

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke)
Energy Ohio, Inc., for an Adjustment to) Case No. 17-596-GA-RDR
Rider MGP Rates.)

In the Matter of the Application of Duke)
Energy Ohio, Inc., for Tariff Approval.) Case No. 17-597-GA-ATA

DIRECT TESTIMONY OF

SARAH E. LAWLER

ON BEHALF OF

DUKE ENERGY OHIO, INC.

March 31, 2017

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Attachments:

SEL-1:	Detail of MGP Expense – 2016
SEL-2:	Rider MGP charge – Rate Class

I. INTRODUCTION AND PURPOSE

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

2 A. My name is Sarah E. Lawler, 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 Utility
6 Strategy Director, Midwest. 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 Science in Accountancy from Miami University, Oxford,
12 OH in 1993. I am also a Certified Public Accountant.

13 I began my career in September 1993 with Coopers & Lybrand, L.L.P. as
14 an audit associate and progressed to a senior audit associate. In August 1997, I
15 moved to Kendle International Inc., where I held various positions in the
16 accounting department, ultimately being promoted to Corporate Controller. In
17 August 2003, I began working for Cinergy Corp., the parent of Duke Energy
18 Ohio, as External Reporting Manager, where I was responsible for the Company's
19 Securities & Exchange Commission (SEC) filings. In August 2005, I then moved
20 into the role of Manager, Budgets & Forecasts. In June 2006, following the
21 merger between Cinergy Corp. and Duke Energy, I became Manager, Financial
22 Forecasting. In February 2015, I began in my current role as Utility Strategy

1 Director, Midwest.

2 **Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AS UTILITY**
3 **STRATEGY DIRECTOR, MIDWEST.**

4 A. As Utility Strategy Director, Midwest, I am responsible for the preparation of the
5 Ohio and Kentucky Business Plans as well as other internal reporting and
6 coordination of strategic initiatives. I am also responsible for the analysis of
7 financial and accounting data used in certain Duke Energy Ohio and Duke Energy
8 Kentucky, Inc. retail rate filings.

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

11 A. No.

12 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THESE**
13 **PROCEEDINGS?**

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

II. HISTORY OF RIDER MGP

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

18 A. In Case No. 09-0712-GA-AAM, the Commission authorized the Company to
19 defer costs related to the environmental investigation and remediation of two
20 former manufactured gas plant (MGP) sites. The Commission further observed
21 that the recovery of these business costs would be addressed in a subsequent rate
22 case. On July 9, 2012, Duke Energy Ohio filed for an increase in its base rates in

1 Case No. 12-1685-GA-AIR, *et al.* (Natural Gas Rate Case). As part of the Natural
2 Gas Rate Case, Duke Energy Ohio requested to recover amounts that had been
3 deferred from 2008 through the end of the test period or December 31, 2012.
4 Consistent with the Opinion and Order in the Natural Gas Rate Case, the
5 Company was allowed to begin recovery of these costs (with certain adjustments)
6 through Rider MGP. The initial tariff for Rider MGP was filed on February 21,
7 2014, with rates effective in March of 2014. Collection under Rider MPG was
8 temporarily suspended in June 2014 but resumed in January 2015. In the Natural
9 Gas Rate Case Opinion and Order, the Commission also ordered Duke Energy
10 Ohio to update Rider MGP on an annual basis. The first such filing for calendar
11 year 2013 costs was made on March 31, 2014, in Case Nos. 14-0375-GA-RDR, *et*
12 *al.* The second such filing for calendar year 2014 costs was made on March 31,
13 2015, in Case Nos. 15-0452-GA-RDR, *et al.* The third such filing for calendar
14 year 2015 costs was made on March 31, 2016, in Case Nos. 16-0542-GA-RDR, *et*
15 *al.* In the 2015 and 2016 filings, the Company requested that all of the rider
16 update filings be consolidated. The Commission has not yet acted on this request.
17 The Company is also requesting that these cases be consolidated with the prior
18 cases pending under Case Nos. 14-0375-GA-RDR, *et al.*, 15-0452-GA-RDR, *et al.*
19 and Case Nos. 16-0542-GA-RDR, *et al.*

III. EXPLANATION OF SCHEDULES

20 **Q. PLEASE EXPLAIN ATTACHMENT SEL-1.**

21 A. Schedule SEL-1 is the detail of the MGP expense incurred in calendar year 2016 by
22 month and by activity. The total amount for calendar year 2016 is \$1,296,160.

1 **Q. DOES THE AMOUNT ON ATTACHMENT SEL-1 INCLUDE CARRYING**
2 **COSTS?**

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

5 **Q. PLEASE EXPLAIN ATTACHMENT SEL-2.**

6 A. Schedule SEL-2 provides the Rider MGP charge by rate class using the allocation
7 percentages included in the Stipulation and Recommendation approved by the
8 Commission in the Natural Gas Rate Case. It also provides the number of customer
9 bills for the twelve months ended December 31, 2016.

10 **Q. DOES THE CALCULATION IN ATTACHMENT SEL-2 INCLUDE**
11 **AMOUNTS INCURRED IN PRIOR YEARS?**

12 A. Yes. Pursuant to the Opinion and Order in the Natural Gas Rate Case, the costs for
13 MGP remediation are to be amortized over a five-year period. Since collection of
14 costs incurred through December 31, 2012, was not approved until 2014, the
15 proposed rate will include amortization related to the amount previously approved
16 for recovery. It includes costs incurred in calendar years 2013, 2014 and 2015,
17 which were filed with the Commission in Case Nos. 14-0375-GA-RDR, *et al.*, Case
18 Nos. 15-0452-GA-RDR, *et al.* and Case Nos. 16-0542-GA-RDR, *et al.*, which have
19 not yet been ruled upon, along with costs for calendar year 2016.

IV. REASONABLENESS OF REQUESTED INCREASE

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

22 A. Yes.

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

4 **A. Yes.**

5 **Q. PLEASE STATE YOUR OPINION.**

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

V. CONCLUSION

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

11 **A. Yes.**

Duke Energy Ohio, Inc.
Detail of MGP expense
12 Months ended December 31, 2016

Line No.	Description	East End - 2016	January	February	March	April	May	June	July	August	September	October	November	December	Total 2016
1	Investigation		\$ 13,855.49	\$ 25,660.30	\$ 17,692.07	\$ 39,317.93	\$ 59,080.72	\$ -	\$ -	\$ 48,102.62	\$ 21,411.16	\$ 7,350.12	\$ 405,748.71	\$ 6,306.82	\$ 644,525.94
2	Air Monitoring		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,000.00	\$ 27,500.00	\$ 61,500.00
3	Analytical Laboratory		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4	Contractor Support		\$ -	\$ -	\$ 5,653.50	\$ 1,464.75	\$ 813.75	\$ 2,348.25	\$ 1,860.00	\$ -	\$ 1,557.75	\$ 1,534.50	\$ -	\$ -	\$ 15,232.50
5	Vibration Monitoring		\$ -	\$ 12,800.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,920.00	\$ 15,987.00	\$ 66,517.00
6	Miscellaneous		\$ -	\$ 640.00	\$ -	\$ -	\$ 2,232.50	\$ 5,948.95	\$ 715.00	\$ -	\$ -	\$ 2,810.00	\$ 1,438.93	\$ 6,809.82	\$ 18,756.52
7	Soil Disposal/Landfill		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,059.26	\$ 41,059.26
8	Duke Internal Expenses		\$ 643.95	\$ 963.25	\$ 2,149.88	\$ 2,433.57	\$ 1,762.06	\$ 858.21	\$ 322.01	\$ 572.50	\$ 220.92	\$ 1,078.15	\$ 3,336.88	\$ 972.39	\$ 15,313.77
9	Duke Laboratory Labor		\$ -	\$ 7,672.23	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,486.36	\$ -	\$ -	\$ -	\$ 10,996.77	\$ 28,155.36
10	Duke MGP PM/Construction Oversight		\$ 3,204.13	\$ 11,476.67	\$ 7,343.47	\$ 22,835.89	\$ 11,952.90	\$ 9,064.75	\$ 6,990.35	\$ 9,430.94	\$ 7,247.02	\$ 34,651.01	\$ 48,711.43	\$ 56,433.42	\$ 229,341.98
11	EAST END TOTALS		\$ 17,703.57	\$ 59,212.45	\$ 32,838.92	\$ 66,052.14	\$ 75,841.93	\$ 18,220.16	\$ 9,887.36	\$ 67,592.42	\$ 30,436.85	\$ 48,395.10	\$ 528,155.95	\$ 166,065.48	\$ 1,120,402.33
West End - 2016															
12	Investigation		\$ 24,294.21	\$ 14,721.19	\$ -	\$ (5,824.91)	\$ 8,555.78	\$ 565.20	\$ -	\$ -	\$ 1,820.18	\$ -	\$ 9,175.66	\$ 3,915.83	\$ 57,223.14
13	Air Monitoring		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14	Sediment Investigation		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15	Analytical Laboratory		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
16	Contractor Support		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17	Const. Mgmt./Detailed Design		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
18	Miscellaneous		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
19	Soil Disposal/Landfill		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
20	Duke Internal Expenses		\$ -	\$ 71.35	\$ 228.54	\$ 98.20	\$ 349.74	\$ 819.42	\$ 322.02	\$ 572.50	\$ 216.61	\$ 424.16	\$ -	\$ -	\$ 3,102.54
21	Duke Laboratory Labor		\$ 17,746.80	\$ 387.55	\$ 17,047.61	\$ -	\$ -	\$ -	\$ 16,259.28	\$ 6,560.75	\$ -	\$ -	\$ -	\$ -	\$ 58,001.99
22	Duke MGP PM/Const. Oversight		\$ 8,188.07	\$ 5,375.37	\$ 1,411.16	\$ 4,292.19	\$ 2,388.83	\$ 4,552.31	\$ 9,539.10	\$ 6,145.74	\$ 7,613.83	\$ 4,901.87	\$ 2,904.88	\$ 117.00	\$ 57,430.35
23	WEST END TOTALS		\$ 50,229.08	\$ 20,555.46	\$ 18,687.31	\$ (1,434.52)	\$ 11,294.35	\$ 5,936.93	\$ 26,120.40	\$ 13,278.99	\$ 9,650.62	\$ 5,326.03	\$ 12,080.54	\$ 4,032.83	\$ 175,758.02
24	Grand Total		\$ 67,932.65	\$ 79,767.91	\$ 51,526.23	\$ 64,617.62	\$ 87,136.28	\$ 24,157.09	\$ 36,007.76	\$ 80,871.41	\$ 40,087.47	\$ 53,721.13	\$ 540,336.49	\$ 170,098.31	\$ 1,296,160.35

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

<i>Vintage 1</i>				
	<u>Allocation % ^(a)</u>	<u>Annual Allocated \$</u>	<u>Bills ^(b)</u>	<u>\$/Bill</u>
<u>Cost thru December 2012</u>				
RS/RFT/RSLI/RSPP	68.26%	\$7,580,107	4,757,415	\$1.59
GS/FT Small	7.76%	\$861,729	243,983	\$3.53
GS/FT Large	21.68%	\$2,407,511	94,209	\$25.56
IT	2.30%	\$255,409	1,368	\$186.70
	<u>100.00%</u>	<u>\$11,104,758</u>	<u>5,096,975</u>	
Balance Currently being recovered (a)		<u>\$55,523,788</u>		
<i>Vintage 2</i>				
<u>Calendar Year 2013-2016 Activity</u>				
RS/RFT/RSLI/RSPP	68.26%	\$1,546,244	4,757,415	\$0.33
GS/FT Small	7.76%	\$175,782	243,983	\$0.72
GS/FT Large	21.68%	\$491,101	94,209	\$5.21
IT	2.30%	\$52,100	1,368	\$38.08
	<u>100.00%</u>	<u>\$2,265,227</u>	<u>5,096,975</u>	
Total 2013-2016 Activity		\$11,326,137		
2013 Activity		\$8,282,890		
2014 Activity Per Schedule PAL-1		\$686,031		
2015 Activity Per Schedule PAL-1		\$1,061,056		
2016 Activity Per Schedule SEL-1		\$1,296,160		
<u>Total Rider MGP Tariff Amounts</u>				
RS/RFT/RSLI/RSPP				\$1.92
GS/FT Small				\$4.25
GS/FT Large				\$30.77
IT				\$224.78

Notes: (a) As provided for in the Order in Case No. 12-1685-GA-AIR
(b) From CMS customer count statistics for 12 months ended December 31, 2016

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in

Case No(s). 17-0596-GA-RDR, 17-0597-GA-ATA

Summary: Testimony Direct Testimony of Sarah E. Lawler 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