

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)	
Duke Energy Ohio, Inc. for an)	Case No. 21-0887-EL-AIR
Increase in Electric Distribution)	
Rates.)	

In the Matter of the Application of)	Case No. 21-0888-EL-ATA
Duke Energy Ohio, Inc., for Tariff)	
Approval.)	

In the Matter of the Application of)	Case No. 21-0889-EL-AAM
Duke Energy Ohio, Inc., for)	
Approval to Change Accounting)	
Methods.)	

OBJECTIONS TO THE STAFF REPORT OF WALMART INC.

COMES NOW Walmart Inc. ("Walmart"), by counsel, pursuant to Section 4909.19(C) of the Ohio Revised Code and Rule 4901-1-28 of the Ohio Administrative Code, and files its Objections to the Staff Report filed on May 19, 2022 with the Public Utilities Commission of Ohio ("PUCO" or "Commission") in response to *In the Matter of the Application of Duke Energy Ohio, Inc. for an Increase in Electric Distribution Rates* filed by Duke Energy Ohio, Inc. ("Duke Ohio" or "Company"), on October 1, 2021, ("Application") and states as follows:

I. INTRODUCTION

On September 1, 2021, Duke Ohio filed a notice of intent to file an application to increase its electric distribution rates with the PUCO, and subsequently filed its Application on October 1, 2021. As required by statute, Commission Staff ("Staff") examined the Application and then issued the Staff Report on May 19, 2022. Among other things, the Staff Report made the following recommendations and/or proposed the following revisions to the Company's Application:

- Revenue Requirement: Staff proposed a revenue increase for Duke Ohio in the range of \$1.9 million to \$15.3 million as compared to the Company's requested revenue increase of \$54.7 million. Staff's recommended revenue increase represents an overall increase of between 0.33 percent and 2.72 percent from current rates.¹
- Return on Equity ("ROE"): Staff recommended a cost of equity of 9.22 percent.² Applying a 100 basis point range of uncertain results in a cost of equity range of 8.72 percent to 9.72 percent.³ Staff also proposed an adjustment factor of 1.01329 for issuance and other costs, increasing the cost of equity range to 8.84 percent to 9.85 percent.⁴ As set forth in Schedule D-1.2 to the Staff Report, this adjustment factor includes what Staff has labeled as "Generic Issuance Cost," which is listed as 3.50 percent.⁵
- Revenue Allocation: Staff accepted the Company's Cost of Service Study ("COSS") as a reasonable indicator of costs.⁶ However, Staff proposed a different revenue allocation that it believes will move costs closer to cost of service.⁷

¹ See Staff Report, p. 48.

² *Id.* at 20.

³ *Id.*

⁴ *Id.*; see also Sch. D-1.1.

⁵ See Staff Report, Sch. D-1.2: Equity Issuance Cost Adjustment.

⁶ *Id.* at 26.

⁷ *Id.* at 27.

II. OBJECTIONS

Walmart offers the following Objections to the Staff Report.

A. **Staff's Proposed ROE Range Should Not Include Issuance Costs.**

Walmart objects to Staff's inclusion of an adjustment factor of 1.01329 to the baseline cost of common equity range of 8.72 percent to 9.72 percent for "issuance and other costs" because it unreasonably increases the ROE range to 8.84 percent to 9.85 percent.⁸ As an initial matter, Staff's calculation of an adjustment factor for issuance and other costs is based on "generic issuance costs" that are not tied to any actual costs incurred by Duke Ohio or its publicly-traded parent.⁹ Furthermore, Duke Ohio itself is not a publicly-traded entity, does not issue stock, and does not incur flotation costs. *See e.g., Washington Utilities and Transportation Commission v. Avista Corp. d/b/a Avista Utilities*, Washington Utilities and Transportation Commission Dockets UE-170485 and UG-170486, Final Order (Apr. 18, 2022) at ¶¶ 74-76; *see also Application of Appalachian Power Company For a 2020 triennial review of its base rates, terms and conditions pursuant to § 56-585.1 of the Code of Virginia*, Virginia State Corporation Commission Case No. PUR-2020-00015, Final Order (Nov. 24, 2020), pp. 26-27 (adopting a cost of equity range of 8.3 percent to 9.3 percent, implicitly rejecting the Company's proposed cost of equity range of 9.3 percent to 10.2 percent, which included an upward adjustment for flotation costs).

Walmart does not object to Staff's recommended ROE of 9.22 percent or its equity range of 8.72 percent to 9.72 percent as both are generally consistent with recent nationwide trends on ROE. According to data from S&P Global, the national average ROE awarded by regulatory

⁸ See Staff Report, p. 20; Schedules D-1.1 and D-1.2.

⁹ *Id.* at Schedule D-1.2, line 4.

authorities from 2019 through present is 9.46 percent.¹⁰ During this same time, the national average ROE for distribution-only utilities and rate cases limited to distribution-only rates is even lower at 9.13 percent.¹¹

B. Revenue Allocation Should Reflect Cost Causation.

Walmart advocates for rates to be set based on the utility's cost of service for each rate class. Consistent with this principle, Walmart agrees that Staff's proposed revenue allocation -- at Staff's proposed revenue requirement -- moves costs for all customer classes closer to the cost of service than the Company's proposed revenue allocation. Even under Staff's proposed revenue allocation, however, substantial inter-class subsidies remain.¹² Should the Commission approve a revenue requirement other than Staff's recommended revenue requirement, Walmart recommends that such revenue be allocated in a manner that brings customer classes even closer to cost of service than Staff proposes.

¹⁰ See Appendix A, Reported Authorized Returns on Equity, Electric Utility Rate Cases Completed, 2019 to Present.

¹¹ *Id.*

¹² See Staff Report, Table 1, Cost of Service Results.

Walmart reserves the right to supplement or modify these Objections in the event that Staff makes additional findings, conclusions, or recommendations with respect to the Staff Report. Walmart also reserves the right to respond to objections or other issues (either in support or opposition) raised by other parties in this proceeding.

Respectfully submitted,

SPILMAN THOMAS & BATTLE, PLLC

By /s/ Carrie H. Grundmann

Carrie H. Grundmann (Ohio Bar ID 96138)
110 Oakwood Drive, Suite 500
Winston-Salem, NC 27103
Phone: (336) 631-1051
Fax: (336) 725-4476
E-mail: cgrundmann@spilmanlaw.com
(willing to accept service by e-mail)

Derrick Price Williamson
1100 Bent Creek Blvd., Suite 101
Mechanicsburg, PA 17050
Phone: (717) 795-2741
Fax: (717) 795-2743
E-mail: dwilliamson@spilmanlaw.com
(willing to accept service by e-mail)

Counsel to Walmart Inc.

Dated: June 21, 2022

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing Objections to the Staff Report of Walmart Inc., was served by electronic mail, upon the following Parties of Record on this 21st day of June, 2022.

/s/ Carrie H. Grundmann

Carrie H. Grundmann (Ohio Bar ID 96138)

rocco.dascenzo@duke-energy.com
Jeanne.kingery@duke-energy.com
larisa.vaysman@duke-energy.com
elyse.akhbari@duke-energy.com
ebrama@taftlaw.com
Robert.eubanks@OhioAGO.gov
werner.margard@OhioAGO.gov
Shaun.Lyons@OhioAGO.gov
ambrosia.wilson@occ.ohio.gov
angela.obrien@occ.ohio.gov
mkurtz@BKLawfirm.com
kboehm@BKLawfirm.com
jkylercohn@BKLawfirm.com
Bethany.allen@igs.com
Michael.nugent@igs.com
evan.betterton@igs.com
Stacie.e.cathcart@igs.com
mwarnock@bricker.com

jlang@calfee.com
gwhaling@calfee.com
sfranson@calfee.com
dromig@nationwideenergypartners.com
dborchers@bricker.com
dparram@bricker.com
kruffin@bricker.com
bojko@carpenterlipps.com
fdarr2019@gmail.com
paul@carpenterlipps.com
rdove@keglerbrown.com
cpirik@dickinsonwright.com
todonnell@dickinsonwright.com
mmcdonnell@dickinsonwright.com
trent@hubaydougherty.com

Attorney Examiners:

matthew.sandor@puco.ohio.gov
Nicholas.walstra@puco.ohio.gov

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Summary: Objection Objections to the Staff Report of Walmart Inc. electronically
filed by Carrie H. Grundmann on behalf of Walmart Inc.