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VIA OVERNIGHT DELIVERY

February 29, 2012

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

Re: Case No. 11-974-EL-FAC
11-975-EL-RDR

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 and Direct Testimony of William Don Wathen, Jr.*

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

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

Should you have any questions, please contact me at (513) 287-4337.

Very truly yours,


Dianne Kuhnell
Senior Paralegal

Enclosures

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business.
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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. 11-974-EL-FAC
Economy Purchased Power Component of its)
Market-Based Standard Service Office for)
2011.)

In the Matter of the Application of Duke)
Energy Ohio, Inc., to Establish its System)
Reliability Tracker of its Market-Based) Case No. 11-975-EL-RDR
Standard Service Offer for 2011.)

DIRECT TESTIMONY OF

GREGORY H. CECIL

ON BEHALF OF

DUKE ENERGY OHIO, INC.

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March 1, 2012

TABLE OF CONTENTS

DESCRIPTION OF TESTIMONY	TESTIMONY <u>PAGES</u>
I. INTRODUCTION	1
II. PURPOSE OF TESTIMONY	2
III. DISCUSSION OF STIPULATION COMMITMENTS.....	3
IV. THE NEW ELECTRIC SECURITY PLAN.....	5
V. CONCLUSION	6

ATTACHMENT:

GHC-1: Scorecards

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 (MCG).

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 the 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 the 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 latter position, I was
20 responsible for managing Duke Energy Ohio, Inc.'s (Duke Energy Ohio or the
21 Company) generation dispatch in the structured markets. I assumed my current
22 position in April 2010.

GREGORY H. CECIL DIRECT

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's
4 generation operations including: scheduling and delivery of coal from the point
5 of load out at the mine to the bunker/pile of the Company; demurrage once the
6 barge arrives in the harbor; maintenance outage scheduling and performance for
7 all equipment used in the unloading, storing, reclaiming, and filling of the
8 bunkers with coal; fleet measures development and support, material handling
9 financial management and business planning offering, committing and
10 dispatching of the generation into the regional transmission organization (RTO);
11 bidding the load into the RTO; and NERC Compliance.

12 **Q. HAVE YOU EVER TESTIFIED BEFORE THE PUBLIC UTILITIES**
13 **COMMISSION OF OHIO.**

14 A. Yes. I provided direct testimony in Case No. 10-974-EL-FAC, *et al.*, regarding
15 the Company's 2010 Rider PTC-FPP. I have also provided testimony before the
16 Federal Energy Regulatory Commission and Indiana Utility Regulatory
17 Commission.

II. PURPOSE OF TESTIMONY

18 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
19 **PROCEEDING?**

20 A. The purpose of my testimony is to discuss the Company's compliance with
21 certain audit recommendations contained in the Stipulation agreed to by the

1 parties in Duke Energy Ohio's last Rider FPP audit in Case No. 10-974-EL-
2 FAC. (Hereinafter, these stipulating parties will be referred to as the Parties.)

III. DISCUSSION OF STIPULATION COMMITMENTS

3 **Q. PLEASE LIST THE STIPULATION COMMITMENTS YOU ARE**
4 **ADDRESSING.**

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

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

9 A. In Paragraph 1, the Parties agreed that Duke Energy Ohio will use its "existing
10 eMax reports and refine processes to monitor work order performance (actual
11 vs. estimated hours) and schedule attainment (actual vs. scheduled work
12 completed)." The auditor for the 2011 Audit Report will review and report on
13 the adequacy of Duke Energy Ohio's implementation of this requirement.

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

15 A. Duke Energy Ohio has implemented a process that uses three scorecards to
16 measure employee and contractor performance. These scorecards measure
17 performance and allow trending and identification of areas where corrective
18 action may be necessary. The scorecards are used for work order completion and
19 measuring employee performance during forced outages. An example of these
20 scorecards are attached as GHC-1.

21 **Q. PLEASE DESCRIBE STIPULATION PARAGRAPH 2.**

1 A. The Parties agree that Duke Energy Ohio will "[c]ontinue working on managing
2 demurrage charges." Following up on the investigation of methods to lower
3 demurrage charges reported to the auditor for the 2010 Audit Report, Duke
4 Energy Ohio will report on its continuing efforts to reduce demurrage charges in
5 time for consideration in the 2011 Audit Report.

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

7 A. As explained in the Company's prior FPP audit, during 2010, demurrage
8 responsibilities were moved from the Fuel Procurement group to Material
9 Handling and Logistics. This transfer of responsibility highlighted demurrage as
10 an active area to manage costs versus risk. The two groups continue to work
11 together to identify and reduce demurrage costs 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 for pile activity. One of
15 the side effects of having shorter harbors is the need to utilize the coal pile on a
16 more frequent basis.
- 17 • **Move/Re-consign barges between harbors** – Shorter harbors lead to the need
18 to re-consign barges between plants 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 May 2011, MCG implemented a new coal
2 unload data entry tool as part of a software product called V-Performance. This
3 data entry tool utilizes a touch screen in the unloader cab to enter unload
4 information in near real time. This new process allows for real time data
5 reporting, analysis, and information, including a demurrage day count and
6 analysis.

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

8 A. In Paragraph 3, the Parties agreed that Duke Energy Ohio will "[c]ontinue to
9 refine process control of coal pile inventories." The auditor for the 2011 Audit
10 Report will review and report on the adequacy of Duke Energy Ohio's
11 implementation of this requirement.

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

13 A. As described for the response to Paragraph 2, the Company is more actively
14 managing harbor inventory by utilizing the pile more. The Company strives to
15 maintain a minimum of burn days on the pile and actively manages the pile
16 inventory throughout the year. Global Risk Management also monitors the pile
17 inventory according to the MCG Commodity Risk Management Policy and
18 Procedure Manual.

IV. THE NEW ELECTRIC SECURITY PLAN

19 **Q. IS THE COMPANY STILL OPERATING UNDER THE TERMS OF THE**
20 **ELECTRIC SECURITY PLAN THAT EXISTED IN 2011?**

21 A. No. As discussed in more detail by Company witness William Don Wathen Jr.,
22 the Commission approved a new electric security plan (ESP) for Duke Energy

1 Ohio in November 2011. Although there are numerous provisions of the new
2 ESP, I will address only those relevant to this filing and, more particularly, the
3 expired riders, Rider PTC-FPP and Rider SRA-SRT. As approved by the
4 Commission, pursuant to the new ESP, Duke Energy Ohio will no longer use its
5 legacy generating assets to directly serve its standard service offer (SSO)
6 customers. And further, those assets will be transferred to an affiliate or
7 subsidiary on or before December 31, 2014. As a result, there is no longer a
8 nexus between the management and operation of these assets and Duke Energy
9 Ohio's obligation to provide SSO service to its customers.

10 **Q. HOW WOULD YOU DESCRIBE THE IMPACT OF THE NEW ESP ON**
11 **RIDERS AT ISSUE IN THIS PROCEEDING?**

12 A. With the approval of the new ESP, the riders at issue in this case expired
13 effective December 31, 2011. Indeed, the expiration of these riders was
14 acknowledged with the approval of Rider RECON, which, as detailed by
15 Company witness Wathen, will true up balances on Rider PTC-FPP and Rider
16 SRA-STR.

V. CONCLUSION

17 **Q. WAS ATTACHMENT GHC-1 PREPARED AT YOUR REQUEST AND**
18 **UNDER YOUR DIRECTION AND CONTROL?**

19 A. Yes.

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

21 A. Yes.

GREGORY H. CECIL DIRECT