

**BEFORE**

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Annual Application of )  
Duke Energy Ohio, Inc. for an Adjustment ) Case No. 18-1452-GA-RDR  
to Rider AMRP Rates. )

In the Matter of the Application of Duke )  
Energy Ohio, Inc. for Tariff Approval. ) Case No. 18-1453-GA-ATA  
)

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**DIRECT TESTIMONY OF**

**SARAH E. LAWLER**

**ON BEHALF OF**

**DUKE ENERGY OHIO, INC.**

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February 25, 2019

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**I. INTRODUCTION AND PURPOSE**

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

2 A. My name is Sarah E. Lawler and my business address is 139 East Fourth Street,  
3 Cincinnati, Ohio 45202.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by Duke Energy Business Services LLC (DEBS) as Director,  
6 Rates and Regulatory Planning for Duke Energy Ohio, Inc., (Duke Energy Ohio  
7 or Company) and Duke Energy Kentucky, Inc. DEBS provides various  
8 administrative and other services to Duke Energy Ohio and other affiliated  
9 companies of Duke Energy Corporation (Duke Energy).

10 **Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL**  
11 **QUALIFICATIONS.**

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

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

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

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

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

12 A. Yes. I have testified in the Company's Electric Security Plan IV filing, Case No.  
13 17-1263-EL-SSO, *et al.* I have also prepared testimony for the Company in  
14 annual MGP rider filings, Case Nos. 17-596-GA-RDR and 18-283-GA-RDR; last  
15 year's annual AMRP rider filing, Case No. 17-2318-GA-RDR; annual SEET  
16 filing Case No. 18-568-EL-UNC; and annual Rider AU filing, Case No. 18-837-  
17 GA-RDR.

18 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

19 A. I will explain the updated schedules filed by Duke Energy Ohio in this proceeding  
20 for both the Accelerated Main Replacement Program (AMRP) and the Riser  
21 Replacement Program (RRP). I will also support the reasonableness of Duke  
22 Energy Ohio's request for revised Rider AMRP rates.

## **II. EXPLANATION OF SCHEDULES**

1 **Q. PLEASE EXPLAIN SCHEDULES 1 AND 2.**

2 A. Schedules 1 and 2 provide the annualized revenue requirement for Duke Energy  
3 Ohio's revised Rider AMRP rates based on the Net Rate Base of the AMRP  
4 (Schedule 1) and the RRP (Schedule 2) at December 31, 2018. The information on  
5 these schedules is supported by various schedules from Schedules 3 through 14.  
6 Schedules 1 and 2 also include an approved pre-tax rate of return that reflects a  
7 reduction of the corporate federal tax rate from 35% to 21% as a result of the Tax  
8 Cut and Jobs Act of 2017 becoming law.

9 **Q. PLEASE EXPLAIN SCHEDULE 3.**

10 A. Schedule 3 provides the actual provision for depreciation from January 2018  
11 through December 2018 to calculate the balance at December 31, 2018. This  
12 schedule provides information for the AMRP.

13 **Q. PLEASE EXPLAIN SCHEDULES 4 and 5.**

14 A. Schedules 4 and 5 provide the Post In-Service Carrying Cost (PISCC) activity by  
15 month from January 2018 through December 2018 to calculate the balance at  
16 December 31, 2018. These schedules also provide the actual PISCC amortization  
17 from January 2018 through December 2018 to calculate the balance at December  
18 31, 2018. Additionally, the Net PISCC Regulatory Asset for the periods is  
19 provided. Schedule 4 provides information for the AMRP and Schedule 5  
20 provides information for the RRP.

1 **Q. PLEASE EXPLAIN SCHEDULES 6-A, 6-B, AND 7.**

2 A. Schedules 6-A, 6-B, and 7 provide the calculation of deferred taxes on liberalized  
3 depreciation for actual deferred taxes as of December 31, 2018. These deferred  
4 taxes are calculated only on the plant in-service added through the AMRP and the  
5 RRP since the date certain in the Company's last gas base rate case. The  
6 schedules also provide the calculation of excess deferred income taxes as of  
7 December 31, 2018. Schedules 6-A and 6-B provide information for the AMRP.  
8 Schedule 7 provides information for the RRP.

9 **Q. PLEASE EXPLAIN SCHEDULE 8.**

10 A. Schedule 8 provides the calculation of the annualized reduction in depreciation  
11 expense associated with retirements based on actual AMRP retirements from the  
12 date certain of the Company's last gas base rate case through 2018.

13 **Q. PLEASE EXPLAIN SCHEDULE 9.**

14 A. Schedule 9 provides a calculation of the annualized amortization of the PISCC  
15 accrued from the date certain of the Company's last gas base rate case through  
16 2018 for AMRP.

17 **Q. PLEASE EXPLAIN SCHEDULE 10.**

18 A. Schedule 10 demonstrates that there are \$312,532 of savings included in the  
19 Company's filing. In Case No. 10-2788-GA-RDR, the Company committed to  
20 savings of \$929,670. Schedule 10 shows the savings of \$617,138 when  
21 comparing the last rate case, Case No. 07-589-GA-AIR, *et al.*, to the most recent  
22 rate case, Case No. 12-1685-GA-AIR, *et al.* The difference between the \$929,670  
23 and \$617,138 is a guaranteed savings amount of \$312,532, as shown on Schedule

1 10 and on the revenue requirement page, Schedule 1 for this Application. This  
2 schedule does not include any expenses for the Integrity Management Program.

3 **Q. PLEASE EXPLAIN SCHEDULE 11.**

4 A. Schedule 11 provides actual camera work expenses by month for the twelve  
5 months ended December 31, 2018.

6 **Q. PLEASE EXPLAIN SCHEDULES 12 AND 13.**

7 A. Schedules 12 and 13 provide the calculation of the annualized property tax  
8 expense based on actual additions and retirements to plant in-service from the  
9 date certain of the Company's last gas base rate case through 2015. This  
10 calculation follows the process used in Duke Energy Ohio's Annual Report to the  
11 Ohio Department of Taxation to determine the Net Property Valuation and uses  
12 the latest known average property tax rate per \$1,000 of valuation. Schedule 12  
13 provides information for the AMRP and Schedule 13 provides information for the  
14 RRP.

15 **Q. PLEASE EXPLAIN SCHEDULE 14.**

16 A. Schedule 14 provides the Rider AMRP charge by rate class using the allocation  
17 percentages for the AMRP and the RRP included in the Stipulation and  
18 Recommendation approved by the Commission in Case No. 12-1685-GA-AIR, *et*  
19 *al.*; the number of customer bills for the twelve months ended December 31,  
20 2018; Mcf Sales to Interruptible Transportation customers for the twelve months  
21 ended December 31, 2018; and the annualized AMRP and RRP revenue  
22 requirement as calculated on Schedules 1 and 2. The Rider AMRP Rate Cap for

1 2018 for residential customers in accordance with the Stipulation and  
2 Recommendation is \$4.00 per month.

**III. REASONABLENESS OF REQUESTED INCREASE**

3 **Q. ARE YOU FAMILIAR WITH THE STIPULATION AND**  
4 **RECOMMENDATION FILED WITH THE COMMISSION ON APRIL 2,**  
5 **2013, AND APPROVED BY THE COMMISSION IN ITS OPINION AND**  
6 **ORDER ON NOVEMBER 13, 2013, IN CASE NO. 12-1685-GA-AIR, et al.?**

7 A. Yes.

8 **Q. IN YOUR OPINION, HAS THE COMPANY STAYED UNDER THE RATE**  
9 **CAPS ESTABLISHED IN THAT BASE RATE CASE PROCEEDING?**

10 A. Yes.

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

13 A. Yes.

14 **Q. DO YOU HAVE AN OPINION REGARDING WHETHER DUKE**  
15 **ENERGY OHIO'S REQUEST FOR NEW RIDER AMRP RATES IS**  
16 **REASONABLE?**

17 A. Yes.

18 **Q. PLEASE STATE YOUR OPINION.**

19 A. Duke Energy Ohio's rate request is fair and reasonable. I believe that the costs of  
20 service are properly allocated to customer classes and the rate design was properly  
21 performed in accordance with the terms and conditions of the Stipulation and  
22 Recommendation. The proposed Rider AMRP rates are within the rate caps



1 established in the Stipulation and Recommendation in Case No. 12-1685-GA-  
2 AIR, *et al.*

IV. CONCLUSION

3 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

4 A. Yes.

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

**Commission of Ohio Docketing Information System on**

**2/25/2019 11:10:47 AM**

**in**

**Case No(s). 18-1452-GA-RDR, 18-1453-GA-ATA**

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