

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke)
Energy Ohio, Inc. for Approval of an) Case No. 14-1160-EL-UNC
Advanced Meter Opt-Out Service Tariff.) Case No. 14-1161-EL-AAM

OPINION AND ORDER

The Public Utilities Commission of Ohio, having considered the record in this matter and being otherwise fully advised, hereby issues its opinion and order. In this Opinion and Order, the Commission finds that Duke Energy Ohio, Inc.'s tariffs should be modified and approved. Accordingly, Duke may implement a one-time charge of \$100.00 and a monthly charge of \$30.00 for advanced meter opt-out service, pursuant to Ohio Adm.Code 4901:1-10-05.

APPEARANCES:

Elizabeth Watts, Duke Energy Ohio, Inc., 139 East Fourth Street, Cincinnati, Ohio 45202, on behalf of Duke Energy Ohio, Inc.;

Mike DeWine, Ohio Attorney General, John Jones and Natalia Messenger, Assistant Attorneys General, Public Utilities Section, 180 East Broad Street, Columbus, Ohio 43215, on behalf of the staff of the Public Utilities Commission of Ohio.

Bruce J. Weston, Ohio Consumers' Counsel, by Terry Etter, Assistant Consumers' Counsel, 10 West Broad Street, Suite 1800, Columbus, Ohio 43215-3485, and Bricker & Eckler, LLP, by Dane Stinson, 100 South Third Street, Columbus, Ohio 43215, on behalf of the residential consumers of Duke Energy Ohio, Inc.

Colleen L. Mooney, Ohio Partners for Affordable Energy, 231 West Lima Street, Findlay, Ohio 45840, on behalf of Ohio Partners for Affordable Energy.

OPINION:

I. History of the Proceeding

Pursuant to Ohio Adm.Code 4901:1-10-05(J), each electric utility must provide customers with the option to remove an installed advanced meter and replace it with a traditional meter, and the option to decline installation of an advanced meter and retain a traditional meter, including a cost-based, tariffed opt-out service.

Further, Ohio Adm.Code 4901:1-10-05(J)(5)(c) and (d) provide that the electric utility may establish a one-time fee to recover the costs of removing an existing advanced meter, and the subsequent installation of a traditional meter, and the electric utility may establish a recurring fee to recover costs associated with providing meter reading and billing services associated with the use of a traditional meter. Additionally, Ohio Adm.Code 4901:1-10-05(J)(5)(e) provides that costs incurred by an electric utility to provide advanced meter opt-out service shall be borne only by customers who elect to receive advanced meter opt-out service. Finally, Ohio Adm.Code 4901:1-10-05(J)(5)(b)(ii) provides that such fees shall be calculated based upon the costs incurred to provide advanced meter opt-out service.

On June 27, 2014, Duke Energy Ohio, Inc. (Duke or the Company) filed an application in this case for approval of its proposed advanced meter opt-out service tariffs and for deferral authority to defer the costs of Information Technology (IT) improvements to implement its proposed advanced meter opt-out service tariffs. Duke is a public utility as defined in R.C. 4905.02 and an electric utility as defined in R.C. 4928.01(A)(11), and, as such, is subject to the jurisdiction of this Commission. Duke's proposed advanced meter opt-out service tariffs would provide customers who are scheduled to receive an advanced meter with the option to retain their traditional meter. Additionally, Duke's proposed tariffs would provide customers who currently have an advanced meter with the option to have it replaced with a traditional meter. For this advanced meter opt-out service, Duke proposed a one-time charge of \$126.70 and a monthly charge of \$40.63.¹

The evidentiary hearing was held in this matter on October 15, 2015. At hearing, witnesses testified on behalf of Duke, Staff, and OCC. While OP&E did not present any witnesses at hearing, it contributed to providing the Commission with a complete record of the matters presented in this case. Following the conclusion of the evidentiary

¹ Duke proposed to defer the cost of IT system improvements, which resulted in a one-time charge of \$126.70. However, without deferral authority, Duke's proposed one-time charge was \$1,073.10.

hearing, on November 30, 2015, Duke, Staff, OCC, and OPAE filed initial briefs. Reply briefs were filed by Duke, Staff, OCC, and OPAE on December 15, 2015.

II. Discussion

A. Summary of the Application

In its application, Duke proposes advanced meter opt-out service tariffs that would provide customers who are scheduled to receive an advanced meter with the option to retain their traditional meter. Additionally, Duke's proposed tariffs would provide customers who currently have an advanced meter with the option to have it replaced with a traditional meter. Duke proposes to charge advanced meter opt-out service customers a one-time charge of \$1,073.10 and a monthly charge of \$40.63 for the service.

Regarding the one-time charge, Duke's calculation is based upon the cost to the Company for metering services, distribution maintenance, and IT system improvements. (Duke Ex. 1 at 3, 6). The metering services include meter repair/testing, meter storage labor, and buying meters for reserve stock. Distribution maintenance includes removal of advanced metering infrastructure meters and installation of traditional meters. Finally, the IT system improvements include building billing and service routing functionalities into Duke's customer management system. Duke then took the total amount of these costs and distributed them evenly to the 725 customers expected to enroll in advanced meter opt-out service.

Duke notes that if the Commission grants its request for deferral authority for the IT System improvements, then Duke could remove the IT system improvement costs from its proposed one-time charge, resulting in a one-time charge of \$126.70. Accordingly, Duke's application in this case regarding the one-time charge for advanced meter opt-out service provides as follows:

Topic Area	Total One-Time Costs	One-Time Costs Per Opt-Out Customer
Metering Services	\$ 54,737.50	\$ 75.50
Distribution Maintenance	\$ 37,120.00	\$ 51.20
IT System	\$ 686,140.00	\$ 946.40
Cost Total	\$ 777,997.50	\$ 1,073.10
Cost Total (without IT system)	\$ 91,857.50	\$ 126.70

Additionally, Duke proposes a recurring monthly charge of \$40.63 for advanced meter opt-out service. Duke asserts that this monthly charge is based upon the cost to the Company for monthly metering services and distribution maintenance. (Duke Ex. 1 at 8). The monthly metering service included manual meter reading for monthly on-cycle reads, off-cycle reads, and revenue assurance. Further, distribution maintenance includes the cost of purchasing, locating, and installing additional communication devices to read stranded meters caused by the advanced metering opt-out service customers. Accordingly, Duke's application in this case regarding the monthly charge provides as follows:

Topic Area	Annual Cost	Monthly Cost	Monthly Cost Per Opt-Out Customer
Metering Services	\$ 349,015.00	\$ 29,084.58	\$ 40.12
Distribution Maintenance	\$ 4,453.68	\$ 371.14	\$ 0.51
Cost Total	\$ 353,468.68	\$ 29,455.72	\$ 40.63

Accordingly, Duke proposes a one-time charge of \$126.70 and a monthly charge of \$40.63 for advanced meter opt-out service. Duke asserts that these costs reflect the costs to the Company to provide the service to customers. Therefore, Duke asserts that these costs should be paid exclusively by advanced meter opt-out service customers, in accordance with Ohio Adm.Code 4901:1-10-05(J)(5)(e).

B. Duke's Arguments

At hearing, Duke witness Justin Brown, the Manager of Grid Solutions, Planning, and Regulatory Support for Duke Energy Business Services, LLC, testified that the one-time charge calculated in the Company's application was based upon an estimated IT system improvement cost of \$686,140. However, the IT system improvement actually only costed Duke \$243,122. Therefore, without deferral authority, the total one-time charge to customers for the IT system improvements would be \$462.04 (Duke Ex. 2 at 4, 5). He then testified that if the Commission grants the Company authority to defer the IT system improvements, the one-time charge would be \$126.70 to customers enrolled in the opt-out service tariff (Duke Ex. 1 at 7; Duke Ex. 2 at 7). Additionally, he testified that the estimated 725 customers who are expected to enroll in advanced meter opt-out service is based upon the approximately 325 customers who have at any time refused an advanced meter during Duke's rollout, as well as the approximately 400 customers who were unresponsive during Duke's rollout of advanced meters or who have hard to access meters (Duke Ex. 2 at 7).

Duke asserts that the Commission should adopt its tariffs, as proposed, and should allow it to defer the IT system improvement costs. Duke argues that the IT improvement costs were necessary and required for Duke to make the opt-out service available to eligible customers. Duke asserts that all of the costs of providing advanced meter opt-out service to customers have been established based upon the Company's experience working with customers, and is supported by the application and testimony of Mr. Brown. Duke argues that it is the only party to provide a witness in this case that has knowledge of the Company's costs and is capable of evaluating and verifying the elements of the proposed charges.

Further, Duke notes that the traditional meters that it has on hand are meters that have been removed due to SmartGrid deployment and are, therefore, salvaged. Pursuant to the stipulation in Case No. 10-2326-GE-RDR, the salvage value for these meters is returned to customers in Duke's SmartGrid rider. *In re Duke Energy Ohio, Inc., Case No. 10-2326-GE-RDR*, Stipulation and Recommendation (Feb. 10, 2012). Duke asserts that it would be unreasonable for the Commission to assume that it has any meters on hand that are appropriate for redeployment.

C. Staff Arguments

Staff witness Marchia Rutherford, a Utility Specialist in the Commission's Rates and Analysis Department, testified that the Commission should approve a \$38.00 one-time charge and \$24.00 monthly meter read charge. Ms. Rutherford testified that Duke already recovers the costs of meter testing and repair, as well as labor storage costs, through Duke's distribution base rates. Additionally, she testified that Duke has 3,772 traditional meters on hand, half of which should be expected to test accurately. Therefore, she asserts that Duke should not include the costs for additional meters in its proposed one-time charge. Finally, she testified that she reduced the expected travel time and replacement from 60 minutes to 45 minutes. Accordingly, with these adjustments, as well as the adjustments proposed by Staff witness Liphthrott, she recommended reducing the one-time charge to \$38. (Staff Ex. 2 at 2-8).

Thereafter, Staff witness David Liphthrott, the Chief of the Research and Policy Division of the Commission's Rates and Analysis Department, testified that Duke has not demonstrated that IT related costs embedded in the Company's last distribution rate case are insufficient to current levels of spending, nor has the Company shown that the \$243,122 requested in this proceeding is warranted for deferral treatment. Mr. Liphthrott testified that in his opinion, these IT system improvement charges were neither atypical nor infrequent, and, therefore, do not meet the necessary requirements for deferral treatment. (Staff Ex. 3 at 3-7).

Additionally, Staff witness Barbara Bossart, the Chief of the Reliability and Service Analysis Division of the Commission's Service Monitoring and Enforcement Department, testified that the language of Duke's proposed tariffs should be revised to reflect the language in Ohio Adm.Code 4901:1-10-05(J). Additionally, she testified that Duke should include additional language in its tariffs to represent that customers enrolled in a service or product that requires an advanced meter must choose a different product or service before opting out. (Staff Ex. 1 at 3-4).

D. OCC Arguments

OCC witness James Williams, a Senior Utility Consumer Policy Analyst for OCC, made numerous recommendations regarding Duke's proposed advanced meter opt-out service tariffs. Initially, he testified that Duke's costs and proposed charges would be more appropriately examined in an upcoming distribution rate case (OCC Ex. 3 at 6-7). Additionally, he testified that Duke's cost estimates for services advanced meter opt-out customers are inflated because they include new rates for services that Duke already provides (OCC Ex. 3 at 7-9, 11-16). Further, Mr. Williams testified that Duke's application in this case violates the Commission's rules because the proposed deferral of IT improvement costs would result in all customers paying for the advanced meter opt-out service tariff, in violation of Ohio Adm.Code 4901:1-10-05(J)(5)(e) which requires that costs incurred to provide the service be borne only by those customers who elect to receive the service (OCC Ex. 3 at 10). Accordingly, Mr. Williams argued that the Commission should reject both the one-time and recurring monthly charges for advanced meter opt-out service. In his opinion, the Commission should more fully examine Duke's revenues and expenses during a future distribution rate case.

E. Commission Conclusion

The Commission finds that Duke has met its burden of demonstrating that its advanced meter opt-out service charges are based upon the costs incurred to provide such service, consistent with Ohio Adm.Code 4901:1-10-05(J)(5)(b)(ii). Additionally, the Commission finds that Duke's tariffs are not unjust or unreasonable and should be approved, with modification. As detailed below, the Commission finds that Duke's application for deferral authority should be granted, and that Duke is authorized to implement a one-time charge of \$100.00 and a monthly charge of \$30.00 for advanced meter opt-out service.

a. Deferral Authority

Duke argued that the Commission should grant it deferral authority for the cost of IT system improvement to provide advanced meter opt-out service. Initially, Duke estimated that it would cost \$686,140.00 for the IT system improvements (Duke Ex. 1 at 7). However, at hearing, Duke testified that the IT system improvements actually cost \$243,122 (Duke Ex. 2 at 4). Duke requests deferral authority for the amount of the IT system improvements cost, which Duke asserts were necessary to implement advanced meter opt-out service and were atypical since they were done pursuant to the adoption of Ohio Adm.Code 4901:1-10-05(J). However, Staff argued that the costs were not atypical, as IT related costs are embedded in distribution rates (Staff. Ex. 3 at 6). Additionally, Staff notes that there are six criteria that it uses to determine if deferral is appropriate, and these costs do not meet those criteria.

The Commission finds that Duke's request for authority to defer the \$243,122 for IT system improvements should be granted. The Commission notes that these costs were imposed upon Duke pursuant to the Commission's adoption of rules in Ohio Adm.Code 4901:1-10-05(J) to implement an advanced meter opt-out service. Accordingly, this meets Staff's criteria for being atypical or infrequent, even if IT related costs are also recovered in base distribution rates. Further, we note that one of Staff's criteria for analyzing deferral is whether the Commission could encourage the utility to do something it would not otherwise do through the granting of deferral authority. The Commission's desire is to encourage the electric utilities in the state of Ohio to modernize their systems, which includes pursuing IT system improvements. Additionally, there is not concern in this case of an uncapped deferral, since this cost has already been incurred by the Company and has been demonstrated as the actual cost for conducting the IT system improvements. Accordingly, the Commission finds that Duke's request for deferral authority should be granted and capped at the actual amount of \$243,122.

b. One-time Charge

With deferral authority, Duke proposed a one-time charge of \$126.70 for advanced meter opt-out service (Duke Ex. 1 at 7; Duke Ex. 2 at 5). OCC and Staff pointed out that much of this \$126.70 is for the removal of the advanced meter and installation of a traditional meter. However, some of the expected advanced meter opt-out service customers are still using traditional meters. Accordingly, the Commission finds that Duke shall not apply the one-time charge to any customer that currently has a traditional meter.

Further, the Commission finds that Duke may implement a one-time charge of \$100.00 for advanced meter opt-out service. The Commission arrived at an even \$100.00 by taking the approximately \$55,000 in total one-time costs for metering services and reducing it by one-third. This \$55,000 proposed by Duke was for meter repair/testing, meter storage labor, and buying meters for reserve stock. However, Staff witness Rutherford demonstrated that Duke will not need to purchase meters for reserve stock since it already has an inventory of traditional meters. Further, she demonstrated that Duke already has traditional meters and that up to half of them may test accurately. Accordingly, by removing one-third of the proposed amount for metering services, and then adding the distribution maintenance amount, we arrive at a one-time charge of approximately \$100.00, as demonstrated below:

Topic Area	Total One-Time Costs	One-Time Costs Per Opt-Out Customer
Proposed Metering Services	\$ 54,737.50	\$ 75.50
	x 0.66	
Actual Metering Services	\$ 36,126.75	\$ 49.83
Distribution Maintenance	\$ 37,120.00	\$ 51.20
Cost Total	\$ 73,246.75	\$ 101.03

To simplify customer bills, the Commission finds that the one-time charge should be set at an even \$100.00. Accordingly, Duke may charge customers the one-time charge of \$100.00 to enroll in advanced meter opt-out service. However, since this charge is primarily for meter removal and replacement, no charge shall be applied to customers that are currently using a traditional meter.

c. Monthly Charge

Duke proposed a recurring monthly charge of \$40.63, based upon its cost of providing metering services and distribution maintenance (Duke Ex. 1 at 8). However, Staff witness Rutherford identified three costs that should not be included in Duke's charge for advanced meter opt-out service; mesh network costs, certain meter reading costs, and revenue assurance (theft) costs. Adjusting for the removal of these costs, Staff proposes that Duke's monthly advanced meter opt-out service charge should be reduced from \$40.63 to \$24.00 (Staff Ex. 2 at 6-7). One of the ways in which Staff witness Rutherford adjusted Duke's proposed amount was by decreasing the time for meter reading or replacement from one hour to 45 minutes, which is essentially a 25 percent decrease. We agree with Staff witness Rutherford, and find that all of the metering services proposed by Duke should be subject to a 25 percent reduction. These

metering services include manual meter reading for monthly on-cycle reads, off-cycle reads, and revenue assurance. By reducing these proposed amounts by 25 percent, we find that Duke should be permitted to charge customers \$30.00 per month for advanced meter opt-out service.

Topic Area	Annual Cost	Monthly Cost	Monthly Cost Per Opt-Out Customer
Proposed Metering Services	\$ 349,015.00	\$ 29,084.58	\$ 40.12
	x 0.75		
Metering Services	\$ 261,761.25	\$ 21,813.44	\$30.09
Distribution Maintenance	\$ 4,453.68	\$ 371.14	\$ 0.51
Cost Total	\$ 266,214.93	\$ 22,184.58	\$ 30.59

Similar to the one-time charge, we find that the approximate amount should be adjusted to an even \$30.00 to simplify customer bills. Further, Staff witness Rutherford testified that the costs and rate structure for the opt-out tariff should be subject to review in Duke's next base distribution rate case.

d. Other Revisions

Staff witness Bossart testified that Duke's proposed tariff language should more closely reflect the language in Ohio Adm.Code 4901:1-10-05(J). We agree. Accordingly, the Commission finds that Duke's final tariffs in this matter should be titled "Advanced Meter Opt-Out (AMO) - Residential." Additionally, Duke should use "Rider AMO" in the tariff rather than "Rider NSM." Further, consistent with Ms. Bossart's recommendation, we find that Duke should revise the tariff provision regarding the tariffs availability to customers with a history of tampering or theft, and Duke should include additional language regarding customers enrolled in products or services that require an advanced meter as a condition of enrollment.

e. Conclusion

The Commission finds that Duke should file revised tariffs consistent with this Opinion and Order. Additionally, Duke is authorized to defer \$243,122, which is the cost of IT system improvements to implement advanced meter opt-out service consistent with Ohio Adm.Code 4901:1-10-05(J).

FINDINGS OF FACT AND CONCLUSIONS OF LAW:

- (1) Duke is a public utility as defined in R.C. 4905.02 and an electric utility as defined in R.C. 4928.01(A)(11), and, as such, is subject to the jurisdiction of this Commission.
- (2) On June 27, 2014, Duke filed an application to adopt a proposed advanced meter opt-out service tariff.
- (3) On July 18, 2014, OCC filed a motion to intervene and memorandum in support. Thereafter, on August 17, 2015, OP&E filed a motion to intervene and a memorandum in support. The motions to intervene by OCC and OP&E were each granted by the attorney examiner.
- (4) A hearing was held in this matter on October 15, 2015.
- (5) On November 30, 2015, initial briefs were filed by Duke, Staff, OCC, and OP&E. Thereafter, on December 15, 2015, reply briefs were filed by the parties.
- (6) The Commission finds that Duke is authorized to defer \$243,122, which is the cost of IT system improvement necessary for the Company to implement an advanced meter opt-out service tariff.
- (7) The Commission finds that Duke may implement a one-time charge of \$100.00 and a monthly charge of \$30.00 for advanced meter opt-out service, but that the one-time charge shall not be applied to customers currently using a traditional meter.

ORDER:

It is, therefore,

ORDERED, That Duke take all necessary steps to carry out the terms of this Opinion and Order. It is, further,

ORDERED, That Duke file, in final form, two complete copies of its tariff, consistent with this Opinion and Order. One copy shall be filed in this docket and one copy in its TRF docket. It is, further,

ORDERED, That the effective date of the new tariff shall be a date not earlier than the date of this Opinion and Order, and the date upon which the final tariffs are filed with the Commission. It is, further,

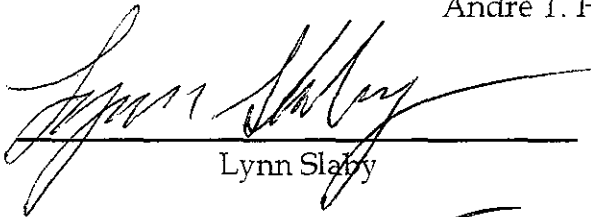
ORDERED, That nothing in this Opinion and Order shall be binding upon the Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

ORDERED, That a copy of this Opinion and Order be served upon each party of record.

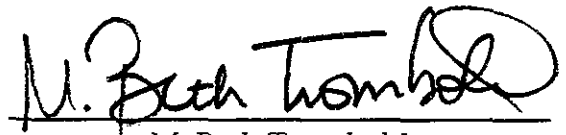
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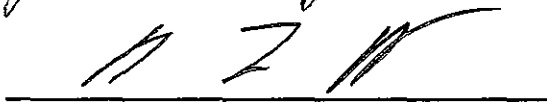
Andre T. Porter, Chairman




Lynn Slaby



M. Beth Trombold



Asim Z. Haque



Thomas W. Johnson

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Barcy F. McNeal
Secretary