

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

- - -

In the Matter of the :
Application of Duke Energy:
Ohio for Authority to :
Establish a Standard :
Service Offer Pursuant to :
Section 4928.143, Revised : Case No. 14-841-EL-SSO
Code, in the Form of an :
Electric Security Plan, :
Accounting Modifications :
and Tariffs for Generation:
Service. :

- - -

In the Matter of the :
Application of Duke Energy:
Ohio for Authority to : Case No. 14-842-EL-ATA
Amend its Certified :
Supplier Tariff, P.U.C.O. :
No. 20. :

- - -

PROCEEDINGS

before Ms. Christine M.T. Pirik and Mr. Nick Walstra,
Attorney Examiners, at the Public Utilities
Commission of Ohio, 180 East Broad Street, Room 11-A,
Columbus, Ohio, called at 9:00 a.m. on Monday,
November 10, 2014.

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VOLUME XIV

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Monday Morning Session,
November 10, 2014.

- - -

EXAMINER WALSTRA: We'll go on the record
then.

Staff, call your witness.

MR. LINDGREN: Thank you. The staff
calls Patrick Donlon to the stand.

(Witness sworn.)

EXAMINER WALSTRA: Thank you. You may be
seated.

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PATRICK DONLON
being first duly sworn, as prescribed by law, was
examined and testified as follows:

DIRECT EXAMINATION

By Mr. Lindgren:

Q. Good morning, Mr. Donlon. Could you
please state your full name and business address for
the record.

A. Patrick Donlon, 180 East Broad, Columbus,
Ohio 43215.

Q. And, sir, where are you employed?

A. Public Utilities Commission of Ohio.

Q. What is your position there?

1 A. Currently Interim Director of Energy and
2 Environmental.

3 Q. Thank you.

4 Did you prepare some prefiled testimony
5 in this case?

6 A. I did.

7 MR. LINDGREN: Your Honor, I would ask to
8 have marked as Staff Exhibit 5 the prefiled testimony
9 of Patrick Donlon.

10 EXAMINER WALSTRA: So marked.

11 (EXHIBIT MARKED FOR IDENTIFICATION.)

12 Q. Mr. Donlon, on whose behalf did you
13 prepare this testimony?

14 A. Mine.

15 Q. Did you possibly do it on behalf of the
16 staff of the Commission?

17 A. Yes.

18 Q. Yes. Thank you.

19 And was it prepared by you or under your
20 direction?

21 A. Yes.

22 Q. And do you have any changes or
23 corrections to this testimony?

24 A. I do.

25 Q. Okay. Please explain.

1 A. On page 3 of the testimony, the footnote,
2 line 9, the footnote under the box or the chart,
3 "Generally customers above 50 percent LFA currently
4 benefit from rider" should just be "LF." It
5 shouldn't be -- it should be load factor not load
6 factor adjustment.

7 Q. Thank you.

8 Do you have any other corrections?

9 A. No, I do not.

10 Q. With that one change, if I asked you the
11 same questions today, would your answers be the same?

12 A. Yes.

13 MR. LINDGREN: Thank you. Your Honor, I
14 would move the admission of Staff Exhibit 5, subject
15 to cross-examination.

16 EXAMINER WALSTRA: Thank you.

17 Ms. Hussey?

18 MS. HUSSEY: No questions, your Honor.

19 EXAMINER WALSTRA: Ms. Bojko?

20 MS. BOJKO: No questions, your Honor.

21 EXAMINER WALSTRA: OCC?

22 MR. BERGER: No questions, your Honor.

23 EXAMINER WALSTRA: Thank you.

24 Ms. Kyler?

25 MS. KYLER COHN: No questions.

1 EXAMINER WALSTRA: Mr. Oliker?

2 MR. OLIKER: No questions.

3 EXAMINER WALSTRA: Mr. Petricoff?

4 MR. PETRICOFF: I have a question or two.

5 - - -

6 CROSS-EXAMINATION

7 By Mr. Petricoff:

8 Q. Good morning, Mr. Donlon.

9 A. Good morning.

10 Q. Let's see, are you familiar with the
11 mechanics of how the rider LFA works?

12 A. Yes.

13 Q. And would you agree with me the only
14 customers who are affected by the rider are the DS,
15 DP, and TS customers?

16 A. Correct.

17 Q. And, generally speaking, these are the
18 larger or the largest customers on the Duke system?

19 A. Correct.

20 Q. And do you know how the rider LFA came
21 into existence?

22 A. It's my understanding it was part of the
23 stipulation from the last ESP case.

24 Q. Okay. Do you know what parties or groups
25 asked for the rider?

1 A. Basic understanding, but I wasn't a part
2 of the Commission at that time, so not exactly.

3 Q. What's your basic understanding?

4 A. The large customers asked for it, but I
5 could be wrong. I wasn't with the Commission at that
6 time.

7 Q. Okay. And does rider LFA present to the
8 large customers an opportunity to be -- or, let me
9 rephrase this.

10 Does the rider LFA present an opportunity
11 to the large customers to receive an incentive if
12 they can reduce their load factor?

13 A. If they can reduce it, yes.

14 Q. All right. And it -- the credits
15 continue all the way to 100 percent load factor?

16 A. Yes.

17 Q. So if you had a fairly high load factor,
18 70 percent load factor, and you were able to reduce
19 it to -- to -- or increase it to 75, you would
20 continue to get an additional incremental benefit for
21 doing so.

22 A. If you can reduce it.

23 Q. All right. And when the large customers
24 reduce their load factor, does that reduce the amount
25 of capacity that's required for Duke on its system?

1 A. It should, yes.

2 Q. Did any DS, DP, or TS customer approach
3 the Commission and ask to have the rider LFA
4 eliminated?

5 A. Can you repeat that, please?

6 Q. Let me start over. We'll break it up.

7 A. I just wanted to make sure you said all
8 three classes.

9 Q. I did, but let's take them one at a time.
10 Okay. Did any DS customer approach the staff or the
11 Commission and ask that the rider LFA be eliminated?

12 A. To my knowledge -- I'm not sure which
13 classes some of the customers fall into, but there
14 have been complaints submitted to the Commission
15 regarding this -- this rider, yes.

16 Q. Okay. But you don't recall which --
17 which class customers complained?

18 A. I know DS customers have, as well as I
19 think the one might have been, the one I'm thinking
20 of was either DP -- I think they would have fell into
21 a DP, but I am not positive off the top of my head.

22 Q. But most of the complaints you are aware
23 of are the DS customers.

24 A. Correct.

25 Q. And they are the smaller of the larger?

1 A. Correct.

2 Q. Have you seen the proposal by Mr. Baron?

3 A. I have.

4 Q. Okay. Would the DS customers be
5 eliminated from the rider LFA if his proposal went
6 through?

7 A. Yes.

8 Q. Does the staff object to his proposal?

9 A. We think ours is better because there are
10 some DS customers that also would be negatively
11 impacted by reducing it completely and pulling them
12 off. As you can see, there's some that would receive
13 a 12-percent price increase if -- if they were
14 removed.

15 Q. Okay. Were you referring to your chart
16 on page 3?

17 A. I was.

18 Q. Okay. So actually there might be some DS
19 customers who -- who need -- I'm sorry. Let me go
20 back.

21 There might be some DP customers who
22 would actually benefit by being eliminated from the
23 rider LFA.

24 A. DP customers?

25 Q. DP customers.

1 A. Correct.

2 Q. Okay. And that's your concern with --
3 with the -- Mr. Baron's proposal?

4 A. With -- his has the DS customers being
5 removed which -- so -- in each class there's certain
6 customers that pay and certain customers that receive
7 a benefit, so.

8 Q. Let's go through them. So in the DS
9 customers, you have some DS customers who would
10 benefit and some DS customers who -- who would be
11 financially harmed if the rider LFA went through.

12 A. Correct.

13 Q. And your chart on page 3 shows the --
14 that some DS customers would actually have an
15 increase of 12 percent if the -- if the rider LFA was
16 eliminated.

17 A. Based on these estimates, yes.

18 Q. Right. And for DP customers there would
19 be some who would be at 11 percent?

20 A. Correct.

21 Q. And for some TS customers there would be
22 some that would be at 15 percent.

23 A. Correct.

24 Q. Okay. Did you do any studies to indicate
25 what the numbers of either -- of DS customers that

1 would be harmed or benefited would be if the rider
2 were eliminated?

3 A. Repeat that again. I'm sorry.

4 Q. Did you -- I'll just ask the question
5 again. Did you do any study to see -- well, let me
6 go back.

7 You would agree with me that basically
8 anybody with greater than a 50-percent load factor
9 benefits from rider LFA and anyone with a load factor
10 less than that makes a payment under the rider LFA.

11 A. I think we can agree to that, in general,
12 but based on what everyone's load factor adjustment
13 that can change, but in general that's the theory.

14 Q. Okay. My question for you would be
15 easier, do you have a feel for how many DS customers
16 have a load factor that's above 50 percent?

17 A. According to our estimate, we have 3,711,
18 which is in the chart, the DS customers.

19 Q. Oh, I see. Out of the total of 18,000.

20 A. Uh-huh.

21 Q. Okay.

22 A. Yes.

23 Q. And then one more step. Do you have any
24 information as to how many of these 3,711 would be
25 able, if they devoted time and effort, to reducing

1 their load factor?

2 A. I do not.

3 MR. PETRICOFF: I have no further
4 questions. Thank you very much, Mr. Donlon.

5 THE WITNESS: Thank you.

6 EXAMINER WALSTRA: Thank you.

7 Ms. Kingery?

8 MS. KINGERY: Thank you.

9 - - -

10 CROSS-EXAMINATION

11 By Ms. Kingery:

12 Q. Mr. Donlon, I just have a couple of
13 questions. Are you aware that under the current LFA
14 as it's now structured, it is revenue neutral to Duke
15 Energy Ohio?

16 A. Correct.

17 Q. And under your proposal would it remain
18 revenue neutral?

19 A. Yes.

20 MS. KINGERY: Thank you. That's all I
21 have.

22 EXAMINER WALSTRA: Thank you.

23 Any rebuttal?

24 MR. LINDGREN: Could I have a moment to
25 confer with the witness?

1 EXAMINER WALSTRA: You may.

2 MR. LINDGREN: Your Honor, the staff has
3 no redirect.

4 EXAMINER WALSTRA: Thank you. You are
5 all set.

6 THE WITNESS: Thank you.

7 MR. LINDGREN: Your Honor, I would move
8 for the admission of Staff Exhibit 5.

9 EXAMINER WALSTRA: Are there any
10 objections?

11 MR. PETRICOFF: No objections.

12 MS. KINGERY: No objections.

13 EXAMINER WALSTRA: It will be admitted.

14 (EXHIBIT ADMITTED INTO EVIDENCE.)

15 EXAMINER WALSTRA: Would you like to call
16 your next witness?

17 MR. O'ROURKE: Thank you, your Honor.
18 The staff calls Jeff Hecker.

19 (Witness sworn.)

20 EXAMINER WALSTRA: Thank you. You may be
21 seated.

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JEFFREY HECKER

being first duly sworn, as prescribed by law, was
examined and testified as follows:

DIRECT EXAMINATION

By Mr. O'Rourke:

Q. Good morning, Mr. Hecker.

A. Good morning.

Q. Can you please state your full name and
business address.

A. Yes. My name is Jeffrey Hecker, 180 East
Broad.

Q. Is your mic on?

A. I thought it was on. I'm sorry. I'm
Jeffrey Hecker, 180 East Broad Street, Columbus, Ohio
43215.

Q. And by whom are you employed?

A. Public Utilities Commission of Ohio.

Q. And did you prepare some prefiled
testimony in this matter?

A. Yes, I did.

Q. And do you have that before you right
now?

A. Yes, I do.

MR. O'ROURKE: Your Honor, if we could,
could we have his prefiled testimony marked Staff

1 Exhibit 4?

2 EXAMINER WALSTRA: So marked.

3 (EXHIBIT MARKED FOR IDENTIFICATION.)

4 Q. Mr. Hecker, do you have any corrections
5 to this testimony?

6 A. Yes, I do. I have two corrections.

7 Q. Go ahead.

8 A. On page 5, line 14, it says "on the
9 monthly balance once the deferred balance exceeds,"
10 it should say "once the total storm costs exceed \$4.4
11 million."

12 And then on page 7, line 12, it says "20
13 hours" and then I say "for storm repair in a given
14 week." And that's all I have.

15 Q. Okay. Subject to those corrections, if I
16 were to ask you the same questions, would your
17 answers be the same?

18 A. Yes, they would.

19 MR. O'ROURKE: Your Honor, we would move
20 for the admission of Mr. Hecker's prefiled testimony
21 subject to cross-examination.

22 EXAMINER WALSTRA: Thank you.

23 Ms. Hussey?

24 MS. HUSSEY: No questions, your Honor.

25 EXAMINER WALSTRA: Ms. Bojko?

1 MS. BOJKO: No questions.

2 EXAMINER WALSTRA: Mr. Berger?

3 MR. BERGER: No questions, your Honor.

4 EXAMINER WALSTRA: Ms. Kyler?

5 MS. KYLER COHN: No questions.

6 EXAMINER WALSTRA: Mr. Olikier?

7 MR. OLIKER: No questions.

8 EXAMINER WALSTRA: Mr. Petricoff?

9 MR. PETRICOFF: No questions, your Honor.

10 EXAMINER WALSTRA: Ms. Kingery?

11 MS. KINGERY: Thank you. Just a few.

12 - - -

13 CROSS-EXAMINATION

14 By Ms. Kingery:

15 Q. You thought you were going to get away
16 really easy.

17 Mr. Hecker, first of all, all of your
18 opinions are set forth in your testimony, correct?

19 A. Yes.

20 Q. And you are not opposed to rider DSR in
21 concept?

22 A. Correct.

23 Q. And you have no opinion with regard to
24 the rest of the proposed ESP?

25 A. That's correct.

1 Q. I understand that you are proposing that
2 there would be no carrying charges to Duke during the
3 recovery period; is that correct?

4 A. That's correct.

5 Q. But you would agree with me that the
6 company will continue to incur costs attributable to
7 the time value of money until all of those funds are
8 recovered, correct?

9 A. Yes, I would.

10 Q. Now, with regard to labor, I want to talk
11 first about hourly employees, okay?

12 A. Okay.

13 Q. All right. As I understand it, you are
14 recommending that Duke would recover for incremental
15 costs on time spent greater than 40 hours in a given
16 week; is that correct?

17 A. That's correct, yes.

18 Q. Okay. Have you reviewed the union
19 contracts that Duke is a party to?

20 A. Yes, I have.

21 Q. And are you aware of what the company's
22 cost would be for a given employee if that employee
23 worked greater than 40 hours in a given week -- I'm
24 sorry, only 40 hours exactly in a given week, but it
25 wasn't spaced out eight hours per day. So one day

1 they worked on, the employee worked on storm
2 recovery, let's say, and worked for 16 hours.

3 A. Okay.

4 Q. And then worked for three more days at
5 8 hours a day.

6 A. Okay.

7 Q. What would the company's cost be for that
8 employee for that week?

9 A. That would be 40 hours of -- from what I
10 understand from the union -- from the union
11 contracts, they would typically get time and a half
12 pay for that and so that would be the company's cost.

13 Now, in my testimony I said that the
14 first 40 hours of straight time is what is in base
15 rates, that the company would still -- the
16 incremental labor would be the halftime above that,
17 the overtime portion of that.

18 Q. So what -- you're testifying that if the
19 company had to pay time and a half for the 16-hour
20 day, the single 16-hour day, because that was working
21 on storm recovery, the company would be able to
22 recover the half time of premium time for the 16
23 hours.

24 A. That's correct.

25 Q. So anything over and above 40 hours of

1 straight time cost.

2 A. Correct, correct.

3 Q. And is it your understanding that the
4 only employees who are paid overtime -- and again, we
5 are talking hourly now -- who are paid overtime
6 during the storm are those who are actually doing
7 storm restoration work?

8 A. Do you mean overtime rates, the time and
9 a half or double time?

10 Q. Let's change the question a little bit.
11 Let's ask about people who are working extra time, so
12 let's take how much the company has to pay per hour
13 out of the equation, but is it possible that there
14 are some hourly employees who are working extra hours
15 during the storm, although they are not doing storm
16 recovery work?

17 A. Yes.

18 Q. Okay. And would the company then incur
19 an extra cost for those hourly employees extra labor
20 time?

21 A. Yes, they would.

22 Q. And would that be recoverable under your
23 approach?

24 A. For nonmanagement people?

25 Q. Yes. We are talking only hourly right

1 now.

2 A. Yes.

3 Q. Okay. So we have two hourly employees
4 who work in parallel. They generally do the same
5 sorts of things. One is shifted off to do storm
6 recovery work, but his work isn't getting done, so
7 the guy who wasn't shifted off to storm recovery work
8 and is now doing both people's work, he's now working
9 extra hours. The company can recover that, his extra
10 hours?

11 A. I'm sorry. Could you repeat the
12 question?

13 Q. Sure. So we have Employee A and
14 Employee B, and they both usually go out and install
15 widgets, if I might.

16 A. Uh-huh.

17 Q. Employee A, during the storm recovery
18 time, is sent off into the field to work on actual
19 storm recovery matters. Employee B stays back in the
20 office to do the regular work that has to be done,
21 but Employee A's work still has to get done, so
22 Employee B does his own work and does Employee A's
23 work, okay?

24 A. Okay.

25 Q. So it takes him twice as long because

1 they are both 100-percent efficient, takes him twice
2 as long to get all that work done.

3 A. Okay.

4 Q. So the company now owes him overtime for
5 the extra 8 hours a day that he does.

6 A. Okay.

7 Q. That's the piece I'm asking. Would that
8 be recoverable?

9 A. And these are people who normally get
10 overtime?

11 Q. Yes. These are hourly employees.

12 A. Yes. I would say that would be.

13 Q. So it does not matter to you that the
14 person isn't actually out in the field doing storm
15 recovery work. We would still be able to recover
16 that.

17 A. I believe so because it is storm related.
18 It's related to the storm.

19 Q. It happened because of the storm.

20 A. Because of the storm, yes.

21 Q. Okay. And I suppose if instead of having
22 Employee A and Employee B, we just had Employee A,
23 and he went out in the field for three days and spent
24 all that time on storm recovery work, then when he
25 comes back, he didn't have Employee B doing his work.

1 So now he comes back and he has all that extra work
2 to do. So if he then incurs overtime because he has
3 to catch up with his regular work, would that
4 overtime be recoverable?

5 A. I would -- I would hesitate to say that
6 would be. It would be a hard thing to prove that it
7 was for actual storm-related work because it was
8 not -- it was after the storm time period, so that
9 would be a hard one to prove that it was storm
10 related. So I guess that would be -- I would
11 hesitate to say that would be included.

12 Q. So the company would be able to recover
13 for the labor to get that work done, the widgets that
14 weren't installed on Monday, Tuesday, and Wednesday
15 when the employee was out doing storm work. We could
16 recover it if we had somebody else do it on overtime
17 during the storm, but we couldn't recover it if we
18 waited and had the regular guy who normally did that
19 work do it after he got back.

20 A. Could you repeat that again? I'm sorry.

21 Q. Sure. If Employee A normally installs 10
22 widgets a day, and on Monday, Tuesday, and
23 Wednesday -- on Monday, Tuesday, and Wednesday he is
24 out in the field doing storm recovery work. So
25 Monday, Tuesday, and Wednesday, 10 widgets a day

1 didn't get done on Monday, Tuesday, and Wednesday,
2 and he didn't have a co-worker to ask to work
3 overtime.

4 You're saying that we would not be able
5 to recover for his overtime on Thursday, Friday, and
6 the following Monday to do those extra widgets? Even
7 though we would be able to recover if he had a
8 co-worker who worked overtime to do it on Monday,
9 Tuesday, and Wednesday?

10 A. I think it would be a difficult thing to
11 prove, that that was -- that was storm related. So I
12 would -- I guess I'm hesitant to say automatically,
13 yes, that would be included. It would just be hard
14 to prove. So I would have to say no.

15 Q. Okay. So from a policy standpoint, the
16 Commission then would be encouraging the company to
17 have some employees held back from doing storm
18 recovery work so that they could work overtime doing
19 the work that's not getting done by the people who
20 are out in the field.

21 A. You mean, I don't think that would be the
22 right thing to do either because you would be slowing
23 down the recovery efforts.

24 Q. Right, but you just said it's recoverable
25 one way and not recoverable the other. So wouldn't

1 the company then be motivated by the Commission's
2 policy to hold people back to do work in the office?

3 A. Well, I think there's a lot of things to
4 go into it in terms of the -- I understand you need
5 to get the work done as efficiently and as cost
6 effectively and safely as possible, so I would hate
7 to think that the company would hold people back just
8 because they weren't getting recovery for those few
9 hours that -- that were done in makeup later.

10 Q. Certainly. And the company, in general,
11 has not had such a practice, correct?

12 A. Correct.

13 Q. Right. I'm just talking about the -- I'm
14 trying to understand what the Commission's approach
15 would be and then look to see what -- what that's
16 really saying to the company. And if one way we get
17 recovery and the other way we don't, it's a
18 statement.

19 Now, I suppose there's a third option and
20 that is that the company might hire outside
21 contractors to assist. So if we hired outside
22 contractors to help on the actual storm recovery
23 cost -- or, work, those contractor costs would be
24 recoverable, correct?

25 A. If they were determined to be

1 prudently-incurred expenses, I guess they -- it would
2 be hard to prove they weren't -- that they weren't
3 recoverable if they were prudently incurred.

4 Q. And by "prudently incurred," you mean
5 that a given wire was actually down on the ground and
6 had to be replaced and we needed somebody to put it
7 there. That's -- it's prudent for us to do that.

8 A. I would assume so, yes.

9 Q. In looking at whether it's prudently
10 incurred, would the Commission be looking to see
11 whether there were people back in the office who
12 could have been pulled out of the office and put into
13 the field, instead of hiring contractors?

14 A. I would say that probably wouldn't
15 qualify as the safely part, you know, if you have
16 accountants sitting in the office, I am not sure you
17 want them out hooking up wires.

18 Q. No. I wasn't meaning accountants. I
19 guess I was trying to tie back to the conversation we
20 just had.

21 A. Right.

22 Q. So we have people who are perfectly
23 qualified to do the work, but some of them, because
24 we know we won't get recovery if we put them all out
25 in the field and then try to bring them back and have

1 them do their regular work, so some of them we're
2 going to hold back in the office, but hire
3 contractors to do the field work.

4 A. I understand what you're saying. And I
5 guess it would be hard to -- be hard to prove that
6 it's not -- I mean, I would say, yeah, that would be
7 recoverable if you did hire contractors. But I would
8 think that the company also would do -- would do
9 their, I guess, diligence, or I don't know if that's
10 the right word or not, due diligence to assure it was
11 done as cost effectively and efficiently and safely
12 as possible. So if you didn't need to hire
13 contractors and could use people to do it, yes, you
14 may not get recovery, but it would be -- I would
15 think it would be more cost effective and the
16 ratepayer shouldn't bear the cost of that.

17 Q. It's certainly more cost effective if you
18 don't have to pay the company back for its
19 incremental expenses. I mean, that's what you mean
20 by cost effective?

21 A. Well, the most cost effective way that
22 gets the job done. I mean --

23 Q. I guess my question is cost effective
24 from whose perspective?

25 A. I guess everybody's perspective, you

1 know. I guess mostly from the ratepayer's
2 perspective.

3 Q. So if it's from the ratepayer's
4 perspective, then what you want the company to do is
5 to structure these -- the recovery work in such a way
6 that as little as possible is recoverable from
7 ratepayers, correct?

8 A. No. I'm not saying that. I'm not saying
9 that.

10 Q. So it's really more a big picture
11 recoverable, the lowest cost from everybody's
12 perspective, which is the first thing you thought of.

13 A. I think what I'm trying to say is that if
14 the -- I guess, I know I mentioned that somewhere in
15 my testimony that getting recovery should not be the
16 main -- the main focus of -- of whether you are going
17 to hire contractors or use some of your internal
18 people. And if you have internal people that can do
19 the job, that can do the job safely and efficiently,
20 then I would agree with that. If you have to get
21 contractors to do that, typically that would be a
22 prudent course of action.

23 Q. And, certainly, it has been Duke Energy
24 Ohio's policy over time to use the internal people
25 when it can and to do its repairs as quickly and

1 effectively and cost efficiently as possible,
2 correct?

3 A. I would agree so.

4 Q. So certainly that's our goal going
5 forward as well.

6 A. Right.

7 Q. So if the goal is for the storm repairs
8 to be accomplished in as cost effective a way as
9 possible, assuming safe and time efficient and all
10 that, wouldn't you want -- wouldn't it make sense for
11 the Commission first to look to see whether a given
12 approach was a cost-effective approach and, if so,
13 then allow the company to recover all of those
14 incremental costs regardless of whether inside
15 employees or external contract help had actually
16 performed the work?

17 A. I think it's a balancing act. I guess I
18 can't put it any more specifically than that, to try
19 to balance the cost effectiveness along with the
20 efficiency, and each case is looked at on its own
21 merits, I guess.

22 Q. But the companies -- you would agree with
23 me the Commission's policy should be structured so as
24 to encourage Duke Energy Ohio and, likewise, other
25 utilities around the state, to perform these

1 storm-restoration projects as quickly and cost
2 efficiently as possible, correct?

3 A. Yes, I would believe so.

4 Q. Now, let's move on and talk about exempt
5 employees, that is salaried employees, not hourly.
6 Now, it's my understanding that you have recommended
7 that the Commission not allow recovery of any bonuses
8 that might be paid to salaried employees who assist
9 in storm recovery efforts.

10 A. I don't believe I used the word "bonus,"
11 but I guess it would be -- if it's an hourly rate, I
12 would -- you know, mass -- not mass, but what you're
13 terming a bonus, just an overall wage for management
14 employees, yeah, staff believes that should not be
15 recoverable.

16 Q. Okay. Let's make sure we're talking
17 about the same thing. Let's just call it a -- when I
18 call it a "bonus," I'm just saying that's extra pay.

19 A. Okay.

20 Q. Over and above the normal salary that
21 they had agreed to.

22 A. Yes.

23 Q. Okay. Because if they're not hourly,
24 they are not getting any hourly extra; it would just
25 be a pot of money.

1 A. Correct.

2 Q. Okay. Are you aware that in, I believe
3 it was AEP's storm rider case, the Commission decided
4 that exempt employee bonuses would be recoverable if
5 the company has a preexisting standardized policy
6 with regard to paying bonuses in such circumstances?

7 MR. O'ROURKE: Can I have that question
8 read back, please?

9 (Record read.)

10 A. Yes, I'm aware of that.

11 Q. And have you investigated as to whether
12 Duke Energy Ohio has such a policy?

13 A. Yes, I have.

14 Q. And was that in connection -- that
15 investigation in connection with this case?

16 A. Yes.

17 Q. And are you suggesting that the
18 Commission should change its policy with regard to
19 this matter?

20 A. I'm suggesting that the policy of paying
21 employees who are paid to do a job and not work so
22 many specific hours, that should not be included in
23 the rider, in the deferral.

24 Q. So you are suggesting that the Commission
25 change its approach with regard to bonuses to

1 salaried employees; is that correct?

2 A. I'm suggesting for this particular case
3 that that is -- is the way it should go.

4 Q. Are you suggesting that the Commission
5 should have a different policy for Duke Energy Ohio
6 than it has for any other utilities in the state?

7 A. No, I'm not. I just think that staff has
8 believed that this is something that's -- the company
9 could have a policy on a lot of different things.
10 The company could have a policy that says we're going
11 to give every employee a car at Christmastime and
12 that doesn't necessarily mean it's a policy that
13 ratepayers should bear. So we -- staff firmly
14 believes that this is a policy that maybe needs to be
15 looked at.

16 Q. So you are recommending that the
17 Commission change from its previously-stated
18 position.

19 A. I guess that's fair to say.

20 Q. Let's talk a little bit about mutual
21 assistance agreements.

22 A. Okay.

23 Q. What is your understanding about how
24 mutual assistance arrangements work?

25 A. They are agreements between different

1 companies for, basically, I'll help you in a storm
2 repair, you help us in a storm repair; I'll scratch
3 your back, you scratch mine type thing. I know
4 that's very general.

5 Q. That's fine. Have you ever reviewed such
6 an agreement?

7 A. I believe I have, yes.

8 Q. Okay. And if you know, how long have
9 these arrangements been around, in general use in the
10 utility industry?

11 A. I can't answer that. I don't know how
12 long they have been around.

13 Q. Would you agree with me that they
14 provide -- that this sort of arrangement provides
15 valuable assistance to utilities in recovering from
16 major storms?

17 A. Yes, I would.

18 Q. Would you agree that they are of value to
19 ratepayers?

20 A. Yes, I would.

21 Q. Would you agree with me that but for such
22 agreements, the utility -- each utility would have to
23 have, either on staff or under some kind of a
24 contract, enough employees to restore operations
25 after the most extreme storm that it could possibly

1 imagine having?

2 A. Could you repeat that again? I'm sorry.

3 Q. Sure. If we didn't have mutual
4 assistance arrangements, isn't it true that each
5 utility would have to have either employees or
6 available contractors sufficient to make repairs from
7 the most extreme storm that could theoretically
8 happen?

9 A. Yes, I would agree with that.

10 Q. So it's my understanding that you believe
11 that all revenue received from a requesting utility
12 should be netted out against the storm restoration
13 costs in the deferral account; is that correct?

14 A. Not entirely. What I said -- what I
15 believe I said was that the labor -- the first 40
16 hours of labor for -- for mutual assistance work
17 should be netted against the -- the storm repairs.

18 Q. Let me just check here what I read.

19 So would you -- you did say that, that's
20 correct.

21 A. Question 19.

22 Q. Yes, that's right.

23 So would you agree with me that if there
24 are, for example, hotel expenses that are reimbursed,
25 that those would not be netted out?

1 A. I think that's fair, yes.

2 Q. Because the ratepayers have not already
3 paid for those, correct?

4 A. Correct.

5 Q. And supplies that the employees may take
6 with them for the work that they do and then the
7 compensation back from the requesting utility, that
8 would be in the same bucket, so would be recoverable.

9 A. Generally, I would say so.

10 Q. Okay. How about when Duke Energy Ohio is
11 the requesting utility? So other utilities then are
12 receiving money from Duke Energy Ohio. Would the
13 amount that Duke Energy Ohio pays to those other
14 utilities to help out be included in the recoverable
15 amounts under the rider?

16 A. So you're saying in a case where -- I
17 guess maybe I should ask you to repeat the question,
18 I'm sorry.

19 Q. Sure. Let's assume there's another
20 hurricane that blows through Duke Energy Ohio's
21 service territory or a tornado or a derecho --

22 A. Derecho.

23 Q. -- and we need help. So we call on
24 various utilities under our mutual assistance
25 agreements and they send folks to come out and help,

1 trucks, manpower, et cetera. And we then have to pay
2 them. Would we be able to recover those payments
3 under the storm rider?

4 A. I don't believe we've ever had a problem
5 with those type of payments because those are all
6 incremental expenses so, yes. I would agree those
7 are eligible for recovery.

8 MS. KINGERY: Okay. Just a minute.

9 Q. Are you aware that the base amount of
10 4.4 million was set in the last electric rate case?

11 A. Yes.

12 Q. And are you aware that in 2012, Duke
13 Energy Ohio assisted utilities on the east coast
14 following Hurricane Sandy?

15 A. Yes.

16 Q. And so, under those -- the mutual
17 assistance arrangements, Duke Energy Ohio had
18 revenues that came from those mutual assistance
19 payments during the test year.

20 A. Correct.

21 Q. And would you agree with me that if
22 there's an adjustment to the 4.4 million, we would
23 have to take into account the fact that some of those
24 expenses and receipts were related to Superstorm
25 Sandy?

1 A. I don't see how that plays into the
2 4.4 million. 4.4 million is the company's costs that
3 are included in base rates for their own storm
4 repairs and for people coming in. What they are
5 doing outside of that, I don't see how that relates
6 to the 4.4 million.

7 Q. Are you aware of whether the 4.4 million
8 calculation included the effect of having received
9 revenues from the utilities on the east coast under
10 the mutual assistance agreement?

11 A. No, I'm not aware of that.

12 MS. KINGERY: Okay. That's all I have.
13 Thank you.

14 EXAMINER WALSTRA: Thank you.

15 MR. O'ROURKE: Redirect, your Honor?
16 Could I have a minute?

17 EXAMINER WALSTRA: Yes.

18 MR. O'ROURKE: Just a few brief on
19 redirect, your Honor.

20 EXAMINER WALSTRA: Sure.

21 - - -

22 REDIRECT EXAMINATION

23 By Mr. O'Rourke:

24 Q. Mr. Hecker, you were asked several
25 questions by Ms. Kingery about whether a certain

1 scenario would be properly includable within the
2 storm rider. Would there be anything you would look
3 to to confirm whether a certain activity would be
4 includable within the storm rider?

5 A. Are we talking regarding, like, catch-up
6 work and things like that?

7 Q. Yes.

8 A. I think that if they were -- usually,
9 from what I understand, there is a project code
10 associated with a storm. So if they are doing
11 catch-up work that was truly related to the storm and
12 was charged to the project code, I could see that
13 that could be a recoverable expense.

14 Q. Okay. And who creates these project
15 codes?

16 A. The company.

17 Q. And where do you -- where are they
18 reflected? What type of documents or literature
19 would you look to to identify those project codes?

20 A. In the storm transaction detail that we
21 review for every storm case.

22 Q. Those are pieces of information that you
23 typically get in data requests?

24 A. Yes, yes.

25 MR. O'ROURKE: Nothing further.

1 EXAMINER WALSTRA: Thank you.

2 Any recross? Ms. Hussey?

3 MS. HUSSEY: No, thank you.

4 EXAMINER WALSTRA: Ms. Bojko?

5 MS. BOJKO: No, thank you.

6 EXAMINER WALSTRA: OCC?

7 MR. BERGER: No, your Honor.

8 EXAMINER WALSTRA: Ms. Kyler?

9 MS. KYLER COHN: No.

10 EXAMINER WALSTRA: Mr. Olikar?

11 MR. OLIKER: No, thank you, your Honor.

12 EXAMINER WALSTRA: Mr. Petricoff?

13 MR. PETRICOFF: No, your Honor.

14 MS. KINGERY: Just one clarifying
15 question.

16 EXAMINER WALSTRA: Sure.

17 - - -

18 RECROSS-EXAMINATION

19 By Ms. Kingery:

20 Q. In your response you just provided to
21 your counsel you said if they are truly related, if
22 the work is truly related to the storm. By "related"
23 there, do you mean the catch-up work was -- had to be
24 done on an overtime basis because of the storm?
25 Because it's not storm-related work, it's regular

1 work, just --

2 A. Yeah, that's a way of clarifying it.
3 Because if they are reporting that to a project code
4 that would be associated with the storm, then I could
5 see that that would be a recoverable expense.

6 Q. So would you agree that the appropriate
7 approach for Duke would be to instruct employees, in
8 that circumstance when they truly have catch-up work
9 to do back in the office because they were out doing
10 storm work, that they should code their labor with
11 the storm code?

12 A. I would agree that that's fair, yes.

13 MS. KINGERY: All right. Nothing
14 further. Thank you.

15 EXAMINER WALSTRA: Thank you.

16 Thank you, Mr. Hecker.

17 MR. O'ROURKE: Your Honor, we would move
18 for the admission of Staff Exhibit 4, please.

19 EXAMINER WALSTRA: Any objections?

20 MS. KINGERY: No, your Honor.

21 EXAMINER WALSTRA: It will be admitted.

22 (EXHIBIT ADMITTED INTO EVIDENCE.)

23 EXAMINER WALSTRA: Would you like to call
24 your next witness?

25 MR. BEELER: Thank you, your Honor. The

1 staff calls Doris McCarter.

2 (Witness sworn.)

3 EXAMINER WALSTRA: Thank you.

4 (EXHIBIT MARKED FOR IDENTIFICATION.)

5 - - -

6 DORIS McCARTER

7 being first duly sworn, as prescribed by law, was
8 examined and testified as follows:

9 DIRECT EXAMINATION

10 By Mr. Beeler:

11 Q. Good morning.

12 A. Good morning.

13 Q. Please state your name and business
14 address for the record.

15 A. My name is Doris McCarter,
16 M-c-C-a-r-t-e-r. I work at the Public Utilities
17 Commission of Ohio, 180 East Broad Street, Columbus,
18 Ohio 43215.

19 Q. And where are you employed and what is
20 your position?

21 A. I'm -- I work at the Public Utilities
22 Commission of Ohio and I am currently serving as the
23 Interim Director of the Utilities Department.

24 Q. Do you have in front of you what has been
25 marked as Staff Exhibit 6?

1 A. Yes, I do.

2 Q. What is it?

3 A. My testimony.

4 Q. And was your testimony filed on behalf of
5 the staff of the Public Utilities Commission of Ohio?

6 A. Yes, it was.

7 Q. Was it prepared by you or under your
8 direction?

9 A. Yes, it was.

10 Q. Do you have any changes to make to your
11 testimony?

12 A. I do have one correction. It's actually
13 a deletion on page 4, at line -- begin at line 9. I
14 say "a full reconciliation between the functional
15 ledger and the FERC form filings...." That should be
16 deleted.

17 Q. Okay. With that change, if I asked you
18 the same questions today, would your answers be the
19 same?

20 A. Yes, they would.

21 MR. BEELER: Your Honor, at this time I
22 would move for the admission of Staff Exhibit 6
23 subject to cross-examination.

24 EXAMINER WALSTRA: Thank you.

25 Ms. Hussey?

CROSS-EXAMINATION

By Ms. Hussey:

Q. Good morning, Ms. McCarter.

A. Good morning.

Q. Would you please turn to page 3 of your testimony. And you testify, on line 15, that "Staff opposes the incorporation of projected plant balances in the establishment of the revenue requirement."

What would staff's recommendation be with regard to that statement?

A. Okay. At line 15?

Q. Yes.

A. Basically, what I am proposing is that it all -- that the plant-in-service accounts for 360 to 374 be what is included in the DCI recovery mechanism.

Q. Okay. So those would be actuals rather than projected balances?

A. Correct.

Q. Okay. And then could you turn to page 4, line 4. You recommend that the Commission continue to require Duke to use the jurisdictional allocations and accrual rates that were approved in the prior rate case, correct?

A. Yes, yes, I do.

1 Q. Okay. And is it your understanding that
2 that is what they have proposed to do?

3 A. Yes.

4 MS. HUSSEY: Thank you. No further
5 questions.

6 EXAMINER WALSTRA: Thank you.

7 Ms. Bojko?

8 MS. BOJKO: Thank you, your Honor.

9 - - -

10 CROSS-EXAMINATION

11 By Ms. Bojko:

12 Q. Good morning, Ms. McCarter.

13 A. Good morning.

14 Q. It's your testimony that Duke should not
15 include general or common plant costs in their DCI;
16 is that correct?

17 A. Correct.

18 Q. And on page 3 of your testimony you talk
19 a little bit about this, and on line 11 you give an
20 example of office furniture. Do you see that?

21 A. Yes.

22 Q. Is this an illustrative example or did
23 Duke actually include office furniture in its
24 application?

25 A. They are just generally making the

1 proposal of the common plant being included, and
2 I'm -- and as I've previously stated in other cases,
3 staff believes that that is inappropriate and those
4 matters are better left to a rate case mechanism.

5 Q. Okay. Could you give us an example of
6 something that they included that would constitute
7 general plant?

8 A. Well, one of the items that I'm aware of
9 is -- I have to get my memory back because I looked
10 at them and then didn't look at them. It could be
11 various types of equipment, some communication-type
12 of equipment, something like that, that we just don't
13 believe would be appropriate.

14 Q. Would security equipment be one of those
15 items?

16 A. If it's in those accounts it would be one
17 of those -- one of those types of items.

18 Q. Okay. And now, going to Ms. Hussey's
19 question on the bottom of page 3, are the projected
20 plant balances that you're referencing there, those
21 that were included in Mr. Arnold's testimony in his
22 chart?

23 A. It's been enough time I don't remember --
24 I don't remember which testimony it's from, but it
25 was either Mr. Arnold or Ms. Laub's.

1 Q. And there was a -- if you recall, there
2 was a whole chart listing the numerous different
3 programs and I believe it had an actual 2014 balance,
4 but then a projected number --

5 A. Correct.

6 Q. -- for the term of the ESP. So that's
7 what you are referencing, that it should just be all
8 actuals, not projected?

9 A. Correct.

10 Q. And so, that the rider should be trued up
11 after the costs are actually incurred.

12 A. Correct.

13 Q. Let's turn to page 5 of your testimony.
14 You were here for Mr. Arnold's testimony and
15 Ms. Laub, I believe, were you not?

16 A. I actually had to be in and out of the
17 room for various meetings. I was here for
18 Mr. Arnold, but it was in and out, so it wasn't a
19 full, continuous hearing.

20 Q. Okay. Do you -- you talk about the caps
21 on line -- starting on line 10 of page 5.

22 A. Yes.

23 Q. Is it your understanding that, as
24 currently proposed, Duke is not proposing a cap on
25 the DCI rider?

1 A. That was my understanding.

2 Q. So your proposal is to modify Duke's
3 application and actually place caps on the DCI rider.

4 A. Yes.

5 Q. And through your testimony and your
6 discussions of DCI, would it be your assumption there
7 would be a distribution rate freeze during the period
8 of the ESP?

9 A. That would be my ideal. I am aware --
10 became aware that there is a SmartGRID case wherein
11 my understanding from talking with people associated
12 with that case that once -- and I believe it's going
13 on now, it's decided that Duke has fully deployed the
14 SmartGRID investments, that I believe a year
15 following that they are supposed to file a rate case
16 and this is pursuant to a stipulation, I think, in
17 that case. So if -- if that's the situation,
18 normally I would say no rate case. Given that there
19 may be that conflict, I don't know that I can say
20 that.

21 Q. Well, if Duke's -- you said it has been
22 fully deployed, so you expect a rate case within the
23 next year?

24 A. I am -- I am not inside that case, but
25 that is my general understanding.

1 Q. So if that's your understanding, the DCI
2 would no longer be necessary if you are having a rate
3 case; isn't that correct?

4 A. I think what would need to happen at that
5 point is if that rate case does occur, that the caps
6 would need revisited and things looked at from that
7 point of time what the plant in service is in these
8 accounts.

9 Q. Well, not even -- not only the caps, I
10 mean, maybe the concept of DCI should be revisited if
11 all the capital is included in the rate case.

12 A. I think at that point the Commission
13 would have a decision whether to put the DCI in and
14 then take it into account in the rate case or just
15 say we're going to wait until after the rate case.
16 The difficulty is that the SSO goes until 2018, so it
17 goes beyond the rate case period, so. There is sort
18 of this mechanical issue, I think, going on between
19 the two cases.

20 Q. Well, you would agree with me that if the
21 company intends to file a rate case within the next
22 year, that at this time a DCI rider would really not
23 be necessary during the term of the ESP.

24 A. Well, I -- I would say it depends on what
25 their date certain is in -- in this case.

1 "Necessary," the rate case would certainly capture
2 whatever those test year plant-in-service costs are.
3 But beyond that, again, there is more time left on
4 the SSO than would be covered in the rate case, so I
5 guess that would be -- to me that would be a decision
6 that the Commission would make.

7 Q. So is it fair -- you've also testified --
8 testified regarding a DCI in the last AEP ESP case;
9 is that correct?

10 A. The DIR, yes.

11 Q. Oh, excuse me. Thank you for correcting
12 the acronym. And is it fair to say -- and you were
13 here for Ms. Turkenton's testimony too, weren't you?

14 A. Yes.

15 Q. Is it fair to say that staff's general --
16 general support of a DCI is in lieu of having a rate
17 case?

18 A. I don't know that I would word it that
19 way. What I would say is that if you have such a
20 mechanism, you are recovering a significant
21 investment and, therefore, the question of whether
22 you would need a rate case becomes very debatable.

23 Q. And conversely, if you have a rate case,
24 the question of whether you need a DCI is debatable.

25 A. I think you have to look at several

1 factors, yes, I would agree you would have some
2 weighing and balancing to do in your mind.

3 MS. BOJKO: Thank you. I have no further
4 questions.

5 EXAMINER WALSTRA: Thank you.

6 Mr. Serio?

7 MR. SERIO: Thank you, your Honor.

8 - - -

9 CROSS-EXAMINATION

10 By Mr. Serio:

11 Q. Good morning, Ms. McCarter.

12 A. Good morning.

13 Q. Just so I am clear, on page 5, on line 10
14 of your testimony, where you say "proposed caps," in
15 actuality there is no proposed cap from Duke,
16 correct?

17 A. Correct.

18 Q. Okay. You discussed with Ms. Bojko the
19 SmartGRID and potential rate case filing. Is it your
20 understanding that the company has the discretion at
21 what point in time after SmartGRID is fully deployed
22 within that year as far as the timing of a rate case?

23 A. I don't know.

24 Q. When Duke or any company files a rate
25 case, it's within their discretion to propose a date

1 certain, correct?

2 A. Typically.

3 Q. And it's also within their discretion to
4 select or propose a test year, correct?

5 A. Typically.

6 Q. And both of those are key as far as
7 setting the parameters of what amounts as far as
8 revenues and expenses would be included in the
9 Commission's review of the rate case, correct?

10 A. Typically.

11 Q. Now, generally speaking, the staff's --
12 your testimony is the staff supports the DCI rider,
13 correct?

14 A. I think my -- hold on a second here. I
15 think what my testimony actually says is staff does
16 not oppose.

17 Q. Okay. Staff does not oppose. Now, if
18 the Commission were not to make the modifications
19 that you've proposed, then would the staff be opposed
20 to the DCI rider?

21 A. Yes.

22 Q. Okay. Now, one of the modifications that
23 you proposed was the exclusion of general and common
24 plant, correct?

25 A. Correct.

1 Q. And so that I get it in your words, the
2 reason you oppose the inclusion of general and common
3 plant is why?

4 A. They are -- I'm sorry, it sounds like
5 it's cutting out on me.

6 They are allocated expenses and,
7 typically speaking, I know that the company will try
8 to book them as distribution or whatever, but in a
9 rate case we will typically take an extra look at the
10 plant that's in those accounts to satisfy ourselves
11 that they are -- that they are properly recorded
12 there.

13 Q. Is one of the things that you would do in
14 a rate case, in addition to making sure that they are
15 properly recorded, look at all the expenses and
16 revenues that the company has to offset increases in
17 some accounts against decreases in others?

18 A. Yes.

19 Q. Now, you indicated that FERC accounts 360
20 through 374 would be included in the DCI rider,
21 correct?

22 A. In what I am proposing they would be the
23 only.

24 Q. The only, okay.

25 A. Costs included.

1 Q. Is it possible that general plant could
2 be included in those accounts?

3 A. I don't know.

4 Q. So without actually looking at each item
5 included, we don't know with any certainty whether
6 those accounts would actually include any general
7 plant spending, correct?

8 A. I don't know. It would be something I
9 would have to look at. I don't know.

10 Q. Now, you indicated previously that one of
11 the types of equipment that staff would recommend not
12 be included would be, for example, communication
13 equipment, correct?

14 A. Correct.

15 Q. So if communication equipment was listed
16 as communication equipment, then you could go through
17 and exclude it as general plant, correct?

18 A. Correct.

19 Q. But if the communication equipment were
20 included in accounts 360 through 374, it's possible
21 that it would be included.

22 A. It would be -- it's not the intention of
23 the way I think of it, but if communication equipment
24 could be recorded that way, then it would probably be
25 in that account.

1 Q. Now, you also indicated previously that
2 one of the reasons you -- you're recommending
3 exclusion of general plant is because it's
4 distribution related; is that correct?

5 A. That it's not -- well, there's a couple
6 of reasons. One is, again, as I said, you would
7 be -- for me, when I look at 360 to 374, I am looking
8 at activities that are directly related to outside
9 plant in the provisioning of service.

10 Q. Now, to the extent that the company is
11 proposing the DCI rider, is there any requirements or
12 standard that they have to meet in order to get
13 Commission authorization that you are aware of for a
14 DCI-type rider?

15 A. I guess I'm struggling with the word
16 "standards" because it's such an open word. Could
17 you define that a little bit more for me?

18 Q. Sure. In the course of your work and
19 your preparation for this proceeding, did you have
20 any opportunity to work with Section 4928.143
21 (B)(2)(h) of the Ohio Revised Code? The section that
22 talks about long-term infrastructure modernization
23 plans.

24 A. In my review, because I am looking at the
25 mechanics of the recovery, I did not use that in my

1 analysis.

2 Q. So your analysis doesn't determine
3 whether any of the -- any of the accounts listed from
4 360 to 374 would actually fit within a long-term
5 infrastructure modernization plan?

6 A. I did not look in that light, no.

7 Q. Is that what Mr. Baker does?

8 A. He probably would be the best witness to
9 ask. I know that I am not the witness to ask.

10 Q. Okay. Now, if the company currently does
11 a function, for example, underground cable
12 replacement is one of the programs listed under the
13 DCI proposal, correct?

14 A. Yes.

15 Q. The company currently does underground
16 cable replacement, correct?

17 A. Yes.

18 Q. Did your analysis as to whether the DCI
19 rider should include underground cable replacement,
20 factor in that the company is currently doing that
21 kind of work today?

22 A. No.

23 Q. So you didn't look at the 19 different
24 programs to determine if there was anything that the
25 company is proposing above and beyond what they are

1 currently doing today, correct?

2 A. Not in any kind of detail. I looked at
3 it, I saw what the programs were, but I didn't go
4 into that kind of an analysis.

5 Q. To the extent that the company is
6 currently involved in making certain types of
7 investments, then would it be staff's position that
8 the DCI rider should not include that type of
9 investment going forward?

10 A. Well, the -- the DCI includes the
11 incremental on all of the spending accounts 360 to
12 374, so I'm -- they have to replace poles, because
13 they do that today or -- you know, there might be an
14 increment to that that would be in the 360 to 374
15 account, so I guess I'm struggling a little bit.
16 They make lots of investments and this would capture
17 those incremental costs in those accounts, so.

18 Q. Let me ask it this way: To the extent
19 that the company is currently involved in, for
20 example, the underground cable replacement, then
21 that's something that the company has been doing and
22 is doing today without benefit of having rider DCI to
23 recover that cost, correct?

24 A. Correct.

25 Q. And the difference between recovering the

1 cost in a rate proceeding and recovering it under DCI
2 is simply that the company gets an accelerated cost
3 recovery through the rider compared to a rate case,
4 correct?

5 A. They begin the cost recovery quicker yes.

6 Q. And in addition to getting it quicker,
7 wouldn't you agree with me in a rate case proceeding,
8 the Commission would look at any additional costs for
9 that investment or potentially offset it against
10 other revenue increases instead of just looking at
11 the -- at the investment in those particular
12 accounts, correct?

13 A. The rate case looks at a company as a
14 whole.

15 Q. So it's possible with rider DCI that the
16 company could be earning at or above its authorized
17 return and still get that accelerated cost recovery
18 for the DCI investment, correct?

19 A. Correct.

20 Q. And that accelerated cost recovery is a
21 benefit to Duke, correct?

22 A. Yes.

23 Q. And not looking at all the other revenues
24 and expenses would also be a benefit to Duke of the
25 DCI rider, correct?

1 A. Is that the same question?

2 Q. No. Slightly different. I'll repeat.

3 The first question was they get faster recovery. The
4 second question is, in addition to faster recovery,
5 they don't have to offset any of those increases
6 against other revenue increases or decrease, correct?

7 A. Correct.

8 Q. Now, did the staff make any kind of
9 recommendation in this proceeding to modify Duke's
10 rate of return in order to reflect the less risk that
11 Duke would face as a result of having rider DCI in
12 place?

13 A. No, we did not.

14 Q. So that additional benefit would be
15 additional benefits that Duke would accrue to
16 shareholders, correct?

17 A. Correct.

18 Q. Now, on page 5 of your testimony you laid
19 out what staff is recommending as the annual caps for
20 the DCI rider, correct?

21 A. Yes.

22 Q. And the 17 million is for calendar year
23 2015, correct?

24 A. Yes.

25 Q. Now, did you do any kind of analysis to

3917

1 determine what incremental benefit -- scratch that.

2 Did you do any analysis to determine the
3 additional impact from that \$17 million in DCI
4 spending that the company would do then in 2015?

5 A. What do you mean by "impact"?

6 Q. As you understand it, that would be
7 incremental above what the company is currently
8 doing, correct?

9 A. Correct. It would be an additional spend
10 by the company.

11 Q. And is there any kind of analysis to show
12 what ratepayers would get in return for that
13 additional \$17 million in spending?

14 A. No.

15 Q. Are you aware if the company's done any
16 kind of analysis to determine if there is any way to
17 quantify what additional benefit customers get as a
18 result of the additional \$17 million in spending?

19 A. Not quantified, no.

20 Q. So it's very possible customers could be
21 charged an additional \$17 million but get nothing
22 more, nothing less, than what they are getting
23 currently, correct?

24 A. Well, I think they would get, you know,
25 infrastructure upgrades and replacements. I don't

1 know that they would be getting nothing.

2 Q. To your knowledge did the company
3 indicate that those infrastructure replacements or
4 improvements would result in any improvements to
5 service reliability?

6 A. Not to my knowledge.

7 Q. So it's very possible service reliability
8 could remain the same, but customers would simply be
9 paying more for the same service, correct?

10 A. I am not aware of where the company
11 provided any quantitative analysis as to a
12 reliability improvement.

13 Q. Now, you also recommended that the DCI
14 rate should sunset at the end of the ESP, May 31,
15 2018, correct?

16 A. Correct.

17 Q. Now, I believe that the company included
18 in its proposal the option of terminating ESP a year
19 early? Are you aware of that?

20 A. I'm generally aware of that, yes.

21 Q. If the company were to attempt to
22 terminate the ESP a year early, then would your
23 recommendation be that the DCI rate should sunset one
24 year earlier to coincide with the end of the ESP
25 period?

1 A. Yes.

2 Q. Now, when you say that it should
3 terminate or sunset, what do you mean by that?

4 A. What I mean by that is that at that point
5 any -- any expenses -- whatever they existed in 360
6 to 374, those costs, that's all that would be in the
7 calculation for the purposes of cleaning up the
8 true-up. But the actual, after you get the sort of
9 true-up period, which I am following from, I think it
10 was ordered in the AEP's last case, it would -- then
11 the rate itself would completely go away, and
12 recovery of any of that increment since the inception
13 of the SSO would -- would be something Duke would
14 probably need to seek in a rate case or some other
15 mechanism.

16 Q. Now, to the extent that the DCI would
17 terminate, would that mean that in a future
18 proceeding the company would have to come in again
19 and establish that there was a need for a DCI-type
20 rider going forward?

21 A. I think it would be a similar proceeding
22 that we are all engaged in these last several months.

23 Q. Now, you indicated that the DCI rider
24 should be limited to actual spending and not
25 projected spending, correct?

1 A. Correct.

2 Q. And then you also indicated there should
3 be some type of true-up?

4 A. Yes.

5 Q. As a result of DCI rider spending, is it
6 your understanding that there could be O&M cost
7 savings achieved in the various programs that are
8 included in the DCI rider?

9 A. I haven't seen one way or the other on
10 that.

11 Q. If there were to be any O&M cost savings,
12 would it be your recommendation that the Commission
13 credit those against the DCI rider?

14 A. The nature of O&M savings, depending on
15 where they are coming from, I hesitate to say that
16 they should be credited against the DCI, simply
17 because I don't know where those O&M savings would be
18 coming from and, of course, there's no O&M costs in
19 this mechanism either, so I am looking at this
20 mechanism strictly as a recovery of 360 to 374
21 accounts.

22 Q. You've indicated some familiarity with
23 the SmartGRID program.

24 A. I think I've almost exhausted my
25 familiarity with it, actually.

1 Q. Is it your understanding that O&M cost
2 savings achieved as a result of the SmartGRID are
3 credited back to customers?

4 A. My understanding is from what has gone
5 previously that there was some agreed-upon O&M
6 savings amount that was credited back. How that was
7 derived, I have no idea. If it ends, I have no idea.
8 Now we've exhausted my knowledge on that.

9 Q. Okay. Do you have any knowledge
10 regarding the Duke gas accelerated mains replacement
11 program?

12 A. Very, very general.

13 Q. Do you -- do you know if Duke credits O&M
14 cost savings in the accelerated mains replacement
15 program directly to customers?

16 A. I believe that there were O&M savings
17 that were calculated or attributed to that particular
18 program, and I -- and I believe generally, yes, that
19 there is a crediting back.

20 Q. And when we say "crediting," that occurs
21 in that annual look-back at those expenses instead of
22 waiting until an ensuing rate case, correct?

23 A. Correct.

24 Q. So that has the effect of matching the
25 accelerated O&M cost savings with the same schedule

1 as the accelerated cost recovery for that spending,
2 correct?

3 A. The O&M that's achieved directly by that
4 program is offset against the costs of that program.

5 Q. On page 6 of your testimony you talk
6 about the annual compliance review.

7 A. Yes.

8 Q. Now, if there's to be any adjustments
9 made as a result of that compliance review, does the
10 staff consider that to be a retroactive adjustment?

11 A. Yes.

12 Q. Are you familiar with the term
13 "retroactive ratemaking"?

14 A. Well, it was funny, I'm glad you asked
15 the question because we might be doing it a little
16 differently. But throughout that previous year, if
17 we discover there is a misbooking or some other
18 concerns of what's being put in the accounts, then
19 that's when we would say that we would want the
20 adjustment. I don't expect that we would go back
21 three years and make an adjustment; it would be in
22 that prior year.

23 Q. And to the extent that the process is
24 known to the company up front, then you would agree
25 with me the company has notice that there could be

1 that look-back during that year and there could be
2 modifications made, correct?

3 A. Yes.

4 Q. Now, you mentioned that the AEP and FE
5 compliance audits are similar to what you are
6 proposing here?

7 A. Yes.

8 Q. In the AEP DIR audits, is quantification
9 of service reliability improvements one of the
10 factors that's looked at?

11 A. There is a companion piece that goes
12 along with the DIR audit which is -- Mr. Baker would
13 be better to speak to this, but my understanding is
14 that there are reliability programs, expectations,
15 projects, budgets, reconciliations to those budgets
16 and that is also considered in the case that -- in
17 the annual review. Those programs and stuff were
18 actually set up in another process and proceeding,
19 but the view was that it was somewhat expeditious to
20 put them together since there was that expectation
21 created in AEP.

22 Q. So if I had questions about whether the
23 Duke DCR has similar service reliability
24 quantifications in it, those questions would go to
25 Mr. Baker?

1 A. Yes.

2 MR. SERIO: I think that's all I have,
3 your Honor.

4 Thank you, Ms. McCarter.

5 EXAMINER WALSTRA: Thank you.

6 Mr. Allwein?

7 MR. ALLWEIN: No questions, your Honor.

8 EXAMINER WALSTRA: Ms. Kyler?

9 MS. KYLER COHN: No, thank you.

10 EXAMINER WALSTRA: Mr. Olikier?

11 MR. OLIKER: Briefly, your Honor. Thank
12 you.

13 - - -

14 CROSS-EXAMINATION

15 By Mr. Olikier:

16 Q. Good morning, Ms. McCarter.

17 A. Good morning.

18 Q. Just taking a look at your testimony,
19 just some of your responsibilities, and am I correct
20 that you have responsibility related to corporate
21 separation?

22 A. Yes, I do.

23 Q. And your testimony doesn't directly
24 address corporate separation, does it?

25 A. No, it does not.

1 Q. But you are the staff person that would
2 primarily have responsibility in that area?

3 A. Well, in my other hat, I am the Division
4 Chief of the Capital Recovery and Financial Analysis
5 Division which does house the corporate separation
6 folks.

7 Q. And you're familiar in this proceeding
8 that evidence was presented that Duke allows its
9 affiliate, Duke Energy One, to use the utility bill
10 for billing noncommodity services?

11 MS. WATTS: And, your Honor, I object to
12 this line of questioning which is way outside the
13 scope of anything that's in Ms. McCarter's testimony
14 right now.

15 MR. OLIKER: Your Honor, I'm -- well,
16 No. 1, I anticipate that Duke will be citing in its
17 brief that staff is not taking a position on
18 corporate separation in this case. This is the
19 witness that would be testifying to those issues, and
20 I am trying to explore whether staff has a position,
21 why they may or may not have taken a position, and
22 it's relevant to this case because Duke has made it
23 relevant.

24 MS. WATTS: Mr. Olikier, first of all, you
25 are saying you're anticipating what we are going to

1 put in our brief; and, secondly, that we might argue
2 that staff has not addressed this issue? And now you
3 are asking staff to address an issue about something
4 that you anticipate we will put in our brief? How is
5 that relevant to this testimony?

6 EXAMINER WALSTRA: I am going to overrule
7 the objection.

8 MR. OLIKER: Thank you, your Honor.

9 A. What was the question?

10 Q. (By Mr. Olikar) I'll try to restate it.
11 It's been a while. It's probably a few pages back in
12 the testimony.

13 A. Okay.

14 Q. You are aware that evidence was presented
15 in this proceeding that Duke allows its affiliate,
16 Duke Energy One, to use the utility bill to invoice
17 and collect for noncommodity charges, correct?

18 A. I wasn't here for any cross-examination,
19 but from watching discovery that occurred on these
20 matters, I think with respect to two of the services,
21 the unregulated services Duke offers, I'm generally
22 aware of that.

23 Q. Okay. And --

24 A. I hear counsel over there that Duke
25 Energy One offers, so.

1 Q. Okay. Thank you.

2 MR. OLIKER: Your Honor, if I could
3 approach the witness, please?

4 EXAMINER WALSTRA: You may.

5 MR. OLIKER: I believe we are on IGS 11.

6 EXAMINER WALSTRA: Yep.

7 MR. OLIKER: I would like to mark for
8 identification IGS Exhibit 11, a series of responses
9 to RESA discovery being RESA-INT-01-40 through -43.

10 EXAMINER WALSTRA: So marked.

11 (EXHIBIT MARKED FOR IDENTIFICATION.)

12 Q. Ms. McCarter, do you see the exhibit that
13 has been marked as IGS Exhibit 11?

14 A. Yes, I do.

15 Q. Is this a series of discovery responses
16 from Duke Energy Ohio?

17 A. A few of several, yes.

18 Q. Okay. And have you seen these discovery
19 responses before?

20 A. I have, in general, reviewed the
21 discovery requests and responses in this area. I
22 mean, I don't have each one of them memorized.

23 Q. Okay. But a minute ago we talked about
24 Duke Energy One being allowed on the utility bill,
25 correct?

1 A. Yes.

2 Q. And if you look at RESA INT-11-041, would
3 you agree that response reflects that Duke Energy
4 Ohio will not permit CRES providers to put line item
5 charges on its bill for noncommodity charges?

6 A. The 41? Well, 41 doesn't say they will
7 never do it. It says they never have done it.

8 Q. Okay. Thank you for that clarification.

9 And that appears to be a true and
10 accurate response of a prior discovery response?

11 A. I would assume it is.

12 Q. Okay. And -- and also looking at RESA
13 INT-40, that's a similar response, I think, to 41,
14 that Duke does not currently collect for and bill
15 noncommodity charges for CRES providers, correct?

16 A. It doesn't say "CRES providers." And I
17 am not aware of the testimony of Duke Witness Jones.
18 It says "...does Duke currently bill for and collect
19 the non-commodity charges described by Witness
20 Jones." So I guess to the extent that's -- the
21 subject of the question is CRES charges, then the
22 answer is no, they don't currently.

23 Q. Okay. Fair enough.

24 And just to close the loop on this,
25 neither your testimony or any other staff witness

1 addresses corporate separation requirements, correct?

2 A. Correct.

3 Q. But the Commission, when they are
4 reviewing pleadings and briefs in this proceeding,
5 would you agree that the Commission should not take
6 staff's failure to take a position on corporate
7 separation requirements as an endorsement or approval
8 of anything that Duke Energy Ohio is doing currently?

9 A. That's correct. This is not an area that
10 we conducted discovery or an evaluation in.

11 Q. Okay. So the Commission can make up its
12 own mind whether Duke is in compliance with the
13 corporate separation requirements.

14 A. Correct.

15 MR. OLIKER: Those are all the questions
16 I have, your Honor.

17 Thank you, Ms. McCarter.

18 EXAMINER WALSTRA: Thank you.

19 Mr. Petricoff?

20 MR. PETRICOFF: No questions, your Honor.

21 EXAMINER WALSTRA: Ms. Watts?

22 MS. WATTS: Yes, thank you, your Honor.

23 - - -

24

25

CROSS-EXAMINATION

By Ms. Watts:

Q. Ms. McCarter, I have an easy one to start with.

A. Uh-oh.

Q. You've recommended quarterly reviews of rider DCI to be filed on the 10th of each month, correct?

A. On or about, yeah.

Q. On or about. Would you have any opposition to having those -- those documents filed on the beginning of the month so that they could coincide with billing?

A. That's fine.

Q. Okay. Just checking on that.

The programs that are proposed in Duke Energy Ohio's rider DCI, they were attached to Mr. Arnold's testimony, correct?

A. I don't remember what they were attached to anymore. I have seen them. Whether it was discovery attachments, I no longer remember.

Q. Okay. And you've indicated you reviewed various discovery or data requests back and forth from the staff and from the parties?

A. Yes.

1 Q. And there were various data requests
2 related to those programs, correct?

3 A. Yes.

4 Q. So staff did do a review of what the
5 programs proposed and what was included in each
6 program, correct?

7 A. I really did not look at them in depth.
8 I'm aware there were questions back and forth. I
9 think if people in the staff did it, it would have
10 been Mr. Baker's group that would have probably
11 looked into it a little more closely.

12 Q. Okay. And to the extent staff did that
13 review, there was no testimony offered to suggest
14 that the programs were not needed, correct?

15 A. I don't think there was testimony offered
16 either -- either way.

17 Q. Now, you have not seen, in the company's
18 application or in its testimony or coming from any
19 witness in this case, any proposal for a rate freeze,
20 correct?

21 A. Not that I'm aware of.

22 Q. Okay. But you indicated that you
23 recently became aware of a SmartGRID related
24 understanding that the company would be filing a rate
25 case in order to include SmartGRID investment in base

1 rates; is that correct?

2 A. Where it would be included, I don't know.
3 I just became aware that there was that extra step
4 that once the plant was all put in service, it was
5 agreed upon then there would be a rate case filed.

6 Q. Okay. And do you have understand -- any
7 understanding about exactly when that might occur?

8 A. No.

9 Q. So it's possible it could occur this
10 coming year, correct?

11 A. My understanding is that once there is an
12 agreed-upon that it's been fully deployed, that
13 within that year or up to a year, somewhere in there,
14 that there would be a rate case. I really don't know
15 any more than that.

16 Q. Okay. And do you know who makes the
17 determination as to when SmartGRID is fully deployed?

18 A. No. I -- I understand that Duke will say
19 it's deployed and they will have conversations with
20 staff or the parties and people will agree that it's
21 deployed, but if there is one entity that has the
22 responsibility for that, I don't know who that is.

23 Q. Okay. So you don't understand what the
24 process might be in terms of making that final
25 determination.

1 A. Correct.

2 Q. And so, when the company might be able to
3 file a rate case subsequent to that process is
4 undetermined, correct?

5 A. Could be, yeah.

6 Q. And is it your understanding that the
7 company is obligated to file a rate case or that it's
8 discretionary?

9 A. I never heard it described in the terms
10 of discretionary or mandatory. It was always the
11 company will file a rate case, so I don't know.

12 Q. Okay. Again, the timing of any such rate
13 case filing is undetermined at this moment, so far as
14 you know?

15 MS. BOJKO: Objection, your Honor. I
16 think that misstates the witness's prior testimony
17 that she said that it had to be filed within a
18 certain time.

19 EXAMINER WALSTRA: Overruled. She can
20 clarify.

21 A. My understanding was it was supposed to
22 be within the year after everybody agreed that the
23 assets were deployed.

24 Q. Sure. But since you don't understand the
25 previous process or you've indicated you are not

1 clear how that occurs, then the filing of a rate case
2 within a year of that process is indeterminate.

3 MS. BOJKO: Objection, your Honor. I
4 don't know, indeterminate of who? Her -- of
5 Ms. McCarter or indeterminate of whatever the
6 document says it says --

7 EXAMINER WALSTRA: Overruled.

8 Q. And is it -- I'm sorry.

9 MR. BEELER: Is there a question pending
10 still?

11 EXAMINER WALSTRA: I believe there was.

12 MS. BOJKO: I believe there was.

13 THE WITNESS: Do you want -- can you read
14 it back to me, please?

15 (Record read.)

16 A. And with the clarification it's
17 indeterminate, because I don't know the process for
18 when you say everything is fully deployed, to that,
19 yes, that would be correct.

20 Q. Okay. Thank you.

21 And, Ms. McCarter, in between rate cases,
22 there are, some times, increases in revenue that
23 might cause the company to over earn its allowed
24 return, correct?

25 A. Yes.

1 Q. That's possible. And, likewise, there is
2 increasing costs that might cause the company to
3 under earn that number, correct?

4 A. Correct.

5 Q. So with respect to your testimony that if
6 rider DCI is approved in this proceeding, that the
7 company might not need a rate case in the next year,
8 let's say, whether a rate case might be needed or it
9 might not be needed is undetermined at this point,
10 correct?

11 A. I believe, as I related to Mr. Serio,
12 it's debatable.

13 Q. And you've not done any particular
14 analysis along those lines, correct?

15 A. Correct.

16 Q. Now, you indicated that you, at one time
17 at least, read the list of programs that are proposed
18 in rider DCI, correct?

19 A. Yeah. I read it and then we had one
20 introductory meeting with the company to review and
21 get a better understanding what was in there. Very
22 early on in the process.

23 Q. Okay. And do you know anything about
24 what specific work is done with respect to Duke
25 Energy Ohio's SmartGRID deployment?

1 A. No, I do not.

2 Q. Is it your understanding that customers
3 receive advanced meters as a result of that
4 deployment?

5 A. Yes.

6 Q. And is it your understanding that there's
7 certain distribution automation deployed as a result
8 of SmartGRID deployment?

9 A. That is my understanding. I don't know
10 the extent of that deployment.

11 Q. Okay. Do you have any knowledge with
12 respect to whether any of the SmartGRID investment
13 overlaps any of the investment that's proposed in
14 rider DCI?

15 A. My understanding is there's no overlap.

16 Q. Okay. Thank you.

17 Ms. McCarter, did you read all of the
18 company's testimony in this proceeding?

19 A. No.

20 Q. And with respect to rider DCI, rider DCI
21 is a capital investment program, correct?

22 A. Correct.

23 Q. So there are no O&M costs included in
24 that rider and likewise no O&M savings included in
25 that rider.

1 A. Correct.

2 Q. And AEP's rider DIR, do you have some
3 familiarity with that generally?

4 A. Yes.

5 Q. And do you know whether that includes
6 SmartGRID or GridSMART in the case of AEP?

7 A. At this time, no.

8 Q. But it is proposed to, at some point, be
9 combined?

10 A. In the current proposal that AEP has
11 before us, it is to take the Phase I GridSMART costs
12 and include them in the DIR. But the Phase II costs
13 would stay in their own GridSMART rider.

14 Q. Okay. Thank you.

15 So the AEP DIR is slightly different from
16 Duke Energy Ohio's DCI, correct?

17 A. The two proposed ones, yes, they're
18 slightly different, yes.

19 Q. Thank you.

20 Now, you were asked about whether you
21 knew that savings were returned to customers in
22 Smart -- SmartGRID rider. Are you aware of that?

23 A. I remember the line of questions.

24 Q. And are you aware of whether the
25 SmartGRID rider also includes increased O&M costs?

1 A. I am not.

2 Q. And you understand that general plant is
3 categorized based on FERC definitions, correct?

4 A. Yes.

5 Q. And Duke Energy Ohio's external auditors
6 audit those accountings?

7 A. I don't know Duke specifically, but that
8 is what all prudently-run companies do is have
9 outside auditors.

10 Q. And is it your understanding that Duke
11 Energy Ohio follows FERC's uniform system of accounts
12 when categorizing capital as general for
13 distribution?

14 A. That's my understanding.

15 Q. Now, you were asked some questions by
16 Mr. Olikar with respect to separate corporations.

17 A. Yes, I was.

18 Q. And you indicated staff did not provide
19 any testimony in this proceeding with respect to the
20 company's corporate separation status, correct?

21 A. Correct.

22 Q. Do you -- are you aware that the
23 Commission approved the company's corporation
24 separation plan as of early this year?

25 A. Yes.

1 Q. Do you have any understanding of why Duke
2 Energy Ohio Witness Jones proposes not to permit CRES
3 providers to include noncommodity charges on Duke
4 Energy Ohio's bill?

5 A. Not from his testimony. I recall a
6 discovery response about uncollectibles, but that's
7 as good as it gets.

8 Q. Okay. So no particular understanding of
9 that overall issue.

10 A. No.

11 MS. WATTS: Thank you. I have no further
12 questions.

13 EXAMINER WALSTRA: Thank you.

14 Any redirect?

15 MR. BEELER: May I have a moment, your
16 Honor?

17 EXAMINER WALSTRA: Why don't we take a
18 15-minute break here.

19 MR. BEELER: Great.

20 (Recess taken.)

21 EXAMINER WALSTRA: We'll go back on the
22 record.

23 Mr. Beeler.

24 MR. BEELER: Thank you. No redirect,
25 your Honor.

1 EXAMINER WALSTRA: Thank you.

2 MS. WATTS: I love it when you do that,
3 Steve.

4 MR. BEELER: At this time, your Honor,
5 staff would move for the admission of Staff
6 Exhibit 6.

7 EXAMINER WALSTRA: Are there any
8 objections?

9 Hearing none, it will be admitted.

10 (EXHIBIT ADMITTED INTO EVIDENCE.)

11 MR. OLIKER: Your Honor, IGS Energy would
12 move the admission of Exhibit 11.

13 EXAMINER WALSTRA: Any objections?

14 MS. WATTS: Your Honor, I do object as
15 there was no connection drawn between this witness
16 and this discovery response and it's Duke Energy
17 Ohio's response that was done by Mr. Jones. Counsel
18 had adequate opportunity to question Mr. Jones on
19 this document.

20 MR. OLIKER: Your Honor, these were
21 discovery responses provided by counsel for Duke
22 Energy Ohio and certified by the witness. They are
23 technically admissions and the witness had indicated
24 she was familiar with responses, had seen them, and
25 was familiar with the issues, and they are relevant

1 to the cross-examination.

2 EXAMINER WALSTRA: Thank you. I am going
3 to overrule and I will allow it to come in.

4 MR. OLIKER: Thank you, your Honor.

5 (EXHIBIT ADMITTED INTO EVIDENCE.)

6 EXAMINER WALSTRA: Call your next
7 witness.

8 MR. BEELER: Thank you, your Honor. At
9 this time staff calls Peter Baker.

10 EXAMINER WALSTRA: Please raise your
11 right hand.

12 (Witness sworn.)

13 EXAMINER WALSTRA: Thank you.

14 (EXHIBIT MARKED FOR IDENTIFICATION.)

15 - - -

16 PETER K. BAKER

17 being first duly sworn, as prescribed by law, was
18 examined and testified as follows:

19 DIRECT EXAMINATION

20 By Mr. Beeler:

21 Q. Good morning, Mr. Baker.

22 A. Good morning.

23 Q. Would you please state your name and
24 business address for the record.

25 A. My name is Peter Baker. My business

1 address is 180 East Broad Street, Columbus, Ohio
2 43 -- zip code 43229 [verbatim].

3 Q. And where are you employed and what is
4 your position?

5 A. I'm employed with the Public Utilities
6 Commission of Ohio.

7 Q. And your position?

8 A. My position, I am a Section Chief in the
9 Reliability and Service Analysis Division within the
10 Service Monitoring and Enforcement Department.

11 Q. Do you have in front of you what has been
12 marked as Staff Exhibit 7, and could you identify
13 that document?

14 A. That's my testimony in this case.

15 Q. Okay. And your testimony is filed on
16 behalf of the staff of the Public Utilities
17 Commission of Ohio?

18 A. Yes, it is.

19 Q. It was prepared by you or under your
20 direction?

21 A. Yes, it was.

22 Q. Do you have any changes to your
23 testimony?

24 A. No, I do not.

25 Q. If I asked you the same questions today,

1 would your answers be the same?

2 A. Yes, they would.

3 MR. BEELER: Thank you.

4 Your Honor, at this time I would move for
5 the admission of Staff Exhibit 7, subject to
6 cross-examination.

7 EXAMINER WALSTRA: Thank you.

8 Ms. Hussey?

9 MS. HUSSEY: No questions, your Honor.

10 EXAMINER WALSTRA: Ms. Bojko?

11 MS. BOJKO: Yes, your Honor, thank you.

12 - - -

13 CROSS-EXAMINATION

14 By Ms. Bojko:

15 Q. Good morning, Mr. Baker.

16 A. Good morning.

17 Q. Could you please tell me your definition
18 of "long-term."

19 A. I don't know if I can make a definition
20 with that -- without a context to place it in.

21 Q. Well, what would you think would be a
22 long-term infrastructure modernization plan?

23 A. A long-term plan would span a number of
24 years.

25 Q. Do you -- how many years?

1 A. Well, within the context of an ESP case,
2 I assume it would be a three-year term of the plan.

3 Q. And you wouldn't think that it would be
4 longer than the three-year term of the plan?

5 A. I mean, it could be.

6 Q. And, sir, you're referencing the term of
7 the ESP because you are providing testimony here
8 today with regard to Section 4928.143(B)(2)(h); is
9 that correct?

10 A. Yes, that is correct.

11 Q. And that's the statutory provision that
12 you relied on for your testimony regarding the DCI
13 approval?

14 A. Not specifically for the DCI approval.
15 I'm making this testimony because it's a statutory
16 requirement that the Commission makes such a
17 determination.

18 Q. For what? A statutory requirement the
19 Commission needs to find certain things prior to --
20 prior to approving a distribution infrastructure
21 incentive or modernization plan?

22 A. I'd go even broader than that and say
23 prior to considering the plan, they would need to
24 make this determination.

25 Q. Okay. And if you look at the bottom of

1 page 2 of your testimony, you believe that there
2 are -- it seems from your testimony you believe that
3 there are two separate programs authorized by the
4 statutory provision because of your use of "or."
5 Utilities distribution infrastructure incentive, you
6 give an example the DCI rider, "or modernization
7 incentive," and you give an example of the SmartGRID;
8 is that right?

9 A. Yes, that's right.

10 Q. But, sir, isn't it true that the statute
11 does not use the "or." It says "and."

12 A. Yes, it does. That is correct.

13 Q. So the statute says provisions regarding
14 distribution infrastructure and modernization
15 incentives for the EDU; is that correct?

16 A. That's a correct restatement of the -- of
17 the statute, yes, that portion of the statute.

18 Q. Okay. And then the -- that portion of
19 the statute also goes on to talk about including a
20 long-term energy delivery infrastructure
21 modernization plan for the utility; is that right?

22 A. Yes, it does. That's correct.

23 Q. And it also talks about a plan providing
24 for the utility's recovery of costs including lost
25 revenues, shared savings, avoided costs, and adjusted

1 reasonable rate of return on such infrastructure
2 modernization; is that right?

3 A. That's right.

4 Q. And it's your testimony you could have a
5 distribution infrastructure incentive that is
6 separate and distinct from a modernization incentive;
7 is that right?

8 A. Yes. That is my working understanding.
9 And the Commission has approved, under this
10 provision, other distribution infrastructure
11 incentive mechanisms and -- which fall under this
12 statute.

13 Q. And when you say "working knowledge," was
14 that on advice of counsel?

15 A. Yes, I've discussed this with counsel.

16 Q. Because you are -- for the record, you
17 are not an attorney; is that correct?

18 A. That's correct. I am not an attorney.

19 Q. And if you could turn to page 4 of your
20 testimony. You're talking about Duke's performance
21 against reliability standards. Do you see that, it
22 starts on line 4?

23 A. Yes.

24 Q. And you state that they have, in the
25 past, met the reliability performance standards

1 during 2011, '12, and '13; is that right?

2 A. That's right.

3 Q. Okay. And if the DCI is not approved in
4 this case, would you expect them to continue to meet
5 their reliability standards?

6 A. Yes.

7 MS. BOJKO: No further questions. Thank
8 you.

9 EXAMINER WALSTRA: Thank you.

10 Mr. Serio?

11 MR. SERIO: Thank you, your Honor.

12 - - -

13 CROSS-EXAMINATION

14 By Mr. Serio:

15 Q. Good morning, Mr. Baker.

16 A. Good morning.

17 Q. Now, you discuss customer expectations
18 regarding service reliability, correct?

19 A. Could you point that out in my testimony?

20 Q. Well, I think almost all of page 3,
21 correct?

22 A. I still haven't found the specific
23 language you are referring to.

24 Q. Okay. If you look at lines -- at 19
25 through 21.

1 A. Yes. Now, I see it.

2 Q. Okay. So you're testifying about Duke's
3 customers' expectations regarding service
4 reliability, correct?

5 A. That's correct.

6 Q. Now, you've testified that once the
7 company, Duke, has performance standards, as long as
8 they meet those standards, then that means that
9 customer expectations are aligned with the company's,
10 right?

11 A. Yes. That was our methodology.

12 Q. Does your methodology take into account
13 any customer surveys where customers tell you
14 specifically what they think about service
15 reliability or the costs of service reliability?

16 A. Those questions are considered within the
17 company's reliability standards case.

18 Q. If you have surveys where the customers
19 say I don't want to spend any more money, but -- but
20 the reliability standards are meeting -- the
21 performance is meeting the standards and the company
22 wants to increase spending, then is your
23 recommendation to increase spending or not to?

24 A. I'm not sure of the context you are
25 speaking of.

1 Q. Okay. The company does reliability
2 service -- does customer surveys, correct, as part of
3 its reliability cases?

4 A. That's correct.

5 Q. And you're familiar with those
6 reliability surveys, correct?

7 A. Yes, I am.

8 Q. And some of the questions in those
9 reliability surveys actually ask customers how
10 satisfied they are with the current reliability that
11 they get from the company, correct?

12 A. Correct.

13 Q. And other questions ask customers if they
14 would be willing to pay additional costs to get
15 improved service reliability, correct?

16 A. Correct.

17 Q. Now, if the survey results tell you that
18 customers prefer not to spend additional dollars, but
19 the company would like to implement a program that
20 would require additional spending, your
21 recommendation then just looks at whether the actual
22 reliability performance meets the standards, correct?

23 A. That is our general methodology within
24 the ESP case.

25 Q. Why do you use that methodology instead

1 of just looking directly at the customer surveys to
2 determine what customers are saying directly about
3 service reliability and the cost of service
4 reliability?

5 A. We do look at those. But I think what
6 you are trying to get at is whether these
7 considerations are part of the staff's investigation
8 as to whether reliability expectations of the
9 customer is consistent with reliability expectations
10 of the company. And I emphasize reliability
11 expectations, not cost expectations.

12 Q. Okay. I asked counsel, your counsel
13 earlier, to make sure that you had a copy of
14 Mr. Williams' testimony and Mr. Arnold's testimony.
15 Do you have those with you?

16 A. Yes, I do.

17 Q. And attached to Mr. Williams' testimony
18 is the PUCO Reliability Residential Survey Results
19 for Quarter 1 of 2013 Update, correct?

20 A. That's correct.

21 Q. And attached to Mr. Arnold's testimony is
22 the identical survey for Quarter 1 of 2014 Update,
23 correct?

24 A. That's correct.

25 Q. And you're familiar with both of those

1 documents, correct?

2 A. Yes, I am.

3 Q. Would I be correct in assuming that if I
4 look at page 2 of both documents, they essentially
5 show the same type of information just for the
6 different type periods, correct?

7 A. Did you say -- when you say "page 2," you
8 are referring to page 2 of the survey attachment, not
9 the testimony itself.

10 Q. Yes, the attachments themselves. And I
11 think counsel numbered the pages starting with the
12 very first page is No. 1 so that we are looking at
13 the same page.

14 A. I do see the numbering.

15 Q. So if you look at page 2 of both
16 documents, those are essentially showing the same
17 information just for the different time periods,
18 correct?

19 A. Yes, that is correct.

20 Q. Now, if you look at page 3 of both
21 documents, this is one of the questions that's asking
22 about actual reliability performance that customers
23 have experienced, correct?

24 A. Could you repeat that? I was trying to
25 find the pages.

1 Q. Sure. If you look at page 3 of both the
2 attachments, both the 2013 and 2014 surveys, that's
3 an example of the type of question where we are
4 asking the customers their actual experience with
5 service reliability during that time period, correct?

6 A. That's correct.

7 Q. Now, if you look at page 9 of both
8 documents.

9 A. I'm there.

10 Q. This is the type of question where you
11 are asking customers about their expectations going
12 forward with regard to service reliability, correct?

13 A. I'm not sure it's restricted to just
14 going forward. It could be their current expectation
15 or their recently passed expectation.

16 Q. Okay. Fair enough. Now, if you go to
17 page -- page 17.

18 A. I'm there.

19 Q. This is the type of question where
20 customers are being asked about what they want in the
21 way of service reliability where they are also being
22 asked about how much they are willing to pay,
23 correct?

24 A. That's correct.

25 Q. So the reliability surveys do ask

1 customers their view of reliability including what
2 they would be expected to pay with regard to the
3 service reliability they expect, correct?

4 A. That's correct.

5 Q. Now, would you agree with me that
6 questions such as the ones listed on page 17 are the
7 most direct way of getting a customer's opinion
8 regarding the service reliability that they want and
9 what they are willing to pay for it?

10 A. Not so much the service reliability they
11 want. It's more of a question about how much they
12 are willing to pay for certain improvements.

13 Q. Okay. So then you would agree with me
14 that the questions on page 17 are more designed to
15 elicit from customers how much they are willing to
16 pay for service reliability, correct?

17 A. That's correct.

18 Q. And is it your understanding that the
19 proposed DCI rider would add additional charges to
20 customer's bills?

21 A. That's correct.

22 Q. And, in fact, do you know how much would
23 be added on an annual basis as a result of the
24 company's proposal?

25 A. I don't recall.

1 Q. Do you recall if the number \$7.81 was
2 mentioned during the cross-examination of Mr. Arnold?

3 A. I don't recall. I wasn't present during
4 his entire testimony.

5 Q. Well, either way we can agree there is
6 going to be an additional amount of money added to
7 customer bills if the Commission approves the DCI
8 rider, correct?

9 A. That's correct.

10 Q. Now, on page 17 of the reliability
11 surveys, customers indicate that to avoid a one-hour
12 outage, they are not willing to pay any money, that's
13 the very first set of numbers there, correct?

14 A. What was the first part of that question?

15 Q. Sure. If you go to page 17.

16 A. I'm there.

17 Q. All right. The first set of six numbers
18 there, it says zero dollars, correct?

19 A. That's correct.

20 Q. So that means that those -- that many
21 customers indicated that they would not be willing to
22 pay any additional money in order to avoid a one-hour
23 service outage, correct?

24 A. That's correct.

25 Q. And those percentages are generally from

1 about 46 to maybe 55 percent, correct?

2 A. They are for the regulated customers. On
3 the next page of both of these surveys there's
4 another set of numbers for, Duke seemed to call,
5 nonregulated customers.

6 Q. Okay. Let's focus on -- your
7 understanding of regulated customers, those are the
8 ones that pay rates that the PUCO establishes,
9 correct?

10 A. Yes. And I believe that the unregulated
11 customers are also paying distribution charges. I'm
12 assuming the nonregulated customers are the shopping
13 customers. And I believe that this is an artificial
14 distinction and for reliability purposes they are all
15 being served by the same lines and --

16 Q. Okay.

17 A. So that to fully understand these
18 numbers, you need to consider not only the
19 performance -- the responses from the regulated, but
20 also the nonregulated customers.

21 Q. Okay. So if you look at page 18, would
22 the numbers on page 18, under the zero dollars, also
23 generally fall between about 46 and 55 percent?

24 A. Generally.

25 Q. Okay. So you would agree with me that

1 for both regulated and nonregulated, anywhere between
2 about 46 and 55 percent of the customers have
3 indicated they don't want to pay any more even to
4 avoid a one-hour service outage at their home,
5 correct?

6 A. Well, if you look at these -- the other
7 bars on these charts and add up the responses for all
8 the other amounts of money listed at the bottom, it
9 actually says that roughly the same percentage of
10 customers are willing to pay an additional amount in
11 order to improve their reliability.

12 Q. Okay. But that would be in order to
13 avoid a one-hour outage. It doesn't say to improve
14 service reliability, correct?

15 A. That's correct.

16 Q. So we have roughly a 50/50 split between
17 customers that are willing to pay something and
18 customers that don't want to pay anything more when
19 it comes to service reliability, correct?

20 A. That's a fair statement.

21 Q. Okay. And to the extent that some
22 customers are willing to pay more, how much more is
23 broken out in much smaller increments, correct?

24 A. That's correct.

25 Q. Now, the questions that the company asks

1 in these surveys, does the staff work with the
2 company to determine what questions to ask?

3 A. Yes.

4 Q. So, in fact, if you wanted to ask
5 customers a question, you being staff, you would say
6 to the company we would like you to include this
7 question, correct?

8 A. Well, it's a little more formal than
9 that. Staff established the set-up questions that
10 staff wanted each of the EDUs to ask and they are all
11 the same across the electric distribution utilities.
12 But in general, yes, staff does specify what
13 questions should be asked.

14 Q. And you have some uniformity in the
15 questions because you try to get uniformity in the
16 responses, correct?

17 A. Yes.

18 Q. Now, if the company comes to you and says
19 we would like to modify some of the questions, is
20 there a process by which they can have input in
21 modifying the questions that you ask?

22 A. Well, first off, I'm not aware of a
23 request to modify the questions. And so we haven't
24 established any kind of a formal process for that to
25 happen. I don't rule it out, but, I mean, we just

1 don't have a process.

2 Q. If any party, other than the company,
3 wanted to have input into modifying questions, has
4 the staff been open to listening to what other
5 parties might say?

6 A. Yes. I believe we are open to
7 suggestions.

8 Q. And as far as any other parties, is there
9 any kind of process established where they would
10 formally notify the staff or would it be something as
11 simple as sending the staff a letter saying when you
12 do the reliability surveys, we would like you to
13 modify questions, here's some input?

14 A. We're flexible as to how that could
15 happen.

16 Q. Before the survey is sent out, do you
17 notify anyone that these are going to be sent out;
18 does anybody have any questions about what we are
19 going to send out in the way of questions to
20 customers? Is there any process set up for that?

21 A. I believe each of the electric utilities
22 is on a different schedule and -- but the answer to
23 your question is we are not currently notifying
24 parties that the surveys will be administered on X,
25 Y, Z day.

1 Q. Okay. You indicate in your testimony for
2 the last three years the company has met its service
3 reliability standards, correct?

4 A. That's correct.

5 Q. And the company has been able to do that
6 without having a DCI rider in place, correct?

7 A. That's correct.

8 Q. So they've done it with cost recovery
9 just through base rate proceedings, correct?

10 A. That's right.

11 Q. Now, when you take the fact that the
12 company has been able to achieve meeting its service
13 reliability standards over the last three years, and,
14 in fact, has the company service reliability
15 performance improved over the last three years?

16 A. I believe so.

17 Q. And, again, they have been able to
18 improve service reliability with rate case cost
19 recovery instead of DCI cost recovery.

20 A. It's staff's understanding that a
21 significant part of that improvement is due to the
22 company's SmartGRID rider.

23 Q. Do you know if all the service
24 reliability improvements are a result of the
25 SmartGRID rider?

1 A. No, I don't.

2 Q. Now, the company's been able to improve
3 service reliability without a DCI rider, and at least
4 50 percent of the customers generally are telling you
5 that they don't want to spend any more money on
6 service reliability. So I guess my question to you
7 is how is it that based on that information you're
8 concluding that customer expectations are aligned
9 with the company's when it comes to spending the
10 hundreds of millions of dollars proposed in the DCI
11 rider?

12 A. My testimony is about reliability
13 expectations. I believe you are referring to cost
14 expectations.

15 Q. Well, you referenced 4928.143 when
16 talking to counsel for OMA, correct?

17 A. Subsections (B)(2)(h).

18 Q. Okay. And when you look at (B)(2)(h),
19 does it -- is it your understanding that that
20 contemplates the customer expectations also
21 contemplate spending for service reliability?

22 A. I believe that -- that I am reading the
23 last sentence in the statute. There's no mention of
24 costs, but reliability is mentioned at least twice.

25 Q. If you look at the very last line where

1 it says -- dedicated sufficient resources to the
2 reliability -- "dedicating sufficient resources to
3 the reliability of its distribution system," don't
4 you think that refers to how much is being spent?

5 A. No. I would believe that refers to the
6 sufficiency and providing reliability that meets
7 customer expectations.

8 Q. So the reference to "sufficient
9 resources" doesn't go to how much is being spent.

10 A. I mean, it could be if the company was
11 deficient in spending sufficient funds to maintain or
12 improve reliability, it could play into -- it could
13 be related, but it's more of an underlying impact.

14 Q. So if the company has met and improved
15 service reliability over the last three years, would
16 you agree with me that's an indication that there
17 have been sufficient resources spent on service
18 reliability?

19 MR. BEELER: I am going to object. I
20 believe he answered this question already, so asked
21 and answered.

22 EXAMINER WALSTRA: Overruled.

23 A. Could you repeat the question?

24 Q. Sure. To the extent that the company has
25 met or improved its reliability performance over the

1 last three years, then you would agree with me that
2 means that the company has been spending sufficient
3 resources over that three-year period.

4 A. Yes.

5 Q. So if they have been spending sufficient
6 to maintain and improve service reliability without a
7 DCI rider, why is it now, for service reliability,
8 that customer expectations need a DCI rider?

9 A. I don't believe it's staff's testimony
10 that -- that -- that the company needs to have a DCI
11 rider.

12 Q. Well, then, is it your testimony that
13 customer expectations regarding service reliability
14 can be met without a DCI rider?

15 A. They seem to indicate that customer --
16 yes, I agree.

17 Q. Now, to the extent that the company
18 proposed the DCI rider, they relied on survey results
19 to give an indication as to what customers wanted
20 with regard to service reliability, correct?

21 A. I don't know. That would be a question
22 for the company, I believe.

23 Q. Well, you read Mr. Arnold's testimony,
24 correct?

25 A. Yes, I did.

1 Q. And his testimony references the
2 quarterly service reliability surveys, the annual
3 surveys, and also the J.D. Power surveys, correct?

4 A. Yes, it does.

5 Q. Three different types of surveys,
6 correct?

7 A. I believe so.

8 Q. And you looked at all three of the
9 surveys that Mr. Arnold discussed, correct?

10 A. Yes, I did.

11 Q. And the company relied entirely on the
12 J.D. Power survey to support its contention that
13 customer expectations are for improved service
14 quality and that calls for the DCI rider, correct?

15 MS. WATTS: Objection. Mischaracterizes
16 the company's testimony.

17 MR. SERIO: I was asking his
18 understanding of Mr. Arnold's testimony.

19 MS. WATTS: Well, the foundation of your
20 question misstates the company's testimony.

21 EXAMINER WALSTRA: Overruled.

22 A. Could you repeat the question?

23 Q. Sure. Is it your understanding that
24 Mr. Arnold relied on the J.D. Power study to support
25 the argument that customer expectations are for

1 improved service reliability and, therefore, the need
2 for the DCI rider?

3 A. That's my general understanding.

4 Q. And is it also your understanding that
5 the J.D. Power study or the J.D. Power survey
6 included non-Duke Energy Ohio customers, correct?

7 A. That's my understanding.

8 Q. But the quarterly service reliability
9 studies that the PUCO requires that we were talking
10 about earlier, the attachments to Mr. Williams'
11 testimony and also the 2014 attachments to
12 Mr. Arnold's testimony, those surveys are just Duke
13 Energy Ohio residential customers, correct?

14 A. That's correct.

15 Q. To the extent that the staff is trying to
16 align customer expectations with the company, you are
17 trying to align the customer expectations of Duke
18 Energy Ohio customers, correct?

19 A. Yes, but it's only reliability
20 expectations, not cost expectations.

21 Q. Okay. But you're not trying to align the
22 service reliability expectations of non-Ohio
23 customers, correct?

24 A. That is correct.

25 Q. Now, you've indicated twice that you

1 don't look at costs as part of the customer
2 expectation on service reliability, correct?

3 A. Not for the purposes of this analysis.

4 Q. If there was no limit to cost, would you
5 believe that customers would want a system that is
6 100 percent reliable all the time?

7 A. That would be my personal expectations if
8 I -- as a customer.

9 Q. Would you expect that virtually every
10 customer would have that expectation if there is no
11 cost implication?

12 A. That seems right.

13 Q. But cost is a big part of how reliable
14 service can be, because to put in all the back-ups
15 and redundancies cost money, correct?

16 A. That's correct.

17 Q. So there has to be a balance between
18 expectations and cost, correct?

19 A. Yes, but that was not included in the
20 scope of my testimony.

21 Q. Well, why isn't cost included in the
22 scope of your testimony?

23 A. Because what I am supposed to do is to
24 study whether the company has reliability
25 expectations which are consistent with those of its

1 customers.

2 Q. But didn't you just agree with me that
3 customer expectations are impacted by costs of
4 service reliability?

5 A. Yes. I am just saying that I did not
6 specifically address that issue within the scope of
7 my testimony.

8 Q. Were you told not to address cost as part
9 of your testimony?

10 A. I don't know if I was specifically told.
11 It's just my understanding.

12 Q. And what did you base that understanding
13 that you shouldn't address cost as part of your
14 testimony? What did you base that on?

15 A. My review of the statute itself.

16 Q. Now, is it your understanding when the
17 company gets to recover its investments through the
18 DCI rider, instead of relying on a rate case, that
19 that means that the company gets to accelerate its
20 cost recovery?

21 MR. BEELER: Objection. I believe that's
22 not in his testimony anywhere.

23 EXAMINER WALSTRA: Overruled.

24 A. Could you repeat the question?

25 Q. Sure. Let me approach it this way.

1 You've indicated you're familiar with Revised Code
2 Section 4928 (B)(2)(h) and its requirements, right?

3 A. 4928.143(B)(2)(h).

4 Q. Okay. And the purpose of (B)(2)(h) is to
5 permit the company to file for a rider like the DCI
6 rider, correct?

7 A. The first part of the provision states
8 that, yes.

9 Q. And implementing a rider like the DCI
10 rider means that the company can collect its
11 investments on a quicker basis than instead of
12 relying on a rate case, correct?

13 A. That's correct.

14 Q. So if the company gets accelerated cost
15 recovery, that's a benefit to the company, correct?

16 A. Yes, it is.

17 Q. Now, to the extent that the company gets
18 to make investments like that through the DCI rider,
19 what's the benefit to customers?

20 A. I'm not sure what the benefit is.

21 Q. Would you agree with me that whether
22 there is a DCI rider or not, the company is going to
23 spend what is necessary to maintain service
24 reliability, correct?

25 A. I would expect that, yes.

1 Q. So if there's no customer benefit from
2 the DCI rider, but there is an additional cost,
3 wouldn't you expect that customers would -- strike
4 that.

5 Wouldn't you agree with me because there
6 is a cost to the DCI rider, without what you can
7 identify as a benefit, that that would impact how
8 customers view the DCI rider?

9 A. Yes.

10 Q. And how they view it in those terms would
11 be part of their expectation regarding service
12 reliability, correct?

13 A. No. I believe that would be part of
14 their expectations concerning cost, not reliability.

15 Q. But didn't you agree with me that
16 customer expectations regarding service reliability
17 are also directly related to their expectations
18 regarding costs of that service reliability?

19 A. It could be.

20 Q. Now, part of 4928.143(B)(2)(h) also
21 mentions that a just and reasonable rate of return
22 should be included on the infrastructure
23 modernization, correct?

24 A. Yes.

25 Q. To the extent that the company could

1 recover its costs on an accelerated basis, has the
2 company proposed any reduction to its rate of return
3 as part of the DCI rider?

4 A. I believe that's outside the scope of my
5 testimony.

6 Q. If you know.

7 A. Could you repeat the question?

8 Q. Sure. Do you know if the company
9 included any reduction in rate of return as part of
10 its DCI rider application?

11 A. I don't believe so.

12 Q. Do you know if the staff made any
13 recommendations to reduce rate of return to account
14 for the fact that the company gets the benefit of
15 accelerated cost recovery?

16 A. I believe that Staff Witness McCarter
17 answered that question by saying that they did not
18 make such a reduction -- or, did not recommend such a
19 reduction.

20 Q. Just a couple of other questions and I
21 may have asked around this question. I am not sure I
22 asked it directly. To your knowledge has the staff
23 ever previously invited input from any parties, other
24 than the company, on survey questions that are used
25 in the quarterly reliability surveys?

1 A. Not to my knowledge.

2 Q. And is it your understanding that based
3 on review of the quarterly reliability surveys, that
4 most customers' view is that they want to spend
5 little if any additional dollars on reliability from
6 the current levels?

7 A. I haven't done a detailed analysis of all
8 historical reliability survey responses regarding
9 that one particular question. But I wouldn't be
10 surprised to see that kind of response.

11 MR. SERIO: That's all I have, your
12 Honor.

13 Thank you, Mr. Baker.

14 EXAMINER WALSTRA: Thank you.

15 Mr. Allwein?

16 MR. ALLWEIN: I have no questions, your
17 Honor.

18 EXAMINER WALSTRA: Ms. Kyler?

19 MS. KYLER COHN: No questions.

20 EXAMINER WALSTRA: Mr. Oliker?

21 MR. OLIKER: No questions, your Honor.

22 EXAMINER WALSTRA: Mr. Petricoff?

23 MR. PETRICOFF: No questions, your Honor.

24 EXAMINER WALSTRA: Ms. Watts?

25 MS. WATTS: Thank you, your Honor.

CROSS-EXAMINATION

By Ms. Watts:

Q. Good afternoon. Good morning/afternoon,
Mr. Baker.

A. Good morning.

Q. You have a copy of 4928.143 in front of
you, do you not?

A. Yes, subsection (B)(2)(h).

Q. And, again, I think Mr. Serio asked you
some questions about this, but I would like to call
your attention to the last sentence. In addition to
including that the electric distribution utility is
placing -- in addition to examining that the
utilities distribution system is aligned with
customers' expectations, there is an additional
requirement to ensure that the company is placing
sufficient emphasis on and dedicating sufficient
resources to the reliability of its distribution
system, correct?

A. That's correct.

Q. And do you have any reason to believe
that Duke Energy Ohio is not placing sufficient
resources on the reliability of its distribution
system?

A. No, I do not.

1 Q. Okay. Do you think it's possible, when
2 taking surveys of customers generally, that if you
3 ask customers in almost any context whether they wish
4 to spend more money, they are likely to say "no"?

5 A. I haven't really thought about it, but
6 that would be my personal expectation.

7 Q. All right. Thank you.

8 And customer satisfaction can be
9 dependent upon whether or not any individual customer
10 has recently experienced an outage, correct?

11 A. I believe that's -- that's correct and
12 that's why we have the survey divided up into four
13 segments over different portions of the year to avoid
14 that seasonal bias.

15 Q. And would you also expect that the
16 customers' views may be impacted by how quickly their
17 service was restored?

18 A. Yes, I do.

19 Q. And in some instances that service
20 restoral during, for instance, a major storm, may
21 take several days, correct?

22 A. That's correct.

23 Q. Mr. Baker, do you have any particular
24 experience or education with respect to creating and
25 administering customer surveys or market surveys in

1 general?

2 A. I personally do not, but when the survey
3 questions were developed by staff, there were some
4 other staff that did have some technical expertise in
5 that area.

6 Q. And you're aware, are you not, that Duke
7 Energy Ohio administers the regulatory-required
8 survey pursuant to the Commission's rules as well as
9 other surveys, correct?

10 A. Yes, that's correct.

11 Q. So, for instance, the J.D. Power surveys
12 that the company provided in data requests are
13 additional surveys that the company administers,
14 correct?

15 A. That's my -- yes, that's my
16 understanding.

17 Q. And let me say that -- let me correct
18 that. J.D. Power administers for the company, right?

19 A. Yes.

20 Q. Do you have any reason to believe that
21 Duke Energy Ohio does not seek to understand the
22 views of its customers?

23 A. No.

24 Q. Now, the quarterly survey that's required
25 by the Commission rules is filed in conjunction with

1 the company's applications with respect to
2 reliability standards, correct?

3 A. Yes.

4 Q. And that survey is required to be
5 administered every three years, correct?

6 A. Yes.

7 Q. But the company administers -- the
8 company receives survey results more frequently than
9 every three years, correct?

10 A. You mean for the staff, the PUCO-required
11 survey or are you talking about the other surveys?

12 Q. Other surveys.

13 A. That's -- that's correct.

14 Q. And you were involved, were you not, in
15 Case No. 13-1539, where Duke Energy Ohio recently
16 applied to have its reliability standards reviewed by
17 the Commission.

18 A. Yes, I was.

19 Q. And that case was resolved, was -- a
20 settlement was stipulated in that case, the
21 stipulation was submitted to the Commission, and the
22 Commission adopted and approved that stipulation,
23 correct?

24 A. That's correct.

25 Q. And the office of the Ohio Consumers'

1 Counsel was a party in that proceeding, correct?

2 A. Yes.

3 Q. You have mentioned that Duke Energy
4 Ohio's reliability standards have improved over
5 recent years, correct?

6 A. I don't have those numbers in front of
7 me, but that's my recollection.

8 Q. Okay. And it's generally your
9 understanding that much of that improvement is
10 attributable to its SmartGRID deployment, correct?

11 A. Yes.

12 Q. And indeed the company committed to
13 improving those standards in conjunction with its
14 SmartGRID deployment, correct?

15 A. Yes.

16 Q. And is it further your understanding that
17 that deployment is nearly complete?

18 A. Yes.

19 Q. And once the company reaches completion
20 of that deployment, do you have any understanding or
21 expectation with regard to what might happen to the
22 reliability standards once deployment levels off?

23 A. Yes. I believe that the company's SAIDI
24 performance will improve and as reflected in a more
25 stringent SAIFI standard going forward.

1 Q. So you would expect SAIFI to decrease
2 over time, notwithstanding that SmartGRID is fully
3 deployed?

4 A. At least for the short-term future. I
5 can't go -- I can't speak for longer term.

6 Q. Okay. And you understand that proposed
7 rider DCI is a program designed to replace aging
8 infrastructure, correct?

9 A. Yes, that's my understanding.

10 Q. And if the aging infrastructure is not
11 replaced as proposed in rider DCI and outages start
12 to occur, you would expect that to be reflected in
13 the performance -- the reliability performance
14 standards, correct?

15 A. Correct. In the reliability performance.
16 I don't -- standards wouldn't change unless the
17 company proposed for a change.

18 Q. Sure. And the proposed standards or the
19 standards that are currently approved by the Public
20 Utilities Commission go through 2016, correct?

21 A. That's my recollection.

22 Q. Now, you recall that I asked you whether,
23 as a general proposition, customers will respond if
24 asked whether they wish to spend more money generally
25 that they would prefer not. Do you remember that

1 question?

2 A. Yes.

3 Q. And would you expect customers generally,
4 if asked about reliability, to also respond that they
5 would prefer better reliability rather than worse?

6 A. Yes.

7 Q. Mr. Serio asked you about rider DCI and
8 whether approval of rider DCI would allow the company
9 to recover its costs more quickly, correct?

10 A. Yes.

11 Q. And you -- he -- and you agreed with him
12 that was a benefit to the company.

13 A. Yes.

14 Q. And do you see a benefit to customers
15 potentially from improved reliability as a result of
16 that work being started more quickly?

17 A. Could you repeat the question?

18 Q. Sure. If the reliability program as
19 proposed by Duke Energy Ohio is approved by the
20 Commission in this ESP, would you expect customers to
21 see a potential improvement to their reliability as a
22 result of the initiation of that program?

23 A. To the extent that it does improve
24 performance, then the customers would like that. I'm
25 not sure what we're after.

1 Q. I guess what I am asking is will the
2 initiation of the program sooner rather than later
3 also be a benefit to customers?

4 A. To the extent that it actually does
5 improve reliability performance, then, yes.

6 Q. I think Mr. Serio asked you if staff
7 invited input into the surveys prior to them being
8 administered by the company, and I believe he was
9 referring to the one that the Commission requires.
10 Do you recall that question?

11 A. Yes.

12 Q. Is there any regulatory requirement to
13 invite input from other parties prior to having the
14 company administer that survey?

15 A. No. In fact, the rule states that the
16 surveys will be administered under staff's oversight.

17 Q. And indeed Duke Energy Ohio's reliability
18 survey that's done pursuant to the Commission's rules
19 is done in conjunction with staff, correct?

20 A. That's correct.

21 Q. And it included questions that staff
22 required be included in it, correct?

23 A. That's correct.

24 Q. Now, Duke Energy Ohio files compliance
25 reports other than just the results of its

1 reliability survey, correct?

2 A. I'm not sure what you are referring to in
3 terms of the "compliance reports."

4 Q. The Commission's rules, 4901,
5 Chapter 1-10, requires that the company file reports
6 with respect to its maintenance and repairs of
7 distribution systems and so forth, correct?

8 A. That's correct.

9 Q. And, Mr. Baker, you have been involved
10 pretty closely with Duke Energy Ohio's SmartGRID
11 deployment since its inception, correct?

12 A. To some extent, yes.

13 Q. And in connection with those -- with the
14 SmartGRID rider proceedings, the company reports its
15 SAIFI standards with each filing, correct?

16 A. SAIFI performance?

17 Q. SAIFI performance, yes.

18 A. I believe so, yes.

19 Q. And the company provides reports to the
20 Commission staff about its outage management process,
21 correct?

22 A. I'm not sure I understand specifically
23 what you are referring to there.

24 Q. Sure. Let me ask a different question.
25 To the extent the staff has concerns about the

1 company's reliability performance in any particular
2 respect, the staff inquires of the company in regard
3 to those concerns, correct?

4 A. Yes.

5 Q. And ordinarily the company provides
6 reports, for instance, with respect to circuit
7 performance?

8 A. Yes.

9 Q. So the staff has sort of a holistic
10 knowledge of the company's reliability performance
11 generally, in addition to -- in addition to what's
12 just the SAIFI, SAIDI, and CAIDI standards, correct?

13 A. That's correct.

14 Q. Looking again at the programs proposed in
15 rider DCI, it is again your understanding that those
16 are programs designed to replace aging
17 infrastructure, correct?

18 A. In general, yes.

19 Q. And, in general, they are designed to
20 replace infrastructure prior to it failing, correct?

21 A. Yes, that's correct.

22 Q. So if -- if any particular piece of
23 equipment is repaired or replaced prior to its
24 failure, it's only a theoretical understanding of
25 when it might have failed, correct?

1 A. That's correct.

2 Q. So there's no way to measure the
3 improvement that's obtained there because the
4 equipment is, in fact, repaired before it fails,
5 correct?

6 A. That's correct.

7 MS. WATTS: Thank you. I have nothing
8 further.

9 EXAMINER WALSTRA: Thank you.
10 Staff, do you need a minute?

11 MR. BEELER: Yeah, please.

12 (Discussion off the record.)

13 EXAMINER WALSTRA: We'll go back on the
14 record.

15 Mr. Beeler.

16 MR. BEELER: Just a couple, your Honor.

17 EXAMINER WALSTRA: Okay.

18 - - -

19 REDIRECT EXAMINATION

20 By Mr. Beeler:

21 Q. Mr. Baker, you were asked a question
22 about the list of items included in the DCI, and is
23 it your understanding that entire list of the items
24 on there are all aging infrastructure or relate to
25 aging infrastructure?

1 A. Based on my review it appears that the
2 great majority of those proposed programs are -- do
3 involve the replacement of aging infrastructure. I
4 am aware of other programs within that list that do
5 not involve the replacement of aging infrastructure
6 and one example is the forestry program.

7 MR. BEELER: Thank you. Nothing further.

8 EXAMINER WALSTRA: Thank you.

9 Ms. Hussey?

10 MS. HUSSEY: No questions, your Honor.

11 EXAMINER WALSTRA: Ms. Bojko?

12 MS. BOJKO: Yes.

13 - - -

14 REXCROSS-EXAMINATION

15 By Ms. Bojko:

16 Q. Just a quick follow-up on that. Not only
17 aging forestry, but other capital items such as new
18 security cameras, new communication equipment, things
19 of that nature are also on that list; isn't that
20 true?

21 A. That's correct.

22 MS. BOJKO: Okay. Thank you. No further
23 questions.

24 EXAMINER WALSTRA: Thank you.

25 Mr Serio?

1 MR. SERIO: Thank you, your Honor.

2 - - -

3 RECROSS-EXAMINATION

4 By Mr. Serio:

5 Q. You indicated that the majority of the
6 programs are replacement of aging infrastructure,
7 correct?

8 A. Yes.

9 Q. So if you are replacing infrastructure
10 that means that infrastructure that might have
11 required more O&M spending in the past should require
12 less O&M spending in the future, correct?

13 A. That's a possible outcome, yes.

14 Q. Well, in fact, if you put a new piece of
15 equipment in place of an old piece that you've been
16 going out to repair regularly, you would expect there
17 to be O&M savings, correct?

18 A. Yes. For that particular program.

19 Q. And did the company propose to credit O&M
20 cost savings to customers to recognize that new
21 equipment is replacing older equipment?

22 A. Well, that wasn't the specific area I was
23 focused on, but that is my general understanding.

24 Q. That it will be credited back to
25 customers.

1 A. That it will not be credited back to
2 customers.

3 Q. And in your recommendation are you saying
4 the Commission should credit those O&M cost savings
5 back to customers?

6 A. My analysis did not include that, which
7 is outside my scope.

8 Q. Is there a staff witness whose scope that
9 O&M cost savings would have fallen under?

10 A. I believe that Staff Witness McCarter
11 already addressed that question.

12 MR. SERIO: Thank you, your Honor.

13 That's all I have, Mr. Baker.

14 EXAMINER WALSTRA: Thank you.

15 Mr. Allwein?

16 MR. ALLWEIN: No questions, your Honor.

17 EXAMINER WALSTRA: Ms. Kyler?

18 MS. KYLER COHN: No questions, your
19 Honor.

20 EXAMINER WALSTRA: Mr. Oliker?

21 MR. OLIKER: No questions, your Honor.

22 EXAMINER WALSTRA: Mr. Petricoff?

23 MR. PETRICOFF: No questions, your Honor.

24 EXAMINER WALSTRA: Ms. Watts?

25 MS. WATTS: Yes.

RECROSS-EXAMINATION

By Ms. Watts:

Q. Mr. Baker, the DCI program, you indicate there may be O&M savings, correct?

A. Yes, there could be.

Q. And there could also be O&M increased costs, correct?

A. There could be.

Q. And so, neither of those would be accounted for in this particular rider, correct, because it's a capital investment rider?

A. That's correct.

MS. WATTS: Thank you. I have nothing further.

EXAMINER WALSTRA: Thank you, Mr. Baker.

MR. BEELER: At this time, your Honor, I would renew my motion for admission of Staff Exhibit 7.

EXAMINER WALSTRA: Any objections?

MR. SERIO: No objections.

EXAMINER WALSTRA: It will be admitted.

(EXHIBIT ADMITTED INTO EVIDENCE.)

MR. OLKER: I know everybody is excited to get out of here, but maybe we can go off the record for a minute to address an outstanding matter

1 with Mr. Hamilton's testimony and proposed
2 redactions.

3 EXAMINER WALSTRA: We do have a
4 confidentiality issue to go over on the record
5 regarding Volume V, so we can do that now and then go
6 off the record and discuss Mr. Hamilton.

7 MR. OLIKER: Thank you. Excellent.

8 EXAMINER WALSTRA: And I believe Duke
9 passed out proposed redactions for Transcript No. V,
10 Volume V. I can have Ms. Kingery speak generally
11 about --

12 MS. KINGERY: I am trying to bring it up,
13 your Honor.

14 EXAMINER WALSTRA: Okay. She can speak
15 generally about it because people who have had a
16 chance to review it, they can speak to the responses.
17 The Bench has had an opportunity to go over it and
18 can make rulings on that.

19 MS. KINGERY: All right. The first
20 redaction proposed is on page 1384, line 19 to 20,
21 and there we're just trying to take out enough words
22 so that it's not clear which utilities we're talking
23 about.

24 The next redaction I have is on page 1388
25 and here that was trying to keep confidential the

1 names of the entities who were in opposition to the
2 proposal.

3 Then the next page, 1389, line 16 and
4 line 20, same rationale.

5 And then line -- page 1390, the name --
6 the full name that is, on line 9. Again trying to
7 keep confidential the name of -- the identity of one
8 of the parties to the proposal discussion.

9 And then again on line 15, page 1391, the
10 name of one of the entities that was in opposition to
11 the proposal appears three times.

12 1393, again this is an effort to, even
13 though the names of the two entities that were
14 proposing the transfer aren't listed there, those
15 words that are identified on line 20 would tend to
16 identify who those companies are.

17 And then page 1395, there are five places
18 where there are names deleted, same rationale.

19 1396, again, same rationale.

20 1397, same rationale. And then on
21 line 21 there is a number that's deleted because that
22 would -- if you backed into through the calculation,
23 it would identify who we're talking about.

24 Line 13 -- I'm sorry. Page 1399, again,
25 there are identifications of the company being --

3988

1 that's making the proposal. And again, there are
2 several companies on 1400.

3 1401, that was confidential to OVEC, that
4 information, and that appears throughout that page in
5 various places.

6 1402, lines 1 through 6, is the same
7 issue as on the previous page. Line 11 through the
8 end of the page are forecasted activities or
9 financing matters for OVEC.

10 1403, I think the second word on line 1
11 was -- and then the date on line 1 are things we had
12 previously talked about as confidential, but I'm not
13 absolutely positive on that one. And if so, it would
14 be OVEC financial information as the rationale for
15 the confidentiality.

16 Then later on 1403, lines 8 to 9, that's
17 a forecast as to a particular category of projects
18 that OVEC would be anticipating undertaking. And
19 line 16 would refer back to that same issue.

20 The next redactions will be on 1405, and
21 there are several there through line 20, that would
22 all be the same as what I just indicated on the
23 previous redaction. And then a name identification
24 on 24 to 25.

25 Page 1406, these are budget forecast

1 items for OVEC.

2 And 1407, that was a changed projected --
3 the use factor there, I believe we had kept
4 confidential even if it was historical. That is a
5 historical one. So whatever we had done before we
6 are going to have to do here. My thought was that it
7 was confidential.

8 And then 1407 is looking forward from
9 that previous number that we just talked about, so
10 it's a forward-looking directional indicator.

11 And the remainder of the reductions on --
12 the redactions on that page were forward-looking
13 budgeting items.

14 And let me know if you need any more
15 specific arguments on anything.

16 EXAMINER WALSTRA: No, you're fine.

17 MS. KINGERY: And then 1408, line 22, 23,
18 and 24 was a name identification. Same thing on the
19 following page on line 6.

20 1410, there were three areas of name
21 identifications. 1411, several identifications of
22 names. 1412 and -13, same thing. 1415, another
23 name. 1416 and -17 and -18 are names.

24 1419, are future-looking budget
25 projections at least with regard to categories.

3990

1 1420, same thing. 1421, same categories of future
2 expenditures.

3 Then 1422 is again internal budgeting and
4 expenditures of OVEC. 1423, same.

5 And 1424 and 1425 and -6 are all OVEC
6 future expenditure information. 1427, same. Then
7 1429, same, future budgeting.

8 1431, this is future expectations of
9 demand charge payments.

10 1432, this goes to projections, again,
11 for OVEC expenditures.

12 Later on 1432, starting on line 18, there
13 are some names that are redacted. And again on 1434.

14 1435, this is future budgeting for OVEC.

15 And 1436 is a projection by OVEC of
16 annual power production costs and projections of
17 changes in use factor.

18 1437, projection as to changes in costs.
19 1438 and 1439, same thing.

20 Bottom of 1439, another name
21 identification. As well as 1440, there are several
22 names.

23 1443, the redactions are of specific
24 references to cost categories for future budgeting.
25 1446, same thing. Also 14 -- sorry, that was 1445.

1 So also 1446.

2 1447 is future expectations as to costs
3 that would be incurred by OVEC. And that's the end.

4 EXAMINER WALSTRA: Thank you.

5 Any responses?

6 MS. BOJKO: Yes, your Honor, I do.

7 The first, 1384, I'm not sure why.

8 That's not a competitively-sensitive topic. It's
9 a -- actually, a hot topic in the energy industry, so
10 I'm not sure why that would be a trade secret or fall
11 under anything. My next comment is the same for
12 1393.

13 Then if you turn to 1396, I don't think
14 the name on -6, he -- this person was established as
15 being a representative of a company that's at issue
16 in this case. I am not sure why that would be -- I
17 thought we were only keeping names of people from
18 e-mails from other companies when we talked about
19 those e-mails. And I don't believe it was redacted
20 from the actual e-mail itself.

21 If you go to 1401, this was already ruled
22 upon in OCC Exhibit 24, and this was the footnote
23 issue and we agreed to let the footnote remain in the
24 public record. That's two places on that. Line 19
25 is the same issue.

1 And then if we go to page 1407, my
2 concern is with the -- well, 1406, if you remember,
3 we went through the OVEC -- with OVEC's counsel, and
4 I don't believe the general concept on line 20 of
5 1406 or the general concept on line 10 of 1407 was
6 excluded from the record. And then, in fact, as we
7 get into another one, he released everything in a
8 couple of presentations except for the numbers. So
9 I'm not sure why those would be. And they are also
10 on the left-hand column of the -- all the OVEC
11 analysis and billing cost summaries.

12 And then I'm curious, 1408, this is not a
13 name -- this is the entity that is contracted to do
14 certain work. This is in the annual report. This is
15 not a name that was in the e-mails as a name that we
16 were talking about. This is different.

17 MS. KINGERY: I would not disagree with
18 Ms. Bojko on this particular line and, therefore,
19 also on line 24.

20 MS. BOJKO: And then the same is true for
21 1409, the reference on line 6 is also from the same
22 organization that does that.

23 MS. KINGERY: I agree.

24 MS. BOJKO: And the same would be true on
25 1411.

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1 EXAMINER WALSTRA: All of them on 1411?

2 MS. BOJKO: I'm sorry, no, just the top
3 one.

4 MS. KINGERY: Yes, I agree with that.

5 MS. BOJKO: Oh, 1410 is an explanation,
6 so those two on 1410 as well, just on lines 19 and
7 20.

8 MS. KINGERY: I would agree.

9 MS. BOJKO: Then if you look at page
10 1419, this is the same issue, line 18 was released
11 when we released the environmental presentation, and
12 I believe the same is true for 13 and 14. And then
13 it would flow over, same comments for 1420 and -21.
14 And the bottom of 25, both -- line 22 was released in
15 that environmental presentation of OVEC, and so was
16 line 25.

17 EXAMINER WALSTRA: What page are you on?

18 MS. BOJKO: I'm sorry. 1422.

19 EXAMINER WALSTRA: Okay.

20 MS. BOJKO: Down at the bottom, not the
21 numbers, we did hide the numbers, but we didn't hide
22 any of that other information.

23 And then on line 5 of 1423, 5 and 6, the
24 number should be, but not the rest of that phrase.

25 1425, the reference on line 1, same. And

1 the same for line 17 on 1426. And 25 -- line 25 on
2 that same page.

3 And if you look at 1427, line 13, again,
4 these were all in the environmental document. Same
5 for 1435, there's several references on the bottom.

6 And then on 1436, line 9, I thought we
7 had a big discussion about this. The last two
8 numbers on the chart were released. But that one I'm
9 recollecting. We had a big discussion about what was
10 in the annual report, what was in the FERC filing,
11 and I thought that number was one of the ones that
12 were released on the bottom of the exhibit.

13 Page 1438, there is the reference on
14 line 12 and 13, the same that I have been discussing.
15 And then also on page 1443, lines 8 and 11 and 16 are
16 the same issue. As well as I believe -- I think on
17 page 1445 it's the same issue, but I'm not sure if
18 that acronym is correct so that's why. Is that
19 correct, that line?

20 MS. KINGERY: The acronym on, like, on
21 line 9?

22 MS. BOJKO: Yes.

23 MS. KINGERY: I don't know either.

24 EXAMINER WALSTRA: It's used in an
25 exhibit.

1 MS. BOJKO: It is. Okay.

2 And then also same comments on 1446 and
3 47. That's it.

4 EXAMINER WALSTRA: Thank you.

5 Any other responses?

6 MR. BERGER: Just that OCC concurs in
7 those comments.

8 EXAMINER WALSTRA: Okay.

9 MR. BERGER: And I think that's it.
10 Thank you.

11 EXAMINER WALSTRA: Thank you, Mr. Berger.

12 MS. KINGERY: Could I respond to just one
13 particular comment from Ms. Bojko?

14 EXAMINER WALSTRA: Certainly.

15 MS. KINGERY: I won't otherwise take
16 everybody's time. And that goes to the names. There
17 was a name of an individual who was an employee of
18 the companies. And Ms. Bojko said she believed that
19 we weren't going to redact any identifying name
20 information for Duke Energy Ohio. And I would
21 certainly disagree with that.

22 Our goal was to -- I thought, was to keep
23 it unclear in the public record as to what entities
24 were making these transfer proposals, and I think if
25 you leave employee names out or employee identifying

1 information, you get right there.

2 EXAMINER WALSTRA: Thank you.

3 MS. BOJKO: I mean, that's fine, but I
4 don't think that's consistent. We've talked at great
5 length about that individual with Mr. Whitlock, so.

6 EXAMINER WALSTRA: Okay.

7 MS. BOJKO: His employee
8 responsibilities. I mean, we went into a whole thing
9 with Mr. Whitlock.

10 MR. BERGER: You are talking about 1436
11 and 1437?

12 MS. BOJKO: Uh-huh.

13 MS. KINGERY: And I don't remember with
14 Mr. Whitlock whether that was on the confidential
15 record or public, but I'd have to look back.

16 MS. BOJKO: I wasn't allowed to bring the
17 e-mail in, but I asked him who his subordinates were,
18 and that was one of them on the public record.

19 EXAMINER WALSTRA: I think those are two
20 different conversations though. I don't -- we don't
21 think they're connected.

22 MS. BOJKO: Okay.

23 EXAMINER WALSTRA: So we will basically
24 go through this again, page by page, and make our
25 rulings.

1 MS. KINGERY: Okay.

2 EXAMINER WALSTRA: On 1384, we will open
3 that up. I believe that mentioned in -- it was
4 opened up in OCC Exhibit 6.

5 On 1388, that will remain closed, all
6 three references, the words. As well as on 1389 and
7 1390 and -91.

8 1393, the one proposed redaction we will
9 open up. It was -- I believe in OCC Exhibit 7 it was
10 opened up, I think on the second page.

11 1395, everything on there will remain
12 redacted.

13 1396, everything on there will remain
14 redacted, as well as on 1397 and 1399 and 1400.

15 1401, everything on that page will be
16 opened up. I believe OCC Exhibit 5a, it has the
17 footnote that Ms. Bojko referenced and that was all
18 opened up which goes into the first six lines onto
19 1402. Line 12 will remain redacted. Line 13, the
20 three words, those will -- those will be opened up,
21 as well as the last three words on 7 -- last four
22 words on 17, the first word on 18, all three on 20,
23 and the date on 23, the second word in the
24 sentence -- or, in the line. The other proposed
25 redactions will remain redacted.

1 On 1403, the date, the second word from
2 the end of the first line will be opened up. And on
3 line 9 and 16, those words will be opened up. Those
4 are general concepts that have been spoken about in
5 the open record already.

6 On 1405, we will open up everything
7 except for the number on line 20. Those are all
8 concepts that have been discussed in the open record.

9 On 1406 --

10 MS. KINGERY: Excuse me, your Honor. On
11 the previous page you just talked about, how about
12 the name on lines 24 to 05?

13 EXAMINER WALSTRA: That will -- yeah, I
14 think that will be opened up. It's just a reference
15 to discovery that was provided in this litigation
16 essentially. So that will be opened up.

17 On 1406, the first word in line 13 and
18 the dates, the 4th, 5th, and 6th lines -- words in
19 line 13 will be opened up as well as the first word
20 on line 14, and the proposed redactions in lines 20
21 and 21 will be opened up, and the rest will remain
22 redacted.

23 1407, the first word on line 10 will be
24 opened up. Everything else will remain redacted.

25 1408 and 1409, as was basically

1 discussed, those will be opened up.

2 As well as on 1410, lines 19 and 20,
3 those will be opened up. But the reference on
4 line 15 will remain redacted.

5 1411, along the same lines, lines 4 and 5
6 will be opened up, and the rest will remain redacted.

7 Everything on 1412, 1413, 1415, 1416,
8 1417, and 1418 will all remain redacted.

9 1419, everything on there will be opened
10 up. I believe that was in OCC Exhibit 26. There are
11 already references to that. Those will be opened up.

12 And that goes -- everything on 1420 will
13 be opened up as well. And on 1421, all that stuff is
14 in OCC Exhibit 26.

15 On 1422, lines 18 and 19 will remain
16 redacted. And on 22 and 25, those will be opened up.

17 1423, line 5, the last two words will be
18 opened up, and the one word on line 6 will be opened
19 up, but the numbers will remain redacted throughout
20 the rest of that page.

21 1424, everything will remain redacted.

22 1425, that first line will be opened up.
23 And the fifth word, the last word in the sentence
24 will be opened up, but the two words are -- on
25 line 9, the last word in the sentence on line 9 will

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1 be opened up, and the two words before it will remain
2 redacted, and the number on 16 will remain redacted.

3 Page 1426, the fifth word will be opened
4 up. The rest of the line will -- on line 4, the
5 first word -- the fourth word -- fifth word will
6 remain redacted. The rest of the line -- I am
7 getting that mixed up. Okay. Line 4, the fifth word
8 will be opened up. And the rest of the line after
9 that will remain redacted.

10 On line 5, that first number will remain
11 redacted and the date after that will be opened.
12 Same for the cost and then the year after that will
13 be opened up on line 5. As well as on line 6, the
14 monetary amount will be opened up -- remain redacted,
15 and the year will be opened up.

16 MS. KINGERY: Just to clarify. So in
17 each one of those cases, the number -- the dollar
18 amount would be confidential and then the words "in"
19 and then a year would be open.

20 EXAMINER WALSTRA: Would be opened up,
21 yes.

22 Line 17 and line 25, those will be opened
23 up.

24 Line 13 on page 1427 will be opened up,
25 but the monetary amount on line 19 will remain

1 redacted.

2 1429 and 1431, those redactions will
3 remain, as well as on 1432 and 1434.

4 1435, everything will be opened up except
5 for on line 17, third word from the end will remain
6 redacted. Everything else will be opened up.

7 1436, on line 9, that number will be
8 opened up. That was previously opened in an exhibit,
9 OCC 22. Line 16, the percentage will remain
10 redacted.

11 1437, will remain redacted.

12 And 1438, the last word on line 12 and
13 the first word on line 13 will be opened up, but the
14 other two monetary amounts on lines 13 and 17 will
15 remain redacted.

16 On 1439, everything will remain redacted
17 as well as on 1440.

18 1443, everything on that page will be
19 opened up. That was in Duke Exhibit 17. I think
20 that goes for on page 1445, lines 9, 11, and 12.
21 They were opened up in an exhibit. But the -- on
22 lines 17 and 23, those redactions will remain.

23 Page 1446, the proposed redaction on
24 line 6 will be opened up. As well as on 1446,
25 line 16, those will be opened up as well.

1 And I believe that's everything we need
2 to do on the record, so we can go off the record.

3 (Discussion off the record.)

4 EXAMINER WALSTRA: I guess that concludes
5 all the testimony for today. We will go back on
6 Wednesday at 3 p.m. for Mr. Hamilton.

7 MR. OLIKER: Mr. Haugen.

8 EXAMINER WALSTRA: Mr. Haugen. Thank
9 you.

10 (Thereupon, at 12:58 p.m., the hearing
11 was adjourned.)

12 - - -

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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 Monday, November 10,
2014, and carefully compared with my original
stenographic notes.

Karen Sue Gibson,
Registered Merit Reporter.

(KSG-5957)

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Summary: Transcript in the matter of Duke Energy Ohio hearing held on 11/10/14 - Volume XIV electronically filed by Mr. Ken Spencer on behalf of Armstrong & Okey, Inc. and Gibson, Karen Sue Mrs.