

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke)
Energy Ohio, Inc., for an Adjustment to) Case No. 18-283-GA-RDR
Rider MGP Rates.)

In the Matter of the Application of Duke)
Energy Ohio, Inc., for Tariff Approval.) Case No. 18-284-GA-ATA

DIRECT TESTIMONY OF

KEITH BONE

ON BEHALF OF

DUKE ENERGY OHIO, INC.

March 28, 2018

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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 Nos. 14-
16 0375-GA-RDR, *et al.*, Case Nos. 15-0452-GA-RDR, *et al.*, Case Nos. 16-0542-
17 GA-RDR, *et al.*, and Case Nos. 17-596-GA-RDR, *et al.*

18 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THESE**
19 **PROCEEDINGS?**

20 A. My direct testimony will describe the steps that Duke Energy Ohio took in 2017
21 to comply with the Opinion and Order¹ issued November 13, 2013, to actively
22 pursue insurance coverage for its investigation and remediation costs at the two

¹ *In the Matter of the Application of Duke Energy Ohio, Inc., for an Increase in its Natural Gas Distribution Rates*, Case Nos. 12-1685-GA-AIR, *et al.*, Opinion and Order, at pg. 67 (November 13, 2013).

1 MGP sites. I have previously testified about the historical insurance policies that
2 are potentially available to provide coverage for Duke Energy Ohio's liability for
3 environmental property damage at and around the former MGP sites known as the
4 East End and West End MGPs located in Cincinnati, Ohio. I have also previously
5 discussed Duke Energy Ohio's efforts to locate and analyze the potentially
6 applicable coverage and some of the challenges that Duke Energy Ohio must
7 overcome to secure coverage. I will discuss the efforts undertaken by Duke
8 Energy Ohio in 2017 to obtain recovery under available insurance coverage.

II. DISCUSSION

9 **Q. PLEASE DISCUSS THE EFFORTS UNDERTAKEN BY DUKE ENERGY**
10 **OHIO IN 2017 TO OBTAIN INSURANCE RECOVERY FOR THESE**
11 **SITES.**

12 **A.** Duke Energy Ohio took the following steps during 2017 to obtain insurance
13 recovery for the losses at these sites.

14 From January 2017 through June 2017, Duke Energy Ohio actively
15 litigated the insurance coverage lawsuit that it had filed against its historical
16 carriers in July 2016. The parties exchanged relevant documents, responded to
17 written discovery and conducted depositions.

18 During this period, Duke Energy Ohio also reached a settlement with one
19 of its historical carriers, AEGIS.

20 To allow the parties to devote their time and efforts towards settlement
21 negotiations and to save litigation expenses, in July 2017, the parties asked the
22 Court to stay the case (other than the completion of document production) until

1 November 1, 2017. The Court agreed. The parties thereafter informally extended
2 this period to December 1, 2017.

3 During this stay period, Duke Energy Ohio was able to reach either final
4 settlements or settlements-in-principle with all but three of its historical insurers
5 that were defendants in the coverage litigation – St. Paul/Travelers, Zurich and
6 Allstate. Duke Energy has resumed litigating against these three insurers
7 (although it is continuing to work through a mediator, Tim Gallagher, to try to
8 reach settlement with these remaining insurers). The trial is scheduled for May
9 2019.

10 **Q. PLEASE DISCUSS THE RESULTS OF THE SETTLEMENT WITH**
11 **AEGIS AND THE DISPOSITION OF FUNDS.**

12 A. As the result of settlement with Aegis, Duke Energy Ohio has received settlement
13 funds which shall be maintained by the Company until the conclusion of the
14 settlement process in order to allow netting of the proceeds to include costs
15 incurred in obtaining the insurance recovery. This approach is consistent with the
16 Commission's Opinion and Order in the proceeding wherein MGP costs were
17 approved for recovery by Duke Energy Ohio.

III. CONCLUSION

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

19 A. Yes.

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Case No(s). 18-0283-GA-RDR, 18-0284-GA-ATA

Summary: Testimony Direct Testimony of Keith Bone electronically filed by Mrs. Debbie L Gates on behalf of Duke Energy Ohio Inc. and D'Ascenzo, Rocco O. Mr. and Watts, Elizabeth H