

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Regulation of the)	
Purchased Gas Adjustment Clauses)	
Contained within the Rate Schedules of)	Case No. 18-218-GA-GCR
Duke Energy Ohio, Inc., and Related Matters.)	

In the Matter of the Audit of the)	
Uncollectible Expense Rider of Duke)	Case No. 18-318-GA-UEX
Energy Ohio, Inc., and Related Matters.)	

In the Matter of the Application of)	
Duke Energy Ohio, Inc., for Approval of an)	Case No.18-418-GA-PIP
Adjustment to its Interim and Temporary)	
PIPP Plan Rider Case.)	

DIRECT TESTIMONY OF

JEFF L. KERN

ON BEHALF OF

DUKE ENERGY OHIO, INC.

August 23, 2019

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I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Jeff L. Kern, and my business address is 139 East Fourth Street, Cincinnati, Ohio, 45202.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by Duke Energy Business Services LLC, an affiliate of Duke Energy Ohio, Inc. (Duke Energy Ohio or Company), as Lead, Rates and Regulatory Strategy.

Q. PLEASE DESCRIBE YOUR EDUCATION AND PROFESSIONAL EXPERIENCE.

A. I have a Bachelor's Degree in Quantitative Analysis from the University of Cincinnati. I began my career with the Cincinnati Gas & Electric Company (CG&E) as a rate analyst in 1988. I was employed by New York State Electric & Gas Company between 1993 and 1997, returning to CG&E in 1997 as a Senior Rate Analyst. In 1998, I became an administrator in Gas Operations. Since that time I have held positions of increasing responsibility in Gas Operations. During the audit period (September 2015 through August 2018), my title was Lead, Gas Resources, and I had responsibility for assuring adequate supply of gas for retail sales customers.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO (COMMISSION)?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS PROCEEDING?

1 A. The purpose of my direct testimony is to support the Stipulation and Recommendation
2 (Stipulation) related to the Company's application in these proceedings; a Stipulation
3 filed by the Staff of the Public Utilities Commission of Ohio (Staff), IGS Energy, Inc.
4 (IGS) and the Company. I will discuss the criteria employed by the Public Utilities
5 Commission of Ohio (Commission) when reviewing stipulations. My testimony will
6 confirm that the Stipulation filed in this proceeding: (1) is the product of serious
7 bargaining among capable, knowledgeable parties; (2) does not violate any important
8 regulatory principle or practice; and (3) as a package, benefits ratepayers and the public
9 interest. I will explain that the Stipulation is a fair and reasonable resolution to the issues
10 relevant to this proceeding.

11 II. OVERVIEW OF THE STIPULATION

12 Q. PLEASE IDENTIFY THE SIGNATORY PARTIES TO THE STIPULATION.

13 A. In addition to the Commission Staff, two parties intervened in this proceeding. The two
14 parties are the Office of the Ohio Consumers' Counsel, (OCC) and IGS. Although all of
15 the parties engaged in settlement discussions, the Staff, IGS and the Company are the
16 signatory parties and these parties reflect diverse interests and represent customers in
17 Duke Energy Ohio's service territory. All three parties have significant experience and
18 understanding of the history of the Company with respect to providing distribution gas
19 service and planning and procurement of gas supply.

20 Q. PLEASE PROVIDE AN OVERVIEW OF THE TERMS OF THE SETTLEMENT
21 AGREEMENT AS DETAILED IN THE STIPULATION.

22 A. The Stipulation provides that Duke Energy Ohio's gas cost recovery (GCR) rates were
fairly determined, and accurately computed. Further, the Stipulation accepts the

1 outcomes detailed in the Independent Accountants' Report on Applying Agreed-Upon
2 Procedures filed in Case No. 17-318-GA-UEx, and the Independent Accountants' Report
3 on Applying Agreed-Upon Procedures filed in Case No.17-418-GA-PIP, thereby
4 concluding three pending matters and obviating the need for hearings in all of them.

III. CRITERIA FOR APPROVAL OF A STIPULATION

5 **Q. PLEASE IDENTIFY THE CRITERIA USED BY THE COMMISSION IN**
6 **REVIEWING A STIPULATION.**

7 A. As I understand it, the Commission will approve a stipulation when it (1) is the product
8 of serious bargaining among capable, knowledgeable parties; (2) does not violate any
9 important regulatory principle or practice, and (3) as a package, benefits ratepayers and
10 the public interest.

11 **Q. DOES THE STIPULATION REPRESENT THE PRODUCT OF SERIOUS**
12 **BARGAINING AMONG CAPABLE, KNOWLEDGEABLE PARTIES?**

13 A. Yes. The capability and knowledge of the parties and their counsel is readily apparent.
14 The signatory parties regularly participate in rate proceedings before the Commission, are
15 very knowledgeable in regulatory matters, and were represented by experienced,
16 competent counsel. Furthermore, the signatory parties represent a broad range of
17 interests.

18 I personally participated in the process that resulted in the Stipulation. I can
19 therefore confirm that all of the issues raised by the signatory parties in the proceeding
20 were thoroughly reviewed and addressed during negotiations and despite the divergent
21 interests among them, all parties, including OCC, had an opportunity to express their

1 opinions in the negotiation process. Although OCC ultimately determined not to sign the
2 Stipulation, nevertheless, they were engaged during settlement discussions.

3 Further, the settlement discussions resulted in beneficial modifications and
4 compromises, thereby confirming that serious bargaining occurred at settlement
5 meetings.

6 For all of these reasons, I believe that the Stipulation is a compromise resulting
7 from those negotiations and, therefore, represents a product of the efforts of capable,
8 knowledgeable parties.

9 **Q. DOES THE STIPULATION VIOLATE ANY IMPORTANT REGULATORY**
10 **PRINCIPLE OR PRACTICE?**

11 A. No. Based upon my experience, involvement in this proceeding, and review of the
12 Stipulation, I believe that it complies with all relevant and important principles and
13 practices.

14 **Q. DOES THE STIPULATION BENEFIT CONSUMERS AND THE PUBLIC**
15 **INTEREST?**

16 A. Yes. As set forth in the Stipulation, and as agreed to by the signatory parties, the
17 Stipulation provides benefits for all customer groups and interested stakeholders, while
18 advancing and remaining consistent with state policy. The Stipulation resolves issues
19 between Staff and IGS, if not all the parties and thereby reduces litigation to some extent.
20 The terms of the Stipulation set forth provisions whereby, among other things, the
21 Company has agreed to accept recommendations of the auditor in this proceeding.
22 Further, the Stipulation provides that the Company will file an application to change its
23 gas tariff to prevent avoidance of capacity release due to timing of customers leaving the

1 GCR within 60 days of the Order approving the Stipulation. Finally, the Company has
2 agreed to hold a collaborative to discuss rates and charges paid by competitive retail
3 natural gas suppliers for Firm Balancing Service (FBS) and Enhanced Firm Balancing
4 Service (EFBS) and to discuss whether the formula for pricing FBS should be modified.
5 All of these terms were included in the Stipulation as a result of the discussions between
6 the parties and they are all terms that can be said to be in the best interests of the
7 consumer and the public interest.

8 **Q. IS THE STIPULATION A JUST AND REASONABLE RESOLUTION OF THE**
9 **ISSUES IN THE PROCEEDING?**

10 **A.** Yes. As described above, the Stipulation affords benefits to our customers and the public
11 and is consistent with established regulatory policy and practice. The Stipulation
12 represents a timely and efficient resolution of all of the issues in this proceeding, after
13 thoughtful deliberation and discussion by the parties.

IV. CONCLUSION

14 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

15 **A.** Yes, it does.

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Summary: Testimony Direct Testimony of Jeff L. Kern on Behalf of Duke Energy Ohio, Inc. electronically filed by Mrs. Tammy M Meyer on behalf of Duke Energy Ohio Inc. and D'Ascenzo, Rocco and Watts, Elizabeth