. Okay. If you have an increase in the
10 number of short interruptions, CAIDI may well go
11 down, but at the same time you're increasing the
12 number of interruptions means that SAIFI is going to
13 be going up. So it's -- I'm reluctant to just look
14 at CAIDI in isolation. Yes, in this particular
15 instance, CAIDI would go down, SAIFI would go up. Is
16 that an increase or a decrease in reliability? All
17 some of each.

18 Q. Okay. All right.

19 So let's go on and talk about SAIFI a
20 little bit. So SAIFI measures the average number of
21 interruptions per customer, correct? Over the course
22 of the year?

23 A. Yes. Well, in this case we're looking at
24 these indices taken over a yearly basis.

25 Q. That's correct.

1 A. I've seen them taken over different
2 lengths of time as well.

3 Q. Okay. SAIFI here is just talking about
4 an annual figure.

5 A. Yes.

6 Q. Okay. And we calculate SAIFI, and I am
7 going to do this again, you know, we have a fraction
8 where the numerator is the number of customer
9 interruptions in a year, correct?

10 A. Correct.

11 Q. And the denominator is the number of
12 customer interruptions in a year, correct?

13 A. SAIFI is the number of customer
14 interruptions divided by the number of customers
15 served.

16 Q. I misspoke. That's correct. So the
17 numerator of SAIFI is the same as the denominator of
18 CAIDI, correct?

19 A. Yes.

20 Q. Okay. And if we look at your testimony
21 on page 8, on line 18 and following, you note that
22 the SAIFI standard will go up, correct? As compared
23 with the current one?

24 MR. WOLTZ: Objection, your Honor.
25 That's vague. What current standard are you

1 referring to?

2 MS. KINGERY: The one Duke is currently
3 under. I'm just looking at his testimony.

4 A. I agree. In 2018.

5 Q. That's correct.

6 A. The SAIFI standard is higher, less
7 reliable --

8 Q. Right.

9 A. -- than what we are using for 2017.

10 Q. And that's the standard, as you
11 understand, PUCO Staff believes is applicable
12 currently that you are comparing it to.

13 A. Yes.

14 Q. Okay. And you would agree, would you
15 not, if you look back on page 8, that the SAIFI
16 standards actually go down over time.

17 A. After 2018.

18 Q. Yes.

19 A. Yes.

20 Q. They go up in 2018 and then go down; is
21 that correct?

22 A. Yes.

23 Q. And you didn't mention that in your
24 testimony other than its existence in the table.

25 A. I'll take that subject to check.

1 Q. Okay. So under the SAIFI standard,
2 looking just at that metric, customers will see
3 improving reliability with regard to the frequency of
4 their outages, correct?

5 A. From 2019 forward, yes.

6 Q. Okay.

7 A. Assuming that the standard is met.

8 Q. Of course.

9 Now, you are also aware of another
10 standard called SAIDI, correct?

11 A. Yes.

12 Q. And that is the System Average
13 Interruption Duration Index, correct?

14 A. Yes.

15 Q. Okay. And SAIDI measures how many
16 interruption minutes are experienced by an average
17 customer over the course of a year; is that right?

18 A. That's correct.

19 Q. And you would agree with me that the
20 average customer would likely prefer fewer minutes of
21 outages as compared with more minutes of outages.

22 A. I agree with that.

23 Q. And they would probably prefer fewer
24 minutes of outages as compared to more outages that
25 are very short, correct?

1 A. I don't -- I'm not sure of that one way
2 or the other.

3 Q. Okay. So SAIDI can be calculated by
4 simply multiplying CAIDI times SAIFI, correct?

5 A. Correct.

6 Q. And your testimony does not include a
7 calculation of SAIDI values through 2025, correct?

8 A. That's correct. I focused on the
9 reliability performance standards set by the
10 Commission.

11 Q. I understand. But you are aware that
12 SAIDI values would reduce, under the stipulation's
13 proposed reliability standards, by about one-third
14 over that period, correct?

15 A. I haven't done the math. And I didn't
16 bring a calculator. I don't want to do a calculation
17 on the stand. It's possible.

18 MS. KINGERY: May we approach, your
19 Honor?

20 EXAMINER CATHCART: You may.

21 Q. Mr. Lanzalotta, did I take your
22 deposition on July 5?

23 A. Yes.

24 Q. And were you under oath in that
25 deposition?

1 A. Yes.

2 Q. Okay. You have just been handed a copy
3 of the transcript from that deposition and I believe
4 you reviewed that transcript and had no changes to
5 it; is that correct?

6 A. That's correct.

7 Q. Okay. Would you go to page 30 of the
8 transcript, please.

9 A. Okay.

10 Q. And would you please read from line --
11 I'll go ahead and read it. I am going to start
12 reading at page -- at line 12 on page 30.

13 "Question: Would you be surprised to
14 learn that SAIDI values, under the stipulations
15 proposed standards for CAIDI and SAIFI, would reduce
16 by approximately one-third over that period?

17 "Answer: Was the question would I be
18 surprised?

19 "Question: Yes.

20 "Answer: I believe that's what's
21 happening, correct."

22 A. Okay.

23 Q. Did I read that correctly?

24 A. You did.

25 Q. Thank you.

1 A. I said that I believe that's what's
2 happening. I never said I did the calculations and
3 confirmed that.

4 Q. Okay.

5 A. I just want to note that.

6 Q. That's fine.

7 Returning for a moment to page 3 of your
8 testimony, looking at line 15, you suggest that the
9 Commission -- let me know when you're there.

10 A. I'm there.

11 Q. Okay. You suggest that the Commission
12 should reject the settlement because reliability
13 standards promote less reliable electric service,
14 correct?

15 A. That's correct.

16 Q. And you go on after that. We've just
17 discussed the fact that both SAIFI and SAIDI will
18 decrease under the proposed standards in the
19 stipulation, correct?

20 A. SAIFI will decrease after a point.

21 Q. After the first year, correct?

22 A. After the first year. As far as the
23 SAIDI goes, like I said, I have not done those
24 calculations. It may well be.

25 Q. You have not done the calculations, but

1 you do believe that SAIDI is decreasing by one-third.

2 A. It's possible.

3 Q. That's not what you said in your
4 deposition. You said you believe that's what's
5 happening, correct?

6 A. You asked if I was surprised to hear that
7 and I said -- I said I was surprised.

8 Q. No, you didn't actually. You said "I
9 believe that's what's happening."

10 A. Okay.

11 Q. Correct?

12 A. Correct.

13 Q. And you would also agree with me that
14 measuring service reliability by multiple metrics
15 provides a more complete picture of the situation,
16 correct?

17 A. Yes, I do.

18 Q. Let's move to page 14 of your testimony.
19 And I would like to look, for a moment, at Table 4.

20 A. I'm there.

21 Q. Okay. And in this table you are
22 evaluating changes over time in the number of
23 customer minutes of interruptions and you're showing
24 both raw numbers and percentage changes, correct?

25 A. Yes.

1 Q. You did not, in Table 4, account for any
2 changes in the total number of customers served,
3 correct?

4 A. That is correct.

5 Q. And if, hypothetically, the total number
6 of customers served had increased by we'll say 10
7 percent, and the total customer minutes of
8 interruptions due to a particular cause had increased
9 by only 8 percent, that would actually reflect an
10 improvement, correct?

11 A. Under the terms of your hypothetical,
12 that is correct. However, I assume when the company
13 computes its reliability performance for the year, it
14 takes into account the number of customers it's
15 serving. And if your hypothetical were, in fact,
16 true, then you would expect these reliability
17 performance numbers for 2017 to be looking better
18 instead of looking less reliable. So while the
19 number of customers may be changing, I'm not sure
20 they're changing from year to year enough to explain
21 these increases in total.

22 Q. But that's only an assumption on your
23 part that the number of customers is already
24 accounted for. By the company.

25 A. I don't see -- well, they computed these

1 reliability indices correctly, SAIFI -- the
2 denominator is the number of customers served.

3 Q. Sir, this isn't showing CAIDI numbers.

4 A. No, it's not.

5 Q. Right.

6 A. Well, CAIDI is part of that, customer
7 interruption minutes.

8 Q. But it's talking about minutes, it's not
9 talking about -- these raw numbers don't include any
10 reference to how many customers there are.

11 A. No. These raw numbers do not.

12 Q. Thank you.

13 MR. WOLTZ: Object. Never mind.

14 Q. Now, still looking at Table 4, you see a
15 line near the bottom that is called "Unknown,"
16 correct?

17 A. Yes.

18 Q. And do you note that, through time, from
19 2015 through 2017, the number of unknowns fell
20 dramatically -- I'm sorry -- from 2016 to '17, it
21 fell dramatically.

22 A. Yes.

23 Q. To the extent that the company had fewer
24 that were unknown, that means they were better able
25 to identify the causes of the outages; so reductions

1 in the unknown category would necessarily result in
2 increases in some other categories, correct?

3 MR. WOLTZ: Objection, your Honor. I
4 think that Counsel is mischaracterizing this table.
5 If you look at 2015, it jumps by almost 4,000; and
6 then, from '16 to '17, it decreases by 3,000. Now
7 she is trying to force the witness into making
8 assumptions that aren't accurately based on the
9 information that is before the witness.

10 MS. KINGERY: The information before the
11 witness shows a dramatic reduction in unknowns from
12 2016 to 2017. And the witness just agreed with that,
13 and I am asking then if you look at the 2016 to 2017
14 other figures, wouldn't that imply that there are
15 increases in others because the company was more able
16 to identify the causes of the outages.

17 EXAMINER CATHCART: Overruled. The
18 witness can clarify.

19 A. If we assume the total number of customer
20 interruption minutes for 2017 is fixed, and fewer of
21 those are unknown, then more of those will fall into
22 these other categories.

23 Q. Also in Table 4 there's a line, I believe
24 this is the fourth line down, that reflects planned
25 outages, correct?

1 A. Yes.

2 Q. And your results reflect a dramatic
3 increase over the last two years, correct?

4 A. Yes.

5 Q. And that fact would certainly have an
6 impact on CAIDI, correct?

7 A. Yes.

8 Q. Are you aware that under Duke Energy
9 Ohio's Rider DCI, there are programs that might
10 require customers to be taken out of service?

11 MR. WOLTZ: Objection, your Honor.
12 That's beyond the scope of this witness's testimony.
13 I don't believe he testifies to Rider DCI at all.
14 His testimony more is on the standards and vegetation
15 management of Duke Energy Ohio. Therefore, he is not
16 aware of the programs that are included in Rider DCI,
17 let alone the impact that they could have.

18 MS. KINGERY: And I just asked him if he
19 was aware.

20 EXAMINER CATHCART: Overruled. The
21 witness can answer if he knows.

22 A. Could I have the question again?

23 Q. I asked whether you're aware that under
24 Rider DCI there are programs that might require
25 customers to be taken out of service?

1 A. That's my understanding.

2 Q. Thank you. And -- all right. We'll move
3 to page 15. And on page 15 at line 1, you are
4 referring back to the same table, you talk about the
5 fact that tree-related outages were the largest cause
6 of customer interruption minutes during the last two
7 years, correct?

8 A. Yes.

9 Q. And you then go on in your testimony to
10 discuss the company's failure to trim fully
11 one-quarter of its circuit mileage during 2016 and
12 '17, correct?

13 A. Correct.

14 Q. Are you aware of any other factors that
15 might explain the increase in tree-related outages?

16 A. Yes. There's an infestation that affects
17 ash trees, I believe.

18 Q. The Emerald Ash Borer, is that what you
19 are referring to?

20 A. Yes.

21 Q. And you are aware that the consequences
22 of an Emerald Ash Borer might result in a hazard
23 tree, for example, that could then cause an outage.

24 A. I believe that's correct.

25 Q. Turning to page 16, starting at line 10,

1 you're talking about the company's proposal, as part
2 of the settlement, to change from a four-year
3 tree-trimming cycle to a five-year cycle, correct?

4 A. Correct.

5 Q. You have not reviewed the company's
6 tree-trimming specifications and guidelines, correct?

7 A. Correct.

8 Q. And you have not examined any of the
9 company's tree-trimming cost data, correct?

10 A. Generally, that's correct.

11 MS. KINGERY: All right. I have nothing
12 further, your Honor.

13 EXAMINER CATHCART: Thank you.

14 MR. WOLTZ: If I could have a moment with
15 my witness, your Honor.

16 EXAMINER CATHCART: I am going to see if
17 Staff has any questions.

18 MR. WOLTZ: I am sorry. I forgot Staff
19 was there.

20 MR. EUBANKS: I understand.

21 - - -

22 CROSS-EXAMINATION

23 By Mr. Eubanks:

24 Q. I do have one question for the sake of
25 clarity. If you could go to Table 1.

1 A. I have it.

2 Q. I believe you said in your -- on cross
3 that the way you calculate SAIDI is by multiplying
4 CAIDI times SAIFI; is that correct?

5 A. Yes.

6 Q. And I believe you were also asked a
7 question about whether or not SAIDI decreases by
8 one-third over the period of time on this chart. Do
9 you remember that question?

10 A. Yes.

11 Q. You said you didn't feel like calculating
12 it though, right?

13 A. I didn't want to calculate it from the
14 stand.

15 Q. But you would agree that if a person,
16 later on in briefing or whenever, took the 2018 CAIDI
17 and multiplied by the 2018 SAIFI and got a number,
18 and then took the 2022 to 2025 CAIDI and multiplied
19 it by the 2022 to 2025 SAIFI and got a number, and
20 compared those two numbers and saw that it decreased
21 by a third, then we would have our answer, correct?

22 A. Those are the mechanics you would want to
23 use, yes.

24 Q. And also you would agree that .375 is
25 half of .75, right?

1 A. Yeah, I believe so.

2 Q. Okay. So if we took .375 and added it to
3 the .75 there, right? You would roughly get the 1.12
4 during the 2018; is that correct? It would be 1.125.

5 A. Yeah. If you add those two numbers
6 together, that's what you get.

7 Q. So you're basically -- you are increasing
8 by basically a third for the SAIFI.

9 A. Decreasing by a third.

10 Q. Yeah. Okay. Well, yeah, I was going up
11 to 2018. But if you are going the other way, yes,
12 you would be decreasing. And if you look at the
13 CAIDI relatively speaking, when you look at how the
14 SAIFI changes relatively speaking, the CAIDI doesn't
15 really change. It goes from 134.34 to 137.

16 A. But it doesn't increase by a third,
17 that's for sure.

18 Q. Right. It's by mere percentages, right?
19 So with one side roughly not changing and the other
20 side changing by a third, then naturally you can see
21 that it does change by a third over time?

22 A. That's what those numbers show, yes.

23 MR. EUBANKS: Okay. I have no further
24 questions.

25 MR. WOLTZ: And now if I may have a

1 moment, your Honor.

2 EXAMINER CATHCART: You may. Let's go
3 off the record.

4 (Discussion off the record.)

5 EXAMINER CATHCART: Let's go back on the
6 record.

7 - - -

8 REDIRECT EXAMINATION

9 By Mr. Woltz:

10 Q. Mr. Lanzalotta, do you remember earlier a
11 conversation you had about whether or not you
12 performed any analysis as to SAIDI?

13 A. Yes.

14 Q. And you had said you didn't do any
15 analysis, correct?

16 A. That's correct.

17 Q. And can you explain for me why you didn't
18 do any analysis?

19 A. I focused my analysis on SAIFI and CAIDI,
20 and not SAIDI, because SAIFI and CAIDI are the
21 specified reliability performance standards that the
22 company supposedly is trying to meet. SAIDI may be
23 used for other things, but the Commission is not
24 using it for those purposes here in Ohio.

25 Q. And do you remember that at-length

1 discussion you had of looking at CAIDI and SAIFI
2 individually and discussing whether, you know, one
3 change here would have an impact on the overall
4 number?

5 A. Yes.

6 Q. And do you have any -- and I believe you
7 also stated that during cross that you shouldn't look
8 at those numbers in isolation, correct?

9 A. That's correct.

10 Q. And do you believe that when looking at
11 those numbers, there is a way to make sure both CAIDI
12 and SAIFI improve?

13 A. I believe it's possible to improve both
14 SAIFI and CAIDI. There are interrelationships
15 between them, it's true, but if you have fewer
16 outages and you have fewer -- and shorter outages,
17 then I believe you can improve both.

18 MR. WOLTZ: Thank you. Nothing further,
19 your Honor.

20 EXAMINER CATHCART: Thank you. Any
21 redirect -- recross? Sorry.

22 MS. KINGERY: Nothing. Thank you.

23 EXAMINER CATHCART: Staff?

24 MR. EUBANKS: I have no questions.

25 EXAMINER CATHCART: Thank you.

1 Thank you, Mr. Lanzalotta.

2 THE WITNESS: Thank you, your Honor.

3 MR. WOLTZ: And, your Honor, at this time
4 OCC moves for the admission of OCC Exhibit 19.

5 EXAMINER CATHCART: Any objections?

6 MS. KINGERY: No, your Honor.

7 EXAMINER CATHCART: It will be admitted.

8 (EXHIBIT ADMITTED INTO EVIDENCE.)

9 MR. WOLTZ: Thank you, your Honor.

10 EXAMINER WALSTRA: Mr. Oliker.

11 MR. OLKER: Thank you, your Honor. The
12 Retail Energy Supply Association and Interstate Gas
13 Supply, Inc., would call Matthew White to the stand.

14 (Witness sworn.)

15 EXAMINER WALSTRA: Thank you.

16 MR. OLKER: Does the Bench have copies
17 of the testimony? May I approach?

18 - - -

19 MATTHEW WHITE

20 being first duly sworn, as prescribed by law, was
21 examined and testified as follows:

22 DIRECT EXAMINATION

23 By Mr. Oliker:

24 Q. Good morning, Mr. White.

25 A. Good morning.

1 Q. Could you please state your name for the
2 record.

3 A. Matthew White.

4 Q. And did you prepare testimony in this
5 proceeding?

6 A. Yes.

7 Q. And is that testimony on behalf of RESA
8 and IGS?

9 A. Yes.

10 MR. OLIKER: And, your Honor, at this
11 time I would like to mark the testimony as RESA/IGS
12 Exhibit 5, I believe.

13 EXAMINER WALSTRA: So marked.

14 (EXHIBIT MARKED FOR IDENTIFICATION.)

15 Q. And was this testimony prepared by you or
16 under your direction?

17 A. Yes.

18 Q. And do you have any corrections to this
19 testimony?

20 A. Yes. I have one.

21 Q. And what page is that correction on?

22 A. Page 3, line 11 through 12.

23 Q. And can you please state that correction
24 for the record.

25 A. Yes. Starting at line 11 on my testimony

1 the sentence that states "Certain parties have agreed
2 to a Stipulation and Recommendation authorizing Duke
3 to spend \$45 to 50 million for a new billing system
4 and customer information system." I have a change to
5 that sentence. That sentence, the change to the
6 sentence, the new sentence will read "Certain parties
7 have agreed to a Stipulation and Recommendation
8 recommending Duke to file an application that may
9 result in -- in -- spending approximately 45 to
10 50 million -- in Duke spending approximately 45 to
11 50 million for a new billing system and customer
12 information system."

13 MR. OLIKER: Do you have the change?

14 MS. WATTS: More or less.

15 Q. Just so the record is clear, Mr. White,
16 could you read that one more time?

17 A. The new sentence should read: "Certain
18 parties have agreed to a Stipulation and
19 Recommendation recommending that Duke file an
20 application that may result in Duke spending
21 approximately 45 to 50 million dollars for a new
22 billing system and customer information system."

23 Q. And do you have any other changes or
24 corrections?

25 A. No, I do not.

1 MR. OLIKER: With that, your Honor, I
2 would move for the admission of the testimony,
3 subject to cross-examination. And tender the witness
4 for cross.

5 EXAMINER WALSTRA: Thank you.

6 Any cross-examination?

7 Mr. Michael.

8 MR. MICHAEL: Thank you, your Honor.

9 I would like to begin, your Honor, if I
10 might, by moving to strike the entirety of
11 Mr. White's testimony.

12 I draw your Honor's attention first to
13 page 5, lines 16 through 17 of his testimony. He
14 says, "Thus, the Stipulation proposes to defer issues
15 related to Duke's CIS upgrade to a future
16 proceeding."

17 And then, your Honor, I would bring your
18 attention to the correction Mr. White just made to
19 his testimony wherein he basically affirms the same
20 point which is the stipulation simply provides for a
21 future filing regarding the CIS system. And the
22 entirety of Mr. White's testimony, as stated on
23 page 3, lines 11 through 18, talks about what ought
24 to be in that application.

25 And although RESA, IGS, and Mr. White,

1 certainly in that future proceeding, can come in and
2 say whatever they want about what that CIS system
3 should look like, this is not the appropriate forum
4 in which to make the recommendations that Mr. White
5 does in his testimony.

6 We're talking about a settlement that
7 simply says in a future filing Duke can look to make
8 a new CIS system. This is neither the time nor the
9 place to do it, as I think Mr. White in his testimony
10 concedes. So we would move to strike the entirety of
11 the testimony.

12 MS. WATTS: And, your Honor, the company
13 would join in that motion.

14 MR. OLIKER: Your Honor, I find the
15 objection a little interesting given that we just
16 went through a witness that was describing metrics
17 for what should be contained in a smart meter system
18 that Duke is going to be deploying. As Mr. White
19 identifies in his testimony and as we acknowledge
20 with the change we are making, through this
21 proceeding there was a proposal for an updated CIS
22 system, that system had a very large dollar amount on
23 it, that dollar amount provided good context for
24 Mr. White based upon our prior experience with Duke
25 spending large amounts of money for capital

1 expenditures that if you don't design those systems
2 right on the front end, they can cost a lot of money
3 to fix on the back end. And we are actually going
4 through one of those issues in this proceeding
5 regarding the smart meters.

6 MS. WATTS: Your Honor --

7 MR. OLIKER: So Mr. -- I promise I will
8 let you talk when I'm done, Ms. Watts.

9 But one of the important things we are
10 trying to identify is the parameters that we would
11 like to see in the application. And that
12 application, as described in the stipulation, that
13 there will be a filing. And if that filing doesn't
14 have parameters, and Mr. White sets forth at least
15 three of them, we could very well find ourselves in a
16 position in a future filing or even in a future case
17 where Duke is going to come back and say, "Well, we
18 didn't look at that, so I'm sorry, I can't tell you
19 how much that will cost to fix. We would like to
20 spend some more money and maybe we'll look at it
21 later. It might be another \$100 million."

22 I think we are simply trying to have a
23 discussion here for what the structure of that filing
24 will be. And Counsel is free to explore, you
25 know, the basis for Mr. White's numbers in

1 cross-examination or whether or not he is actually
2 recommending that the Commission approve the
3 expenditures here which Mr. White says he is not. He
4 is simply trying to provide some structure for the
5 future application.

6 EXAMINER WALSTRA: Ms. Watts, as
7 promised.

8 MS. WATTS: Yes, thank you, your Honor.
9 I would also like to mention that the company has
10 withdrawn the testimony with respect to anything
11 related to the customer information system. It would
12 have been contained in the testimony of Duke Witness
13 Retha Hunsicker. That was not offered into this case
14 at all, so there are no issues related to CIS.

15 And while I appreciate Mr. Olikier's
16 speculation about what the company might propose at
17 some future filing, I think it's way too early to
18 speculate about that, and all of that is not relevant
19 in this case because there is nothing before the
20 Commission to decide about the CIS in this case.

21 MR. MICHAEL: And let me just respond,
22 Mr. Olikier, if I might, to some of the comments you
23 made regarding what OCC witnesses addressed, real
24 quickly.

25 What OCC witnesses have addressed is

1 what's actually going on or arising out of this
2 particular case that brings us here today, your
3 Honor. Again, Mr. White's testimony is aimed at a
4 future filing. I think Mr. White's testimony would
5 result in binding both Duke and potentially the
6 Commission on what it is that is going to happen in
7 that future filing. And again, we don't contest the
8 fact that in that future filing IGS can come in and
9 say whatever it wants, but in this filing their
10 testimony is not appropriate at this point in time.

11 MR. OLIKER: And, your Honor, to clarify,
12 we are not seeking to bind the Commission. We're
13 seeking to place some parameters on what the
14 application should consider. We, of course, will
15 have additional litigation based upon what is in the
16 application, where OCC will be allowed to respond,
17 and Duke will be allowed to present its own
18 application, but we are trying to simply have some
19 parameters for the Commission to consider.

20 Regarding what is at issue in this
21 proceeding, Mr. White has attached some discovery
22 responses. Those discovery responses are admissions
23 of a party opponent containing information and
24 analysis that has been performed by Duke. It doesn't
25 matter that the witness is not testifying. We may

1 offer that as evidence in this case, at least, and
2 the Bench can give it the appropriate weight.

3 If they have said it's 45 to 50 million
4 dollars to develop the CIS, yes, maybe that is not
5 the number, but it is evidence that it could be a
6 substantially -- a substantial number that is going
7 to be presented to the Commission. We're not saying
8 that's the only number and it is subject to change,
9 but it's a matter that goes to the weight.

10 And if it's 50 million or 20 million or
11 even 10 million or 100 million, those are all big
12 numbers. And unless Duke is going to say today that
13 the number is de minimus, then I think it's something
14 the Commission should at least acknowledge and
15 consider.

16 EXAMINER WALSTRA: I am going to deny the
17 motion to strike. I think his testimony speaks to
18 items in the stipulation, proposed modifications to
19 the stipulation. Intervenors are allowed to
20 deliberate on them, to propose modifications, so I'll
21 deny the motion to strike.

22 MR. OLIKER: Thank you, your Honor.

23 MR. MICHAEL: Thank you, your Honor.

24 - - -
25

CROSS-EXAMINATION

By Mr. Michael:

Q. Mr. White, if I could draw your attention to page 4, lines 11 through 16 of your testimony. Let me know when you are there, please.

A. Yes.

Q. If the Commission were to approve your recommendation for Duke to offer supplier consolidated billing in the new CIS, would there be incremental costs for Duke to provide suppliers with the necessary information to render bills that include Duke charges?

A. I don't know that.

Q. If I could draw your attention, Mr. White, to page 5, lines 7 through 9 of your testimony, please. Let me know when you're there.

A. Yes, I'm there.

Q. And I think you address this with your correction, Mr. White, but you now acknowledge that the settlement doesn't permit Duke to spend 45 to 50 million to upgrade the CIS, correct?

A. The settlement would direct Duke to file an application for a CIS, but does not settle on the the actual cost recovery amount.

Q. And in discussing the needs of Choice

1 customers, are you discussing the needs of business
2 or residential customers or both?

3 A. Both.

4 Q. Can you describe for me, if you would,
5 Mr. White, the specific billing needs of Choice
6 customers and how these billing needs are different
7 from any other customers?

8 MR. OLIKER: Bill, is there a reference
9 in the testimony specifically that you're talking
10 about?

11 MR. MICHAEL: I am still generally
12 talking about page 5, lines 7 through 9.

13 A. You are talking about page 5, lines --

14 Q. 7 through 9.

15 A. 7 through 9?

16 Q. Uh-huh.

17 A. I don't see a reference to "needs."

18 Okay, sorry, I see it.

19 Q. Okay.

20 A. Can you repeat the question, please?

21 Q. Certainly.

22 Can you please describe the specific
23 billing needs of Choice customers and how those
24 billing needs are different from any other customers.

25 A. When you say "any other customers," are

1 you talking about any other electric customers, any
2 other --

3 Q. Yes.

4 A. So any, like, basically different than SO
5 customers.

6 Q. Correct. Correct.

7 A. Can you repeat the question again?

8 MR. MICHAEL: Could you please read the
9 question, Karen.

10 (Record read.)

11 A. I think Choice customers and CRES
12 suppliers are able to offer products and services
13 that the utility cannot offer. And to the extent
14 that the CRES suppliers' products and services may be
15 more diverse than the utility plain-vanilla default
16 service products, there would be a need for more
17 dynamic billing options to address those needs.

18 Q. And when you say "more dynamic billing
19 options," Mr. White, what do you mean by that?

20 A. Billing that gives CRES providers the
21 opportunity to offer customers a more diverse range
22 of products and services on a single bill.

23 Q. Okay. In that response, Mr. white, you
24 referenced giving CRES providers et cetera, et
25 cetera, et cetera, and I want you to focus on the

1 customer, okay? So if I were to ask you the same
2 question again and ask you to focus on the customers,
3 what does it mean from their perspective, what would
4 your answer be?

5 A. Well, CRES providers serve Choice
6 customers. So to the extent the CRES providers can
7 offer Choice customers a more diverse product and
8 service, it means the Choice customers have the
9 opportunity to receive more diverse products and
10 services that meet their individual needs.

11 Q. And as a result, their bill needs to be
12 more detailed; is that what you're saying?

13 A. I didn't say that.

14 Q. Okay. If I could draw your attention,
15 Mr. White, to page 6, lines 1 through 17 of your
16 testimony. Take a moment to look at that, if you
17 would, Mr. White.

18 A. Page 6, lines 1 through 17?

19 Q. Yes, sir.

20 A. I've reviewed it.

21 Q. Thank you.

22 Isn't it true, Mr. White, the system
23 design for the new CIS would generally occur after
24 the PUCO were to approve the application, if ever?

25 MR. OLIKER: Objection. Which

1 application? This one or the CIS application that
2 we're potentially going to see in a few months?

3 MR. MICHAEL: The CIS application that we
4 are potentially going to see in a few months.

5 THE WITNESS: Can you repeat the
6 question, please?

7 MR. MICHAEL: Certainly. May I have it
8 read back, Karen?

9 (Record read.)

10 A. No, not necessarily.

11 Q. Okay. Under what circumstances would
12 system design be approved before the application?

13 A. In the application -- before Duke files
14 the application, Duke would propose a system design
15 in the application. So there would be some system
16 design that would occur before the application is
17 filed, because Duke would set forth parameters at
18 which the system would be set at in the application.

19 Q. Okay. But that system design wouldn't be
20 approved unless and until the application were
21 approved, correct?

22 A. The Commission ultimately would approve
23 the system design or could modify Duke's proposed
24 system design, but the actual designing of the system
25 would occur before the application.

1 Q. But it wouldn't be approved unless and
2 until the application were approved.

3 A. The system design wouldn't be approved
4 unless the application was approved.

5 Q. Thank you.

6 There are no issues, Mr. White, being
7 addressed in your testimony that could not be
8 addressed as part of the review and deliberation of
9 the application for the CIS system that's supposed to
10 come in the future, correct?

11 A. No.

12 Q. What -- what issues are being addressed
13 in your testimony that couldn't be addressed in that
14 future RDR?

15 A. How Duke actually files the application.
16 I found, because I've been in numerous proceedings,
17 how the utility files the ultimate application has a
18 huge fact -- is a huge factor in the ultimate outcome
19 of that proceeding.

20 Q. Okay. So are you suggesting that you
21 couldn't file testimony in that future RDR proceeding
22 the same or similar to what we're now discussing?

23 A. No, I'm not suggesting that.

24 Q. If I could draw your attention, still on
25 page 6, Mr. White, but specifically line 4, if I

1 could. Are marketers currently billing customers for
2 non-commodity charges on bills they render for CRES
3 service?

4 MR. OLIKER: Objection. The question is
5 vague. It doesn't identify what type of billing
6 options and it could be susceptible to multiple
7 interpretations.

8 EXAMINER WALSTRA: The witness can answer
9 if he knows.

10 MR. OLIKER: Can you repeat the question,
11 please. Can you repeat the question, please.

12 MR. MICHAEL: Yes. Karen, would you
13 please repeat the question.

14 (Record read.)

15 A. On bills utilities render for CRES
16 service?

17 Q. Yes.

18 A. Currently, CRES providers do not have the
19 ability to specifically line-item non-commodity
20 products and services on the utility consolidated
21 bill.

22 Q. Do any of Ohio's EDUs bill non-commodity
23 charges on consolidated bills that include CRES
24 charges?

25 A. I think they do.

1 Q. If I could draw your attention,
2 Mr. White, to page 8, line 18, please. And when you
3 reference "bundled or 'all-in' price" there, do you
4 see that?

5 A. Yes.

6 Q. Would that include the combination of
7 electric generation charges and any other
8 non-commodity charges?

9 A. It means a price for the total -- a
10 single prices for the total package of services that
11 the customer receives from a provider.

12 Q. So that would include electric generation
13 charges and other non-commodity charges then.

14 A. It could, yes.

15 Q. If I could turn your attention to page 9,
16 lines 19 through 21, please, Mr. White. Given your
17 answer just then, Mr. White, how are such charges
18 separated for determining the amounts that could be
19 subject to disconnection for nonpayment if customers
20 are unable to pay the bill?

21 A. I'm referring in this instance to where
22 there is a separate line item on the bill for a
23 particular charge, which I'm advocating for Duke to
24 provide the ability to allow CRES providers to do.

25 Q. Okay. So it would be based on a

1 different line item that you could distinguish
2 between the different charges, is that what you are
3 telling me?

4 A. Yes.

5 Q. If you would turn to page 10, lines 6
6 through 11, please, Mr. White. And my question,
7 Mr. White, how is supplier consolidated billing
8 different from utility consolidation, in this case
9 Duke's consolidated billing?

10 A. Supplier consolidated billing allows the
11 supplier to issue the customer the bill directly, and
12 the distribution utility's distribution charges and
13 other charges are consolidated on that bill.

14 Utility consolidated billing is the
15 inverse, where the distribution utility issues the
16 bill, and the CRES provider's charges are included on
17 the distribution utility's bill.

18 Q. All right. If I could draw your
19 attention to page 13, lines 18 through 21. And --

20 A. I'm sorry, I haven't gotten there.

21 Q. Certainly. Take your time.

22 A. Yes.

23 Q. In discussing value-added products and
24 services, does this mean non-commodity products and
25 services?

1 A. They could be non-commodity products and
2 services.

3 Q. Is it true that Duke will bill supplier
4 charges now on consolidated bills using both
5 bill-ready and rate-ready billing?

6 A. I believe, yes, Duke has that capability.

7 Q. Explain for me, if you would, Mr. White,
8 how customer energy charges are reduced, and
9 reliability is enhanced, as a result of supplier
10 consolidated billing?

11 A. Just as an example, if they're supplier
12 consolidated billing and a customer offers -- or, a
13 CRES provider offers smart thermostat and, the
14 customer is able to pay for that smart thermostat as
15 a line item on the bill, the customer is more likely
16 to enroll in that product or any other product that
17 could include energy efficiency, LED lightbulbs.
18 It's a more convenient product for a customer. It
19 makes it easier to pay and adopt for that product and
20 service and, thus, the customer will be more likely
21 to adopt the energy-efficiency measures which --
22 which reduce consumption and demand on the
23 distribution utility's grid which ultimately leads to
24 a more reliable and efficient grid.

25 Q. If you turn to page 15, Mr. White,

1 beginning with line 21, and continuing through
2 page 16, line 3.

3 A. Okay.

4 Q. Duke is currently required to offer
5 marketers billing for non-commodity products and
6 services, correct?

7 MR. OLIKER: Could I have that question
8 read again?

9 (Record read.)

10 MR. MICHAEL: Your Honor, I would like to
11 ask that question again if I might.

12 MR. OLIKER: Okay. Thank you.

13 Q. Duke is currently required to offer
14 marketers billing for commodity -- commodity products
15 and services, correct?

16 A. Duke is currently required to allow CRES
17 providers to bill their generation charges on the
18 Duke utility bill.

19 MR. MICHAEL: Okay. I would move to
20 strike, your Honor, as nonresponsive, and I think the
21 basis for the motion speaks for itself.

22 MR. OLIKER: Can I have the question and
23 answer read back again. I'm trying to understand the
24 basis for the motion. I did not catch it.

25 MR. MICHAEL: Well, I asked him, Duke

1 is --

2 EXAMINER WALSTRA: Let Karen.

3 (Record read.)

4 MR. MICHAEL: Your Honor, upon
5 reflection, I would like to withdraw that motion to
6 strike.

7 EXAMINER WALSTRA: Thank you.

8 Q. (By Mr. Michael) Next question,
9 Mr. White, does IGS or any other RESA marketer
10 currently bill customers directly for any
11 non-commodity products and services they may
12 purchase, without having these charges included on
13 the Duke electric and gas bills?

14 A. Can you repeat the question, please?

15 Q. Certainly.

16 Does IGS or any other -- excuse me --
17 does IGS or any other RESA marketer currently bill
18 customers directly for any non-commodity products and
19 services they may purchase without having these
20 charges included on the Duke electric bill?

21 MR. OLIKER: To the extent that response
22 is confidential for IGS, Mr. White, keep that in mind
23 before you respond, and please don't speculate to
24 anyone else if you don't know.

25 A. IGS bills non-commodity charges directly

1 in some instances. I cannot speculate to all the
2 other RESA members.

3 Q. Okay. You are being offered as a joint
4 IGS and RESA exhibit -- or, witness, correct?

5 A. Yes.

6 MR. MICHAEL: Okay. May I have just a
7 moment, your Honor, to confer with my colleague?

8 EXAMINER WALSTRA: Sure.

9 MR. MICHAEL: I have no further
10 questions, your Honor.

11 Thank you, Mr. White.

12 EXAMINER WALSTRA: Thank you.

13 Ms. Watts.

14 MS. WATTS: Try to make quick with this.

15 - - -

16 CROSS-EXAMINATION

17 By Ms. Watts:

18 Q. Sir, you are an attorney licensed in
19 Ohio, correct?

20 A. Yes.

21 Q. And prior to your present role with IGS
22 Energy, you were a regulatory utility practitioner,
23 were you not?

24 A. Yes.

25 Q. And so you're generally familiar with

1 Revised Code sections and the Commission's
2 Administrative Code sections that apply to utility
3 regulation, correct?

4 A. Yes, I have a general knowledge.

5 Q. And the overall purpose of your testimony
6 is to make recommendations regarding supplier
7 consolidated billing and non-commodity billing,
8 correct?

9 A. Yes.

10 Q. And those are the only two items that
11 you're making recommendations with respect to?

12 A. Those are the main recommendations;
13 although, I wouldn't necessarily say those are the
14 only recommendations that I make in the
15 stipulation -- or in the testimony.

16 Q. Okay. What other recommendations are you
17 making?

18 A. It's more specific than that. I
19 recommend that the Commission require that in the CIS
20 application that Duke include the -- in their system
21 design, the ability to allow CRES providers to bill
22 for non-commodity products and services, and also
23 have the functionality for supplier consolidated
24 billing.

25 Q. Okay. And with that clarification, does

1 that fairly summarize what the point of your
2 testimony is?

3 A. Yes, that's a high-level --

4 Q. Okay.

5 A. -- summary of my testimony.

6 Q. And as part of Duke Energy's application
7 in the electric security plan and distribution rate
8 cases, the company discussed the need for
9 construction of a new customer information system,
10 correct?

11 A. Can you repeat the question, please?

12 Q. Sure.

13 In the company's application in the rate
14 case and the ESP case, there was a proposal for the
15 construction of a new customer information system.

16 A. Yes, I believe that was part of Duke's
17 distribution case application.

18 Q. And you would agree with me that Duke
19 Energy Corporation is upgrading its customer
20 information system across all of its operating
21 companies, correct?

22 A. I believe according to Duke's testimony,
23 that was filed in their testimony.

24 Q. And you're aware, are you not, sir, that
25 Duke Energy Corporation has utility operations in

1 states other than Ohio?

2 A. Yes, I am aware.

3 Q. And would you agree, subject to check,
4 than Duke Energy operates in North Carolina, South
5 Carolina, Florida, Kentucky, Indiana, and Ohio? And
6 Tennessee?

7 A. I will take your word for that.

8 Q. Do you know whether all of those
9 jurisdictions just mentioned, where Duke Energy has
10 electric utility operations, whether amongst those
11 states Ohio is the only deregulated state?

12 A. Can you repeat the jurisdictions, please?

13 Q. Sure.

14 Let's start with North Carolina and South
15 Carolina.

16 A. Those are not restructured states.

17 Q. How about Indiana or Kentucky?

18 A. Neither are restructured on the electric
19 side.

20 Q. Okay. How about Florida or Tennessee?

21 A. Neither of those are restructured states.

22 Q. Okay. And you've reviewed the
23 stipulation in these proceedings?

24 A. Yes.

25 Q. On page 15, line 6 of your testimony, you

1 state that Duke Energy Ohio's existing customer
2 information system -- and just as we go along, I am
3 going to refer to it as the "CIS," okay, just to make
4 it move quicker?

5 A. Okay.

6 Q. Okay. And "CIS" is customer information
7 system.

8 A. Yes.

9 Q. Okay. Duke's existing CIS was designed
10 to create barriers to CRES providers placing
11 non-commodity charges on bills. Do you see that?

12 A. Yes.

13 Q. Do you know when the existing CIS system
14 was designed?

15 A. I don't know the exact date.

16 Q. Do you know whether or not it was
17 designed before Ohio became a deregulated state?

18 A. I don't know.

19 Q. On page 5, line 3 of your testimony, you
20 mention that the Staff Report in the company's
21 electric distribution case recommended that the CIS
22 upgrade be removed from the company's test year for
23 ratemaking purposes. Isn't that correct?

24 A. I'm sorry. Give me a minute. What were
25 the lines you're referencing?

1 Q. Page 5, line 3.

2 A. Yes, that's what I said in my testimony.

3 Q. Okay. And do you agree, as part of the
4 stipulation in this case, that there are no costs for
5 the CIS included in the -- in base distribution rates
6 pursuant to the stipulation.

7 MR. OLIKER: I object just simply because
8 we referred to the CIS that is in place today, and
9 the CIS that is going to be rolled out pursuant to an
10 application, and I am not sure which one we're
11 talking about.

12 MS. WATTS: All right. Thank you. I'll
13 clarify that.

14 Q. Mr. White, with respect to the CIS that
15 the company will be proposing in the future, is it
16 your understanding that there are any costs
17 associated with that -- with that future CIS
18 construction in base rate -- base distribution rates
19 pursuant to the stipulation?

20 A. It is my understanding that the
21 stipulation, if approved, does not provide for
22 recovery of CIS upgrade immediately, but would direct
23 Duke to file an application that would allow for Duke
24 to get CIS recovery, upgrade recovery.

25 Q. So there's nothing in the stipulation

1 that authorizes Duke Energy to proceed with that
2 construction of a new CIS immediately, correct?

3 A. The stipulation doesn't -- you can't
4 authorize anything. It would be the Commission that
5 ultimately approves the stipulation that would
6 authorize something. So there's nothing in the
7 stipulation that authorizes anything.

8 Q. There's no agreement amongst the parties
9 in the stipulation for the company to immediately
10 proceed with construction of the CIS.

11 A. If the stipulation were approved as is,
12 it would require the -- it would require Duke to file
13 an application to upgrade the CIS and get cost
14 recovery.

15 Q. And if the company were to file such an
16 application as you just discussed, would you expect
17 RESA members to participate in that proceeding?

18 A. I would expect they would.

19 Q. And would you expect IGS Energy to
20 participate in that proceeding?

21 A. It would be likely.

22 Q. Okay. So let's talk about consolidated
23 billing for a moment.

24 A. Sure.

25 Q. Page 6, lines 4 through 6 of your

1 testimony, and that -- at that cite you describe
2 supplier consolidated billing as enabling CRES
3 suppliers to provide customers with a single bill
4 that includes utility distribution charges. Is that
5 a fair characterization of your testimony?

6 A. I'm sorry, can you repeat that question?

7 Q. At page 6, lines 4 through 6, you
8 describe supplier consolidated billing as enabling
9 CRES suppliers to provide customers with a single
10 bill that includes utility distribution charges. Is
11 that what you are describing there?

12 A. Yes, that's what's in my testimony.

13 Q. Okay. Now, you did not perform any
14 specific cost analysis for the expense to design a
15 customer information system that's capable of
16 handling supplier consolidated billing or
17 non-commodity billing, correct?

18 A. I did not.

19 Q. And you would agree with me that Duke
20 Energy Ohio is both a gas and electric utility,
21 correct?

22 A. Yes.

23 Q. And Duke Energy Ohio is the only
24 regulated combination gas and electric utility in
25 Ohio, correct?

1 A. It's the only one that I'm aware of.

2 Q. Okay. And would you expect, then, that
3 Duke has some customers who are gas-only customers?

4 A. I don't know for sure.

5 Q. And would you know whether the company
6 has electric-only customers?

7 A. I don't know for sure.

8 Q. Is that a reasonable expectation?

9 A. If you say that that's the case, then I
10 would believe you.

11 Q. Okay. And would you agree with me that
12 it's likely that the company also has combination gas
13 and electric customers?

14 A. I would expect, yes, that would be the
15 case.

16 Q. Do you happen to know how many gas
17 customers, gas-only customers the company has?

18 A. I don't know the exact number.

19 Q. And IGS Energy, in fact, provides
20 commodity service for both electric and gas customers
21 also, correct?

22 A. Yes.

23 Q. And IGS Energy serves customers in Duke
24 Energy Ohio's service territory, correct?

25 A. Yes.

1 Q. Do you happen to know how many
2 competitive retail electric service and competitive
3 retail natural gas service suppliers are registered
4 to supply customers in Duke Energy Ohio's service
5 territory?

6 A. I don't know the exact number.

7 Q. And customers certainly have a right to
8 choose different suppliers for their gas or electric
9 service, correct?

10 A. Can you repeat the question, please?

11 Q. Customers have a right to choose
12 different suppliers for gas and electric service in
13 Duke Energy Ohio's service territory.

14 A. Yes.

15 Q. Do you happen to know how many of Duke's
16 combination gas and electric customers have opted for
17 a different supplier for their gas and electric
18 commodity?

19 A. I believe in my testimony I cite the
20 switching rate in Duke for electric at roughly 48
21 percent of residential customers. I don't know the
22 switching rate, off the top of my head, for gas
23 customers in the Duke service territory.

24 Q. Do you know whether there are customers
25 in Duke Energy Ohio's service territory that have a

1 competitive retail electric service provider that is
2 different from their competitive retail natural gas
3 service provider?

4 A. I don't know for certain, but I would
5 expect that's a possibility.

6 Q. So as of today, with utility consolidated
7 billing, Duke Energy Ohio's combination customers
8 receive a single bill that has their electric and
9 natural gas charges, including commodity charges from
10 both CRES and CRNG suppliers, correct?

11 A. Can you repeat the question, please.

12 Q. Sure.

13 As of today, with utility consolidated
14 billing, Duke Energy Ohio's combination customers
15 receive one bill that has their electric and natural
16 gas charges, including commodity charges from both
17 CRES and CRNG suppliers, correct?

18 A. I would expect that to be the case.

19 Q. Okay. And just so we're clear, "CRNG"
20 meaning competitive retail natural gas supplier.

21 A. Yes.

22 Q. Okay. On page 11, line 5 of your
23 testimony. Your proposal for Duke
24 Energy's combination natural gas customers is that
25 instead of the current process where the customer

1 gets one bill for gas and electric service that
2 includes both utility and supplier charges, that the
3 company design its new customer information system to
4 separate gas and electric services so that customers
5 would receive separate gas and electric bills,
6 correct?

7 A. Can you repeat the question, please?

8 Q. Yeah.

9 MS. WATTS: Actually, Karen, would you
10 read that one, please.

11 (Record read.)

12 THE WITNESS: I am sorry. Can you repeat
13 the question again? I'm just reading my testimony.
14 I want to make sure it's accurate.

15 (Record read.)

16 A. Under my proposal, in that instance where
17 there was a dual-bill customer with Duke, and the
18 customer elected to -- and the CRES provider agreed
19 and the customer elected to have supplier
20 consolidated billing on the electric side, that to
21 the extent that supplier consolidated billing does
22 not become available on the gas side -- which,
23 although this is not a gas proceeding, we would
24 support that as well -- but to the extent that did
25 not exist, that Duke would issue a separate gas bill

1 for the customer, and the CRES provider would issue
2 the consolidated electric bill if that's what the
3 customer agreed to.

4 Q. As it relates to supply plan consolidated
5 billing as a combination electric and natural gas
6 company, do you agree that the Commission needs to
7 consider how to address issues related to combination
8 customers?

9 A. I do think that would be an appropriate
10 consideration, yes.

11 Q. And, sir, with utility consolidated
12 billing, Duke Energy currently is purchasing the
13 receivables of CRES providers, correct?

14 A. Yes. Currently, purchasing receivables
15 is available to CRES providers.

16 Q. And CRES providers receive 100 percent of
17 their commodity billing in the Purchase of
18 Receivables Program, do they not?

19 A. I'm sorry. Can you repeat the question?

20 Q. Is there any discount related to the
21 purchase of receivables in the Duke Energy Ohio
22 service territory?

23 A. I don't know without having -- going back
24 and checking that, whether there is a discount rate
25 or not. I know that was a topic of conversation and

1 each utility does it differently, but I can't say for
2 sure.

3 Q. Okay.

4 A. I would have to check.

5 Q. Under your proposal for supplier
6 consolidated billing, would the CRES then purchase
7 the utility's receivables?

8 A. Yes, under my proposal, the CRES provider
9 would purchase Duke's distribution receivables.

10 Q. And if Duke is currently purchasing CRES
11 provider receivables at 100 percent with no discount,
12 would CRES providers be willing to purchase Duke's
13 receivables at 100 percent with no discount?

14 A. It would depend on the design. I would
15 expect that the -- the CRES provider's receivables
16 would be -- would be treated as the same as the
17 distribution receivables, so whatever discount
18 applied to generation receivables would apply to the
19 distribution receivables, and I would also expect
20 that SSO receivables would be treated the same as
21 CRES receivables.

22 Q. Now, IGS is a -- I am stating the obvious
23 here -- IGS Energy is a licensed CRES in the State of
24 Ohio, correct?

25 A. Yes.

1 Q. And it provides competitive retail
2 electric service and that constitutes a commodity
3 service, consistent with our discussions this
4 morning, correct?

5 A. Yes.

6 Q. And IGS also provides non-commodity
7 services.

8 A. Yes, we provide non-commodity services.

9 Q. And among those services would include
10 such things as home warranty services, or smart
11 thermostat, smart water heaters, and so forth.

12 A. Yes.

13 Q. On page 6 of your testimony, at line 9,
14 you point out Duke is permitting affiliates to
15 utilize the utility bill to place non-electric
16 charges on the utility bill. And the affiliate you
17 are referring to there is Duke Energy One, correct?

18 A. That is the affiliate I've been able to
19 identify.

20 Q. And are you aware of any other Duke
21 Energy affiliate that uses the utility bill to place
22 non-commodity charges?

23 A. I know that Duke has placed varying
24 different non-commodity charges from time to time on
25 the bill. I know that they've changed what's been

1 available to customers over time. I have identified
2 Duke Energy One as one of those providers, but I
3 don't know if there are others or if they are using
4 some third party at this time.

5 Q. So as of today, your testimony is you are
6 not aware of any other Duke Energy Ohio affiliate
7 that uses the utility bill to place non-commodity
8 charges.

9 A. Just Duke Energy One that I'm aware of.

10 Q. And you will recall or you will agree
11 with me that IGS raised this issue in Duke Energy --
12 with respect to Duke Energy One placing non-commodity
13 charges on the utility bill as part of Duke
14 Energy's last ESP, Case 14-841-EL-SSO?

15 A. I would have to go back and check to see
16 if that was an issue raised in that particular case.
17 I know it's been raised before. But I don't know
18 specifically.

19 Q. Would you agree, subject to check, that
20 it was in the last --

21 A. Subject to check.

22 Q. Okay. And Duke Energy One currently is
23 not a competitive retail electric service provider so
24 far as you are aware.

25 A. I don't know if they are or not. I don't

1 believe they are.

2 Q. Do you know whether Duke Energy Ohio
3 presently has an affiliate offering competitive
4 retail electric or natural gas in Ohio?

5 A. Currently, I do not believe they do.

6 Q. And on page 6 of your testimony, you
7 state that failure to permit CRES providers to place
8 non-commodity charges on Duke Energy Ohio's bills
9 would be providing an advantage to its affiliate in
10 violation of Revised Code 4928.17(A)(2) and (3),
11 correct?

12 A. Yes.

13 Q. And those provisions relate to the
14 corporate separation plan requirements, correct?

15 A. Yes.

16 Q. And if you recall, I can provide you a
17 copy of the statute if it's helpful, but
18 4928.17(A)(2) that you cited in your testimony,
19 speaks to the utility's corporate separation plan
20 satisfying the public interest in preventing an
21 unfair competitive advantage and preventing market
22 power, correct?

23 A. Can you please provide me a copy before I
24 opine on what the statute says?

25 Q. Sure.

1 MS. WATTS: May we approach, your Honor?

2 EXAMINER WALSTRA: Yes.

3 Q. Just so you know, I'm almost done.

4 A. Okay. No, this is fun.

5 Q. And do you have a copy of the statute
6 before you now?

7 A. Yes.

8 Q. Would you refer, please, to
9 4928.17(A)(2).

10 A. Yes.

11 Q. And would you agree with me that the
12 statute states that the plan, which would be the
13 company's corporate separation plan, "satisfies the
14 public interest in preventing unfair competitive
15 advantage and preventing the abuse of market power"?
16 Do you see that?

17 A. Yes.

18 Q. And then look at 4928.17(A)(3), please.

19 A. Yes.

20 Q. Would you agree with me that that
21 section, among other things, requires that the
22 corporate separation plan be sufficient to ensure
23 that the utility will not extend any undue preference
24 or advantage to any affiliate, correct?

25 A. Yes.

1 Q. And to your knowledge has Duke Energy
2 Ohio ever been found to be in violation of its
3 corporate separation plan?

4 A. I know Duke Energy Ohio lost a Supreme
5 Court case that it was seeking to amend its corporate
6 separation plan. It was determined in that Supreme
7 Court case that it -- the amendment that it was
8 seeking would have been in violation of the corporate
9 separation plan. So to the extent that that Supreme
10 Court case is the law of the land, then I would say,
11 yes, they have been found to be in violation of the
12 corporate separation plan.

13 Q. So the Supreme Court in that case was
14 addressing a proposal by the company, correct?

15 A. Well, it was addressing initial approval
16 by the Commission that the Commission -- that
17 ultimately then the Supreme Court found that it was a
18 violation, the Commission's approval was a violation
19 of Duke's corporate separation plan.

20 Well, let's put it this way: The
21 Commission's approval was a violation of Duke's -- of
22 the corporation separation statutes.

23 Q. So, in fact, Duke Energy was not found to
24 be in violation of its corporate separation plan.

25 A. It depends on how you wanted to interpret

1 what a violation of a corporate separation plan is
2 but.

3 Q. We'll let the case speak for itself.

4 A. Okay.

5 MS. WATTS: Okay. Okay. That's all I've
6 got. Thank you.

7 EXAMINER WALSTRA: Thank you.

8 Mr. Eubanks?

9 MR. EUBANKS: No questions, your Honor.

10 EXAMINER WALSTRA: Any redirect?

11 MR. OLIKER: Your Honor, could we just
12 have a few minutes? I don't think we'll need much
13 time.

14 EXAMINER WALSTRA: Okay. We'll go off
15 the record.

16 (Discussion off the record.)

17 EXAMINER WALSTRA: We'll go back on the
18 record.

19 MR. OLIKER: Thank you, your Honor. Just
20 a few questions on redirect.

21 - - -

22 REDIRECT EXAMINATION

23 By Mr. Oliker:

24 Q. Mr. White, do you remember questions that
25 you received from Counsel about times where a CRES

1 charge and non-commodity charges may be on the same
2 bill?

3 A. Yes, I do.

4 Q. Do you have any clarifications?

5 A. Yes. I believe Mr. Michael had asked me
6 if currently CRES -- if there is instances in Ohio
7 where the utility allows for CRES charges and also
8 non-commodity charges on the utility bill. And I
9 said, yes, I believe there are instances, and I just
10 wanted to clarify what those instances were.

11 So typically in several of the utilities,
12 they will allow for a customer to be billed by a CRES
13 for their generation charges, but they also have
14 their own non-commodity charges. So, for instance,
15 AEP offers a home warranty product or service that if
16 you're a CRES customer, you can get AEP's home
17 warranty product and service on the utility bill, but
18 you can't get the CRES customer's home warranty
19 product similar to Duke.

20 Duke allows for -- if they are a CRES
21 customer, you can still get Duke's non-commodity
22 products and services on the utility bill, but you
23 can't get the CRES provider's non-commodity products
24 and services. So I just wanted to make that
25 clarification.

1 Q. And do you remember discussions about
2 IGS's previous efforts to get equal access to the
3 utility bill for non-commodity charges?

4 A. Yes. We have asked Duke to allow IGS to
5 bill for certain non-commodity charges on the utility
6 bill similar to non-commodity charges it bills from
7 its affiliate, and Duke has not agreed to that. Or
8 we sent a letter back in 2014 to Duke -- Duke or
9 Duke's Counsel, I believe, and Duke -- I'm still
10 anxiously waiting for Duke's response because they
11 haven't responded to us.

12 Q. And do you remember questions about IGS
13 and RESA's ability to intervene in the future
14 application to obtain cost recovery for a CIS?

15 A. Yes, I do.

16 Q. And do you have any concerns with being
17 required to wait for that proceeding to set
18 parameters for what the application should look like?

19 A. I'm sorry. Can you repeat the question?

20 Q. Sure.

21 And what are your concerns if IGS and
22 RESA are required to wait for that future proceeding
23 to provide input or recommendations regarding the
24 parameters of what Duke should put into place?

25 A. From my experience, if -- if parameters

1 are set or a particular proposal is not made in the
2 actual utility application itself, it's much less
3 likely to be included or approved by the Commission,
4 and I will just give you an example.

5 For instance, if -- if we want
6 non-commodity billing or supplier consolidated
7 billing on the utility bill and Duke is not directed
8 by the Commission to include that in its application,
9 then Duke won't -- won't provide any cost estimates.
10 They won't provide any of the technical details of
11 what's required for that particular product to be
12 offered in its application. And it will be used
13 against -- then used against us in that there's not
14 enough data or detail to -- to adopt that proposal
15 because Duke has not initially provided that data or
16 detail in its initial application and much of that
17 data and detail really can only be provided by Duke.

18 MS. WATTS: And, your Honor, I move to
19 strike that response. Mr. White has testified at
20 length what he believes Duke will do, and I don't
21 believe Mr. White has any basis for understanding
22 what Duke would or would not do in an application
23 before the Commission.

24 MR. OLIVER: Your Honor, briefly.

25 Mr. White provided his opinion of how

1 there could be a disadvantage to IGS and RESA to the
2 extent no input parameters were set in this
3 application. And the Commission can give, you know,
4 that its due weight based upon Mr. White's experience
5 and his opinion.

6 EXAMINER WALSTRA: I agree. I'll deny.

7 MR. OLIKER: Thank you, your Honor.

8 EXAMINER WALSTRA: Were you done?

9 MR. OLIKER: Yes.

10 Q. (By Mr. Oliker) I believe, Mr. White, you
11 were done, correct?

12 A. Yes.

13 MR. OLIKER: And that's all we have.

14 Thank you.

15 THE WITNESS: Thank you.

16 MS. WATTS: No recross.

17 EXAMINER WALSTRA: Thank you.

18 MR. EUBANKS: No questions.

19 EXAMINER WALSTRA: Thank you, Mr. White.

20 MR. MICHAEL: We have no recross either,
21 your Honor.

22 EXAMINER WALSTRA: You seemed pretty
23 comfortable.

24 THE WITNESS: Thank you.

25 EXAMINER WALSTRA: Would you like to move

1 your exhibit?

2 MR. OLIKER: Thank you, your Honor. RESA
3 and IGS would move for the admission of Exhibit 5.

4 EXAMINER WALSTRA: Subject to the motions
5 to strike, any?

6 MR. MICHAEL: Nothing further, your
7 Honor.

8 EXAMINER WALSTRA: Thank you. It will be
9 admitted.

10 (EXHIBIT ADMITTED INTO EVIDENCE.)

11 MR. WHITT: Your Honor, RESA/IGS's next
12 witness would be Teresa Ringenbach. My understanding
13 is she's the last witness for today. I am not sure
14 what the cross estimates are. We are happy to
15 proceed with that witness now rather than breaking
16 for lunch and coming back, but if that's the
17 consensus of the group, we would be fine with that.

18 EXAMINER WALSTRA: I think there was some
19 discussion off the record that everyone is
20 comfortable just going forward.

21 MR. WHITT: Okay.

22 MS. WATTS: We are going to set some land
23 speed records.

24 (Witness sworn.)

25 EXAMINER CATHCART: You may be seated.

1 MR. WHITT: Your Honors, if we may
2 approach, we will be distributing a document marked
3 as RESA/IGS Exhibit 6 which I believe the witness
4 will authenticate is her prefiled direct testimony.

5 EXAMINER CATHCART: So marked.

6 (EXHIBIT MARKED FOR IDENTIFICATION.)

7 - - -

8 TERESA RINGENBACH
9 being first duly sworn, as prescribed by law, was
10 examined and testified as follows:

11 DIRECT EXAMINATION

12 By Mr. Whitt:

13 Q. Good afternoon. Could you introduce
14 yourself, please.

15 A. My name is Teresa Ringenbach. I'm the
16 Senior Manager of Government Regulatory Affairs for
17 the Midwest for Direct Energy.

18 Q. And, Ms. Ringenbach, do you have in front
19 of you a document marked as RESA/IGS Exhibit 6,
20 titled "Direct Testimony of Teresa Ringenbach on
21 behalf of the Retail Energy Supply Association and
22 Interstate Gas Supply, Inc."?

23 A. I do.

24 Q. Was this document prepared by you for
25 this case?

1 A. Yes.

2 Q. Do you have any corrections or changes to
3 make to your testimony?

4 A. I do. I have one. It's page 3, line 19,
5 where it says "and the growth of new (insert policy
6 language) offerings." That's just an old note that
7 was in there. It should actually say "and the growth
8 of new product offerings."

9 Q. And just so we have a clear record, I
10 will read the sentence as corrected. Read along with
11 me silently and make sure that I read it correctly,
12 if you would, please.

13 The sentence as corrected on page 3,
14 line 19, should now read: "Meter data is essential to
15 the policy of the state and the growth of new product
16 offerings"; is that correct?

17 A. That's correct.

18 Q. Apart from the change you just
19 identified, if I were to ask you the same questions
20 in RESA/IGS Exhibit 6 today, would your answers be
21 the same?

22 A. Yes.

23 MR. WHITT: With that, your Honors, we
24 would move for the admission of the exhibit, subject
25 to cross-examination.

1 EXAMINER CATHCART: Thank you.

2 Any cross-examination?

3 OCC?

4 MR. MICHAEL: If it would be acceptable
5 to the Bench, your Honor, we would like to reserve
6 any cross-examination until after the company goes.

7 EXAMINER CATHCART: Okay. Thank you.

8 MS. WATTS: Thank you.

9 - - -

10 CROSS-EXAMINATION

11 By Ms. Watts:

12 Q. Good morning, Ms. Ringenbach.

13 A. Good morning.

14 Q. You are employed by Direct Energy,
15 correct?

16 A. I am.

17 Q. But you're testifying today on behalf of
18 IGS and RESA?

19 A. That's correct.

20 Q. And why are you not testifying on behalf
21 of Direct today?

22 A. We're a member of the RESA, so we're
23 testifying under the trade org.

24 Q. Is IGS a member of RESA?

25 A. They are.

1 Q. And yet IGS is called out separately?

2 A. I think they wanted it that way.

3 Q. But Direct did not?

4 A. We did not.

5 Q. Do you have any idea why?

6 A. It's been a while in this case, I
7 actually don't remember why.

8 Q. Okay. And the purpose of your testimony
9 is to make recommendations regarding, I have a list
10 of four things: Data access, ZigBee access, "Enroll
11 From My Wallet," and a recommendation with respect to
12 purchase of accounts receivable. Are those the four
13 items you're covering?

14 A. Yes.

15 Q. Okay. And there aren't any additional
16 ones that I've missed.

17 A. No.

18 Q. On page 4 of your testimony at line 18,
19 on that line you're discussing a request and you say
20 "Similar to AEP, we," and I assume you mean RESA and
21 IGS?

22 A. Yes.

23 Q. "...would like a review after one year of
24 the market." Do you see that?

25 A. Yes.

1 Q. I am not sure I understand that
2 statement. Could you explain what you're asking for
3 there?

4 A. So in -- in AEP, what was agreed to was
5 that there would be a one-year review after
6 time-of-use-products product capability came to the
7 market, to determine if suppliers were offering those
8 products, were there any barriers to it. And at that
9 point there would be a report by Staff to determine
10 whether or not there were enough suppliers making
11 enough of these product offerings that the utility
12 would no longer have the need to actually offer
13 anything.

14 So what I'm saying here is we would also
15 like to see something in Duke that makes it clear
16 that once the capability is out there and suppliers
17 are actually making those offers at some point, the
18 utility requirements to offer time-of-use would go
19 away.

20 Q. Thank you.

21 On page 5 of your testimony at lines 4
22 through 14, you discuss ZigBee. Do you know whether
23 the AMI transition the company is currently proposing
24 and which is included in the stipulation -- let me
25 ask you: You've read the stipulation in this

1 proceeding?

2 A. I have.

3 Q. Okay. And so, do you know whether the
4 AMI transition that the company is proposing and
5 which was included in the stipulation would have
6 ZigBee capability?

7 A. Most meters for SmartGrid -- actually all
8 the ones that I'm familiar with in the midwest states
9 have ZigBee capability, so the assumption here is
10 that what Duke is planning would also have a
11 ZigBee-capable meter deployed. What we are asking
12 for is clarity that if that is, it's part of the plan
13 that simply customers would have ZigBee access to
14 their meters.

15 Q. And on page 5 of your testimony, you
16 describe a program called -- you refer to as "Enroll
17 From My Wallet" as an option to replace the current
18 letter of authorization process, correct?

19 A. Yes.

20 Q. And you -- you are familiar with Duke
21 Energy Ohio's letter of authorization process?

22 A. As it is today, yes.

23 Q. Yes, okay. And do you know whether
24 Direct Energy has used the letter of authorization
25 process in the Duke Energy Ohio service territory?

1 A. For non-residential customers we have.

2 Q. On page 5, line 21, you state that "The
3 Enroll From My Wallet option eliminates the middle
4 step by allowing the customer to provide additional
5 verifying information...." Do you see that?

6 A. Yes.

7 Q. What additional information would be
8 provided?

9 A. So each utility is different, so what we
10 would do is we would work with Duke to determine what
11 information is consistent across your customers that
12 you do collect and then that would become the
13 identifying information that we would collect in lieu
14 of getting -- we would still have the LOA, but in
15 lieu of us submitting the LOA to Duke, we would
16 submit that information.

17 Q. And you're familiar with the Commission's
18 regulations concerning customer safeguards of
19 information, correct?

20 A. Yes.

21 Q. Do you know whether the Commission's
22 rules for customer safeguards would need to be
23 amended to enable "Enroll From My Wallet"?

24 A. We don't believe that it would be.

25 Q. On page 6, line 4, you indicate that

1 there is a delay in passing paper back and forth. Do
2 you see that?

3 A. Yes.

4 Q. Do you agree that Duke Energy Ohio's
5 process is electronic?

6 A. I do.

7 Q. And in that process, a signed piece of
8 paper is not mailed to Duke but is electronically
9 uploaded to the company, correct?

10 A. Yes.

11 Q. And do you have any reason to doubt that
12 after the supplier uploads a PDF of the
13 authorization, the account number is presented within
14 a few moments?

15 A. For residential, I do not know.

16 Q. How about for commercial?

17 A. For commercial I believe it's set up you
18 can see the account number then.

19 Q. Okay. Have you performed any cost
20 analysis to determine the costs of implementing
21 "Enroll From My Wallet" functionally?

22 A. Not with Duke.

23 Q. In preparing your testimony in this
24 proceeding, did you review the company's application
25 in the ESP proceeding?

1 A. In this current ESP?

2 Q. In this case, yes.

3 A. Yes.

4 Q. And did you also review the application
5 in the rate case?

6 A. Yes.

7 Q. And you would agree me that the company
8 did not request any change to enable "Enroll From My
9 Wallet" programs.

10 A. Yes.

11 Q. As part of the stipulation, the company's
12 existing purchase of accounts receivable will
13 continue, correct?

14 A. Yes.

15 Q. And currently Duke purchases accounts
16 receivable from CRESs at a zero discount, correct?

17 A. Duke has an uncollectible rider which
18 recovers their credit risks, so the purchase of
19 receivables at 100 percent.

20 Q. Okay. And there's nothing in the
21 stipulation that will change that.

22 A. That's correct.

23 Q. And the only modification to the
24 stipulation -- to the existing purchase of
25 receivables program is the inclusion of an annual

1 audit of that program, correct?

2 A. So that's where my testimony comes in is
3 the current PA -- purchase of accounts receivable,
4 PAR contract allows for an audit. So our concern is
5 that by putting this in the stipulation, are we
6 asking for something different that's undefined? Or
7 is it the same thing and it's just being repeated?
8 So what we are asking suppliers is we need clarity on
9 what that audit is, what is being audited. Is this a
10 retroactive audit on things we didn't know? And just
11 clarifying that language what exactly is it.

12 Q. Do you believe that the Staff should not
13 audit whether a CRES is including non-commodity
14 products and services as part of receivables
15 purchased by the utility?

16 A. I believe that Staff has -- can audit it,
17 but I think we need a definition of what is a
18 non-commodity in a clear definition. I think we need
19 to understand exactly what Staff is requesting. We
20 need to make sure we're not crossing over into a
21 world where we are now regulating the cost of
22 suppliers versus verifying that PAR is being used
23 appropriately.

24 MS. WATTS: That's all I have. Thank
25 you.

1 MR. EUBANKS: Staff has no questions.

2 EXAMINER CATHCART: Thank you.

3 - - -

4 CROSS-EXAMINATION

5 By Mr. Michael:

6 Q. If non-commodity charges are included in
7 the PAR with no discount, they could be included in
8 the uncollectible rider, correct?

9 A. I go back to again it's unclear what
10 "non-commodity" is. We've never fully defined it in
11 the state.

12 Q. Okay. If I were to define it for
13 purposes of the question as something other than
14 electric generation and I were to ask you the
15 question again, what would your response be?

16 A. If a supplier is using purchase of
17 receivables in Duke and utility consolidated billing,
18 both of those, and included some defined
19 non-commodity amount, and the customer did not pay,
20 then, yes, it would show up in the uncollectible
21 rider.

22 MR. MICHAEL: No further questions.
23 Thank you very much.

24 EXAMINER CATHCART: Thank you. Any
25 redirect?

1 MR. WHITT: No redirect.

2 EXAMINER CATHCART: Thank you. Thank
3 you.

4 THE WITNESS: Thanks.

5 EXAMINER CATHCART: Would you like to
6 move your exhibit?

7 MR. WHITT: That would be a good idea,
8 your Honor. At this time we would move for the
9 admission of RESA/IGS Exhibit No. 6.

10 EXAMINER CATHCART: Any objection?

11 MS. WATTS: No objection.

12 EXAMINER CATHCART: It will be admitted.
13 (EXHIBIT ADMITTED INTO EVIDENCE.)

14 EXAMINER WALSTRA: We will adjourn for
15 the day.

16 Go off the record.

17 (Discussion off the record.)

18 (Thereupon, at 12:50 p.m., the hearing
19 was adjourned.)

20 - - -

21

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25

CERTIFICATE

We do hereby certify that the foregoing is a true and correct transcript of the proceedings taken by us in this matter on Friday, July 20, 2018, and carefully compared with our original stenographic notes.

Karen Sue Gibson, Registered
Merit Reporter.

Carolyn M. Burke, Registered
Professional Reporter.

(KSG-6585)

- - -

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

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in

Case No(s). 17-0032-EL-AIR, 17-0033-EL-ATA, 17-0034-EL-AAM, 17-0872-EL-RDR, 17-0873-EL-ATA, 1

Summary: Transcript in the matter of the Duke Energy Ohio, Inc. hearing held on 07/20/18 - Volume X electronically filed by Mr. Ken Spencer on behalf of Armstrong & Okey, Inc. and Gibson, Karen Sue Mrs.