

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)
Duke Energy Ohio, Inc., to Adjust Rider)
AU for 2017 Grid Modernization Costs) Case No. 18-837-GA-RDR

**INITIAL POST HEARING BRIEF
OF DUKE ENERGY OHIO, INC.**

I. INTRODUCTION

On June 29, 2018, Duke Energy Ohio, Inc. (Duke Energy Ohio, or Company) instituted this proceeding to enable the annual adjustment of Rider AU, which adjustment would result in a reduction of customer rates under the rider. Following its detailed review of the Company's application, the Staff of the Public Utilities Commission of Ohio (Staff) recommended that the Public Utilities Commission of Ohio (Commission) approve the application, as filed, with rates to be effective on a bills-rendered basis. Notwithstanding the substantial evidentiary record that supports the rate reduction for Duke Energy Ohio's approximate 425,000 natural gas customers, the Office of the Ohio Consumers' Counsel (OCC) opposes the adjustment. For the reasons set forth herein, the Commission should approve the Company's application as filed.

II. DISCUSSION

The application in this case is for recovery of the initial deployment of Duke Energy Ohio's natural gas smart grid program. There have been no new investments related to the initial deployment since 2014. The Commission has reviewed and approved such investments through prior annual Rider

AU proceedings.¹ Since the Commission's review of and approval for recovery of the initial smart grid investments through 2014, the Company has not sought to adjust Rider AU to include any post-2014 investments. Rather, the remaining annual rider cases have merely reflected the reduction in revenue requirement as depreciation decreases rate base included in Rider AU.² The present filing is no different – it does not seek to increase Rider AU for new investments, instead, it reflects the continuing trend of decreasing rate base owing to the continued depreciation of the gross plant included in the Rider AU revenue requirement calculation. The issues raised by the OCC in opposition to the Company's application are moot as having been previously decided or otherwise irrelevant. The evidentiary record warrants approval of the application sans the conditions proposed by the OCC.

A. OCC has previously agreed to recovery of the gas smart grid program.

In its direct testimony, OCC argues that the Commission should conduct an independent audit to examine whether the Company's gas meter reading technology is "used and useful."³ OCC is ignoring that the Commission has already done so. Beginning in 2009 and continuing up until this current case, the Company has filed annually to recover costs associated with SmartGrid deployment. In 2015, that deployment was completed. In each of the annual Rider AU proceedings filed and approved, the incremental investment each year was audited by the Commission Staff. In 2012, the Commission engaged an outside auditor to determine if the investment should continue and determined that it should. In each of these rider proceedings, OCC had an opportunity to engage in

¹*In the Matter of the Application of Duke Energy Ohio to Adjust and Set Its Gas and Electric Recovery Rate for SmartGrid Deployment Under Rider-AU and Rider DR-IM*, Case No. 09-543-GE-UNC, et al., Opinion and Order (May 13, 2010); *In the Matter of the of Duke Energy Ohio, Inc., to Adjust Rider DR-IM and Rider-AU for 2009 SmartGrid Costs*, Case No. 10-867-GE-RDR, Opinion and Order (March 23, 2011); *In the Matter of the Application of Duke Energy Ohio, Inc., to Adjust Rider DR-IM and Rider-AU for 2010 SmartGrid Costs and Mid-Deployment Review*, Case No. 10-2326-GA-RDR, Opinion and Order (June 13, 2012); *In the Matter of the Application of Duke Energy Ohio, Inc., to Adjust Rider DR-IM and Rider-AU for 2011 SmartGrid Costs*, Case No. 12-1811-GE-RDR, Opinion and Order (March 27, 2013); *In the Matter of Duke Energy Ohio, Inc. to Adjust Rider DR-IM and Rider-AU for 2012 Grid Modernization Costs*, Case No. 13-1141-GE-RDR, Opinion and Order (April 9, 2014).

² Supplemental Direct Testimony of Sarah E. Lawler, at pg. 3.

³ Direct Testimony of James D. Williams, at pg. 3.

discovery and did so. Although many of these cases were resolved via stipulations that were approved by the Commission, all of them were reviewed and audited by Staff for prudence. Indeed, in one proceeding, the Company agreed to accept a disallowance of costs related to uninstalled communication nodes as Staff determined that such nodes were not used and useful prior to installation.⁴ Clearly the Commission has already addressed the issues of prudence and used and useful. No doubt, had a question of prudence been overlooked, OCC would have cried foul. But OCC agreed to the continuing investment.⁵ Thus, since there has been no new investment in this case since before 2015, there is nothing to be deemed imprudent in this proceeding.

B. There is no cause for the Commission to require the Company to file a rate case.

OCC witness James Williams repeatedly states that the Company should be compelled to file a gas rate case to “help safeguard that customers are being charged just and reasonable rates going forward.”⁶ Both OCC’s demand and its justification are misplaced. OCC apparently assumes that a full natural gas base rate case would automatically result in a rate decrease for customers. There is no evidence to support such a position. However, if OCC was convicted in that belief, Ohio law does afford the OCC an opportunity to make its case. Whether the Commission approves the proposed Rider AU or not, the Commission could not deprive OCC of its rights to file a complaint under R.C. 4905.26.

Notwithstanding OCC’s wishful thinking, it is unlikely that the result of a rate case would be lower overall rates for customers. Consider that since the Company’s last natural gas base rate case, which was filed in 2012 and implemented in 2013, the Company has made significant capital

⁴ *In the Matter of the Application of Duke Energy Ohio, Inc. to Adjust Rider DR-IM and Rider AU for 2011 SmartGrid Costs*, Case No.12-1811-GE-RDR, Stipulation and Recommendation (February 20, 2013) at pg.7, para. (e)(3).

⁵ *In the Matter of the Application of Duke Energy Ohio, Inc. to Adjust and Set its Gas and Electric Recovery Rate for 2010 SmartGrid Costs Under Rider DR-IM and Mid-Deployment Review of AMI/SmartGrid Program*, Case No.10-2326-GE-RDR, Stipulation and Recommendation (February 24, 2012).

⁶ OCC Exh.5 (Direct Testimony of James D. Williams), at pg. 7.

investments in its infrastructure system and, like any enterprise, has seen increases in its operating and maintenance expenses. Therefore, intuitively, it is likely that a base rate case would result in an overall increase in customers' non-commodity rates for natural gas service.

Finally, although OCC maintains contempt for single-issue ratemaking, the practice is codified and explicitly permitted in Ohio under R.C. Chapter 4929. There is no requirement in that chapter that utilities are required to file a base rate proceeding once capital investment in rider cases. In reality, it is because of single-issue ratemaking that, in the present circumstance, customers are benefitting inasmuch as the rates for Rider AU will continue to decline each year as depreciation of the gross plant continues to reduce the rate base for which it is earning a return. If all of the investment in natural gas smart grid included in Rider AU been included in base rates, there would be no means of flowing through to customers the benefit of the continually declining rate base. The Company's base rates would have effectively locked in the plant in service and accumulated depreciation as of the date certain. Customers would not experience any reduction until a subsequent base rate case, which again, may be completely offset due to other investments that would serve to increase base rates.

The Staff reviewed the Company's application in this proceeding and concluded that the Company had appropriately included in its Rider AU only those costs that are incurred as a result of serving its retail customers in Ohio, had appropriately calculated the impacts of depreciation, confirmed its accuracy and thus recommended that the Application be approved. The Commission should approve the application as filed.

III. CONCLUSION

The Company's application for recovery of costs for 2017 includes no new capital investment and merely updates the revenue requirement to reflect a decrease in rate base as assets are depreciated, thus providing a benefit to customers. OCC's recommendation to prejudge investments being made

by the Company that are not being sought for recovery in this case is misplaced and should be ignored. The proper forum for reviewing the prudence of other investments being made by the Company will come when the Company seeks recovery for such investments. Duke Energy Ohio respectfully requests that the Commission approve its application as submitted and approved by Staff.

Respectfully submitted,

DUKE ENERGY OHIO, INC.

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CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing was delivered by U.S. mail (postage prepaid), personal delivery, or electronic mail, on this 30th day of May 2019, to the following parties.

/s/ Elizabeth H Watts
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Summary: Brief Initial Post Hearing Brief of Duke Energy Ohio, Inc. electronically filed by Mrs. Debbie L Gates on behalf of Duke Energy Ohio Inc. and D'Ascenzo, Rocco O. Mr. and Watts, Elizabeth H