

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

SARAH E. LAWLER

ON BEHALF OF

DUKE ENERGY OHIO, INC.

March 28, 2018

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Attachments:

- SEL-1: Detail of MGP Expense – 2017**
- 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 Director,
6 Rates and Regulatory Planning for Duke Energy Ohio, Inc., (Duke Energy Ohio or
7 Company) and Duke Energy Kentucky, Inc. DEBS provides various
8 administrative and other services to Duke Energy Ohio and other affiliated
9 companies of Duke Energy Corporation (Duke Energy).

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

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

1 February 2015, I was promoted to Utility Strategy Director, Midwest where I was
2 responsible for the preparation of business plans and other internal managerial
3 reporting for Duke Energy Ohio and Duke Energy Kentucky, Inc. In December
4 2017 I began in my current role as Director, Rates and Regulatory Planning.

5 **Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AS DIRECTOR,**
6 **RATES AND REGULATORY PLANNING.**

7 A. As Director, I am responsible for the preparation of financial and accounting data
8 used in Duke Energy Ohio and Duke Energy Kentucky, Inc., retail rate filings and
9 changes in various other rate recovery mechanisms.

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

12 A. Yes. I have provided written direct testimony in last year's annual Manufactured
13 Gas Plant (MGP) Rider filing, Case No. 17-596-GA-RDR, the Company's
14 proposed Electric Security Plan IV filing, Case No. 17-1263-EL-SSO and the
15 Company's annual Accelerated Main Replacement Program (AMRP) Rider filing,
16 Case No. 17-2318-GA-RDR.

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

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

II. HISTORY OF RIDER MGP

1 Q. PLEASE DESCRIBE THE HISTORY OF RIDER MGP.

2 A. In Case No. 09-0712-GA-AAM, the Commission authorized the Company to
3 defer costs related to the environmental investigation and remediation of two
4 former manufactured gas plant (MGP) sites. The Commission further observed
5 that the recovery of these business costs would be addressed in a subsequent rate
6 case. On July 9, 2012, Duke Energy Ohio filed for an increase in its base rates in
7 Case Nos. 12-1685-GA-AIR, *et al.* (Natural Gas Rate Case). As part of the
8 Natural Gas Rate Case, Duke Energy Ohio requested to recover amounts that had
9 been deferred from 2008 through the end of the test period or December 31, 2012.
10 Consistent with the Opinion and Order in the Natural Gas Rate Case, the
11 Company was allowed to begin recovery of these costs (with certain adjustments)
12 through Rider MGP. The initial tariff for Rider MGP was filed on February 21,
13 2014, with rates effective in March of 2014. Collection under Rider MPG was
14 temporarily suspended in June 2014 but resumed in January 2015. In the Natural
15 Gas Rate Case Opinion and Order, the Commission also ordered Duke Energy
16 Ohio to update Rider MGP on an annual basis. The first such filing for calendar
17 year 2013 costs was made on March 31, 2014, in Case Nos. 14-0375-GA-RDR, *et*
18 *al.* The second such filing for calendar year 2014 costs was made on March 31,
19 2015, in Case Nos. 15-0452-GA-RDR, *et al.* The third such filing for calendar
20 year 2015 costs was made on March 31, 2016, in Case Nos. 16-0542-GA-RDR, *et*
21 *al.* The fourth such filing for calendar year 2016 costs was made on March 31,
22 2017, in Case Nos. 17-596-GA-RDR, *et al.* In the 2015, 2016 and 2017 filings,

1 the Company requested that all of the rider update filings be consolidated. The
2 Commission has not yet acted on this request. The Company is also requesting
3 that these cases be consolidated with the prior cases pending under Case Nos.14-
4 0375-GA-RDR, *et al.*, Case Nos. 15-0452-GA-RDR, *et al.*, Case Nos. 16-0542-
5 GA-RDR, *et al.*, and Case Nos. 17-596-GA-RDR, *et al.*

III. EXPLANATION OF SCHEDULES

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

7 A. Schedule SEL-1 is the detail of the MGP expense incurred in calendar year 2017 by
8 month and by activity. The total amount for calendar year 2017 is \$14,651,798.

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

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

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

14 A. Schedule SEL-2 provides the Rider MGP charge by rate class using the allocation
15 percentages included in the Stipulation and Recommendation approved by the
16 Commission in the Natural Gas Rate Case. It also provides the number of customer
17 bills for the twelve months ended December 31, 2017.

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

20 A. Yes. Pursuant to the Opinion and Order in the Natural Gas Rate Case, the costs for
21 MGP remediation are to be amortized over a five-year period. Since collection of
22 costs incurred through December 31, 2012, was not approved until 2014, the

1 proposed rate will include amortization related to the amount previously approved
2 for recovery. It includes costs incurred in calendar years 2013, 2014, 2015 and 2016,
3 which were filed with the Commission in Case Nos. 14-0375-GA-RDR, *et al.*, Case
4 Nos. 15-0452-GA-RDR, *et al.*, Case Nos. 16-0542-GA-RDR, *et al.*, and Case Nos.
5 17-596-GA-RDR, *et al.*, which have not yet been ruled upon, along with costs for
6 calendar year 2017.

IV. REASONABLENESS OF REQUESTED INCREASE

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

9 A. Yes.

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

13 A. Yes.

14 **Q. PLEASE STATE YOUR OPINION.**

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

V. CONCLUSION

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

20 A. Yes.

Line No.	Description	2017												Total
		January	February	March	April	May	June	July	August	September	October	November	December	
1	Investigation	\$ -	\$ 713.27	\$ 15,856.28	\$ 9,957.18	\$ (3,710.47)	\$ 3,133.02	\$ 1,240.00	\$ -	\$ 10,113.00	\$ -	\$ 7,272.75	\$ 61,543.22	\$ 106,118.25
2	Air Monitoring	\$ 22,000.00	\$ -	\$ 51,300.00	\$ 25,393.50	\$ 26,600.00	\$ -	\$ 53,100.00	\$ 20,600.00	\$ 53,100.00	\$ -	\$ 47,200.00	\$ -	\$ 299,293.50
3	Analytical Laboratory	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4	Contractor Support	\$ -	\$ -	\$ 976.50	\$ -	\$ 7,894.00	\$ 2,362.75	\$ -	\$ 279.00	\$ -	\$ -	\$ -	\$ 4,016.00	\$ 15,528.25
5	Constr. Mgmt./Detailed Design	\$ 694,488.57	\$ 57,673.12	\$ 2,842,461.95	\$ 1,367,768.93	\$ 1,379,277.75	\$ (239,671.85)	\$ 482,408.99	\$ (5,990.40)	\$ 2,273,984.84	\$ 1,818.68	\$ 839,097.92	\$ 1,751,575.03	\$ 11,444,893.53
6	Vibration Monitoring	\$ 14,892.00	\$ 14,892.00	\$ 10,436.00	\$ 27,368.40	\$ -	\$ 10,897.00	\$ 13,465.00	\$ 30,932.00	\$ 15,668.40	\$ 10,272.00	\$ 10,272.00	\$ 10,272.00	\$ 169,366.80
7	Miscellaneous	\$ -	\$ 4,070.00	\$ 9,494.30	\$ 5,022.33	\$ 15,432.98	\$ 15,055.00	\$ 13,160.56	\$ 19,389.37	\$ 13,999.67	\$ 17,435.93	\$ 6,709.59	\$ 15,320.43	\$ 135,090.16
8	Soil Disposal/Landfill	\$ 316,937.01	\$ 10,122.69	\$ 13,556.54	\$ 24,225.43	\$ 167,333.95	\$ -	\$ 29,704.47	\$ 131,894.16	\$ 68,421.04	\$ -	\$ 65,644.62	\$ 74,638.67	\$ 902,478.58
9	Duke Internal Expenses	\$ 2,054.01	\$ 4,925.74	\$ 2,874.80	\$ 2,909.22	\$ 9,518.71	\$ 1,526.74	\$ 2,618.20	\$ 3,862.37	\$ 1,976.43	\$ 7,668.21	\$ 2,103.32	\$ 7,851.00	\$ 49,888.75
10	Duke Laboratory Labor	\$ -	\$ 4,101.93	\$ 8,197.20	\$ 2,271.83	\$ 16,753.24	\$ 6,948.30	\$ 368.29	\$ 10,929.60	\$ 4,006.60	\$ 6,530.30	\$ 16,281.94	\$ 5,360.82	\$ 81,750.05
11	Duke MGP PM/Construction Oversight	\$ 79,162.49	\$ 45,144.36	\$ 74,743.45	\$ 56,753.11	\$ 69,320.65	\$ 36,693.30	\$ 52,765.59	\$ 38,939.80	\$ 48,239.50	\$ 45,621.51	\$ 35,527.26	\$ 38,373.09	\$ 621,284.11
12	EAST END TOTALS	\$ 1,129,534.08	\$ 141,643.11	\$ 3,029,897.02	\$ 1,521,669.93	\$ 1,688,420.81	\$ (163,055.74)	\$ 648,831.10	\$ 250,835.90	\$ 2,489,509.48	\$ 89,346.63	\$ 1,030,109.40	\$ 1,968,950.26	\$ 13,825,691.98
	West End - 2017													
13	Investigation	\$ -	\$ -	\$ -	\$ 39,352.30	\$ 68,168.52	\$ 172,965.12	\$ 4,665.25	\$ -	\$ 59,861.69	\$ -	\$ 38,965.16	\$ 297,096.02	\$ 681,074.06
14	Air Monitoring	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15	Sediment Investigation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
16	Analytical Laboratory	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17	Contractor Support	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
18	Constr. Mgmt./Detailed Design	\$ -	\$ -	\$ -	\$ -	\$ 24,053.98	\$ -	\$ -	\$ -	\$ (0.00)	\$ (24,053.98)	\$ -	\$ -	\$ 24,053.98
19	Miscellaneous	\$ -	\$ -	\$ -	\$ 177.08	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 177.08
20	Soil Disposal/Landfill	\$ -	\$ -	\$ (429.19)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (429.19)
21	Duke Internal Expenses	\$ -	\$ -	\$ 619.09	\$ 158.34	\$ 335.10	\$ -	\$ 800.38	\$ 497.26	\$ -	\$ -	\$ 187.76	\$ 830.30	\$ 3,428.23
22	Duke Laboratory Labor	\$ -	\$ -	\$ -	\$ 4,758.13	\$ 36,157.64	\$ -	\$ -	\$ 10,633.48	\$ 1,231.65	\$ -	\$ 12,480.95	\$ -	\$ 65,261.85
23	Duke MGP PM/Constr. Oversight	\$ 4,791.59	\$ 4,005.40	\$ 6,630.05	\$ 3,746.77	\$ 2,732.77	\$ 2,151.59	\$ 3,870.58	\$ 2,734.92	\$ 4,262.22	\$ 3,945.96	\$ 9,356.89	\$ 4,310.77	\$ 52,539.51
24	WEST END TOTALS	\$ 4,791.59	\$ 4,005.40	\$ 6,819.95	\$ 48,192.62	\$ 131,448.01	\$ 175,116.71	\$ 9,336.21	\$ 37,919.64	\$ 65,355.56	\$ (20,108.02)	\$ 60,990.76	\$ 302,237.09	\$ 826,105.52
25	Grand Total	\$ 1,134,325.67	\$ 145,648.51	\$ 3,036,716.97	\$ 1,569,862.55	\$ 1,819,868.82	\$ 12,060.97	\$ 658,167.31	\$ 288,755.54	\$ 2,554,865.04	\$ 69,238.61	\$ 1,091,100.16	\$ 2,271,187.35	\$ 14,651,797.50

Duke Energy Ohio
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	4,795,119	\$1.58
GS/FT Small	7.76%	\$861,729	254,799	\$3.38
GS/FT Large	21.68%	\$2,407,511	84,591	\$28.46
IT	2.30%	\$255,409	1,332	\$191.75
	<u>100.00%</u>	<u>\$11,104,758</u>	<u>5,135,841</u>	
Balance Currently being recovered (a)		<u>\$55,523,788</u>		
Vintage 2				
<u>Calendar Year 2013-2017 Activity</u>				
RS/RFT/RSLI/RSPP	68.26%	\$3,546,508	4,795,119	\$0.74
GS/FT Small	7.76%	\$403,178	254,799	\$1.58
GS/FT Large	21.68%	\$1,126,403	84,591	\$13.32
IT	2.30%	\$119,499	1,332	\$89.71
	<u>100.00%</u>	<u>\$5,195,587</u>	<u>5,135,841</u>	
Total 2013-2017 Activity		\$25,977,935		
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		
2017 Activity Per Schedule SEL-1		\$14,651,798		
<u>Total Rider MGP Tariff Amounts</u>				
RS/RFT/RSLI/RSPP				\$2.32
GS/FT Small				\$4.96
GS/FT Large				\$41.78
IT				\$281.46

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, 2017

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in

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

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