BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In The Matter Of The Review Of Duke Energy Ohio, Inc.'s Distribution Capital Investment Rider.	)))	Case No. 21-573-EL-RDR

REPLY COMMENTS OF DUKE ENERGY OHIO, INC.

I. INTRODUCTION

Pursuant to the December 22, 2021 Entry in this proceeding, Duke Energy Ohio, Inc. (Duke Energy Ohio or the Company) hereby submits the below reply comments in response to the initial comments filed by the Office of the Ohio Consumers' Counsel (OCC) in this proceeding on January 21, 2022.[1] No other comments have been filed regarding the audit report prepared at the direction of the Public Utilities Commission of Ohio Staff (Staff) by Rehmann Consulting, Inc. (Rehmann Consulting) and filed in this proceeding on December 3, 2021 (Report), except for the Company's own comments on January 21, 2022.

II. REPLY COMMENTS

1. Insofar as OCC recommends that the Commission adopt the recommendations in the Report,[2] Duke Energy Ohio's initial comments already capture the Company's responses to those recommendations and the Company incorporates those responses by reference here.[3] Insofar as OCC makes additional recommendations,

[1] Consumer Protection Comments by the Office of the Ohio Consumers' Counsel (January 21, 2022) (OCC Comments).
[2] *See* OCC Comments, pp. 3, 4-8.
[3] Comments of Duke Energy Ohio, Inc. (January 21, 2022) (Duke Comments).

the Company disagrees, as detailed below, and recommends the Commission reject the additional recommendations.

2. OCC's comments regarding the Rider DCI caps reflect, as in the previous year, a failure to review the Company's publicly available quarterly filings. It is simply incorrect that "[t]here is insufficient information from Duke's quarterly filings or the Audit Report to demonstrate whether the actual amount of the DCI charge collected during the audit period was within the annual revenue cap" and that "there is also no publicly filed information on how to reconcile the difference . . . between the total DCI charge collection from consumers and annual revenue caps."[4]

For 2020, the Company's January 26, 2021, quarterly filing clearly depicted that the Company collected $65,271,154 in 2020,[5] and the accompanying cover letter stated explicitly that "the revenue collected was below the permitted cap for 2020 for the fourth quarter."[6] Similarly, although the fourth quarter of 2021 is outside the scope of this proceeding, the Company's January 31, 2022, quarterly filing clearly depicts that the Company's 2021 revenue collections were above the 2021 cap of $84,200,000 by $654,153.[7] The Company's accompanying cover letter flags this explicitly: "The attached schedules demonstrate … that (1) the revenue collected was above the permitted cap for 2021 for the fourth quarter and (2) the amount collected in excess of the cap was returned to customers in this filing.."[8]

[4] OCC Comments, pp. 8-9.
[5] *In the Matter of the Quarterly Reports of Rider DCI Schedules*, Case No. 20-1530-EL-RDR, Correspondence, Attachment B, p. 12, Line No. 13 (January 26, 2021).
[6] Id., Correspondence, p. 1 (January 26, 2021).
[7] *In the Matter of the Quarterly Reports of Rider DCI Schedules*, Case No. 21-1071-EL-RDR, Correspondence, Attachment B, p. 12, Line Nos. 13-15 (January 31, 2022).
[8] Id., Correspondence, p. 1 (January 31, 2022).

Not only does this publicly filed information exist, but the Report demonstrates that Rehmann Consulting has reviewed the quarterly filings that fell within the scope of the audit and found no recommendations needed to be made as a result of that review.[9]

Given all of the above, the Commission should reject OCC's recommendation to conduct "a full audit of the actual DCI charge collection from consumers to date" and account for "any over or under collection"[10] as redundant and unnecessary. The scope of the current audit already includes review of the quarterly filings which provide all of the information necessary to compare the Company's collections against the cap and the Company already performs annual reconciliation of any over/under-collection.

3. OCC's related recommendation that "Duke should document its discussions with the PUCO Staff regarding any cap adjustments in its DCI quarterly filings"[11] likewise adds no value and is unduly burdensome.

As the Company has explained in the past, although utilities have historical data on distribution base charges and it is possible to forecast such charges, there is always considerable uncertainty from factors outside a utility's control, including but not limited to weather and fluctuations in the economy, that impact usage. As the Company accumulates actual (as opposed to estimated) data on distribution charges over the course of a calendar year, it is reasonable to make corresponding adjustments to the rate.

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[9] Report, p. 6 ("Rehmann reviewed detailed schedules supporting the revenue requirements filed in the September 30, 2020 through June 30, 2021 Rider DCI filings. [line break] Rehmann has no other observations and no recommendations from this task.").

[10] OCC Comments, p. 9.

[11] Id.

Insofar as the Company's collections fluctuate from slightly under the cap to slightly over the cap across the years, this is entirely consistent with the commitments made by the Company in the governing stipulation and reflects nothing more than the inherent uncertainty that is present whenever revenue is collected as a percentage of distribution revenues. The Stipulation provides that the "collection of the revenue requirement shall be based on a percentage of the customer's base distribution charge" and "the updated rates under Rider DCI will be temporarily approved sixty days after filing, subject to reconciliation . . . ."[12] The Company sends Staff monthly DCI revenues throughout the year and the interim adjustments are based on this evolving data. Indeed, the Company's track record of collecting within less than 1% of the cap in the past three years (2019, 2020, and 2021) demonstrates the reasonableness of its adjustments.

No value would be added by additional documentation (beyond the monthly DCI revenues already sent to Staff) or by auditor review of interim adjustments because the final outcome—the amount the Company is over/under collected at the end of the year and the Company's timely reconciliation—is what matters. For these reasons, the Commission should reject OCC's recommendations to this effect.

4. OCC's final recommendation attempts to expand the scope of this audit beyond what is provided for in the Stipulation and should also be rejected. OCC states that "the PUCO should require a review of the DCI programs that are supposed to improve reliability as part of the annual DCI compliance audit and that "[t]he Audit Report in this case should have, but did not, assess the 2020 and 2021 DCI Work

[12] *In the Matter of the Application of Duke Energy Ohio, Inc., for an Increase in Electric Distribution Rates*, Case Nos. 17-32-EL-AIR, *et al.*, Stipulation & Recommendation, pp. 11-12 (April 18, 2018). This Stipulation was approved by the Commission on December 19, 2018.

Plans to determine if the plans comply with the Settlement in Case No. 17-0032-EL-AIR."[13] The Stipulation, however, clearly provides that the "Rider DCI shall continue to be subject to an annual audit,"[14] *i.e.,* the ***rider*** is being audited and the phrase "continue to be" indicates that the audit will remain a financial audit of the rider as in the past. The DCI Work Plan, on the other hand, is not subject to the audit, but required to be "submitted to Staff" for Staff's review.[15] OCC claims the auditor "was directed to make [a] determination" on the DCI Work Plans "as part of the Request for Proposal issued in this case,"[16] but that is simply false, which can be verified by reviewing the audit requirements.[17]

As provided in the Stipulation, the Company has worked with Staff to develop the format of the DCI Work Plan and submitted it timely for 2019, 2020, and 2021. Although earlier DCI Work Plans did not allude specifically to "customers' minutes interrupted," the described impacts of the items included, such as "[i]mproved outage response," "prevention of future outages," "reduce[d] impacts of outages," "expedit[ing] the restoration of service," and "restor[ing] power to those areas not directly involved in the outage,"[18] all point towards a reduction in the total number of customers' minutes interrupted (though not necessarily the average length of each interruption).

Furthermore, the most recently filed DCI Work Plan for 2022 does specifically identify which measures address customer minutes interrupted, as

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[13] OCC Comments, pp. 9, 11.
[14] Stipulation, p. 11.
[15] Id., p. 14.
[16] OCC Comments, p. 11.
[17] Entry, RA21-CA-2, pp. 2-3 (June 2, 2021).
[18] *See In the Matter of the Application of Duke Energy Ohio, Inc. for an Increase in Electric Distribution Rates,* Case Nos. 17-32-EL-AIR, *et al*, Duke Energy Ohio, Inc.'s Annual Distribution Capital Investment Workplan, Annual DCI Workplan – DCI Program Schedule (December 1, 2020).

anticipated in the Stipulation.[19] This is consistent with the Company's comments in Case No. 20-1205-EL-RDR, where it acknowledged that "its descriptions in the DCI Work Plan could be clearer" and agreed to "take that into account . . . going forward."[20]

Not only is OCC's suggestion that the auditor in this rider assess "whether the spending for each program is achieving the expected reliability improvement, and whether the spending is cost effective" beyond the scope of this audit, but it is also impractical. The reliability impacts of the different measures in the DCI Work Plan are often intertwined, making it difficult to retroactively causally attribute a specific reduction in customers' minutes interrupted to a specific item of work. Such causal connections would be impractical and unwieldy to attempt to analyze within the scope of this audit. And adding such a requirement has no basis in the Stipulation.

For all these reasons, the Commission should reject OCC's recommendations to expand the scope of this audit to include the technical merits of the Company's reliability-enhancing investments.

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[19] *See In the Matter of the Application of Duke Energy Ohio, Inc., for an Increase in Electric Distribution Rates*, Case Nos. 17-32-EL-AIR, *et al.*, Duke Energy Ohio, Inc.'s Annual Distribution Capital Investment Workplan (December 1, 2021).

[20] *In the Matter of the Review of Duke Energy Ohio, Inc.'s Distribution Capital Investment Rider*, Case No. 20-1205-EL-RDR, Reply Comments of Duke Energy Ohio, Inc., p. 6 (March 15, 2021).

III. CONCLUSION

Duke Energy Ohio appreciates the opportunity to reply to the OCC Comments and submits these reply comments for the Commission's consideration. The Company respectfully requests that the Commission's order in this case be in accordance with the Company's initial comments and these reply comments.

DUKE ENERGY OHIO, INC.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Reply Comments of Duke Energy Ohio, Inc. was served on the following parties 4th day of February 2022 by regular U. S. Mail, overnight delivery or electronic delivery.

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