

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the :
 Application of Duke Energy:
 Ohio, Inc., for an : Case No. 17-32-EL-AIR
 Increase in Electric :
 Distribution Rates. :
 In the Matter of the :
 Application of Duke Energy:
 Ohio, Inc., for Tariff : Case No. 17-33-EL-ATA
 Approval. :

In the Matter of the :
 Application of Duke Energy:
 Ohio, Inc., for Approval : Case No. 17-34-EL-AAM
 to Change Accounting :
 Methods. :

In the Matter of the :
 Application of Duke Energy:
 Ohio, Inc., for Approval : Case No. 17-872-EL-RDR
 to Modify Rider PSR. :
 In the Matter of the :
 Application of Duke Energy:
 Ohio, Inc., for Approval : Case No. 17-873-EL-ATA
 to Amend Rider PSR. :

In the Matter of the :
 Application of Duke Energy:
 Ohio, Inc., for Approval : Case No. 17-874-EL-AAM
 to Change Accounting :
 Methods. :

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 : Case No. 17-1263-EL-SSO
 Code, in the Form of an :
 Electric Security Plan, :
 Accounting Modifications, :
 and Tariffs for Generation:
 Services. :

In the Matter of the :
Application of Duke Energy:
Ohio, Inc., for Authority :
to Amend its Certified : Case No. 17-1264-EL-ATA
Supplier Tariff, P.U.C.O. :
No. 20. :

In the Matter of the :
Application of Duke Energy:
Ohio, Inc., for Authority : Case No. 17-1265-EL-AAM
to Defer Vegetation :
Management Costs. :

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

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PROCEEDINGS

before Mr. Nicholas Walstra and Ms. Stacie Cathcart,
Attorney Examiners, at the Public Utilities
Commission of Ohio, 180 East Broad Street, Room 11-A,
Columbus, Ohio, called at 9:00 a.m. on Friday,
July 13, 2018.

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VOLUME V

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1 Friday Morning Session,
2 July 13, 2018.

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4 EXAMINER CATHCART: Okay. Let's go back
5 on the record. We are here for Day 5 of the Duke
6 stipulation.

7 Duke, would you like to call your first
8 witness.

9 MS. WATTS: Yes, thank you, your Honor.
10 Duke Energy Ohio calls Dr. Alexander J. Weintraub.

11 (Witness sworn.)

12 EXAMINER CATHCART: You may be seated.

13 MS. WATTS: And, your Honor, may we have
14 Dr. Weintraub's testimony marked as Duke Energy Ohio
15 Exhibit 25.

16 EXAMINER CATHCART: So marked.

17 (EXHIBIT MARKED FOR IDENTIFICATION.)

18 MS. WATTS: And may we approach or did we
19 already?

20 MS. OLIVE: I'm sorry. I apologize.

21 EXAMINER CATHCART: That's okay.

22 - - -

23

24

25

1 ALEXANDER J. WEINTRAUB, Ph.D.

2 being first duly sworn, as prescribed by law, was
3 examined and testified as follows:

4 DIRECT EXAMINATION

5 By Ms. Watts:

6 Q. Dr. Weintraub, you have before you what's
7 been marked as Duke Energy Ohio Exhibit 25?

8 A. I do.

9 Q. And is that your testimony prepared in
10 these proceedings?

11 A. It is.

12 Q. And I got ahead of myself a little bit.
13 I would ask you to state your name for the record.

14 A. Sure. My name is Alexander J. Weintraub.
15 I'm also known as Sasha Weintraub.

16 Q. And Dr. Weintraub, with whom are you
17 employed?

18 A. Duke Energy.

19 Q. Okay. Now, with respect to the
20 testimony, do you have what's been marked as Duke
21 Energy Ohio Exhibit 25?

22 A. I do.

23 Q. And is that the testimony you prepared
24 for this proceeding?

25 A. It is.

1 Q. And do you have any additions or
2 corrections to that testimony?

3 A. I do.

4 Q. Would you tell us what those are, please.

5 A. Pages 5 through line 5 on page 10 are
6 eliminated.

7 Q. Thank you. And with that correction, if
8 I were to ask you the questions contained therein
9 again today, would your responses be the same?

10 A. They would.

11 Q. And are they true and accurate to the
12 best of your knowledge?

13 A. Yes, they are.

14 MS. WATTS: Thank you, sir.

15 Dr. Weintraub is available for
16 cross-examination.

17 EXAMINER WALSTRA: What was that
18 correction again?

19 MS. WATTS: Page 5 through page 10,
20 line 5.

21 EXAMINER WALSTRA: Thank you.

22 EXAMINER CATHCART: Any
23 cross-examination?

24 MR. DOVE: No, your Honor.

25 MS. LEPPLA: No questions.

1 MR. MENDOZA: No, your Honor.

2 MS. COHN: No.

3 MS. GLOVER: No.

4 - - -

5 CROSS-EXAMINATION

6 By Mr. Olikar:

7 Q. Good morning, Dr. Weintraub.

8 A. Good morning.

9 Q. My name is Joe Olikar, and I'm with IGS
10 Energy. Just a few questions for you today. First,
11 going to your experience, am I correct that much of
12 your background from 1999 to 2012 related to
13 generation-related services?

14 A. Yes, sir. I was responsible for the fuel
15 procurement activities of Progress Energy and then
16 Duke Energy and within those were not only the fuel
17 procurement for the generation fleet but also the
18 power trading and the trading flow operations that
19 required the buying and selling of power for economic
20 purposes for, again, Progress Energy and then Duke
21 Energy after the merger of Progress and Duke.

22 Q. And you've been in your existing role
23 since, just under three years, since October 2015?

24 A. Through 2014 was when I took on
25 responsibilities around the customer side of these

1 things, so going on four-plus years.

2 Q. On page 2, you mention customers' ever
3 evolving needs, correct?

4 A. If I can find the exact spot, but subject
5 to check, I believe that's correct.

6 Q. And you would agree that the customer of
7 today, relative to 10 years ago, has different needs.

8 A. I think the needs of customers ever
9 evolve.

10 Q. And part of a customer's needs may relate
11 to billing functionality?

12 A. Part of the needs of the customer when it
13 comes to receiving services is the bill they receive
14 for that service.

15 Q. Would you agree the bill is one of the
16 most important connections between an energy service
17 provider and the customer?

18 A. I certainly don't know what most
19 important would -- I don't have any information to
20 say it's most important, but certainly it is an
21 important factor.

22 Q. And as I understand it, your testimony
23 describes, starting at page 10, potential new
24 customer services; am I correct?

25 A. What my testimony is discussing with the

1 transition to newer meters, there are services that
2 we can make available with -- with new meters and
3 these are services that we are providing in other
4 jurisdictions of Duke Energy that we would
5 contemplate pursuing with the addition of new meters
6 in Ohio.

7 Q. And one of those services is Pick Your
8 Own Due Date, right?

9 A. That is correct.

10 Q. And Prepaid Advantage?

11 A. Prepaid Advantage is available with
12 the -- the rollout of the new meters. Prepaid
13 Advantage requires additional discussions in each
14 jurisdiction that we operate in, but it is a
15 functionality that is available due to the AMI meter.

16 Q. And you mentioned "other jurisdictions."
17 Are you aware that customers have the ability to
18 choose a provider of their competitive retail
19 electric service in Ohio?

20 A. I am.

21 Q. Would Pick Your Own Due Date and Prepaid
22 Advantage be available to customers that select a
23 CRES provider for service?

24 A. They would be.

25 Q. Okay. And, likewise, would usage alerts

1 be available?

2 A. Yes. Now, usage alerts are available.
3 Again, the complication -- there are complications in
4 Ohio because of the different environment, but
5 certainly all feasible with the AMI meter rollout.

6 MR. OLIKER: Could I have that answer
7 read back again. I'm sorry.

8 (Record read.)

9 Q. Which "complications" do you refer to in
10 that sentence?

11 A. Just around understanding what exact rate
12 a customer might be on to provide a usage alert. So,
13 in that particular example, for the usage alerts you
14 want to provide a customer that they are coming up
15 against a threshold, so how we rolled it out is to
16 say I have a \$100 budget and every day you are able
17 to give an understanding of how close are you to
18 reaching that particular budget. So understanding
19 what rate that customer is on is just something that
20 has to be incorporated when you are doing that usage
21 alert.

22 Q. Would you agree that CRES providers would
23 provide usage alerts as well with appropriate
24 information distribution?

25 A. I don't have anything to judge that

1 answer on.

2 Q. On page 13, line 17, you mention
3 eligibility will vary by program. Could you please
4 identify which programs would be available to
5 residential and which programs will be available to
6 small- and medium-business customers?

7 A. We contemplate all these for the most
8 part being available to residential and S and B
9 customers. The eligibility really goes around
10 what -- is there particular instances for that
11 customer that makes them either eligible or not
12 eligible. The eligibility rules are really specific
13 to each customer and their circumstances.

14 Q. And am I correct Duke Energy Ohio is not
15 seeking approval for any of the programs you
16 described in your testimony in the Order on the
17 stipulation?

18 A. That is correct.

19 Q. And am I correct you are not providing
20 any recommendations in your testimony for how any
21 costs associated with these programs should be
22 recovered?

23 A. That is correct.

24 MR. OLIVER: If I could have one moment,
25 your Honor.

1 Q. Mr. Weintraub, could you explain a little
2 more background on the Customer Solutions Department
3 within Duke Energy.

4 A. Sure. Customer Solutions within Duke
5 Energy, my responsibilities for leading the team is
6 providing solutions for customers outside of the
7 traditional electron that it receives. Some of those
8 business groups under my responsibility include
9 outdoor lighting, include our EE programs, our demand
10 response programs, includes our energy services
11 business which develops backup power systems. We do
12 federal government work under some of the businesses
13 underneath Customer Solutions.

14 And we also provide, within Customer
15 Solutions, data analytics for understanding better
16 ways to serve our customer with insights that we find
17 in the analytics of big data.

18 Q. And within which entity is the Customer
19 Solutions Division located?

20 A. My boss is within -- is Doug Esamann and
21 so he has responsibilities for the midwest state
22 jurisdictions in Florida as well as what we call the
23 programs that span across Duke Energy. So also
24 responsible -- responsible in Duke Energy is not just
25 myself but other groups that span multiple

1 jurisdictional programs.

2 Q. Could you identify the business --
3 business unit in which the Customer Solutions
4 Division is located?

5 A. So Customer Solutions is a business unit
6 and it reports up into a group called Energy
7 Solutions, Midwest Region, I believe is the title for
8 Doug Esamann's organization.

9 Q. In which corporation is Customer
10 Solutions located?

11 A. So we are not of a specific legal entity.
12 Depending upon where we're doing business, we provide
13 services under certain legal entities that can range
14 through all the jurisdictional utilities as well as a
15 non-reg function as well.

16 Q. Is that another way of saying you operate
17 at the service company level?

18 A. No. What I -- just as I said, I operate
19 across the enterprise, and then depending upon where
20 the specific business opportunity is, we will
21 interact whether as Duke Energy Ohio, Duke Energy
22 Carolinas, or as a nonregulated affiliate as well if
23 that's applicable.

24 Q. Is there a way that you allocate your
25 time or services to the specific entities you provide

1 services to?

2 A. Yes.

3 Q. Can you describe that process, please?

4 A. So typically the time entry that we have
5 is around either direct time as best possible, so if
6 we have people who are working on Duke Energy Ohio EE
7 programs, they'll charge directly to the Duke Energy
8 Ohio EE programs. There is typically, outside of
9 direct billing, direct time entry. We also have
10 allocations, so we might have for some people an
11 allocation of time based upon either a weighting
12 of -- some weighting across the jurisdictions. All
13 this is typically dealt with through regulatory
14 oversight and accounting.

15 Q. And when you refer to, in your testimony,
16 "enhanced basic service," I believe that definition
17 comes up on page 11, does it not?

18 A. Yes, it does.

19 Q. And would some of the enhanced basic
20 services you discuss relate to Standard Service Offer
21 rates?

22 A. No. So enhanced basic services within my
23 testimony describes really those programs associated
24 with the AMI deployment. So as Duke Energy has been
25 rolling out AMIs across our service territory, the

1 Pick Your Own Due Date, the usage alerts, the outage
2 improvements with AMI, all the things I testified are
3 under the umbrella of enhanced basic services that we
4 are rolling out across our jurisdictions that are
5 deploying the similar AMI technology.

6 Q. Would it relate to time of use rates?

7 A. It would not.

8 Q. Are there any other enhanced basic
9 services other than what you describe in your
10 testimony on pages 11 through 12?

11 A. The team enhanced basic services, it's a
12 durable team that we have created that do have other
13 functionality that are outside of my testimony, but
14 not necessarily applicable to this testimony.

15 Q. Could you identify some of those
16 additional services, if you know them?

17 A. Sure. So with outage notifications, we
18 are working on our new outage mapping system. So how
19 can we, whether it's on the web or the mobile phone,
20 provide outage maps that are much more intuitive, a
21 better customer experience than exists today; that is
22 being done under the team that's also doing some of
23 the outage work with the AMI meter as one example.

24 Q. Are there any other examples you can
25 think of?

1 A. The other one I can think of is, again,
2 around outage work. When it comes to having outage
3 notifications, the ability to have good data is very
4 important. So we have a data analytics team working
5 with the outage team that I discuss the functionality
6 here in my testimony. That data team is looking at
7 analytics to do meter-to-transformer mapping that
8 improves the GIS system.

9 So, in other words, it is important to
10 know what meters are tied to what transformers, and
11 what transformers to upstream devices. So when we
12 are trying to create an automatic notification
13 system, it is important to know if certain meters are
14 out, what other meters will be out if they are
15 connected to the same upstream protected device; and
16 so, there is an analytics team that's working very
17 hard to clean up data associated with
18 meters-to-transformer mapping and phase angle,
19 phase-to-meter mapping as well.

20 Q. And as you were preparing your testimony,
21 we talked a little bit about how you keep track of
22 your time. Do you do any forecasting or budgeting of
23 future time for purposes of test year expense during
24 a rate case?

25 A. I do know certainly test year expenses

1 are important. We do typically, on a yearly basis,
2 we look at the allocation of time and in the
3 allocation we say is something changing. If there's
4 something that's requiring typically on an annual
5 basis a big project that might require people's time
6 that we assume is a certain allocation to change.
7 And mostly it's, again, direct bill for a lot of -- a
8 lot of it as well.

9 Q. And did you provide any insight or
10 information that Duke Energy Ohio included regarding
11 your time in its test year in the distribution rate
12 case you testified in?

13 A. I'm sure that the normal accounting group
14 takes our financial records and makes that part of
15 the test year for accounting purposes, but I'm not
16 very familiar with how accounting goes about making
17 sure that's done.

18 Q. To -- you would agree that there are some
19 services that were in your original testimony that
20 are no longer a part of the testimony you are
21 offering today, specifically pages 5 through 10?

22 MS. WATTS: And, your Honor, I object to
23 questions related to the testimony that's been
24 stricken.

25 MR. OLIKER: Your Honor, I am simply

1 trying to find out if the services that are no longer
2 in his testimony might happen to be in the test year.

3 MS. WATTS: Which is irrelevant since
4 it's been stricken.

5 MR. OLIKER: It is irrelevant for whether
6 they approve those services, but it's still relevant
7 whether or not it's in the distribution rate, and I'm
8 entitled to ask him that question if he knows. He
9 may or may not.

10 EXAMINER CATHCART: I am going to
11 overrule the objection. The witness can answer to
12 his understanding.

13 MR. OLIKER: Thank you, your Honor. And
14 I can restate it.

15 Q. (By Mr. Oliker) Dr. Weintraub, you
16 recommended approval of services, in pages 5 through
17 10, that you are no longer recommending that the
18 Commission approve, correct?

19 A. It's been stricken and not require -- not
20 part of this proceeding.

21 Q. And although it has been stricken, do you
22 know if Duke Energy Ohio distribution rates that are
23 proposed for recovery in this proceeding contain an
24 allowance for the expenses that you previously
25 recommended the Commission approve?

1 A. What I would say is when it comes to
2 expenses, which is a very scrutinized part of what we
3 do, if there are programs that are nonregulated and
4 not part of a regulatory proceeding, they are not
5 part of the accounting that goes with the regulatory.

6 So if we're providing a home warranty
7 service in a territory as an example, that flows
8 through nonregulated accounting. It doesn't hit any
9 rate case accounting and it does not hit a rider.
10 That's an expense associated with the company and
11 does not seek recovery.

12 Q. And that's because an expense of that
13 nature would not be appropriate for distribution
14 ratemaking purposes, correct?

15 A. I'm certainly not the expert to say what
16 is or is not appropriate. We certainly do ask the
17 experts in regulatory accounting is it appropriate
18 and they would say yes or no. And typically with
19 what I think we're discussing here, there are --
20 there are instances of our programs where they don't
21 get recovery through a base rate and they don't get
22 recovered through riders. They are an expense that
23 has an offsetting revenue somewhere else within the
24 Duke Energy enterprise.

25 MR. OLIKER: Thank you, your Honor.

1 Those are all the questions I have.

2 Thank you, Dr. Weintraub.

3 THE WITNESS: Thank you.

4 EXAMINER CATHCART: Thank you.

5 - - -

6 CROSS-EXAMINATION

7 By Mr. Healey:

8 Q. I think you've already testified you are
9 aware there is a stipulation filed in this case,
10 correct?

11 A. I am.

12 Q. And the stipulation does not mention your
13 enhanced basic services; is that right?

14 A. To the best of my knowledge, that's
15 correct.

16 Q. And your understanding is that -- and I
17 believe you already testified, so I am just laying
18 some groundwork here, that Duke is not seeking
19 approval of any of these enhanced basic services
20 through the stipulation, correct?

21 A. That's correct.

22 MR. HEALEY: Your Honor, that being the
23 case, I would move to strike page 11, beginning at
24 line 15, through the end of page 12. Here the
25 witness is describing certain programs that are not a

1 part of the stipulation. They are not being asked to
2 be approved by the Commission. Duke is not
3 committing to implement any of these programs. The
4 witness says multiple times in his testimony "We are
5 not proposing these programs or services in this
6 case." That's on page 11.

7 And on page 14, "Is Duke Energy Ohio
8 seeking Commission authorization to begin offering
9 all of these programs in these proceedings? No."

10 With these many admissions regarding the
11 EBS described by the witness, they are not relevant
12 and, therefore, should not be admitted.

13 MS. WATTS: Your Honor, the programs to
14 which Mr. Weintraub testifies are programs that would
15 become available if the stipulation is approved by
16 the Commission. We are not asking for approval of
17 the programs because they are customer-related
18 programs that have issues associated with customer
19 authorization and so forth that need to be worked
20 through with the Commission's Customer Services
21 Department before they are actually rolled out. So
22 Mr. Weintraub's testimony is presented for the
23 purpose of helping the Commission understand what the
24 benefit of the AMI transition would be.

25 MR. HEALEY: Your Honor, just a quick

1 response. Other than Ms. Watts' claim that these
2 will become available, there is nothing in the record
3 in this case or anyone's testimony that they will, in
4 fact, become available. It's completely at Duke's
5 discretion to offer these services or not. As the
6 witness testified, the stipulation does not require
7 them to offer these programs and they have no other
8 obligation to offer them. They may or may not. But
9 other than Counsel's representation that they will,
10 that is not in the record.

11 EXAMINER CATHCART: I am going to deny
12 the motion to strike. The Commission can give it the
13 appropriate weight.

14 Q. (By Mr. Healey) Let's look at page 11 at
15 the bottom. You discuss the Pick Your Own Due Date
16 program. You have not attempted to quantify the
17 monetary value of this program for customers,
18 correct?

19 A. Correct.

20 Q. And would the same be true of the other
21 four programs on page 12, Prepaid Advantage, Usage
22 Alerts, Outage Alerts with AMI, and Smart Meter Usage
23 App?

24 A. Maybe I'm confused with your definition
25 of "monetary benefits." Maybe you can clarify that

1 for me.

2 Q. Sure. Have you -- have you ascribed a
3 dollar value of the benefits to customers of the, for
4 example, Prepaid Advantage?

5 A. Well, so each one of these programs, I'll
6 go back to your question with Pick Your Own Due Date.
7 There are specific advantages to a customer to be on
8 some of these services. So if you can Pick Your Own
9 Due Date without -- and have a timing of your bill
10 better suited for your financial benefit, for your
11 financial means, that customer might have no late
12 fees. They might not have other things. Those are
13 the types of benefits that we typically see with
14 customers with these programs if that's what you are
15 referring to with benefits.

16 Q. Sure. And my question is to the extent
17 those benefits exist, you've not attempted to
18 quantify the total value of such benefits across the
19 customer base, correct?

20 A. That's correct. We tend to try to
21 identify the types of customers that would be on
22 these programs, not necessarily the benefits in
23 totality, that's correct.

24 MR. HEALEY: That's all I have, your
25 Honor. Thank you.

1 EXAMINER CATHCART: Thank you.

2 MS. WATTS: May we take one moment, your
3 Honor?

4 EXAMINER CATHCART: You may.

5 EXAMINER WALSTRA: We'll go off the
6 record.

7 (Discussion off the record.)

8 EXAMINER WALSTRA: Let's go back on the
9 record.

10 MS. WATTS: Your Honor, we have no
11 redirect.

12 EXAMINER CATHCART: Thank you. Would you
13 like to move your exhibit?

14 MS. WATTS: We would move for admission
15 of Duke Energy Ohio Exhibit 25.

16 EXAMINER CATHCART: Any objections,
17 subject to the motion to strike?

18 MR. HEALEY: Nothing further.

19 EXAMINER CATHCART: It will be admitted.

20 (EXHIBIT ADMITTED INTO EVIDENCE.)

21 EXAMINER WALSTRA: Would you like to call
22 your next witness.

23 MR. D'ASCENZO: Thank you, your Honor.
24 For our next witness we would call William Don
25 Wathen, Jr.

1 (Witness sworn.)

2 EXAMINER WALSTRA: Thank you. Please
3 take a seat.

4 MR. D'ASCENZO: Your Honor, for purposes
5 of the record, we would like to have marked as Duke
6 Energy Ohio's Exhibit No. 26, the direct testimony of
7 William Don Wathen, Jr., filed in the electric
8 distribution rate case, Case No. 17-32.

9 EXAMINER WALSTRA: So marked.

10 (EXHIBIT MARKED FOR IDENTIFICATION.)

11 MR. D'ASCENZO: Thank you.

12 As Duke Energy Ohio Exhibit No. 27, we
13 would like to have marked the direct testimony of
14 Peggy Laub in the electric distribution rate case,
15 Case No. 17-32.

16 EXAMINER WALSTRA: So marked.

17 (EXHIBIT MARKED FOR IDENTIFICATION.)

18 MR. D'ASCENZO: As Duke Energy Ohio
19 Exhibit No. 28, the direct testimony of William Don
20 Wathen, Jr., in the company's electric security plan
21 case, 17-1263.

22 EXAMINER WALSTRA: So marked.

23 (EXHIBIT MARKED FOR IDENTIFICATION.)

24 MR. D'ASCENZO: And as Duke Energy Ohio
25 Exhibit No. 29, the direct testimony of William Don

1 Wathen in Case No. 17-872.

2 EXAMINER WALSTRA: So marked.

3 (EXHIBIT MARKED FOR IDENTIFICATION.)

4 MR. D'ASCENZO: And, finally, your Honor,
5 as Duke Energy Ohio Exhibit No. 30, the second
6 supplemental testimony of William Don Wathen filed in
7 these consolidated proceedings in support of the
8 stipulation.

9 EXAMINER WALSTRA: So marked.

10 (EXHIBIT MARKED FOR IDENTIFICATION.)

11 MR. D'ASCENZO: Thank you.

12 MR. OLIKER: Could we have those read
13 back too.

14 MR. D'ASCENZO: Do you want me to do it?

15 MR. OLIKER: It could be more shorthand.

16 MR. D'ASCENZO: So the 26 is Don's direct
17 testimony in the rate case. 27 is Peggy Laub's
18 testimony from the rate case. 28 is Don's direct
19 from the ESP. 29 is Don's direct from the PSR. And
20 30 is Don's second supplemental that was filed in the
21 consolidated cases on June 6. That's the testimony
22 that supported the stipulation.

23 MR. OLIKER: Thank you.

24 MR. D'ASCENZO: Your Honor, may we
25 approach?

1 EXAMINER WALSTRA: You may.

2 MR. D'ASCENZO: Thank you.

3 MS. FLEISHER: If we can go off the
4 record for a second.

5 (Discussion off the record.)

6 (Recess taken.)

7 EXAMINER WALSTRA: We'll go back on the
8 record.

9 MR. D'ASCENZO: Your Honor, the company
10 does have proposed strike-throughs of his testimony
11 that the witness can walk through.

12 EXAMINER WALSTRA: Okay. We'll address
13 those regarding Exhibits 26 through 29 now.

14 MR. D'ASCENZO: Okay. Thank you.

15 EXAMINER WALSTRA: Whenever you're ready.

16 - - -

17 WILLIAM DON WATHEN, JR.

18 being first duly sworn, as prescribed by law, was
19 examined and testified as follows:

20 DIRECT EXAMINATION

21 By Mr. D'Ascenzo:

22 Q. Mr. Wathen, would you please state your
23 name, address, and position with the company for the
24 record, please.

25 A. My name is William Don Wathen, Jr. My

1 business address is 139 East Fourth Street,
2 Cincinnati, Ohio. My position is Director of Rates
3 and Regulatory Strategy for Ohio and Kentucky.

4 Q. And did you cause to file direct
5 testimony in Case No. 17-32?

6 A. I did.

7 Q. And did you cause to file direct
8 testimony in Case No. 17-1263?

9 A. I did.

10 Q. And did you cause to file direct
11 testimony in Case No. 17-872?

12 A. I did.

13 Q. And are you adopting, for purposes of
14 your testimony today, the direct testimony of Peggy
15 Laub in Case No. 17-32?

16 A. I am.

17 Q. And can you just briefly for the record
18 explain why you are adopting Ms. Laub's testimony?

19 A. Peggy was a director in our group and she
20 retired at the end of November and she would likely
21 deny -- decline coming to visit Columbus for this
22 purpose.

23 Q. And Mr. Wathen, thank you. Did you also
24 cause to file second supplemental testimony in these
25 consolidated cases in support of the stipulation?

1 A. I did.

2 Q. And do you have in front of you what has
3 been marked as Company Exhibits 26, 27, 28, and 29?

4 A. I do.

5 Q. And could you just please identify those
6 for the record.

7 A. So Exhibit 26 is my direct -- my direct
8 testimony in the rate case, Case No. 17-32-EL-AIR, et
9 al.

10 Exhibit No. 27 is the testimony of Peggy
11 A. Laub that I adopted in this case, in Case No.
12 17-32-EL-AIR, et al.

13 Exhibit No. 28 is my direct testimony in
14 the ESP case, Case No. 17-1263-EL-SSO, et al.

15 And my testimony in Exhibit 29 is the
16 testimony I filed in what we call the PSR case, Case
17 No. 17-872-EL-RDR, et al.

18 Q. And do you have any changes or
19 corrections to Exhibits 26, 27, 28, and 29?

20 A. I'll characterize them as modifications,
21 but yeah, I have several corrections to both and kind
22 of start with 26. 26 is the rate case testimony.

23 Q. And could you clarify for the record why
24 you are making these modifications.

25 A. I think the intention is to conform the

1 testimony to the stipulation. So beginning on
2 page 14 of the -- of my testimony in -- my direct
3 testimony in Exhibit 26 rather. If you start at the
4 top of page 14, you can strike everything through
5 page 19, line 3.

6 MR. OLIKER: On page 14?

7 MR. MICHAEL: 14 to 19, line 3.

8 THE WITNESS: All of 14 through the top
9 of page 19.

10 MR. MENDOZA: I am sorry. Mr. Wathen,
11 could you tell us which testimony you are referring
12 to.

13 THE WITNESS: This is the rate case
14 testimony, my direct, Exhibit 26.

15 MR. MENDOZA: Thank you.

16 THE WITNESS: Everybody ready?

17 MR. OLIKER: So that's five pages?

18 THE WITNESS: Five and change.

19 Everybody ready?

20 So on page 21, I think the entirety of
21 section 7 which starts just above line 5 through
22 line 18 on page 23.

23 MR. OLIKER: Was 22 left in place? I'm
24 sorry.

25 MR. MICHAEL: No.

1 THE WITNESS: Everything. The entirety
2 of that section. Are we good?

3 On line -- on page 23, beginning on line
4 19, strike through line 5 on page 24. And you can
5 strike all of Exhibit WDW-1.

6 MS. BOJKO: All eight pages?

7 THE WITNESS: Yes, the entirety of
8 Exhibit WDW-1. That's all for that testimony.

9 MR. D'ASCENZO: Thank you, Mr. Wathen.
10 Your Honor, may we approach? We have the
11 copies of Exhibit 30.

12 EXAMINER WALSTRA: You may.

13 MR. D'ASCENZO: Thank you. We apologize
14 for that, the delay.

15 EXAMINER WALSTRA: No problem.

16 Q. (By Mr. D'Ascenzo) And Mr. Wathen, for
17 purposes of the clarity in the record, do you now
18 have in front of you a copy of what was previously
19 identified as Duke Energy Ohio Exhibit 30?

20 A. I do.

21 Q. And would you just identify that for the
22 record, please.

23 A. This is my second supplemental testimony
24 in the consolidated causes supporting the
25 stipulation.

1 Q. Thank you.

2 And Mr. Wathen, do you have any
3 additional corrections to walk through?

4 A. Yes. So that was 26.

5 We are on Exhibit 27. This is the direct
6 testimony of Peggy Laub that I'm adopting on
7 Exhibit 27.

8 So beginning on page 3, we propose to
9 strike the sentence beginning on line 6, it starts
10 with "The data presented" all the way through the end
11 of the line on line 10.

12 On page 5, strike the entire Q and A at
13 the top of the page from line 1 to line 15.

14 On lines -- on page 6, strike beginning
15 at line 1 on page 6 all the way through line 21 on
16 page 7.

17 On page 13, line 17, strike the part of
18 that sentence that it says "and the Company's future
19 standard service offer," strike all the way to the
20 end of the line on page 18 -- on line 18 rather.

21 At the top of page 14, line 1, change --
22 change the word "three" to "five."

23 The last line at the top of the page, it
24 starts on line 2, strike the entire sentence from
25 "The net jurisdictional adjustment...."

1 MR. OLIKER: Could you please repeat the
2 last two. You lost me.

3 THE WITNESS: Are you on page 13 or 14?

4 MR. OLIKER: Page 14.

5 A. The top of -- is the microphone working?
6 At the top -- it's not working apparently, but on the
7 top of page -- on the top of the page, the word
8 "three" change that to "five" so it says "five-year
9 amortization" instead of "three-year amortization" in
10 line 1.

11 EXAMINER WALSTRA: See if it comes back
12 on.

13 MR. OLIKER: Got you. Okay.

14 THE WITNESS: Can you hear me? Can
15 everybody here for the time being?

16 A. On the next line in that sentence it says
17 "The net jurisdictional adjustment...." Strike the
18 entire sentence.

19 On page 18 -- page 18 -- okay, that's
20 cool.

21 On page 18, strike line 1 through line 8.
22 On the same page, strike line 17 through 19.

23 I believe that's all for Peggy's
24 testimony.

25 Are we ready for the next one?

1 Okay. On Exhibit 28, this is my direct
2 testimony in the ESP case, Case 12-63.

3 So on page 6, from line 7 through line 3
4 on the next page, strike all that.

5 On line 6, after the parenthetical for
6 "Rider DCI," strike beginning with the word "with"
7 all the way through the end of line 12.

8 MS. WHITFIELD: I'm sorry, could you say
9 that one more time?

10 THE WITNESS: On the same page 7, the
11 first word after the parenthetical "DCI," strike the
12 balance of that paragraph.

13 A. On page 9, beginning on lines 12 through
14 18, strike that entire paragraph.

15 On page 10, strike the Q and A beginning
16 on line 7 through 10.

17 On page 12, beginning on line 5, strike
18 all of lines 5 through 7 and the first word on 8.

19 On the same page, beginning on line 12,
20 the sentence begins with "In all respects," strike
21 beginning with that sentence all the way through the
22 word "common plant" on 16.

23 On page 14, on line 16 -- everybody
24 there?

25 MS. BOJKO: No. So page 12, it's just

1 through the word "common plant" on line 16, correct?

2 THE WITNESS: That's correct.

3 A. So back to page 14, on line 16, instead
4 of "2017," make it "2018."

5 On page 16, strike the entirety of
6 Section V which begins above line 5 on page 16 all
7 the way through line 6 of page 18.

8 MS. BOJKO: I'm sorry. Could you say
9 that one more?

10 THE WITNESS: It's essentially the
11 entirety of V, Regulatory Mandates Rider. So take
12 that all the way to the top of page 18, line 6. Are
13 we good?

14 A. On page 19, the question begins on
15 line 20, so strike that entire line all the way
16 through page 24, line 12.

17 MR. MICHAEL: Could you say page 19 one
18 more time, Don.

19 THE WITNESS: At the bottom of page 19,
20 the question begins "Other than...." So strike all
21 of that. Strike all the next few pages all the way
22 to the beginning of 24 through line 12. Are we good?

23 A. Okay. On page 26, delete the entire
24 Section VII and that begins above line 3 on page 26
25 and it goes through page 29, line 6. Are we good?

1 So the last addition -- the last
2 exclusion is Exhibit WDW -- Attachment WDW-2 and
3 that's pages 1 through 8, so we can delete that.
4 That's all the changes I have for 28.

5 If everybody is okay, I am going to 29.

6 On 29, this is my PSR testimony, Case
7 872. On page 15, beginning at line 18 through
8 line 15 on the next page.

9 MS. BOJKO: Page 15, line 18?

10 THE WITNESS: Correct. Through line 15
11 on the next page.

12 A. And on page 19, at the very top of the
13 page, first line, it says "beginning April 1, 2017,"
14 change that to "January 1, 2018." That's all I have
15 for 29.

16 On -- I have a couple of changes and
17 typos on Exhibit 30 as well, so if you'll bear with
18 me. Are we all caught up?

19 On line -- so I'm on my second
20 supplemental testimony in the consolidated cases.
21 Page 13, excuse me, line 5, between the word "the"
22 and "ADITs" insert the word "distribution related."

23 And then on line 6, after the word
24 "ADITs" insert the word "related to distribution."

25 On page 15 on line 10, after the word

1 "any" insert the word "new."

2 And lastly, on page 26, line 3, just a
3 typo. The "stipulation" is misspelled. So transpose
4 the "t" and "i." The second "i" and "t."

5 That concludes at least my changes to my
6 testimony.

7 EXAMINER WALSTRA: Thank you.

8 MR. MENDOZA: Your Honor, would you
9 entertain motions to strike at this time?

10 EXAMINER WALSTRA: I would.

11 MR. MENDOZA: I would move to strike the
12 entirety of his direct testimony in the PSR. The PSR
13 proposal has been changed, as you know, in the
14 stipulation. I believe Mr. Wathen made a
15 modification to the onset time of the PSR on his own,
16 but the end of the PSR also changed with the
17 stipulation and there are several other changes in
18 the stipulation directly to the PSR.

19 I would also note that it's duplicative.
20 He has some statements about the OVEC history which
21 we have talked a lot about this week and several
22 people put testimony in there. Some of that
23 information is in other testimonies so we don't
24 need -- there is no need for that. There's also
25 several legal conclusions which are not appropriate.

1 But the main issue is that it's incompatible with the
2 stipulation, your Honor.

3 MS. FLEISHER: Just to elaborate on that
4 a little bit. On page 19 of the stipulation, he
5 lists a number of conditions on the PSR that were not
6 in Duke's original proposal affecting the, you know,
7 the purporting to affect what's going to be recovered
8 so it's really -- it's a different rider than what
9 was in Duke's original application.

10 MR. D'ASCENZO: Your Honor, it's not a
11 different rider, first of all. Although the terms
12 and conditions may have changed, the functionality of
13 the rider, as described in Mr. Wathen's testimony,
14 has not. His testimony is foundational for what was
15 in the application. It explains how the rider and
16 the mechanics are going to work and that is
17 consistent and compatible with what was resolved
18 in -- through the stipulation.

19 The company has proposed changes to --
20 to -- where specific things were changed as a result
21 of the bargaining that occurred as part of the
22 stipulation and voluntarily removed some information.

23 If the concern is the term of the PSR, I
24 mean, that has changed. The company would concede,
25 yes, it did change as a result of the stipulation.

1 We would be happy to make an edit if that's the
2 concern, to change, if "2040" appears, we missed it
3 and, you know, to change it to "2025." Nonetheless,
4 he -- that is what we had proposed and as part of the
5 bargaining that occurred, a different term was agreed
6 upon.

7 So, again, going back to the previous
8 arguments that have already been made regarding the
9 purpose of this hearing is to determine whether or
10 not the stipulation itself is reasonable, a key
11 component of that is whether it was the product of
12 serious bargaining. The fact that the term did
13 change is part of that; so, again, the Commission
14 needs a baseline for comparison to determine what --
15 whether or not the end result of the stipulation in
16 its totality results in -- in a reasonable
17 compromise.

18 MS. FLEISHER: Your Honor, if I may just
19 offer an example of what's actually in the testimony.
20 So on page 8, the Question, middle of the page: "How
21 Does the Company Propose that Rider PSR Be Audited?"
22 Page 8, line 5 of the 17-32 testimony. It talks
23 about what Duke is proposing for the auditing of
24 Rider PSR, and what's in the stipulation is
25 completely different in terms of what can be the

1 basis for an audit or for exclusions of cost
2 recovery, so that's certainly not compatible with the
3 stipulation.

4 I could go through and, I am sure, pick
5 out more examples, but it's, you know, sort of
6 throughout the testimony that this is -- there have
7 been material changes to the rider, the terms and
8 conditions of the rider, the name is still the same,
9 yes. But this is a problem in multiple places.

10 MR. D'ASCENZO: Your Honor, I would
11 disagree with what was just pointed out. The
12 description that is in Mr. Wathen's testimony is
13 consistent with what's in the stipulation.

14 EXAMINER WALSTRA: I'm going to deny the
15 motion to strike. This rider is a big piece of this
16 litigation. Any changes here are probably -- are
17 pretty relevant. And specific changes or alterations
18 can be explored on cross-examination or on brief.

19 MR. MENDOZA: Okay. Thank you. I have
20 some further motions to strike with regard to that
21 testimony.

22 EXAMINER WALSTRA: Go ahead.

23 MR. MENDOZA: On page 3 there is a
24 sentence that starts with -- excuse me -- on page 3
25 of the direct testimony on line 20, there's a

1 sentence that starts "Notably" referring to the OVEC
2 contract and it goes on to talk about FERC approval,
3 and continuing on to the next page, ending on page 4,
4 line 3 with the statement that the approval --
5 something about "was reasonable." I move to strike
6 that entire two sentences. They are legal
7 conclusions about the significance of a purported
8 FERC approval. And they -- well, for one, they are
9 incorrect legal opinion. But aside from that, it's a
10 legal statement and that should not be in a fact
11 witness's testimony. If Duke wishes to brief the
12 significance of the FERC acceptance of the recent
13 contract there, they are able to do that.

14 MR. D'ASCENZO: Your Honor, he is merely
15 speaking to what his understanding is. If they
16 want -- if they would like to cross-examine him on
17 that, that's fine. He does qualify that it's, you
18 know, his opinion based upon what he -- as he
19 understands and what's been told to him by counsel.
20 So it's -- again, he is not offering a legal opinion.

21 EXAMINER WALSTRA: Yeah, I'll deny the
22 motion to strike. I think he is speaking to his
23 understanding.

24 MR. D'ASCENZO: Thank you.

25 MR. MENDOZA: Well, I have a few similar

1 ones. I'll put them on the record. I suspect --
2 well, so on page 6, there's a Question and Answer
3 that starts, let's see, you previously reference the
4 fact that -- on page 6 at line 3 there is a Question
5 that starts "You previously referenced the fact that
6 the FERC has approved the ICPA. What is the
7 significance of that approval to the Company's
8 request in these proceedings?"

9 And then it goes on to talk about how the
10 FERC approval affects the jurisdiction of this
11 Commission which is, again, a quintessential --
12 quintessential legal conclusion. And he does say,
13 it's true, "Although I am not an attorney," it's a
14 concession that he is offering a legal opinion, it's
15 still inappropriate for a fact witness to offer
16 theories about how a FERC approval, which did not
17 happen, impacts the jurisdiction of this Commission.
18 And, again, all the parties can address it in the
19 briefs, but there's no role for the witness to offer
20 an opinion on that type of issue. And to be clear, I
21 was moving to strike the entire answer to that
22 question, your Honor.

23 EXAMINER WALSTRA: Okay. For the same
24 reasons, I'm going to deny the motion.

25 MR. MENDOZA: Okay. And I have one more

1 just for the record. On page 13 of the direct
2 testimony, line 15, there is a statement that the
3 OVEC plants are compliant with all applicable
4 environmental regulations. That also is a legal
5 conclusion.

6 This Commission doesn't have authority
7 over whether the OVEC plants are compliant with all
8 applicable environmental regulations. That's a
9 determination for the Indiana Department of
10 Environmental Management, and Ohio EPA, and the
11 USEPA, and federal courts at times, state courts at
12 times. So it's -- it's a legal conclusion this
13 Commission doesn't have authority on that issue. It
14 shouldn't be in his testimony.

15 EXAMINER WALSTRA: Duke?

16 MR. D'ASCENZO: Yes, your Honor.

17 Mr. Wathen is -- is explaining his
18 understanding and he points to the basis of it in the
19 footnote of that. He's not making a legal
20 conclusion. He is just stating his understandings.

21 MR. MENDOZA: And, your Honor, if I may.
22 The reference is to an out-of-court statement by
23 someone from, you know, someone in another matter is
24 not being offered as a witness by any party and it's
25 true we could have subpoenaed him if we thought it

1 was important enough, but the fact is this is a legal
2 conclusion. It relies on hearsay.

3 This Commission -- I mean if the
4 Commission made that decision in the previous case,
5 it would have no legal significance anyway because
6 the Commission can't reach that determination and so.

7 EXAMINER WALSTRA: I am going to deny the
8 motion in this case, I think the Commission will give
9 it the proper weight.

10 MR. MENDOZA: Thank you, your Honor.

11 EXAMINER WALSTRA: Is that all?

12 MR. MENDOZA: For me. I think there
13 might be more.

14 EXAMINER WALSTRA: I just won't look this
15 direction.

16 MR. MICHAEL: Thanks, your Honor.

17 Your Honor, I would first like to say I
18 appreciate Duke and Mr. Wathen going through the
19 testimony and striking what they did strike. I do
20 have some additional motions to strike.

21 And I'll start with Exhibit 26, page 2,
22 lines 15 through 19 beginning with "On behalf" and
23 ending with "investment rider." In that testimony,
24 Mr. Wathen says that he is going to seek to defend a
25 proposed rate increase and also the reasonableness of

1 that rate increase. In the settlement there is
2 actually a rate decrease. This testimony is
3 incompatible with the settlement and it's irrelevant
4 and, therefore, should be stricken.

5 EXAMINER WALSTRA: Duke.

6 MR. D'ASCENZO: Thank you, your Honor.
7 Here Mr. Wathen is just explaining what the company's
8 application was. It's summary information. It's
9 just simply describing the purpose of his testimony.

10 Again, the purpose of this hearing is to
11 determine the reasonableness of the stipulation. The
12 stipulation -- a key component of that is whether or
13 not it was the product of serious bargaining. You
14 know, the company did agree, as part of the
15 bargaining, to a revenue decrease. The company when
16 it filed its application in a separate -- in its own
17 proceeding believed that there was a modest revenue
18 increase that was justifiable. That's all he's
19 explained.

20 EXAMINER WALSTRA: Yeah, I'll deny the
21 motion. I understand it's no longer an increase.

22 MR. D'ASCENZO: Thank you.

23 MR. MICHAEL: Thank you, your Honor.

24 I would like to stick on page 2. Line
25 20, after the semicolon, through page 3, line 3. In

1 that testimony Mr. Wathen asserts that he is going to
2 discuss some riders regarding complying with
3 regulatory mandates; the overall reasonableness of
4 the request. Obviously, the rider regarding
5 regulatory mandates is no longer in play and there
6 was testimony withdrawn already regarding that rider.

7 And then as it relates to the final
8 sentence on page 3, lines 1 through 3, again, he is
9 talking about the rate -- requested rate increase and
10 the drivers for Duke Energy Ohio's current revenue
11 deficiency. This goes beyond mere summary, I think,
12 and talks about -- or at least introduces and I'll
13 get to the substance later, more detailed testimony
14 regarding the proposed rate increase and the drivers
15 for the revenue deficiency. That is not background.
16 It is inconsistent with the settlement and it is
17 irrelevant and, therefore, should be stricken.

18 EXAMINER WALSTRA: For the same reasons,
19 I'll deny.

20 MR. MICHAEL: Your Honor, I would also
21 like to strike, beginning on page 3 with Roman
22 numeral II, the entirety of that section.

23 Unlike the provisions that your Honor
24 denied OCC's motions to strike, this goes into the
25 detail and substance for the proposed rate increase

1 and the drivers for that proposed rate increase is
2 not background. Duke is not seeking a rate increase
3 as part of the settlement. As a matter of fact, they
4 agreed to a rate decrease. Therefore, that entire
5 section is irrelevant and incompatible with the
6 settlement.

7 EXAMINER WALSTRA: So all the way through
8 page 5?

9 MR. MICHAEL: 5, yes, your Honor,
10 line 14.

11 EXAMINER WALSTRA: I am going to deny
12 this motion to strike as well. It seems pretty
13 general just based on why they are filing.

14 MR. MICHAEL: Thank you, your Honor.

15 On page 6, lines 16 through 21, that's
16 Mr. Wathen's discussion regarding the regular man --
17 regulatory mandates rider which has been withdrawn
18 and, therefore, this testimony is no longer relevant.

19 MR. D'ASCENZO: Your Honor, this is just
20 explaining what was in the application. It's simply
21 summary information. We have removed all of the
22 portions of the testimony that are actually
23 advocating for it. This is just -- just the laundry
24 list of items that were in the application. So for
25 clarity of the record, it's -- it should be -- it

1 should remain.

2 EXAMINER WALSTRA: I'll allow it.

3 MR. MICHAEL: On page 7, your Honor,
4 lines 15 through 18, there's the discussion regarding
5 the public education and information campaign. That
6 testimony should be stricken for the reasons stated
7 previously.

8 EXAMINER WALSTRA: I'll allow this as
9 well to stay.

10 MR. MICHAEL: On page 9, your Honor,
11 beginning on line 21, through page 10, line 3, and in
12 this testimony Mr. Wathen describes and discusses a
13 proposed straight fixed-variable rate design. As
14 your Honor is well aware, there was a proposal made
15 in the application to fundamentally change the
16 straight -- the straight fixed-variable and the
17 amount recovered. That proposal has been withdrawn.
18 It's not part of the settlement, it's incompatible
19 with the settlement, and should be stricken.

20 EXAMINER WALSTRA: I'll deny this motion
21 as well. It seems like a summary which we've been
22 allowing in so far.

23 MR. MICHAEL: On page 20, your Honor,
24 lines 1 through 15.

25 MS. BOJKO: I'm sorry, which page, Bill?

1 MR. MICHAEL: 20.

2 In this part of Mr. Wathen's testimony,
3 your Honor, it discusses charging consumers under
4 Rider DCI for distribution-related common, general,
5 and intangible plant. That was proposed as part of
6 the application, specifically withdrawn as part of
7 the settlement, and, therefore, it is incompatible
8 with the settlement and should be stricken.

9 EXAMINER WALSTRA: Mr. D'Ascenzo.

10 MR. D'ASCENZO: We would not object to
11 that.

12 EXAMINER WALSTRA: That will -- I'll
13 grant the motion and it will be struck.

14 Q. (By Mr. Michael) I am now going to move
15 on to Exhibit 28, if I can, your Honor, please.

16 EXAMINER WALSTRA: Go ahead.

17 MR. MICHAEL: Page 13, line 15, through
18 page 14, line 2.

19 MR. D'ASCENZO: Would you say that again,
20 please, Bill?

21 MR. MICHAEL: Sure. Page 13, page 15,
22 through page 14, line 2.

23 Your Honor, this testimony has to do with
24 the original Rider PF as it relates to any programs
25 offered in response to directives for the Commission

1 as part of PowerForward Initiative. And as part of
2 the settlement, the company agreed to do the Rider PF
3 component regarding such directives as a placeholder
4 rider. The company will file RDR cases to populate
5 that rider subsequent to any directives from the
6 Commission.

7 In this part of Mr. Wathen's testimony,
8 it addresses a different type of process whereby the
9 company will make a filing and it will be
10 automatically approved after I believe it's 30 days,
11 but a certain amount of time. That is not only
12 incompatible with the settlement, but I think it's
13 quite contradictory to what the company agreed to in
14 the settlement. For that reason, that testimony
15 should be stricken.

16 MR. D'ASCENZO: So, Bill, you're saying
17 from 15 -- line 15 on 13 all the way up to line 2 on
18 14?

19 MR. MICHAEL: Yes, sir.

20 MR. D'ASCENZO: That's fine. We would
21 not object.

22 EXAMINER WALSTRA: Grant the motion.

23 MR. MICHAEL: Thank you.

24 Next one, your Honor, is on page 14,
25 lines 17 through 21. In this part of Mr. Wathen's

1 testimony, he discusses recovering deferred amounts
2 flowing from vegetative management. As a result of
3 the settlement, a rider was set up under which the
4 company could recover costs above and beyond those
5 costs that are already in base rates. And I believe
6 as a result of the settlement, the request to recover
7 any deferrals through that new rider has been
8 withdrawn.

9 MR. D'ASCENZO: That's not correct, your
10 Honor. We made a change to the testimony to reflect
11 that the expenses that are being deferred, the date
12 changed, but there is still a deferral under the
13 stipulation. The deferral is from January 1, 2018,
14 versus what we had requested in the original
15 application. So we had already walked through that
16 change.

17 MR. MICHAEL: I'll withdraw that motion,
18 your Honor. I conferred with my expert that that is
19 indeed the case, but we might cross-examine about
20 that.

21 EXAMINER WALSTRA: Thank you.

22 MR. MICHAEL: Your Honor, the next motion
23 to strike would be on page 31 and it would be the
24 entirety of Section IX. In that part of Mr. Wathen's
25 testimony he is describing his analysis of the MRO

1 versus ESP test of the ESP as proposed.

2 That ESP and its provisions are no longer
3 applicable because the ESP has changed in fundamental
4 ways; therefore, that analysis is irrelevant. And I
5 would also point out to your Honor, as further
6 confirmation of that, in his second supplemental
7 testimony, Exhibit 30, he also provides an MRO versus
8 ESP analysis, and I just think that confirms that
9 this part of his testimony in Exhibit 28 is
10 irrelevant and should be stricken.

11 MR. D'ASCENZO: Your Honor, a key
12 component in an ESP application is whether or not it
13 is better in the aggregate than the MRO.

14 In order for the company's application to
15 meet the requirements under 4928.143, we need to
16 include this. It's standard for utilities to put
17 that information in their application. Any time an
18 ESP is settled, the analysis of whether or not the
19 ESP is better in the aggregate than the MRO does
20 change. And so, if Mr. Michael's objection were to
21 stand, that would mean that the filing requirement
22 itself is erroneous. We would -- this is what the
23 company's position was in its application, and we
24 have provided an update to that.

25 MR. MICHAEL: Well, the ESP as proposed

1 is no longer at issue, your Honor. It is a statutory
2 requirement of the ESP that is before the Commission.
3 That is not the ESP that was part of the application.
4 It's the ESP that's part of the settlement.

5 Were this testimony to stand, then those
6 parties that are either not opposing or have signed
7 on to the stipulation, would be faced with the
8 prospect of having to worry about the efficacy of
9 their deal because now the ESP as proposed in the
10 application could, in theory, pass the MRO versus ESP
11 test and that ESP is no longer in play. So it's the
12 actual proposed ESP that is before the Commission for
13 determination to which the MRO versus ESP test
14 applies.

15 Mr. Wathen has that analysis in
16 Exhibit 30. The ESP analyzed in Exhibit 28 is no
17 longer before the Commission and it's irrelevant.

18 MR. D'ASCENZO: Your Honor, I would just
19 offer that the Commission certainly give it the
20 weight that it is due. And to that matter, the
21 company would be willing to stipulate that the
22 purpose of this testimony was simply to meet whatever
23 filing obligations we have under the -- under the
24 statute.

25 MR. MICHAEL: To the degree the

1 application is in, your Honor, I mean they could take
2 the position that that requirement has already been
3 met. We are talking about testimony and analysis
4 now. That's something different.

5 EXAMINER WALSTRA: I'll grant the motion
6 to strike.

7 MR. MICHAEL: Thank you, your Honor.

8 EXAMINER WALSTRA: That's the entirety of
9 Section IX through the end of page 34; is that
10 correct?

11 MR. MICHAEL: Yes, your Honor.

12 Your Honor, I am happy to elaborate,
13 either for your Honors's benefit or Mr. D'Ascenzo's,
14 but for the reasons stated, I believe the entirety of
15 Section X on page 35, through page 36, line 8, should
16 be stricken. And just in a nutshell version, that's
17 talking about the competitiveness, supposed
18 competitiveness of ESP IV as proposed in the
19 application.

20 EXAMINER WALSTRA: I'll deny this motion
21 to strike. You can explore it on cross.

22 MR. MICHAEL: Thank you, your Honor.

23 Your Honor, I am going to move on to
24 Exhibit 30 now if I might.

25 EXAMINER WALSTRA: Go ahead.

1 MR. MICHAEL: And I am going to move to
2 strike the entirety of Section III, beginning on
3 page 30, through page 13 on line 33.

4 THE WITNESS: Page 13?

5 MR. MICHAEL: 30.

6 MR. BEELER: 30 through what?

7 THE WITNESS: Just repeat it, please.

8 MR. MICHAEL: Sure. I am now on
9 Exhibit 30.

10 THE WITNESS: Right.

11 MR. MICHAEL: Page 30, beginning with
12 Roman Numeral III, through page 33, line 13.

13 THE WITNESS: I thought you said 13
14 there.

15 MR. MICHAEL: No, that's all right.

16 And the reason for this, your Honor, is
17 that the MRO versus ESP test are laid out in the ESP
18 statute. It is very clear what should be considered
19 in that analysis. And it all relates to that which
20 is in a proposed ESP. This case raises the issue of
21 consolidating an ESP case, AIR case, and a
22 reliability case. And all the parties, when we were
23 discussing the degree to which the cases should be
24 consolidated, raised the prospect of different
25 standards, different legal statutes involved, and

1 highlighted for the Bench the importance of keeping
2 separate things separate.

3 In this section of Mr. Wathen's testimony
4 he invites the Commission to import purported
5 benefits from, for example, the AIR case into its MRO
6 versus ESP analysis. He states specifically on
7 page 31, line 6, for example, "...however, the
8 benefits derived from settling other pending cases as
9 part of an overall global settlement tips the scales
10 even further in favor of the ESP." And he goes on to
11 analyze, for example, the \$19.17 million rate
12 reduction. This would involve the Commission and the
13 parties in very dangerous waters.

14 Obviously, if Mr. Wathen wants to defend
15 the ESP itself under the MRO versus ESP test, the
16 company has the right to do that; and Mr. Wathen, I
17 am sure, will ably advocate for that position.

18 However, as a legal matter, he should not
19 be allowed to discuss the MRO versus ESP test in the
20 context of purported benefits from non-ESP-related
21 subject matters. And unfortunately in the pages I
22 pointed out, your Honor, that's exactly what the
23 company is inviting the Commission to do, and I think
24 that testimony should, therefore, be stricken.

25 EXAMINER WALSTRA: I'm going to deny that

1 motion. You can argue that point on brief.

2 MR. MICHAEL: Thank you, your Honor.

3 The next motion, your Honor, would be
4 page 35, beginning at Roman Numeral V through
5 page 36, line 8, and in this testimony Mr. Wathen
6 addresses, excuse me, objections in the base rate
7 case. And I think your Honor was pretty clear that
8 such testimony shouldn't come in and, in fact, the
9 company withdrew, actually didn't even offer other
10 testimony from Mr. Wathen regarding those objections;
11 and for similar reasons, that portion of Exhibit 30
12 should be stricken.

13 MR. BEELEER: And staff supports that
14 objection -- or that motion.

15 MR. D'ASCENZO: Your Honor, all
16 Mr. Wathen is saying here is that we are supporting
17 the -- the stipulation and that we were directed to
18 file objections, under the regulations for rate
19 cases, we were required -- we were also required to.

20 All he is saying here is that, you know,
21 but for this stipulation, you know, we would have
22 litigated all of the issues and all of the
23 proceedings and he's just offering that as further
24 evidence of the bargaining that occurred in support
25 of the stipulation.

1 MR. BEEELER: And, your Honor, on behalf
2 of staff, with the stipulation filed, in staff's
3 view, that trumps the objections by the company.
4 Staff did not respond to the objections of the
5 company. And, you know, bargaining can be shown from
6 the application which is -- which is an exhibit in
7 this case.

8 MR. D'ASCENZO: Your Honor, this is a
9 contested settlement. There have been parties that
10 have offered testimony in opposition that directly
11 are supporting objections that they made in the Staff
12 Report. Admittedly, the company did not move its
13 objections into -- into the record today or this
14 week. In response -- in support of this settlement.

15 MR. OLIKER: Can I request a
16 clarification? I just heard that the company is not
17 moving its objections into the record, but it is
18 typical in a rate case that the attorney examiners
19 sign the objections and admit them into the record.
20 Are there any portions of the objections that are
21 being moved into the record and, if it is not the
22 case, are they being withdrawn? I don't mean to
23 argue about it. I just want to know.

24 EXAMINER WALSTRA: Do you have a --

25 MR. D'ASCENZO: Well, your Honor, I think

1 the regulations and rules for rate cases are pretty
2 clear regarding the requirement to file objections
3 and the requirement to file testimony supporting
4 those objections, and that if there is no testimony
5 supporting those objections, then the objections
6 themselves are deemed withdrawn. You know, we are in
7 a unique situation here, I believe, given that we
8 have a settlement that is contested. The company is
9 supporting the settlement and, as a result, has, you
10 know, they are -- we have been directed not to move
11 our objections to the Staff Report into -- our
12 testimony supporting our objections into the record.

13 You know, assuming that the Commission is
14 going to issue an Order, you know, revolving --
15 involving the settlement in its Opinion, if the
16 Commission does not approve -- or if the Commission
17 approves the settlement or denies the settlement, and
18 approves the settlement with material modifications,
19 the term of the settlement dictates that the parties
20 have the ability to try to renegotiate or withdraw.
21 Similarly, if the Commission approves an ESP that is
22 not acceptable to the company, the company has the
23 ability to withdraw. I think the law is pretty clear
24 on all of that.

25 So, you know, we are -- as I said, the

1 company is supporting its -- this settlement. The
2 company is not moving into evidence its objections.
3 It is not moving into evidence its testimony
4 supporting the objections.

5 EXAMINER WALSTRA: Thank you.

6 Does that clarify things, Mr. Olikar?

7 MR. OLIKAR: Helps a little bit.

8 EXAMINER WALSTRA: Regarding the motion
9 to strike, I will strike the first paragraph,
10 lines 10 through 19, and leave the second paragraph.

11 MR. MICHAEL: Thank you, your Honor. I
12 have no further motions to strike and I appreciate
13 the Bench's indulgence in going through them.

14 EXAMINER WALSTRA: Any other motions to
15 strike?

16 Is there any cross-examination?

17 MS. LEPPLA: None. That took care of
18 everything.

19 (Laughter all around.)

20 EXAMINER WALSTRA: Mr. Dove, nothing?

21 MR. DOVE: Not at the moment, but I would
22 like to reserve the right to potentially go after
23 OCC.

24 EXAMINER WALSTRA: Okay. Ms. Leppla.

25 MS. LEPPLA: Yes, I have a few.

1 - - -

2 CROSS-EXAMINATION

3 By Ms. Leppla:

4 Q. Good morning, Mr. Wathen. My name is
5 Miranda Leppla, and I represent the Environmental
6 Defense Fund and Ohio Environmental Council. If you
7 could turn to -- if you could turn to your second
8 supplemental testimony, Exhibit 30.

9 A. What page?

10 Q. Page 23. If you could take a look at
11 Section M, please.

12 EXAMINER WALSTRA: I think your mic might
13 have gone out again.

14 A. I'm there.

15 Q. If you can take a look at lines 17 and
16 18, you note that the stipulation complies with the
17 recent order in PUCO Case No. 12-2050-EL-ORD?

18 A. Are you asking me if that's what it says?

19 Q. Yes.

20 A. Yes, to the extent we can.

21 Q. And you are aware that case is pending
22 rehearing, correct?

23 A. I believe so.

24 Q. Okay. And the rule recommendation could
25 change as a result of that rehearing, correct?

1 A. Sure.

2 Q. And if a new order comes out, is Duke
3 committing here to amend their net metering tariff
4 consistent with that ruling?

5 A. If a new rule comes out, I am sure we
6 will comply with the new rule.

7 Q. So that's a yes?

8 A. Yeah.

9 Q. And are you aware of the Commission's
10 PowerForward grid modernization initiative?

11 A. I'm not an expert, but a lot.

12 Q. And you are aware that one of the topics
13 of PowerForward was rate design?

14 A. It was what?

15 Q. Rate design.

16 A. Yes, I remember that, yeah.

17 Q. And you are aware there may be a
18 Commission recommendation coming related to net
19 metered customers as a result of that PowerForward
20 Initiative?

21 A. I don't recall specifically.

22 Q. Okay. If a recommendation were to come
23 out of PowerForward on how Ohio utilities should
24 structure their net metering tariffs, is Duke
25 committed to amending their net metering tariff

1 accordingly?

2 A. I can't make that commitment right now.
3 If it's a rule, we will comply, but if it's just a
4 recommendation, I am not sure what we would do.

5 Q. Okay. If I could turn your attention --
6 do you have a copy of the stipulation up there?

7 A. I do not.

8 MS. LEPPLA: Could you get him a copy of
9 that?

10 A. I have it.

11 Q. Okay. Thank you. If you could turn to
12 page 18 of that stipulation.

13 A. Okay.

14 Q. And there is a sentence about -- in that
15 first full paragraph the second sentence there, that
16 says "If a third party other than a CRES provider
17 expresses an interest in receiving CEUD, the Company
18 shall develop a proposal for providing historical
19 interval CEUD to third parties when authorized by
20 customers." So that's the sentence I am referring to
21 when I ask you these questions. Will that proposal
22 be provided to the Commission as well as the third
23 party or just the third party requesting that CEUD?

24 A. I am not sure I follow your question.
25 Will we work with -- will we inform the Commission

1 about what we are going to do?

2 Q. Yes. My question is, so in this part of
3 the stipulation, Duke is expressing that they will
4 develop a proposal for providing that historical
5 interval data to a third party that requests it. So
6 my question to you is, are you going to provide that
7 to the Commission as well as the third party?

8 A. I would assume so. I can't imagine the
9 Commission wouldn't want to see it.

10 Q. Okay. And will those proposals be
11 subject to Commission approval?

12 A. I assume. I mean generally the
13 Commission will approve -- has the discretion to
14 approve things we spend money on.

15 Q. Fair point. And will those proposals
16 then be publicly available?

17 A. That I can't tell you.

18 Q. Okay. And will those proposals be
19 subject to a cost/benefit analysis?

20 A. Well, the cost -- cost analysis for
21 things that are qualitative benefits is kind of
22 difficult to put your hand on, so I am not entirely
23 sure what the -- how we would structure a
24 cost/benefit analysis, but the benefits may be
25 qualitative rather than quantitative so I don't know

1 what the format would be.

2 Q. So you are not sure if you would do a
3 cost/benefit analysis in that situation.

4 A. That's not my area.

5 MS. LEPPLA: Okay. Okay. No further
6 questions, your Honor.

7 EXAMINER WALSTRA: Thank you.

8 Mr. Mendoza.

9 MR. MENDOZA: Just a few, your Honor.

10 THE WITNESS: Can I ask what Exhibit No.
11 is the stipulation so I can mark it for myself?

12 MR. MENDOZA: That's a good question.

13 EXAMINER WALSTRA: Joint Exhibit 1.

14 MS. LEPPLA: Thank you.

15 - - -

16 CROSS-EXAMINATION

17 By Mr. Mendoza:

18 Q. Good morning, Mr. Wathen.

19 A. Good morning.

20 Q. Did you tell Witness Sullivan to use an
21 \$18 million estimate for the annual loss under Rider
22 PSR?

23 A. Yes.

24 Q. And why did you suggest that?

25 A. We have been negotiating this case for I

1 would characterize months, if not more than a year,
2 and we've had numerous requests from parties to do
3 bill impacts. So I have been using the \$18 million
4 as a proxy for doing bill impacts throughout. And to
5 be consistent with that and make sure no party to the
6 stipulation would have been surprised by a new
7 number, that's what I used. I based it on kind of
8 where AEP has been tracking on their PPA rider for
9 '18.

10 Q. Okay. So the data -- the source of the
11 data is from the AEP rider case; is that fair?

12 A. It's -- the AEP is filing their PPA on a
13 quarterly basis. They use a forecasted amount. We
14 have a proportionate share of OVEC to AEP, and so
15 basically 9 divided 19.43 gives me -- times whatever
16 AEP showed, gives me a proxy for that number. So the
17 2018 number is public record that AEP puts it in the
18 -- they file it in the docket for 14-1693, so
19 everybody can put their hands on it and see
20 essentially where I got that number.

21 Q. Got you. So thank you for that.

22 So if we go to the AEP tracker filings
23 and look at their forecast for 2018 and then do a
24 calculation, you know, changing for the different
25 size of the owner -- the power participation share of

1 OVEC between AEP Ohio and Duke, we would get to that
2 \$18 million figure; is that about right?

3 A. Essentially. It's a proxy. They do it
4 quarterly and their forecast changes so. But I use
5 that number I would probably say going back to
6 January of this year, you know, in doing bill
7 calculations.

8 Q. Okay. Thank you.

9 And in 2013 OVEC paid dividends to Duke
10 Energy Ohio; isn't that right?

11 A. I don't have -- if you can produce the
12 financial statement, I can confirm that.

13 Q. Well, from time to time, OVEC has paid
14 dividends to Duke Energy Ohio, right?

15 A. Correct. Duke Energy Ohio is an owner of
16 OVEC. They have 9 percent of the stock. Duke Energy
17 Ohio is also a counterparty in the ICPA, but they get
18 a dividend for it to the extent OVEC produces one.

19 Q. And they, in fact, have paid dividends
20 historically, correct?

21 A. They did pay a dividend, that's true.

22 Q. And did Duke Energy Ohio ever create a
23 rider to flow those dividends through to its retail
24 customers?

25 A. There would be no reason to.

1 Q. And so the answer is no?

2 A. Because there is no reason to, the answer
3 is no.

4 Q. Okay. And did Duke Energy Ohio give
5 those dividends to customers in any other way?

6 A. Insofar as Duke Energy Ohio customers
7 that never paid for OVEC, there was no reason to
8 share any proceeds from OVEC with them.

9 Q. So the answer to my question is no?

10 A. Again, for all the reasons I described,
11 no.

12 MR. MENDOZA: Thank you, your Honor. No
13 further questions.

14 EXAMINER WALSTRA: Thank you.

15 Ms. Fleisher?

16 - - -

17 CROSS-EXAMINATION

18 By Ms. Fleisher:

19 Q. Good morning, Mr. Wathen. My name is
20 Madeline Fleisher. I represent the Environmental Law
21 & Policy Center. So the term of the ESP under this
22 stipulation runs through 2025, correct?

23 A. May 31, 2025, correct.

24 Q. So SSO service under the ESP will run for
25 six or more years through the end of that term; is

1 that correct?

2 A. From today, six or more years, correct.

3 Q. And do you know what is the longest-term
4 product that Duke plans to procure through its SOS
5 bidding process?

6 A. I do not know. Mr. Lee was the
7 specialist on the bidding.

8 Q. Could Duke seek to procure an SSO product
9 for at least some tranches that would last for the
10 full-term of the ESP?

11 A. Again, I am not the expert on this, but
12 we have generally, I think the staff agrees, designed
13 the products around the -- the duration of how far
14 out the PJM market goes for capacity; so there is no
15 visibility past three years and that's generally why
16 we do three years.

17 Q. I guess I appreciate that explanation,
18 but I am not sure it did answer my question.

19 Could Duke seek to procure an SSO product
20 for at least some tranches that would last past that
21 three-year mark?

22 A. I suppose. I don't know -- I mean,
23 there's buyers and sellers that I am sure would
24 participate, so.

25 Q. And you're testifying about Rider DCI in

1 this case, correct?

2 A. I am, yes.

3 Q. Okay. And can you describe your
4 understanding of that criteria that would be applied
5 in the audit process for Rider DCI to determine
6 whether costs can be recovered?

7 A. When you point -- are you pointing to
8 something directly?

9 Q. No. I am just -- if you need a reference
10 point, Exhibit 30, your second supplemental
11 testimony, on page 11, line 9, you talk about the
12 audit process.

13 A. So your question is -- would you repeat
14 your question, the start of that?

15 Q. So I'm asking what your understanding is
16 of the criteria that will be applied by the
17 Commission in auditing -- in a third party audit in
18 auditing Rider DCI to determine if costs may be
19 recovered?

20 A. I am not sure I can give you an itemized
21 list, but the Commission has -- within our current
22 DCI, the Commission has selected audit -- third-party
23 auditors. They create a scope of work for the
24 third-party auditor and they -- once selected, we
25 interact with that party. They do physical

1 inspections. They look at a lot of our books and
2 records. And I don't foresee a significant change to
3 that process, but that's kind of up to the staff
4 really.

5 Q. Okay. And when they are looking at your
6 books and records and so on, what's your
7 understanding of what they are looking for?

8 A. Well, they are looking to make sure our
9 costs are allocated appropriately, are charged
10 appropriately, our closing process is done
11 accurately, that we were not recording an asset that
12 doesn't exist, for example, that we are not charging
13 Ohio for something Indiana billed, for example. It's
14 just looking like a typical audit process to make
15 sure the costs are tracking.

16 Q. And is it your understanding this would
17 be the process for auditing costs for the battery
18 storage project proposed in this stipulation?

19 A. Sure.

20 Q. And are you aware that Duke has indicated
21 it will prepare a report regarding the results of the
22 battery storage project?

23 A. Perhaps. Will you refresh my memory if
24 it's in my testimony?

25 Q. It is not in your testimony and if you

1 are not aware, that's fine.

2 A. I do not recall.

3 Q. Okay. Do you anticipate that Duke would
4 submit such a report for review as part of the audit
5 of Rider DCI?

6 A. Inasmuch as the battery project that we
7 are proposing is a pilot, I suspect we will be
8 submitting a report to outline the benefits, the
9 costs, what problems we may have encountered, to the
10 Commission.

11 Q. And would that report be submitted upon
12 the conclusion of the project? What would the timing
13 be?

14 A. I'm not entirely sure. I think we would
15 need to build the project and separate it for some
16 period of time to really understand the benefits and
17 really any complications. So I think it might be a
18 year or two after it's in service.

19 MS. FLEISHER: One minute. Yep. That's
20 all I have. Thank you.

21 EXAMINER WALSTRA: Thank you.

22 Ms. Glover.

23 MS. GLOVER: RESA would defer for the
24 moment and reserve the right to cross after IGS and
25 OCC if that's okay.

1 THE WITNESS: I couldn't hear. Is she
2 passing?

3 EXAMINER WALSTRA: Deferring.

4 MS. GLOVER: For the moment.

5 THE WITNESS: You are not passing, are
6 you?

7 (Laughter.)

8 MR. OLIKER: Good morning, your Honors,
9 and thank you, Mr. Wathen. I will not be passing.

10 THE WITNESS: Yes. Only "yes." And
11 that's your only "yes" answer.

12 (Laughter.)

13 - - -

14 CROSS-EXAMINATION

15 By Mr. Oliker:

16 Q. Can -- let's start with your PSR
17 testimony and I think that's been marked as
18 Exhibit 29.

19 A. Okay.

20 Q. And I am going to try to be careful and
21 not talk about anything you have changed or stricken
22 but I am sure at some point I am going to cross over
23 there, so try to interrupt me or let me know.

24 On page 13 of your PSR testimony, you
25 state that ongoing operation of the OVEC asset will

1 mitigate the decline. Am I correct you are not
2 testifying that if the PUCO rejects the PSR, the OVEC
3 assets will retire?

4 A. I'm not.

5 Q. Okay. And to follow-up on some questions
6 you had earlier with Mr. Mendoza, the \$18 million
7 that you derived based upon observing AEP's PPA
8 rider, was \$18 million AEP's annual number or is that
9 what you believe Duke's annual number could be?

10 A. Again, I think I was clear enough but
11 the -- I used their number. We have 9 percent. They
12 have about 19.43 percent. So I just prorated down to
13 the 18 million.

14 Q. Okay. Thank you. That's helpful.

15 And for a residential customer, what
16 is -- first, let's take a step back.

17 Would you agree that Duke has not
18 provided bill impacts of the PSR based upon an \$18
19 million annual loss for the PSR?

20 A. That's not correct. My testimony
21 includes that effect.

22 Q. What is the dollar per megawatt-hour
23 impact of the PSR for a residential customer for each
24 month assuming an \$18 million revenue deficit of PSR?

25 A. It's a little bit complicated because the

1 allocation process is on 5 CP and half energy, so
2 I'll give you an estimate and say it's going to be a
3 little bit higher than that.

4 So for \$18 million, our total revenue --
5 our total megawatt-hour sales in the company is
6 20 million megawatt-hours. So if you divide the two,
7 it's 90 cents a bill for a typical residential
8 customer if we did it on energy. Because a portion
9 of it's allocated on demand, it's probably going to
10 be north of a dollar, just slightly north of a
11 dollar.

12 Q. So around a buck a month, right?

13 A. Give or take. Less for the
14 nonresidential customers.

15 Q. Okay. Would you agree that if we were to
16 take Mr. Rose's projections, then we could just
17 prorate the answer you just gave if it was higher or
18 lower?

19 A. Our sales have not changed significantly
20 over the years really, so whatever dollar amount you
21 want to assume, just take the dollars and divide it
22 by the megawatt-hours.

23 Q. So would you agree under Mr. Rose's --
24 let's take Mr. Rose's total number which I believe is
25 in the public record. Would you agree he projected

1 approximately a \$94 million total loss on a nominal
2 basis for the PSR?

3 A. Without having his testimony in front of
4 me, I don't know, but I'll take your word for it.

5 Q. Would you agree that works out to an
6 annual number smaller than 18 million if we assume
7 the same number for each year?

8 A. I think when he did it, it was a
9 seven-year, seven full years of data. So yes, the 94
10 divided by 7 would be less than 18. A little bit
11 north -- south of 14 million.

12 Q. Would you agree that the number would be
13 somewhere in the range of 12 to 14 million per year?

14 A. It should be in that range on an average.

15 Q. And that's about two-thirds of the
16 18 million-dollar number that you provide, correct?

17 A. Who knew you could do math? But yes.

18 Q. So to take that one step further, you
19 would agree that the impact per month for a
20 residential customer could be somewhere in the, you
21 know, 60 to 80 cent range?

22 A. Well, just so we get our boundaries here,
23 the limit on the downside is the demand charge. The
24 demand charge is around \$30 million. The positive
25 benefit is really unlimited if the market goes crazy.

1 So the range of outcomes for a customer I would say
2 is the worst case \$1.50, maybe a little bit more than
3 that because of the allocation process. The upside
4 is unlimited, so.

5 Q. Well, specifically, Mr. Wathen, with the
6 12 to 14 million-dollar annual range, would you agree
7 that the monthly impact for residential customers is
8 probably 60 to 80 cents per month?

9 A. That's the math.

10 Q. Okay.

11 A. Again, because we're comparable, our
12 share is comparable to Dayton and AEP, that impact is
13 similar for all three companies.

14 Q. And you were in the room earlier when
15 Ms. Spiller testified, were you not?

16 A. I was here. She's my boss. I'm required
17 to be here.

18 Q. And do you remember when Ms. Spiller
19 indicated she believed that from January 1 to the
20 current date for this year, the PSR would be a loss?

21 A. Yeah. Again, I can tell you because of
22 AEP's filings that it would be a loss, yes.

23 Q. Do you know what the nominal dollar
24 amount of the loss would be as you sit here today?

25 A. Not off the top of my head.

1 Q. Do you have a range?

2 A. No.

3 Q. Okay.

4 A. I will point out in AEP's filing, January
5 was a positive, and June and July were hot months so,
6 yeah.

7 MR. MICHAEL: Your Honor --

8 MR. OLIKER: Your Honor, I would move to
9 strike, given I said "Okay" and my question was done
10 and so was his response and it was nonresponsive.
11 There was no question pending.

12 MR. MICHAEL: It was a great answer to a
13 question that was never asked. It should be
14 stricken.

15 MR. MENDOZA: I'll join that.

16 EXAMINER WALSTRA: Grant the motion.

17 THE WITNESS: Let the record reflect it
18 was a great answer.

19 MR. MICHAEL: I went Trey Gowdy on you.
20 It's stricken.

21 Q. (By Mr. Oliker) And turning to your
22 testimony in support of the stipulation, which I
23 believe is Exhibit No. 28.

24 A. The stipulation is 30, I believe.

25 Q. Oh, I'm sorry. I'm sorry. It would be

1 30. Make sure I'm in the right document.

2 Am I correct that you also have
3 responsibilities related to Duke Energy Kentucky?

4 A. I do.

5 Q. And am I correct that Duke has been under
6 a continual obligation to attempt to transfer its
7 OVEC entitlement?

8 A. I don't remember the exact language of
9 the Order. I know we have to file an update every
10 June. That's my memory of it.

11 Q. Would you agree that within the past
12 three or four years Duke transferred its interest in
13 the East Bend facility to Duke Energy Kentucky?

14 MR. D'ASCENZO: Objection, misstates
15 facts.

16 EXAMINER WALSTRA: The witness can
17 clarify.

18 MR. OLIKER: Thank you, your Honor.

19 A. Did you say in the last three or four
20 years?

21 Q. Yes.

22 A. That is not correct.

23 Q. When did the East Bend transfer occur?

24 A. January 2, 2006.

25 Q. Has Duke Energy Ohio transferred any

1 assets to Duke Energy Kentucky in the past five
2 years?

3 A. Any generating assets or any assets at
4 all?

5 Q. Generation assets.

6 A. No.

7 Q. Has any other Duke operating company
8 transferred generation assets to Duke Energy Kentucky
9 in the last five years?

10 A. Generating assets? Are you asking me --

11 Q. Yes.

12 A. Any other affiliate of Duke Energy
13 Kentucky transferred generating assets to Duke Energy
14 Kentucky?

15 Q. Yes.

16 A. Not that I'm aware of.

17 Q. In your testimony, you discuss the DCI,
18 correct?

19 A. Yes.

20 Q. Would you agree the DCI is a distribution
21 rider?

22 A. It's a distribution capital investment
23 rider.

24 Q. Okay. And you would agree that it
25 includes recovery of capital costs?

1 A. It only includes recovery of capital
2 costs.

3 Q. Okay. So it includes a return on capital
4 costs known as the rate of return, correct?

5 A. That's correct.

6 Q. And it includes a return of the capital
7 costs which is the depreciation, correct?

8 A. That's true and it also includes property
9 taxes.

10 Q. Okay. Would you agree that the
11 depreciation component of the rider is intended to be
12 an annual return of the deployed capital?

13 A. Would you restate that, please.

14 Q. Well, let's take it from this direction.
15 Would you agree that depreciation rates are intended
16 to provide an annual return of a long-lived asset.

17 A. Under capital rules, that's the process,
18 correct.

19 Q. And you establish the depreciation rate
20 based upon how many years the asset is going to live,
21 right?

22 A. Not necessarily. There's -- there's a
23 difference between economic life and useful life.

24 Q. Okay. But with those minor exceptions
25 aside, would you agree they are generally intended to

1 focus on how -- how long the asset will be around?

2 A. That's the general idea, that's correct.

3 Q. And what happens when an asset's useful
4 life or depreciation life is cut shorter?

5 A. I'm not sure I follow.

6 Q. Okay. If an asset has a 10-year
7 depreciation life, would you agree you would take
8 the -- the invested capital amount and divide that by
9 10 and that is your depreciation every year?

10 A. If the Commission -- if we have a
11 depreciation rate established for a particular type
12 of asset and we put it into service, we'll apply the
13 depreciation rate and assume it's 10 percent a year
14 and that would be the depreciation rate.

15 Q. And so, taking the 10-year depreciation
16 rate, if the asset is no longer used and useful after
17 five years, what would occur in the DCI?

18 A. Well, first of all, our accounting
19 system -- our asset accountants would retire the
20 plant and so you would have a reduction of gross
21 plant, a reduction of accumulated depreciation, so
22 rate base would go down in the DCI, and not -- unless
23 the Commission gave us authority, like for example in
24 the SmartGrid case, the SmartGrid, to amortize it
25 over a period beyond its useful life.

1 Q. You jumped to my next question,
2 Mr. Wathen, so let's unpack all that.

3 A. Yeah.

4 Q. In normal circumstances, the asset would
5 be removed from the DCI, correct? Because it's no
6 longer used and useful, correct?

7 A. It's limited in rate base essentially,
8 that's correct.

9 Q. There are circumstances where the
10 Commission may allow for accelerated depreciation of
11 the remaining asset, correct?

12 A. In some cases accelerated depreciation or
13 in some cases just continue to depreciate as it was
14 still alive, still being used.

15 Q. And that is what the stipulation proposes
16 for the Echelon smart meters, correct?

17 A. That's the staff's recommendation in the
18 Staff Report that we've adopted.

19 Q. Okay. And in your supplemental testimony
20 at --

21 A. Second supplemental testimony or the
22 first?

23 Q. Make sure I get the right one. Yes.
24 This is the exhibit marked as Exhibit 30.

25 A. Okay.

1 Q. And I will wait until you get there.

2 A. I'm here. What page? What page?

3 Q. Page 11.

4 A. Okay.

5 Q. You discuss the battery proposal
6 contained in the stipulation, correct?

7 A. Insofar as it relates to the DCI,
8 correct.

9 Q. Okay. And on page 11 you provide a
10 reference to Account 363, Distribution, in the
11 Uniform System of Accounts, correct?

12 A. That's correct.

13 Q. And would you agree Duke follows the FERC
14 Uniform System of Accounts?

15 A. That is correct.

16 Q. And the Commission also follows the FERC
17 Uniform System of Accounts by rule.

18 A. Like most Commissions, yes.

19 Q. And as the name states, would you agree
20 FERC establishes the Uniform System of Accounts?

21 A. That's correct.

22 Q. And would you agree that there was a FERC
23 Order establishing rules for battery energy storage
24 for purposes of the FERC System of Accounts?

25 A. You -- IGS enlightened me through

1 discovery on that point, yes.

2 Q. And that was FERC Order 784, correct?

3 A. I don't know which number applies to
4 which case, but there was -- 741 was one of the cases
5 you brought to my attention.

6 Q. Well, let's take a step back. I think
7 you are referring to FERC 841, correct?

8 A. I think there was two. In discovery
9 there were two Orders that were presented to me to
10 think about.

11 Q. And just so the record is clear, there
12 was recently a FERC Order 841, allowing batteries to
13 participate in the wholesale market, correct?

14 A. I have not read that Order.

15 Q. Okay.

16 A. But from my understanding, talking --
17 when you interviewed Mr. Kuznar, I think that's
18 correct.

19 Q. But there's also a FERC Order dealing
20 with accounting requirements, correct?

21 A. Again, that was another part of that
22 discovery request.

23 Q. And you have now read that FERC Order,
24 have you not?

25 A. Have I read the real Order? I read the

1 Order -- I read the part of the Order that the
2 discovery request directed me to.

3 MR. OLIKER: Okay. May I please
4 approach, your Honor?

5 EXAMINER WALSTRA: You may.

6 MR. OLIKER: I tried to save some trees
7 but this is a lengthy order.

8 Q. I have two documents, Mr. Wathen. I
9 don't think we need to mark this because it's a FERC
10 Order.

11 A. Trust me, I did not read this.

12 Q. And what I have also brought with me is
13 excerpts from the Order that contains some of the
14 provisions we'll talk about.

15 MR. D'ASCENZO: Joe, are you marking the
16 excerpt?

17 MR. OLIKER: I will be marking the
18 excerpt. I believe it is IGS Exhibit 9.

19 (EXHIBIT MARKED FOR IDENTIFICATION.)

20 Q. First, Mr. Wathen, the document that has
21 been placed in front of you that contains the title
22 FERC Order 784, do you see that?

23 A. Yes.

24 Q. And does that appear to be an Order
25 issued by the Federal Energy Regulatory Commission on

1 July 18, 2013?

2 MR. D'ASCENZO: I am going to object,
3 your Honor. The witness said he didn't -- he never
4 read this.

5 MR. OLKER: I don't believe that's what
6 he said, but we will get to that in a minute. When I
7 ask him questions about the document, he can tell me
8 if there are any portions he has not reviewed.

9 EXAMINER WALSTRA: Overruled.

10 A. What's your question?

11 Q. Do you agree that the date was July 18,
12 2013?

13 A. That's what it says on the document.

14 Q. Okay. And am I correct you have reviewed
15 portions of this document?

16 A. In the discovery requests I was asked to
17 respond if the Order said something. And I looked at
18 the Order and said, yes, it says that.

19 Q. Okay. And --

20 A. But without "CTRL Find," I wouldn't have
21 been able to get there so.

22 Q. Would you agree that the Order held that
23 when battery storage assets provide multiple
24 functions, the Uniform System of Accounts requires
25 costs to be allocated based upon the functions the

1 asset provides?

2 A. Well, two points. First of all, can you
3 point me to a page? Secondly, I will reiterate I
4 have not read the document.

5 Q. Can you go to Paragraph 136 of the Order.
6 Maybe that will help us out.

7 A. I'm at Paragraph 136.

8 Q. Would you agree that in this paragraph it
9 states: "In instances where an energy storage asset
10 performs multiple functions, it is imperative that
11 costs associated with each function be transparent
12 and allocable to the function performed so that
13 cross-subsidization of costs can be prevented."

14 MR. D'ASCENZO: I'm going to object, your
15 Honor. Counsel is just reading what's in the Order.
16 The Order speaks for itself.

17 EXAMINER WALSTRA: Overruled.

18 Q. Does it say that?

19 A. You read that accurately.

20 Q. Okay. And as a result of the Order,
21 would you agree there are at least three different
22 FERC accounts in which a utility may be required to
23 book, for accounting purposes, battery and energy
24 storage assets?

25 A. That's my understanding.

1 Q. And those different accounts are Account
2 348, Production; and 351, Transmission; in addition
3 to 363, Distribution?

4 A. That's the second document you handed me,
5 but yes, 348, 351, 363.

6 Q. So let's now turn to --

7 MR. OLIKER: I apologize, did I try to
8 mark that as IGS Exhibit 8?

9 EXAMINER WALSTRA: You did not try to
10 mark it at all.

11 MR. OLIKER: I believe we are probably on
12 9. I would like to mark IGS Exhibit 9, the second
13 document I put in front of you, which contains
14 excerpts of FERC Order 748.

15 MS. WHITFIELD: Have you shown him two
16 different documents?

17 MR. OLIKER: I have.

18 MS. WHITFIELD: Because you had 9. I
19 think you need 9 and 10.

20 MR. OLIKER: I am not marking the FERC
21 Order.

22 THE WITNESS: Can I set the order aside
23 for a moment?

24 MR. OLIKER: For the moment, sure, but we
25 may do some cross-referencing.

1 Q. (By Mr. Oliker) I guess the first
2 question I'll ask: You have reviewed the Uniform
3 System of Accounts, correct?

4 A. Yes, but I -- I hadn't seen these until
5 the discovery requests so. They're not -- I don't
6 believe these two accounts are even in the Form 1
7 yet, but I have reviewed them.

8 Q. And when you say "I hadn't seen these,"
9 are you referring to the accounts on what's been
10 marked as IGS Exhibit 9?

11 A. That's correct.

12 Q. Okay. And you -- by "you" I mean Duke
13 Energy Ohio follows the FERC Uniform System of
14 Accounts, correct?

15 A. Of course.

16 Q. And did you indicate that you do not know
17 if you've seen these accounts that are listed here on
18 Exhibit 9 in the FERC Uniform System of Accounts?

19 A. In the Form 1, that's what I look at a
20 lot, on pages 3 -- whatever it is, 200 and 201 where
21 the individual accounts are listed, I don't believe,
22 at least in the 2017 Form 1, we had these accounts
23 listed on the rows, so they were new to me, so.

24 MR. OLIKER: Your Honor, may I approach?

25 EXAMINER WALSTRA: You may.

1 MR. OLIKER: And I would like to mark as
2 IGS Exhibit 10, the FERC Uniform System of Accounts
3 from the Code of Federal Regulations.

4 EXAMINER WALSTRA: So marked.

5 (EXHIBIT MARKED FOR IDENTIFICATION.)

6 MR. OLIKER: I apologize, I only have two
7 copies of this. The remainder is in the excerpt. So
8 I will give the other one to Counsel, if that's okay,
9 so they can follow. But I can provide a link if all
10 the parties would like one and we can save some
11 trees.

12 Q. Mr. Wathen, do you see the document
13 that's been placed in front of you? Does it appear
14 to be the FERC System of Accounts from FERC's
15 website?

16 A. Yeah, that's correct. I haven't looked
17 at it in its entirety, but it seems to be.

18 Q. Would you please take a moment to
19 cross-reference the accounts that are listed on IGS
20 Exhibit 9 and see if they also are existing in the
21 FERC Uniform System of Accounts.

22 A. I'm sure they do. I wasn't suggesting
23 they didn't show up on the CFR. What I was
24 suggesting is they don't show up on the Form 1 which
25 is what I look at all the time.

1 Q. What is the Form 1?

2 A. The FERC requires all public -- all
3 interstate utilities to file an annual report and
4 every year there is a quarterly report as well; and,
5 among other things, they include line-by-line
6 accounts.

7 And again, when the discovery requests
8 came in and noted these two accounts, I looked at our
9 Form 1 and they did not appear in the current version
10 of the Form 1.

11 Q. So --

12 A. So, in other words, the FERC -- the
13 Uniform System of Accounts, I'm assuming they're new
14 and haven't made it to the Form 1 yet.

15 Q. And before you said "I assume that these
16 are contained -- these accounts are contained in the
17 Uniform System of Accounts." Could you actually take
18 a moment and confirm that they are?

19 A. All -- all on both pages?

20 Q. Yes. Including -- including the 500
21 series accounts.

22 A. Yes. Just so we're clear, the accounts I
23 was mentioning early that I have not seen before are
24 the Accounts 348 and 351, so.

25 Q. And am I correct you have seen accounts

1 548.1, 553.1, 555.1, and all the other remaining
2 accounts?

3 A. I know -- I don't know about the
4 subaccounts. I know 555 and I know all the primary
5 accounts, but I don't think I know the subaccounts;
6 they might be new to me too.

7 Q. Okay.

8 A. The FERC Form 1 doesn't break it out by
9 subaccount. It just breaks it out in the account.
10 And I don't routinely review the CFR. I will comply
11 and do some auditing.

12 Q. And --

13 A. Just a second. I am still auditing.

14 Q. Yeah, yeah, go ahead. I don't mean to
15 rush you, Mr. Wathen.

16 A. Okay. I see all those accounts in the
17 Code of Regulations.

18 Q. Okay. And going back to FERC Order 784,
19 which other sections did you read?

20 A. I'm sorry, say that again.

21 Q. What other sections of Section 784 have
22 you read.

23 A. Unless you directed me to read them in
24 the discovery, I've read none.

25 Q. That was your first time reading it then.

1 A. Again, what -- as quickly as "CTRL F" got
2 me to that section, that's what I read.

3 MR. OLIKER: Okay. Your Honor, at this
4 time I would seek to take administrative notice of
5 FERC Order 784. Typically speaking, Orders at the
6 FERC are publicly available, and they guide the
7 Uniform System of Accounts from time to time, and I
8 believe they are documents we have typically taken
9 administrative notice of in prior proceedings.

10 EXAMINER WALSTRA: Any objection?

11 MR. D'ASCENZO: No, your Honor.

12 EXAMINER WALSTRA: The Bench will take
13 notice.

14 MR. OLIKER: Thank you, your Honor.

15 Q. (By Mr. Oliker) Turning to your testimony
16 in support of the stipulation which I believe is
17 marked as Don Wathen, Jr., Second Supplemental, on
18 page 8, line 7.

19 MR. D'ASCENZO: Joe, would you mind
20 moving your microphone.

21 MR. OLIKER: Sure.

22 Q. And let me know if I read this correct on
23 line 7.

24 EXAMINER WALSTRA: Page 8, line 8?

25 MR. OLIKER: Page 8, line 7.

1 Q. "The Stipulation provides that only rate
2 base associated plant classified as distribution
3 under the FERC Uniform System of Accounts, i.e.,
4 Accounts 360 to 374, are eligible to be included in
5 Rider DCI." Did I read that correctly?

6 A. That is correct.

7 Q. Okay. Am I correct, Mr. Wathen, that you
8 are not an expert on depreciation life for batteries?

9 A. You are extremely correct.

10 Q. And likewise, you are not an expert on
11 the operation of battery resources?

12 A. Only the ones that go in my phone.

13 Q. And regarding OVEC, switching gears
14 slightly, have you read all of the amendments to the
15 Inter-Company Power Agreement?

16 A. If I have, it isn't recently. It's been
17 a while since I looked carefully at the ICPA, so.

18 Q. If you recall, which amendments have you
19 read?

20 A. I'm pretty familiar with the cost
21 allocations. I think in Section V, if I can recall.
22 And just, I don't even remember reading them, but it
23 came up so much in the last ESP that I remember the
24 provisions of No. 9, some of the provisions.

25 Q. And I believe you referred to the

1 provisions of the ICPA. I was focusing more on
2 amendments, different -- you agree there have been
3 different ICPA contracts, right?

4 A. Yes.

5 Q. And have you read any ICPA agreement
6 other than the one that was agreed to in 2011?

7 A. Probably. I don't remember. It has
8 been -- we spent a lot more time on that in the last
9 rate case, the last ESP, but I don't remember.

10 Q. And I believe this portion of your ESP
11 testimony has not been stricken.

12 A. This is the original testimony?

13 Q. Yes.

14 A. 28, Exhibit 28; is that right?

15 Q. I believe so.

16 MR. OLIKER: Counsel, could you clarify
17 page 4 is still intact, is it not?

18 MR. D'ASCENZO: One moment. Yes.

19 Q. (By Mr. Olikier) And you state on page 4,
20 line 11, "The objective of pricing the results of the
21 CBP auction is, to the extent possible, to create no
22 competitive or disadvantage between the SSO price and
23 market prices available to customers from competitive
24 retail electric service providers." That's your
25 testimony, correct?

1 A. That's correct.

2 Q. And you were involved in the preparation
3 of Duke's distribution rate case, correct?

4 A. Yes.

5 Q. And you have adopted the testimony of
6 Peggy Laub as your own?

7 A. You had your hand over your mouth, I
8 wasn't sure what you said.

9 Q. You have adopted the testimony of Peggy
10 Laub as your own?

11 A. Yes, yes.

12 Q. And Ms. Laub was responsible for
13 preparing the standard filing requirements, correct?

14 A. Some of them.

15 Q. And some of the standard filing
16 requirements related to operation and maintenance
17 expense and capital expenses?

18 A. She generally, I think, has some
19 schedules that were summaries. The Accounting
20 Department is the one, I think David Dawson in the
21 test case was the one who provided all the data and
22 she supported a number of adjustments to the test
23 year expense.

24 Q. Okay. Would you agree that embedded in
25 Duke's distribution rates includes an allowance for

1 expenses that are related to the provision of the
2 Standard Service Offer?

3 A. The Standard Service Offer is available
4 to all customers. So we do have expenses that are
5 included in base rates for me, for Rocco, for a
6 variety of people that are involved in the provision
7 of the SSO service.

8 Q. Okay. That's helpful and I want to go
9 into that a little further. One of the expenses
10 that -- first, are you familiar with the PUCO and OCC
11 assessments that are applicable to Duke Energy Ohio
12 and IGS, for example?

13 A. I pay them, so yes, I am.

14 Q. Statutory fees that you pay, right?

15 A. Painfully, yes.

16 Q. You're telling me.

17 MR. MICHAEL: Let's highlight that for
18 Duke's residential utility consumers if you can.

19 THE WITNESS: I am sorry, what was that?

20 Q. Okay. Recognizing there is some
21 discrepancies in the Staff Report, I want to focus
22 more on how the fees themselves are calculated.
23 Would you agree that the PUCO and OCC expenses are
24 generally assessed to entities based upon gross
25 receipts?

1 A. Not directly. They -- going a little on
2 memory, but it's specifically spelled out in the law
3 how it's done, but generally they take everybody's
4 gross receipts and divide it by the sum of all gross
5 receipts and they allocate -- based on that ratio,
6 they allocate that portion of the budget to each
7 individual entity that pays the fees.

8 Q. All else being equal, if your total
9 revenues goes up, so does your assessment and --
10 first answer that question before I make it a
11 compound.

12 A. I -- on behalf of Duke Energy Ohio, I
13 made that argument in rate cases 05-59, 08-709,
14 07-589, 12-1685, -1682, and most recently; however,
15 the staff disagrees, so.

16 Q. But just so I understand, what you are
17 speaking of there is incremental OCC and PUCO
18 expenses to the extent that they change, right?

19 A. My argument is the same as yours that if
20 revenues go up, all else being equal, then my fees go
21 up.

22 Q. Okay.

23 A. There is a difference of opinion on that.

24 Q. Correct. Understanding that, but
25 within -- let's focus now on your actual distribution

1 expenses. Would you agree that Duke Energy Ohio's
2 distribution expense allowance would include the PUCO
3 and OCC assessments for all revenue they collect?

4 A. The electric PUCO and OCC assessments
5 include the electric share of the assessments we are
6 charged that were included at the time of the test
7 year.

8 Q. Okay. And the amounts you included as
9 part of the test year included the revenues
10 associated with the Standard Service Offer.

11 A. It would have -- whatever -- whatever
12 they assessed us on, it would have been based on the
13 revenue we collected from SSO service in addition to
14 our transmission and distribution revenue.

15 Q. Thank you.

16 And would you also agree that within the
17 distribution rates -- let's take a step back.

18 MR. D'ASCENZO: Joe, would you please
19 repeat the question.

20 MR. OLIKER: I said "let's take a step
21 back." It was just talking to myself. I apologize.

22 Q. Were you in the room when I
23 cross-examined Mr. Ziolkowski?

24 A. Was I here when you crossed Jim
25 Ziolkowski?

1 Q. Yes.

2 A. Yes.

3 Q. And would you agree that one of the
4 common elements of a rate case is something called an
5 allocation factor?

6 A. There are numerous allocation factors for
7 numerous reasons involved in rate cases typically,
8 yes.

9 Q. Okay. And one of those reasons is
10 because costs are often incurred at the service
11 company level and then they have to be allocated a
12 portion down to the distribution utility, correct?

13 A. That's correct.

14 Q. And one of the examples where you would
15 see that is the call center, correct?

16 A. Not so much. The call center does more
17 direct allocations; they do the more direct charging.

18 Q. Would you agree there has to be an
19 allocation between, for example, Duke Energy Ohio,
20 the gas company, and Duke Energy Ohio, the electric
21 company?

22 A. That's correct.

23 Q. And in order to file the distribution
24 rate case, there had to be a determination regarding
25 which call center expenses related to Duke Energy

1 Ohio gas and which related to the electric company,
2 correct?

3 A. Well, the accounting -- our test year in
4 the rate case was based on eight months of actuals
5 and four months of budgets, so we use the eight
6 months of actual data that have been allocated to or
7 directly charged to DE Ohio and DE Ohio electric.
8 With the budget, we have a similar process, and that
9 was what was included in the test year.

10 Q. Okay.

11 MR. OLIKER: May I approach, your Honor?

12 EXAMINER WALSTRA: You may.

13 MR. OLIKER: And what I am going to hand
14 the witness -- I apologize, I didn't have an
15 opportunity to go back to the office and make
16 additional copies -- is the discovery response that I
17 provided to Mr. Nicholson yesterday, so everybody
18 should still have a copy, but I want to refer to some
19 of the additional discovery responses that were
20 contained there.

21 MS. WATTS: What was the document number?

22 MR. OLIKER: I believe it was, was it 8?
23 I believe it was 8. It was the series of discovery
24 responses. But for purposes of clarity of the
25 record, I can mark separate discovery responses in

1 here as IGS Exhibit 11 and then distribute them later
2 to make sure we keep the record clear.

3 MS. WATTS: So Joe, this is the one
4 that's not filtered out yet, it's not the revised 8?

5 MR. OLIKER: This is not the revised 8.

6 Is that acceptable to the Bench, your
7 Honor?

8 EXAMINER WALSTRA: Yes, but we will mark
9 the additional responses as IGS 11.

10 (EXHIBIT MARKED FOR IDENTIFICATION.)

11 MR. OLIKER: This is IGS Exhibit 10.

12 THE WITNESS: I thought 10 was the CFR.

13 MR. OLIKER: Yes, it was. This is IGS
14 Exhibit 11. I apologize. And what I will mark is
15 Duke Energy's responses to IGS-INT-01-004 which is on
16 page 1, Duke's response to IGS-INT-01-005, and also
17 IGS-INT-01-007 Public as to Attachments.

18 MR. D'ASCENZO: Joe, could you tell me
19 which case that is?

20 MR. OLIKER: These are from the
21 distribution rate case.

22 MR. D'ASCENZO: Okay. Thank you.

23 MR. OLIKER: They are sponsored by
24 Ms. Laub.

25 MR. D'ASCENZO: Okay. Thank you.

1 MR. OLIKER: Also flipping forward a few
2 pages to what's Duke's response to IGS-INT-02-010 and
3 I believe that is all.

4 Q. (By Mr. Oliker) First, Mr. Wathen,
5 looking at what's been marked as IGS Exhibit 11,
6 would you agree that these are all responses that
7 were provided by Ms. Laub in discovery in the rate
8 case?

9 A. The entirety of the document?

10 Q. Just the discovery responses that I have
11 marked.

12 A. So I see Peggy's name on four:
13 IGS-INT-1-4, -5, part (d) of 7, INT-2-10, and that's
14 it.

15 Q. Okay. And starting with the first one,
16 which has been marked as IGS-INT-01-004, would you
17 agree that there is a delineation of call center
18 expenses included in the test year?

19 A. A delineation or just call center
20 expenses?

21 Q. Thank you for correcting my question.

22 The total call center expenses allocated
23 to Duke Energy Ohio, including the gas company, are
24 included on the first interrogatory, correct?

25 A. I believe Peggy's response is that

1 \$8.1 million was allocated to Duke Energy Ohio and
2 then that was gas and electric.

3 Q. Okay. And that is the operation and
4 maintenance expense, correct?

5 A. Yes. As she indicates here, it's mostly
6 salaries and wages, right.

7 Q. And if you look at c, "The Company does
8 not keep separate records for building infrastructure
9 by departments," correct?

10 A. That's correct.

11 Q. And if we were to turn to the back page
12 from there.

13 A. The back of that one?

14 Q. Yes, which is IGS Interrogatory 1-5.

15 A. Yes.

16 Q. Would you agree that the FERC accounts in
17 which those costs are recorded is identified on
18 part b?

19 A. That's correct.

20 Q. And going back to our theme of allocation
21 factors, looking at IGS 01-007, would you agree that
22 in general, for purposes of the CIS that Duke
23 initially proposed, they had to break up the entire
24 cost of the billing system between the operating
25 companies?

1 A. Well, I guess I'm -- one thing I'm
2 struggling to know whether or not this is in the case
3 because I thought we withdrew the CIS, so is that --
4 I am not even sure if it's meaningful right now, but.
5 I thought -- I thought that was one of the ob -- you
6 know, one of the objections, that we're not really in
7 play on that one.

8 MR. OLIKER: Your Honor, if his attorney
9 can make the objections, that would be helpful and he
10 can answer my question.

11 THE WITNESS: I'm not trying -- I'm just
12 questioning the . . .

13 EXAMINER WALSTRA: You can answer the
14 question to your knowledge.

15 A. And the question is? Say it again,
16 please.

17 Q. Well, let's -- maybe if you look at the
18 Request a, and Response a, there was about 45 to
19 50 million dollars that Duke was seeking recovery in
20 the Customer Information System, correct?

21 A. That's correct.

22 Q. But that wasn't the total cost of the
23 system, right?

24 MR. D'ASCENZO: Your Honor, I am going to
25 object to this. Mr. Wathen was correct. This has

1 been withdrawn. This is not compatible with the
2 stipulation. The CIS system was removed from the
3 company's application. This whole line of
4 questioning is not relevant.

5 MR. OLIKER: Your Honor, one of the
6 issues that has come up is the standard to which the
7 company's testimony was required to follow which was
8 to be filed in support of the stipulation; and then
9 there is the standard that applies to parties that
10 object to the Staff Report and have a different
11 standard for purposes of the case they have to put
12 on.

13 IGS is simply not bound by the
14 stipulation or the case that the company is required
15 to put on today. We are simply seeking to put
16 forward the evidence that we need to object to the
17 Staff Report and get across our points, so I think
18 the objection by Counsel is completely inapplicable.

19 MR. D'ASCENZO: The costs for the CIS
20 system were removed per the Staff Report, so we're
21 arguing over nothing.

22 MR. OLIKER: But there's also a CIS
23 proposal contained in the stipulation, and we haven't
24 gotten very far down this road, but I am simply
25 asking, for an example, do you think the cost is 45

1 to 50 million dollars and that would be highly
2 relevant.

3 MR. D'ASCENZO: There is not a CIS
4 proposal in the stip. The CIS is in a separate case
5 that the company would have to file later.

6 MR. OLIKER: Right. Your Honor, we are
7 entitled to ask about what that case may look like if
8 he knows. He may or may not know.

9 EXAMINER WALSTRA: I'll overrule the
10 objection. The witness can answer to his knowledge
11 about this portion of the interrogatory. I don't
12 think he is adopting Ms. Hunsicker's testimony. He
13 can testify to his knowledge.

14 MR. OLIKER: Thank you, your Honor.

15 Q. (By Mr. Oliker) Maybe I can try to
16 restate the question and come at it from a different
17 angle; that may help that, the line of questioning.

18 Would you agree, Mr. Wathen, that when
19 Duke files its future CIS application, it will be a
20 part of a system that is deployed for other Duke
21 operating entities?

22 A. It is unlikely that we would file on the
23 Customer Information System just for Duke Energy Ohio
24 so it's probably -- most likely would be something
25 done at the service company and allocated down.

1 Q. So looking at this discovery response, do
2 you have any reason to believe that the -- if you
3 look at a.ii, would you agree that it says "The
4 allocation to Duke Energy Ohio in total is
5 9.65 percent, with 6.05 percent allocated to Duke
6 Energy Ohio electric and 3.6 percent allocated to
7 Duke Energy Ohio gas." Do you have any reason to
8 believe those numbers would be different?

9 A. That's Ms. Hunsicker's testimony. I have
10 no reason to doubt it.

11 Q. And regarding Duke's response to the cost
12 of the CIS and being 45 to 50 million dollars, do you
13 have any knowledge of what the cost of the CIS will
14 be as contemplated by the stipulation?

15 A. I do not.

16 Q. And do you have any reason to believe it
17 would be less than initially proposed in this case?

18 A. Well, since I don't know either way, I
19 can't say that it will be higher or lower.

20 MR. OLIKER: And can we go off the record
21 for one second?

22 EXAMINER WALSTRA: Sure.

23 (Discussion off the record.)

24 EXAMINER WALSTRA: Thank you.

25 Q. (By Mr. Olikier) Okay. Turning to IGS

1 Interrogatory 02-010, and earlier we discussed the
2 \$8.1 million in call center expenses associated with
3 Duke Energy Ohio gas and electric, correct?

4 A. I seem to recall that line of discussion.

5 Q. And if we look at the response in this
6 discovery, Duke has proposed to allocate 5.1 million
7 to Duke Energy Ohio electric, correct?

8 A. That's correct.

9 Q. And --

10 A. Well, actually I didn't propose. This is
11 what we allocated.

12 Q. And this number is actually reflected in
13 the test year which is also in the C Schedules,
14 correct?

15 A. That's correct. I don't believe the
16 staff modified this.

17 Q. And am I correct that there was no
18 attempt to allocate Duke Energy's call center costs
19 directly to the Standard Service Offer?

20 A. There was no attempt and I wouldn't have
21 directed anybody to do that.

22 Q. So you would agree that call center
23 expenses associated with operating the Standard
24 Service Offer are currently proposed to be recovered
25 through distribution rates?

1 A. There are no call center expenses
2 exclusively related to the Standard Service Offer.

3 Q. Would you agree that if a customer calls
4 Duke Energy Ohio about a bypassable rate, it would go
5 to the call center?

6 A. Any call to the company would go to the
7 call center for whatever reason.

8 Q. So the answer is yes.

9 A. Including CRES complaints, so.

10 Q. And in the event that there is a question
11 about a CRES, would you agree it is Duke's duty to
12 refer that customer to call the CRES?

13 A. Typically we -- my understanding from our
14 call center, we spend about 22 minutes on average on
15 a CRES complaint.

16 MR. OLIKER: Your Honor, I would move to
17 strike his answer as being nonresponsive. My
18 question was do they defer those calls to CRESs, and
19 he did not answer that question. He provided
20 something totally different, and I would move to
21 strike it and direct him to answer my question.

22 EXAMINER WALSTRA: Granted.

23 A. If, after an extensive discussion with
24 the customer, they refer them, I am not aware of
25 that.

1 MR. OLIKER: Karen, could you read that
2 answer again.

3 (Record read.)

4 Q. So am I correct you are not familiar with
5 Duke's processes for handling intake of customer
6 calls?

7 A. I have been in a number of meetings. If
8 you are asking my understanding, I have been in a
9 number of meetings when the call center has
10 frequently described the process and how long it
11 takes to deal with CRES complaints. So other than
12 that, I do not know the call center process.

13 Q. Okay. Mr. Wathen, do you know if
14 customers ever call CRES providers when their power
15 goes out?

16 A. I do not know that, but it would surprise
17 me if they did.

18 Q. And --

19 A. Are you inviting me to call you if my
20 power goes out?

21 Q. I'm sorry?

22 A. Are you inviting me to call you if my
23 power goes out?

24 Q. I might be able to put you on a good IGS
25 rate.

1 MR. OLIKER: Your Honor, this might be a
2 good breaking point.

3 EXAMINER WALSTRA: Okay. We'll go off
4 the record.

5 (Thereupon, at 12:12 p.m., a lunch recess
6 was taken.)

7 - - -

1 Friday Afternoon Session,
2 July 13, 2018.

3 - - -

4 EXAMINER WALSTRA: We'll go back on the
5 record.

6 MR. OLIKER: Thank you, your Honor.

7 - - -

8 WILLIAM DON WATHEN, JR.
9 being previously duly sworn, as prescribed by law,
10 was examined and testified further as follows:

11 CROSS-EXAMINATION (Continued)

12 By Mr. Oliker:

13 Q. Good afternoon, Mr. Wathen. A few more
14 questions for you this afternoon. You discuss the
15 Standard Service Offer options, correct?

16 A. Are you referring to my stipulation
17 testimony or?

18 Q. In general, throughout your I believe
19 it's in your direct and your stipulation testimony.

20 A. There's a section in both sets of
21 testimony where I discuss what I know about it,
22 right, so.

23 Q. And would you agree that in order to hold
24 the SSO auctions, there's an auction process?

25 A. We do have an auction process.

1 Q. And would you agree that there is a data
2 room that has to be created for -- or some other
3 terminology if you are not familiar with that one?

4 A. I am not familiar with a data room for
5 us, no.

6 Q. Would you agree the auction bidders
7 obtain information regarding the SSO load?

8 A. We have a Duke Energy Ohio CCP website
9 that includes such things.

10 Q. To your knowledge are any fees assessed
11 to the auction bidders to obtain that information?

12 A. Not that I'm aware of.

13 Q. Okay. And would you agree that the
14 general structure of the auctions is there is a bid
15 and through a descending clock auction? Or multiple
16 bids.

17 A. Well, you are getting very close to the
18 limit of my knowledge, but I do know it's a
19 descending clock option, that's correct.

20 Q. And ultimately the auction bidders win
21 tranches at a given price, correct?

22 A. That's correct. Well, I think there's
23 some provision for a slightly different price at the
24 end there but, yeah.

25 Q. And then the Duke Energy Ohio rates team

1 takes the auction rates in and translates them into
2 individual rates for the rate schedules?

3 A. That's correct. It's in one of the
4 stipulation exhibits that details the calculation.

5 Q. Because at the end of the day whatever
6 the auction clearing price is, that's not necessarily
7 the rate that any specific customer pays, correct?

8 A. That's correct.

9 Q. Okay. And am I correct that Duke Energy
10 Ohio does not charge any fees to the auction winners
11 to provide that service?

12 A. Not that I'm aware of.

13 Q. Are you familiar with the term cash
14 working capital?

15 A. Yes.

16 Q. And could you give -- what's your
17 definition of cash working capital?

18 A. Well, generally it's the -- just in
19 palatable terms, it's essentially the amount of
20 dollars needed to cover expenses while -- before the
21 revenues come in.

22 Q. So it --

23 A. Or cash expenses.

24 Q. Would you agree it's related to the time
25 value of money?

1 A. There is a -- whether we have a positive
2 or negative cash working capital, there is a time
3 value of money component.

4 Q. And would you agree that there is a --
5 first, would you agree that Duke utilizes the cash on
6 hand that is available to cover expenses that -- let
7 me rephrase that.

8 Would you agree that there is cash
9 working capital requirements associated with the
10 provision of the Standard Service Offer?

11 A. Without doing a lead-lag study, I don't
12 know that for sure. It could be a positive or
13 negative cash flow.

14 Q. Do you know whether Duke pays auction
15 winners prior to collecting the revenue related to
16 the SSO?

17 A. I don't know.

18 Q. If we wanted to identify the timing of
19 the payments to auction winners, would we look in Bob
20 Lee's testimony?

21 A. Look in whose testimony?

22 Q. Bob Lee.

23 A. Perhaps, without knowing -- without
24 reading, I don't know for sure.

25 Q. Okay. And could you identify -- is there

1 a cash working capital allowance in the distribution
2 rates?

3 A. No, there hasn't been in -- in probably
4 since at least before the 1991 rate case.

5 Q. Okay. And when there is no cash --
6 explicit cash working capital requirement in
7 distribution rates, would you agree that residually,
8 if there is a deficit for cash working capital, it
9 simply comes out of Duke Energy Ohio's earnings?

10 A. I'm not really following your question.
11 If -- despite the fact we get zero working capital in
12 rates, if I have a positive cash working balance and
13 need -- need -- and would I agree that there is a
14 residual?

15 Q. Would you agree it reduces the income or
16 it has a negative impact on your cash flow?

17 A. If -- there's a -- I mean, it goes to the
18 point you made earlier. If there's an amount -- if
19 we're paying expenses earlier than we are getting
20 revenue, then we have a cash working capital need and
21 there is a time value component to that and that does
22 reduce income.

23 Q. And would you agree that within the
24 distribution rates there's an allowance for IT or
25 information technology expenses?

1 A. In our existing base rates that were set
2 in 2012, any IT expenses -- O&M I assume we are
3 talking about -- to the extent they are applicable to
4 distribution, would be in base rates.

5 Q. Okay. And would you agree any time Duke
6 Energy Ohio changes a rate structure, that incurs IT
7 expenses?

8 A. Not necessarily. I mean, it's some --
9 sometimes it's easier than others.

10 Q. But you would agree that when you make a
11 new rider, for example, there would likely be an IT
12 expense associated with that?

13 A. If -- it could be a little bit or a lot.

14 Q. And you would agree that when you modify
15 a bypassable rider that could cause an IT expense?

16 A. Same answer.

17 Q. So the answer is yes?

18 A. It could be a little bit or a lot.

19 Q. And you would agree there is no amount of
20 IT expense allocated to the Standard Service Offer?

21 A. The -- the IT -- I view the Standard
22 Service Offer as being applied to the entire
23 distribution load because it is available to every
24 customer. So, in my view, it is allocable to the
25 Standard Service Offer.

1 Q. Let me rephrase my question.

2 There is no amount of IT expense
3 allocated to the bypassable SSO rates.

4 A. That is correct.

5 Q. Okay. And, Mr. Wathen, you've reviewed
6 the Staff Report, have you not?

7 A. Have I read the Staff Report?

8 Q. Yes.

9 A. It's been a little while, but yes, I have
10 read the report.

11 Q. And I don't know if we need to review it
12 right now, but you would agree that one of the
13 operation and maintenance expense items that Duke
14 initially proposed in the test year was ESP
15 litigation expense?

16 A. That is an expense we try to recover,
17 that's correct.

18 Q. And in the Staff Report, it recommends
19 that Duke not recover those expenses, correct?

20 A. It does.

21 Q. And you would agree that the stipulation
22 would provide that Duke not recover its ESP-related
23 litigation expense?

24 A. I believe -- I would accept that the
25 \$19.1 million reduction assumes that we are not

1 recovering the -- the litigation expenses for this
2 case, for example.

3 Q. But those expenses didn't go away, did
4 they?

5 A. That is correct. You're here.

6 Q. Okay.

7 MS. WATTS: Where are you going with
8 this, Joe?

9 Q. And as a result of Duke not collecting
10 its ESP litigation expenses through rates, would you
11 agree that residually reduces the income of the
12 distribution utility?

13 A. I absolutely do.

14 Q. And, in fact, for that reason, in
15 testimony that you are no longer admitting, am I
16 correct that you recommended that Duke be permitted
17 to recover its ESP litigation expenses through
18 alternative means?

19 A. You're asking me about testimony that I'm
20 no longer submitting?

21 Q. Yes.

22 A. Would you restate your question again?

23 Q. Well, I can ask you personally and then
24 maybe we can go to that testimony.

25 Would you agree that it is your opinion

1 that Duke Energy Ohio should be permitted to recover
2 its ESP-related litigation expense through
3 alternative means?

4 MR. MICHAEL: Objection.

5 MR. D'ASCENZO: Objection.

6 MR. MICHAEL: I was just going to say,
7 Mr. Oliker began this question by acknowledging that
8 it was related to testimony that they are no longer
9 filing. If the testimony was withdrawn, it's
10 obviously unrelated to the settlement. The witness
11 testified such expenses were not being sought to be
12 recovered. He should be not permitted to go forward
13 with this question.

14 MR. OLIKER: And I'll let Rocco go first,
15 see if he has something different, and then I'll
16 respond.

17 MR. D'ASCENZO: No, it's the same.

18 MR. OLIKER: And once again, as we
19 discussed earlier, what the company is permitted to
20 file is different than what other intervenors are
21 allowed to raise and, in Ohio, the scope of
22 cross-examination relates to all matters that are
23 relevant, including matters of credibility. And
24 Mr. Wathen has a position that he has taken
25 elsewhere, including in a sworn statement, that is

1 inconsistent with what the company's case is now, I'm
2 entitled to explore that for purposes of
3 cross-examination.

4 MR. MICHAEL: Your Honor, Mr. Olikar
5 clearly acknowledged that it's no longer before this
6 Commission. The witness has acknowledged that it's
7 no longer before this Commission. And I would add
8 that it's getting dangerously close to friendly
9 cross-examination as well. The question should not
10 be permitted to go forward.

11 MR. OLIKER: Your Honor, it would only be
12 friendly if it was his testimony now. It's not
13 anymore.

14 MR. MICHAEL: Then it shouldn't be asked.

15 EXAMINER WALSTRA: Overruled.

16 MR. OLIKER: Do you want me to reask the
17 question? That might be easier. Thank you, your
18 Honor.

19 Q. (By Mr. Olikar) Mr. Wathen, I understand
20 the company's position as we sit here today, but you
21 personally in your prior statements, you would agree
22 you've advocated the company should be permitted to
23 recover its ESP litigation expense through
24 alternative means other than distribution rates?

25 A. I have not testified at all about

1 alternative means.

2 MR. OLIKER: One moment, your Honor.

3 A. At least not through a bypassable charge.

4 MR. OLIKER: May I approach, your Honor?

5 EXAMINER WALSTRA: You may.

6 MR. OLIKER: I don't think we need to
7 mark this. I would just like to refresh the
8 witness's recollection.

9 A. Is this testimony I've withdrawn or is
10 this testimony?

11 Q. Testimony unsubmitted. And on page 36,
12 Mr. Wathen, would you take a look at that.

13 MR. MICHAEL: Your Honor, could we have
14 identified -- I don't know if Mr. Oliker is going to
15 get around to identifying it. Can he identify what
16 the witness is looking at, please.

17 MR. OLIKER: Sure. I have provided the
18 witness a copy of his supplemental direct testimony
19 supporting objections to the Staff Report on behalf
20 of Duke Energy Ohio and I've asked him to look at
21 page 36.

22 A. This is testimony that wasn't offered?

23 Q. Yes, it is. It is that testimony.

24 And --

25 A. I am looking at page 36.

1 Q. And look at the first full paragraph.

2 A. Okay.

3 Q. And does that refresh your recollection
4 to state "If Staff does not believe such costs are
5 appropriate for recovery in base rates, Staff should
6 propose an alternative form of recovery...."

7 A. That's what it says. As I qualified
8 earlier, I said at least not in a bypassable charge.

9 Q. And am I correct, though, that this
10 statement does not indicate that those costs should
11 be recovered in a nonbypassable charge?

12 A. It does not, but.

13 Q. Okay. And if we could -- I believe
14 earlier we talked about the C schedules, correct?

15 A. Yes.

16 Q. And that was Ms. Laub's responsibility?

17 A. Most of them were, yes.

18 Q. And as you -- I am sure you are also
19 familiar with the C schedules, Mr. Wathen?

20 A. Not as much as Peggy, but yes, I'm
21 familiar with them.

22 Q. Okay. And --

23 A. I should add a number of those schedules
24 changed from the Staff Report so.

25 Q. And I'm not as -- if I can find my copy

1 within all this mess.

2 A. Look under your desk.

3 MR. OLIKER: I apologize.

4 Q. If I showed you a copy of the C
5 schedules, would you be able to identify them,
6 Mr. Wathen?

7 A. Most likely.

8 Q. Okay. I am going to give you --

9 MR. OLIKER: May I approach, your Honor?

10 EXAMINER WALSTRA: You may.

11 Q. This is a document that was previously
12 marked, I believe, IGS Exhibit 8. But I am not
13 positive. I believe it was also included as part of
14 the application. Now, does that appear to be a copy
15 of the C schedules?

16 A. Well, when you -- I haven't looked at the
17 whole document but what you put in front of me is
18 C-2.1.

19 Q. Okay. And --

20 EXAMINER WALSTRA: Is this IGS 7?

21 MR. OLIKER: I believe it was IGS Exhibit
22 7. It was not admitted as evidence but was included
23 as part of the initial application.

24 Q. And does that document appear to be a
25 true and accurate copy of the C schedules? And I

1 don't mean to rush you.

2 A. I would have to compare it with what we
3 filed, but I don't have any reason to doubt.

4 Q. And looking at Schedule C-2.

5 A. C-2 or C-2.1.

6 Q. Let's start with C-2.

7 A. Okay.

8 Q. Would you agree that the differences --
9 first let's talk, do you know the difference between
10 unadjusted and adjusted jurisdictional?

11 A. Yes.

12 Q. Could you please explain the difference?

13 A. The test year in this particular case, we
14 used a test year from April 1 of 2016 to March 31 of
15 2017. At the time we filed the case we had eight
16 months of actual data available to us and we used
17 four months of budget data. The unadjusted revenue
18 expenses is a combination of the actuals that come
19 from our books in accounting for those eight months
20 and four months of budget data we get from the
21 budgeting department.

22 The middle column is the summation of all
23 the adjustments we proposed in the rate case to
24 normalize and, you know, eliminate costs that we know
25 the staff won't accept, various things. And the far

1 right-hand column is just a subtraction of one from
2 the other.

3 Q. Okay. And, for example, one of those
4 costs, earlier we talked about call center expenses,
5 right?

6 A. That's correct.

7 Q. And, for example, in the line where call
8 center expenses are included, you would probably see
9 a total number that is higher and then the adjusted
10 jurisdictional, correct?

11 A. Not necessarily.

12 Q. And why is that?

13 A. If the costs have already been allocated
14 to electric distribution, there would be no need to
15 further allocate the cost.

16 Q. But you would agree, for example, if
17 there is a service company related cost in the total
18 allocated amount, you would then see the adjusted
19 jurisdictional cost being lower potentially because
20 of allocation factors?

21 A. Would you restate that, please.

22 MR. OLIKER: Could you read that back,
23 Karen.

24 (Record read.)

25 A. I am not entirely sure you've stated that

1 question the best way, but I will do my best to
2 answer it. You are asking me if the service company
3 has a cost and once -- once that cost finds its way
4 to Duke Energy Ohio electric distribution that it's
5 lower than what it would have been at the service
6 company? Is that the right question?

7 Q. Yes, that is my question.

8 A. That is correct.

9 Q. And that's often what you see on Schedule
10 C-3 point -- C-2.1, correct?

11 A. For all the accounts above 901, they are
12 whatever shows up in those accounts. And I am
13 looking at your earlier exhibit where you showed me
14 IGS-INT-1-05 and we indicate that at least one of the
15 charges is still Account 593. So anything that has
16 593 is 100-percent distribution. Other costs that
17 are allocated to DE Ohio electric in the A&G
18 accounts, for example, are further allocated between
19 transmission and distribution because transmission
20 costs are allocated to transmission network service
21 revenue requirement that we recover through the BTR.

22 Q. So would you agree that during this
23 allocation process, it is -- it's more of the
24 exception rather than the rule where it is
25 unequivocal where a cost resides?

1 A. It's -- you are -- I'll ask you to
2 restate the question. It's more --

3 Q. I will ask it from a different angle.

4 Would you agree it's actually a rarity
5 where you can directly assign a cost to one business
6 function?

7 A. That's not correct.

8 Q. And give examples where you can do that.

9 A. Well, you didn't segregate the costs.
10 There are many, many costs that are easily identified
11 as distribution, storm cost, whatever, vegetation
12 management, that are directly assignable to a
13 function.

14 Q. So A&G expense which is in, is that
15 Account 928?

16 A. A&G expenses is a -- is a number of
17 accounts from 920 to 935.

18 Q. And do you often have to use allocation
19 factors to allocate those costs?

20 A. Yes.

21 Q. And likewise would the call center, which
22 is often 903, correct?

23 A. Again, unfortunately, as we identified in
24 this exhibit, it goes up to account 593 which is
25 specifically a distribution account. Everything in

1 the accounts that are allocable and, again, I am
2 looking at this discovery request, 921 through 926
3 are all allocable accounts.

4 Q. And would you agree the allocation
5 factors are an estimate?

6 A. Yes.

7 Q. And can you turn to the Administrative &
8 General on Exhibit 2 -- Schedule C-2.1.

9 A. This is on page 3 of 5?

10 Q. Actually, I'm sorry, let's actually do
11 Schedule C-2.

12 A. All right.

13 Q. On line 18 -- I'm sorry. Hold on.
14 Scratch that.

15 So on page 3 of 5 of Schedule C-2.1, on
16 line 14 where it says "Administrative & General
17 Salaries," the unadjusted total is 12.7 million and
18 the unadjusted distribution is about 10.9 million,
19 right?

20 A. That's correct.

21 Q. And that reflects allocating only 5.5
22 percent of those costs?

23 A. That's correct.

24 Q. And would the regulatory team salaries be
25 embedded in that line?

1 A. The regulatory? Me?

2 Q. Yeah, for example, you.

3 A. I would expect that my salary would show
4 up in that 20.

5 Q. Okay. And I think we said this earlier
6 but there is no allocation to the bypassable SSO
7 rates for the -- for you or anybody else in the Duke
8 regulatory team?

9 A. That's correct.

10 Q. And just a few more questions about
11 allocation factors.

12 Do you remember when Mr. Ziolkowski
13 talked about some different allocation factors that
14 are used?

15 A. Do I remember when he talked about
16 allocation and deferred to me?

17 Q. Yes.

18 A. I usually hear my name, yeah.

19 Q. Do you remember when he was talking about
20 the types of allocation factors that he used?

21 A. You'll have to refresh my memory.

22 Q. Are you familiar with some of the
23 different allocation factors that are utilized?

24 A. Absolutely. Jim's testimony was cost of
25 service. The allocation factors he is going to use,

1 they are different than these kind of allocators.

2 Q. One of those -- one example of an
3 allocation factor could be customer account, correct?

4 A. Sure.

5 Q. One could be revenue?

6 A. Yeah.

7 Q. And at the end of the day they are all
8 estimates of the costs they are attempting to
9 allocate, correct?

10 A. Well, I wouldn't say the allocators
11 themselves are estimates, but using the allocator is
12 an estimate of who is responsible for the cost,
13 right.

14 Q. As Jim said, it's an art, not a science
15 often.

16 A. Correct. He says that frequently.

17 Q. Turning to the PSR, we talked about -- I
18 believe you spoke about a potential audit of
19 PSR-related expenses, corrects?

20 A. If you mean -- I wouldn't characterize it
21 as "potential." I think if we agree to the
22 stipulation and the Commission approves it, we will
23 have an audit.

24 Q. Okay. I want to ask you a hypothetical
25 just to further extrapolate what might happen.

1 If -- maybe I will ask you generally
2 first.

3 If an expense is allocated to Duke Energy
4 Ohio through the ICPA, does the Commission have the
5 authority to allocate or to audit those expenses?

6 A. Did you say the SCPA or the ICPA?

7 Q. The ICPA?

8 A. Does the Commission have the authority to
9 audit those expenses.

10 Q. Yes.

11 A. I can't speak for the Commission but I --
12 you know, the ICPA is a FERC-approved contract. I'm
13 not sure you can audit them, but I am not sure they
14 have much to say about it.

15 Q. Okay. Let's take it another step.

16 Are you familiar with the term "selective
17 catalytic reduction"?

18 A. Yeah.

19 Q. It's an environmental investment,
20 correct, or environmental-related investment?

21 A. That is correct.

22 Q. They are pretty expensive, correct?

23 A. I'm not a plant engineer, but I've heard
24 they're expensive.

25 Q. Let's assume that the SCR, or selective

1 catalytic reduction, at one of the OVEC units needs
2 to be retired early, so accelerated depreciation, and
3 then OVEC installs a new SCR. OVEC bills, through
4 the ICPA, to Duke, the accelerated depreciation
5 associated with the SCR and the additional revenue
6 requirement associated with the new SCR. If the
7 Commission doesn't think that was a prudent decision,
8 do they have the ability to prohibit cost recovery
9 through the PSR?

10 MR. D'ASCENZO: Objection. Calls for a
11 legal opinion.

12 MR. OLIKER: If he knows. He knows, your
13 Honor, I am asking for what he thinks the stipulation
14 allows.

15 EXAMINER WALSTRA: Overruled.

16 A. Well, is that all hypothetical? I mean
17 the ICPA does not include a provision to recover
18 depreciation expense, so I guess I am not entirely
19 sure I agree with your proposition there.

20 Q. Well, for purposes of the hypothetical,
21 assume it does. Assume the cost associated with that
22 investment flows through the ICPA.

23 A. The -- as a nonlawyer, I will tell you
24 that I believe that ICPA is FERC approved and FERC
25 jurisdictional. 13 utilities have to agree on -- on

1 an investment like that, so I find it difficult to
2 believe that the FERC or PUCO would question the
3 wisdom of the 13 sponsoring utilities and the
4 regulated states many of them operate in.

5 Q. Mr. Wathen, are you familiar with what is
6 known as FERC Form 1?

7 A. Am I familiar with the Form 1?

8 Q. Yeah.

9 A. I sleep with it under my pillow. You
10 think I'm joking.

11 Q. So you've been reviewing FERC Form 1s for
12 a long time.

13 A. A long time.

14 Q. How long?

15 A. I'm going to say probably, in a different
16 life, probably back to the mid 90s probably.

17 Q. Okay. And would that include the Ohio
18 Valley Electric Corporation's FERC Form 1?

19 A. I have reviewed the Form 1. Not cover to
20 cover, but I have looked at the Form 1.

21 MR. OLIKER: May I approach, your Honor?

22 EXAMINER WALSTRA: You may.

23 MR. OLIKER: And what I have is a full
24 copy. I want to talk about also some excerpts. Here
25 they are. I will give the witness the full copy and

1 the excerpts to Duke's counsel.

2 Q. Mr. Wathen, what I have placed in front
3 of you is the FERC Form 1 for the Ohio Valley
4 Electric Corporation from 2004. And for the record,
5 this was taken from OVEC's website. But you would
6 agree that -- first, have you had an opportunity to
7 look at the document?

8 A. I don't know if I looked at the '04
9 Form 1 at all. And I would just point out that there
10 is another form that they provide for IKEC as well,
11 so this is only the OVEC one.

12 Q. But you have looked at OVEC's FERC
13 Form 1s in the past?

14 A. Yes.

15 Q. And you agree these are public documents
16 filed with the Federal Energy Regulatory Commission?

17 A. Yes.

18 Q. Okay. And you have no reason to believe
19 this is not such -- such a document?

20 A. I trust you.

21 Q. Okay. Would you agree -- would you
22 please turn to page 123.1. I recognize they have a
23 very strange numbering system.

24 A. .01?

25 Q. It's just 123.1.

1 EXAMINER WALSTRA: Are you marking this?

2 A. There is no .1. Oh. I'm sorry. The
3 first page.

4 MR. OLIKER: Thank you, your Honor. I
5 would like to mark this document as IGS Exhibit 12
6 which is the FERC Form 1. Ohio Valley Electric
7 Corporation for 2004/Q4.

8 EXAMINER WALSTRA: So marked.

9 (EXHIBIT MARKED FOR IDENTIFICATION.)

10 Q. And, Mr. Wathen, please let me know when
11 you get to 123.1.

12 A. I'm there.

13 Q. And earlier there was some discussion
14 over the various amendments to the ICPA, and would
15 you agree that prior to the 2011 amendment of the
16 ICPA, there was an amendment in 2004?

17 A. I have no reason to disagree.

18 Q. And according to the FERC Form 1, it
19 says, "In 2004 an Amended and Restated ICPA was
20 unanimously approved by the Sponsoring Companies and
21 OVEC extending the term of the ICPA for an additional
22 20 years from March 13, 2006 to March 13, 2026."

23 A. And I do -- I do remember those dates,
24 yes.

25 Q. And that's another way of saying that had

1 they not amended it back then, it would have expired
2 in 2006.

3 A. It would have -- the contract would have
4 expired. I have no idea what would have happened to
5 the -- there had to have been some resolution at some
6 point, so it's hard to say what would have happened
7 otherwise.

8 Q. Okay. And would you agree also that the
9 FERC Form 1 here discusses the DOE contract
10 termination and states that under the subject heading
11 "DOE Contract Termination"?

12 A. Yeah. It states it in the annual report
13 that was provided earlier this week as well, so.

14 Q. And it indicates that "On September 29,
15 2000, the DOE notified OVEC that the DOE Power
16 Agreement would terminate no later than April 30,
17 2003"?

18 A. I've seen those words before.

19 Q. And "Also, the DOE notified OVEC that the
20 DOE entitlement to power would reduce to specified
21 levels until reaching zero on August 31, 2001"?

22 A. I see it on here.

23 Q. And "Under the terms of the DOE Power
24 Agreement, OVEC was entitled to receive a
25 "termination payment" from the DOE to recover

1 unbilled costs upon termination of the agreement"?

2 A. Okay.

3 Q. And then "During December 2003, OVEC
4 reached a settlement with the DOE, and, as a result
5 of the settlement agreement, during February 2004,
6 OVEC received a net settlement payment of
7 approximately \$97.5 million"?

8 MR. D'ASCENZO: Your Honor, I am going to
9 object. Counsel is just reading this document into
10 the record. The witness has said he doesn't recall
11 ever reading this. There's been no foundation. It's
12 well beyond the scope of his direct.

13 MR. MENDOZA: Your Honor, if I may, we've
14 had this -- we tried to strike all of his testimony
15 about the OVEC history because we've been talking
16 about it a lot this week and that was allowed in.
17 Our position is that their story about OVEC's history
18 is incomplete, so I -- we could agree, if Mr. Wathen
19 had not offered any testimony on OVEC history, then
20 this would be, you know, maybe we wouldn't have to do
21 this, but because they have kept it in, the
22 intervenors are entitled to, you know, develop those
23 facts and help tell the full story of the OVEC
24 history.

25 MR. OLIKER: Your Honor, this is a public

1 document, it's filed with the FERC, and is included
2 on OVEC's own website. We could administratively
3 notice this document if we wanted to.

4 MR. D'ASCENZO: Your Honor, Counsel is
5 just reading the document into the record. He's
6 testifying.

7 EXAMINER WALSTRA: I don't find this
8 exploring the subject. You are just reading the
9 document and not exploring his knowledge of it
10 whatsoever.

11 MR. OLIKER: Okay. I can rephrase my
12 question.

13 EXAMINER WALSTRA: Thank you.

14 Q. (By Mr. Oliker) Mr. Wathen, isn't it
15 correct that the Department of Energy provided a
16 termination payment to OVEC?

17 A. As indicated in this document, that's
18 correct.

19 Q. And that amount was \$97.5 million?

20 A. As indicated in this document that's what
21 I hear, what I see.

22 Q. And to your knowledge, did Duke Energy
23 Ohio provide any portion of the termination payment
24 to ratepayers in Ohio?

25 A. This is similar to the question I got

1 earlier. When -- generally, if we are not collecting
2 costs from ratepayers for something, we generally
3 don't give refunds of anything associated with that
4 cost back.

5 MR. OLIKER: If I could have one minute,
6 your Honor.

7 EXAMINER WALSTRA: Sure.

8 MR. OLIKER: Thank you, Mr. Wathen.
9 Those are all the questions I have.

10 Thank you, your Honor.

11 EXAMINER WALSTRA: Thank you.

12 Mr. Michael.

13 - - -

14 CROSS-EXAMINATION

15 By Mr. Michael:

16 Q. Mr. Wathen, you were here for Mr. Pratt's
17 testimony, correct?

18 A. Yes.

19 Q. And you heard Mr. Pratt say Rider PSR was
20 revenue neutral to Duke Energy Ohio, correct?

21 A. I heard him say that he modeled it as if
22 it's earnings neutral to DE Ohio.

23 Q. Okay. And you would agree Rider PSR is
24 revenue neutral to Duke Energy Ohio, correct?

25 A. I do not agree that it's revenue neutral.

1 It's earnings neutral to revenue to DE Ohio.

2 Q. Okay. And you heard me try to walk
3 through with Mr. Pratt why he said that the Rider PSR
4 is earnings neutral to Duke Energy Ohio, correct?

5 A. I'm sure I heard you. I don't recall the
6 language.

7 Q. He was unable to walk me through that, so
8 I am going to walk through it with you if I can. And
9 I think, in order to do that, we need to understand
10 how Rider PSR works. So, first off, Duke Energy Ohio
11 has an entitlement under that ICPA with OVEC, right?

12 A. That is correct. It has a 9 percent
13 share of the output of the OVEC units.

14 Q. Okay. And under ICPA, Duke Energy Ohio
15 pays OVEC the costs for energy, capacity, and
16 ancillary services, correct?

17 A. That is correct.

18 Q. And under Rider PSR, Duke Energy Ohio
19 would continue paying OVEC the costs for those three
20 services, correct?

21 A. That's correct.

22 Q. And --

23 A. Actually even without Rider PSR we will
24 be paying them those charges.

25 Q. Okay. And then Duke Energy Ohio would

1 take the energy, ancillary services, and capacity and
2 bid it on the PJM market, correct?

3 A. That's correct.

4 Q. And it will receive revenue from that
5 sale on the PJM market, correct?

6 A. That is correct.

7 Q. And under Rider PSR that revenue will be
8 compared to the costs under the ICPA, correct?

9 A. The revenue -- exactly. The revenue will
10 be compared to the cost.

11 Q. Okay. And if the cost is higher than the
12 revenue, then Rider PSR will be a charge, correct?

13 A. That is correct.

14 Q. And if it is lower than the cost, it will
15 be a credit to customers, correct?

16 A. That is correct.

17 Q. Okay. So if the cost for the sale from
18 Duke into the PJM markets is \$1,000, and the revenue
19 was \$1,500, then Duke Energy Ohio, under Rider PSR,
20 will credit consumers \$500, correct?

21 A. If the costs are \$1,000 and the revenues
22 is \$1,500, then the PSR would act as credit of \$500,
23 that is correct.

24 Q. Okay. And if the revenue was \$500, then
25 the charge -- then Rider PSR will be a charge for

1 \$500, correct?

2 A. That is correct.

3 Q. And if the revenue were, let's say,
4 \$10,000 coming out of the PJM market and the cost for
5 producing the energy, capacity, and ancillary service
6 is \$1,000, then the credit to consumers will be
7 \$9,000, correct?

8 A. That is correct.

9 Q. And if the revenue was a dollar coming
10 out of the PJM markets, then there would be a charge
11 for customers under Rider PSR of \$999, correct?

12 A. If the \$1,000 cost didn't change?

13 Q. Correct.

14 A. That's correct.

15 Q. Okay. The functionality of Rider PSR
16 that Duke is seeking to populate as a result of the
17 settlement filed in these cases is exactly the same
18 as described in the PSR application, correct?

19 A. The algorithm is the same.

20 Q. Okay. I don't know what that means, but
21 my question was the functionality of Rider PSR that
22 you guys are seeking approval of in the settlement is
23 the same as what was proposed in the PSR application.

24 A. I don't remember. I think -- I don't
25 recall any changes to the methodology that we had in

1 mind.

2 Q. Okay. Did you hear your lawyer today
3 assert that the functionality of the Rider PSR in the
4 settlement is the same as the PSR in the PSR
5 application?

6 A. And I don't know what you mean by
7 "functionality." I know the formula if that's what
8 you are asking about. The formula is the same.

9 Q. Tell me what the formula is. Is that
10 what we just went through?

11 A. That's exactly what we went through.

12 Q. I'm going to refer to that as
13 "functionality."

14 A. There is one change from the initial
15 application and that's the allocation of the PSR to
16 rate classes is different. We assumed all
17 kilowatt-hours in the application. The stipulation
18 assumes 5 CP and 50 percent energy, so that's a
19 change.

20 Q. And the functionality -- you use the word
21 "algorithm" and then the "formula." I want to use
22 "functionality." And by that I mean formula or
23 algorithm. The functionality of Rider PSR that
24 you're seeking approval of as part of the settlement
25 is exactly the same functionality that was proposed

1 and approved in Duke's last ESP case, Case No.
2 14-841, correct?

3 A. I don't recall any differences, so. I
4 don't recall any differences.

5 Q. So far as you know, it's functionally the
6 very same rider.

7 A. So far as I know.

8 Q. Okay. You were here for Ms. Spiller's
9 testimony, Mr. Wathen?

10 A. Yes. I answered that question earlier
11 today, but yes.

12 Q. I have to lay a foundation, Mr. Wathen,
13 that's why I go back to some of those.

14 You heard Ms. Spiller and I talk about
15 some terms and conditions put on Rider PSR as part of
16 the settlement, correct?

17 A. As part of the settlement, there are
18 terms and conditions, that's correct.

19 Q. Okay. And one of those terms and
20 conditions is that Rider PSR will go until May 31,
21 2025, correct?

22 A. Yes.

23 Q. And that term or condition does not
24 affect the functionality of Rider PSR, correct?

25 A. That particular term doesn't change the

1 formula.

2 Q. Okay. And you also heard Ms. Spiller and
3 I discuss the fact that in the settlement there would
4 be no recovery for forced outages or carrying costs,
5 correct?

6 A. I don't remember that discussion, but.

7 Q. That's true under the settlement though,
8 correct?

9 A. There is -- there is a provision that
10 excludes recovery for forced outages when we receive
11 zero megawatt-hours from OVEC.

12 Q. Okay.

13 A. It doesn't mean that there's -- there's
14 11 units between the two stations. If one unit is
15 forced out and all the other units are going, then
16 that doesn't evoke that provision.

17 Q. Okay. And there's also a provision in
18 the settlement that certain carrying costs aren't
19 recoverable, correct?

20 A. There is a provision that specifically
21 excludes carrying costs in the recovery of PSR.

22 Q. Okay. And neither one of those, what
23 Ms. Spiller described as a term or condition, changes
24 the functionality of Rider PSR, correct?

25 A. The carrying costs will affect how PSR is

1 billed to customers. It doesn't change how the
2 calculation of the PSR revenue is computed.

3 Q. And another term or condition in the
4 settlement, Mr. Wathen, is the quarterly update.
5 You're familiar with that, correct?

6 A. Yes.

7 Q. And that provision don't -- does not
8 affect the functionality of Rider PSR, correct?

9 A. It doesn't affect the math. I mean, it
10 affects when we do it.

11 Q. The formula is still the same.

12 A. The math is exactly the same.

13 Q. Mr. Wathen, you -- Duke, would assert
14 that the Public Utilities Commission of Ohio has no
15 authority to review any investments that OVEC makes
16 in OVEC, correct?

17 A. I would -- I'm not a lawyer. I can't
18 tell you where the PUCO believes where their
19 authority lies and where FERC's lies. I do know in
20 the AEP PPA they just issued a -- they named a
21 consultant to review AEP's PPA and among other things
22 they were told to look at those types of costs. What
23 the Commission's authority is in terms of
24 rejecting -- they can't tell OVEC what to do. OVEC
25 is a FERC jurisdictional company.

1 Q. Okay. I would like to unpack that a
2 little bit if I can, Mr. Wathen, and I am asking you
3 not as a lawyer but in your capacity as the Director
4 of Regulatory Affairs at --

5 A. Close enough.

6 Q. Okay. So, and perhaps reference back to
7 Mr. Oliker's questions to you about an SCR might be
8 helpful. I'm asking the following questions in that
9 context. So were OVEC to make a substantial
10 investment in an SCR and pass that cost onto --
11 9 percent of that cost onto Duke Energy Ohio, Duke
12 Energy Ohio would turn around and include that in
13 Rider PSR, correct?

14 A. The provision of the PSR is such that,
15 yes, we'll flow through all the costs we get in OVEC.

16 Q. Including that investment in OVEC as I
17 described it for illustrative purposes.

18 A. Whatever the annualized charge is related
19 to that investment, yes.

20 Q. But you do not believe that the Public
21 Utilities Commission of Ohio would have the authority
22 to review the prudence of that investment, correct?

23 MR. D'ASCENZO: Objection. Calls for a
24 legal opinion. Asked and answered.

25 MR. MICHAEL: Well, your Honor, what I am

1 doing is --

2 EXAMINER WALSTRA: Overruled.

3 MR. MICHAEL: -- exploring exactly --

4 EXAMINER WALSTRA: Overruled.

5 MR. MICHAEL: Thank you. Damn, I was
6 good.

7 MR. BEELER: Before you move on, your
8 Honor, as far I know, OVEC is a public utility in
9 Ohio. I think they've represented that they are so.
10 Any questions about, you know, the Commission not
11 being -- not being able to look into whatever, I
12 mean, I think they are a public utility in Ohio.

13 EXAMINER WALSTRA: He can answer to his
14 understanding and his knowledge.

15 A. I don't know that -- I'm not aware that
16 PUCO has ever intervened in OVEC decisions on capital
17 projects. The contractual arrangement between OVEC
18 and all the participants are -- is a FERC-approved
19 contract and it's not for me to say whether the PUCO
20 can intervene or not. I would be surprised if they
21 could, but that's the best nonlawyer speak.

22 Q. But you would agree, Mr. Wathen, that it
23 is for you to say how the Rider PSR is proposed to
24 work, one aspect of which is a prudency review that
25 the Commission has, correct?

1 A. That is correct.

2 Q. Okay. And my question regards that
3 prudency review, okay? And my question is, is it
4 Duke's position that the PUCO has the authority to
5 review the prudency of investments made at OVEC?

6 A. Well, speaking on behalf of Duke, I can't
7 tell you what the Commission believes their role is
8 or their authority. And I -- you know, it's up to
9 them to decide whether they have that authority or
10 not.

11 Q. Okay. What is Duke's position,
12 Mr. Wathen? That's what I asked.

13 A. I am not a lawyer. I told you my
14 position already. I would be surprised if they would
15 intervene in a FERC-approved contract.

16 Q. How surprised would you be, Mr. Wathen?

17 MR. D'ASCENZO: Objection, argumentative.

18 A. I would be very surprised.

19 MR. MICHAEL: I'll move on, your Honor.

20 EXAMINER WALSTRA: Thank you.

21 Q. Mr. Wathen, you take the position that
22 only a very small portion of jurisdictional rate base
23 will not flow through Riders DCI and DR-IM, correct?

24 A. Well, once the rates are approved, there
25 will be no DR-IM, but.

1 Q. Let's look at your Duke Exhibit 30, if we
2 can, please, Mr. Wathen.

3 A. I've got it.

4 Q. Turn to page 28, if you would, please.
5 Let me know when you're there.

6 A. Okay.

7 Q. On lines 16 -- or let's go ahead. Start
8 at the beginning, line 12 through 16, all the way
9 through 18. So line -- page 28, lines 12 through 18.
10 Do you see that?

11 A. I do.

12 Q. Okay. And you reference in there that
13 the company has already began flowing through the tax
14 benefits through Rider DCI and Rider DR-IM, correct?

15 A. That is correct.

16 Q. And as part of this case, Rider DR-IM
17 will go away, correct?

18 A. That is correct.

19 Q. And the assets will be in rate base,
20 correct?

21 A. The DR-IM -- the assets for DR-IM that
22 existed on June 30, 2016 will be in rate base.

23 Q. Okay. And so how will the tax benefits
24 flow through Rider DR-IM given that it's going to go
25 away?

1 A. Well, a portion of the assets in DR-IM
2 are in distribution accounts. So those assets such
3 as meters, the AMI technology, will be in the DCI
4 because DCI -- the new DCI will recover all costs in
5 360 to 374. Right now a portion of those costs in
6 360 to 374 are excluded because they are recovered in
7 DR-IM. So about half of what's currently flowing
8 through DR-IM will begin to be recovered in DCI.

9 Q. Okay. And so on down in that part of
10 your testimony, lines 20 through 21, you assert
11 "there is a very small portion of jurisdictional rate
12 base that will not flow through the riders
13 automatically," correct?

14 A. That is correct.

15 Q. So that's why I referenced DCI and Rider
16 DR-IM because that's the way I interpret your
17 testimony right there, because you reference multiple
18 riders, correct?

19 A. I do reference multiple riders, but when
20 you asked your question, you asked about future rates
21 and not current rates. Future rates won't be in
22 DR-IM.

23 Q. So the tax cuts benefit is flowing
24 through DR-IM right now?

25 A. That's correct.

1 Q. Okay. The very small portion of
2 jurisdictional rate base that isn't going to flow in
3 the future through Rider DCI, I want to focus your
4 attention on that if I can, please. That amount is
5 about \$246 million, correct?

6 A. That is not correct.

7 Q. What is the amount?

8 A. Bear with me a little bit. I have got a
9 table in here that will help explain. So if you go
10 to page 9.

11 Q. Of Exhibit 30, Mr. Wathen?

12 A. Yeah, on my second supplemental
13 testimony, Exhibit 30. So on the table in line 9
14 you'll see the distribution rate base. This is what
15 will be the basis for Rider DCI going forward once
16 the base rates are set. So essentially this
17 \$1,098,000,000 is the portion of the overall
18 distribution rate base that will be tracked going
19 forward. So the tax effect of the change in rates
20 will flow through DCI and all of this plant total
21 rate base as shown in exhibit -- stipulation
22 Attachment D in the stipulation is \$1.302 million.
23 So if you take the difference in those two, the
24 amount of rate base that won't be tracked is \$204
25 million.

1 MR. MICHAEL: May I approach, your Honor?

2 EXAMINER WALSTRA: You may.

3 MR. MICHAEL: I would like to have marked
4 as OCC Exhibit 5, your Honor.

5 EXAMINER WALSTRA: So marked.

6 (EXHIBIT MARKED FOR IDENTIFICATION.)

7 MR. MICHAEL: It's a letter dated July
8 20, 2016, to docketing at the PUCO signed by
9 Ms. Spiller and it contains information regarding
10 Rider DCI.

11 EXAMINER WALSTRA: Do we get a copy?

12 MR. MICHAEL: Oh, sorry. Why didn't you
13 stop me when I was up there?

14 EXAMINER WALSTRA: I figured you knew
15 what you were doing.

16 MR. MICHAEL: That's dangerous.

17 THE WITNESS: What number was this?

18 MR. MICHAEL: 5.

19 EXAMINER WALSTRA: Thank you.

20 Q. (By Mr. Michael) Mr. Wathen, have you had
21 an opportunity to review what we've previously marked
22 as OCC Exhibit 5?

23 A. To review it ever or right now?

24 Q. Right now.

25 A. I've skimmed it.

1 Q. Okay. And can you please describe what
2 it is?

3 A. This is our -- it appears to be our
4 quarterly update that we make for the Rider DCI
5 revenue requirement calculation that we file with the
6 Commission about 60 days before it goes into effect.

7 Q. Okay.

8 A. In this particular case, the DCI is
9 comparing the March 31, '16 balance to the test year
10 balance of the 2012 rate case.

11 Q. Glad you brought that up, Mr. Wathen. If
12 you turn to the -- I'll get to that in due course.
13 In your capacity as Director of Regulatory Affairs,
14 would you be involved in such filings?

15 A. Yeah. I let it go once, but it's
16 Director of Rates and Regulatory Strategy for Duke
17 Energy Ohio and Kentucky.

18 Q. I apologize.

19 A. You can call me "The Rates Guy," that
20 makes better sense.

21 Q. May I refer to it as "Director" in
22 shorthand?

23 A. You can call me "The Rates Guy."

24 Q. "The Rates Guy."

25 MS. WATTS: Also, Bill, while we are

1 talking about it, my name is on there, not Amy's.

2 MR. MICHAEL: Oh, she's right underneath
3 the line. I apologize.

4 MS. WATTS: It's my name on there. I
5 want to make sure it's right.

6 MR. MICHAEL: I'm glad you corrected me
7 on that.

8 A. What was your question again? I'm sorry.

9 Q. In your capacity as Director, you would
10 be involved in such filings?

11 A. I don't necessarily review every one of
12 them, but I review very many of them, yes.

13 Q. Okay. And you're familiar with such
14 filings?

15 A. Yes, very much.

16 Q. Okay. Now, if we can -- you have Joint
17 Exhibit 1 up there, Mr. Wathen, the stipulation?

18 A. The stipulation, yes.

19 Q. Can you please look at Attachment D.

20 A. I don't have the attachment. The
21 stipulation that I was given is sans attachments.

22 MR. D'ASCENZO: We'll get that. Hold on.

23 A. Okay. First page or the second page?

24 Q. I draw your attention to Schedule A-1.

25 A. Okay.

1 Q. Please.

2 A. Yes.

3 Q. It shows jurisdictional rate base as
4 1.302 billion, correct?

5 A. That is correct.

6 Q. Now, we will go back to what's been
7 marked as OCC Exhibit 5. Go to Attachment B. The
8 first page. I believe it's the third page of the
9 exhibit?

10 A. Page 1 of 12 on the top?

11 Q. Yes, sir.

12 A. That's what I'm looking at.

13 Q. Okay. Now, the column heading there,
14 Mr. Wathen, shows March -- one of the column headings
15 shows March 31, 2016, correct?

16 A. That is correct.

17 Q. And would you acknowledge that that is a
18 typographical error and it should be June 30, 2016?

19 A. If this was filed in July, then I would
20 expect that to be June, that's correct.

21 Q. Okay. And this shows jurisdictional --
22 this shows DCI rate base, as of June 30, 2016, to be
23 1.056 billion, correct, as of June 30, 2016, correct?

24 A. For those distribution accounts that we
25 track in DCI currently, that's what the number was,

1 that's correct.

2 Q. Okay.

3 A. If you look on page 2, you can see all
4 the rate -- all the plant that we exclude from the --
5 all the plant in the Accounts 360 to 374 that we
6 exclude from the DCI because they are being tracked
7 in DR-IM.

8 Q. Okay. So in order to get at the rate
9 base for what's going to be recovered in -- what's
10 the best way to put this -- to get at the amount
11 being recovered through Rider DCI under the proposed
12 settlement, would you have to add those two numbers
13 together?

14 A. Essentially. And that's what I did on
15 page 9 of my second supplemental testimony. That's
16 how I got the number on page 9 of my supplemental
17 testimony.

18 Q. Because the jurisdictional rate base as
19 of June 30, 2016 that we reference on Stipulation
20 Attachment D was 1.032 billion, correct?

21 A. That is correct.

22 Q. And then the Rider DCI rate base on OCC 5
23 was 1.056 billion.

24 A. That's correct.

25 Q. And the delta for that would be

1 246,000,000, roughly?

2 A. That's correct, right.

3 Q. And in order to get to your, what was it,
4 202 million?

5 A. 204.

6 Q. 204 million, that's where the rider
7 DIR -- DR-IM assets come in, correct?

8 A. The implication is about \$40 million of
9 the difference is being recovered in DR-IM right now.

10 Q. So it's still about 202 million that you
11 describe as the very small portion of jurisdictional
12 rate base that isn't going through rider DCI,
13 correct?

14 A. 204, yes.

15 Q. You can set that exhibit aside,
16 Mr. Wathen. Thank you for walking me through that.

17 You're aware, Mr. Wathen, of the
18 different components of Rider PF under the proposed
19 settlement, correct?

20 A. They are outlined in the stipulation
21 Attachment F and I think they are outlined in the
22 stipulation itself.

23 Q. Okay. And if you need to refer to the
24 stipulation, please feel free to do so, Mr. Wathen.
25 On -- in Component two of Rider PF, which I believe

1 appears on page 17 of the settlement, proposed
2 settlement.

3 A. Bottom of 16?

4 Q. Yeah, and 16.

5 A. Okay.

6 Q. Duke is permitted to recover the
7 communication infrastructure needed to support the
8 AMI transmission -- transition but excluding the
9 costs of the smart meters themselves, correct?

10 A. Would you repeat that, please, or have
11 the court reporter read it.

12 Q. Certainly.

13 MR. MICHAEL: Do you mind, Karen?

14 (Record read.)

15 A. I would not agree with that. We are
16 allowed to recover the meters but just in a different
17 rider.

18 Q. All right. So the other rider you're
19 talking about is Rider DCI, correct?

20 A. That is correct.

21 Q. And Duke is proposing to replace the
22 current residential Echelon meters with Itron meters,
23 correct?

24 A. That is correct.

25 Q. And the estimate -- and the Echelon

1 meters removed from the system will be scrapped,
2 correct?

3 A. I don't know what we'll do with them.

4 Q. Were you here for Mr. Schneider's
5 testimony?

6 A. I was out of the room for a lot of that.

7 Q. Okay. Would it --

8 A. I was involved in the tax case at that
9 time, I believe.

10 Q. How did that go?

11 A. Am I under oath?

12 Q. You should have asked that question
13 earlier, Mr. Wathen, because yes, you have been.

14 The -- Mr. Schneider, he asserted that
15 the Echelon meters would be scrapped. Would he be
16 the individual that would have the authority over
17 that decision?

18 A. Yes. He's far more authoritative on
19 that.

20 Q. So if he says it's scrapped, it's
21 scrapped.

22 A. I have no reason to doubt him.

23 Q. You would agree then, that to the extent
24 Duke recovers the cost of any of the replacement
25 Itron meters through Rider DCI, the Rider DCI revenue

1 requirement would be offset by the remaining book
2 value of the scrapped Echelon meters, correct?

3 A. You can read it again or I can ask her to
4 read it again.

5 Q. I'm happy to read it.

6 You would agree then, to the extent Duke
7 recovers the costs of the replacement Itron meters
8 through Rider DCI, the Rider DCI revenue requirement
9 would be offset by the remaining book value of the
10 scrapped Echelon meters, correct?

11 A. I don't think it would be offset by the
12 remaining value. That would be additive, not
13 reductive. If there is a remaining book value, it
14 increases, not decreases.

15 Q. Well, you're taking Echelon off, correct?

16 A. But --

17 Q. And you're scrapping it.

18 A. But the way we agreed -- well, following
19 the Staff Report and the way we are going to treat
20 the Echelon meters, they will remain in plant and be
21 amortized over 10 years as a dying asset per the
22 recommendation of the staff.

23 Q. Okay. So as a result of that, customers
24 will be paying for the scrapped meters, correct?

25 A. That is correct.

1 Q. Okay. So let's go through this process
2 if we can. The Echelon meter is the old meter,
3 correct, Itron is new?

4 A. Correct. Correct.

5 Q. Okay. So the Echelon meters will be
6 identified, correct?

7 A. What do you mean by "identified"?

8 Q. Which customers have Echelon meters in
9 order to make -- I'm sorry, Mr. Wathen, go ahead.

10 A. Sure. Whoever has got a Echelon meter by
11 account, we would know who has that meter.

12 Q. Okay. And Duke will send -- I'm an old
13 gas company guy, so we called them "field
14 operations." Duke will send a field operations team
15 out to remove the Echelon meter, correct?

16 A. Presumably.

17 Q. Okay. And are they bolted on, do you
18 know?

19 A. I have no idea.

20 Q. Do you know how they're affixed to the
21 home?

22 A. No idea.

23 Q. Okay. Let's assume for the purpose of my
24 question they are bolted on, okay? The field
25 personnel from Duke will unbolt the Echelon meter and

1 will they install the Itron meter at the same time?

2 A. Again, these are Schneider questions.

3 Q. Okay. That's fair enough.

4 So presumably the field personnel on-site
5 taking off the Echelon meter will -- what will they
6 do with it, do you know, when they take it off the
7 homeowner's home?

8 A. I assume they will put it in the truck
9 and take it somewhere.

10 Q. A pickup truck?

11 A. No idea.

12 Q. A van?

13 A. I have no idea. Just they will put it in
14 their vehicle, how's that?

15 Q. And do you know, Mr. Wathen, they take it
16 to some central location or directly to the scrap
17 yard.

18 A. You are widely out of my league on what
19 the process is.

20 Q. Okay. So whatever that process is, field
21 personnel will go to a home, remove the Echelon
22 meter, field personnel will take the Echelon meter
23 away, it will be scrapped per Mr. Schneider, and
24 customers will still keep paying for it and they will
25 be paying for the Itron meter put on the home to

1 replace the Echelon meter, correct?

2 A. Again, I can't -- well, most of that was
3 your summation. I don't know how it works. But yes,
4 there will be a payment for the remaining book value
5 of the Echelon meters through DCI and the new meters
6 will show up in DCI as well in account -- in the
7 meter account.

8 Q. Mr. Wathen, if could I direct your
9 attention to page 3 of your testimony.

10 A. Supplemental?

11 Q. Yes.

12 A. Exhibit 30?

13 Q. Yes, sir.

14 A. Page 3.

15 Q. Yes, sir.

16 A. Okay.

17 Q. And specifically lines 2 through 3 there
18 at the top of the page. It states "individual
19 concessions or benefits should not be viewed
20 independently but only as part of the global at the
21 settlement." Do you see that?

22 A. I do.

23 Q. And then on lines 14 and 15, the same
24 page, Mr. Wathen, you state that -- feel free to read
25 the whole sentence, but I want to direct your

1 attention to the portion that says "assuming the
2 Commission makes no modifications to the Stipulation
3 that cause the Company to reject the ESP." Do you
4 see that?

5 A. I do.

6 Q. So you believe the Commission should,
7 when evaluating this settlement, view it as a global
8 settlement, but Duke has the unilateral right to blow
9 it up because it can reject the ESP if it's modified
10 by the Commission, correct?

11 A. I believe the stipulation provides an
12 opportunity for any party to pull out of the
13 settlement if there's a material modification.

14 Q. But right here in your testimony that I
15 pointed to what you're referring to is the company's
16 authority to reject the ESP, correct?

17 A. I think that's statutory.

18 Q. You think that's what?

19 A. Statutory.

20 Q. Right. So, again, my point is that you
21 believe the Commission should look at this as a
22 global settlement, but Duke, under the statute, has
23 the unilateral statutory right to blow up the entire
24 settlement if ESP is modified, correct?

25 A. My understanding of the law, that's

1 correct.

2 Q. Okay. Now, I believe you think that the
3 parties involved in this case had knowledge and there
4 was serious bargaining power and they were
5 represented by able counsel, correct?

6 A. I'm assuming that all of you are able
7 counsel, yes.

8 Q. So if you're assuming it, you have no
9 personal knowledge of that assertion.

10 A. Am I under oath again?

11 Q. Yes, you are. You remain under oath,
12 Mr. Wathen.

13 And I'm simply trying to highlight,
14 Mr. Wathen, that Duke, under that statute that you
15 referred to, has the bargaining power, the unilateral
16 bargaining power to, under any circumstances, blow up
17 the settlement if the ESP is modified in such a way
18 that Duke does not like, correct?

19 A. If it's a material modification, that is
20 correct.

21 Q. And Duke is the judge of that under the
22 statute, correct?

23 A. My understanding -- I am not the lawyer. My
24 understanding of 4928.143 and whatever subsection
25 that is, is that the company has the right to reject

1 an ESP if the Commission modifies it.

2 Q. Correct.

3 A. Right.

4 Q. So you interjected a word into there, and
5 I know you are a very smart man, Mr. Wathen, so I
6 don't want to let it go. If there is a "material
7 modification," you asserted, then the ESP could be
8 rejected. And my question was the determination of
9 what is material, if I am going to take you at your
10 word, is a decision that is the company's and the
11 company's alone, correct?

12 A. I believe that we would decide what's
13 material. It is not the case that I would -- I
14 wouldn't expect that every party would agree with
15 what we deemed to be material.

16 Q. If you'd turn to page 11. We are going
17 to stay on Exhibit 30 probably from here on out,
18 Mr. Wathen. So page 11, Table 6. Yeah, Table 6.

19 A. Table -- the table?

20 Q. Yes, sir.

21 A. Okay.

22 Q. And there is a description of a Uniform
23 System of Account there, 363, correct?

24 A. That is correct.

25 Q. And it states in there that batteries are

1 used for load managing purposes, correct? The second
2 line in that?

3 A. That is correct.

4 Q. Okay. And when I hear "load," I think of
5 generation. Is that what load there is referring to?
6 Do you know?

7 A. No.

8 Q. Okay. What is -- what would that be
9 then?

10 A. Load is demand in my vernacular.

11 Q. And demand for electricity generation,
12 correct?

13 A. That's right.

14 Q. If you turn to page 13, line 11,
15 Mr. Wathen.

16 A. Okay.

17 Q. And you see there a description about
18 enhancing the customer service, correct?

19 A. It says "enhance the customer
20 experience."

21 Q. "Experience," I apologize, you're right.
22 What does that mean?

23 A. I wouldn't -- I'm not the expert on this.
24 Dr. Weintraub or someone like Cicely Hart can
25 probably tell you more about reliability issues and

1 the products we offer. And I was not involved in
2 PowerForward, but I do believe that the idea is to
3 offer customers more products, offer customers more
4 ability to control their load, offer customers more
5 ability to, you know, implement net localized
6 generation like solar panels. That's, you know,
7 that's my generalized.

8 Q. Okay. Were you involved in the 14-841
9 ESP?

10 A. I was.

11 Q. Okay. Did Duke seek to enhance the
12 customer experience back then?

13 A. We always seek to enhance the customer
14 experience.

15 Q. Great.

16 A. I don't remember the particular programs.

17 Q. But no doubt part of the enhancement
18 would have been reliability just like you think it
19 means now, correct?

20 A. Of course.

21 Q. Of course. And we're all very familiar
22 with the fact now and you would not dispute,
23 Mr. Wathen, that in the years '16 and '17, Duke
24 missed its CAIDI standards, correct?

25 A. My understanding we missed our CAIDI

1 standards. We have been on target on SAIFI for many
2 years.

3 Q. Okay. But you missed the SAIFI standards
4 in '17, correct?

5 A. In '17, but every year up from 2008
6 through 2016, we've been ahead of our standards.

7 Q. And how about MAIFI?

8 A. The momentary -- I don't even track
9 MAIFI, the Momentary Average Interruption Frequency
10 Index. And I don't even know if there is a standard,
11 so.

12 Q. On page 13, lines 11 through 13.

13 A. Sorry. Again, what was the page?

14 Q. Page 13.

15 A. Line 11 again?

16 Q. Yeah. Line 11 through 13.

17 A. Okay.

18 Q. And you're talking about the recent
19 PowerForward review and encouraging investment in the
20 types of programs the Commission envisions, correct?

21 A. That's correct.

22 Q. And it's true that Duke doesn't know how
23 much such investments will cost right now, correct?

24 A. We don't even know the Commission's
25 ultimate vision for PowerForward.

1 Q. So you don't know what the cost could be,
2 correct?

3 A. That's correct.

4 Q. On sticking on page 13, Mr. Wathen, lines
5 16 through 18, you'll see a reference on your, I
6 guess Item 2 about future expenditures regarding
7 PowerForward. Again, you don't know what those costs
8 will be, correct?

9 A. Yeah. Without knowing the programs the
10 Commission has in mind I don't know the costs.

11 Q. On page 13, lines 21 through 22,
12 Mr. Wathen, when you are discussing "the new rates
13 are implemented," are you describing there are any
14 new rates that will be for charges associated with
15 PowerForward directives?

16 A. Yeah, this entire discussion is under the
17 PowerForward discussion, so yes.

18 Q. Okay. So Duke, if and when directives
19 come out, will file a whole separate RDR case to
20 populate that, what is it, Component one of
21 PowerForward Rider? Is that correct?

22 A. I believe that's correct.

23 Q. But the component of Rider PF dealing
24 with future directives, Duke is seeking authorization
25 for that in this current settlement which includes

1 the ESP case, correct?

2 A. We're not asking for specific programs
3 because none exist, but we are asking to entertain
4 the idea to put those in the PowerForward Rider.

5 Q. So it's a zero -- the rider -- the
6 PowerForward component of Rider PF, Duke is seeking
7 to be set at a zero at this point in time and it will
8 be populated later, correct?

9 A. Well, many riders start out at zero and
10 they end up being populated when the costs come in.

11 Q. But many riders, I would argue, are not
12 set at zero and then, through future RDR cases,
13 populated. They are just populated as the costs come
14 in. That's what distinguishes this rider.

15 A. There are many -- there are some of both,
16 that's correct.

17 Q. On page 16, line 9 through 6, please,
18 Mr. Wathen.

19 A. 9 through 6?

20 Q. 16.

21 A. I know. Lines 9 -- what you did say?
22 What lines?

23 Q. Page 16, lines 9 through 16.

24 A. 16, okay.

25 Q. Yes, sir. Will the ESRR rider be used to

1 credit customers if Duke spends less than what's in
2 base rates?

3 A. We answered a discovery request to that
4 effect and we said we would.

5 Q. Great. It's nice to have it on the
6 record.

7 Sticking with page 16, lines 18 through
8 19. Mr. Wathen, it states there "with up to
9 \$10 million recovered via the Rider and the remainder
10 recovered in base rates." Do you see that?

11 A. I do.

12 Q. Was that \$10 million figure updated by
13 Ms. Hart?

14 A. No.

15 Q. Okay. So the amount is up to 10 million,
16 but it could be substantially less than that,
17 correct?

18 A. Or substantially more. Our costs could
19 be substantially more than the 10 million we are
20 allowed.

21 Q. Okay. So at this point in time we are
22 not able to say exactly how much that rider will
23 cost, correct?

24 A. I don't know how we could say with any
25 specificity, but we don't know exactly, yeah.

1 Q. On page 18, lines 9 through 12,
2 Mr. Wathen, if I could direct your attention there,
3 please. And it states there about "once the
4 Stipulation is approved, the basis for measuring
5 incremental storm costs will be to compare the actual
6 costs for major storms to a base amount of \$4.3
7 million." And my question to you, Mr. Wathen, is
8 sitting here now we don't know the cost for the storm
9 cost recovery, correct?

10 A. We have -- we know what our balance is
11 through the end of '17 because we've been tracking
12 storm costs as a deferral since the last -- since the
13 last ESP. But not knowing what the ultimate storm
14 cost is going to be for '18, I don't know what the
15 rider will be.

16 Q. Okay.

17 A. It could be positive or negative.

18 Q. I want to focus your attention,
19 Mr. Wathen, on page 19, line 11, through page 20,
20 line 4. And this is the Rider PSR. And you have
21 said on a number of occasions, Mr. Wathen, that the
22 cost of OVEC has never been passed on to customers
23 during the relationship between Duke Energy Ohio and
24 OVEC, correct?

25 A. Yeah, to my knowledge the output of OVEC,

1 Duke Energy Ohio and its predecessor CG&E has never
2 used it to serve retail load.

3 Q. Has Duke ever attempted to recover OVEC
4 costs through a fuel adjustment clause?

5 A. No.

6 Q. And it has never been used to serve load?

7 A. Nope.

8 Q. OVEC currently is sold into the PJM
9 market, correct?

10 A. Our share of OVEC is sold into PJM.

11 Q. So given your description about how the
12 formula in Rider PSR will work, if there are costs
13 associated with Rider PSR, that means that costs
14 unrecoverable in a competitive market will be
15 recovered through Rider PSR, correct?

16 A. Not entirely tracking your question.
17 The -- the only costs that we're tracking in PSR are
18 the costs that is -- is the net of the costs that we
19 are billed by -- under the ICPA compared to the
20 revenue. To the extent that expenses exceed revenue,
21 we will have a PSR charge.

22 Q. Okay. And inherently in that formula, if
23 Rider PSR is a charge, that means there are costs
24 associated with OVEC that aren't being recoverable in
25 the competitive PJM market -- PJM market, correct?

1 A. That's the nature of the rider, yes.

2 Q. I want to ask you some questions about
3 the audit process, if I could, Mr. Wathen. When the
4 PUCO is auditing Rider PSR, it will have the
5 authority to make a disallowance for
6 imprudently-incurred costs, correct?

7 A. I -- this is kind of going back to the
8 discussion we had earlier. Are you talking about
9 imprudently-incurred costs that OVEC incurs?

10 Q. Well, let's back up then. That's a fair
11 question.

12 Duke will seek to recover, through Rider
13 PSR, any cost that it incurs under the ICPA, correct?

14 A. Notwithstanding the provisions that we
15 have for forced outages and a few other parameters.

16 Q. Correct, correct.

17 So Ms. Spiller described to me what this
18 prudent review process would involve as Duke's
19 handling of the ICPA. Do you remember her describing
20 that to me?

21 A. Vaguely.

22 Q. Okay. And my question is: If there are
23 any costs that Duke seeks to recover through Rider
24 PSR that are deemed imprudent by the Public Utilities
25 Commission of Ohio, the PUCO would have the authority

1 to make a disallowance of those imprudently-incurred
2 costs, correct?

3 A. It's been my experience that the PUCO
4 exercises authority to disallow costs that it doesn't
5 deem reasonable. And if it does find there's a cost
6 charged that's unreasonable, it's their prerogative
7 to make that argument. I don't know that we wouldn't
8 object, you know.

9 Q. I mean, you can fight about it.

10 A. Exactly.

11 Q. But Duke doesn't dispute that the PUCO
12 would have that authority, correct --

13 MR. D'ASCENZO: Objection.

14 Q. -- like they do in every other rider?

15 MR. D'ASCENZO: Asked and answered.

16 EXAMINER WALSTRA: Overruled.

17 A. Again, I don't question the PUCO's
18 authority to disallow what they deem to be
19 unreasonable costs. I also don't -- wouldn't tell
20 you that we would ever acquiesce completely; that we
21 would lay down every time they said no, so.

22 Q. Who -- do you know, Mr. Wathen, who
23 exactly at Duke will liquidate the OVEC entitlement
24 into the PJM market?

25 A. There's a team. I don't know exactly the

1 individual, but there's a team of individuals.

2 Q. And has Duke done anything to wall off --
3 do you know if Duke has done anything to wall off
4 that team from the distribution side of the business?

5 A. What do you mean by "wall off"?

6 Q. Well, so you would have a team that would
7 liquidate the generation entitlement into the PJM
8 market, correct?

9 A. Yes.

10 Q. "Separate" maybe would be a better word.
11 So do you have -- has Duke given any thought to and,
12 if so, planned for separating the individuals that
13 will be bidding the Duke entitlement into the PJM
14 market from the team that works on the distribution
15 side?

16 A. Well, they are 500 miles away, so they
17 are pretty walled off, I would say.

18 Q. Anything more formal than distance?

19 A. They are in a different business unit;
20 different area of the business than we are so.

21 Q. So the company hasn't adopted any formal
22 plans, other than relying on 500 miles, to separate
23 the team that will be bidding OVEC into the PJM
24 markets from its utility team, correct?

25 A. Compliance is not my expertise, but I

1 can't imagine what the need would be to have that
2 separation. There's no FERC transmission issues
3 there to deal with. We have a lot of -- a lot of
4 training that we have to do for compliance and I
5 don't -- in all the training I remember, I can't
6 imagine how that would be a problem. That's more of
7 a legal question than me.

8 Q. The compliance witness would have been
9 Mr. Whicker?

10 A. Whicker was our compliance specialist in
11 the case.

12 Q. Has there been any discussion,
13 Mr. Wathen, about bidding the OVEC entitlement, the
14 strategy for bidding the OVEC entitlement into the
15 PJM markets?

16 A. I've heard strategies, I've heard
17 discussions, I can't really tell you exactly what the
18 strategy is, but I've been within earshot of it
19 before. That strategy is obviously subject to change
20 based on the new rules and the unknown rules that are
21 coming from FERC.

22 Q. Transmission costs will be -- Duke will
23 seek recovery of transmission costs through Rider
24 PSR, correct?

25 A. Our -- our revenue requirement for

1 network integrated transmission service is recovered
2 through the PTR. Is that what you asked me?

3 Q. No. There may be transmission costs
4 associated with OVEC, correct?

5 A. There are currently transmission costs
6 associated with OVEC.

7 Q. Correct.

8 A. OVEC has its own network service
9 integrated transmission rate and they -- what they do
10 is they charge the co-sponsors and then they credit
11 them back with the same revenue so, yeah.

12 Q. Okay. So help me understand then. Will
13 those transmission costs you just described then flow
14 through Rider PSR?

15 A. Well, just -- just to be clear, if I can
16 indulge a little bit on how the formula works?

17 Q. I reserve the right to strike, but yes,
18 educate me.

19 A. So the formula for OVEC's cost is that we
20 pay debt service, interest, and capital costs. There
21 is no cost that is specifically transmission that
22 comes to us. We pay their debt service. If you look
23 at the billing summary, the transmission revenue
24 transmission cost right now is just a wash, right?
25 So we -- we pay a fixed charge based on the debt

1 service and our share of the debt service, fixed O&M,
2 interest expense, there's a small line for capital
3 improvements, and -- and I think there's an A&G in
4 there, so. So I'm not sure that answered your
5 question.

6 Q. I am not sure it did either. I would
7 like to think it's a yes or no, but. So
8 transmission -- my question is: Will transmission
9 costs associated with OVEC be passed through Rider
10 PSR?

11 A. Well, the -- the investment that OVEC
12 made in transmission isn't conspicuously identified
13 as a transmission cost on the bill, but it is
14 necessarily flowing through the OVEC charges and the
15 demand rate.

16 Q. If I could direct you -- your attention,
17 Mr. Wathen, to page 20, lines 5 through 9 of your
18 testimony.

19 A. Okay.

20 Q. And my question is: What will Rider
21 PSR's initial -- will it initially be a charge?

22 A. I do expect it to be a charge.

23 Q. Okay. And how much of a charge do you
24 expect it to be?

25 A. I don't know.

1 Q. And when you say you expect it will
2 initially be a charge, is that for the first quarter
3 that it is implemented?

4 A. That -- the PSR, as agreed to in the
5 stipulation, provides that we can go back to January
6 1, '18. So whatever the activity for OVEC has been
7 between January 1 and whenever the rates go into
8 effect will be part of the PSR. So assuming that's a
9 negative that will persist as long as it takes to
10 recover that cost.

11 Q. Okay.

12 A. From that point on, I don't know the
13 answer.

14 Q. Okay. Turn your attention to page 21,
15 lines 3 through 9, Mr. Wathen. And you state there,
16 among other things -- I mean, the gist of that
17 testimony is that it's Duke's position that the
18 Commission should treat all of the Ohio EDUs that
19 have a Rider-PSR-like mechanism similarly, correct?
20 So that would be Duke, AEP, and Dayton Power & Light,
21 right?

22 A. I would -- I mean, in my view, as a guy
23 in rates for 30 years, is that the Commission should
24 treat utilities equally on all points, but in this
25 particular case, the PSR, yes.

1 Q. Okay. So is it possible that the PUCO
2 could find that Duke did something imprudent as it
3 relates to OVEC, but that AEP did not?

4 A. Is it possible?

5 Q. Yes.

6 A. Anything is possible.

7 Q. Okay. And if the PUCO were to find that
8 circumstance, Duke would not suggest that the PUCO
9 didn't have the authority to do that, correct?

10 A. I would probably pull all the last two
11 hairs of my head out, but I would, yeah, I can't
12 dispute their authority, right.

13 Q. Rider SCR is nonbypassable, correct?

14 A. Rider SCR?

15 Q. Yes, sir.

16 A. Is bypassable conditionally.

17 Q. I'm sorry. I didn't -- I don't think I
18 understood what your response was. Could you say it
19 again, please?

20 A. So you're asking about a supplier cost
21 reconciliation rider?

22 Q. Correct.

23 A. That is bypassable.

24 Q. That is bypassable.

25 A. Right. There is a condition that allows

1 it to be nonbypassable if the dollar value exceeds a
2 certain point and then customers will get -- if the
3 remaining customers are SSO, if the price goes up too
4 much, then there is a provision that allows us to
5 make it nonbypassable.

6 Q. Okay. And do you recall what that
7 threshold is?

8 A. If it's the same as it was, it was -- if
9 the cost is -- exceeds 10 percent of our generation
10 cost then it's flowing through the SCR. So imagine
11 taking the SSO auction price of \$50 a megawatt-hour
12 and applying it to the remaining load. If the SCR to
13 be recovered is more than 10 percent of that, that
14 would trigger the ability to be nonbypassable.

15 Q. Okay. Do you have any idea when you are
16 referring to the costs incurred by Duke Energy Ohio
17 there what that cost is? We're on 24, lines 1 and 2,
18 Mr. Wathen.

19 A. Are you asking now about the net metering
20 credit?

21 Q. Well, I'm referring to the sentence that
22 says "The cost incurred by Duke Energy Ohio to
23 provide such credits will be recovered in Rider SCR."
24 Do you see that?

25 A. Right. This relates in the sentence

1 prior. It relates to the net metering, the credit of
2 RE to the net metering, right.

3 Q. Uh-huh.

4 A. And the number that this -- that staff
5 calculated and is in the report is about \$68,000.

6 EXAMINER WALSTRA: Can we go off the
7 record?

8 (Discussion off the record.)

9 EXAMINER WALSTRA: Back on the record.

10 Q. (By Mr. Michael) If I could direct your
11 attention, Mr. Wathen, to page 30, lines 4 and 5 of
12 your testimony.

13 A. Page 30?

14 Q. Yes, sir.

15 A. Okay.

16 Q. And you'll see a reference there to the
17 resolution of the issue of BDP service. Do you see
18 that?

19 A. Yes.

20 Q. What is that issue?

21 A. What is the issue or what is BDP?

22 Q. What is the issue of BDP service?

23 A. BDP is backup delivery power. We have a
24 number of accounts with the City of Cincinnati
25 that -- that have backup delivery power, so it's

1 basically a redundant service for distribution level
2 service and there's a dispute over whether they
3 should be paying the charge or not, or they filed a
4 complaint. And as part of the stipulation, we agreed
5 to a settlement with the City that they would begin
6 paying the Rider BDP, and we would lower the rate,
7 so. That's the resolution.

8 Q. Staying on page 3, Mr. Wathen, on line
9 10, you will see a \$522,000 figure, and on line 12
10 you'll see a \$250,000 figure. Do you see that?

11 A. Yes.

12 Q. Is that money coming from customers' or
13 shareholders' dollars?

14 A. Customers.

15 Q. On page 34, lines 1 through 13, if I
16 could turn your attention there, please.

17 A. 1 through 13?

18 Q. Yes, sir.

19 A. Okay.

20 Q. You reference on lines 12 and 13 the
21 infamous \$18 million, correct?

22 A. Yes.

23 Q. And you say for the first period,
24 correct?

25 A. Yes.

1 Q. And I want to know is that the first year
2 of Rider PSR or the first quarter that you assumed
3 \$18 million?

4 A. 18 million is an annualized number so
5 annual number.

6 Q. Okay. And you -- you have an MBA from
7 Kentucky, correct?

8 A. I do.

9 Q. And you have been involved throughout the
10 course of your career in various economic forecasting
11 and analysis, correct?

12 A. Mostly in ratemaking but for a period I
13 was doing financial forecasting, that's true.

14 Q. And even in the ratemaking you deal with
15 various economic issues, economic theory, how to
16 forecast costs, et cetera, right?

17 A. Yes, yes.

18 Q. And your expansive knowledge and
19 education and background in economics has caused you
20 to come across price theory economics, correct?
21 You're familiar with that?

22 A. It's been a while but.

23 Q. Enough that I can ask my next question,
24 how about that?

25 A. You are certainly more than welcome to

1 ask your question. Whether I can give you an
2 educated answer is different.

3 Q. So you're familiar with the concept then
4 that price reflects all available information about
5 the value of an asset, correct?

6 A. Not necessarily.

7 Q. Okay. Were you here for Dr. Morin's
8 testimony?

9 A. He was talking about stocks.

10 Q. Okay. So you would agree that price
11 reflects all available information of a stock?

12 A. Yes.

13 Q. Okay. So --

14 A. All information, all available.

15 Q. Correct. So is there -- what asset would
16 not be -- fit the category of a stock? Give me an
17 example.

18 A. Well, I just bought a car. I am not sure
19 the dealer told me every component of my cost.

20 Q. How about a financial hedge?

21 A. A financial hedge is just an insurance
22 product. You might have valued that product
23 differently than me, right, but we would --

24 Q. But ult --

25 A. For whatever reason you may -- would be

1 willing to do it because you know something I don't
2 and you would be foolish to share it with me.

3 Q. But as far as a financial hedge is more
4 like a stock in that the price of that hedge would
5 reflect all available information about it as opposed
6 to a car that has certain intangible intricate
7 different values, correct, because it's a financial
8 instrument, not a hard asset?

9 A. Again, Dr. Morin is probably -- with the
10 Ph.D. is probably better to ask these questions but
11 what I would pay for something is based on what --
12 everything I know about it. Whether that's all
13 available information, that's a different question.

14 Q. Okay. Has Duke disclosed all available
15 information about the purported value of Rider PSR as
16 a hedge?

17 A. To my knowledge, yeah.

18 Q. Okay. So given the discussion we just
19 had, one would conclude that the price of Rider PSR
20 as a hedge is reflected in the expected value of
21 Rider PSR or its price, correct?

22 A. I'm not entirely sure I follow you. The
23 Commission has found at least twice already that
24 the -- exactly the same kind of scenario is a
25 financial hedge, is a hedge on prices. I mean, they

1 found it in our last ESP and they found it in AEP's
2 ESP and they found it in Dayton's case. I guess
3 we're kind of, you know, battling settled ground.

4 Q. Well, I'm -- I don't know that we have.
5 Obviously you know that AEP case is on appeal; the
6 Dayton Power & Light is on rehearing so there is a
7 lot of ground yet to plow. But what I'm trying to
8 get at is the purported value of the so-called
9 financial hedge and Rider PSR. We know Judah Rose
10 has said that the expected value of Rider PSR in
11 nominal dollars is a negative 77 million, correct?

12 A. I think he said it in present value terms
13 but.

14 Q. Okay. I apologize. I'm mixing my
15 nominal and present. Nominal is 94 million. Present
16 is 77 million.

17 A. That's the numbers I remember.

18 Q. Okay. And so if Duke has disclosed all
19 information about Rider PSR, and if Rider PSR, as a
20 financial instrument, its price reflects all
21 available information as to the value of that hedge,
22 we would have to conclude that Rider PSR to consumers
23 would have to be worth more than \$77 million,
24 correct? Because that's the price they're going to
25 have to pay for it, right?

1 A. Again, the Commission has found that the
2 value of that hedge is worth the price.

3 Q. Okay. But the Commission hasn't found it
4 as it relates to Duke's proposed populated Rider PSR,
5 correct?

6 MR. D'ASCENZO: I am going to object,
7 your Honor. This is well beyond the scope of
8 Mr. Wathen's direct. Mr. Rose was the witness that
9 talked about forecasts for OVEC. His testimony
10 explained it. Counsel had an opportunity to ask
11 Mr. Rose all of these questions. Mr. Wathen is not
12 the appropriate witness for this.

13 MR. MICHAEL: Well, your Honor, if I was
14 getting into intricate forecasted values and things
15 like that, I might be inclined to agree with
16 Mr. D'Ascenzo. However, I have -- I'm not.
17 Mr. Wathen is a witness that has asserted in his
18 testimony and in response to various questions that
19 Rider PSR has a hedge value. And what I am trying to
20 explore is whether or not customers are actually
21 getting any value out of that hedge. And unless we
22 can get evidence that the value of that hedge is more
23 than \$77 million, I think it's pretty clear that
24 they're not getting any value and that's what I'm
25 exploring with the witness. So all I'm trying to get

1 at is what the company asserts is the purported value
2 of the hedge of Rider PSR.

3 EXAMINER WALSTRA: Overruled.

4 A. Again, I'll just refer you to the
5 Commission's second answer on rehearing in the AEP
6 PPA case, their fifth answer on rehearing of the AEP
7 PPA case, and the Commission's brief in the AEP
8 appeal you mentioned. In all cases they found the
9 hedge has a value that exceeds the costs so.

10 Q. And you're aware, Mr. Wathen, since you
11 brought them up, that in the AEP case the forecast
12 adopted by the Commission was that the AEP PPA rider
13 would be a net positive, correct?

14 A. I think the Commission concluded that
15 there -- the volatility of the cost is what gave the
16 hedge its value.

17 MR. MENDOZA: Objection, your Honor. I
18 object to the witness offering an opinion about what
19 the Commission concluded in another case.

20 MR. D'ASCENZO: He was asked, your Honor.

21 MR. MENDOZA: It shouldn't be in the
22 evidence.

23 MR. MICHAEL: May I have -- we have the
24 question read back, your Honor? Because I may
25 rephrase it and withdraw if that's what I said. May

1 I have it read back, please, Karen?

2 (Record read.)

3 MR. MICHAEL: And thank you very much. I
4 would also join the motion to strike in that, your
5 Honor, what I was asking the witness about is the
6 forecast adopted by the Commission. The forecasts
7 were made by AEP, all right? I'm not talking about
8 what the PUCO held or decided as it relates to the
9 volatility and stuff like that. I'm simply asking
10 him to confirm, which I think he will, that the
11 forecasts offered by the company was that the PPA
12 rider would be a net positive which distinguishes
13 that case very much so from this case wherein the
14 company has forecasted that the PSR rider will be
15 negative. So that's a fact issue. That's not a
16 legal issue.

17 EXAMINER WALSTRA: Grant the motion to
18 strike.

19 MR. MICHAEL: Thank you, your Honor.

20 Q. (By Mr. Michael) Would you like the
21 question reread, Mr. Wathen?

22 A. Yeah, but I will probably give you the
23 same answer. Go ahead.

24 Q. I'll go ahead and ask it. You're aware,
25 Mr. Wathen, that in the AEP case the forecasts for

1 the PPA rider offered by the company were showing
2 that the Rider PPA would be a net positive for its
3 duration over the ESP term, correct?

4 A. I think there was one forecast that
5 showed that. There were a number of others that
6 showed negative.

7 Q. And the forecast that the company
8 provided that showed Rider PPA as a net positive was
9 the one that the Commission relied on as most
10 accurate, correct?

11 A. I don't remember that.

12 Q. Okay. So you just want to un -- give
13 this one more shot, if we can, Mr. Wathen. Duke has
14 disclosed everything about how Rider PSR is going to
15 work, correct?

16 A. I don't know what else I would share with
17 you.

18 Q. And Duke's witness has forecasted that
19 Rider PSR's nominal cost will be 77 million -- no,
20 its net present value cost will be 77 million and its
21 nominal cost to consumers will be 94 million,
22 correct?

23 MR. D'ASCENZO: Objection, your Honor,
24 asked and answered over and over.

25 MR. MICHAEL: I am just laying a

1 foundation, your Honor --

2 EXAMINER WALSTRA: Overruled.

3 MR. MICHAEL: -- for the ultimate
4 question. Thank you.

5 A. 77 and 94 --

6 Q. Correct.

7 A. -- are also Judah's numbers.

8 Q. Correct. And, therefore, because the
9 company has disclosed everything about Rider PSR and
10 the price reflects all known information about the
11 value of an asset, then wouldn't you agree that the
12 value of Rider PSR would have to exceed Judah's
13 numbers before it would be beneficial to customers?

14 A. The value of the PSR is in addressing the
15 volatility of the future prices. His forecast almost
16 certainly will not come true. It will be different
17 than that. It could be higher; it could be lower.
18 So the point of the PSR is to provide a hedge against
19 that volatility, and if the Commission believes
20 that's worth it, then they will make that decision.

21 Q. But the only information it has before it
22 is Mr. Rose's numbers and Mr. Wilson's numbers,
23 correct?

24 A. The forecast they have in front of them
25 is -- are those numbers. The fact that it's volatile

1 is not necessarily attributed to those numbers.

2 Q. Okay. But the Commission has to base its
3 decisions on facts in evidence before it, correct?

4 A. Exactly. And the fact -- one fact is
5 those prices are volatile.

6 Q. Okay. But in terms of the costs, the
7 facts in evidence the Commission has before it are
8 both showing Rider PSR to be a charge on consumers
9 during its duration, correct?

10 A. The current forecast, that is correct.

11 Q. I want to stay on page 34, Mr. Wathen.
12 You -- on line 14, you talk about the 19.17 base rate
13 reduction. Do you see that?

14 A. Yes.

15 Q. How -- is that 19.7 million from a
16 consumer's perspective reflected on a yearly basis?

17 A. It's 19.17 first.

18 Q. What did I say?

19 A. You said 19.7.

20 Q. Sorry, 19.17.

21 A. 19.17. We don't need more money.

22 Q. Yeah, right.

23 A. 19.17, is that a -- what was your
24 question?

25 Q. My question is will consumers realize the

1 benefit of that 19.17 million base rate reduction on
2 a yearly basis?

3 A. The annualized number, that's correct.

4 Q. So does that mean that each year
5 consumers will be \$19.17 million better off as a
6 result of the base rate reduction?

7 A. Compared to not getting it, yes.

8 Q. Okay. So currently you're assuming an
9 \$18 million yearly charge for Rider PSR, correct?

10 A. Assuming, yes, that is correct.

11 Q. But a \$19.17 million yearly benefit as a
12 result of the base rate reduction, correct?

13 A. That is correct.

14 Q. Okay.

15 A. All those are reflected in the bill
16 attachment, the bill summaries on the -- attached to
17 my schedule.

18 MR. MICHAEL: Okay. If I could have 5
19 minutes, your Honor, to talk with my colleagues, I
20 may be through.

21 EXAMINER WALSTRA: Okay. Go off the
22 record.

23 (Discussion off the record.)

24 EXAMINER WALSTRA: We'll go back on the
25 record.

1 MR. MICHAEL: Thank you, your Honor. I
2 have no further questions.

3 Thank you, Mr. Wathen.

4 EXAMINER WALSTRA: Thank you.

5 Ms. Glover.

6 - - -

7 CROSS-EXAMINATION

8 By Ms. Glover:

9 Q. Good afternoon. Just a couple of
10 questions for RESA. If I could have you turn to
11 page 24 of your second supplemental testimony.

12 A. 24.

13 Q. 24, yes. Just the section regarding
14 purchase of accounts receivables.

15 A. Okay.

16 Q. And specifically I am going to ask you
17 questions about the audit that was recommended in
18 this -- and that the company --

19 A. I can't hear you very well.

20 Q. I don't think the mic is actually
21 working.

22 Is that better?

23 A. That's better.

24 Q. Okay. So I'm going to point your
25 attention to the paragraph that's lines 9 through 16

1 regarding the audit process of the PAR program. And
2 just for clarification on two -- starting on lines 10
3 and line 12 regarding the sufficiency of internal
4 processes and controls. Do you see those?

5 A. Yes.

6 Q. Just for clarification I assume those
7 refer to the company's internal processes and
8 controls?

9 A. This particular line refers to our
10 processes and controls.

11 Q. So Duke's.

12 A. Yes.

13 Q. Would you expect the audit to include
14 examinations of CRES suppliers' internal processes or
15 controls?

16 A. What's written here would be all --
17 pretty much all on our side. If you want to delve
18 into that, I think staff has -- they have views as
19 well so you might --

20 Q. Sure, right. Would you expect such an
21 audit to include any examination of CRES suppliers'
22 books?

23 A. Again, that's a staff question.

24 Q. Okay. Is your -- would your
25 understanding be that noncommodity costs would be

1 disallowed through a K&R program or if it came up in
2 an audit?

3 A. I don't know.

4 Q. So you can't speak to whether if
5 noncommodity price costs were built into a CRES
6 supplier's rates, if that would be disallowed through
7 the audit period?

8 A. Again, this is a recommendation made in
9 the Staff Report that staff advocated. I recommend
10 you talk to the staff.

11 MS. GLOVER: Okay. That's all the
12 questions I have.

13 EXAMINER WALSTRA: Thank you. Let's
14 recess until a quarter till.

15 (Recess taken.)

16 EXAMINER WALSTRA: Any redirect?

17 MR. D'ASCENZO: Yes, just briefly, your
18 Honor.

19 - - -

20 REDIRECT EXAMINATION

21 By Mr. D'Ascenzo:

22 Q. Mr. Wathen, do you recall a conversation
23 with counsel for OCC about Rider BDP as it relates to
24 the City of Cincinnati?

25 A. Yes.

1 Q. Could you please explain whether or not
2 the changes to Rider BDP would only apply to the
3 City?

4 A. No. Rider D -- Rider BDP is a standard
5 voluntary rate. We have many customers on that
6 already and any customer that's already on it will
7 benefit from the lower rates.

8 Q. Would that also apply to customers then
9 going forward that may choose to take that rider?

10 A. And a lower rate will be available to a
11 customer who chooses to take backup delivery power.

12 Q. Thank you.

13 And, Mr. Wathen, do you recall a
14 conversation also with counsel from OCC about the
15 company's ability to reject an ESP under the statute?

16 A. Yes.

17 Q. And I believe you mentioned as part of
18 your response that there was a provision in the
19 stipulation that gave other signatory parties an
20 ability to -- to withdraw. Can you please elaborate
21 on that?

22 A. I'm trying to find it in the stipulation
23 here.

24 Q. If it helps, I will refer you to page 27,
25 the bottom.

1 A. Exactly. The part C is, in my view
2 anyway, a fundamental component of the stipulation
3 for all parties that signed in the -- and the folks
4 nonopposing that it is conditioned upon adoption in
5 its entirety by the Commission without material
6 modification. That's a benefit to all the parties
7 they have the right to exercise.

8 MR. D'ASCENZO: Thank you. No further
9 questions.

10 EXAMINER WALSTRA: Thank you.

11 Any recross going down the line? No?

12 THE WITNESS: I was all prepared to talk
13 about MAIFI.

14 MR. MICHAEL: You had your opportunity
15 and missed it, Mr. Wathen.

16 EXAMINER WALSTRA: All right. Thank you,
17 Mr. Wathen.

18 THE WITNESS: Thank you.

19 EXAMINER WALSTRA: Would you like to move
20 your exhibits?

21 MR. D'ASCENZO: Yes, your Honor. The
22 company would request to move into evidence Company
23 Exhibits No. 26, 27, 28, 29, and 30.

24 EXAMINER WALSTRA: Subject to the
25 previous motions to strike, any objections?

1 They will be admitted.

2 (EXHIBITS ADMITTED INTO EVIDENCE.)

3 EXAMINER WALSTRA: Mr. Oliker.

4 MR. OLIKER: Thank you, your Honor. IGS
5 at this time would move for the admission of Exhibits
6 9, 10, 11, and 12. And regarding Exhibit 11, as we
7 indicated before, we will separate those discovery
8 responses and ensure that it's clear the difference
9 between Exhibit 8 and 11.

10 EXAMINER WALSTRA: Thank you. Any
11 objection?

12 MR. D'ASCENZO: For clarification, Joe,
13 the OVEC annual report, is it just the excerpt, or is
14 it the entire annual report, Form 1?

15 MR. OLIKER: We are fine doing the full
16 annual report, but if you would prefer to do just the
17 excerpts, we can do that too.

18 MR. D'ASCENZO: I was just curious, Joe.
19 Whichever. I don't know that I have an opinion. I
20 was just for my records what you're intending.

21 MR. OLIKER: We could do just the
22 excerpts. Anybody else for purposes of the clarity
23 of the record wants the whole document?

24 EXAMINER WALSTRA: Keep it with the
25 excerpts.

1 MS. WATTS: Joe, we still need revised 8.

2 EXAMINER WALSTRA: Hearing no objections,
3 they will be admitted.

4 (EXHIBITS ADMITTED INTO EVIDENCE.)

5 EXAMINER WALSTRA: OCC.

6 MR. MICHAEL: We move OCC Exhibit 5, your
7 Honor.

8 EXAMINER WALSTRA: Any objection?

9 Hearing none, it will be admitted.

10 (EXHIBIT ADMITTED INTO EVIDENCE.)

11 EXAMINER WALSTRA: I believe that is all.
12 That is all.

13 We'll reconvene on Monday. We'll go off
14 the record.

15 (Discussion off the record.)

16 (Thereupon, at 3:53 p.m., the hearing was
17 adjourned.)

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1 CERTIFICATE

2 I do hereby certify that the foregoing is a
3 true and correct transcript of the proceedings taken
4 by us in this matter on Friday, July 13, 2018, and
5 carefully compared with our original stenographic
6 notes.

7
8 _____
9 Karen Sue Gibson, Registered
Merit Reporter.

10
11 _____
12 Carolyn M. Burke, Registered
Professional Reporter.

13 (KSG-6580)

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Summary: Transcript in the matter of Duke Energy Ohio, Inc. hearing held on 07/13/18 - Volume V electronically filed by Mr. Ken Spencer on behalf of Armstrong & Okey, Inc. and Gibson, Karen Sue Mrs.