

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Annual Application of)
Duke Energy Ohio, Inc. for an Adjustment) Case No. 17-2318-GA-RDR
to Rider AMRP Rates.)

In the Matter of the Application of Duke)
Energy Ohio, Inc. for Tariff Approval.) Case No. 17-2319-GA-ATA
)

DIRECT TESTIMONY OF

SARAH E. LAWLER

ON BEHALF OF

DUKE ENERGY OHIO, INC.

February 26, 2018

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I. INTRODUCTION AND PURPOSE

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Sarah E. Lawler and my business address is 139 East Fourth Street,
3 Cincinnati, Ohio 45202.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by Duke Energy Business Services LLC (DEBS) as Director,
6 Rates and Regulatory Planning for Duke Energy Ohio, Inc., (Duke Energy Ohio
7 or Company) and Duke Energy Kentucky, Inc. DEBS provides various
8 administrative and other services to Duke Energy Ohio and other affiliated
9 companies of Duke Energy Corporation (Duke Energy).

10 **Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL**
11 **QUALIFICATIONS.**

12 A. I earned a Bachelor of Science in Accountancy from Miami University, Oxford,
13 Ohio in 1993. I am also a Certified Public Accountant. I began my career in
14 September 1993 with Coopers & Lybrand, L.L.P. as an audit associate and
15 progressed to a senior audit associate. In August 1997, I moved to Kendle
16 International Inc., where I held various positions in the accounting department,
17 ultimately being promoted to Corporate Controller. In August 2003, I began
18 working for Cinergy Corp., the parent of Duke Energy Ohio, as External
19 Reporting Manager, where I was responsible for the Company's Securities &
20 Exchange Commission (SEC) filings. In August 2005, I then moved into the role
21 of Manager, Budgets & Forecasts. In June 2006, following the merger between
22 Cinergy Corp. and Duke Energy, I became Manager, Financial Forecasting. In

1 February 2015, I was promoted to Utility Strategy Director, Midwest where I was
2 responsible for the preparation of business plans and other internal managerial
3 reporting for Duke Energy Ohio and Duke Energy Kentucky, Inc. In December
4 2017, I began in my current role as Director, Rates and Regulatory Planning.

5 **Q. PLEASE SUMMARIZE YOUR DUTIES AS DIRECTOR, RATES AND**
6 **REGULATORY PLANNING.**

7 A. As Director, I am responsible for the preparation of financial and accounting data
8 used in Duke Energy Ohio and Duke Energy Kentucky, Inc., retail rate filings and
9 changes in various other rate recovery mechanisms.

10 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC**
11 **UTILITIES COMMISSION OF OHIO?**

12 A. Yes. I have provided written direct testimony in the Company's proposed
13 Electric Security Plan IV filing, Case No. 17-1263-EL-SSO, and in the
14 Company's annual MGP Rider filing, Case No. 17-596-GA-RDR.

15 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

16 A. I will explain the updated schedules filed by Duke Energy Ohio in this proceeding
17 for both the Accelerated Main Replacement Program (AMRP) and the Riser
18 Replacement Program (RRP). I will also support the reasonableness of Duke
19 Energy Ohio's request for revised Rider AMRP rates.

II. EXPLANATION OF SCHEDULES

1 **Q. PLEASE EXPLAIN SCHEDULES 1 AND 2.**

2 A. Schedules 1 and 2 provide the annualized revenue requirement for Duke Energy
3 Ohio's revised Rider AMRP rates based on the Net Rate Base of the AMRP
4 (Schedule 1) and the RRP (Schedule 2) at December 31, 2017. The information on
5 these schedules is supported by various schedules from Schedules 3 through 14.
6 Schedules 1 and 2 also include an approved pre-tax rate of return that reflects a
7 reduction of the corporate federal tax rate from 35% to 21% as a result of the Tax
8 Cut and Jobs Act of 2017 becoming law.

9 **Q. PLEASE EXPLAIN SCHEDULE 3.**

10 A. Schedule 3 provides actual provision for depreciation from January 2017 through
11 December 2017 to calculate the balance at December 31, 2017. This schedule
12 provides information for the AMRP.

13 **Q. PLEASE EXPLAIN SCHEDULES 4 and 5.**

14 A. Schedules 4 and 5 provide the Post In-Service Carrying Cost (PISCC) activity by
15 month from January 2017 through December 2017 to calculate the balance at
16 December 31, 2017. These schedules also provide the actual PISCC amortization
17 from January 2017 through December 2017 to calculate the balance at December
18 31, 2017. Additionally, the Net PISCC Regulatory Asset for the periods is
19 provided. Schedule 4 provides information for the AMRP and Schedule 5
20 provides information for the RRP.

1 **Q. PLEASE EXPLAIN SCHEDULES 6-A, 6-B, AND 7.**

2 A. Schedules 6-A, 6-B, and 7 provide the calculation of deferred taxes on liberalized
3 depreciation for actual deferred taxes as of December 31, 2017. These deferred
4 taxes are calculated only on the plant in-service added through the AMRP and the
5 RRP since the date certain in the Company's last gas base rate case. Schedules 6-
6 A and 6-B provide information for the AMRP. Schedule 7 provides information
7 for the RRP.

8 **Q. PLEASE EXPLAIN SCHEDULE 8.**

9 A. Schedule 8 provides the calculation of the annualized reduction in depreciation
10 expense associated with retirements based on actual AMRP retirements from the
11 date certain of the Company's last gas base rate case through 2017.

12 **Q. PLEASE EXPLAIN SCHEDULE 9.**

13 A. Schedule 9 provides a calculation of the annualized amortization of the PISCC
14 accrued from the date certain of the Company's last gas base rate case through
15 2017 for AMRP.

16 **Q. PLEASE EXPLAIN SCHEDULE 10.**

17 A. Schedule 10 demonstrates that there are \$312,532 of savings included in the
18 Company's filing. In Case No. 10-2788-GA-RDR, the Company committed to
19 savings of \$929,670. Schedule 10 shows the savings of \$617,138 when
20 comparing the last rate case, Case No. 07-589-GA-AIR, *et al.*, to the most recent
21 rate case, Case No. 12-1685-GA-AIR, *et al.* The difference between the \$929,670
22 and \$617,138 is a guaranteed savings amount of \$312,532, as shown on Schedule

1 10 and on the revenue requirement page, Schedule 1 for this Application. This
2 schedule does not include any expenses for the Integrity Management Program.

3 **Q. PLEASE EXPLAIN SCHEDULE 11.**

4 A. Schedule 11 provides actual camera work expenses by month for the twelve
5 months ended December 31, 2017.

6 **Q. PLEASE EXPLAIN SCHEDULES 12 AND 13.**

7 A. Schedules 12 and 13 provide the calculation of the annualized property tax
8 expense based on actual additions and retirements to plant in-service from the
9 date certain of the Company's last gas base rate case through 2015. This
10 calculation follows the process used in Duke Energy Ohio's Annual Report to the
11 Ohio Department of Taxation to determine the Net Property Valuation and uses
12 the latest known average property tax rate per \$1,000 of valuation. Schedule 12
13 provides information for the AMRP and Schedule 13 provides information for the
14 RRP.

15 **Q. PLEASE EXPLAIN SCHEDULE 14.**

16 A. Schedule 14 provides the Rider AMRP charge by rate class using the allocation
17 percentages for the AMRP and the RRP included in the Stipulation and
18 Recommendation approved by the Commission in Case No. 12-1685-GA-AIR, *et*
19 *al.*; the number of customer bills for the twelve months ended December 31,
20 2017; Mcf Sales to Interruptible Transportation customers for the twelve months
21 ended December 31, 2017; and the annualized AMRP and RRP revenue
22 requirement as calculated on Schedules 1 and 2. The Rider AMRP Rate Cap for

1 2017 for residential customers in accordance with the Stipulation and
2 Recommendation is \$4.00 per month.

III. REASONABLENESS OF REQUESTED INCREASE

3 **Q. ARE YOU FAMILIAR WITH THE STIPULATION AND**
4 **RECOMMENDATION FILED WITH THE COMMISSION ON APRIL 2,**
5 **2013, AND APPROVED BY THE COMMISSION IN ITS OPINION AND**
6 **ORDER ON NOVEMBER 13, 2013, IN CASE NO. 12-1685-GA-AIR, *et al.*?**

7 A. Yes.

8 **Q. IN YOUR OPINION, HAS THE COMPANY STAYED UNDER THE RATE**
9 **CAPS ESTABLISHED IN THAT BASE RATE CASE PROCEEDING?**

10 A. Yes.

11 **Q. HAVE YOU REVIEWED DUKE ENERGY OHIO'S APPLICATION IN**
12 **THESE PROCEEDINGS?**

13 A. Yes.

14 **Q. DO YOU HAVE AN OPINION REGARDING WHETHER DUKE**
15 **ENERGY OHIO'S REQUEST FOR NEW RIDER AMRP RATES IS**
16 **REASONABLE?**

17 A. Yes.

18 **Q. PLEASE STATE YOUR OPINION.**

19 A. Duke Energy Ohio's rate request is fair and reasonable. I believe that the costs of
20 service are properly allocated to customer classes and the rate design was properly
21 performed in accordance with the terms and conditions of the Stipulation and
22 Recommendation. The proposed Rider AMRP rates are within the rate caps

1 established in the Stipulation and Recommendation in Case No. 12-1685-GA-
2 AIR, *et al.*

IV. CONCLUSION

3 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

4 A. Yes.