

**BEFORE THE  
PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application for Approval )  
of an Economic Development Arrangement )  
between AK Steel Corporation and Duke )  
Energy Ohio, Inc. )

Case No. 18-450-EL-AEC

---

**DIRECT TESTIMONY OF  
WILLIAM DON WATHEN JR.  
ON BEHALF OF  
DUKE ENERGY OHIO, INC.**

---

May 21, 2018

## TABLE OF CONTENTS

	<u>PAGE</u>
I. INTRODUCTION.....	1
II. OVERVIEW OF THE STIPULATION .....	3
III. CRITERIA FOR APPROVAL OF A STIPULATION.....	4
IV. CONCLUSION.....	6

## **I. INTRODUCTION**

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

2   A.   My name is William Don Wathen Jr., and my business address is 139 East Fourth  
3       Street, 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 of  
6       Rates and Regulatory Strategy, Ohio and Kentucky. DEBS provides various  
7       administrative and other services to Duke Energy Ohio, Inc., (Duke Energy Ohio  
8       or the Company) and other affiliated companies of Duke Energy Corporation  
9       (Duke Energy).

10  **Q.   PLEASE BRIEFLY DESCRIBE YOUR EDUCATION AND**  
11  **PROFESSIONAL EXPERIENCE.**

12  A.   I received Bachelor Degrees in Business and Chemical Engineering, and a Master  
13       of Business Administration Degree, all from the University of Kentucky. After  
14       completing graduate studies, I was employed by Kentucky Utilities Company as a  
15       planning analyst. In 1989, I began employment with the Indiana Utility  
16       Regulatory Commission as a senior engineer. From 1992 until mid-1998, I was  
17       employed by SVBK Consulting Group, where I held several positions as a  
18       consultant focusing principally on utility rate matters. I was hired by Cinergy  
19       Services, Inc., in 1998, as an Economic and Financial Specialist in the Budgets  
20       and Forecasts Department. In 1999, I was promoted to the position of Manager,  
21       Financial Forecasts. In August 2003, I was named to the position of Director -

1 Rates. On December 1, 2009, I was promoted to my current position, now titled  
2 Director of Rates and Regulatory Strategy, Ohio and Kentucky.

3 **Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AS DIRECTOR,**  
4 **RATES AND REGULATORY STRATEGY, OHIO AND KENTUCKY.**

5 A. In my current role, I am responsible for all state and federal rate matters involving  
6 Duke Energy Ohio and Duke Energy Kentucky, Inc.

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

9 A. Yes. I have submitted pre-filed testimony and have testified before the Public  
10 Utilities Commission of Ohio (PUCO).

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

13 A. The purpose of my testimony is to support the Stipulation and Recommendation  
14 (Stipulation) that was filed in this proceeding. I will discuss the criteria employed  
15 by the Public Utilities Commission of Ohio (Commission) when reviewing  
16 stipulations. My testimony will confirm that the Stipulation filed in this  
17 proceeding: (1) is the product of serious bargaining among capable,  
18 knowledgeable parties; (2) does not violate any important regulatory principle or  
19 practice; and (3) as a package, benefits ratepayers and the public interest. I will  
20 explain that the Stipulation is a fair and reasonable resolution to the issues  
21 relevant to this proceeding.

## **II. OVERVIEW OF THE STIPULATION**

1   **Q.   PLEASE IDENTIFY THE SIGNATORY PARTIES TO THE**  
2       **STIPULATION.**

3   A.   After the Application was filed by AK Steel Corporation, Duke Energy Ohio,  
4       Inc., (Duke Energy Ohio), the Office of the Ohio Consumers' Counsel, (OCC)  
5       Industrial Energy Users – Ohio, (IEU-Ohio) and The Ohio Manufacturers'  
6       Association (OMA) all intervened in the proceeding. Although all of the parties  
7       engaged in settlement discussions, the Staff, the Company and AK Steel are the  
8       signatory parties and these parties reflect diverse interests and represent customers  
9       in Duke Energy Ohio's service territory. OCC, IEU-Ohio and OMA do not  
10      oppose the Stipulation and all of these parties represent additional diversity with  
11      respect to customers within the Duke Energy Ohio service territory.

12   **Q.   PLEASE PROVIDE AN OVERVIEW OF THE TERMS OF THE**  
13       **SETTLEMENT AGREEMENT AS DETAILED IN THE STIPULATION.**

14   A.   The Stipulation provides that AK Steel and Duke Energy Ohio will participate in  
15       a reasonable arrangement as defined by R.C.4905.31 and 4901:1-38-05, O.A.C.  
16       The arrangement provides that AK Steel will receive a monthly rate credit in  
17       exchange for subjecting up to 110 MW of its electric load to interruption in order  
18       to support firm service customers. The arrangement will serve as a replacement  
19       for Duke Energy Ohio's current large customer interruptible load program in  
20       which AK Steel participates. The level of the monthly rate credit available under  
21       the arrangement would match the credit available to certain interruptible  
22       customers in Ohio Power Company's service territory pursuant to the August 25,

1 2017, Joint Stipulation and Recommendation approved by the Commission in  
2 Case Nos.16-1852-EL-SSO, *et al.*

3 The arrangement differs from previous arrangements, however, in that this  
4 arrangement includes a capital investment commitment by AK Steel of \$105  
5 million in new capital investment in Ohio over the term of the arrangement.

### III. CRITERIA FOR APPROVAL OF A STIPULATION

6 **Q. PLEASE IDENTIFY THE CRITERIA USED BY THE COMMISSION IN**  
7 **REVIEWING A STIPULATION.**

8 A. As I understand it, the Commission will approve a stipulation when it (1) is the  
9 product of serious bargaining among capable, knowledgeable parties; (2) does not  
10 violate any important regulatory principle or practice, and (3) as a package  
11 benefits ratepayers and the public interest.

12 **Q. DOES THE STIPULATION REPRESENT THE PRODUCT OF SERIOUS**  
13 **BARGAINING AMONG CAPABLE, KNOWLEDGEABLE PARTIES?**

14 A. Yes. The capability and knowledge of the parties and their counsel is readily  
15 apparent. The signatory parties regularly participate in rate proceedings before the  
16 Commission, are very knowledgeable in regulatory matters, and were represented  
17 by experienced competent counsel. Furthermore, the signatory parties represent a  
18 broad range of interests.

19 I personally participated in the process that resulted in the Stipulation. I  
20 can therefore confirm that all of the issues raised by the signatory parties in the  
21 proceeding were thoroughly reviewed and addressed during negotiations and  
22 despite the divergent interests among them, all parties, including IEU-Ohio and

1 OMA, had an opportunity to express their opinions in the negotiation process.  
2 Although IEU-Ohio and OMA ultimately determined not to sign the Stipulation,  
3 nevertheless, these intervenors do not oppose the Stipulation.

4 Further, the settlement discussions resulted in beneficial modifications and  
5 compromises, thereby confirming that serious bargaining occurred at settlement  
6 meetings.

7 For all of these reasons, I believe that the Stipulation is a compromise  
8 resulting from those negotiations and, therefore, represents a product of the efforts  
9 of capable, knowledgeable parties.

10 **Q. DOES THE STIPULATION VIOLATE ANY IMPORTANT**  
11 **REGULATORY PRINCIPLE OR PRACTICE?**

12 A. No. Based upon my experience, involvement in this proceeding, and review of the  
13 Stipulation, I believe that it complies with all relevant and important principles  
14 and practices. The Stipulation furthers important regulatory principles and  
15 practices through the advancement of energy efficiency and peak demand  
16 reduction that is consistent with Ohio energy policy. Further, the Stipulation is  
17 consistent with prior Commission rulings on large customer interruptible rate  
18 programs.

19 **Q. DOES THE STIPULATION BENEFIT CONSUMERS AND THE PUBLIC**  
20 **INTEREST?**

21 A. Yes. As set forth in the Stipulation, and as agreed to by the signatory parties, the  
22 Stipulation provides benefits for all customer groups and interested stakeholders,  
23 while advancing and remaining consistent with state policy. AK Steel provides

1           significant economic benefits to the South Western Ohio economy, and the  
2           Stipulation helps maintain those benefits, including a commitment to invest at  
3           least \$105 million over the term of the arrangement.

4   **Q.    IS THE STIPULATION A JUST AND REASONABLE RESOLUTION OF**  
5   **THE ISSUES IN THE PROCEEDING?**

6   A.    Yes. As described above, the Stipulation affords benefits to our customers and the  
7           public and is consistent with established regulatory policy and practice. The  
8           Stipulation represents a timely and efficient resolution of all of the issues in this  
9           proceeding, after thoughtful deliberation and discussion by the parties.

#### **IV.   CONCLUSION**

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

11   A.    Yes, it does.

**This foregoing document was electronically filed with the Public Utilities**

**Commission of Ohio Docketing Information System on**

**5/21/2018 2:43:06 PM**

**in**

**Case No(s). 18-0450-EL-AEC**

Summary: Testimony Direct Testimony of William Don Wathen Jr. on behalf of Duke Energy Ohio, Inc. in support of the Stipulation electronically filed by Mrs. Debbie L Gates on behalf of Duke Energy Ohio Inc. and D'Ascenzo, Rocco O. Mr. and Watts, Elizabeth H and Kingery, Jeanne W