

FILE

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**VIA HAND DELIVERY**

March 1, 2010

Docketing Division  
Public Utilities Commission of Ohio  
180 East Broad Street  
Columbus, Ohio 43215

Re: Case No. 10-974-EL-FAC  
10-975-EL-RDR

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Dear Docketing Division:

Enclosed please find for filing an original and twelve copies of the *Application to Approve the Fuel Economy Purchased Power Component and the System Reliability Tracker Component; Duke Energy Ohio, Inc.'s Motion for Protective Order; Direct Testimony of Gregory H. Cecil, Direct Testimony of William Don Wathen, Jr. and Direct Testimony of Salil Pradhan.*

We are also enclosing an envelope containing the confidential material to be filed under seal as referenced in the Motion filed concurrently.

Please file-stamp and return two copies in the envelope provided.

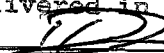
Should you have any questions, please contact me at (513) 287-4315.

Very truly yours,

  
Kristen Cocanougher

Enclosures

401148

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## BEFORE

## THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke )  
Energy Ohio, Inc. to Establish its Fuel and ) Case No. 10-974-EL-FAC  
Economy Purchased Power Component of its )  
Market-Based Standard Service Office for )  
2010. )

In the Matter of the Application of Duke )  
Energy Ohio, Inc. to Establish its System )  
Reliability Tracker of its Market-Based ) Case No. 10-975-EL-RDR  
Standard Service Offer for 2010. )

## DIRECT TESTIMONY OF

GREGORY H. CECIL

ON BEHALF OF

DUKE ENERGY OHIO, INC.

March 1, 2011

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## **I. INTRODUCTION**

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

2   A.   My name is Gregory H. Cecil. 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 Commercial Enterprise Inc. as Vice President,  
6       Generation Dispatch and Logistics, Midwest Commercial Generation.

7   **Q.   PLEASE DESCRIBE YOUR EDUCATION AND PROFESSIONAL**  
8       **BACKGROUND.**

9   A.   I received a Bachelor of Science degree in Engineering Science and a Master of  
10       Engineering degree in Electrical Engineering from University of Louisville,  
11       Speed Scientific School in 1991 and 1992, respectively. I began my career at  
12       Public Service of Indiana (PSI) in 1992 as an Engineer in the Energy  
13       Management System. In 1995 I became a Staff Engineer in Substation  
14       Engineering department. I was responsible for the procurement and installation  
15       of remote tele-metering equipment. In 1997, I joined Cinergy Power Marketing  
16       and Trading and progressed through positions of increasing responsibility, from  
17       Senior Engineer to Manager, Short Term Portfolio Optimization. In April 2005  
18       I became the Manager of Real Time Trading and shortly thereafter Director of  
19       Generation Dispatch and Real Time Trading. In this position I was responsible  
20       for managing Duke Energy Ohio, Inc.'s (Duke Energy Ohio or Company)  
21       generation dispatch in the structured markets. I assumed my current position in  
22       April 2010.

1 Q. PLEASE DESCRIBE YOUR RESPONSIBILITIES AS VICE  
2 PRESIDENT, GENERATION DISPATCH AND LOGISTICS.

3 A. I am responsible for managing services that support Duke Energy Ohio, Inc.'s  
4 (Duke Energy Ohio or the Company) generation operations including:  
5 responsibility for scheduling and delivery of coal from the point of load out at  
6 the mine to the bunker/pile of the Company, demurrage once the barge arrives in  
7 the harbor, maintenance outage scheduling and performing for all equipment  
8 used in the unloading, storing, reclaiming, and filing of the bunkers with coal,  
9 fleet measures development and support, material handling financial  
10 management and business planning, offering the generation into MISO, bidding  
11 the load into MISO, and NERC Compliance.

## II. PURPOSE OF TESTIMONY

12 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS  
13 PROCEEDING?

14 A. The purpose of my testimony is to discuss the Company's compliance with  
15 certain audit recommendations contained in the Stipulation reached by  
16 participants in Duke Energy Ohio's last Rider FPP audit in Case No 09-974-EL-  
17 FAC.

## III. DISCUSSION OF STIPULATION COMMITMENTS

18 Q. PLEASE LIST THE STIPULATION COMMITMENTS YOU ARE  
19 ADDRESSING.

1 A. I address the Company's compliance with the Stipulation provisions that affect  
2 Duke Energy Ohio's plant operations. More specifically, I respond to  
3 Stipulation Paragraphs 3, 4, 9, and 10.

4 **Q. PLEASE DESCRIBE STIPULATION PARAGRAPH 3.**

5 A. In Paragraph 3, the Parties agreed that Duke Energy Ohio would investigate why  
6 inventory levels at Zimmer Station remained high during 2009, and agreed that  
7 Duke Energy Ohio would take steps to adjust inventory to meet internal policy  
8 (i.e. twenty to thirty days burn to full load). Duke Energy Ohio committed to  
9 complete its investigation in time for a review and a report by the auditors on the  
10 adequacy of Duke Energy Ohio's investigation in the 2011 audit report.

11 **Q. WHAT IS THE STATUS OF THIS COMMITMENT?**

12 A. The Company did perform the investigation of the inventory level as committed  
13 and took the steps to adjust the inventory level. During 2010 the reorganization  
14 of MCG fleet, MCG created a Material Handling and Logistics organization.  
15 The focus of this organization is to manage the coal process from the mine to the  
16 bunker/pile. The Material Handling and Logistics group manages the coal  
17 inventory to the MCG Inventory Policy. Additionally, the inventory levels are  
18 managed for economic value with cooperation from the Fuel Procurement team.  
19 For the fourth quarter 2010, the Company implemented a pile plan to raise  
20 inventories for winter and market conditions. The inventory was reported on a  
21 daily basis and reviewed weekly in the Material Handling and Logistics staff  
22 meetings. Also, a separate weekly meeting is being held within the Logistics  
23 management team to discuss problems and issues in meeting the target.

1    **Q.     PLEASE DESCRIBE STIPULATION PARAGRAPH 4.**

2    A.     The Parties agreed that Duke Energy Ohio would investigate methods to lower  
3           demurrage charges being incurred. Again, Duke Energy Ohio agreed to  
4           complete its investigation in time for a review and a report by the auditors on the  
5           adequacy of Duke Energy Ohio' investigation in the 2011 audit report.

6    **Q.     WHAT IS THE STATUS OF THIS COMMITMENT?**

7    A.     During 2010, demurrage responsibilities moved from the Fuel Procurement  
8           group to Material Handling and Logistics. This transfer of responsibility has  
9           highlighted demurrage as an active area to manage costs versus risk. Currently,  
10          both groups work together to identify and reduce possible demurrage costs  
11          through the following strategies:

- 12          • **Maintain shorter harbors** – Target to keep harbor counts at 4 days of burn.  
13           Allowing the harbors to be turned over every 4 days, reducing demurrage costs.
- 14          • **Active piles** –Coal yards have increased their tolerance to pile activity. One of  
15           the side effects of having shorter harbors is the need to utilize the coal storage  
16           pile on a more frequent basis.
- 17          • **Move/Re-consign barges between harbors** – Shorter harbors lead to the need  
18           to re-consign barges to manage harbor counts.
- 19          • **Forced outage strategy** – Previously, a forced outage on the main unit was an  
20           ideal time to perform maintenance work on the unloading system, regardless of  
21           harbor counts. This strategy has been redirected to focus on maintaining harbor  
22           counts, and performing maintenance on a planned basis.

- 1       • **Data management upgrade** – In January 2011, MCG implemented a new coal  
2       unload data entry tool, a Versify touch screen program. This new process will  
3       allow for real time data reporting, analysis, and information, including a  
4       demurrage day count and analysis.

5       **Q. PLEASE DESCRIBE STIPULATION PARAGRAPH 9.**

6       A. Paragraph 9 requires Duke Energy Ohio to develop a Company-wide policy for  
7       performing the physical coal inventory and coal-making adjustments. The  
8       Company also committed to develop its policy in time for a review and a report  
9       by the auditors on the adequacy of Duke Energy Ohio's policy in the 2011  
10      report.

11      **Q. HAS DUKE ENERGY OHIO COMPLIED WITH THIS COMMITMENT?**

12      A. Yes. The Company provided a copy of this policy to the auditor as part of its  
13      investigation.

14      **Q. PLEASE DESCRIBE STIPULATION PARAGRAPH 10.**

15      A. Paragraph 10 states that "Duke Energy Ohio will continue to institute an  
16      aggressive housekeeping program at the Zimmer Station in coal handling areas.  
17      As part of the PTC-FPP audit for 2010, the auditors will report on the  
18      effectiveness of the coal yard housekeeping strategy being implemented for  
19      Zimmer Station."

20      **Q. PLEASE DESCRIBE THE COMPANY'S ACTIONS PURSUANT TO**  
21      **THIS COMMITMENT.**

22      A. As a result of the concern on coal yard housekeeping, station management has  
23      implemented a strategy that focuses on cleaning up the coal yard and



1 maintaining a high standard of cleanliness. As a result of the commitment, the  
2 Company has dedicated resources to support the cleanliness strategy. Sunbelt, a  
3 company that provides labor for cleaning, is utilized throughout the coal yard as  
4 directed by coal yard supervision to clean problem areas. Zachry Maintenance  
5 has been hired to assist in performing routine and preventative maintenance to  
6 decrease coal spillage and identify equipment system problems before they  
7 become a housekeeping concern.

8 The addition of these resources has resulted in a notable improvement in coal  
9 yard housekeeping. These resources are used during the day shift through the  
10 week. The Company is also considering additional resources to assist coal yard  
11 operating teams. These resources are expected to further improve the  
12 cleanliness of the coal yard. As this strategy implementation develops, I expect  
13 that the housekeeping at the Zimmer Station will improve to a point that it is no  
14 longer a concern.

#### **IV. CONCLUSION**

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

16 **A. Yes.**