

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

- - -

In the Matter of the :  
Regulation of the :  
Purchased Gas Adjustment :  
Clause Contained Within : Case No. 15-0218-GA-GCR  
the Rate Schedules of Duke:  
Energy Ohio, Inc., and :  
Related Matters. :

- - -

In the Matter of the :  
Uncollectible Expense :  
Rider of Duke Energy Ohio, : Case No. 15-0318-GA-UEX  
Inc., and Related Matters.:

- - -

In the Matter of the :  
Percentage of Income :  
Payment Plan Rider of Duke: Case No. 15-0418-GA-PIP  
Energy Ohio, Inc. :

- - -

PROCEEDINGS

before Mr. Kerry K. Sheets and Mr. Nicholas Walstra,  
Attorney Examiners, at the Public Utilities  
Commission of Ohio, 180 East Broad Street, Room 11-A,  
Columbus, Ohio, called at 10 a.m. on Wednesday,  
April 20, 2016.

- - -

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On behalf of the Applicant.

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On behalf of IGS Energy.

Vorys, Sater, Seymour & Pease, LLP  
By Mr. Michael Settineri,  
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On behalf of the Ohio Partners For  
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APPEARANCES: (Continued)

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On behalf of the Staff of the PUCO.

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1                               Wednesday Morning Session,  
2                               April 20, 2016.

3                               - - -

4                               EXAMINER SHEETS: The Public Utilities  
5 Commission of Ohio has set for hearing at this time  
6 and place Case No. 15-218-GA-GCR, in the Matter of  
7 the Regulation of the Purchased Gas Adjustment Clause  
8 Contained Within the Rate Schedules of Duke Energy  
9 Ohio and Related Matters.

10                              My name is Kerry Sheets. I'm an Attorney  
11 Examiner for the Commission, and I have been assigned  
12 to hear this case. With me today is Nick Walstra,  
13 also an Attorney Examiner.

14                              I will now take the appearances of the  
15 parties, please, starting with the company.

16                              MS. WATTS: Thank you, your Honors, and  
17 good morning. On behalf of Duke Energy Ohio, Amy B.  
18 Spiller and Elizabeth Watts, 139 East Fourth Street,  
19 Cincinnati.

20                              EXAMINER SHEETS: Thank you. We will go  
21 with staff.

22                              MR. McNAMEE: On behalf of the staff of  
23 the Public Utilities Commission of Ohio, I am Thomas  
24 McNamee and with me is Natalia Messenger, Assistant  
25 Attorneys General, and our address, for the moment at

1 least, is 180 East Broad Street, Columbus, Ohio.

2 EXAMINER SHEETS: Okay. Go with OCC.

3 Where is OCC?

4 MR. KUMAR: On behalf of the residential  
5 consumers of the Duke Energy -- Duke Energy Ohio, the  
6 Office of the Ohio Consumers' Counsel, Bruce Weston  
7 and Ajay Kumar and Dane Stinson with the law firm of  
8 Bricker & Eckler.

9 EXAMINER SHEETS: Very good. Who else do  
10 we have? We have RESA. Is RESA here?

11 MR. SETTINERI: Yes. Good morning, your  
12 Honor. On behalf of the Retail Energy Supply  
13 Association, my name is Michael Settineri with the  
14 law firm of Vorys, Sater, Seymour & Pease. Also  
15 making appearances on behalf of Gretchen L. Petrucci  
16 and Steven Howard.

17 EXAMINER SHEETS: Now, IGS.

18 MR. OLIKER: Good morning, your Honors.  
19 On behalf of IGS, Joseph Oliker, address 6100 Emerald  
20 Parkway, Dublin, Ohio 43016. Thank you.

21 EXAMINER SHEETS: Did I leave out  
22 anybody?

23 OPAE, sorry.

24 MS. MOONEY: On behalf of the Ohio  
25 Partners for Affordable Energy, Colleen Mooney, 231

1 West Lima Street, Findlay, Ohio, and we also will be  
2 moving from Findlay.

3 EXAMINER SHEETS: Let's go off the record  
4 here briefly.

5 (Discussion off the record.)

6 EXAMINER SHEETS: Let's go back on the  
7 record.

8 We'll take some other preliminary matters  
9 here. We want to mark exhibits to start off with on  
10 behalf of the staff?

11 MR. McNAMEE: Yes, your Honor. We would  
12 ask to have marked as I guess Commission-Ordered  
13 Exhibit 1 the audit report in this case that was  
14 filed December 9 of last year prepared by Exeter &  
15 Associates entitled "Management and Performance Audit  
16 of Gas Purchasing Practices and Policies of Duke  
17 Energy." And I'll mark that, please, as  
18 Commission-Ordered Exhibit 1.

19 EXAMINER SHEETS: Okay.

20 (EXHIBIT MARKED FOR IDENTIFICATION.)

21 EXAMINER SHEETS: On behalf of the  
22 company.

23 MS. WATTS: Yes. Thank you, your Honor.  
24 On behalf of Duke Energy, we would ask the testimony  
25 of Jeff Kern be marked as Duke Energy Ohio Exhibit 1.



1 And then we also will be offering the stipulation,  
2 and I would ask that that document be marked as  
3 Company and Staff Joint Exhibit 1.

4 EXAMINER SHEETS: Okay.

5 (EXHIBITS MARKED FOR IDENTIFICATION.)

6 EXAMINER SHEETS: Who will we go with  
7 next? OCC?

8 MR. KUMAR: Yes. OCC has one exhibit,  
9 the direct testimony of Mike Haugh. We would like to  
10 mark that as Exhibit 1.

11 EXAMINER SHEETS: Very good.

12 (EXHIBIT MARKED FOR IDENTIFICATION.)

13 EXAMINER SHEETS: Now, RESA.

14 MR. SETTINERI: Thank you, your Honor.  
15 RESA will have at this time one exhibit which will be  
16 marked as RESA Exhibit 1, the direct testimony of  
17 Thomas Scarpitti.

18 (EXHIBIT MARKED FOR IDENTIFICATION.)

19 EXAMINER SHEETS: Now IGS.

20 MR. OLIKER: Your Honor, at this time I  
21 cannot be sure if I will have exhibits on  
22 cross-examination, but I may potentially have  
23 exhibits I would mark for my cross-examination with  
24 witness -- with the auditor or with Witness Kern, but  
25 I do not know what those exhibits would be at this

1 time.

2 EXAMINER SHEETS: Very well. OPAC.

3 MS. MOONEY: OPAC has no exhibits.

4 MS. WATTS: Could you say that again?

5 MS. MOONEY: OPAC has no exhibits.

6 EXAMINER SHEETS: Okay. Now, we will  
7 take the next item here, the motion that was filed  
8 yesterday to strike.

9 Okay. Do we have any response to the  
10 motion?

11 MR. STINSON: Yes, your Honor. On behalf  
12 of the Office of the Ohio Consumers' Counsel, I have  
13 read the motion to strike, and I am sure the Bench  
14 has read that motion as well.

15 I think what I would like to set forth  
16 initially is one of the main reasons why we're here  
17 and that's on page 45 of the audit report. Duke has  
18 stated in this proceeding that the GCR mechanism  
19 would result in lower rates for its customers. And  
20 in this case also the auditor quantified those  
21 savings as approximately \$7 million per year.

22 Because of that lower cost of supply,  
23 Duke has stated its intent not to exit the merchant  
24 function but to continue to make these lower GCR  
25 costs available to customers. The problem is that

1 Duke has no policy to disclose these savings to its  
2 consumers.

3 Now, I can understand why the competitive  
4 suppliers may not want that information publicly  
5 disclosed that the GCR may provide lower costs, but  
6 the Commission staff should not oppose providing this  
7 information to the Commission so that the Commission  
8 can make a decision on this very important decision.  
9 That information should be included in the record in  
10 this proceeding.

11 As we all know, it's the Commission's  
12 obligation to make sure that Choice works and  
13 especially works for consumers. To that end the  
14 state policy in Ohio -- and I address 4929.02 where  
15 the Commission is to enforce those state policies to  
16 promote diversity among supplies and suppliers, and  
17 it's also to encourage access to information to  
18 enable customers to make that choice. And the  
19 information that Mr. Haugh has provided in his  
20 testimony today is imperative for customers to make  
21 that choice for customers to know that if they  
22 leave -- if they leave the GCR, they may be paying  
23 much more for their supply services because the data  
24 shows that customers have increased their costs when  
25 they leave the GCR.

OCC has requested a provision to protect the consumer's ability to effectively choose suppliers. If Duke knows that the GCR will provide savings to customers, it should be Duke's policy to disclose that information to the customers. The information in Mr. Haugh's testimony should be made part of the record in order for the Commission to make that determination.

To address the specific arguments RESA made, initially RESA indicates that the information in Mr. Haugh's testimony is beyond the scope of this proceeding. It simply isn't. As I stated earlier, that Duke has stated in this proceeding that the GCR mechanism would result in lower rates for its customers, and the auditor has quantified those savings that are approximately \$7 million per year. The issue in this proceeding is with that knowledge, should it be a policy of Duke to publicly disclose that information so the customers can have it.

As to the relevance issues, Mr. Haugh's testimony refers to staff's practice in 1997 to show that the difference between annual savings under the GCR and Choice rates. This information is relevant to show that this has been staff's prior practice and also that Mr. Haugh's recommendation can be

1 effectuated, that information can be placed on the  
2 Commission's web or even on Duke's web so customers  
3 can learn what that information is.

4 RESA also claims that the New York case  
5 law cited in Mr. Haugh's testimony is not relevant.  
6 Mr. Haugh's testimony, however, he is providing his  
7 expert testimony that Choice isn't working in all  
8 situations and that customers are leaving the utility  
9 service for Choice rates that will be higher over  
10 time.

11 To support his expert testimony,  
12 Mr. Haugh cites the New York Commission's orders.  
13 Evidentiary rule -- or Ohio Evidentiary Rule 703  
14 permits Mr. Haugh to provide expert testimony on his  
15 perceptions, and Rule 705 permits him to disclose the  
16 basis for his opinion and that's what he is doing.  
17 He is looking at the orders, and he is disclosing the  
18 basis for his opinion by citing those New York  
19 orders.

20 The same holds true for the Columbia  
21 shadow billing issue. Again, Mr. Haugh's expert  
22 opinion is that Choice isn't necessarily working in  
23 all situations in Ohio, and customers are leaving  
24 utility supply for higher Choice rates. Mr. --  
25 Mr. Haugh's reliance on the Columbia shadow billing

1 data is relevant to his opinion. And, again,  
2 Evidentiary Rule 703 requires him to provide his  
3 perceptions, and Rule 705 is just a disclosure of  
4 those -- of the basis for his opinion on the record.

5 In fact, in this proceeding, the auditor  
6 itself compares Duke's supply costs with those of  
7 other utilities in this state including Columbia Gas  
8 of Ohio. Mr. Haugh's testimony is considered -- is  
9 consistent then with what the auditor has done in  
10 this comparison of the utility rates in Ohio as found  
11 on page 12 of the audit report.

12 That's a long motion, your Honor. I'll  
13 continue. As to the hearsay issue, again, RESA  
14 complains that the Columbia shadow billing data is  
15 hear -- is hearsay, but I want to keep in mind the  
16 basis of the data in question. Here what we are  
17 talking about primarily is MPH Exhibit 1 which is the  
18 shadow billing data. Now, as noted in footnote 3 of  
19 Mr. Haugh's testimony, Columbia -- that was  
20 Columbia's exit from the merchant function case. The  
21 PUCO ordered Columbia to compile the shadow billing  
22 data, in other words, to keep track of what Choice  
23 customers would pay per month if they were standard  
24 service customers and then to compare those costs  
25 with what the customers -- Choice customers' monthly

1 costs would be.

2 And importantly the Commission required  
3 Columbia to share that shadow information -- billing  
4 information with the Office of Consumers' Counsel.  
5 This information is a public record under Ohio  
6 Evidentiary Rule 803(8). The data was compiled by  
7 Columbia pursuant to Commission order. It is  
8 required by law. Moreover, Columbia is required to  
9 share the information with OCC, and providing that  
10 information to OCC, it is, per se, a public record,  
11 so it meets the public records exception.

12 In addition, the information is also a  
13 record of regularly conducted activity under Rule  
14 803(6). It is data. It is made monthly by Columbia  
15 through its billing records process, and Columbia is  
16 required to share that information with OCC. As the  
17 Assistant Director of Analytical Service, Mr. Haugh  
18 has access to this information, and it's qualified  
19 under the rule to introduce as the basis for his  
20 expert opinion under Rule 703 and 705.

21 Finally, the last argument in the motion  
22 to strike by RESA is that because Mr. Haugh is not an  
23 attorney, he cannot testify as to the standards in RC  
24 4929.02. The Commission's practice has been that  
25 even though Mr. Haugh is not an attorney, he has vast

1 experience in regulatory matters, and he can use that  
2 regulatory experience to obviously read what the  
3 standards are in the statute and offer testimony as  
4 to whether the facts comply with those standards.

5 I guess bottom line, your Honor, the  
6 Commission should have this information available to  
7 it in the record. There is no reason to prevent the  
8 Commission from considering this information in  
9 making its determination in this proceeding and to  
10 protect Ohio's customers when there are rates out  
11 there that could be lower to them rather than Choice  
12 rates. Thank you.

13 EXAMINER SHEETS: Very good. Does IGS --  
14 RESA, excuse me.

15 MR. OLIKER: For the record IGS also  
16 supports the motion, your Honor.

17 MS. MOONEY: Your Honor, I wanted to add  
18 to what Mr. Stinson said that OP&E opposes the  
19 motion, and we -- for all the reasons that  
20 Mr. Stinson had said about the information being  
21 available for customers but there's also, as far as  
22 OP&E is concerned, the issue of low-income customers  
23 and PIPP customers who are on the Duke GCR and the  
24 issue being there, again, the information about  
25 whether or not GCR is the best alternative for



1 low-income customers, PIPP customers, who are forced  
2 to be on the GCR and whether or not the Commission  
3 should consider moving toward the situation like in  
4 Columbia or in East Ohio Gas, Dominion where the --  
5 there is an auction, and the auction determines the  
6 Standard Choice Offer for the Standard Service Offer,  
7 SCO, for those utilities based on marketers bidding  
8 into an auction and whether or not that even produces  
9 a lower price than what the Duke GCR is right now  
10 producing.

11 And that's an issue that OP&E wants to  
12 bring into this case as well and we support that all  
13 the shadow billing, all the information comes into  
14 the record and that we also want the Commission to  
15 consider whether there could be alternatives to the  
16 Duke GCR, especially for low-income customers who are  
17 forced onto the GCR.

18 EXAMINER SHEETS: Thank you. Let's let  
19 RESA now.

20 MR. SETTINERI: Thank you, your Honor. I  
21 think the first point is the longer an opposition to  
22 a motion the better the motion. What we've heard  
23 today is that this now is not a case about an audit.  
24 It's not about Duke's gas purchasing practices or  
25 policies. They have taken a single sentence in the

1 audit report, and we are springboarding now into an  
2 exit the merchant function case. I mean, whether  
3 Choice is good for Ohio case, that's not the purpose  
4 of this proceeding. So, therefore, all of the  
5 testimony we have identified to be stricken is  
6 outside the scope of this proceeding.

7 Secondly, in terms of relevancy, I think  
8 the same argument applies. Again, this case is about  
9 gas purchasing policies and the audit. It's not  
10 about exiting the merchant function.

11 In regard to the hearsay argument, this  
12 is classic hearsay. We have a document from  
13 Columbia. It's not on the docket anywhere. It's not  
14 a public document. Columbia is not here. We have a  
15 witness that's trying to introduce a document  
16 prepared by a third party as the truth of the matter  
17 asserted. That's classic hearsay in that Columbia's  
18 exhibit should not be admitted.

19 In regards to Mr. Haugh's interpreting  
20 Ohio's policy, the statute on natural gas policy, the  
21 difference here is he is interpreting that statute.  
22 He is interpreting the statute and that is the realm  
23 of an attorney. He is not an attorney, but the  
24 entire motion is based that his testimony that we are  
25 seeking to strike is outside the scope of this

1 proceeding.

2 Again, this is not an exit the merchant  
3 function proceeding. This is a GCR case that relates  
4 to the gas purchasing policies and practices of Duke  
5 Energy Ohio. Again, taking a single sentence and  
6 trying to morph that into an exit the merchant  
7 function and a case of whether Choice is good or bad  
8 for Ohio, that's not the proper scope for this  
9 hearing. It should not be allowed.

10 And I'll also note to the Bench that  
11 similar rulings have been made in regards to not  
12 allowing evidence into the record that's outside the  
13 scope and that would be found in Case No.  
14 14-1051-GA-RDR, January 22, 2015. So the Commission  
15 does have a practice of monitoring and limiting  
16 testimony in hearings to what is before the  
17 Commission, not outside the scope. Thank you.

18 EXAMINER SHEETS: Any reply?

19 MR. OLIKER: Your Honor, if I may. Two  
20 points very quickly, your Honor. I will try to be  
21 very brief.

22 Just to follow up, I agree with  
23 everything Mr. Settineri said. On the argument this  
24 document is a public record, under OCC's argument you  
25 could send anything you want to OCC. It could be

1 somebody's testimony from another case. It could be  
2 a newspaper article. Once it's in their possession  
3 how can you say it's all of a sudden a public record  
4 that they can introduce in a Commission case? If we  
5 do not have an opportunity to cross-examine the  
6 foundation of the voracity of the document, it is  
7 hearsay.

8 That's all, your Honor. Thank you.

9 EXAMINER SHEETS: Does OCC have any  
10 reply?

11 MR. STINSON: Sure, your Honor. I guess,  
12 first, in response to RESA's statement that the  
13 length of an argument is an indication that it's not  
14 particularly persuasive, I would also state that  
15 filing a motion to strike the night before without  
16 giving a party the 15 days to respond is also an  
17 indication that the motion to strike is not well  
18 made.

19 I believe, your Honor, I've stated in my  
20 prior arguments what OCC's position is. Again, what  
21 we're looking at here is a management and performance  
22 audit looking at the policies and practices of the  
23 utility. That policy is not to disclose -- even  
24 though in the audit report it is Duke -- Duke states  
25 that customers will receive a lower rate under the

1 GCR, the auditor has quantified that at an annual  
2 savings of \$7 million. Yet there is no management  
3 policy to disclose that to consumers for their  
4 benefit. And that's what OCC is seeking, to protect  
5 consumers to know if they leave the GCR, their supply  
6 costs will increase.

7 As to the case cited by RESA, the  
8 14-1051, your Honor knows that every case is decided  
9 on its own facts and its own merits, and I would urge  
10 the Examiners and the Commission to do the same with  
11 this proceeding considering the issue is placed at  
12 issue in the audit report; and, again, we are asking  
13 for the policy determination to be made and for the  
14 Commission to make that determination.

15 As to Interstate Gas Supply's statement  
16 as to the public record, his concern that anything  
17 supplied to OCC could be considered a public record,  
18 your Honor, in this case we are benefiting from a  
19 Commission order. That Commission order required  
20 Columbia to compile the shadow billing data and  
21 required Columbia to share that information with OCC.  
22 Under the rule the concern is with the  
23 trustworthiness of that information and that  
24 information is made trustworthy by the Commission  
25 order and the method it is prepared by Columbia and

1 presented to the OCC. So the authentication issues,  
2 the trustworthiness issues are not relevant in this  
3 proceeding.

4 I would urge the Commission -- I would  
5 urge the Examiners to introduce -- permit the  
6 introduction of this testimony into evidence so that  
7 the Commission can make a determination on this  
8 important policy decision.

9 EXAMINER SHEETS: Very good. Anything  
10 further, gentlemen?

11 MS. WATTS: Your Honor, if I may.

12 MS. MOONEY: To be -- sorry -- on  
13 Mr. Stinson's side, I would also point out that the  
14 shadow -- Columbia Gas shadow billing information has  
15 been admitted into the Commission record in other  
16 proceedings, notably the Dominion exiting the  
17 merchant function and the Columbia exiting the  
18 merchant function.

19 EXAMINER SHEETS: Thank you.

20 MS. WATTS: Your Honor, may I be heard  
21 before you rule?

22 MR. OLIKER: It's hard to tell where it's  
23 coming from with the microphones.

24 MS. WATTS: I won't add to the argument  
25 because I think you've heard some good argument, but

1 the company shares in the motion to strike for all  
2 the reasons stated.

3 EXAMINER SHEETS: All right. I will go  
4 ahead and make my ruling. These GCR cases are  
5 wide-ranging affairs. We typically bill them and  
6 related matters so that we let a great deal in the  
7 case. And what I am going to let the Commission do  
8 is decide what weight to give this testimony. So  
9 what I'll do is deny the motion to strike in its  
10 entirety and we will let the Commission decide on  
11 that. So the testimony stands.

12 Are there any other preliminary matters  
13 to take up today?

14 MR. SETTINERI: Your Honor, just to  
15 clarify the ruling, what about the exhibit, the  
16 Columbia exhibit?

17 EXAMINER SHEETS: Oh, yeah, I will deal  
18 with the exhibits later.

19 MR. SETTINERI: No. I am saying you said  
20 the testimony stands. What about the Columbia  
21 exhibit that was attached to Mr. Haugh's testimony?

22 EXAMINER SHEETS: The testimony and the  
23 exhibit, the whole thing stands.

24 MR. OLIKER: Thank you.

25 MR. STINSON: Thank you, your Honor.

EXAMINER SHEETS: If there is no other preliminary matters, we will start with the witnesses.

MR. McNAMEE: Thank you, your Honor. At this time the staff would call Jerome, and I will mispronounce the name I'm afraid, Mierzwa.

- - -

JEROME D. MIERZWA  
being first duly sworn, as prescribed by law, was examined and testified as follows:

DIRECT EXAMINATION

By Mr. McNamee:

Q. Mr. Mierzwa, could you state and spell, please, your name for the record.

A. My name is Jerome D. Mierzwa, and my last name is spelled M-I-E-R-Z-W-A.

EXAMINER SHEETS: Make sure your microphone is on.

Q. (By Mr. McNamee) Could you tell me by whom are you employed and in what capacity.

A. I'm employed by Exeter & Associates, Inc., and I am a principal in Exeter.

Q. And what is your business address?

A. My business address is 10480 Little Patuxent Parkway, Suite 300, that's Columbia,



1 Maryland 21044.

2 Q. Sir, do you have a copy before you of  
3 what's been previously marked for identification as  
4 Commission-Ordered Exhibit No. 1, the Management and  
5 Performance Audit of Gas Purchasing Practices and  
6 Policies of Duke Energy?

7 A. Yes, I do.

8 Q. Good. Was that prepared by you or under  
9 your direction?

10 A. Yes, it was.

11 Q. Okay. Are the contents of that true to  
12 the best of your knowledge and belief?

13 A. Yes, they are.

14 MR. McNAMEE: Okay. With that, your  
15 Honor, the witness is available for  
16 cross-examination.

17 EXAMINER SHEETS: Very good. We will  
18 start with IGS.

19 MR. OLIKER: Thank you, your Honor.

20 - - -

21 CROSS-EXAMINATION

22 By Mr. Oliker:

23 Q. Good morning, Mr. Mierzwa.

24 A. Good morning.

25 Q. Did I say that right?

1           A.    Yes, you did.

2           Q.    My name is Joe Olikier, and I represent  
3   IGS Energy.  Just a few questions for you this  
4   morning.  And I would like to start with I believe  
5   it's Commissioned-Ordered Exhibit 1 around page 5.  
6   And just a question regarding the questions of the  
7   background of your review of Duke's system.  And,  
8   first, we have a map here; is that correct?

9           A.    That's correct.

10          Q.    And this map gives you an outline of the  
11   pipelines that connect to the Duke's system; is that  
12   correct?

13          A.    Yes, it does.

14          Q.    And on the north side of the system we  
15   have several pipelines like ANR and TET; is that  
16   correct?

17          A.    On the map, yes.

18          Q.    And TCO as well; is that correct?

19          A.    Yes.

20          Q.    And the REX pipeline is on here as well;  
21   is that correct?

22          A.    Yes, it is.

23          Q.    And that's the Rockies Express pipeline,  
24   right?

25          A.    Yes, it is.

1           Q.    That pipeline was recently reversed to  
2 flow from east to west; is that correct?

3           A.    That's correct.

4           Q.    And that is because Marcella shale gas is  
5 very cheap. From a very high level.

6           A.    It's very cheap and abundant.

7           Q.    Yes. But that pipeline is not  
8 interconnected with Duke's system; is that correct?

9           A.    At the time of the audit, no, it did not.  
10 I don't know if it has changed.

11          Q.    Okay. Now, shifting gears on the south  
12 side of the system, we have the KO pipeline; is that  
13 correct?

14          A.    That's correct.

15          Q.    And in the audit report you identified  
16 that there are operational issues within the Duke  
17 system that require gas to be delivered both to the  
18 north side and south side, correct?

19          A.    That's correct.

20          Q.    And those percentages, it's approximately  
21 50/50.

22          A.    It can vary but it's pretty close to  
23 50/50.

24          Q.    And what is your understanding of the  
25 operational issues that require the divided delivery

1 between the north and south?

2 A. It's just the physical flow of gas can't  
3 reach certain areas unless it comes from the south,  
4 and it can't reach certain areas unless it comes from  
5 the north, maintain pressures in the system,  
6 operational issues like that.

7 Q. Okay. Would you agree that gas on the  
8 south side of the system is typically a little more  
9 expensive at the hubs?

10 A. I'm sorry. Is more expensive where?

11 Q. At the city gate on the south side of the  
12 system is more expensive than the north side of the  
13 system? If you know. I don't want you to speculate.

14 A. Offhand I don't know what the price  
15 difference is right now.

16 Q. Okay. Thank you. Now, if I turn to page  
17 19 of the audit report, you talk about Duke Energy  
18 Ohio has pretty substantial KO pipeline reservation  
19 rights; is that correct?

20 A. That's correct.

21 Q. About 184,000 dekatherms a day at the  
22 time of the audit report?

23 A. Yes, that's correct.

24 Q. And then you also -- make sure I have the  
25 right page number identified, that on page 18 Duke

1 currently pays \$800,000 per year for KO pipeline; is  
2 that correct? And that's at the bottom.

3 A. Yes. At the time of the audit, that's  
4 what they paid, 800,000.

5 Q. And it is estimated that these costs will  
6 increase by 7.2 million when KO Transmission files at  
7 FERC to recover its share of these system project  
8 costs; is that correct?

9 A. That was the estimate at the time of the  
10 audit, yes.

11 Q. So that's about a thousand percent  
12 increase.

13 A. Yes.

14 Q. Okay. And, therefore, your  
15 recommendation is that Duke reevaluate its  
16 transmission capacity entitlements in advance of this  
17 rate case; is that correct?

18 A. Yes, that was one of the audit  
19 recommendations.

20 Q. So the alternative Duke could get some  
21 other capacity; is that correct?

22 A. That's what they would be looking at as  
23 one option or a reduction in the 184,000.

24 Q. Would you agree that one of the things  
25 Duke should consider is enhancements to the

1 distribution grid that would allow it to bring in  
2 more gas from the north side of the system?

3 A. I would agree with that.

4 Q. And another potential enhancement Duke  
5 should consider in addition to that is  
6 interconnecting the REX pipeline to the Duke's  
7 system.

8 A. That -- it should also be something that  
9 should be considered. I don't know if that's lower  
10 cost or not.

11 Q. Okay. And other things Duke should  
12 consider is the price of gas delivered on the north  
13 side of the system versus the south side of the  
14 system; is that correct?

15 A. That would be one factor that would be  
16 considered, yes.

17 Q. Okay. And going back to the rate case,  
18 when it is filed at FERC, would you agree that when  
19 rates are proposed at FERC, generally speaking they  
20 go into effect six months after the application is  
21 filed?

22 A. I'm not sure. It's been a while since --  
23 there haven't been any FERC rate cases. I believe  
24 that's correct, but I'm not sure. Six months, five  
25 months, I'm not sure.

1           Q.    Right.  Okay.  So from a timing  
2   standpoint --

3           A.    I'm sorry.  Those rates are going into  
4   effect subject to refund.

5           Q.    Thank you.  And so you would agree that  
6   any evaluation that Duke does regarding potential  
7   alternatives should happen before the rate case is  
8   filed.

9           A.    I would think Duke should look at it as  
10   soon as possible.  They should have started looking  
11   at it before the case was filed, I believe.  That  
12   would be reasonable and I don't know why they  
13   would -- if they haven't reached a decision, even if  
14   the case gets filed, still continue looking at it.

15          Q.    Right.  Continuous improvement, correct?

16          A.    Correct.

17          Q.    Because if they don't do something  
18   continuously, then they could have a solution that  
19   cannot be implemented until after the rates go into  
20   effect, correct?

21          A.    I'm sorry.  Could you repeat that.

22                MR. OLIKER:  Karen, can you repeat it.

23                (Record read.)

24          Q.    And if you don't understand, I can repeat  
25   it.

1           A.    I am not quite following the question.

2           Q.    Okay.  Well, let's talk about the  
3 process.  Would you agree that capacity entitlements  
4 can be purchased for long periods of time?  Maybe one  
5 to five years or longer.

6           A.    Yes, they can.

7           Q.    So if -- and would you agree there is an  
8 election process for a capacity entitlement?

9           A.    Yes, Duke would decide what its -- what  
10 capacity entitlements it wanted.

11          Q.    So there is usually a window when you  
12 have to decide when you are going to get your  
13 capacity.

14          A.    There can be a window where you have the  
15 opportunity to renew a contract or change your  
16 entitlements and if, for example, a company said it  
17 did not want any KO capacity, for example, I am not  
18 sure they couldn't later on change their mind and get  
19 KO capacity.

20          Q.    Right.  So the idea is if a solution --  
21 if a different alternative to the KO pipeline becomes  
22 available after you have already made your election,  
23 then you are stuck in your KO entitlement for another  
24 year potentially.

25          A.    You are stuck for as long as your



1 contract extension is in place, yes.

2 Q. Okay. Another -- shifting gears a little  
3 bit, on page 78 and 79, you discuss Duke's balancing  
4 services that it provides to competitive suppliers  
5 like my company, correct?

6 A. That's correct.

7 Q. And on these pages of the audit report,  
8 you discuss Duke's proposal to make -- well, first,  
9 let's take a step back. You agree there's two  
10 services. There's firm balancing service and  
11 enhanced firm balancing service, correct?

12 A. I agree.

13 Q. And enhanced firm balancing service is  
14 effectively a form of virtual storage.

15 A. Yes.

16 Q. And under enhanced firm balancing  
17 service, a supplier pays a demand charge to Duke for  
18 storage reservation rights.

19 A. Yes, they do.

20 Q. And under the firm balancing system, a  
21 supplier does not take storage from Duke; is that  
22 correct?

23 A. They don't -- they don't have any storage  
24 rights with Duke. They still use storage and there's  
25 a charge for that.

1           Q.    Right.  And that's -- there is a  
2   different structure for firm balancing service and  
3   enhanced firm balancing service regarding the payment  
4   from the supplier; is that correct?

5           A.    That's correct.

6           Q.    And are you comfortable with me referring  
7   to firm balancing service as FBS and enhanced firm  
8   balancing service as EFBS?

9           A.    Yes, I am.

10          Q.    Okay.  Sorry.  It really gets -- get my  
11   tongue wrapped around it.  Would you agree that in  
12   the audit report you make a recommendation regarding  
13   Duke's proposal to make EFBS mandatory for suppliers  
14   with a daily volume greater than 20,000 dekatherms a  
15   day?

16          A.    Yes, we make a recommendation on that.

17          Q.    And would you agree the only  
18   recommendation contained in the audit report is with  
19   respect to the threshold that you would make EFBS  
20   mandatory?

21          A.    We also make -- that is one of the  
22   recommendations.  We also make a recommendation with  
23   process load being excluded.

24          Q.    Thank you.  And the recommendation that  
25   the audit report recommendation -- sorry.  Start that

1 over.

2 Would you agree that the audit report  
3 recommends that the threshold amount for mandatory  
4 EFBS be 6,000 dekatherms?

5 A. That was our recommendation, yes.

6 Q. And the audit report doesn't provide any  
7 analysis over whether the threshold amount should be  
8 3,000 dekatherms.

9 A. No, the audit report does not discuss a  
10 3,000 dekatherm ceiling.

11 Q. Okay.

12 A. Or limit, I'm sorry.

13 Q. Okay. Thank you. Mr. Mierzwa, did  
14 you -- would you agree that these -- this proposal we  
15 are talking about occurred in a different case which  
16 was Case 15-0050?

17 A. The proposals were presented in a  
18 different case, yes.

19 Q. And you reviewed, I would assume, the  
20 testimony that was filed in this case; is that  
21 correct?

22 A. I at one time reviewed the testimony,  
23 yes.

24 Q. And did you review the testimony of  
25 Thomas Scarpitti?

1           A.    Yes, I did.

2           MR. OLIKER:   Your Honor, I think I do  
3   have to mark an exhibit.   Would you prefer me to do  
4   it now and approach the witness with your permission?

5           EXAMINER SHEETS:   Excuse me?   What do you  
6   need?

7           MR. OLIKER:   I would like to mark an  
8   exhibit, your Honor --

9           EXAMINER SHEETS:   Okay.

10          MR. OLIKER:   -- as IGS Exhibit 1.   I  
11   would like to mark the direct testimony of Thomas  
12   Scarpitti in Case No. 15-0050.   May I approach?  
13   Thank you.

14                       (EXHIBIT MARKED FOR IDENTIFICATION.)

15          Q.    (By Mr. Oliker) Mr. Mierzwa, do you see  
16   the document that has been marked as IGS Exhibit 1,  
17   although yours probably doesn't have a mark on it?

18          A.    Yes, I do.

19          Q.    And is that the testimony of Thomas  
20   Scarpitti in Case No. 15-0050 that you reviewed?

21          A.    Yes, it is.

22          Q.    Now, does it appear to be a true and  
23   accurate copy?

24          A.    I would have no idea of knowing whether  
25   it was or not.

1           Q.    Okay.  But you don't see anything that  
2 looks out of line, do you?

3           A.    I haven't read it.  What you have given  
4 me, I have not read what you have given me.

5           Q.    Right.  We will take it a piece at a time  
6 then.  When you reviewed this testimony, did you  
7 review all of it?

8           A.    Yes.

9           Q.    And would you agree that contained in  
10 this testimony is a recommendation that when EFBS  
11 subscriptions drop below a certain dekatherm  
12 threshold, a pro rata amount of storage is assigned  
13 to suppliers?

14          A.    That was one of the recommendations in  
15 Mr. Scarpitti's testimony.

16          Q.    Would you agree that that recommendation  
17 is not addressed in the audit report?

18          A.    No.  The audit report does not address  
19 that recommendation.

20          Q.    Okay.

21          A.    That recommendation was considered but  
22 was not included in the audit report.  We did not  
23 think that the subscription level that it was being  
24 based on was correct and there were also concerns  
25 with the charge that would be assessed to suppliers

1 for the allocated pro rata allocation of storage and  
 2 there was also concern that this -- you know, each  
 3 year suppliers would be faced with a different  
 4 portfolio and I think one of the concerns suppliers  
 5 had they have long-term contracts and they don't want  
 6 to get stuck with capacity and this may do that to  
 7 some suppliers.

8 Q. None of those recommendations are  
 9 contained in the audit report, are they?

10 A. No. We don't discuss those in the audit  
 11 report.

12 Q. Thank you. Shifting to your proposal  
 13 regarding reducing storage by 20 percent.

14 A. Yes.

15 Q. Would you agree that Duke's alleged  
 16 difficulty with managing its storage balances is  
 17 partially due to being able to cycle through storage?

18 A. That was one concern expressed by Duke  
 19 during a warmer than normal winter.

20 Q. Would you agree that if Duke reduced its  
 21 storage assets by 20 percent, it would more easily  
 22 cycle through its storage?

23 A. Yes, it would cycle more easily through  
 24 storage because they would have less storage to cycle  
 25 through, but then the question is can they operate

1 with that at that level.

2 Q. But in the audit report you indicate they  
3 probably can; is that correct?

4 A. Based on the winter of 2013-2014, yes.  
5 Now, this does not include how they would operate if  
6 EFBS was mandatory which may affect how much storage  
7 they maintain.

8 MR. OLIKER: Could I have my question and  
9 his answer read back, please.

10 (Record read.)

11 Q. (By Mr. Olikier) Would you agree that if  
12 Duke were to reduce its storage assets by 20 percent,  
13 there would be less of a need to make EFBS mandatory?

14 A. I think the overriding point to consider  
15 here is it's a cost allocation issue. If Duke is  
16 able to reduce its storage, that benefit should not  
17 entirely accrue to suppliers, the competitive  
18 suppliers. It should accrue to both GCR customers  
19 and Choice customers. It's more of an equity  
20 argument in cost allocation. Just because you can  
21 reduce your storage you don't -- suppliers shouldn't  
22 then get the benefit of all that by not having to  
23 purchase EFBS.

24 Q. Well, if you reduce storage by 20  
25 percent, the lower cost would flow through to anybody

1 that pays for storage; is that correct?

2 A. Yes.

3 Q. And if the GCR -- so it would flow  
4 through to any supplier who is on the EFBS and the  
5 GCR for its holdings of EFBS, correct?

6 A. If the total reduction was -- if Duke  
7 reduces storage by 20 percent and then that was only  
8 reflected in the purchase of EFBS by suppliers, I  
9 don't think any of it would flow through the GCR.

10 Q. You do agree that the GCR pays for  
11 storage, Mr. Mierzwa.

12 A. They initially pay for storage and then  
13 there are credits from the Choice customers -- or  
14 Choice suppliers for the use of storage.

15 Q. So if you reduce the total amount of  
16 storage by 20 percent, GCR pays less, correct?

17 A. The GCR pays less, but the credit would  
18 be less from Choice suppliers.

19 Q. Okay. Turning to page 45 in the audit  
20 report --

21 MR. KUMAR: Sorry, Joe, what page was  
22 that?

23 MR. OLIKER: 45.

24 A. I have it.

25 Q. And the \$7 million number at the bottom



1 of the audit report, do you know how that number was  
2 calculated?

3 A. It was calculated on a difference in gas  
4 costs between GCR customers and suppliers for those  
5 customers who -- for those suppliers that used dual  
6 billing on behalf of Choice customers --

7 Q. So --

8 A. -- which is the vast majority.

9 Q. So are you familiar with the way  
10 industrial customers are billed?

11 A. I don't understand what you mean.

12 Q. Well, you agree there is something called  
13 a dual bill where the supplier billed the customer  
14 directly?

15 A. Yes, that's correct.

16 Q. Do you agree most, you know, larger  
17 commercial and industrial customers are dual billed?

18 A. I don't know what -- what they do for  
19 billing for the larger customers.

20 Q. So you have not reviewed all of the  
21 prices that were charged to Choice customers; is that  
22 correct?

23 A. That's correct.

24 Q. And you did not review the -- whether  
25 each of these prices were based on a fixed price or a

1 variable price, correct?

2 A. That's correct.

3 Q. And you also do not know the term of any  
4 of these contracts; is that correct?

5 A. That's correct.

6 Q. Am I correct that one of the issues --  
7 going back to the EFBS issue for a second, would you  
8 agree that you note in the audit report that any  
9 changes to the EFBS tariff should consider the  
10 potential impact it may have on suppliers' long-term  
11 contracts?

12 A. Yes, the audit report does note that.

13 Q. And you agree that suppliers can enter  
14 into long-term contracts of three years or more?

15 A. They are free to enter into any length of  
16 contract they want. I don't know what the suppliers  
17 on Duke's system have entered into.

18 Q. And the idea of considering the impact on  
19 contracts is EFBS is a more expensive service; is  
20 that correct?

21 A. I don't know how EFS compares to what the  
22 suppliers have entered into. The recommendation was  
23 made because this would be giving suppliers more  
24 capacity than they had planned on.

25 Q. And it would also require them to perhaps

1 consider a different business plan for delivering  
2 gas; is that correct?

3 A. Potentially, yes.

4 MR. OLIKER: Those are all the questions  
5 I have, your Honor.

6 Thank you, Mr. Mierzwa.

7 EXAMINER SHEETS: Does RESA have any  
8 questions?

9 MR. SETTINERI: Thank you, your Honor.

10 - - -

11 CROSS-EXAMINATION

12 By Mr. Settineri:

13 Q. Good after -- I should say good morning.  
14 My name is Mike Settineri here for the Retail  
15 Electric Supply Association. Just one question to  
16 follow up -- to follow up on the questions from  
17 Mr. Olier regarding your note on page 45, the \$7  
18 million --

19 A. Yes.

20 Q. -- number. That number is based on  
21 comparing the GCR with the weighted average cost of  
22 gas charged to customers who participate in the  
23 Choice Program; is that correct?

24 A. Yes.

25 MR. SETTINERI: No further questions.

1 EXAMINER SHEETS: OCC.

2 - - -

3 CROSS-EXAMINATION

4 By Mr. Kumar:

5 Q. Good morning, Mr. Mierzwa. My name is  
6 Ajay Kumar. I am with the OCC. Am I pronouncing  
7 your name correctly?

8 A. Yes, you are.

9 Q. Do you have a copy of the audit report up  
10 there with you?

11 A. Yes, I do.

12 Q. Could you turn to page 18 of your audit  
13 report. I apologize, page 19.

14 A. I have it.

15 Q. In that top paragraph on page 19, you  
16 state that "DE-Ohio should file a report with PUCO  
17 staff identifying the estimated increase that may  
18 result for the company"; is that correct?

19 A. Yes, that is correct.

20 Q. And that estimated increase is the  
21 estimated increase that would be due to the upgrades  
22 to the KO transmission line; is that correct?

23 A. That's correct.

24 Q. Mr. Mierzwa, do you have a copy of the  
25 stipulation that was previously marked as Joint

1 Exhibit 1 with you?

2 A. Yes, I do have one.

3 Q. Could you turn to page 5 of that  
4 stipulation.

5 A. I have it.

6 Q. At line 8, the stipulation states that  
7 "The specific findings presented in the Conclusions  
8 and Recommendations section of the Exeter Report are  
9 reasonable and should be adopted by the Commission";  
10 is that correct?

11 A. That's what it states.

12 Q. And then I believe subbullet point A goes  
13 on to, I guess, describe the actions that would be  
14 taken in regard to the KO transmission line.

15 A. Yes, it does.

16 Q. Could you read and review that specific  
17 subbullet point for me quickly.

18 A. I've read it.

19 Q. Is there any mention in subbullet point A  
20 about Duke filing a -- about Duke filing a report  
21 identifying the estimated increase that may result  
22 for the company as a result of the KO transmission  
23 line at the Commission?

24 A. The bullet point does not include that  
25 language.

1           Q.    Okay.  Moving on, Mr. Olikar, I believe,  
2   asked you some questions regarding the conclusions  
3   that Mr. Scarpitti had in his testimony in the 15-50  
4   case earlier.  Do you recall that?

5           A.    Yes, I do.

6           Q.    Can you -- do you have any further  
7   explanation as to why you chose not to adopt any of  
8   the recommendations of RESA or IGS?

9           MR. OLIKER:  Objection.  Your Honor, this  
10  is friendly cross.  OCC has --

11          MR. KUMAR:  OCC --

12          MR. OLIKER:  If I may please be heard  
13  without interruption.  The OCC has opposed RESA's  
14  recommendations in that case and he is seeking to  
15  elicit additional supplementation to the witness's  
16  testimony to further incorporate into the record and  
17  it's not appropriate for cross-examination, maybe on  
18  redirect.

19          MR. KUMAR:  Your Honor, OCC -- this is  
20  not friendly cross.  OCC is simply seeking  
21  clarification from an impartial witness, a Commission  
22  witness, and regarding issues that OCC has with this  
23  case.  And OCC is also not a friendly party because  
24  we are sitting in opposition to the stipulation.

25          EXAMINER SHEETS:  I will overrule your

1 objection. I will let him proceed.

2 MR. KUMAR: Your Honor, may I have the  
3 question reread?

4 EXAMINER SHEETS: Excuse me?

5 MR. KUMAR: May I have my original  
6 question reread?

7 EXAMINER SHEETS: Yes.

8 (Record read.)

9 A. There were many recommendations in the  
10 testimony of Mr. Scarpitti. If you can -- if you  
11 want to address a particular recommendation, yes. I  
12 think we addressed the recommendation about the  
13 contingency plan earlier which I don't have anything  
14 to add to that question. But if -- like I said,  
15 there are a host of recommendations by RESA and IGS.  
16 If you could be more specific as to any of those.

17 Q. Well, I guess -- sorry to interrupt. I  
18 guess, first of all, do you have any -- you don't  
19 have anything additional to add with regards to the  
20 contingency plan that was, I guess, proposed by RESA,  
21 IGS in that case and again in this case?

22 A. No, I do not.

23 Q. What about the -- the suggestion that  
24 they make EFBS mandatory for all suppliers under --  
25 all suppliers that take over a thousand Dth on a

1 daily basis?

2 A. Well, in our report we recommended a  
3 threshold of 6,000 and that was because that was the  
4 level at which suppliers are assigned capacity under  
5 their -- under the Choice Program. And the reason we  
6 also picked the 6,000 is because under -- let me find  
7 it here. I have it here under EFBS suppliers can  
8 elect EFBS once their MDQ passes a thousand, but the  
9 amount of EFBS assigned is only -- is -- it's  
10 assigned on the basis of increments of 3,000 so if a  
11 supplier had MDQ of a thousand, they would get an  
12 assignment of EFBS based on 3,000 which didn't seem  
13 reasonable. I guess an option would be if you wanted  
14 to have that thousand limit, you could make the  
15 increments which EFBS was assigned, increments could  
16 be a thousand too. So that would be an alternative.

17 Q. Could you turn to I guess page 48 of your  
18 audit report.

19 A. I have it.

20 Q. On page 48 you describe -- you analyze  
21 the capacity of Duke's propane system. And you say  
22 that it's possible that those propane facilities  
23 could become unavailable in the future.

24 A. Yes.

25 Q. If those propane facilities were to



1 become unavailable, would the extra 20 percent that  
2 you described earlier of storage be helpful in  
3 maintaining supply to Duke's GCR customers?

4 A. It potentially could but we weren't  
5 certain and that's why we asked the company --  
6 recommendation is ask the company to take a look  
7 before they did anything with the 20 percent of  
8 storage.

9 Q. And I believe you discussed with  
10 Mr. Olier earlier the expected large increase in the  
11 cost of the KO transmission line.

12 A. Yes.

13 Q. If Duke were to choose not to use the KO  
14 transmission line to transport gas for customers due  
15 to its high cost, would the extra 20 percent of  
16 capacity be helpful for maintaining service to the  
17 GCR customers?

18 MR. OLIER: Sir, I think you might want  
19 to restate that.

20 Maybe read the question back, Karen.

21 (Record read.)

22 MR. KUMAR: Thanks, Joe. I believe  
23 instead of capacity I meant storage there.

24 Q. Would you like me to?

25 A. Yeah. I have lost the question.

1           Q.    Due to the high cost of the KO  
2   transmission line, if Duke were to elect not to use  
3   that line to transport gas, would the extra 20  
4   percent of storage that we've discussed earlier,  
5   would that be helpful in maintaining service to  
6   Duke's GCR customers?

7           A.    Offhand I don't know and that's one of  
8   the reasons I should look at -- that's one thing they  
9   should consider as they look at it.

10          Q.    Could you turn to page 45 of your audit  
11   report.

12          A.    I have it.

13          Q.    At the bottom of page 45 you state that  
14   "GCR customers have saved approximately \$7 million  
15   per year in gas costs compared to Choice customers."  
16   Could you describe the methodology you used in making  
17   that calculation.

18          A.    It was a calculation prepared by the  
19   company that we received the information through a  
20   data request.

21               MR. KUMAR:  At this time I have no  
22   further questions, your Honor.

23               EXAMINER SHEETS:  Does OP&E have any  
24   questions?

25               MS. MOONEY:  Yes, your Honor.

CROSS-EXAMINATION

By Ms. Mooney:

Q. Staying on the page 45 of the audit report, you mention that both Columbia and Dominion East Ohio no longer have a GCR mechanism and that instead they have a Standard Service Offer, and the price is determined by an auction process; is that correct?

A. That is correct.

Q. Now, you say that, going onto the next paragraph on page 45, that essentially Duke has stayed with the GCR based on a report that was filed in 2009; is that correct?

A. Yes, it is.

Q. And would you agree with me that gas commodity prices have changed since 2009, May 2009?

A. Prices have changed since that time, yes.

Q. Then you conclude, the last paragraph, that the Duke report -- and OCC's counsel just asked you, and you said that the 7 million figure basically is not your figure. It's a number that you got from something that Duke had provided to you; is that correct?

A. Yes. It was provided through a data request. We reviewed the data requests for

1       reasonableness.

2               Q.     You did review it for reasonableness?

3               A.     Yes.   We looked --

4               Q.     The \$7 million figure, did you review  
5       that calculation for reasonableness?

6               A.     We looked at the calculations, yes.

7               Q.     Do you remember -- your reference there  
8       that I really want to focus on in that sentence that  
9       says "Since 2012 GCR customers have saved  
10      approximately \$7 million per year compared to Choice  
11      customers," what do you mean by "Choice customers" in  
12      that sentence?

13              A.     It's the customers for whom the company  
14      does the billing under the Choice Program.

15              Q.     And what choice do those customers have?

16              A.     To use -- to purchase gas under -- at the  
17      GCR price or purchase gas from a competitive  
18      supplier.

19              Q.     Do you know if that -- in Duke's service  
20      territory the purchasing of gas from a competitive  
21      supplier is limited to bilateral contracts or  
22      aggregations between the customer and the supplier?

23              MR. OLIKER:  Objection to the extent that  
24      calls for a legal conclusion but it's also a compound  
25      question.

1           Q.     (By Ms. Mooney) I am trying to figure out  
2 what you meant by Choice customers, and you said  
3 customers who choose. Are they limited to bilateral  
4 contracts with suppliers?

5           A.     I don't know.

6           Q.     Do you know if they have -- if a Duke  
7 customer has the option to obtain a Standard Service  
8 Offer that's -- that is, the price of which is  
9 determined through an auction process?

10          A.     Duke customers do not have that choice.

11          Q.     Did you consider in doing the audit  
12 report whether an auction process could -- of  
13 competitive suppliers getting into an auction and  
14 creating a Standard Choice Offer like they have in  
15 Dominion and Columbia could have resulted in a lower  
16 price than Duke's GCR?

17          A.     That's not in the audit scope of work,  
18 no.

19          Q.     And you didn't even look at that?

20          A.     No, we did not.

21          Q.     Do you think the Commission should look  
22 at that?

23          A.     The Commission can look at whatever it  
24 chooses. Certainly the Commission can look at it.

25                 MS. MOONEY: Okay. That's all the

1 questions I have. Thank you.

2 EXAMINER SHEETS: Okay. No more  
3 questions? Are there any other questions?  
4 Any on redirect?

5 MR. McNAMEE: Your Honor, if we might  
6 have just a moment, I seriously doubt it.

7 Your Honor, at this time we would have no  
8 redirect examination and would ask to have what's  
9 been marked for identification as Commission-Ordered  
10 Exhibit 1 admitted into evidence in this record.

11 EXAMINER SHEETS: Very good. Since there  
12 are no more questions we will move that exhibit into  
13 evidence and you are excused.

14 (EXHIBIT ADMITTED INTO EVIDENCE.)

15 THE WITNESS: Thank you, your Honor.

16 MR. OLIKER: Your Honor, IGS Energy would  
17 move for the admission of Exhibit 1 that was marked  
18 including the testimony of Thomas Scarpitti.

19 MR. KUMAR: Your Honor, if we are going  
20 to move Mr. Scarpitti's testimony, I would also ask  
21 that we take administrative notice of the testimony  
22 of Bruce Hayes, of Mr. Kern, and the transcript from  
23 the 15-50 case.

24 MR. OLIKER: Your Honor, we would oppose  
25 that.

1 MR. SETTINERI: Yeah, your Honor. The  
2 only item discussed, OCC's counsel also asked  
3 questions from the witness on this, is related only  
4 to Mr. Scarpitti's testimony. No other testimony was  
5 discussed. And so administrative notice should not  
6 be taken of any other individual's testimony, and we  
7 support admission of the IGS exhibit.

8 MR. OLIKER: Your Honor, the witness  
9 [VERBATIM] could have presented the testimony for the  
10 witness to review and asked him if he had reviewed  
11 that testimony and he did not.

12 EXAMINER SHEETS: I will admit those  
13 exhibits into evidence.

14 (EXHIBIT ADMITTED INTO EVIDENCE.)

15 EXAMINER SHEETS: So we will proceed from  
16 there.

17 MS. WATTS: Your Honor, I was unable to  
18 hear you.

19 EXAMINER SHEETS: Excuse me?

20 MS. WATTS: I was unable to hear you,  
21 your ruling.

22 MR. OLIKER: Did you say you would take  
23 administrative notice of those exhibits, your Honor?

24 EXAMINER SHEETS: I'm sorry. I don't  
25 know what you are -- you want.

1 MR. OLIKER: We were trying to understand  
2 the ruling.

3 MR. SETTINERI: Your Honor, we want to  
4 clarify that the IGS exhibit Mr. Olikier has proposed  
5 will be admitted into evidence.

6 EXAMINER SHEETS: Uh-huh.

7 MR. SETTINERI: And then we also want to  
8 clarify that OCC's request to take administrative  
9 notice of testimony that hasn't been discussed in  
10 this proceeding at all will be denied.

11 MR. KUMAR: Your Honor, that proceeding  
12 has been discussed in this testimony and in order --  
13 if you are going to admit the -- Mr. Scarpitti's  
14 testimony, sorry, in order to have a full record, we  
15 should look at the other testimony that was presented  
16 in that case as well.

17 EXAMINER SHEETS: Okay. What I am going  
18 to do is admit Mr. Scarpitti's testimony from the  
19 15-50 case but we won't -- we won't admit the other  
20 one -- I won't take administrative notice of that,  
21 okay?

22 MR. OLIKER: Thank you, your Honor.

23 MR. McNAMEE: Your Honor, at this time  
24 the staff has nothing further, and we appreciate the  
25 Bench's indulgence in allowing the -- our witness to



1 proceed first so he can catch his plane. Thank you.

2 EXAMINER SHEETS: Okay. What we will do  
3 at this time is proceed with the other witnesses and  
4 start with the company.

5 MS. WATTS: Yes, thank you, your Honor.  
6 Duke Energy Ohio would ask to present Jeff Kern. May  
7 I approach, your Honor?

8 EXAMINER SHEETS: You may.  
9 Go ahead and aware you in.

10 - - -

11 JEFF KERN

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

14 DIRECT EXAMINATION

15 By Ms. Watts:

16 Q. Good morning, Mr. Kern.

17 A. Good morning.

18 Q. Do you have before you what's been marked  
19 as Duke Energy Ohio Exhibit 1?

20 A. Yes.

21 Q. I apologize because I don't think I wrote  
22 it actually on the document but.

23 A. The testimony or stipulation?

24 Q. Your testimony.

25 A. Testimony.

1 Q. And would you identify that, please.

2 A. Yes, that is my testimony.

3 Q. And did you cause that testimony to be  
4 prepared for this proceeding?

5 A. Yes, I did.

6 Q. And is the information contained in that  
7 document true and accurate to the best of your  
8 knowledge?

9 A. Yes, it is.

10 Q. If I were to ask you the questions  
11 contained therein again today, would your responses  
12 be the same?

13 A. Yes, they would.

14 Q. Do you have any additions or corrections?

15 A. No, I do not.

16 Q. Mr. Kern -- let me do one other thing.  
17 Mr. Kern, do you also have with you what -- a  
18 document that's been marked as Company and Staff  
19 Exhibit 1?

20 A. Yes, I do.

21 Q. And would you also identify that?

22 A. That is the stipulation and  
23 recommendation.

24 Q. Okay. And in your testimony you address  
25 that stipulation, correct?

1           A.     Correct.

2           Q.     And so that document is the same document  
3     that you are referring to in your testimony.

4           A.     Yes, it is.

5           MS. WATTS:   Mr. Kern is available for  
6     cross-examination.

7           EXAMINER SHEETS:   Okay.   Does staff have  
8     any questions?

9           MR. McNAMEE:   No questions, your Honor.

10          EXAMINER SHEETS:   Then IGS.

11          MR. OLIKER:   Thank you, your Honor.

12                               - - -

13                               CROSS-EXAMINATION

14     By Mr. Olikier:

15           Q.     Good morning, Mr. Kern.

16           A.     Good morning, Mr. Olikier.

17           Q.     Good to see you again.   Now, just from a  
18     high level, you have a very large role in the  
19     preparation of the audit report; is that correct?

20           A.     In the audit report?   I answer a lot of  
21     questions in the data requests, but I don't prepare  
22     the audit report.   That's done by Exeter.

23           Q.     Thank you.   You corrected my question.  
24     And in general looking through the extensive audit  
25     report, there is a discussion of Mcfs and dekatherms;

1 is that correct?

2 A. I don't recall that specifically in the  
3 audit report.

4 Q. Okay. In general would you agree --  
5 first, you are familiar with the term dekatherm,  
6 correct?

7 A. Yes, yes.

8 Q. And you are familiar with the term Mcf,  
9 correct?

10 A. Yes, I am.

11 Q. And Ccf as well, right?

12 A. Right.

13 Q. Could you explain the difference between  
14 those two things.

15 A. It's basically the heat value of the gas.  
16 Ccf or Mcf is just the volume, how much space that  
17 gas takes up. When you add the heat value of that  
18 gas, the BTU content, that's how you get the  
19 dekatherms.

20 Q. Okay. And in the audit report, for  
21 example, it talks about things like capacity  
22 entitlements with respect to dekatherms, correct?

23 A. Right.

24 Q. And it talks about purchasing with  
25 respect to dekatherms; is that correct?

1           A.    Correct.

2           Q.    And historically -- well, first of all,  
3 before I go there, to get from a dekatherm to an Mcf,  
4 you have to do what's called a BTU conversion,  
5 correct?

6           A.    Correct.

7           Q.    And historically the conversion was very  
8 close to one to one, right?

9           A.    It was 1.028 is kind of historically what  
10 it was. That's close to 1 but a little bit higher.

11          Q.    I'm sorry. I didn't mean to interrupt.

12          A.    Yeah, historically that's what it's been  
13 up in the last couple of years.

14          Q.    Right. And before that point, say 2009  
15 or so, you couldn't blame somebody if they  
16 interchanged the dekatherm with an Mcf, correct?  
17 Because it was so close to 1.

18          A.    They were pretty close, yes.

19          Q.    But the Marcellus shale has a very high  
20 BTU value; is that correct?

21          A.    It does tend to be higher than gas coming  
22 from the Gulf.

23          Q.    So over the past few years the BTU  
24 conversion has gone from, say, 1.028 to almost 1.807,  
25 right?

1           A.    That -- yeah, that's about what it is  
2   now.

3           Q.    Okay.  And just so we understand this,  
4   you are billing the GCR customers and suppliers based  
5   upon the volume conversion, the Mcf, correct?

6           A.    The Mcf, that's correct.

7           Q.    So would you agree every month that Duke  
8   publishes a systemwide BTU factor to convert the Mcf  
9   to MMBtus?

10          A.    Yes.

11          Q.    And since suppliers have to bill in cubic  
12   feet, would you agree that suppliers are at risk that  
13   the price of a customer using a lower BTU factor  
14   could change?  Maybe I didn't say that question  
15   correctly.

16                Would you agree that when a supplier  
17   bills a customer, we are at risk that the BTU factor  
18   can change?

19          A.    Yes, the BTU factor can change and this  
20   would affect how much, you know, the same -- a  
21   customer would use if a high -- if the BTU is high,  
22   the customers would use less Mcf to perform the same  
23   service, heating their home or whatever.  And if the  
24   BTUs are lower, they would have to use more Mcf so  
25   that does have an impact on revenue.

1           Q.    And it can affect numerous things, could  
2 affect the hedges that a supplier represents too; is  
3 that correct?

4           A.    Yeah, I suppose it could.

5           Q.    And it actually could affect Duke's  
6 hedges as well; is that correct?

7           A.    Yes, it could.

8           Q.    So generally speaking would you agree  
9 that the fluctuations in the BTU factor can make it  
10 more difficult for Duke or a supplier to manage its  
11 purchases?

12          A.    Yes, I would agree to that.

13          Q.    And that can translate into higher  
14 prices.

15          A.    Theoretically, yes.

16          Q.    Because generally speaking the more risk  
17 there is the harder it is to enter into a  
18 transaction. Okay. So, conversely, would you agree  
19 that if Duke converted to therm billing, then GCR  
20 customers and Choice customers could see the increase  
21 in prices.

22          A.    Again, theoretically, yes, it could  
23 happen.

24          Q.    Okay. And the stipulation doesn't  
25 contain any commitment by Duke to convert to therm

1 billing, does it?

2 A. No, it does not.

3 Q. And would you agree the Commission should  
4 consider requiring Duke to convert to therm billing?

5 A. I would say -- we are aware of the issue  
6 between therm billing and billing on Mcf, and we are  
7 looking into it, but I am not prepared at this point  
8 to make any recommendation on what the Commission  
9 should or should not do.

10 Q. Okay. Now turning to the stipulation, on  
11 page 8 it discusses the potential KO Transmission at  
12 FERC, correct?

13 A. On page 8.

14 Q. I'm sorry. I meant page 5. It is  
15 paragraph 8.

16 A. Okay. Yes, that is correct.

17 Q. And is -- by way of background, first,  
18 let's talk about the KO pipeline is owned by Duke  
19 Energy Ohio; is that correct?

20 A. That is correct.

21 Q. Are there any other owners?

22 A. No.

23 Q. And you agree it's connected to the  
24 southern part of Duke's system.

25 A. That is correct.



1           Q.    Does Duke still hold 184,000 dekatherms  
2 of capacity on KO?

3           A.    Yes.

4           Q.    And going to the stipulation, there is  
5 from a high level a conflict of interest provision;  
6 is that correct?

7           A.    Right.

8           Q.    And could you explain the meaning of this  
9 provision in your own words under 8A?

10          A.    8A, what this is getting at there was a  
11 recommendation in the audit that we file a report to  
12 explain how we plan on addressing this conflict of  
13 interest. Rather than just agree to file a report,  
14 we thought we could address it right here in the  
15 stipulation since it's no longer a question whether  
16 or not KO would be filing a case. KO is filing a  
17 case. There's already been some preliminary meetings  
18 on that. So what we've got here in this 8A is what  
19 our -- how we are going to address that conflict of  
20 issue -- conflict of interest issue.

21          Q.    Okay. And thank you for that  
22 explanation. When it talks about the personnel that  
23 will be involved in that case, first, would you agree  
24 you are responsible for procuring capacity for the  
25 Duke Energy Ohio system?

1           A.    That is correct.

2           Q.    What would your role be in the KO  
3 pipeline case?

4           A.    In the case -- actually in the case I am  
5 on the side of the company that will be representing  
6 KO at FERC.

7           Q.    And am I also correct you would be  
8 responsible for continuing to procure capacity for  
9 the Duke Energy Ohio system?

10          A.    That is correct.

11          Q.    And under provision B, this is 8B, where  
12 it says "The Company agrees to reevaluate whether its  
13 current KO Transmission capacity entitlements are  
14 reasonable, and adjust those entitlements as  
15 appropriate," what is your definition of reasonable  
16 in this sentence?

17          A.    It's that it is the best option for  
18 getting gas to our GCR customers.

19          Q.    And would you agree potential  
20 alternatives do exist on the north side of the  
21 system?

22          A.    Currently the way our system is  
23 configured we are limited, and I think that was  
24 mentioned by Mr. Mierzwa when he was up here that  
25 there is about a 50 percent split between north and

1 south, so we can't replace what's coming up KO with  
2 gas coming into the north end of our system.

3 Q. And have you evaluated the infrastructure  
4 improvements that would be required behind the city  
5 gate to improve the flow of the north side of the  
6 system to the south side of the system?

7 A. I personally have not, but the company  
8 has been looking into it.

9 Q. And would that be one of the alternatives  
10 that Duke Energy Ohio would evaluate?

11 A. That is something -- I guess that's  
12 something being looked at by our engineering  
13 department to look into the improvements of the  
14 system.

15 Q. Would you agree if you could bring more  
16 gas from the north side of the system to the south  
17 side of the system, that would increase liquidity of  
18 the gas that's deliverable to Duke's system from a  
19 price standpoint?

20 A. I'm -- I am not sure what you meant by  
21 "increased liquidity."

22 Q. First, would you agree that the price of  
23 gas on the north side of the system is generally  
24 cheaper than the south side?

25 A. No, I would not agree with that at all.

1 If you look at it at a strictly currently on just a  
2 commodity basis, they are about the same. There is  
3 about a -- maybe a penny, penny and a half difference  
4 between north and south, and it varies from day to  
5 day. If you look at the demand charges that we pay  
6 to Texas Gas and some of the pipelines, you know,  
7 that we have up in the north end of the system, the  
8 north end actually turns out to be a little bit more  
9 expensive than bringing up gas, you know, from the  
10 south.

11 Q. And that's today before the thousand  
12 percent rate increase.

13 A. That is true. But, again, that thousand  
14 percent increase is a thousand percent of a very,  
15 very small rate so even with a thousand percent  
16 increase, that rate is not going up to the same level  
17 as like what Columbia Gas is charging currently.

18 MS. WATTS: Your Honor, if I may, and I  
19 will apologize for interrupting Mr. Olier, but as  
20 Mr. Kern has testified, in the KO rate case he will  
21 be representing KO Transmission, and some of the  
22 matters related to that case are confidential. And I  
23 want to just make sure we don't go down a path where  
24 Mr. Kern is inadvertently required to testify about  
25 matters that are protected with respect to KO

1 Transmission.

2 MR. OLIKER: That is not my intention,  
3 your Honor, so please, Elizabeth, if I say -- I will  
4 try not to say anything, and if Jeff says anything,  
5 we will agree to put it in the confidential record.

6 MS. WATTS: All right. I represent Duke  
7 Energy Ohio, and I don't want him to tell me anything  
8 either.

9 Q. (By Mr. Olikier) So, Mr. Kern, it's all on  
10 you.

11 A. I'll keep that in mind.

12 EXAMINER SHEETS: Let's continue.

13 Q. Okay. Was there a question pending or  
14 no? You mentioned, Mr. Kern, there are fluctuations  
15 in the price between the north and the south,  
16 correct?

17 A. Correct.

18 Q. And you would agree that to the extent  
19 that the flow of gas from the north side of the  
20 system to the south side of the system can be  
21 improved, then a supplier or a customer could benefit  
22 from bringing in gas from whatever side is cheaper.

23 A. Correct. That is a major advantage to  
24 having improved the system, it would have more  
25 flexibility. Rather than kind of a 50/50 split,

1 could maybe change to where we could bring 80 percent  
2 from one side or the other.

3 Q. Okay. The audit report discusses the REX  
4 pipeline on the north side of the system; is that  
5 correct?

6 A. Yes, that's correct.

7 Q. And at one time Duke was exploring  
8 interconnecting with REX; is that correct?

9 A. That is correct.

10 Q. Is Duke still exploring interconnection  
11 with REX?

12 A. Not currently.

13 Q. And before the capacity volume that Duke  
14 was potentially seeking was 24,000 dekatherms; is  
15 that correct?

16 A. Yes, that is correct.

17 Q. Would Duke have been able to purchase  
18 that volume of dekatherms while delivering -- would  
19 that have displaced -- one more time. That was a  
20 garbled question.

21 When Duke was considering procuring  
22 24,000 dekatherms of capacity in REX, what capacity  
23 would that have replaced?

24 A. Most likely -- we hadn't gotten to that  
25 point but most likely Texas Gas, what we had with

1     them.

2             Q.     And coming back to the infrastructure  
3     improvements that we talked about that may be  
4     necessary to improve the flow of gas, would you agree  
5     they would take time once they were identified?

6             A.     Oh, yes.  It's not something you do  
7     overnight.

8             Q.     So, therefore, would you agree that Duke  
9     should move to identify any potential upgrades sooner  
10    rather than later?

11            A.     Like I said, this is currently going on.  
12    The company has hired a third-party engineering  
13    consultant that they are looking at it.  But I'm  
14    not -- it doesn't really affect my area as much as it  
15    does engineering and construction so.

16            Q.     Okay.  And what is the timing around the  
17    evaluation of alternatives to KO pipeline that is  
18    contemplated by the stipulation?

19            A.     Well, the stipulation is not -- you know,  
20    it hasn't been officially approved by the Commission  
21    yet, so I haven't started yet doing that evaluation.  
22    But it is something that I would -- I would do  
23    shortly.  I am not going to wait years to do it.  An  
24    evaluation will probably take place this summer.

25            Q.     And what process for reporting results of

1 your evaluation does the stipulation contemplate?

2 A. It contemplates that in the next audit,  
3 which will be in 2018, that that will be one of the  
4 top customers -- that will be discussed in that audit  
5 just like it's historically whatever recommendations  
6 we agreed to in one audit are examined in the next  
7 audit.

8 Q. So you would agree under the stipulation  
9 IGS or a RESA company would not have an opportunity  
10 to provide input regarding your evaluation.

11 A. Well, you will in the next audit.

12 Q. In 2018?

13 A. Yes.

14 Q. You would agree that Duke's decision  
15 regarding potential alternatives to the KO pipeline  
16 may also impact suppliers?

17 A. It could impact the suppliers that are --  
18 that are given -- that basically take an assignment  
19 of capacity through the FRAS program. Not all  
20 suppliers do.

21 Q. And it would also impact any supplier  
22 that has to deliver 50 percent of their gas to the  
23 southern part of the system; is that correct?

24 A. Are you talking about the improvement to  
25 our distribution system now? I thought you were



1 talking about the evaluation of how much KO capacity  
2 we had.

3 Q. Let's -- well, let's break it up then.  
4 First of all, you agree that suppliers are required  
5 to deliver gas in accordance with the constraints  
6 you've identified.

7 A. Approximately 50/50, yes.

8 Q. And, for example, IGS may have capacity  
9 on the KO Transmission in order to deliver that gas;  
10 is that correct?

11 A. Yes, that would be correct.

12 Q. And unless Duke performs infrastructure  
13 improvements to allow delivery of more gas to the  
14 north side, IGS will continue to have to deliver gas  
15 to the south side of the system.

16 A. That is correct.

17 Q. Okay. So you would agree we have a  
18 strong interest in the evaluation that you are going  
19 to perform.

20 A. Okay. Again, you seem to be mixing up  
21 the improvements to the distribution system with the  
22 evaluation I am going to perform is how much KO  
23 capacity we need to meet the GCR load. That is  
24 separate from the evaluation that our engineering  
25 department is doing on improvements to the system.

1           Q.    Okay.  Thank you for that clarification.  
2    So your understanding of the stipulation is -- does  
3    not require Duke to also consider potential  
4    infrastructure improvements that would allow it to  
5    have additional alternatives to KO.

6           A.    That's not contemplated as part of this  
7    stipulation, no.

8           Q.    But you agree the Commission could  
9    require that.

10          A.    I don't know what the Commission -- I  
11   guess the Commission could require anything it wants.

12               MR. OLIKER:  And could I go off the  
13   record for one second to avoid -- make sure I don't  
14   say anything confidential?

15               (Discussion off the record.)

16          Q.    (By Mr. Oliker) I just have a few more  
17   questions, very close to being done.  Mr. Kern, am I  
18   correct KO will be filing a rate case at some point  
19   in the future; is that correct?

20          A.    Yes, they will.

21          Q.    And whether it's five months or six  
22   months after that case is filed, those rates will go  
23   into effect subject to refund.

24          A.    Yes, that's my understanding the way it  
25   works at FERC, yes.

1           Q.   And under provision 8D, this relates to  
2   the two remaining propane facilities, correct?

3           A.   Which 8?

4           Q.   Page 6, 8D.

5           A.   B, that's the one about the KO  
6   Transmission capacity entitlement.

7           Q.   No, D as in David.

8           A.   D, okay. What was your question?

9           Q.   My question is there is no evidence to  
10   suggest that the two remaining propane facilities  
11   will be lost, is there?

12          A.   That is part of that study we're doing,  
13   that the engineering department is doing, to look at  
14   improvements to the system to give us more  
15   flexibility north to south. They are also including  
16   in that study what improvements to the system we  
17   could make so we could no longer need those propane  
18   plants.

19          Q.   But back to the question, there is no  
20   evidence to suggest that those propane plants will  
21   fail, is there?

22          A.   There is -- there's not so much the  
23   propane plants but one of the areas of concern is the  
24   caverns. We used to have three plants --

25               MS. WATTS: Objection, your Honor. If I

1 may, I think we are getting into some confidential  
2 testimony, and I just want to make sure we -- your  
3 Honor, I believe the witness is covering some  
4 confidential testimony. I just want to make sure if  
5 we get into details about the propane facilities,  
6 that we close the record appropriately. I think we  
7 are okay so far. I just want to.

8 EXAMINER SHEETS: Okay. Let's proceed  
9 and we will stay away from the confidential stuff.

10 MS. WATTS: Thank you, your Honor.

11 Q. (By Mr. Olikier) Were you done with your  
12 answer?

13 A. No. What I was going to point out is  
14 that -- we had three caverns, one of which we sold  
15 back in 2006 to Enterprise. All three of these  
16 caverns were built around the same time  
17 approximately. They were all, you know, set up with  
18 an associated propane plant. The one that we sold to  
19 Enterprise back in 2013, that cavern developed a  
20 leak, and they basically declared force majeure and  
21 shut the cavern down. And that's why we only have  
22 two plants now instead of three.

23 Now, with all those caverns being built  
24 around the same time, there is -- there is concern  
25 that one of those other caverns could develop a

1 similar problem and that's why we are investigating  
2 potentially shutting down those plants by making  
3 improvements to the distribution system.

4 Q. Okay. So besides the timing of the  
5 construction there are no other concerns that have  
6 been identified?

7 A. Not for the plans that I am aware of.

8 Q. Okay. And am I correct going to  
9 provision E -- no, I'm sorry, it's provision F, the  
10 recommendation to evaluate serving the system at 20  
11 percent less storage, that evaluation would not be  
12 available to any other party until 2018?

13 A. That is correct.

14 Q. Mr. Kern, earlier you were in the room  
15 when I was speaking with the auditor about his  
16 recommendations regarding EFBS and FBS, correct?

17 A. Correct.

18 Q. You would agree that the stipulation does  
19 not specifically address any of the recommendations  
20 in the audit report related to EFBS or FBS.

21 A. Yes, I would agree.

22 Q. Maybe one last question, now, you are  
23 also familiar with Mr. Haugh's recommendation of a  
24 shadow bill, correct?

25 A. I did read his testimony and that's about

1 it.

2 Q. Would it be costly to implement that  
3 proposal?

4 A. Yes. My understanding is, yes, it would  
5 cost quite a bit for us to change our billing system  
6 to do that.

7 MR. KUMAR: Objection, your Honor. That  
8 mischaracterizes Mr. Haugh's testimony.

9 MR. OLIKER: Your Honor, it's too late.

10 EXAMINER SHEETS: Let's proceed.

11 Q. Now, Mr. Kern, you mentioned the capacity  
12 market of the propane plants. Would you agree that  
13 there's aging infrastructure all over the Duke  
14 system?

15 A. Yes.

16 Q. And age is not necessarily always an  
17 indication of whether something will fail; is that  
18 correct?

19 A. Yeah, I guess that's correct. I'm not an  
20 engineer so that's not my area of expertise but that  
21 sounds correct.

22 MR. OLIKER: I believe those are all the  
23 questions, your Honor.

24 Thank you, Mr. Kern.

25 EXAMINER SHEETS: We will move on to

1 RESA.

2 MR. SETTINERI: Thank you.

3 - - -

4 CROSS-EXAMINATION

5 By Mr. Settineri:

6 Q. Good morning, Mr. Kern.

7 A. Still for another 5 minutes.

8 Q. Just real quick, there are only two  
9 parties to this stipulation, correct?

10 A. That is correct.

11 Q. And that is the company and staff,  
12 correct?

13 A. Correct.

14 MR. SETTINERI: No further questions.

15 EXAMINER SHEETS: OCC.

16 MR. KUMAR: Thank you, your Honor.

17 - - -

18 CROSS-EXAMINATION

19 By Mr. Kumar:

20 Q. Good morning, Mr. Kern.

21 A. Good morning.

22 Q. Now, Mr. Kern, isn't it true you  
23 testified in the 15-50 case regarding FBS and EFBS  
24 service?

25 A. Yes, that's correct.

1           Q.    And you reviewed Mr. Scarpitti's  
2 testimony in that case.

3           A.    That is correct.

4           Q.    And you've reviewed Mr. Scarpitti's  
5 testimony in this case.

6           A.    Yes, I have.

7           Q.    Does Mr. Scarpitti's plan regarding  
8 suppliers taking on FBS -- sorry. Excuse me. Let me  
9 rephrase that.

10                   Does Mr. Scarpitti's plan regarding  
11 suppliers on FBS taking a pro rata allocation of  
12 storage present any concerns on the availability of  
13 capacity to meet the needs of GCR customers?

14           MR. OLIKER: Objection, your Honor. We  
15 are once again in a position of friendly cross. It  
16 is very, very obvious at this point. The company has  
17 opposed Mr. Scarpitti's proposal. OCC has opposed  
18 it. They should not be allowed to cross-examine a  
19 witness in a friendly manner to further build their  
20 own case.

21           MR. KUMAR: Your Honor, this is not  
22 friendly cross. This is seeking testimony regarding  
23 a clarification on the effects of certain allocations  
24 on GCR customers from an expert, the man who is  
25 actually doing the procuring of the supply for GCR



1 customers.

2 EXAMINER SHEETS: Your objection is  
3 overruled. I will allow the question.

4 MR. KUMAR: Thank you.

5 A. Could you repeat the question?

6 MR. KUMAR: Sure. Your Honor, may I have  
7 the question reread?

8 EXAMINER SHEETS: Yes.

9 (Record read.)

10 A. As far as addressing the issue at hand of  
11 being able to manage storage and resolving the  
12 capacity issue or having that, no, Mr. Scarpitti's  
13 proposal does not address that adequately. It's --  
14 the threshold is set much too low. It does not  
15 address the issue of capacity, whose paying for the  
16 capacity. The GCR would still be paying for all the  
17 demand charges for the storage. And it does not give  
18 us adequate flexibility because it -- it contemplates  
19 setting up a schedule for injections and withdrawals  
20 thought the year that would be set, you know, at one  
21 point without giving us the flexibility of changing  
22 if the beginning of the summer is colder or warmer  
23 than normal or the winter starts out colder or  
24 warmer -- warmer or colder than normal. It would not  
25 give us the flexibility to adequately adjust.

1           Q.    Now, Duke has implemented smart meters  
2 throughout its service territory; is that correct?

3           A.    From what I understand, yes, but that's  
4 not my area.

5           Q.    Do you know if there are any impediments  
6 that exist from -- preventing Duke from allocating  
7 storage to the individual customer and then letting  
8 storage follow the customer?

9           A.    On an administrative customer basis, it  
10 would be an administrative basis, but that's kind of  
11 what the FBS does. It's the storage is going with  
12 the supplier that is serving those customers. But as  
13 far as actually having it serve customers, I can't  
14 say how that would work.

15          Q.    Mr. Scarpitti, could you turn to --

16          A.    I think you meant Mr. Kern.

17          Q.    I apologize. Mr. Kern, could you turn to  
18 page 19 of the audit report, if you have a copy with  
19 you.

20          A.    Could somebody give me a copy of the  
21 audit report up here?

22               MR. KUMAR: Your Honor, may I approach  
23 the witness?

24               EXAMINER SHEETS: You may.

25          Q.    Page 19 of the audit report.

1           A.    Okay.

2           Q.    Could you review that -- I guess that top  
3 paragraph on page 19.

4           A.    Okay.   Okay.

5           Q.    That top paragraph states that in  
6 addition to addressing the conflict of it, Duke  
7 Energy should also file a report identifying the  
8 estimated increase that may result for the company  
9 from the KO Transmission line; isn't that true?

10          A.    That is what it states here, yes.

11          Q.    Okay.   In Mr. Olikier's questioning you  
12 stated that you were -- and please warn me if I get  
13 into any confidential information here, you stated  
14 you were on the team that represents the KO  
15 Transmission line.

16          A.    That is correct.

17          Q.    And you are also the individual who is in  
18 charge of procuring capacity for the GCR --

19          A.    Right.

20          Q.    -- isn't that correct?

21          A.    That is why there is the issue of  
22 conflict of interest that we are addressing here.

23          Q.    Okay.   So would you be making any choices  
24 regarding the continued use of the KO Transmission  
25 line to procure capacity for Duke Energy Ohio?

1           A.    Yes.

2           Q.    Okay.  In addition, I believe Mr. Olier  
3 asked some questions regarding the KO Transmission  
4 line.  The upgrades, those are part of the E-System  
5 upgrades that are being conducted by TCO which is  
6 Columbia Gas's transmission company.

7           A.    That is correct.

8           Q.    Could you provide an explanation of  
9 exactly what the E-System project is.

10          A.    Well, the E system is -- that's what  
11 Columbia calls the half of the pipe that they own  
12 from Means, Kentucky, to Foster, Kentucky.  The  
13 actual physical assets are owned approximately half  
14 by KO Transmission and half by Columbia.  And  
15 Columbia is going to be taking out about 18 miles of  
16 bare steel and replacing it with coated steel.  
17 Simultaneously there are three river crossings that  
18 they are going to rework so that -- to make the lines  
19 piggable to where they are currently three smaller  
20 lines running in parallel, going to replace it with  
21 one large one that a pig can run through, and they  
22 are going to be adding pig launches and receivers all  
23 as part of integrity management.

24          Q.    Could you turn to page 45 of the audit  
25 report.

1           A.    Okay.

2           Q.    And if possible, without straying into  
3   any confidential territory, could you explain the  
4   methodology behind the \$7 million calculation that's  
5   conducted at the bottom of the page.

6           A.    Right.  That was basically an analysis  
7   based on looking at all of the Choice suppliers for  
8   whom Duke Energy Ohio does the billing so that those  
9   rates are in our billing system and getting a  
10  weighted average of those rates on a monthly basis  
11  and comparing that to our monthly GCR.

12                   MR. SETTINERI:  Could I have that answer  
13  reread, please.

14                   (Record read.)

15           Q.    (By Mr. Kumar) So you take the difference  
16  between the GCR price and the weighted average of the  
17  Choice price and --

18           A.    That's correct.

19           Q.    -- and multiply it by the Choice -- GCR  
20  volumes.

21           A.    Well, to get the amount that, you know,  
22  that we are looking at from the GCR standpoint, so we  
23  basically multiplied that times the amount of GCR  
24  throughput on an annual basis to say that the GCR  
25  customers are saving approximately 7 million a year.

1           Q.    Have you reviewed Mr. Haugh's testimony  
2   in this proceeding?

3           A.    Yes, I have.

4           Q.    And you are aware that Mr. Haugh is not  
5   requiring that -- excuse me. Can I pause for a  
6   moment?

7                    You are aware that Mr. Haugh is not  
8   requiring that Duke provide billing data in the same  
9   manner as Columbia's shadow billing, are you not?

10          A.    I'm not sure.

11          Q.    You are aware that Mr. Haugh's only  
12   requiring that Duke provide information similar to  
13   what they provided the auditor in the auditor report?

14                  MS. WATTS: And, your Honor, I am going  
15   to object to this question because I think whatever  
16   Mr. Haugh may or may not be requiring is best  
17   explained by Mr. Haugh himself, and I am sure  
18   Mr. Kern can't speak to what Mr. Haugh's --

19                  EXAMINER SHEETS: I will let him provide  
20   an answer if he can.

21          A.    It's -- I mean, I reviewed his testimony,  
22   and I remember it talked about the shadow billing,  
23   but I can't remember offhand whether or not he was  
24   asking that we do something similar or was just  
25   bringing that up as an example.

1           Q.    When you provided this information to the  
2 auditor, did it increase any additional costs for  
3 Duke's billing system?

4           A.    Not for the billing system but it did  
5 take quite a bit of extra work.  Some employees  
6 spent -- there was two of them that spent a good two,  
7 three weeks working on it.  It was not something  
8 that -- our systems are not set up we can just push a  
9 button and get this report.  It was something that  
10 was done specifically to get this answer to figure  
11 out whether or not we are saying the GCR customers by  
12 staying in the GCR, whether or not that was true or  
13 not.  So it was a runoff study that was done and did  
14 take quite a bit of time by a few employees.  But  
15 there was no specific cost allocated to it for like  
16 the billing system or anything.

17           MR. KUMAR:  I have no further questions,  
18 your Honor.

19           EXAMINER SHEETS:  Very well.  OPAE?

20                                 - - -

21                                 CROSS-EXAMINATION

22   By Ms. Mooney:

23           Q.    Let me go back to the 7 million figure.

24           A.    Okay.

25           Q.    You said the 7 million is how much the

1 GCR customers save over Choice customers; is that  
2 correct?

3 A. Correct.

4 Q. Now, are Choice customers -- let me ask  
5 you this first, are there aggregated natural gas  
6 customers in aggregated groups?

7 A. Yeah, yeah, there are government  
8 aggregation. There are quite a few of the Choice  
9 customers who are participating through government  
10 aggregation.

11 Q. Now, when you did the calculation that  
12 led to the 7 million, did you put the aggregated  
13 groups in with the Choice customers --

14 A. Yes, yes, they were all kind of lumped  
15 together.

16 Q. So you had a bilateral contract versus  
17 whether you are part of an aggregate. You are in the  
18 same group.

19 A. Right. We didn't differentiate at all  
20 between how. We just looked at the actual rate that  
21 gets charged and compared all the rates that get  
22 charged for the Choice Program with the GCR.

23 Q. Now, if you -- if you had done a  
24 calculation that took out the Choice customers on  
25 bilateral contracts versus the Choice customers on --



1 in aggregated groups versus the GCR, would -- what  
2 would -- what do you think the result would have  
3 been?

4 A. I have absolutely no way of knowing.

5 Q. Do you think there would be a difference  
6 between the customers that are on bilateral contracts  
7 with suppliers, what they are paying, versus the  
8 customers who are part of aggregated groups?

9 MR. OLIKER: Objection.

10 A. I have no idea.

11 Q. But you didn't look at that, right?

12 A. We did not examine that. I don't know  
13 that we could. I don't know if the information we  
14 have in the billing system that was used to generate,  
15 you know, this report, I don't think it indicates  
16 whether -- you know, what contract is behind those  
17 Choice customer rates, so I don't think there is any  
18 way we could even examine that if we wanted to.

19 Q. You wouldn't know what customer is part  
20 of an aggregated group in your billing system?

21 A. I don't know. I don't know -- right. I  
22 don't know.

23 Q. The audit report mentioned doing PIPP  
24 customers as an aggregated group.

25 A. Correct.

1           Q.    Before -- the audit report mentioned that  
2 before 2000 whatever --

3           A.    Yeah.

4           Q.    -- PIPP customers were an aggregated  
5 group.

6           A.    Right.

7           Q.    And the audit report mentioned that you  
8 might want to look again -- or that there might be --

9           A.    Right.

10          Q.    There might be a need to look again at  
11 whether or not PIPP customers should be vetted out as  
12 an aggregated group.

13          A.    That is correct.

14          Q.    And at this point you haven't looked at  
15 whether or not an aggregated group such as the PIPP  
16 customers would pay less than Duke's GCR?

17          A.    Well, we were -- well, the PIPP customers  
18 were as a group and we were -- had a process in place  
19 to -- it was kind of a hybrid of the Choice Program  
20 for us to purchase gas and kind of funnel that  
21 savings to the PIPP customers but what we found the  
22 last couple of years that was in place that it was  
23 actually turning out with a rate higher than the GCR  
24 and so that's why we discontinued it. Now, as soon  
25 as we get resolution of this -- the mandatory EFBS

1 issues, we're prepared to send out another RFP to see  
 2 if we can get a supplier to provide, you know, to the  
 3 PIPP program. And as long as that, you know,  
 4 whatever that is, whatever rate that generates from  
 5 that RFP, we can decide whether or not or determine  
 6 whether or not that will save money for them or  
 7 likely save money for them or not. And if it does,  
 8 we would be filing with the Commission to get that  
 9 approved and get the PIPP customers onto that rate.  
 10 But if the RFP comes back and nobody is able to  
 11 provide a rate, you know, that is competitive or will  
 12 beat the GCR, then they will just remain with the  
 13 GCR.

14 MS. MOONEY: Well, your answer resolved  
 15 the need for my next question so that's all I have.  
 16 Thank you.

17 EXAMINER SHEETS: Any on redirect?

18 MS. WATTS: Your Honor, may we take a  
 19 brief break before we do redirect?

20 EXAMINER SHEETS: Yes. It's about  
 21 lunchtime. Why don't we go for an hour lunch and  
 22 come back here at 1:15.

23 MS. WATTS: Thank you, your Honor.

24 THE WITNESS: Thank you, your Honor.

25 (At 12:14 p.m., a lunch recess taken.)

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Wednesday Afternoon Session,  
April 19, 2016.

- - -

EXAMINER SHEETS: Let's go back on the  
record. I think we are with Duke on redirect.

MS. WATTS: Your Honor, thank you. We  
have no redirect for Mr. Kern.

EXAMINER SHEETS: Excuse me? No more?

MS. WATTS: We have no redirect.

EXAMINER SHEETS: Oh, okay. Well, you're  
excused.

THE WITNESS: Thank you, your Honor.

MS. WATTS: Your Honor, at this time we  
would move Mr. Kern's testimony, Duke Energy Ohio 1,  
and Joint Company and Staff Exhibit 1 into the  
record.

EXAMINER SHEETS: We'll admit those  
exhibits into evidence.

(EXHIBITS ADMITTED INTO EVIDENCE.)

EXAMINER SHEETS: Next up we have RESA's  
witness.

MR. SETTINERI: Thank you, your Honor.  
At this time we will call Mr. Thomas Scarpitti to the  
stand.

(Witness sworn.)

1 MR. SETTINERI: And, your Honor, at this  
2 time we would like to mark as previously discussed  
3 today RESA Exhibit 1 the direct testimony of Thomas  
4 Scarpitti.

5 EXAMINER SHEETS: Very good.

6 MR. SETTINERI: And if I may approach,  
7 your Honor?

8 EXAMINER SHEETS: You may.

9 - - -

10 THOMAS SCARPITTI  
11 being first duly sworn, as prescribed by law, was  
12 examined and testified as follows:

13 DIRECT EXAMINATION

14 By Mr. Settineri:

15 Q. Good afternoon, Mr. Scarpitti.

16 A. Good afternoon.

17 Q. Could you please state your name and  
18 business address for the record.

19 A. Yes. Thomas Scarpitti, 6100 Emerald  
20 Parkway, Dublin, Ohio 43016.

21 Q. And do you have before you what's been  
22 marked as RESA Exhibit 1?

23 A. I do.

24 Q. And could you identify that for the  
25 record, please.

1 A. The direct testimony of Thomas Scarpitti.

2 Q. Okay. And was this testimony prepared by  
3 you or at your direction?

4 A. It was.

5 Q. And do you have any changes or  
6 corrections to your testimony today?

7 A. I do have a couple slight changes.

8 Q. If you could walk us through those,  
9 please.

10 A. Okay. On page 1, line 13, cross out the  
11 word "seven," replace it with the word "ten."

12 On page 1, line 14, cross out "the  
13 eastern part" and replace with "all."

14 Q. Mr. Scarpitti, I am going to have you  
15 back up to start over because you are moving quicker  
16 than I'm moving.

17 A. Okay. You want me to repeat that?

18 Q. Yes, please.

19 A. On line 13 of page 1, delete the word  
20 "seven" replace with the word "ten."

21 EXAMINER SHEETS: What page are you on?

22 THE WITNESS: Page 1.

23 EXAMINER SHEETS: Okay.

24 A. Also on page 1, line 14, delete the words  
25 "the eastern part" and replace with the word "all."

1                   And then on that same line 14 continuing  
2 down to line 15, delete the period at the end of  
3 "territory" and "this region is composed of Ohio and  
4 all areas east" so that that sentence should read "I  
5 am responsible for managing the local production,  
6 scheduling, and trading groups consisting of ten  
7 employees for all of IGS' service territory,  
8 including the service territory of Duke Energy Ohio."

9                   Q.    Do you have any other corrections or  
10 additions to your testimony today, sir?

11                  A.    I don't.

12                  Q.    If I were to ask you the questions in  
13 your testimony, would your answers be the same as you  
14 modified today?

15                  A.    Yes.

16                  MR. SETTINERI: All right. Thank you.

17                  Your Honor, at this time the witness is  
18 available for cross-examination.

19                  EXAMINER SHEETS: Does staff have any  
20 questions?

21                  MS. MESSENGER: Nothing, your Honor.

22                  EXAMINER SHEETS: Company?

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

24                                 - - -

CROSS-EXAMINATION

By Ms. Watts:

Q. Good afternoon, Mr. Scarpitti.

A. Good afternoon.

Q. Am I to understand based on the changes you just made to your testimony that you have possibly been promoted?

A. I have taken on additional responsibility but no congratulations are in order.

Q. How about sympathy?

A. Perhaps.

Q. Okay. All right. And you're testifying today on behalf of the Retail Energy Supply Association, correct?

A. Correct.

Q. And that agency or that entity is comprised of supplier members, correct?

A. Correct.

Q. And are those members comprised of companies of various sizes?

A. Yes, I believe they are.

Q. With varying numbers of customers?

A. Yes.

Q. In your testimony you state that your purpose today is to contest certain issues in the



1 management and performance audit that was conducted  
2 by Exeter & Associates, correct?

3 A. Correct.

4 Q. And in particular your -- the issue you  
5 would like to address regards the company's balancing  
6 services and options, correct?

7 A. That's one of my concerns, yes.

8 Q. Okay. And you are also addressing the  
9 audit report recommendation relating to reducing  
10 storage levels, correct?

11 A. Correct.

12 Q. And then your testimony addresses the  
13 stipulation with respect to additional analysis and  
14 evaluation, correct?

15 A. That's correct.

16 Q. And you testified on behalf of RESA in a  
17 previous case where some of these issues were also  
18 raised, correct?

19 A. Yes.

20 Q. And that case was Case No. 15-50-GA-RDR.  
21 Do you recognize that case number?

22 A. I do.

23 Q. And I am asking you these -- this  
24 particular question only to be sure that we refer to  
25 that case as we have our discussion consistently so

1 we both understand we are talking about the same  
2 case. And so I am going to refer to that as the EFBS  
3 case because that's how you referred to it.

4 A. Appreciate that.

5 Q. Okay. So if I refer to it that way, we  
6 know what we are talking about.

7 A. I agree.

8 Q. Thanks. And do you further agree that  
9 the Commission issued an opinion and order in that  
10 case?

11 A. I do.

12 Q. And after the opinion and order came out,  
13 the parties filed -- some of the parties filed  
14 applications for rehearing.

15 A. I'm not familiar with the procedural side  
16 of things.

17 Q. Okay. So turning to page 6 and 7 of your  
18 testimony, on those pages you are providing four  
19 recommendations to the Commission, correct?

20 A. Would you clarify? Could you state those  
21 for me?

22 Q. Sure. Beginning on page 6 at line 17,  
23 you talk about recommending first that the Commission  
24 reject Duke's proposal as Duke has not shown that the  
25 EFBS service is undersubscribed. So that would be

1 the first issue, correct?

2 A. Okay. I agree.

3 Q. And then on line 21 of that same page you  
4 refer to a second -- you start off a sentence with  
5 "second."

6 A. Okay. I'm following you.

7 MR. OLIKER: Just to clarify for the  
8 record, Elizabeth, your question was his testimony in  
9 the EFBS case, right?

10 MS. WATTS: I apologize if that's what I  
11 said. I meant in this case.

12 MR. OLIKER: Because --

13 MS. WATTS: I was turning to his  
14 testimony in this case.

15 MR. OLIKER: Right. But I think that  
16 passage in his testimony refers to the EFBS case. I  
17 just want to make sure the record is clear.

18 MS. WATTS: Okay. Let's clarify then. I  
19 appreciate that.

20 Q. (By Ms. Watts) Mr. Scarpitti, the four  
21 points that you raise beginning on page 6 and  
22 continuing on page 7, those are the points you raised  
23 in the EFBS case; is that correct?

24 A. That's correct.

25 Q. And are your points the same in this

1 case?

2 A. Yes, largely.

3 Q. And do you have any others?

4 A. Yes.

5 Q. What are you adding to those four points?

6 A. They are not related to the balancing the  
7 EFBS. So those are the four related to EFBS.

8 Q. And what additional points are you  
9 raising in your testimony?

10 A. The reporting obligations regarding the  
11 stipulation.

12 Q. Okay.

13 A. And Duke's decontracting of 20 percent of  
14 their storage.

15 Q. Okay. Any others?

16 A. I believe that's it.

17 Q. Okay. Thank you. Now, you recall being  
18 involved in the EFBS case and sitting in this room as  
19 we went through that case, Mr. Kern testifying about  
20 having to buy gas on the spot market during the  
21 winter of 2014-2015?

22 A. We weren't in this room, I believe, but I  
23 recall his testimony. I don't recall the exact when  
24 he was actually on the stand, but I do recall his  
25 testimony.

1           Q.    Okay.  Do you have any reason to -- to  
2   dispute that the company was required to purchase gas  
3   on the spot market during that winter?

4           A.    No, I don't.  I believe being a very cold  
5   winter, that would be a logical conclusion.  I know  
6   that suppliers were also out buying supplies during  
7   that winter.

8           Q.    Do you know what actions the company Duke  
9   Energy Ohio has taken or took as a result of storage  
10  levels for this most recent past winter?

11           MR. SETTINERI:  Just object to the extent  
12  it calls for speculation.  The witness -- nothing has  
13  been established the witness is familiar with that  
14  topic.

15           MS. WATTS:  I agree.  That's why I'm  
16  asking.

17           EXAMINER SHEETS:  Go ahead.  I will  
18  overrule the objection.  Go ahead and answer the  
19  question.

20           A.    Could you repeat, please?

21           Q.    Do you recall with respect to storage  
22  whether Duke Energy Ohio took any action as a result  
23  of weather this past winter?

24           A.    I don't know what Duke did with storage  
25  this past winter.

1           Q.    Okay.  And, sir, you are generally  
2 familiar with the company's FBS and EFBS tariffs,  
3 correct?

4           A.    That's correct.

5           Q.    And for rider FBS, GCR customers pay for  
6 that storage, correct?

7           A.    All -- all storage is paid for by GCR  
8 customers and then reimbursed by the supplier -- by  
9 the customers that are transporting.

10          Q.    Okay.  Perfect.  And for rider EFBS the  
11 suppliers pay the full value of the company's storage  
12 cost, correct?

13          A.    That's right.  I believe that's a direct  
14 passthrough of the rates on the pipeline that allow  
15 for that storage service to be given.

16          Q.    Okay.  So generally for EFBS the rates  
17 are higher.

18          A.    Yes, definitely.

19          Q.    And your contingency plan which you are  
20 raising again in this case proposes that suppliers  
21 stay on the FBS tariff initially, correct?

22          A.    It doesn't propose that the suppliers  
23 stay on FBS necessarily.  I propose that the election  
24 be available to suppliers to choose between FBS and  
25 EFBS.

1           Q.    Okay.  You put it much better than I did  
2   so I appreciate it.

3           A.    Sure.

4           Q.    So suppliers would stay on FBS; and,  
5   therefore, they would be paying the lower FBS rate,  
6   correct?

7           A.    The suppliers that chose to elect FBS,  
8   they would be paying a lower rate and getting a lower  
9   level of service as well.

10          Q.    Okay.  And then your contingency plan  
11   anticipates that suppliers would be assigned a pro  
12   rata allocation of storage, correct?

13          A.    If there was an undersubscription of a  
14   threshold, which I propose being 41,000 dekatherms,  
15   there would be a mandatory assignment of storage  
16   assets to those suppliers that did not choose EFBS,  
17   yes.

18          Q.    And that mandatory assignment, if I  
19   understand correctly, you propose to be a 9 percent  
20   assignment, correct?

21          A.    9 percent of the total MDQ of the system,  
22   yes.

23          Q.    And are you also proposing that suppliers  
24   pay a fee for that assignment?

25          A.    Suppliers would have to pay the FBS --

1 FBS rate.

2 Q. So no additional charge for that  
3 assignment?

4 A. I do mention that if it was necessary to  
5 discuss a seasonal spread adjustment, that suppliers  
6 could be subject to that.

7 Q. And, again, referring to the 9 percent  
8 assignment that we just discussed, you're proposing  
9 that that assignment be -- include suppliers with  
10 1,000 dekatherms or more, correct?

11 A. Could you restate the question for me,  
12 please?

13 Q. Yes. I apologize. For suppliers  
14 electing FBS would be just like all other suppliers  
15 who have an MDQ of over 1,000 dekatherms would be  
16 assigned that 9 percent capacity or demand.

17 A. They would be assigned a portion of  
18 whatever their pro rata share of that 9 percent would  
19 be for all those that did not elect EFBS down to the  
20 thousand dekatherm level. So anyone over a thousand  
21 dekatherms, yes, would be subject to that.

22 Q. Okay. And so the supplier that has 1,001  
23 dekatherms would also get that 9 percent assignment,  
24 correct?

25 A. Their pro rata share of that 9 percent,



1 correct.

2 Q. On page 14 of your testimony, beginning  
3 on line 6, you are discussing the Exeter auditor  
4 report recommendation with respect to the company's  
5 reducing its storage assets, correct?

6 A. That's correct.

7 Q. And are you recommending that the company  
8 take steps to reduce its storage immediately?

9 A. I'm not making a recommendation per se,  
10 but I would note that this could potentially cure the  
11 problem with an undersubscription of EFBS if the  
12 company did decontract for 20 percent of its storage,  
13 but it's just the auditor's report that recommended  
14 that 20 percent.

15 Q. And the audit report recommended that the  
16 company do an evaluation, correct?

17 A. Correct.

18 Q. And so you're agreeing with that  
19 recommendation.

20 A. That it do an evaluation?

21 Q. Yes.

22 A. Yes, absolutely.

23 Q. So you are not -- I just want to be clear  
24 you are not suggesting the company immediately lose  
25 that 20 percent.

1           A.    No.  I think that it's important for the  
2   company to evaluate it and to allow stakeholders such  
3   as suppliers to have a seat at the table to talk  
4   about the possibility of decontracting that because  
5   it will affect not just the GCR customers but also  
6   suppliers.

7           Q.    Okay.  And turning to page 15, beginning  
8   at the top of that page, you are advocating for  
9   supplier input to the company's decision making,  
10  correct?

11          A.    Correct.

12          Q.    And could you describe for me exactly how  
13  you would envision that working.

14          A.    You know, just as -- on a practical level  
15  any -- any involvement would be appreciated, so I  
16  believe the supplier should have a seat at the table  
17  to discuss the asset portfolio as it does affect us  
18  as well.  It would -- you know, it would -- I would  
19  prefer it to be as -- am I okay here?  It's going in  
20  and out -- as formal as possible of a process.

21          Q.    And is it your contention that only  
22  suppliers should be involved in that process?

23          A.    No.  I think all stakeholders should be  
24  involved in that process.

25          Q.    And is it your contention this should be

1 an after-the-fact involvement, or are you advocating  
2 all of these parties become involved in the company's  
3 asset portfolio management?

4 A. I would advocate for all the companies to  
5 be involved in the determination of the assets  
6 required to serve the customers.

7 Q. On an ongoing real-time basis.

8 A. Well, as a -- as a product of this audit  
9 report and stipulation, yes. I mean, I don't think  
10 waiting until the next audit report is a practical  
11 way to handle it because a lot of, you know, finding  
12 out about something just when a tariff is filed  
13 causes a lot of uncertainty in the marketplace and  
14 which has risk which is ultimately going to be passed  
15 on to customers as higher costs.

16 Q. And do you see that as being a formal or  
17 an informal process?

18 A. Both formal and informal. But I'm open  
19 to anything that Duke is willing to do.

20 Q. And so to the extent that the parties  
21 would disagree in -- as this process winds its way,  
22 how would you recommend this be resolved?

23 MR. SETTINERI: And I would just -- I  
24 would just object to the extent that the record is  
25 clear that this witness is not an attorney.

1           A.    Yeah.  I am wearing my supplier hat here,  
2   and I just think that it's important to have some say  
3   when these assets affect not just GCR customers but  
4   all customers, and it's not unusual to have working  
5   groups and stipulations that are -- as a result of  
6   working groups from both -- from all stakeholders  
7   involving asset decisions for the company.

8           Q.    Are you aware presently of any working  
9   group or any collaborative group that makes  
10  definitive decisions about the company -- about any  
11  Ohio gas company's portfolio management?

12           MR. SETTINERI:  I'll just object as to  
13  the vague use of the phrase working group or  
14  collaborative group to the extent that he is not  
15  aware of those phrases.

16           EXAMINER SHEETS:  You can answer the  
17  question.

18           A.    I don't know of anything ongoing at this  
19  time.  I know I have partaken in working groups with  
20  Ohio utilities to evaluate capacity portfolios.

21           Q.    In real-time terms as decisions are being  
22  made?

23           A.    In advance -- I mean, in advance of  
24  contracts coming up for renewal typically is when we  
25  get together and talk about these things.  It's not

1 usually something that's done a month or two before a  
2 major change is coming. It's usually a product of  
3 several months of work before the end of -- before  
4 the end of a current stipulation or before the end of  
5 a major contract or something like that.

6 Q. And which utility engages in that sort of  
7 collaborative process?

8 A. I was involved in a calibration with that  
9 with Columbia Gas of Ohio in the past.

10 Q. And do they -- are they obligated to  
11 obtain your approval in that group prior to moving  
12 forward?

13 MR. SETTINERI: Just object to the extent  
14 it calls for a legal conclusion.

15 A. I don't know. I wasn't --

16 EXAMINER SHEETS: Let him answer the  
17 question.

18 A. I don't know.

19 Q. And, again, you would advocate that all  
20 parties be included so that would include parties  
21 such as the Office of the Ohio Consumers' Counsel,  
22 Ohio Partners for Affordable Energy, and virtually  
23 any stakeholder that may have an interest?

24 A. Obviously my interest is that the supply  
25 group gets to be involved, but I would not see why it

1 should be limited to just the suppliers group.

2 MS. WATTS: Okay. Now I don't have  
3 anything else. Thank you, your Honor.

4 EXAMINER SHEETS: OCC.

5 MR. KUMAR: Just very few questions, your  
6 Honor.

7 - - -

8 CROSS-EXAMINATION

9 By Mr. Kumar:

10 Q. Could you turn to page 17 of your  
11 testimony, Mr. Scarpitti.

12 A. Okay. I'm there.

13 Q. On page 17, I believe on lines 4 and 5,  
14 you recommend that the Commission require Duke to  
15 file its results in the docket with regards to the  
16 reevaluation of the current KO Transmission line.

17 A. Yes.

18 Q. And that's because of the, I guess,  
19 what's been known as the thousand percent increase in  
20 the cost of the KO Transmission line.

21 A. Yes. It's a major change potentially,  
22 and I think it's important to have it on record.

23 Q. Would you agree that it's important for  
24 customers to know the magnitude of that increase on  
25 their rates for Duke, the company?

1           A.    I can't speculate as to whether or not a  
2 customer is going to find that important. I know  
3 that it's going to affect -- it's going to affect the  
4 cost to serve customers on the LDC, so as a supplier,  
5 I'm definitely interested. I would imagine customers  
6 would be interested as well.

7           Q.    So would you recommend that cost be  
8 included in that report that you suggest be filed in  
9 the docket?

10          A.    You are talking about the increased costs  
11 on KO specifically?

12          Q.    Yeah, the increased costs that will be  
13 allocated to customers specifically.

14          A.    I don't have a strong opinion on that. I  
15 think that that's reasonable. I think the audit  
16 report actually already and Mr. Kern's testimony  
17 already addressed the cost increase.

18               MR. KUMAR: I have no further questions,  
19 your Honor.

20               EXAMINER SHEETS: Go to OP&E.

21               MS. MOONEY: No. Oh, no questions, your  
22 Honor.

23               EXAMINER SHEETS: Any redirect?

24               MR. OLIVER: Does staff have any  
25 questions?

1 MS. MESSENGER: No. He already got me.

2 MR. SETTINERI: May we have one minute?

3 (Discussion off the record.)

4 MR. SETTINERI: Your Honor, at this time  
5 we have no redirect for the witness and would move  
6 for the admission of RESA Exhibit 1 into the record.

7 EXAMINER SHEETS: We'll admit that into  
8 evidence.

9 (EXHIBIT ADMITTED INTO EVIDENCE.)

10 EXAMINER SHEETS: You are excused.

11 THE WITNESS: Okay. Thank you, your  
12 Honor.

13 EXAMINER SHEETS: OCC.

14 MR. STINSON: At this time the Office of  
15 Consumers' Counsel would call Michael P. Haugh.

16 (Witness sworn.)

17 EXAMINER SHEETS: Be seated.

18 - - -

19 MICHAEL P. HAUGH

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

22 DIRECT EXAMINATION

23 By Mr. Stinson:

24 Q. Mr. Haugh, would you please state your  
25 full name and business address for the record.



1           A.    Yes.  It's Michael P. Haugh.  Address is  
2   10 West Broad Street, Suite 1800, Columbus, Ohio  
3   43215.

4           Q.    And what's been placed before you has  
5   been marked as OCC Exhibit No. 1.  Can you identify  
6   that for me, please.

7           A.    That is my direct testimony in this case.

8           Q.    Was it prepared by you or under your  
9   direct supervision?

10          A.    It was.

11          Q.    Do you have any changes or revisions or  
12   modifications to the testimony?

13          A.    Yes, a few minor changes.

14          Q.    If you could identify those, please.

15          A.    Sure.  Starting on page 4, in the  
16   footnote, second line of the footnote, it states  
17   "Case No. 12-1637."  That should actually be "Case  
18   No. 12-2637."

19                   And then on page 6, line 17, the sentence  
20   stating "The benefits should be provided to consumers  
21   by continuing to make" strike "continuing to make"  
22   and replace that with "making," so the sentence would  
23   read "The benefits should be provided to consumers by  
24   making available public" -- "to the public the  
25   educational information."

1                   Then third on page 10, footnote No. 10,  
2                   the third line "Case 12-M-01476," that should be  
3                   "Case 12-M-0476."

4                   MR. OLIKER:   Sorry.   Which page was that  
5                   last one on?

6                   THE WITNESS:   10, footnote 10.

7                   MR. OLIKER:   Would you repeat the change  
8                   again?

9                   THE WITNESS:   Sure.   Case number should  
10                  read 12-M-0476.

11                  MR. OLIKER:   Thank you.

12                  A.   And, finally, on page 13, line 16, going  
13                  to withdraw the sentence starting with "Similarly"  
14                  and ending on line 18 with "met."   And those are all  
15                  of my changes.

16                  Q.   Thank you.   If I were to ask you the same  
17                  question in your direct testimony, would your  
18                  responses as revised be the same today?

19                  A.   Yes.

20                  MR. STINSON:   Thank you.   Move the  
21                  admission of OCC Exhibit No. 1, subject to  
22                  cross-examination.

23                  EXAMINER SHEETS:   Very good.

24                  Start with staff.   Any questions?

25                  MS. MESSENGER:   Staff has no questions,

1 your Honor.

2 EXAMINER SHEETS: Company have any  
3 questions?

4 MS. WATTS: I do, your Honor. Thank you.

5 - - -

6 CROSS-EXAMINATION

7 By Ms. Watts:

8 Q. Good afternoon, sir.

9 A. Good afternoon.

10 Q. Your testimony is addressing two issues  
11 that you believe the Commission should address,  
12 correct?

13 A. Yes.

14 Q. And on page 3 of your testimony, you  
15 recommend that the Commission modify the settlement,  
16 correct? Line 6.

17 A. Yes.

18 Q. And if the Commission were to modify the  
19 settlement as you recommend, are those the only two  
20 modifications you have for them?

21 A. Yes, those would -- that -- with those  
22 two modifications, it would meet the three-prong  
23 test.

24 Q. Okay. Thank you. Now, you would like  
25 the company to provide its company -- customers at

1 least annually a comparison of bill impacts of its  
2 GCR rate to rates paid by customers who purchase from  
3 a supplier, correct? That's your first  
4 recommendation.

5 A. Yes.

6 Q. And your second recommendation is for the  
7 company to file a report with the Commission  
8 identifying the estimated increase in costs of the  
9 expected KO Transmission rate case at FERC, correct?

10 A. Yes.

11 Q. But do you agree that actually the  
12 company has already identified that expected rate  
13 increase?

14 A. I believe it was an estimate. Once the  
15 rate case is filed, a more accurate estimate would be  
16 available to the company and that should be reported  
17 to the Commission.

18 Q. Okay. Appreciate that. But you would  
19 agree with me that one can't determine what the  
20 actual rate increase is until FERC reaches a decision  
21 in that case, correct?

22 A. Yes, but as I said, I think as we get  
23 closer, the estimate will be more accurate.

24 Q. And on -- and your testimony referred to  
25 something that is called the Apples to Apples

1 comparison chart. Do you recall that?

2 A. Yes.

3 Q. And are you familiar with that?

4 A. Yes.

5 Q. Have you recently looked at that on the  
6 Commission's website?

7 A. Yes.

8 Q. And the Apples to Apples comparison chart  
9 that the Commission publishes includes the company  
10 Duke Energy Ohio's current GCR rate per Ccf, correct?

11 A. Yes.

12 Q. And it also includes a similar price per  
13 Ccf for each supplier who has an offer for customers  
14 in Duke Energy Ohio's service territory, correct?

15 A. Could you repeat the question?

16 Q. Sure. The Apples to Apples comparison  
17 chart that the Commission publishes includes a  
18 comparison price for each supplier that has an offer  
19 existing in the Duke Energy Ohio service territory.

20 A. Those are the offers -- selected offers  
21 that are listed by suppliers. It's not all offers  
22 that's available.

23 Q. Okay. So it's your contention there are  
24 some that are omitted?

25 A. Yes.

1 Q. And do you know why they are omitted?

2 A. Variety of reasons, suppliers will  
3 sometimes offer rates only to certain -- certain  
4 people, certain customers. So not all -- it's not an  
5 all encompassing list of offers by suppliers.

6 Q. Is it your understanding that suppliers  
7 are obligated to provide that information to the  
8 Commission on a monthly basis?

9 MR. STINSON: Objection, your Honor.  
10 That misstates the prior testimony that not all  
11 suppliers are obligated to list their offers on the  
12 Apples to Apples chart.

13 MS. WATTS: Your Honor, that's not the  
14 question I asked.

15 EXAMINER SHEETS: Okay. I'll overrule  
16 that. You go ahead and clarify what you said.

17 Q. (By Ms. Watts) Okay. Sir, is it your  
18 understanding that suppliers are obligated on a  
19 monthly basis to provide their offers to the  
20 Commission for inclusion in that website?

21 A. I don't believe they have to give the  
22 Commission every single offer that they are making  
23 available to customers.

24 Q. Would you expect them to provide every  
25 single offer that they are making to residential

1 customers?

2 MR. STINSON: Objection, again  
3 speculation.

4 EXAMINER SHEETS: I'll let him answer the  
5 question.

6 THE WITNESS: Could you repeat or reread  
7 the question, please.

8 (Record read.)

9 A. I guess it would be a nice thing for the  
10 supplier to do, but I know it would be very difficult  
11 coming from the -- working in that field that it  
12 would be very difficult for them to put every single  
13 offer made available to customers.

14 Q. So as you sit here today, you believe  
15 suppliers have offers available for residential  
16 customers that they do not provide to the Commission  
17 and do not appear on the Apples to Apples chart?

18 MR. STINSON: Objection, asked and  
19 answered.

20 EXAMINER SHEETS: Let him go ahead and  
21 answer again.

22 A. Yes.

23 Q. And, sir, that Apples to Apples  
24 comparison chart relates to other elements of  
25 potential contracts, doesn't it?

1           A.    I'm sorry.  I'm not sure what you are  
2 asking.

3           Q.    Okay.  Let me be more specific.  The  
4 comparison chart has a column that includes the  
5 term -- proposed terms of contracts that the  
6 suppliers are offering, correct?

7           A.    Yes.

8           Q.    And it also has whether or not there is a  
9 termination fee included in this potential contract.

10          A.    Yes.

11          Q.    And it also provides potential  
12 promotional offers, correct?

13          A.    Yes.

14          Q.    And, sir, do you have any specific  
15 knowledge about Duke Energy Ohio's billing system?

16          A.    Specific -- I'm not sure what you mean by  
17 specific information.

18          Q.    Well, do you have any experience or  
19 knowledge or have you been involved in any  
20 discussions or in a case or anything that would give  
21 you any particular knowledge about how Duke Energy  
22 Ohio performs its billing services?

23          A.    Off the top of my head, no.

24          Q.    So, for instance, if the company were  
25 required to provide some sort of additional price



1 comparison in its bills, you would not understand how  
2 that might be carried out.

3 A. I'm not asking for that in my testimony.  
4 But, no, I would not know how that would be done.

5 Q. Okay. Turning to the stipulation in this  
6 case, you have read that stipulation, correct?

7 A. Yes.

8 Q. And did you also read the management and  
9 performance audit that was the subject of discussion  
10 earlier today?

11 A. Yes.

12 Q. And that audit on page 19, and I will  
13 give you a moment to turn to that, if you have a copy  
14 of it up there.

15 A. I have a copy, yes.

16 Q. On page 19 it makes a recommendation that  
17 after the KO Transmission files a rate case, that the  
18 company should file a report with the Commission  
19 staff identifying the estimated increase that may  
20 result from the -- from -- that may result for Duke  
21 Energy Ohio, correct?

22 A. Yes.

23 Q. And, again, based on early information  
24 there is an estimate in the record, correct?

25 A. Yes.

1           Q.    Do you have a copy of the stipulation up  
2 there?

3           A.    I do.

4           Q.    Would you turn to page -- I think it's  
5 page 5, paragraph 8.

6           A.    I'm there.

7           Q.    And in paragraph 8 the first sentence of  
8 that paragraph states that "The specific findings  
9 presented in the Conclusions and Recommendations  
10 section of the Exeter Report are reasonable and  
11 should be adopted by the Commission," correct?

12          A.    Yes.

13          Q.    And so is it your understanding that Duke  
14 Energy and the staff have agreed that all of the  
15 findings in that report should be adopted?

16               MR. OLIKER:  Could I have that question  
17 read again, please.

18               (Record read.)

19               MR. SETTINERI:  I'll object, your Honor,  
20 to the extent that OCC is not a party to the  
21 stipulation.  OCC cannot provide an interpretation of  
22 what staff and the company -- how they interpret the  
23 provisions of the stipulation.

24               MR. OLIKER:  I would add that Mr. Kern  
25 testified to the stipulation, your Honor.

1 EXAMINER SHEETS: I think he can answer  
2 the question.

3 THE WITNESS: Could you reread the  
4 question, please.

5 Q. Sure, sir. Would you turn to that first  
6 sentence in paragraph 8 and read it. Take your time  
7 reading it if you would like.

8 A. Yes.

9 Q. And my question to you is based on  
10 reading that sentence, is it your understanding that  
11 the company and staff agreed to accept the findings  
12 and conclusions in the Exeter report?

13 A. It reads that but my -- my concern is  
14 that going down to subsection A does not -- it goes  
15 through certain aspects of the recommendations from  
16 the auditor but does not specifically state that the  
17 company will file a report with the Commission  
18 stating the estimate of the costs of the KO  
19 Transmission rate case.

20 Q. The Exeter report does recommend such a  
21 report though, does it not?

22 A. It does, yes.

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

25 EXAMINER SHEETS: Does -- do you have any

1 questions?

2 MR. OLIKER: Yes, your Honor. Thank you.

3 - - -

4 CROSS-EXAMINATION

5 By Mr. Olikar:

6 Q. Good afternoon, Mr. Haugh.

7 A. Good afternoon.

8 Q. Just a few questions for you today.

9 Regarding your billing proposal, would you agree that  
10 if a customer decides to select a retail supplier at  
11 a rate that is below the GCR price, that that would  
12 not be reflected anywhere in your billing proposal?

13 MR. STINSON: Object, your Honor.  
14 Mischaracterizes his testimony. Mr. Haugh has not  
15 offered a billing proposal.

16 EXAMINER SHEETS: I will overrule that.  
17 Go ahead and answer the question.

18 Q. If you don't understand my question, I  
19 will be happy to clarify.

20 A. Either that or if I could have it reread.

21 Q. For purposes of our discussion what would  
22 you like to refer to your proposal to put the  
23 weighted average price the customers pay to  
24 suppliers? Do you have anything you would like to  
25 call that for ease of our discussion? Would you be

1     okay calling it shadow billing?

2             A.     I wouldn't because it's different than  
3     Columbia's shadow billing. I don't want to confuse  
4     the two. I hate to ask any other ideas, but if we  
5     could just call it my proposal, that's fine.

6             Q.     Would you agree that a customer could  
7     take a price in a contract with a supplier that is  
8     below the GCR rate and that would not necessarily be  
9     picked up in your proposal?

10            A.     It would. The proposal -- information  
11    takes a weighted average cost so all -- all costs --  
12    all prices would, in fact, be included in that  
13    weighted average cost, the high, the low, and  
14    everything in between.

15            Q.     And have you reviewed all of the  
16    contracts that go into the \$7 million number?

17            A.     No. The only information I have was a  
18    discovery request of Exeter.

19            Q.     So am I correct you have not reviewed any  
20    of the contracts that compose that number?

21            A.     No, not specifically.

22            Q.     So you would agree that that number we  
23    have been discussing could include fixed price and  
24    variable price deals?

25            A.     I would assume it would.

1 Q. Would you agree GCR is a variable price?

2 A. Yes.

3 Q. Would you agree that you do not know the  
4 duration of any of the contracts that exist between  
5 Duke Energy Ohio's customers and CRES providers or  
6 let's call them CRNG suppliers?

7 A. No. It does not take into account the  
8 terms.

9 Q. Okay. And would you agree that some of  
10 the contracts that exist between customers and  
11 suppliers could include additional rewards such as  
12 fuel points?

13 MR. STINSON: Objection, your Honor. He  
14 has already testified he hasn't reviewed the  
15 contracts, and Mr. Olikier is calling for speculation.

16 MR. OLIKER: And I asked him if they  
17 could.

18 EXAMINER SHEETS: Go ahead and answer,  
19 please.

20 A. I don't know any of the specifics of any  
21 of the contracts and what they offer, what they don't  
22 offer.

23 Q. Are you aware that Direct Energy offers a  
24 free smart thermostat with some of its products?

25 A. I have a slight issue calling it free,

1 but I know they offer a thermostat with some of their  
2 products.

3 Q. And you would agree that to the extent  
4 Direct Energy offered a thermostat in Duke Energy  
5 Ohio's territory, those thermostats wouldn't get  
6 picked up in the prices that went into that \$7  
7 million number.

8 A. No, they would. All prices would be  
9 included in the \$7 million number.

10 Q. But not the thermostats. You would agree  
11 that -- let me rephrase that.

12 You agree the \$7 million number is a  
13 strictly commodity-to-commodity comparison.

14 A. That's -- this gets into why I wasn't --  
15 I can't necessarily say that the thermostat is free  
16 because in looking at Direct Energy's offers, the  
17 offer that alleges the so-called free thermostat is  
18 higher than the non-free thermostat offer. So you  
19 are paying for the thermostat. Instead of paying for  
20 it up front as you would at Lowe's or any other  
21 store, you are paying for it over the term of the  
22 contract. So, yes, I guess in looking at it the way  
23 I do, the cost of the thermostat is included in the  
24 commodity price which is another issue all together.

25 Q. Do you know what a smart thermostat does?

1           A.    Yes.

2           Q.    Would you agree it reduces the total  
3 consumption of a customer?

4           A.    The thermostat itself doesn't  
5 necessarily. The customer has to engage the  
6 thermostat then to be able to save money or to reduce  
7 their usage -- not necessarily save money but to  
8 reduce their usage.

9           Q.    But you agree a thermostat can assist a  
10 customer in reducing their total usage?

11          A.    Used properly it could.

12          Q.    And you would agree that, all other  
13 things equal, if you reduce usage, then a customer  
14 will pay a smaller total bill?

15          A.    Usage is one component of the total bill.  
16 If the usage goes down but the price of gas goes up,  
17 then they are still sitting at an even -- they could  
18 be at an even or higher level or higher bill.

19          Q.    But you agree if you keep all other  
20 factors equal and you just reduce usage, the bill  
21 goes down.

22          A.    Assuming no price changes?

23          Q.    Yes.

24          A.    If price stays the same, usage goes down,  
25 then, yes, the bill would more than likely go down



1 assuming all prices are kept equal meaning  
2 distribution and commodity.

3 Q. And would you agree that when Duke  
4 calculated the \$7 million number, they multiplied the  
5 weighted average rate of supplier prices by the GCR  
6 throughput? If you know.

7 A. They -- the calculation was made by  
8 taking the weighted average cost of Choice customers  
9 or price of those customers, subtracted from the GCR,  
10 and then multiplied by GCR volumes.

11 Q. So, therefore, there was no assumption of  
12 any reduced usage, correct?

13 A. Reduced usage would be implied in  
14 calculating that.

15 Q. Is there a -- you agree that the usage  
16 that Duke used in its calculation was solely related  
17 to GCR usage?

18 MR. STINSON: Objection, your Honor.  
19 These are properly questions for Duke Witness Kern  
20 rather than Mr. Haugh. If IGS has questions about  
21 the methodology that Duke used, they should have been  
22 directed at Mr. Kern and not Mr. Haugh.

23 MR. OLIKER: Your Honor, I am just  
24 pointing out why the \$7 million that they are harping  
25 on is very flawed. It seems very appropriate for

1 this witness who is testifying to the difference in  
2 prices paid by supplier customers and GCR customers.

3 MR. STINSON: Your Honor, Mr. Haugh has  
4 testified he has reviewed the numbers submitted by  
5 Duke in discovery. He didn't have access to the  
6 contracts. This line of questioning is proper only  
7 for Mr. Kern. He is -- he is the witness with the  
8 direct information.

9 MR. SETTINERI: Your Honors, if I may,  
10 the problem with that objection is Mr. Haugh takes  
11 the \$7 million number and does his own calculation to  
12 come up with a \$40 a year savings for customers, so  
13 he is testifying on what he believes customers are  
14 saving via GCR versus Choice so certainly the line of  
15 questioning here is completely relevant and within  
16 the scope of his testimony.

17 MR. STINSON: \$40 is just a further  
18 analysis of what the \$7 million was. Again, the \$7  
19 million calculation is proper only to Mr. Kern.

20 EXAMINER SHEETS: At this point I'll  
21 overrule your objection. We'll have -- can you  
22 repeat the question or have it reread?

23 MR. OLIKER: Could you please reread it.  
24 I don't even know if I remember it.

25 (Record read.)

1           A.    So the -- I'm not sure what you are  
2 asking there.

3           Q.    In order to calculate the \$7 million  
4 number, would you agree that Duke merely took the  
5 difference they saw in the rates, and then they  
6 multiplied it by the GCR throughput?

7           MR. STINSON: Same objection, your Honor.

8           EXAMINER SHEETS: It's overruled. Let's  
9 let him answer the question.

10          A.    Well, the Choice volumes would be implied  
11 with the weighted average cost of the Choice price.

12          Q.    That's not my question, Mr. Haugh. My  
13 question is do you know how -- do you understand how  
14 Mr. Kern calculated the \$7 million?

15          A.    Yes. I described taking the weighted  
16 average of the Choice price which is -- takes into  
17 account the volumes for each -- it takes the volume  
18 in each price and weights it properly. For example,  
19 if a customer uses a thousand Ccf in a month and at a  
20 price of 70 cents, that's going to be properly  
21 weighed. Conversely, if someone is paying 30 cents  
22 and uses -- uses 500, it's going to be properly  
23 weighed. So, in essence, the usage of the Choice  
24 customers will be implied in calculating the weighted  
25 average price. That weighted average price is then

1 subtracted from the GCR and multiplied by the GCR  
2 volumes.

3 Q. Would you agree that it's possible that  
4 if you are paying more per Ccf, you can still save  
5 money if you are using less Ccfs?

6 MR. STINSON: Objection. Improper  
7 hypothetical, your Honor.

8 MR. OLIKER: It's very simple.

9 EXAMINER SHEETS: Let him answer the  
10 question.

11 THE WITNESS: Could you reread the  
12 question, please.

13 (Record read.)

14 A. In a pure price comparison, no.

15 Q. So let's make it real easy. Assume you  
16 are paying 6 cents a Ccf. And you are using a  
17 thousand Ccfs. Would you agree that any rational  
18 person would be willing to pay 7 Ccfs if they could  
19 reduce their usage to 500 Ccfs?

20 MR. STINSON: Objection again as to form,  
21 your Honor.

22 EXAMINER SHEETS: If you can.

23 A. You're saying -- I guess I'm not fully  
24 understanding where -- what you're saying with  
25 this -- with your question.

1 Q. Can you do the math?

2 A. 6 times a thousand versus 7 times 500?

3 Q. Yes.

4 A. Yes.

5 Q. Would you agree that 7 times 500 is a  
6 much lower number than 6 times a thousand?

7 A. Yeah, I can do simple math, but I don't  
8 think that's a realistic scenario.

9 Q. That's fine.

10 A. I can do math all day but that's -- when  
11 it comes to gas, it's not -- that's not how it works  
12 necessarily.

13 Q. Would you be opposed to Duke Energy Ohio  
14 listing every single offer on the Apples to Apples  
15 price that is lower than GCR on every GCR customer's  
16 bill?

17 MR. STINSON: Could I have that reread,  
18 please.

19 (Record read.)

20 A. Yes. It would be extremely expensive --  
21 I would have to assume extremely expensive for Duke  
22 and also make the bill extremely voluminous.

23 Q. How about the top five offers that are  
24 lower than the GCR price?

25 A. I would -- I need more information just

1 to say yes or no on these -- on that proposal.

2 Q. And would you agree that the GCR -- have  
3 you reviewed what costs are contained in the GCR?

4 A. Roughly, yes.

5 Q. And would you agree that it is largely  
6 related to gas commodity costs, capacity costs, and  
7 storage costs?

8 A. Those are the components. I don't know  
9 the exact ratio of each one but those would be the  
10 majority of the costs.

11 Q. Would you agree that additional costs,  
12 for example, related to Duke's call center are not  
13 allocated to the GCR?

14 MS. WATTS: Your Honor, I would object to  
15 that question. I think we are going into a topic  
16 that is not relevant in this proceeding.

17 MR. OLIKER: It's only one but.

18 MS. WATTS: In the EFBS case IGS raised  
19 questions of cross subsidies that were dealt with in  
20 that case and have not been raised in this case until  
21 just now, and I think they are entirely irrelevant to  
22 the GCR proceeding.

23 EXAMINER SHEETS: I agree with you.  
24 Let's move on to another line of questioning.

25 Q. (By Mr. Olikier) With respect to Exhibit

1 MPH-1, am I correct that you have not reviewed the  
2 individual contracts with customers that provided the  
3 data for this exhibit?

4 A. No. I relied on Columbia for the  
5 information.

6 Q. And, therefore, you do not know any other  
7 additional rewards that may be available to these  
8 customers?

9 A. I don't know the contract's -- specifics  
10 of the contract.

11 Q. Nor the duration, correct?

12 A. No.

13 MR. OLIKER: And I believe those are all  
14 the questions I have. Thank you, your Honor.

15 Thank you, Mr. Haugh.

16 THE WITNESS: Thank you.

17 EXAMINER SHEETS: Does OPAC have any  
18 questions?

19 MS. MOONEY: Oh, no questions, your  
20 Honor.

21 MR. SETTINERI: RESA does though.

22 EXAMINER SHEETS: Go ahead.

23 MR. SETTINERI: Thank you, your Honor.

24 - - -

CROSS-EXAMINATION

By Mr. Settineri:

Q. Good afternoon, Mr. Haugh.

A. Good afternoon.

MR. STINSON: Just for the record OCC is going to object to the fact that IGS is a member of RESA as well. We have two counsel tag teaming on similar issues perhaps.

EXAMINER SHEETS: I'll let him go ahead.

MR. SETTINERI: Thank you, your Honor.

Q. (By Mr. Settineri) Mr. Haugh, at page 3 of your testimony at lines 13 and 14.

A. Yes.

Q. There is a partial sentence, I will start at line 14, "that customers who were supplied through Duke's GCR saved on average almost \$40 per year more than customers who chose a marketer"; is that correct?

A. Yes.

Q. Okay. And you -- and does that represent the period of January 2012 through March 2015?

A. No. I was taking the \$7 million a year and based it on current Choice statistics.

Q. And you say current Choice statistics. That's shopping customers.



1 A. Shopping, yes, I'm sorry.

2 Q. You agree with me the \$7 million figure  
3 that you are referencing is from the audit report,  
4 correct?

5 A. \$7 million is from the audit report, yes.

6 Q. And that \$7 million figure was based on a  
7 time period of January 2012 through March 2015,  
8 correct?

9 A. Yes. And the shopping statistics are  
10 slightly different. It could have been a little bit  
11 more accurate using the shopping statistics from that  
12 time period.

13 Q. Okay. For the period January 2012 to  
14 March 2015, you don't know what the lowest price for  
15 gas paid by customers was, correct?

16 A. I do.

17 Q. What was that?

18 A. I would have to look --

19 MR. STINSON: Excuse me.

20 A. Actually this is -- it would be off the  
21 confidential discovery requests provided by Duke.

22 MR. SETTINERI: By Duke, okay. I'll  
23 withdraw the question, your Honor.

24 EXAMINER SHEETS: Okay.

25 MR. SETTINERI: I can rephrase the

1 question, your Honor.

2 Q. (By Mr. Settineri) That lowest price  
3 would be lower than the weighted average price used  
4 by Duke in its calculation, correct?

5 A. Yes. That's --

6 Q. Okay. Thank you.

7 MR. STINSON: Well, let him finish, your  
8 Honor.

9 MR. SETTINERI: He answered the question,  
10 your Honor. He was moving on.

11 MR. STINSON: Your Honor, he is entitled  
12 to explain his answer.

13 MR. SETTINERI: And that's a proper  
14 redirect, your Honor.

15 EXAMINER SHEETS: Okay.

16 Q. (By Mr. Settineri) You would agree with  
17 me that Choice offers in the Duke territory can be up  
18 to three years, if not more, correct?

19 A. I can't remember the exact terms of  
20 the -- what are offered on -- specifically on the  
21 Apples to Apples chart, but I know there is no limit  
22 as to what suppliers could offer.

23 Q. But generally you are familiar with  
24 offers of at least up to five years, correct?

25 A. At this time I'm not sure if there are

1 five-year offers out there. I know there have been  
2 in the past.

3 Q. Okay. And you would agree with me that a  
4 fixed rate offer could provide certainty to customers  
5 who are seeking a fixed rate, correct?

6 A. Yeah, if that's what the customer  
7 desires.

8 Q. And I believe that Mr. Olikier had asked  
9 you questions in this area, but you are aware that  
10 Choice suppliers can provide additional products as  
11 part of their natural gas service to customers,  
12 correct?

13 MR. STINSON: Objection, asked and  
14 answered. Again, we have two counsel representing  
15 the same entity asking the same questions.

16 MR. OLIKER: I disagree with that, your  
17 Honor. We are not representing the same entities.  
18 We have different interests in this case, although  
19 there may be some overlap.

20 MR. SETTINERI: Your Honor, I am just  
21 laying a foundation question to hone in on some  
22 specific products that were not -- have not been  
23 discussed.

24 EXAMINER SHEETS: Okay. I will let him  
25 answer the question. If you can.

1 THE WITNESS: Could you reread the  
2 question, please.

3 (Record read.)

4 A. Well, Mr. Olikier did not ask me exactly  
5 that. I think there is doubts as to if a supplier  
6 could have a noncommodity product included in the  
7 commodity price.

8 Q. Let me ask you this, are you aware that  
9 Direct Energy provides new Choice customers a Nest  
10 learning thermostat?

11 A. I know -- and as I discussed with  
12 Mr. Olikier, they do offer that, yes.

13 Q. Okay. Do you have a smart thermostat in  
14 your house?

15 A. I do.

16 Q. Okay. What kind is it?

17 A. It's an Ecobee. I can change the  
18 temperature on my house right now if you would like  
19 with my phone.

20 Q. So these smart thermostats, which I don't  
21 have one, sounds like they can be valuable to  
22 customers in terms -- in regards to regulating their  
23 usage of natural gas.

24 A. As I stated with Mr. Olikier, it depends  
25 on how they are used.

1           Q.    Now, are you aware that IGS provides a 5  
2   cents per gallon in fuel reward savings for every \$50  
3   that a Choice customer spends on their utility bill?

4           A.    I wasn't aware of that.

5                   MR. SETTINERI: Your Honor, at this time  
6   if I can mark an exhibit RESA Exhibit 2 and if I may  
7   approach, your Honor.

8                   EXAMINER SHEETS: Okay.

9                   (EXHIBIT MARKED FOR IDENTIFICATION.)

10          Q.    (By Mr. Settineri) Now, I believe,  
11   Mr. Haugh, you testified earlier that you are  
12   familiar with the Apples to Apples chart of the PUCO?

13          A.    Yes.

14          Q.    And you're also familiar -- you also know  
15   that the PUCO maintains a historical archive of the  
16   Apples to Apples charts, correct?

17          A.    Yes.

18          Q.    And can you identify for me what's been  
19   marked as RESA Exhibit 2.

20          A.    It appears as though it's the Residential  
21   Apples to Apples Comparison Chart for Duke Energy  
22   Ohio published on Friday, February 27, 2015.

23          Q.    Okay. Do you have any reason to dispute  
24   the authenticity of this document?

25          A.    I can say I did not look at the Friday,

1 February 27, 2015, Apples to Apples chart, so I can't  
2 confirm that all these -- that this is the same  
3 document as published then as to what you handed me.

4 Q. Okay. But any reason to dispute that it  
5 is from the Apples to Apples chart?

6 MR. STINSON: Objection, your Honor.  
7 Asked and answered. Further, I object to proceeding  
8 with the exhibit because the witness has not seen it  
9 before. He is not familiar with it, and he can't  
10 testify as to its contents to authenticate it.

11 EXAMINER SHEETS: It's overruled. You  
12 may answer the question.

13 THE WITNESS: Could you reread the  
14 question.

15 (Record read.)

16 A. Once again, I don't have a -- I don't  
17 have a basis of comparison to verify that it's the  
18 exact same prices that were published.

19 Q. Okay. But you are familiar with the  
20 Apples to Apples website, and you've used it  
21 regularly in the course of your duties, correct?

22 A. Yes.

23 Q. Okay. And you have used the historical  
24 archives regularly in your duties at OCC, correct?

25 A. Not regularly. I will say that I've used

1       them.

2               Q.     Okay.   February 27, 2015, was during the  
3       period that the \$7 million figure was calculated,  
4       correct?

5               A.     Yes.

6               Q.     Okay.   And we see on page 1 of this  
7       document it list -- notice Duke's current GCR rate is  
8       .5768 or 50 cents -- I should say .5768 dollars per  
9       Ccf, correct?

10              A.     Yes.

11              Q.     Okay.   If we turn to page -- let's start  
12      at page 3.   Do you see the Direct Energy offer for 36  
13      months and the notation that the customer will  
14      "Receive a Nest Learning Thermostat and 3 years of  
15      natural gas at a fixed rate"?

16              A.     Yes.

17              Q.     And if I turn to the bottom of page 3, do  
18      you see the start of the IGS offer for 34 months at a  
19      fixed rate?

20                   MR. STINSON:   What page is that?

21                   MR. SETTINERI:   I'm sorry.   I'm on page  
22      3, bottom of page 3.

23              Q.     Do you see that IGS offer at a fixed rate  
24      of 54.9 cents per Ccf for a term of 34 months?

25              A.     I see that, yes.

1           Q.    Okay.  And turning to the top of the  
2   second page, do you see that the language that states  
3   "This is a promotional offer.  Earn 5 cents per  
4   gallon for every \$50 you spend with IGS Energy on  
5   your utility bill"?

6                   MR. STINSON:  Again, what page are we on  
7   there?

8           A.    Yes.

9           Q.    Do you see that?

10          A.    Yes.

11          Q.    All right.  You would agree with me then  
12   the \$7 million figure, for instance, let's start --  
13   let me back up.

14                   You would agree with me this offer was in  
15   place at least at some point during the period of  
16   January 2012 through March 2015, correct?

17                   MR. STINSON:  Objection.  Again, he said  
18   he is not familiar with the February 27 document.

19                   EXAMINER SHEETS:  He can answer the  
20   question.

21          A.    This -- this particular offer I don't  
22   believe would fall into the March 2015 because given  
23   that it takes approximately one billing cycle for a  
24   customer to switch from GCR to Choice that this --  
25   this might not fall into the March 2015 time frame.



1 It might not be enrolled at that point.

2 Q. Let's make it easy. Assume it was  
3 available during that period. The \$7 million figure  
4 would not include any savings to customers on fuel  
5 savings, correct?

6 A. The issues that that's stating is taking  
7 as opposed to apples to apples, this is apples to  
8 oranges. What -- the concern that I have is that  
9 customers don't have full information about their  
10 residential gas bill. What they spend on fuel is --  
11 I am assuming that's gasoline is what that refers to  
12 by fuel rewards, it just says 5 cents per gallon as  
13 fuel rewards, that that doesn't -- that should not be  
14 compared with what a customer is paying for their  
15 residential natural gas bill.

16 Q. Well, if I am getting a fuel card with my  
17 natural gas offer and I am able to save money on  
18 gasoline because I'm a Choice supplier, shouldn't  
19 those -- that savings be accounted for if you are  
20 doing a comparison of whether I should shop or stay  
21 on GCR?

22 A. I think the concern is, once again,  
23 residential customers and what they are paying for  
24 Choice. These are -- this is an additional concern  
25 that I have with throwing in non -- once again, it's

1 another nonnatural gas commodity that's thrown into a  
2 Choice price. So customers are paying these  
3 additional prices, and if this customer doesn't pay  
4 their -- doesn't pay their supply portion of their  
5 bill, they could get shut off because they are  
6 getting free gas -- gasoline rewards.

7 Q. Well, let's keep it simple. The \$7  
8 million figure doesn't account for any savings that  
9 customers receive through use of a fuel savings --

10 A. And nor should it.

11 Q. That's not what I asked you. I am asking  
12 for a "yes" or "no" answer. I asked you --

13 A. No, it doesn't because it shouldn't.

14 Q. Okay. Now, let's turn to page 5 of RESA  
15 Exhibit 2. And looking towards the bottom, you see  
16 some offers in North American Power and Gas, right?

17 A. Yes.

18 Q. Do you see the reference to carbon offset  
19 in two offers there?

20 A. Where exactly?

21 Q. It would be four lines up, North American  
22 Power and Gas, page 5, RESA Exhibit 2, you will see  
23 "Market-based general variable. 25% Carbon Offset."

24 A. Oh, yes.

25 Q. What is carbon offset? Do you know?

1           A.    I don't know what they are describing in  
2           this.  It just says carbon offset.  I'm not sure  
3           what's -- what's included in that contract.

4           Q.    All right.  All right.  Let me ask you  
5           this question, if a supplier was able to offer Choice  
6           customers a green energy option, would that -- strike  
7           that question.

8                     Okay.  If suppliers were able to offer  
9           customers a green energy option, would you expect the  
10          customers to pay more for that option?

11          A.    A customer that's shopping for a green  
12          energy option or a thermostat or anything else would  
13          expect to pay more for their -- for what their -- for  
14          their commodity.  The reason for showing these  
15          savings is to show that for a customer that wants to  
16          go to the Apples to Apples to save money, they have  
17          the information to -- that as of -- as of the current  
18          information, that the customer is not -- the  
19          customers are generally not saving money on Choice,  
20          and if you are looking to save money on Choice, then  
21          be sure to fully research the offers that you're  
22          accepting.

23          Q.    And they can do that by going to the  
24          Apples to Apples chart, correct?

25          A.    The Apples to Apples chart doesn't give a

1 full picture.

2 Q. All right. Does -- the GCR doesn't  
3 provide a green energy option for customers, does it?

4 A. No.

5 Q. Okay. And that \$7 million figure was not  
6 adjusted to account for customers that maybe elect to  
7 pay more for green energy options, correct?

8 A. And, once again, I don't think it should  
9 be.

10 Q. I just want to confirm, was that a "no"  
11 or a "yes" to my question?

12 MR. SETTINERI: And if we could just  
13 reread the question.

14 A. Yes, I'm sorry. Sorry.

15 Q. We are talking over each other. I will  
16 try to do better as well.

17 (Record read.)

18 A. I think the question is a little  
19 confusing, but it's a customer is -- the price with  
20 the green energy option is included in the \$7  
21 million. Does that answer your question?

22 Q. You have given your answer, I appreciate  
23 it. Regarding the Duke calculation of the \$7 million  
24 figure that's been discussed today, what documents  
25 did you review regarding that figure?

1           A.     It would have been Exeter Data Request  
2     01-035, which if you are going to ask any other  
3     questions, that is listed as confidential.

4           Q.     Thank you. And to be clear for the  
5     record, attached to your testimony is Exhibit 1,  
6     correct? That's the Columbia Gas Shadow Billing  
7     Program?

8           A.     MPH Exhibit 1, yes.

9           Q.     Thank you. You did not prepare this  
10    chart, correct?

11          A.     No. It was prepared by Columbia per the  
12    order in 12 -- Case 12-2637.

13          Q.     And you would agree with me Columbia  
14    currently uses a standard service auction to procure  
15    natural gas for nonshopping customers, correct?

16          A.     Standard Choice Offer, yes.

17          Q.     Standard Choice. And you would agree  
18    with me that the SCO price in Columbia is as a result  
19    of supplier bids, correct?

20          A.     The SCO auction is an accumulation of  
21    supplier bids, or it's an auction where suppliers bid  
22    on the Standard Choice Offer.

23                 MR. SETTINERI: No further questions,  
24    your Honor. Thank you.

25                 EXAMINER SHEETS: Do you have any on

1 redirect?

2 MR. STINSON: Could we have just a few  
3 moments, your Honor, please? If we could have a few  
4 moments.

5 EXAMINER SHEETS: All right.

6 (Discussion off the record.)

7 EXAMINER SHEETS: All right. Go back on  
8 the record.

9 MR. STINSON: Just one additional  
10 follow-up, your Honor.

11 - - -

12 REDIRECT EXAMINATION

13 By Mr. Stinson:

14 Q. There was some testimony or questions  
15 here today concerning customers being able to merely  
16 reference the Apples to Apples charts to make  
17 comparison. And with that background, Mr. Haugh, I  
18 just want to ask you why you're offering a  
19 methodology or recommendation other than mere  
20 reference of the Apples to Apples chart.

21 A. Sure. There should be a difference noted  
22 that between offers on the Apples to Apples and rates  
23 that are charged to customers where a number of the  
24 offers out on the Apples to Apples will offer  
25 some variable rate offers that may offer savings for

1 one to two months and then are increased after that  
 2 so the -- it does not -- the Apples to Apples doesn't  
 3 offer a complete picture of what rates are being  
 4 charged to customers. And this -- what my  
 5 recommendation would show is the rates being charged  
 6 against the GCR.

7 MR. STINSON: Nothing further, your  
 8 Honor.

9 EXAMINER SHEETS: Anything on recross?

10 MS. WATTS: Just one brief question, your  
 11 Honor.

12 - - -

13 RECROSS-EXAMINATION

14 By Ms. Watts:

15 Q. Mr. Haugh, the Apples to Apples chart  
 16 does, in fact, indicate whether a rate is variable or  
 17 fixed, correct?

18 A. Yes.

19 MS. WATTS: Okay. Thank you. Nothing  
 20 further.

21 - - -

22 RECROSS-EXAMINATION

23 By Mr. Olikar:

24 Q. And, Mr. Haugh, just to be clear you're  
 25 not suggesting that a supplier would enter into a

1 fixed-price contract from the Apples to Apples chart  
2 and not honor the terms of that contract, are you?

3 A. No. I'm saying that the variable  
4 rates -- looking at this -- looking at the Apples to  
5 Apples chart I was provided, there are some variable  
6 rates that show -- that show a three-month  
7 promotional offer, and then after that, it's unknown  
8 what the rate will be.

9 MR. OLIKER: Those are all the questions  
10 I have, your Honor.

11 Thank you, Mr. Haugh.

12 EXAMINER SHEETS: Anything else?

13 - - -

14 RECROSS-EXAMINATION

15 By Mr. Settineri:

16 Q. Just to make sure I heard your question  
17 correctly, Mr. Haugh, you're not recommending that as  
18 part of your testimony today that all rates be -- as  
19 a policy of Duke be provided to consumers, correct?

20 A. No. I'm just saying that the Apples to  
21 Apples does not give a comprehensive demonstration of  
22 the rates that are being charged to the customers.

23 MR. SETTINERI: Okay. Thank you. No  
24 further questions.

25 EXAMINER SHEETS: Anything else?



1                   You're excused.

2                   THE WITNESS: Thank you.

3                   MR. STINSON: At this point, your Honor,  
4 I move for the admission of OCC Exhibit 1.

5                   EXAMINER SHEETS: Very good. I'll admit  
6 that exhibit.

7                   (EXHIBIT ADMITTED INTO EVIDENCE.)

8                   MR. SETTINERI: Your Honor, at this time  
9 RESA would move for the admission of RESA Exhibit 1.

10                  MR. STINSON: OCC objects based on our  
11 prior objections that it is not authenticated by  
12 Mr. Haugh.

13                  MR. SETTINERI: Your Honor, given that  
14 Mr. Haugh has been able to attach a hearsay document  
15 to his testimony, this is actually a public document  
16 off the PUCO's website, he is familiar with it, the  
17 Apples to Apples chart, and I didn't hear him say any  
18 reason he disagreed, I think it is fair to have in  
19 the record for a thorough record.

20                  EXAMINER SHEETS: I will admit that  
21 exhibit as well.

22                  (EXHIBIT ADMITTED INTO EVIDENCE.)

23                  MR. OLIKER: Your Honor, noting the  
24 earlier motion to strike, we would just renew our  
25 motion to strike for the record and for purposes of

1 briefing, understanding you are not going to change  
2 your ruling.

3 EXAMINER SHEETS: Very good. Is there  
4 anything else to bring up today?

5 All right. We will go off the record  
6 here briefly to discuss briefing schedules.

7 (Discussion off the record.)

8 EXAMINER SHEETS: May 17 for initial  
9 briefs and June 10 for reply briefs.

10 Thank you all for coming then. I will  
11 consider this matter submitted on the record. Thank  
12 you.

13 (Thereupon, the hearing was concluded at  
14 2:53 p.m.)

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CERTIFICATE

I do hereby certify that the foregoing is  
a true and correct transcript of the proceedings  
taken by me in this matter on Wednesday, April 20,  
2016, and carefully compared with my original  
stenographic notes.

Karen Sue Gibson, Registered  
Merit Reporter.

(KSG-6181)

- - -

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Summary: Transcript in the matter of the Duke Energy Ohio, Inc. hearing held on 04/20/16 electronically filed by Mr. Ken Spencer on behalf of Armstrong & Okey, Inc. and Gibson, Karen Sue Mrs.