

**BEFORE THE**  
**PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Duke     )  
Energy Ohio, Inc., to Adjust Rider AU     )     Case No. 20-1117-GA-RDR  
for 2019 Gas Grid Modernization Costs.     )

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**APPLICATION OF DUKE ENERGY OHIO, INC.,  
TO ADJUST RIDER-AU FOR 2019 GRID MODERNIZATION COSTS**

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1. Duke Energy Ohio, Inc., (Duke Energy Ohio or the Company) is an Ohio corporation engaged in the business of supplying gas distribution service in Adams, Brown, Butler, Clinton, Clermont, Hamilton, Montgomery, and Warren Counties in southwestern Ohio.

2. Duke Energy Ohio is a natural gas company within the meaning of 4905.03(A)(6), Revised Code, and, as such, is a public utility subject to the jurisdiction of the Public Utilities Commission of Ohio (Commission).

3. In this Application, the Company requests approval to adjust its advanced utility rider (Rider AU) to allow for recovery of 2019 costs for the initial deployment of its grid modernization and related systems. Rider AU was originally submitted for approval in Case No. 07-589-GA-AIR, *et al.*, (Gas Distribution Rate Case). Duke Energy Ohio also hereby requests such tariff approval and accounting authority as may be required for recovery.

4. The Company's Gas Distribution Rate Case, originally filed in July 2007, was resolved by a stipulation that provided, in part, for a process for filing deployment

plans for the installation of an automated gas meter reading system. The automated gas meter reading system was designed to employ the grid modernization communications technology. The stipulation also contained a method for recovering costs associated with the plans, which was designated Rider AU.<sup>1</sup>

5. In June 2009, in Case No. 09-543-GE-UNC, Duke Energy Ohio submitted its application for approval of the costs it incurred during 2008 for its deployment of grid modernization. This case was also resolved through a stipulation in November of 2009, and that stipulation was approved by the Commission in May 2010.<sup>2</sup>

6. In July 2010, in Case No. 10-867-GE-RDR, Duke Energy Ohio submitted its application for approval of the costs it incurred during 2009 for its deployment of grid modernization. Like the Company's Gas Distribution Rate Case and Case No. 09-543-GE-UNC, Case No. 10-867-GE-RDR was also resolved by means of a stipulation, which was approved by the Commission in March 2011.<sup>3</sup>

7. On October 27, 2010, in Case No.10-2326-GE-RDR, the Commission issued an entry requesting proposals to perform an audit that would include both an operational audit and an operational benefits assessment of Duke Energy Ohio's overall grid modernization implementation. The Commission subsequently selected MetaVu, Inc., (MetaVu) to conduct the audit. MetaVu's final audit report was filed with the Commission on June 30, 2011. That proceeding was resolved by a Stipulation and

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<sup>1</sup> *In the Matter of the Application of Duke Energy Ohio for an Increase in Rates*, Case No. 07-589-GA-AIR, *et al.*, Stipulation and Recommendation (February 28, 2008); Opinion and Order, pg. 17 (May 28, 2008).

<sup>2</sup> *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, Stipulation and Recommendation (November 19, 2009); Opinion and Order (May 13, 2010).

<sup>3</sup> *In the Matter of the Application of Duke Energy Ohio to Adjust Rider DR-IM and Rider AU for 2009 SmartGrid Costs*, Case No. 10-867-GE-RDR, Stipulation and Recommendation (February 14, 2011); Opinion and Order (March 23, 2011).

Recommendation that was submitted to the Commission for its approval on February 24, 2012. The Stipulation and Recommendation was approved by the Commission on June 13, 2012.

8. In June 2012, in Case No. 12-1811-GE-RDR, Duke Energy Ohio submitted an application for approval of the costs it incurred during 2011 for its deployment of grid modernization. Like the prior ones, this case was also resolved by means of a stipulation, which was approved by the Commission in March 2013.<sup>4</sup>

9. In June 2012, in Case No. 12-1685-GA-AIR, Duke Energy Ohio filed for an increase to its natural gas base rates. In this case, the gas smart grid capital investment as of March 31, 2012, was included in base rates. There was a partial settlement reached in the case, which settlement was approved by the Commission in November 2013.<sup>5</sup>

10. In June 2013, in Case No. 13-1141-GE-RDR, Duke Energy Ohio submitted its application for approval of the costs it incurred during 2012 for its deployment of grid modernization. This case was also resolved by means of a stipulation, which was approved by the Commission in April 2014.<sup>6</sup>

11. In June 2014, in Case No. 14-1051-GE-RDR, Duke Energy Ohio submitted its application for approval of the costs it incurred during 2013 for its

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<sup>4</sup> *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 (Feb. 20, 2013); Opinion and Order (March 27, 2013).

<sup>5</sup> *In the Matter of the Application of Duke Energy Ohio, Inc., for an Increase in its Natural Gas Distribution Rates*, Case No. 12-1685-GA-AIR, Stipulation and Recommendation (May 10, 2013); Opinion and Order (Nov. 13, 2013).

<sup>6</sup> *In the Matter of the Application of Duke Energy Ohio, Inc. to Adjust Rider DR-IM and Rider AU for 2012 SmartGrid Costs*, Case No. 13-1141-GE-RDR, Stipulation and Recommendation (Jan. 10, 2014); Opinion and Order, pg. 18 (April 9, 2014).

deployment of grid modernization. A hearing was held in February 2015. The Commission issued its order in April 2015.<sup>7</sup>

12. In June 2015, in Case No. 15-0883-GE-RDR, Duke Energy Ohio submitted its application for approval of the costs it incurred during 2014 for its deployment of grid modernization. A hearing was held in January 2016. The Commission issued its order in March 2016.<sup>8</sup>

13. In April 2016, in Case No. 16-0794-GA-RDR, Duke Energy Ohio submitted its application for approval of the costs it incurred during 2015 for its deployment of grid modernization. Staff issued its Review and Recommendations in August 2016 and recommended that the Application be approved as filed. The Commission issued its order in September 2016.<sup>9</sup>

14. In March 2017, in Case No. 17-690-GA-RDR, Duke Energy Ohio submitted its application for approval of the costs it incurred during 2016 for its deployment of grid modernization. Staff issued its Review and Recommendations in July 2017. The Commission issued its order in October 2017. In February 2018, Duke Energy Ohio filed a motion to amend the rider to incorporate certain aspects of the Tax Cuts and Jobs Act of 2017. The Commission issued its order in March 2018, granting the Company's motion.<sup>10</sup>

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<sup>7</sup> *In the Matter of the Application of Duke Energy Ohio, Inc. to Adjust Rider DR-IM and Rider AU for 2013 SmartGrid Costs*, Case No. 14-1051-GE-RDR, Opinion and Order (April 8, 2015).

<sup>8</sup> *In the Matter of the Application of Duke Energy Ohio, Inc. to Adjust Rider DR-IM and Rider AU for 2014 SmartGrid Costs*, Case No. 15-883-GE-RDR, Opinion and Order (March 31, 2016).

<sup>9</sup> *In the Matter of the Application of Duke Energy Ohio, Inc. to Adjust Rider AU for 2015 SmartGrid Costs*, Case No. 16-794-GA-RDR, Staff's Review and Recommendations (Aug. 4, 2016); Finding and Order (Sept. 22, 2016).

<sup>10</sup> *In the Matter of the Application of Duke Energy Ohio, Inc. to Adjust Rider AU for 2016 SmartGrid Costs*, Case No. 17-690-GA-RDR, Staff's Review and Recommendations (July 5, 2017); Finding and Order (Oct. 11, 2017); Motion to Amend (Feb. 20, 2018); Finding and Order (March 28, 2018).

15. In June 2018, in Case No. 18-837-GA-RDR, Duke Energy Ohio submitted its application for approval of the costs it incurred during 2017 for its deployment of grid modernization. Staff issued its Review and Recommendations in October 2018 and recommended that the Application be approved and rates become effective on a bills-rendered basis. The Commission set the case for hearing on May 2, 2019, in an Entry issued on March 12, 2019.<sup>11</sup> By Opinion and Order dated July 2, 2019, the Commission approved the Company's application as filed and the Company implemented new rates on July 10, 2020.<sup>12</sup> The Commission also determined that Staff, in Duke Energy Ohio's next annual proceeding to adjust Rider AU, should thoroughly evaluate whether the Company's customers are paying charges through Rider AU for costs associated with equipment that is no longer used and useful.<sup>13</sup> Staff was directed to perform, as necessary, a field audit or other physical verification of the Company's advanced metering infrastructure (AMI) components for its gas operations.<sup>14</sup>

16. In June 2019, in Case No. 19-664-GA-RDR, Duke Energy Ohio submitted its application for approval of the costs it incurred during 2018 for its deployment of grid modernization.<sup>15</sup> On October 25, 2019, PUCO Staff issued its Staff Report recommending that the Commission direct Staff to issue a request for proposal (RFP) for an audit of the capital equipment and that the cost of the audit be borne by Duke Energy Ohio. Further, Staff recommended that the Rider AU rate be suspended until the

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<sup>11</sup> *In the Matter of the Application of Duke Energy Ohio, Inc. to Adjust Rider AU for 2015 SmartGrid Costs*, Case No. 18-837-GA-RDR, Staff's Review and Recommendations (October 4, 2018); Entry (March 12, 2019).

<sup>12</sup> *Id.* Opinion and Order (July 2, 2019), pp. 5-6, 7.

<sup>13</sup> *Id.*, p. 7.

<sup>14</sup> *Id.*

<sup>15</sup> *In the Matter of the Application of Duke Energy Ohio, Inc., to Adjust Rider AU for 2018 Gas Grid Modernization Costs*, Case No. 19-664-GA-RDR, Application of Duke Energy Ohio, Inc., to Adjust Rider-AU for 2018 Gas Grid Modernization Costs (June 25, 2019).

completion of the audit.<sup>16</sup> On December 4, 2019, the Commission adopted Staff's recommendation,<sup>17</sup> and the Company filed amended tariffs to suspend Rider AU on December 11, 2019. An application for rehearing challenging the suspension of the rider is currently pending.<sup>18</sup> The audit was performed by Blue Ridge Consulting Services, Inc. (Blue Ridge Consulting) and the auditor's report (Report) was filed on July 6, 2020.<sup>19</sup> The Report recommended five adjustments to the Rider AU rate base,<sup>20</sup> four of which the Company makes in this filing as adjustments to the opening balance, as of December 31, 2018.

17. Duke Energy Ohio hereby files its Application to adjust Rider AU to recover 2019 costs for the deployment of its grid modernization and related systems, which will result in a decreased rate for all customers. In support of its Application, Duke Energy Ohio submits the testimony of Sarah E. Lawler. Duke Energy Ohio witness Lawler will provide details regarding the Company's expenditures and revenue requirement for grid modernization deployment for 2019, with supporting schedules for the Company's request, consistent with stipulations agreed to in prior cost recovery cases. In her testimony, Company witness Lawler will also explain that the Company made four of five adjustments to Rider AU rate base that were recommended by Blue Ridge Consulting in the Report.

18. In this Application, the Company declined to make one of the five adjustments to Rider AU rate base recommended by Blue Ridge Consulting. In its

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<sup>16</sup> *Id.*, Staff's Review and Recommendations, p. 2 (October 25, 2019).

<sup>17</sup> *Id.*, Entry, pp. 4, 7 (December 4, 2019)

<sup>18</sup> *See id.*, Application for Rehearing of Duke Energy Ohio, Inc. (January 3, 2020); *id.*, Entry on Rehearing (January 29, 2020).

<sup>19</sup> *Id.*, Audit of the Plant In-Service and Used and Useful (Rider AU) for Duke Energy Ohio, Inc., (July 6, 2020).

<sup>20</sup> *See* Report, pp. 7-8.

recommended Adjustment #3, Blue Ridge Consulting recommended that 60,771 Badger modules and 15,995 Ambient nodes be removed from rate base.<sup>21</sup> Company witness Lawler will explain in her testimony why the Company disagrees with this adjustment and has not made it at this time.

### **Conclusion**

As discussed in the testimony filed in this case, the Company has worked to deploy its grid modernization and advanced technologies, to promote its programs, and to engage customers, in order to make the programs successful. The Company continues to provide functionality and efficiency to its system to benefit its customers and to provide safer, more reliable, affordable energy. Additionally, as supported by the testimony filed herewith, the Company respectfully requests that the Commission approve its Application, subject to the terms outlined herein.

Respectfully submitted,

**Duke Energy Ohio, Inc.**

/s/ Larisa M. Vaysman

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<sup>21</sup> Report, p. 7.

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Summary: Application Application of Duke Energy Ohio, Inc. to Adjust Rider-AU For 2019 Grid Modernization Costs electronically filed by Mrs. Tammy M Meyer on behalf of Duke Energy Ohio Inc. and D'Ascenzo, Rocco and Vaysman, Larisa