

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke)
Energy Ohio, Inc., to Adjust Rider AU for) Case No. 18-0837-GA-RDR
2017 Grid Modernization Costs.)

SUPPLEMENTAL DIRECT TESTIMONY OF

SARAH E. LAWLER

ON BEHALF OF

DUKE ENERGY OHIO, INC.

TABLE OF CONTENTS

	<u>PAGE</u>
I. INTRODUCTION	1
II. DISCUSSION.....	1
III. CONCLUSION.....	6

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Sarah E. Lawler, and my business address is 139 East Fourth Street, Cincinnati, Ohio 45202.

Q. HAVE YOU FILED DIRECT TESTIMONY IN THIS PROCEEDING?

A. I have filed direct testimony in this proceeding.

Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY IN THESE PROCEEDINGS?

A. The purpose of my testimony is to respond to matters discussed by Office of Ohio Consumers' Counsel (OCC) witness James D. Williams on behalf of the OCC.

II. DISCUSSION

Q. HAVE YOU REVIEWED THE REVIEW AND RECOMMENDATIONS FILED BY THE STAFF OF THE PUBLIC UTILITIES COMMISSION OF OHIO?

A. Yes. I reviewed the Staff's Review and Recommendations. The document indicates that Staff recommends the Commission find that the Company has appropriately included in Rider AU only those costs that are incurred as a result of serving its retail customers in Ohio. Staff recommends that the Company's Application be approved and that rates become effective on a bills-rendered basis.¹ The Company's proposed rates for Rider AU are lower than the current rates; therefore, when the Commission approves the Company's Application, gas customers will see a decrease in their bills as shown on the chart included in Staff's Review and Recommendations.²

¹ Staff's Review and Recommendations, page 2, filed on October 4, 2018.

² Id., page 2.

Q. WHAT DOES THE OCC RECOMMEND?

A. The OCC filed comments and, through its witness James D. Williams, provided testimony on issues mostly unrelated to the subject matter at issue in this proceeding. In its comments, OCC's only argument is that Duke Energy Ohio should be required to file a natural gas rate case to eliminate Rider AU.

OCC's only witness, Mr. Williams, recommends

1. That the Commission order an independent review of Duke Energy Ohio's natural gas grid modernization program and proposals for replacement of this program and that this independent review be funded by the Company's stakeholders.
2. That the Commission require Duke Energy Ohio to file a natural gas distribution rate case.

Q. DO YOU HAVE ANY COMMENTS ON THE OCC'S RECOMMENDATIONS?

A. Yes. OCC's recommendation that the Commission require Duke Energy Ohio to file a base rate case is a legal argument. I am advised by counsel that OCC and the Commission are free to invoke Chapter 4905.26 of the Ohio Revised Code (R.C.) if there is a concern that Duke Energy Ohio's rates for natural gas distribution service are unreasonable. The Company's Rider AU was established under the alternative regulations that explicitly allow for such riders and I am advised by counsel that there is no condition in R.C. 4929 that conditions approval of such riders upon a commitment to file a rate case. OCC is essentially asking the Commission to reject the alternative ratemaking statutes by adding a condition to the law that does not

currently exist. If the Ohio legislature intended for approval of riders to be conditioned on commitments to file future rate cases, it surely would have created a provision in R.C. 4929 toward that end.

As to Mr. Williams' suggestion that the Commission require the Commission to order an independent review of Duke Energy Ohio's natural gas grid modernization program and proposals for replacement of this program, OCC again misses the point of the pending application in this case. The Company's filing in this case is exclusively to update the annual revenue requirement to reflect the capital investment for its existing investment in advanced metering infrastructure (AMI) for its gas operations as of December 31, 2017. There has been no new investment in gas smart grid costs included in this rider since before 2014 and the Company is not seeking recovery for any costs that have not already been approved by the Commission. This annual Rider AU filing is nothing more than an update to the revenue requirement reflecting the decrease in rate base as assets are depreciated, thus providing a benefit to customers via a lower Rider AU rate.

Importantly, the Commission has already approved the current level of Rider AU investment in previous rider filings. In all of these previous rider filings, the Commission found the revenue requirement calculation to be reasonable; so, there should be no hindsight review of prudence at this point. Contrary to the assertions of Mr. Williams, there is absolutely no reason to go back and reevaluate the prudence of the Company's investment that has already been deemed prudent in the past. Staff's review in rider filings includes an assessment of the prudence of capital expenditures,

a point recently confirmed in the sworn testimony of a Staff witness.³ OCC comments and Mr. Williams' testimony are merely legal arguments that do not advance any actionable proposals that haven't already been addressed in prior annual Rider AU updates.

Q. ARE THERE ANY INCREMENTAL CAPITAL INVESTMENTS IN THIS PROCEEDING?

A. No. To reiterate the pointlessness of OCC's arguments, there are no additional capital expenditures in this proceeding. Consequently, there are no new questions of prudence to consider that have not already been considered.

Q. WILL CUSTOMER RATES GO UP OR DOWN IF THE COMMISSION APPROVES THE UPDATED RIDER AU?

A. Assuming the Commission approves the Company's updated Rider AU, there will be a decrease in rates for customers. Because there have been no new capital additions in several years, the underlying rate base is declining as depreciation decreases the net plant in service. In the current rider, the Company is only requesting recovery of costs already approved by the Commission and previously agreed to by OCC.

It should also be noted that this annual Rider AU update is meant to be reflected in customer rates annually for the first billing cycle in April. As already mentioned, Commission Staff filed its Review and Recommendations in October of

³ Case No. 18-298-EL-AIR, *et al.*, Transcript Volume II, page 144, cross-examination of Staff witness David Liphtratt.

Q. Does the Staff assess the prudence of utility capital expenditures when it performs a plant-in service inspection in a base rate case or in rider cases?

A. Yes, it does.

2018 where they recommended that the Company's Application be approved and that rates become effective on a bills-rendered basis. The timing of this report allowed ample time for the Commission to issue an order in time for the Company to put rates into effect in April of 2019. Because of OCC's continuing efforts to impede resolution of this case, it is now already past the time, April 1st, when the new lower rates would have gone into effect.

Q. IS DUKE ENERGY OHIO SEEKING TO RECOVER ANY COSTS RELATED TO GAS METER TECHNOLOGY REPLACEMENT IN THIS PROCEEDING?

A. No.

Q. MR. WILLIAMS ARGUES THAT CUSTOMERS ARE BEING HARMED BECAUSE THE COMPANY IS REPLACING GAS METER TECHNOLOGY AND THAT CUSTOMERS SHOULD NOT PAY FOR THIS. CAN YOU RESPOND?

A. OCC's arguments in this regard are irrelevant and untimely since there are no costs in this proceeding related to any new technology. On page 5 of Mr. Williams' direct testimony, he states that "customers would be charged \$45 million to replace the meter reading system installed as part of its grid modernization initiative." That is not at issue in this case. The Company is *not* requesting recovery of such costs in this case. OCC agreed to the deployment of Smart Meters for gas customers as far back as 2009. Also, OCC stipulated agreement in almost all the rider proceedings each year as the gas meters were being deployed. Of course, the OCC is free to make its arguments in a proceeding where the Company is actually seeking recovery of such costs but,

insofar as there is no such request in this case, the OCC's arguments are moot.

Q. OCC ARGUES THAT THE COMMISSION SHOULD REQUIRE THE COMPANY TO FILE A GAS DISTRIBUTION BASE RATE CASE. DO YOU AGREE?

A. No, I do not. In addition to the legal arguments discussed earlier, as I have mentioned already, there have been no new investments added to the Rider AU since before 2014. For that reason, this rider filing and future rider filings will reflect a lower revenue requirement each year as assets are depreciated. If the Company were to file a distribution base rate case, the amount of net plant would be "locked in" in that rate case and future reductions in plant would not be realized by customers.

III.CONCLUSION

Q. DOES THIS CONCLUDE YOUR PRE-FILED SUPPLEMENTAL DIRECT TESTIMONY?

A. Yes.

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Summary: Testimony Supplemental Direct Testimony of Sarah E. Lawler on behalf of Duke Energy Ohio, Inc. electronically filed by Dianne Kuhnell on behalf of Duke Energy Ohio, Inc. and Rocco D'Ascenzo and Watts, Elizabeth H.