

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke)
Energy Ohio, Inc., for an Adjustment to) Case No. 16-0542-GA-RDR
Rider MGP Rates.)

In the Matter of the Application of Duke)
Energy Ohio, Inc., for Tariff Approval.) Case No. 16-0543-GA-ATA

DIRECT TESTIMONY OF

KEITH BONE

ON BEHALF OF

DUKE ENERGY OHIO, INC.

March 31, 2016

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I. INTRODUCTION AND PURPOSE

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Keith Bone, and my business address is 550 South Tryon Street,
3 Charlotte, North Carolina 28202.

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

5 A. I am employed by Duke Energy Business Services LLC (DEBS) as Director of
6 Insurance & Claims for the Duke Energy Corporation (Duke Energy) enterprise.
7 DEBS provides various administrative and other services to Duke Energy's
8 affiliated companies. I am responsible for directing and managing the worldwide
9 insurance operations, claims, and captive insurance company operations for Duke
10 Energy and its affiliated companies, including Duke Energy Ohio, Inc., formerly
11 known as The Cincinnati Gas & Electric Company, Inc. (Duke Energy Ohio or
12 Company).

13 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND**
14 **PROFESSIONAL EXPERIENCE.**

15 A. I earned a Bachelor of Science degree in Engineering Operations from North
16 Carolina State University in 1979. I joined Duke Power in 1979 as a buyer for
17 Duke Power's hydroelectric facilities and electric transmission department. Since
18 then, I have assumed positions of increasing responsibility. In 1987, I became
19 Manager of Procurement, and in 1995, I was appointed Manager of Acquisitions
20 and Sales in Duke Power's real estate division. In November 2000, I became
21 Director of Claims, and I assumed my current position in July of 2006.

1 **Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AS DIRECTOR OF**
2 **INSURANCE & CLAIMS.**

3 A. As Director of Insurance & Claims, I have been involved in all aspects of
4 insurance procurement and management of insurable risks for Duke Energy since
5 2006. In this regard, I have procured numerous types of policies, including
6 comprehensive general liability, umbrella/excess liability, and all-risk property
7 damage and a myriad of other types of policies typically obtained by utility
8 companies.

9 With regard to the two manufactured gas plant (MGP) sites that are at
10 issue in these proceedings, I am one of the people responsible for supervising
11 efforts to obtain insurance recovery for the liabilities at those sites.

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

14 A. I have not provided oral testimony before the Public Utilities Commission of Ohio
15 (Commission). However, I have submitted written testimony in Case No. 14-
16 0375-GA-RDR, *et al.* and Case No. 15-0452-GA-RDR, *et al.*

17 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

18 A. My direct testimony will describe the steps that Duke Energy Ohio took in 2015
19 to comply with the Opinion and Order¹ issued November 13, 2013, to actively
20 pursue insurance coverage for its investigation and remediation costs at the two
21 MGP sites. I have previously testified about the historical insurance policies that
22 are potentially available to provide coverage for Duke Energy Ohio's liability for

¹ *In the Matter of the Application of Duke Energy Ohio, Inc., for an Increase in its Natural Gas Distribution Rates*, Case No. 12-1685-GA-AIR, *et al.*, Opinion and Order, at pg. 67 (November 13, 2013).

1 environmental property damage at and around the former MGP sites known as the
2 East End and West End MGPs located in Cincinnati, Ohio. I have also previously
3 discussed Duke Energy Ohio's efforts to locate and analyze the potentially
4 applicable coverage and some of the challenges that Duke Energy Ohio must
5 overcome to secure coverage. I will discuss the efforts undertaken by Duke
6 Energy Ohio in 2015 to obtain recovery under available insurance coverage.

II. DISCUSSION

7 **Q. PLEASE DISCUSS THE EFFORTS UNDERTAKEN BY DUKE ENERGY**
8 **OHIO IN 2015 TO RESOLVE THE INSURANCE COVERAGE ISSUES**
9 **REGARDING THESE SITES.**

10 **A.** Duke Energy Ohio took the following steps during 2015 to resolve insurance
11 coverage issues regarding the losses at these sites:

- 12 • responded to information requests from the insurers throughout the year;
- 13 • engaged in negotiations with one insurer, which made a reasonable
14 starting settlement offer in response to Duke Energy Ohio's 2014
15 individual settlement demands to each insurer;
- 16 • engaged a mediator, Timothy Gallagher, to assist the parties in settlement
17 negotiation; and,
- 18 • conducted a mediation session with several of the insurers on December 8,
19 2015.

20 Duke Energy Ohio is in negotiations of the coverage dispute with its insurers with
21 the assistance of a mediator. If the mediation results in a settlement of any of the
22 claims against the insurers, Duke Energy Ohio may be able to avoid the costs of

1 expensive and lengthy insurance coverage litigation against the carriers. Based on
2 the experience of Duke Energy Ohio subject matter experts, proceeding with the
3 mediation is, we believe that, the most productive way to obtain a recovery from
4 the carriers. The steps that Duke Energy Ohio has taken and intends to take;
5 providing information to the insurers regarding the sites, responding to reasonable
6 questions, and engaging in settlement negotiations, are all reasonable and
7 necessary to achieving this possible goal at this juncture.

III. CONCLUSION

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

9 **A. Yes.**

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Summary: Testimony Direct Testimony of Keith Bone on behalf of Duke Energy Ohio, Inc. electronically filed by Mrs. Adele M. Frisch on behalf of Duke Energy Ohio, Inc. and Spiller, Amy B and Watts, Elizabeth H