

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

PEGGY A. LAUB

ON BEHALF OF

DUKE ENERGY OHIO, INC.

March 31, 2016

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Attachments:

PAL-1:	Detail of MGP Expense – 2015
PAL-2:	Rider MGP charge – Rate Class

I. INTRODUCTION AND PURPOSE

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

2 A. My name is Peggy A. Laub, and my business address is 139 East Fourth Street,
3 Cincinnati, Ohio 45202.

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,
6 Rates and Regulatory Planning. DEBS provides various administrative and other
7 services to Duke Energy Ohio, Inc., (Duke Energy Ohio or Company) and other
8 affiliated companies of Duke Energy Corporation (Duke Energy).

9 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND**
10 **PROFESSIONAL EXPERIENCE.**

11 A. I earned a Bachelor of Business Administration degree, with a major in
12 accounting, from the University of Cincinnati.

13 I began my career with The Cincinnati Gas & Electric Company, the
14 predecessor of Duke Energy Ohio, as a co-operative education student in the
15 Accounting Department. In 1984, I was employed full-time in the Tax
16 Department. I progressed through various positions to Coordinator, State & Local
17 Taxes. In 1998, I was transferred to the Regulated Business Unit's financial
18 group. In 2000, I was transferred to Fixed Assets Accounting and I was promoted
19 to manager in 2002. In May 2006, following the merger between Cinergy Corp.
20 and Duke Energy, I transferred to the Midwest U.S. Franchised Electric & Gas
21 accounting group. In November 2008, I transferred to Midwest Wholesale
22 Accounting as Manager, Accounting. In May 2010, I transferred to the Rate

1 Department and to my current position as Director, Rates and Regulatory
2 Planning.

3 **Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AS DIRECTOR,**
4 **RATES AND REGULATORY PLANNING.**

5 A. As Director, Rates and Regulatory Planning, I am responsible for the preparation of
6 financial and accounting data used in retail rate filings and various other rate
7 recovery mechanisms for Duke Energy Ohio and Duke Energy Kentucky, Inc.

8 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC**
9 **UTILITIES COMMISSION OF OHIO?**

10 A. Yes. I previously testified in a number of cases before the Public Utilities
11 Commission of Ohio (Commission) and other regulatory commissions.

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

13 A. I will explain the history of Rider MGP and describe the updated schedules filed
14 by Duke Energy Ohio in these proceedings. I will also support the reasonableness
15 of Duke Energy Ohio's request for revised Rider MGP rates.

II. HISTORY OF RIDER MGP

16 **Q. PLEASE DESCRIBE THE HISTORY OF RIDER MGP.**

17 A. In Case No. 09-0712-GA-AAM, the Commission authorized the Company to
18 defer costs related to the environmental investigation and remediation of two
19 former manufactured gas plant (MGP) sites. On July 9, 2012, Duke Energy Ohio
20 filed for an increase in its base rates in Case No. 12-1685-GA-AIR, *et al.* (Natural
21 Gas Rate Case). As part of the Natural Gas Rate Case, Duke Energy Ohio
22 requested to recover amounts that had been deferred from 2008 through end of the

1 test period or December 31, 2012. Consistent with the Opinion and Order in the
2 Natural Gas Rate Case, the Company was allowed to begin recovery of these costs
3 (with certain adjustments) through Rider MGP. The initial tariff for Rider MGP
4 was filed on February 21, 2014, with rates effective in March of 2014. Collection
5 under Rider MPG was temporarily suspended in June 2014 but resumed in
6 January 2015. In the Natural Gas Rate Case Opinion and Order, the Commission
7 also ordered Duke Energy Ohio to update Rider MGP on an annual basis. The first
8 such filing for calendar year 2013 costs was made on March 31, 2014, in Case
9 Nos. 14-0375-GA-RDR, *et al.* The second such filing for calendar year 2014
10 costs was made on March 31, 2015, in Case Nos. 15-0452-GA-RDR, *et al.* In the
11 2015 filings, the Company requested that the two rider update filings be
12 consolidated. The Commission has not yet acted on this request. The Company is
13 also requesting that these cases be consolidated with the prior cases pending under
14 Case Nos. 14-0375-GA-RDR, *et al.* and 15-0452-GA-RDR, *et al.*

III. EXPLANATION OF SCHEDULES

15 **Q. PLEASE EXPLAIN ATTACHMENT PAL-1.**

16 A. Schedule PAL-1 is the detail of the MGP expense incurred in calendar year 2015 by
17 month and by activity. The total amount for calendar year 2015 is \$1,061,056.

18 **Q. DOES THE AMOUNT ON ATTACHMENT PAL-1 INCLUDE CARRYING**
19 **COSTS?**

20 A. No. Pursuant to the Opinion and Order in the Natural Gas Rate Case, there are no
21 carrying costs included in this Application.

22 **Q. PLEASE EXPLAIN ATTACHMENT PAL-2.**

1 A. Schedule PAL-2 provides the Rider MGP charge by rate class using the allocation
2 percentages for the MGP included in the Stipulation and Recommendation approved
3 by the Commission in the Natural Gas Rate Case. It also provides the number of
4 customer bills for the twelve months ended December 31, 2015.

5 **Q. DOES THE CALCULATION IN ATTACHMENT PAL-2 INCLUDE**
6 **AMOUNTS INCURRED IN PRIOR YEARS?**

7 A. Yes. Pursuant to the Opinion and Order in the Natural Gas Rate Case, the costs for
8 MGP remediation are to be amortized over a five-year period. Since collection of
9 costs incurred through December 31, 2012, was not approved until 2014, the
10 proposed rate will include amortization related to the amount previously approved
11 for recovery. It includes costs incurred in calendar years 2013 and 2014, which
12 were filed with the Commission in Case Nos. 14-0375-GA-RDR, *et al.* and Case
13 No. 15-0452-GA-RDR, *et al.* which have not yet been ruled upon, along with costs
14 for calendar year 2015.

IV. REASONABLENESS OF REQUESTED INCREASE

15 **Q. HAVE YOU REVIEWED DUKE ENERGY OHIO'S APPLICATION IN**
16 **THESE PROCEEDINGS?**

17 A. Yes.

18 **Q. DO YOU HAVE AN OPINION REGARDING WHETHER DUKE**
19 **ENERGY OHIO'S REQUEST FOR NEW RIDER MGP RATES IS**
20 **REASONABLE?**

21 A. Yes.

22 **Q. PLEASE STATE YOUR OPINION.**

1 A. Duke Energy Ohio's rate request is fair and reasonable. I believe that the costs of
2 service are properly allocated to customer classes and the rate design was properly
3 performed in accordance with the terms and conditions of the Stipulation and
4 Recommendation in the Natural Gas Rate Case, as approved by the Commission.

V. CONCLUSION

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

6 A. Yes.

Line No.	Description	January	February	March	April	May	June	July	August	September	October	November	December	Total 2015
1	Investigation	\$ 12,421.96	\$ 3,640.07	\$ 159.65	\$ 9,122.50	\$ 12,060.00	\$ -	\$ 1,722.50	\$ 1,507.50	\$ 5,695.00	\$ -	\$ 21,240.42	\$ 148,254.27	\$ 215,823.87
2	Analytical Laboratory	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	Contractor Support	\$ 85.00	\$ 425.00	\$ 318.75	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 828.75
4	Vibration Monitoring	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,200.00
5	Miscellaneous	\$ 793.67	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,891.25	\$ 7,127.77	\$ 975.00	\$ 10,787.69
6	Duke Internal Expenses	\$ 1,056.46	\$ 646.03	\$ 1,701.99	\$ -	\$ 144.11	\$ 70.23	\$ -	\$ 1,770.87	\$ 234.75	\$ 50.58	\$ 903.56	\$ 784.09	\$ 7,362.67
7	Duke Laboratory Labor	\$ -	\$ 6,431.95	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,431.95
8	Duke MCP PM/Construction Oversight	\$ 10,131.14	\$ 4,346.82	\$ 6,588.00	\$ 2,511.55	\$ 2,118.60	\$ 2,559.31	\$ 3,195.60	\$ 2,945.20	\$ 2,639.62	\$ 8,418.45	\$ 35,212.48	\$ 4,890.58	\$ 85,557.35
9	EAST END TOTALS	\$ 24,488.23	\$ 15,489.87	\$ 8,768.39	\$ 11,634.05	\$ 14,322.71	\$ 2,629.54	\$ 4,918.10	\$ 6,223.57	\$ 8,569.37	\$ 10,360.28	\$ 67,684.23	\$ 154,903.94	\$ 329,992.28
10	Investigation	\$ -	\$ 25,715.05	\$ 23,798.53	\$ -	\$ 5,437.50	\$ -	\$ 4,630.47	\$ 500.00	\$ -	\$ -	\$ 6,406.80	\$ -	\$ 66,488.35
11	Air Monitoring	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12	Sediment Investigation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13	Analytical Laboratory	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14	Contractor Support	\$ 106.25	\$ 1,105.00	\$ (680.00)	\$ -	\$ -	\$ -	\$ -	\$ 2,040.00	\$ 2,040.00	\$ -	\$ -	\$ -	\$ 4,611.25
15	Constr. Mgmt./Detailed Design	\$ 461,940.80	\$ 7,702.60	\$ 0	\$ -	\$ -	\$ -	\$ 991.05	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 470,634.45
16	Miscellaneous	\$ -	\$ 1,186.64	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,186.64
17	Soil Disposal/Landfill	\$ 88,728.92	\$ -	\$ -	\$ -	\$ 1,014.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,642.90	\$ 89,742.92
18	Duke Internal Expenses	\$ -	\$ 641.21	\$ -	\$ -	\$ 144.12	\$ 70.22	\$ -	\$ 1,770.88	\$ 119.76	\$ -	\$ 767.54	\$ -	\$ 5,829.54
19	Duke Laboratory Labor	\$ 7,385.30	\$ 9,642.75	\$ -	\$ 5,014.00	\$ -	\$ -	\$ 21,764.90	\$ -	\$ -	\$ -	\$ 18,451.75	\$ -	\$ 35,131.73
20	Duke MCP PM/Constr Oversight	\$ 5,630.55	\$ 2,071.82	\$ 2,619.82	\$ 1,232.23	\$ 772.56	\$ 2,227.54	\$ 3,681.09	\$ 2,365.86	\$ 2,468.78	\$ 3,385.71	\$ 611.41	\$ 917.65	\$ 62,258.70
21	WEST END TOTALS	\$ 563,791.82	\$ 48,065.07	\$ 25,738.35	\$ 6,246.23	\$ 7,368.18	\$ 2,297.76	\$ 31,067.51	\$ 6,676.74	\$ 4,628.54	\$ 3,385.71	\$ 26,237.50	\$ 5,560.55	\$ 731,063.96
22	Grand Total	\$ 588,280.05	\$ 63,554.94	\$ 34,506.74	\$ 17,880.28	\$ 21,690.89	\$ 4,927.30	\$ 35,985.61	\$ 12,900.31	\$ 13,197.91	\$ 13,745.99	\$ 93,921.73	\$ 160,464.49	\$ 1,061,056.24

Duke Energy Ohio, Inc.
Per Bill Rates Based On Recovering MGP Deferral Over Five Years

<i>Vintage 1</i>				
	Allocation % ^(a)	Annual Allocated \$	Bills ^(b)	\$/Bill
<u>Cost thru December 2012</u>				
RS/RFT/RSLI/RSPP	68.26%	\$7,580,107	4,733,059	\$1.60
GS/FT Small	7.76%	\$861,729	236,052	\$3.65
GS/FT Large	21.68%	\$2,407,511	103,440	\$23.27
IT	2.30%	\$255,409	1,404	\$181.92
	100.00%	\$11,104,758	5,073,955	
 Balance Currently being recovered (a)				
		\$55,523,788		
 <i>Vintage 2</i>				
<u>Calendar Year 2013, 2014 and 2015 Activity</u>				
RS/RFT/RSLI/RSPP	68.26%	\$1,369,292	4,733,059	\$0.29
GS/FT Small	7.76%	\$155,665	236,052	\$0.66
GS/FT Large	21.68%	\$434,900	103,440	\$4.20
IT	2.30%	\$46,138	1,404	\$32.86
	100.00%	\$2,005,995	5,073,955	
 Total 2013, 2014 and 2015 Activity				
2013 Activity		\$10,029,977		
2014 Activity Per Schedule PAL-1		\$8,282,890		
2015 Activity Per Schedule PAL-1		\$686,031		
		\$1,061,056		
 <u>Total Rider MGP Tariff Amounts</u>				
RS/RFT/RSLI/RSPP				\$1.89
GS/FT Small				\$4.31
GS/FT Large				\$27.47
IT				\$214.78

Notes: (a) As provided for in the Opinion and Order in Case No. 12-1685-GA-AIR
(b) From CMS customer count statistics for 12 months ended December 31, 2015

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in

Case No(s). 16-0542-GA-RDR, 16-0543-GA-ATA

Summary: Testimony Direct Testimony of Peggy Laub 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