

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Duke Energy Ohio, Inc., for an Increase in Electric Distribution Rates.)	Case No. 17-32-EL-AIR
)	
In the Matter of the Application of Duke Energy Ohio, Inc., for Tariff Approval.)	Case No. 17-33-EL-ATA
)	
In the Matter of the Application of Duke Energy Ohio, Inc., for Approval to Change Accounting Methods.)	Case No. 17-34-EL-AAM
)	
In the Matter of the Application of Duke Energy Ohio, Inc., for Approval to Modify Rider PSR.)	Case No. 17-872-EL-RDR
)	
In the Matter of the Application of Duke Energy Ohio, Inc., for Approval to Amend Rider PSR.)	Case No. 17-873-EL-ATA
)	
In the Matter of the Application of Duke Energy Ohio, Inc., for Approval to Change Accounting Methods.)	Case No. 17-874-EL-AAM
)	
In the Matter of the Application of Duke Energy Ohio, Inc., for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Revised Code, in the Form of an Electric Security Plan, Accounting Modifications and Tariffs for Generation Service.)	Case No. 17-1263-EL-SSO
)	
In the Matter of the Application of Duke Energy Ohio, Inc., for Authority to Amend its Certified Supplier Tariff, P.U.C.O. No. 20.)	Case No. 17-1264-EL-ATA
)	
In the Matter of the Application of Duke Energy Ohio, Inc., for Authority to Defer Vegetation Management Costs.)	Case No. 17-1265-EL-AAM
)	

In the Matter of the Application of Duke)
Energy Ohio, Inc., to Establish) Case No. 16-1602-EL-ESS
Minimum Reliability Performance)
Standards Pursuant to Chapter 4901:1-)
10, Ohio Administrative Code.

PREFILED TESTIMONY IN SUPPORT OF THE STIPULATION
OF
CRAIG SMITH
SERVICES MONITORING AND ENFORCEMENT DEPARTMENT
SERVICE ANALYSIS AND RELIABILITY DIVISION
PUBLIC UTILITIES COMMISSION OF OHIO

STAFF EXHIBIT____

June 25, 2018

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21

1. Q. Please state your name and your business address.

A. My name is Craig Smith. My business address is 180 East Broad Street,
Columbus, Ohio 43215.

2. Q. By whom are you employed and in what capacity?

A. I am employed by the Public Utilities Commission of Ohio (PUCO). I am
a Public Utilities Administrator with the Reliability and Service Analysis
Division within the Service Monitoring and Enforcement Department. My
current duties include the oversight of service reliability, consumer
protection policies and rules for gas, water, and electric, as well as low
income assistance programs.

3. Q. Would you briefly state your educational background and work experience.

A. I received a Bachelor of Arts degree that included a Major in Political
Science and a Minor in Chemistry from Denison University. I received a
Master’s degree in Public Administration from The Ohio State University.
I received a Juris Doctor from Capital University. In addition, I completed
over a dozen post-baccalaureate classes in accounting from Columbus State
Community College.

1 While obtaining my Master's and Law degrees, I served as a management
2 and legal intern with the Public Utilities Commission of Ohio (PUCO) in
3 the Consumers Services Department. After law school, I worked at the
4 Ohio Department of Taxation. While at the Department of Taxation I was
5 employed as an Internal Audit Supervisor 2, Chief Counsel Supervisor 2 in
6 Tax Appeals, and as a Deputy Tax Commissioner. I have also been a
7 private sector attorney and a Certified Internal Auditor (2006-2017).

8
9 In January of 2014, I accepted a Utilities Specialist 1 position with the
10 PUCO in the Accounting and Electricity Division. In October of 2014, I
11 accepted a Utilities Specialist 2 position with the PUCO in the Reliability
12 and Service Analysis Division. And in October of 2015, I accepted my
13 current position, a Public Utilities Administrator 2 with the PUCO in the
14 Reliability and Service Analysis Division.

15
16 4. Q. Have you testified before the PUCO?

17 A. Yes, I testified in Case No. 14-1031-GE-RDR.

18
19 5. Q. Do you also intend to file additional testimony responding to objections to
20 the Staff Report in this proceeding?

21 A. Yes.

1 6. Q. What is the purpose of your testimony?

2 A. The purpose of my testimony is to recommend that the Commission
3 approve the hiring of an independent auditor to audit Duke Energy Ohio's
4 (Duke or the Company) Purchase of Accounts Receivable (PAR) program
5 and the related Uncollectible Expense – Electric Generation Rider (Rider
6 UE-GEN).

7
8 7. Q. What is the scope of the audit?

9 A. The scope of the audit shall include without limitation, the sufficiency of
10 Duke's internal processes and controls for ensuring that Duke is purchasing
11 only those receivables it is authorized to purchase and recover through the
12 PAR program; the sufficiency of internal processes and controls for
13 monitoring a Competitive Retail Electric Service (CRES) provider's
14 compliance with Duke's PAR program agreement; and findings and
15 recommendations regarding the foregoing.

16
17 8. Q. Why is an independent audit of the PAR and Rider UE-Gen necessary?

18 A. During the review of the various processes for debt collection, the
19 Company expressed a reliance on several agreements to provide the rules,
20 procedures, and controls for the PAR program. These agreements include
21 The Account Receivables Purchase Agreement, the Duke Supplier Retail
22 Tariff, and the Sale and Assignment Agreements. Together these

1 agreements provide the Company with the authority to inspect the CRES
2 providers' accounting records, make inquiries into internal and external
3 reports, and review individual transactions.

4
5 Staff found that the Company did not actively review, inquire, or inspect
6 any supplier receivable between 2014 and 2017. Furthermore, the
7 Company did not review a single internal or external audit report regarding
8 the CRES providers' receivables. The Company relies on a math check as
9 the rate ready control but has no such math check for bill ready.

10
11 Internal controls are important tools for management in the creation of
12 financial statements to ensure that management's presentation is accurate
13 and free from fraud. The Company has within its agreements with CRES
14 suppliers multiple opportunities to ensure that the terms of the agreements
15 are fulfilled and that errors or fraud are discovered or avoided.

16
17 9. Q. Does this conclude your testimony?

18 A. Yes, this concludes my testimony. However, I reserve the right to submit
19 supplemental testimony as described herein, as new information
20 subsequently becomes available or in response to positions taken by other
21 parties.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the Pre-filed Testimony in Support of the Stipulation of Craig Smith has been served upon the below-named counsel via electronic mail, this 25th day of June, 2018.

/s/ Steven L. Beeler

Steven L. Beeler

Parties of Record:

Jeanne.kingery@duke-energy.com
Elizabeth.watts@duke-energy.com
Rocco.d'ascenzo@duke-energy.com
fdarr@mwncmh.com
mpritchard@mwncmh.com
mkurtz@BKLawfirm.com
kboehm@BKLawfirm.com
jkylercohn@BKLawfirm.com
William.michael@occ.ohio.gov
Kevin.moore@occ.ohio.gov
Christopher.healy@occ.ohio.gov
Bojko@carpenterlipps.com
dressel@carpenterlipps.com
cmooney@ohiopartners.org
mfleisher@elpc.org
charris@spilmanlaw.com
dwilliamson@spilmanlaw.com
lbrandfass@spilmanlaw.com
paul@carpenterlipps.com
dborchers@bricker.com
dparram@bricker.com
eakhbari@bricker.com
tdougherty@theOEC.org
mleppla@theOEC.org

joliker@igsenergy.com
mnugent@igsenergy.com
slessor@calfee.com
jlang@calfee.com
talexander@calfee.com
mkeaney@calfee.com
mdortch@kravitzllc.com
rparsons@kravitzllc.com
jdortch@kravitzllc.com
whitt@whitt-sturtevant.com
campbell@whitt-sturtevant.com
glover@whitt-sturtevant.com
mjsettineri@vorys.com
glpetrucci@vorys.com
rsahli@columbus.rr.com
Tony.mendoza@sierraclub.org
jnewman@environlaw.com
rdove@attorneydove.com

ATTORNEY EXAMINERS

Stacie.Cathcart@puco.ohio.gov
Nicholas.Walstra@puco.ohio.gov

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

6/25/2018 4:01:41 PM

in

Case No(s). 17-0032-EL-AIR, 17-0033-EL-ATA, 17-0034-EL-AAM, 17-0872-EL-RDR, 17-0873-EL-ATA, 1

Summary: Testimony in Support of the Stipulation of Craig Smith electronically filed by Ms.
Tonnetta Scott on behalf of PUC