

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Duke Energy Ohio, Inc., for an Increase in Electric Distribution Rates.	)	Case No. 17-32-EL-AIR
	)	
In the Matter of the Application of Duke Energy Ohio, Inc., for Tariff Approval.	)	Case No. 17-33-EL-ATA
	)	
In the Matter of the Application of Duke Energy Ohio, Inc., for Approval to Change Accounting Methods.	)	Case No. 17-34-EL-AAM
	)	
In the Matter of the Application of Duke Energy Ohio, Inc., for Approval to Modify Rider PSR.	)	Case No. 17-872-EL-RDR
	)	
In the Matter of the Application of Duke Energy Ohio, Inc., for Approval to Amend Rider PSR.	)	Case No. 17-873-EL-ATA
	)	
In the Matter of the Application of Duke Energy Ohio, Inc., for Approval to Change Accounting Methods.	)	Case No. 17-874-EL-AAM
	)	
In the Matter of the Application of Duke Energy Ohio, Inc., for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Revised Code, in the Form of an Electric Security Plan, Accounting Modifications and Tariffs for Generation Service.	)	Case No. 17-1263-EL-SSO
	)	
In the Matter of the Application of Duke Energy Ohio, Inc., for Authority to Amend its Certified Supplier Tariff, P.U.C.O. No. 20.	)	Case No. 17-1264-EL-ATA
	)	
In the Matter of the Application of Duke Energy Ohio, Inc., for Authority to Defer Vegetation Management Costs.	)	Case No. 17-1265-EL-AAM
	)	

In the Matter of the Application of Duke                    )  
Energy Ohio, Inc., to Establish                            ) Case No. 16-1602-EL-ESS  
Minimum Reliability Performance                        )  
Standards Pursuant to Chapter 4901:1-                 )  
10, Ohio Administrative Code.

PREFILED TESTIMONY IN SUPPORT OF THE STIPULATION

OF

PATRICK DONLON  
ON BEHALF OF THE STAFF OF THE  
PUBLIC UTILITIES COMMISSION OF OHIO

STAFF EXHIBIT\_\_\_\_

**June 25, 2018**

1     1.     Q.     Please state your name and business address.

2           A.     My name is Patrick Donlon. My business address is 1306 Harran Avenue,  
3           Columbus, Ohio, 43215.

4

5     2.     Q.     On whose behalf are you providing direct testimony?

6           A.     I am testifying on behalf of the Staff of the Public Utilities Commission of  
7           Ohio (Staff).

8

9     3.     Q.     By whom and in what capacity are you employed?

10          A.     I am the Owner and President of Donlon, LLC. I am also employed by  
11          Capitol Partners as the Director of Regulatory Affairs.

12

13     4.     Q.     How long have you been in your present positions?

14          A.     I assumed the roles in late February 2018 and mid-March 2018,  
15          respectively.

16

17     5.     Q.     What are your responsibilities in your current positions?

18          A.     In my current positions, I provide expert testimony for clients, as well as  
19          being responsible for obtaining, retaining and working with clients to  
20          develop strategies and optimize opportunities to achieve their goals.

21

1     6.     Q.     Will you describe briefly your education and business background?

2           A.     I received a Bachelor of Science degree in Accounting with a minor in  
3           Economics Management from Ohio Wesleyan University in 2000. In 2010,  
4           I earned a Master of Business Administration degree from Franklin  
5           University. I worked for American Electric Power (AEP) for just under ten  
6           years in two stints with the company serving in various roles. For AEP, I  
7           was an accountant in the Generation Accounting Department; an Hourly  
8           Energy Trader focusing in the Southwestern Power Pool market; a Fuel,  
9           Emissions and Logistics Coordinator; and a Financial Planning Analyst in  
10          Commercial Operations. I began working at the Public Utilities Commission  
11          of Ohio (Commission) in August 2012 as a Public Utilities Administrator 2  
12          in the Rates Division of the Utilities Department. I also served as Interim  
13          Director of the Energy and Environmental Department, beginning in May  
14          2014. When the Rates and Analysis Department was formed in November  
15          2014 by merging the Utilities and Energy and Environment Departments, I  
16          became director of the Rates and Analysis Department, and served in that  
17          role until I left the Commission in January 2018.

18

1 7. Q. Have you previously provided testimony before the Public Utilities  
2 Commission of Ohio?

3 A. Yes, I have provided testimony in various gas and electric rate cases, electric  
4 Standard Service Offer (SSO) cases and natural gas cost recovery cases. A  
5 complete list of the cases I have testified in is included as Attachment A.  
6

7 8. Q. What is the purpose of your testimony in this proceeding?

8 A. The Staff of the Public Utilities Commission of Ohio has asked me to support  
9 the Stipulation and Recommendation (Stipulation), filed in this proceeding  
10 on April 13, 2018 and signed by Staff, based on my expertise and experience.  
11 My testimony will confirm that the Stipulation complies with the  
12 Commission's three-part test for determining a stipulation's reasonableness,  
13 and that in the aggregate the Electric Security Plan (ESP) is more favorable  
14 than the Market-Rate Offer (MRO).  
15

16 9. Q. How does your experience relate to your testimony in this proceeding?

17 A. My experience as Director of the Rates and Analysis Department and my  
18 extensive industry experience provide me with solid insight and perspective  
19 of the interworking of utilities, intervening parties, and the Commission.  
20 Prior to my departure from the Commission, I led Staff in the audit,  
21 preparation and negotiations of Case Nos. 17-32-EL-AIR, *et al.* and 17-1263-  
22 EL-SSO, *et al.* My direct involvement in these cases as the Director of the

1 Rates and Analysis Department gives me the unique ability to testify to the  
2 Commission's three-part test and the MRO versus ESP test for this  
3 Stipulation.

4  
5 10. Q. Please provide an overview and describe the key components of the  
6 Stipulation.

7 A. The Stipulation settles multiple cases that are currently active before the  
8 Commission, including Duke Energy Ohio's (the Company or Duke)  
9 pending SSO application, the Company's pending base electric distribution  
10 rate case application, the Company's application to populate its existing Price  
11 Stabilization Rider (Rider PSR), and the Commission's review of the  
12 Company's electric service standards for 2016. Below is a summary of some  
13 of the major components of the Stipulation, but is not meant to be a  
14 comprehensive list:

- 15 • ESP Term is June 1, 2018 – May 31, 2025,
- 16 • SSO Procurement continues,
- 17 • PIPP Auction cost will be collected in the nonbypassable Rider  
18 UE-ED (Uncollectible Expense Rider – Electric Distribution),
- 19 • Overall base rate reduction of \$19.17 million,
- 20 • Return on Equity of 9.84%,
- 21 • Equity ratio of 50.75%,

- Staff's proposed depreciation rate schedule,
- Continuation of the Distribution Capital Investment Rider (Rider DCI), which includes:
  - Caps on the amount to be recovered by the Company,
  - Potential battery storage recovery, and
  - A sunset provision,
- Creation of the PowerForward Rider (Rider PF), which allows for:
  - Recovery of costs associated with Commission directives resulting from the PowerForward initiative,
  - Recovery of costs associated with the communications infrastructure needed to support advanced metering infrastructure (AMI) and data access enhancements, and
  - Recovery of costs associated with an infrastructure modernization plan to be filed in a future case,
- Reduction of earnings-related incentives to both Rider PF and Rider DCI,
- Allowance for recovery of distribution vegetation management expenses,
  - Creation of Electric Service Reliability Rider (Rider ESRR),

- Rate base allowance is \$10,720,877,<sup>1</sup>
- Overall recovery cap of \$20,720,877 for both Rider ESRR and base rates, and
- The Company will move to a five-year trim cycle,
- Modification to the distribution storm rider (Rider DSR) revenue requirement, by reducing the base distribution revenue requirement to an annual baseline of \$4.3 million,
- Elimination of the distribution reliability - infrastructure modernization rider (Rider DR-IM),
- Modification of the base transmission rider (Rider BTR),
- The Company agrees to eliminate the proposed ability to offer additional products and/or services other than retail electric service,
- Allows for net metering credits to conform with the Commission's Order in Case No. 12-2050-EL-ORD,
- Allows for auditing elements of the Company's purchase of accounts receivables (PAR),
- Gradual reduction to the backup delivery point tariff (BDP),
- Changes to the Company's certified supplier tariff,

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<sup>1</sup> See *In the Matter of the Application of Duke Energy Ohio, Inc., for an Increase in Electric Distribution Rates*, Case No. 17-32-EL-AIR, *et al.*, Stipulation and Recommendation, Attachment D, Schedule A-1 (April 13, 2018) (*Duke Global Case*).



- Agreement that the Company has fulfilled its Operational Support Plan,
- Population of Rider PSR to recover or credit the net amount of the Company's entitlement with Ohio Valley Electric Corporation (OVEC),
- Withdrawal of the Company's proposed Regulatory Mandates Rider (Rider RMR) and Incentive Ratemaking Mechanism Rider (Rider IRM),
- Maintains the current Significantly Excessive Earnings Test (SEET) parameters,
- Creates a working group to engage the Ohio Hospital Association (OHA) on issues of reliability, maintenance, and load growth that may impact OHA members,
- \$522,000 in annual funding for low-income programs as administered by People Working Cooperatively, Inc. (PWC), and
- \$250,000 in annual funding to the City of Cincinnati for low-income programs.

1    **The Commission's Three-part Test**

2    11.    Q.    What are the components of the Commission's three-part test?

3           A.    A stipulation before the Commission must: (i) be the product of serious  
4                   bargaining among capable, knowledgeable parties; (ii) not violate any  
5                   important regulatory principles or practice; and (iii) as a package, benefit  
6                   ratepayers and the public interest.

7  
8    12.    Q.    Please identify the signatory parties.

9           A.    The signatory parties on the Stipulation represent a diverse group of interests  
10                  amongst parties. The specific signatory parties to the Stipulation are Duke;  
11                  Staff; the City of Cincinnati; Ohio Partners for Affordable Energy; Ohio  
12                  Energy Group; Ohio Hospital Association; and People Working  
13                  Cooperatively, Inc.

14  
15   13.    Q.    Please identify the non-opposing parties.

16           A.    The non-opposing parties are The Kroger Co.; Industrial Energy Users-Ohio;  
17                  Ohio Manufacturers' Association Energy Group; and Wal-Mart Stores East,  
18                  LP and Sam's East, Inc.

19

1 14. Q. Does the Stipulation represent the product of serious bargaining among  
2 capable, knowledgeable parties?

3 A. Yes. The signatory parties and non-opposing parties are knowledgeable on  
4 regulatory matters before the Commission, regularly participate in  
5 proceedings before the Commission, employ experts in the industry, and are  
6 represented by experienced and competent counsel.

7 All intervenors were provided an opportunity to participate in discussions  
8 and the settlement process. The terms of the Stipulation represent serious  
9 bargaining among diverse parties to find a mutually acceptable agreement  
10 for all signatory and non-opposing parties. Concessions were made by  
11 parties to mitigate the litigation risk inherent in proceeding to a hearing.  
12

13 15. Q. Does the Stipulation violate any important regulatory principle or practice?

14 A. No. Based on my experience, involvement in this proceeding, and review  
15 of the Stipulation, Staff concludes that it complies with all relevant and  
16 important regulatory principles and practices.  
17

18 16. Q. Does the Stipulation benefit customers and the public interest?

19 A. Yes. The Stipulation resolves a multitude of issues that span ten open cases  
20 before the Commission. The Stipulation provides long-term certainty and  
21 predictability for all parties, including customers. The Stipulation supports  
22 and advances the Commission's PowerForward initiative, which is a review

1 of the latest in technological and regulatory innovation that could serve to  
2 enhance the customer electricity experience, while providing the proper  
3 guardrails and caps. The reliability and safety of the grid is properly  
4 accounted for to ensure that the Company continues to effectively operate  
5 and maintain its distribution system. The Stipulation also provides for the  
6 continued support of low-income weatherization initiatives. Finally, the  
7 Stipulation proposes to allow the Company to populate Rider PSR with the  
8 costs the Company has incurred related to the Company's ownership  
9 percentages in OVEC units, starting in January 2018 and continuing through  
10 the end of the ESP.

11  
12 17. Q. Is Rider PSR in the public interest?

13 A. Rider PSR recovers or credits back the net profit or loss of the Company's  
14 ownership percentage in the OVEC units. The Commission previously  
15 approved the rider in Case No. 14-841-EL-SSO, *et al.* Through the  
16 Stipulation, the Company is able to populate the rider with the net profit or  
17 net loss the Company incurred starting in January 2018 and through the end  
18 of the term of the ESP. For each Ohio Electric Distribution Utility (EDU)  
19 which has direct ownership shares of OVEC units, the Commission has  
20 granted a nonbypassable rider to allow the credits or costs to be flowed

1 back to that utility's customers.<sup>2</sup> While each EDU has its own unique  
2 issues, circumstances and situations that should be evaluated on their own  
3 merits, OVEC is a unique issue and circumstance that three of the Ohio  
4 EDUs share in common. To date, the Commission has approved the Ohio  
5 Power Company and the Dayton Power and Light Company to recover or  
6 credit their individual ownership share of the OVEC plants through a rider.<sup>3</sup>  
7 The Commission has deemed that those riders operate as a hedge for the  
8 costs and associated revenues of the EDU's ownership share of OVEC and  
9 are in the public interest.<sup>4</sup> Staff does not believe that the facts in this case  
10 differ enough to merit a change in Commission precedent.

11  
12 **MRO versus ESP Test**

- 13 18. Q. Do you believe the Electric Security Plan (ESP) proposed is more favorable  
14 in the aggregate than a Market-Rate Offer (MRO)?
- 15 A. Yes, Staff concludes that its evaluation of the ESP application as modified  
16 by the Stipulation, in its entirety, is more favorable than an MRO. Upon  
17 consideration of the ESP, as proposed in the Stipulation, including its  
18 pricing and all other terms and conditions, we find that the ESP

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<sup>2</sup> See *In the Matter of the Application of Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to R.C. 4928.143, in the Form of an Electric Security Plan*, Case No 16-1852-EL-SSO, *et al.*, Opinion and Order at 22-23 (April 25, 2018); *In the Matter of the Application of The Dayton Power and Light Company to Establish a Standard Service Offer in the Form of an Electric Security Plan*, Case No. 16-395-EL-SSO, *et al.*, Opinion and Order at 34-35 (Oct. 20, 2017).

<sup>3</sup> *Id.*

<sup>4</sup> *Id.*

recommended by the Signatory Parties is more favorable in the aggregate than the expected results under R.C. 4928.142.

19. Q. Please explain Staff's quantitative analysis of the MRO versus ESP test.

A. Staff reviewed past precedent with respect to which riders and costs should be included in the quantitative analysis of the MRO versus ESP test. Under the ESP in the proposed Stipulation, the base generation rates to be charged to SSO customers will continue to be established through a fully auction-based process and, therefore, generation rates are considered equivalent to the results that would be obtained under R.C. 4928.142. The recovery of the revenue requirements associated with distribution-related riders are considered to be the same whether recovered through the ESP or a distribution rate case conducted in conjunction with an MRO<sup>5</sup> and, accordingly, Staff did not consider such investments in our quantitative MRO versus ESP analysis. Based on my experience and knowledge of Commission precedent, the lone rider that would not be allowable under an MRO would be Rider PSR, which was previously approved and under the Stipulation, the Company will be allowed to populate the rider. The

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<sup>5</sup> *In the Matter of the Application of the Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to R.C. 4928.143, in the Form of an Electric Security Plan*, Case No. 16-1852-EL-SSO, *et al.*, Opinion and Order at 123 (April 25, 2018).

quantitative analysis of the MRO versus ESP test will be dependent on the cost and revenue associated and collected or credited through Rider PSR.

20. Q. Has the difficulty of forecasting the impact of Rider PSR on consumers increased due to recent events?

A. Yes, it is typically difficult to forecast total revenues out past PJM's capacity auction, but based on the current auction results it becomes even more difficult to forecast cost out into the future. The 2021/2022 capacity payment results were \$140 MW-day, while the 2020/2021 capacity payment results were \$76.53 MW-day. Therefore, for the 2021/2022 PJM delivery year, the capacity payment almost doubled. The steep increase in capacity payments, while still showing a 22% reserve margin, which was 5.7% higher than PJM's target, points to a potential increase in generators' concern of the capacity performance market and adding the risk factor into the cost of capacity. Capacity performance will be effective starting in the 2020/2021 delivery year, thus accurately predicting generators added risk factor for the capacity payments will be extremely difficult as the capacity payments fluctuate year to year and until the generators are able to get comfortable with the actual results.

Adding to the difficulty of forecasting the energy market, President Trump directed the Secretary of the Department of Energy (DOE) to prepare

1 immediate steps to stop the loss of fuel-secure power facilities.<sup>6</sup> While the  
2 DOE has not yet issued an order to this effect, it has drafted a  
3 memorandum, described as an Addendum, that provides for the potential  
4 use of its authority under Section 202(C) of the Federal Power Act to  
5 provide relief to coal and nuclear facilities.<sup>7</sup>  
6

7 21. Q. What are the quantitative costs or benefits of the ESP compared to the  
8 MRO, per Staff's analysis?

9 A. Staff believes that the quantitative costs and benefits of the ESP when  
10 compared to the MRO are difficult to forecast with a high level of accuracy  
11 and/or certainty due to the multiple variables that are in flux. However,  
12 Staff does recognize that Company Witness Rose's current forecast projects  
13 a negative result for Rider PSR, when sunk cost are included. Since Rider  
14 PSR is the lone rider which would not be allowable under an MRO, it  
15 would result in a negative outcome for the quantitative analysis of the ESP  
16 versus MRO test. Based on the forecast available at this time, Staff  
17 believes that the negative quantitative results associated with Rider PSR are  
18 offset by the qualitative benefits of the ESP, as described below.  
19

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<sup>6</sup> Sarah Huckabee Sanders, The White House, Statement from the Press Secretary on Fuel-Secure Power Facilities (June 1, 2018), <https://www.whitehouse.gov/briefings-statements/statement-press-secretary-fuel-secure-power-facilities/>

<sup>7</sup> See Draft Addendum (May 29, 2018), available at <https://www.documentcloud.org/documents/4491203-Grid-Memo.html>.



1    22.    Q.    Are there qualitative benefits of the ESP that should be considered when  
2                    reviewing the MRO versus ESP test?

3            A.    Yes. The ESP proposed in this Stipulation provides Duke customers  
4                    numerous benefits and advances many of the state policy objectives  
5                    enumerated in R.C. 4928.02. Staff believes that an ESP filing provides the  
6                    most flexibility in order to achieve outcomes that are advantageous for all  
7                    of the parties involved. The qualitative benefits provided for in the  
8                    Stipulation include provisions for enhancements to the retail competitive  
9                    market, battery storage options, low income protections, promotion of  
10                  innovative measures related to the PowerForward initiatives, vegetation  
11                  management flexibility, and provision of equitable treatment amongst the  
12                  EDUs in Ohio.

13  
14    23.    Q.    Please explain the qualitative benefits provided for in the Stipulation for  
15                    this ESP, in regards to retail market enhancements.

16            A.    The retail market enhancements are explained in Staff Witness Schaefer's  
17                    Testimony, but I will address them solely for purposes of the qualitative  
18                    benefits to the ESP. Through the creation of Rider PF, the Stipulation  
19                    allows for recovery of costs associated with the communications  
20                    infrastructure needed to support AMI, along with enhancements to the

1 accessibility and usability of customer energy usage data (CEUD).<sup>8</sup> The  
2 Stipulation provides a detailed plan for potential recovery, with specific  
3 guidelines and parameters to ensure that data is available to marketers.  
4 Without the customer data, innovative products and services cannot be  
5 made available. While there are diverse group of marketers in the Duke  
6 service territory, we are still just scratching the surface of what products  
7 and services can be offered to the consumers in a competitive market. With  
8 interval data and individual peak load contributions (PLC), marketers can  
9 develop customer-specific products that can benefit consumers. Many of  
10 these offers are currently available to large industrials, but are not available  
11 to residential consumers due to the lack of information on their specific  
12 usage profile. Additionally, with the availability of data, new and inventive  
13 technologies and opportunities will arise, but the data has to be available to  
14 allow for new technology to emerge. The Stipulation sets up a detailed  
15 plan with incentives for the Company to ensure the proper deployment of  
16 data access which will allow for market enhancements that can benefit  
17 customers.

18 The Stipulation states that the Company will withdraw its proposal to offer  
19 products and services other than retail electric service that are included in  
20 the proposed tariff language set forth in the entirety of “Part 6 – Special

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<sup>8</sup> *Duke Global Case*, Stipulation and Recommendation at 16-17 (April 13, 2018).

1 Customer Services,” which is found in the Company’s ESP Application,  
2 Attachments JEZ-1 and JEZ-2 to the Direct Testimony of James E.  
3 Ziolkowski, as detailed in the Stipulation. The Company’s agreement to  
4 withdraw the proposal to offer products and services other than retail  
5 electric services allows for the competitive market to offer those products  
6 and continue to grow and thrive.  
7

8 24. Q. Please explain the qualitative benefits provided for in the Stipulation for  
9 this ESP, in regards to the Distribution Capital Investment Rider (DCI).

10 A. The proposed ESP commits to the continuation of the Company’s DCI, as  
11 modified by the Stipulation. As the DCI is being addressed by Staff  
12 Witness McCarter, I will address the DCI solely for the purpose of the  
13 qualitative benefits to the ESP. The structure of the DCI provides an  
14 economical and efficient process that enables the Company to make  
15 investments in its distribution system, which improves both the safety and  
16 reliability of the distribution system.  
17

18 25. Q. Please explain the qualitative benefits provided for in the Stipulation for  
19 this ESP, in regards to battery storage.

20 A. To the extent the Commission would approve distribution-related battery  
21 storage, the investment associated with it can be recovered through the DCI  
22 Rider. For purposes of the qualitative benefits to the ESP, battery storage

1 will allow the Company more flexibility when addressing distribution  
2 reliability and poor performing circuits. Defining the parameters for  
3 recovery of prudent investments into battery storage allows the Company a  
4 clear path for cost recovery. With a clear path for cost recovery, the  
5 Company can deploy battery technology with more confidence, when it is  
6 the least cost option and prudent decision for addressing distribution  
7 reliability issues and poorly performing circuits. This provides qualitative  
8 benefits to the customers in increased reliability at a reduced cost, while  
9 also providing additional data points on how battery storage can be  
10 deployed on the distribution system to increase reliability at a lower cost  
11 than upgrading and expanding circuits and distribution lines.

12  
13 26. Q. Please explain the qualitative benefits provided for in the Stipulation for  
14 this ESP in regards to the hospital working group.

15 A. The Stipulation calls for the Company to establish an internal working  
16 group that shall be readily available to engage active members of the OHA  
17 in respect to issues related to reliability, maintenance and load growth.  
18 Hospitals are an essential part of our society and ensuring that hospitals  
19 have consistent continuous power is essential to Ohio and its residents.

1 27. Q. Please explain the qualitative benefits provided for in the Stipulation for  
2 this ESP in regards to protections for low income customers.

3 A. The Stipulation provides funds for weatherization programs to be  
4 administered by People Working Cooperatively to assist low income  
5 families. These programs help low income families by providing various  
6 weatherization techniques to help reduce the amount of energy low income  
7 families need to heat and/or cool their residencies, which will reduce their  
8 usage and thus their overall bills. Additionally, through the Stipulation,  
9 funds will be made available to the City of Cincinnati to assist customers at  
10 or below 200 percent of the federal poverty guidelines, with disconnections  
11 for nonpayment and energy efficiency programs and public service  
12 announcements.

13  
14 28. Q. Please explain the qualitative benefits provided for in the Stipulation for  
15 this ESP, in regards to PowerForward initiatives.

16 A. The specifics around the PowerForward initiatives are explained in Staff  
17 Witness Schaefer's testimony, but I will address them solely for purposes  
18 of the qualitative benefits to the ESP. The electric industry is experiencing  
19 its first major transformation in over 100 years. In many ways, the electric  
20 grid is the same today as it was then, but with new technology – and a new  
21 desire on how we control, view and use power – the industry is changing.  
22 To ensure that Ohio is poised to move into the future in an intelligent,

1 measured and deliberate way, the Commission commenced its  
2 PowerForward initiative. Within the PowerForward initiative, the  
3 Commission intends to issue a policy framework document, wherein the  
4 Commission will potentially establish the direction that the Commission  
5 wishes to take to usher Ohio into the future to benefit the consumers in  
6 Ohio. To allow for the Company to enact the specific directives that the  
7 Commission may initiate in its policy framework document, the Company  
8 must have a venue to recover the prudent costs associated with the  
9 Commission's directives. The Stipulation sets up a placeholder rider to  
10 ensure the Company can initiate the Commission's directives to enhance  
11 the electric industry for the betterment of all Ohio's customers without the  
12 need for a new ESP or rate case being filed after the Commission issues the  
13 policy framework document.

14  
15 29. Q. Please explain the qualitative benefits provided for in the Stipulation for  
16 this ESP, in regards to the infrastructure modernization plan.

17 A. The specifics around the infrastructure modernization plan is explained in  
18 Staff Witness Schaefer's testimony, but I will address them solely for  
19 purposes of the qualitative benefits to the ESP. The infrastructure  
20 modernization plan is a placeholder for the Company to provide a detailed  
21 proposal for a Customer Information System (CIS), which will be a project  
22 to update the system that manages the billing, accounts receivable, rates,

1 and is the central repository for all of the customer information for all the  
2 Duke companies. The updated CIS should provide a holistic view of the  
3 customer's information and enable the expected customer capabilities.<sup>9</sup>  
4

5 30. Q. Please explain the qualitative benefits provided for in the Stipulation for  
6 this ESP, in regards to the Rider ESRR.

7 A. The specifics around the Rider ESRR is explained in Staff Witness  
8 Lipthratt's testimony, but I will address them solely for purposes of the  
9 qualitative benefits to the ESP. Vegetation management is an important  
10 activity of the Company in order to avoid outages. Rider ESRR will enable  
11 the Company to maintain its vegetation management requirements, while  
12 allowing for prudently incurred price flexibility without burdening  
13 ratepayers with a guaranteed higher allotment of fixed expenses in base  
14 rates.  
15

16 31. Q. Do these qualitative benefits when factored with the quantitative factors  
17 cause the ESP to be more beneficial than the MRO in the aggregate?

18 A. Yes.  
19

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<sup>9</sup> *In the Matter of the Application of Duke Energy Ohio, Inc., for Authority to Establish a Standard Service Offer Pursuant to R.C. 49028.143, Revised Code, in the Form of an Electric Security Plan, Accounting Modifications and Tariffs for Generation Service*, Case No. 17-1263-EL-SSO, *et al.*, Direct Testimony of Company Witness Retha Hunsicker at 2-3 (June 1, 2017).

1 32. Q. If Rider PSR was projected to incur the losses, when sunk costs are  
2 included, as forecasted by Company Witness Rose, would Staff still believe  
3 the ESP is better in the aggregate than an MRO?

4 A. Yes. It is Staff's conclusion that even if Rider PSR does end up being net  
5 negative, quantitatively, over the term of the ESP in the amount projected  
6 by Company Witness Rose, that all of the qualitative benefits still outweigh  
7 the potential for a negative quantitative result. Staff believes that in the  
8 aggregate, the ESP is more beneficial than a hypothetical MRO, even if  
9 Witness Rose's net impact is assumed with sunk costs included.

10

11 33. Q. Does this conclude your testimony?

12 A. Yes.

13



## CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the Pre-filed Testimony of Patrick Donlon in Support of the Stipulation has been served upon the below-named counsel via electronic mail, this 25<sup>th</sup> day of June, 2018.

*/s/ Steven L. Beeler*

**Steven L. Beeler**

### Parties of Record:

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## Attachment A

### Prior Testimony

Utility	Topic	Brief Description	Case Number
Orwell-Trumbull Pipeline(OTP)	OTP bankruptcy proceeding	Relay issues the PUCO encountered with OTP and its ownership.	17-17135 U.S. Bankruptcy Court Northern District of Ohio
Youngstown Thermal	Surcharge rate design, allocation and need	Defend the need for the utility to charge additional fee when facing bankruptcy.	17-1534-HC-UNC <sup>10</sup>
Dayton Power & Light	Supporting stipulation and MRO vs ESP Test	Support the stipulation signed by multiple parties and validate that the ESP passes the MRO vs ESP test.	16-396-EL-SSO <sup>11</sup>
Duke Energy Ohio	Energy efficiency cost cap	Purpose a cap on overall program costs and shared savings of energy efficiency rider.	16-576-EL-POR <sup>12</sup>
FirstEnergy	Energy efficiency cost cap	Purpose a cap on overall program costs and shared savings of energy efficiency rider.	16-743-EL-POR <sup>13</sup>
Duke Energy Ohio	Support stipulation	Support the stipulation signed by the company and Staff.	14-457-EL-RDR <sup>14</sup>
Brainard Natural Gas	Support stipulation	Support the stipulation signed by the company and Staff.	13-206-GA-GCR <sup>15</sup>
Gas Natural Utilities	Dispute RFP process	Raise issues with the RFP process used by the utilities.	12-209-GA-GCR <sup>16</sup>
Duke Energy Ohio	Rate case expenses	Discuss Staff's proposed expense disallowances.	12-1682-EL-AIR <sup>17</sup>
Dayton Power & Light	Rate design of rider	Propose changes to the design and recovery of DP&L's proposed reconciliation rider.	12-426-EL-SSO <sup>18</sup>

<sup>10</sup> <http://dis.puc.state.oh.us/TiffToPDF/A1001001A17L12B00634A01414.pdf>

<sup>11</sup> <http://dis.puc.state.oh.us/TiffToPDF/A1001001A17D14B44224C03192.pdf>

<sup>12</sup> <http://dis.puc.state.oh.us/TiffToPDF/A1001001A17C13B54744D00578.pdf>

<sup>13</sup> <http://dis.puc.state.oh.us/TiffToPDF/A1001001A17B01B62821D01294.pdf>,

<http://dis.puc.state.oh.us/TiffToPDF/A1001001A17B01B63250D01298.pdf>

<sup>14</sup> <http://dis.puc.state.oh.us/TiffToPDF/A1001001A16C21B04208F00022.pdf>

<sup>15</sup> <http://dis.puc.state.oh.us/TiffToPDF/A1001001A14C05A92152E11976.pdf>

<sup>16</sup> <http://dis.puc.state.oh.us/TiffToPDF/A1001001A13G22B02526J91254.pdf>

<sup>17</sup> <http://dis.puc.state.oh.us/TiffToPDF/A1001001A13C19B70442B46960.pdf>

<sup>18</sup> <http://dis.puc.state.oh.us/TiffToPDF/A1001001A13D17B44019F20898.pdf>

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**Case No(s). 16-1602-EL-ESS, 17-0032-EL-AIR, 17-0033-EL-ATA, 17-0034-EL-AAM, 17-0872-EL-RDR,**

Summary: Testimony in Support of the Stipulation of Patrick Donlon electronically filed by Ms. Tonneta Scott on behalf of PUC