

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the :
 Regulation of the :
 Purchased Gas Adjustment :
 Clauses Contained Within : Case No. 11-218-GA-GCR
 the Rate Schedules of :
 Duke Energy Ohio, Inc. :
 and Related Matters. :

In the Matter of the :
 Audit of the Uncollectible: Case No. 11-318-GA-UEX
 Expense Rider of Duke :
 Energy Ohio, Inc. and :
 Related Matters. :

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PROCEEDINGS

before Kerry Sheets, Attorney Examiner, at the Public
 Utilities Commission of Ohio, 180 East Broad Street,
 Room 11-C, Columbus, Ohio, called at 10:00 a.m. on
 Tuesday, February 14, 2012.

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- - -

APPEARANCES:

Duke Energy
By Ms. Elizabeth H. Watts
155 East Broad Street, 21st Floor
Columbus, Ohio 43215

On behalf of the Company.

Mike DeWine
Ohio Attorney General
By Mr. Stephen A. Reilly
Assistant Attorney General
Public Utilities Section
180 East Broad Street
Columbus, Ohio 43215

On behalf of the Staff.

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WITNESSES

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JOINT EXHIBIT

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REC'D

1 - Stipulation and Recommendation

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COMMISSION ORDERED EXHIBITS

1 - Independent Accountants' Report
Case No. 11-218-GA-GCR

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2 - Independent Accountants' Report
Case No. 11-318-GA-UEx

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COMPANY EXHIBITS

ID'D

REC'D

1 - Proof of Publications

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1 Tuesday Morning Session,
2 February 14, 2012.

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4 ATTORNEY EXAMINER: Public Utilities
5 Commission of Ohio has set for hearing at this time
6 and place two cases 11-218-GA-GCR, and 11-31-GA-UEX,
7 Duke Energy Ohio's GCR case and their uncollectible
8 expense case.

9 My name is Kerry Sheets, I'm an Attorney
10 Examiner for the Commission and I've been assigned to
11 hear these cases.

12 I'll now have the appearances of the
13 parties, please.

14 MS. WATTS: Yes, thank you, your Honor.
15 On behalf of Duke Energy Ohio, Inc., Elizabeth H.
16 Watts, 155 East Broad Street, Columbus, Ohio 43215.

17 ATTORNEY EXAMINER: Thank you.

18 MR. REILLY: Thank you, your Honor. On
19 behalf of the Staff of the Public Utilities
20 Commission of Ohio, Mike DeWine, Ohio Attorney
21 General, William Wright, Section Chief, Steve Reilly
22 and Vern Margard, Assistant Attorneys General, 180
23 East Broad Street, Columbus, Ohio 43215.

24 ATTORNEY EXAMINER: Thank you.

25 Are there any preliminary matters this

1 morning?

2 MR. REILLY: I don't think so, your
3 Honor.

4 MS. WATTS: No, your Honor.

5 ATTORNEY EXAMINER: Do you have a witness
6 to call?

7 MR. REILLY: We do, your Honor. Staff
8 would call Mr. Roger Sarver.

9 (Witness sworn.)

10 - - -

11 ROGER L. SARVER

12 being first duly sworn, as prescribed by law, was
13 examined and testified as follows.

14 DIRECT EXAMINATION

15 By Mr. Reilly:

16 Q. Mr. Sarver, would you introduce yourself
17 to the Bench with your name and your employer and
18 your position with your employer?

19 A. My name is Roger L. Sarver. My employer
20 is Public Utilities Commission of Ohio. My business
21 address is 180 East Broad Street, Columbus, Ohio,
22 43215. And my title is Utilities Specialist.

23 Q. What do you do as a utility specialist,
24 Mr. Sarver?

25 A. My duties as a utility specialist require

1 that I monitor, supervise, and participate in all GCR
2 and/or EUX audits.

3 Q. What is -- what do you mean by "GCR"?

4 A. "GCR" is gas cost recovery mechanism, and
5 "UEX" is the uncollectible expense rider.

6 Q. And those are the cases we're here on
7 today for Duke Energy Ohio, correct?

8 A. Correct. We are here for 11-218, which
9 is a GCR case, and 11-318, which is a UEX case.

10 Q. Mr. Sarver, are you aware -- let me talk
11 about the GCR case first. Are you aware of any
12 reviews that have been performed in the GCR case?

13 A. There was an audit performed by Deloitte
14 Touche that was docketed with the Commission on
15 November 16, 2011.

16 Q. Are you aware of any audits that were --
17 any reviews performed in the UEX case?

18 A. There was a similar audit performed by
19 Deloitte Touche for the UEX. That audit report -- or
20 it's what they refer to as agreed upon procedures --
21 was docketed with the Commission on November 16,
22 2011.

23 Q. Mr. Sarver, are you familiar with those
24 two audits?

25 A. Yes, sir.

1 Q. Have you read them?

2 A. Yes, sir.

3 Q. And analyzed their information?

4 A. Yes.

5 MR. REILLY: Your Honor, we would ask
6 that the independent accountants' report on uniform
7 purchased gas -- on the uniformed purchased gas
8 adjustment that Mr. Sarver referred to that was filed
9 in Docket 11-218 on November 16, 2010 [verbatim] be
10 marked as Commission Ordered Exhibit 1.

11 (EXHIBIT MARKED FOR IDENTIFICATION.)

12 ATTORNEY EXAMINER: Very good.

13 MR. REILLY: I have passed out courtesy
14 copies to the parties, the court reporter, and the
15 Bench.

16 And I would ask that the independent
17 accountants' report on agreed upon procedures that
18 was filed in the UEX case 11-318 on November 16 be
19 marked as Commission Ordered Exhibit 2.

20 ATTORNEY EXAMINER: Very good.

21 (EXHIBIT MARKED FOR IDENTIFICATION.)

22 MR. REILLY: I have passed out courtesy
23 copies of that also.

24 Q. (By Mr. Reilly) Mr. Sarver, up there on
25 the witness stand there should be documents that are

1 marked as Joint Exhibit 1, Commission Ordered
2 Exhibit 1, and Commission Ordered Exhibit 2. Can you
3 find those for me, please?

4 A. Yes, sir, I have those in front of me.

5 Q. I'd like to direct your attention to the
6 document that is marked as Joint Exhibit 1, the
7 stipulation and recommendation.

8 A. Yes.

9 Q. Are you familiar with that document?

10 A. Yes.

11 Q. And how did your familiarity come about?

12 A. Staff along with counsel worked with Duke
13 Energy and in development of the stipulation.

14 Q. You were one of the negotiators of that
15 document; isn't that a fact?

16 A. Yes, sir.

17 Q. And you're familiar with its provisions?

18 A. Yes.

19 Q. Would you tell me, Mr. Sarver, are you
20 familiar with those who you were negotiating with?

21 A. Yes.

22 Q. And that was -- they were from Duke
23 Energy Ohio?

24 A. Yes, sir.

25 Q. Tell me, Mr. Sarver, is the stipulation

1 in your opinion the product of bargaining among
2 capable and knowledgeable parties?

3 A. Yes, sir.

4 Q. Would you elaborate on that a little bit
5 as to why that's true?

6 A. Well, the staff along with Duke Energy
7 has numerous years, several years of experience in
8 the calculation and filing of the gas cost recovery
9 mechanism. Deloitte Touche had some findings in
10 their audit report that appear to be corrected by
11 Duke Energy. Those are what were the auditor's
12 findings and staff was in agreement with the
13 auditor's findings.

14 Q. Can you tell me, the stipulation and
15 recommendation considered as a package, does it
16 benefit ratepayers and the public interest?

17 A. Yes, sir, it does. The point of these
18 audits are to ensure that the costs that are billed
19 to Duke's customers in the form of the gas cost
20 recovery mechanisms along with the uncollectible
21 rider are costs that were incurred by Duke and are
22 recovered on the dollar-for-dollar basis from Duke's
23 customers. If there are any errors associated with
24 any of their calculations, adjustments are made.

25 Q. In your opinion does the stipulation and

1 recommendation violate any important regulatory
2 principles?

3 A. No, sir.

4 Q. Do you have a recommendation with
5 regard -- to the Commission with regard to the
6 adoption of this --

7 A. I recommend the Commission adopt the
8 stipulation listed as Joint Exhibit 1.

9 Q. Mr. Sarver, the other documents that you
10 have up there on the witness stand with you that have
11 been marked for identification as Commission Ordered
12 Exhibit 1 and Commission Ordered Exhibit 2, are they
13 the documents that are referred to in the stipulation
14 and recommendation?

15 A. Yes, they are.

16 MR. REILLY: We have nothing further,
17 your Honor.

18 ATTORNEY EXAMINER: Thank you.

19 Any questions?

20 MS. WATTS: No questions, your Honor.

21 MR. REILLY: Thank you, Mr. Sarver.

22 With that, your Honor, we would move the
23 introduction into evidence of Joint Exhibit 1,
24 Commission Ordered Exhibit 1, and Commission Ordered
25 Exhibit 2.

1 ATTORNEY EXAMINER: Very good. I'll
2 admit those into evidence at this time.

3 (EXHIBITS ADMITTED INTO EVIDENCE.)

4 MR. REILLY: And with that staff would
5 rest.

6 ATTORNEY EXAMINER: Do you have anything
7 to add?

8 MS. WATTS: We have nothing, your Honor.

9 ATTORNEY EXAMINER: Proof of publication?

10 MS. WATTS: Yes, your Honor, we'd ask
11 that the proof of publication with regard to the
12 hearing in this matter that was held January 17 be
13 admitted as an exhibit in this matter, and it was
14 filed with the Commission on January 5, 2012. That
15 would be Duke Energy Exhibit 1, please.

16 ATTORNEY EXAMINER: What number did you
17 give that?

18 MS. WATTS: Duke Energy Exhibit 1.

19 (EXHIBIT MARKED FOR IDENTIFICATION.)

20 ATTORNEY EXAMINER: Very good, I'll admit
21 that into evidence also.

22 (EXHIBIT ADMITTED INTO EVIDENCE.)

23 MS. WATTS: That's all we have.

24 ATTORNEY EXAMINER: Let the record show
25 there are no members of the public here today in the

1 hearing room.

2 Is there anything else to add?

3 MR. REILLY: I don't believe so.

4 ATTORNEY EXAMINER: Thank you all. And I
5 will consider these cases submitted on the record.

6 MR. REILLY: Thank you, your Honor.

7 MS. WATTS: Thank you, your Honor.

8 (Hearing adjourned at 10:13 a.m.)

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CERTIFICATE

I do hereby certify that the foregoing is a true and correct transcript of the proceedings taken by me in this matter on Tuesday, February 14, 2012, and carefully compared with my original stenographic notes.

Julieanna Hennebert, Registered Professional Reporter and RMR and Notary Public in and for the State of Ohio.

My commission expires February 19, 2013.

(JUL-1834)

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in

Case No(s). 11-0218-GA-GCR, 11-0318-GA-UEX

Summary: Transcript Transcript of Duke Energy Ohio, Inc. hearing held on 02/14/12
electronically filed by Mrs. Jennifer Duffer on behalf of Armstrong & Okey, Inc. and Hennebert,
Julieanna Mrs.