

**BEFORE**

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of Review of )  
Duke Energy Ohio, Inc.'s ) Case No. 18-1036-EL-RDR  
Distribution Capital Investment Rider. )

**DIRECT TESTIMONY OF**

**SARAH E. LAWLER**

**ON BEHALF OF**

**DUKE ENERGY OHIO, INC.**

June 18, 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 BRIEFLY DESCRIBE YOUR EDUCATION AND**  
11       **PROFESSIONAL EXPERIENCE.**

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 filings. In August 2005, I moved into the role of Manager,  
21             Budgets & Forecasts. In June 2006, following the merger between Cinergy Corp.  
22             and Duke Energy, I became Manager, Financial Forecasting. In February 2015, I

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

5 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC**  
6 **UTILITIES COMMISSION OF OHIO (COMMISSION)?**

7 A. Yes. I have provided testimony in several proceedings before the Commission  
8 regarding Duke Energy Ohio's various rate mechanisms. Most recently, I  
9 provided written testimony in Case No. 19-174-GA-RDR, et al and testified in  
10 Case No. 18-837-GA-RDR, et al.

11 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**  
12 **PROCEEDING?**

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

## **II. DISCUSSION OF THE STIPULATION**

1 **Q. PLEASE DESCRIBE THE STIPULATION.**

2 A. On June 10, 2019, Duke Energy Ohio and Staff (collectively, Signatory Parties)  
3 reached an agreement, set forth in the Stipulation, as to the resolution of all the  
4 issues in this proceeding, relating to the Compliance Audit of the July 1, 2017 to  
5 June 30, 2018, Duke Energy Ohio Distribution Capital Investment Rider (Rider  
6 DCI).

7 **Q. DOES THE STIPULATION RESOLVE THE ISSUES RAISED IN THE**  
8 **STAFF'S RIDER DCI COMPLIANCE AUDIT?**

9 A. Yes. As outlined on page 5, Item 5 of of the stipulation, the Company is agreeing  
10 to make revenue requirement adjustments in its future Rider DCI filings for all  
11 adjustments proposed by the Auditor retained by Staff Rehmann Consulting,  
12 (Rehmann) for the period within the scope of the audit (July 1, 2017- June 30,  
13 2018). Additionally, as noted on page 5, Item 6 of the stipulation, the Company  
14 has already taken action to make corrections to the underlying plant in-service  
15 values included in the Rider DCI filings that gave rise to the necessity of these  
16 revenue requirement adjustments in accordance with the auditor's findings. The  
17 Company has agreed to catch up on the un-unitized Plant and RWIP backlog  
18 within one year of the Commission's Order in this proceeding. The Company has  
19 also agreed to review its processes and procedures as it relates to billing of  
20 Contributions In Aid of Construction (CIAC) and workorder estimating.

1   **Q.    DOES THE STIPULATION EXPLICITLY CALL FOR A FOLLOW-UP**  
2       **AUDIT OF THE COMPANY’S CIAC BILLING PROCEDURES,**  
3       **WORKORDER ESTIMATING PROCESSES AND UNITIZATION**  
4       **BACKLOG CATCH UP?**

5   A.   No, it does not.

6   **Q.    IS IT NECESSARY FOR THE STIPULATION TO CALL FOR A**  
7       **FOLLOW-UP AUDIT OF THE COMPANY’S CIAC BILLNG**  
8       **PROCEDURES, WORK ORDER ESTIMATING PROCESSES AND**  
9       **UNITIZATION OF BACKLOG CATCH UP?**

10  A.   No. It is not. The Commission solely directs the work of the auditor in every  
11       annual audit. As was noted on page 3 of Rehmann’s Compliance Audit in this  
12       proceeding, the Commission directed Rehmann to “review the Company’s  
13       procedures for estimating projects to ensure their accuracy, and assess if cost  
14       controls are adequate within projects.” The Commission also directed Rehmann to  
15       “review the Company’s unitization of plant, following DEO Capitalization  
16       Guidelines” and to review each previous Rider DCI audit case and the auditor  
17       recommendations associated therewith and any Commission Orders in these  
18       cases.” It is reasonable to expect the Commission will include these directives in  
19       all future Rider DCI audit proceedings and therefore it is not necessary to spell  
20       this out in the stipulation.

1   **Q.   PLEASE IDENTIFY THE CRITERIA USED BY THE COMMISSION IN**  
2       **REVIEWING A STIPULATION.**

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

7   **Q.   IS THE STIPULATION THE PRODUCT OF SERIOUS BARGAINING**  
8       **AMONG CAPABLE, KNOWLEDGEABLE PARTIES?**

9   A.   Yes, it is. Representatives of the Company met multiple times with both Staff and  
10       representatives of Office of the Consumers' Council (OCC). The parties in those  
11       discussions were represented by experienced, competent counsel and subject  
12       matter experts. All parties were provided with an opportunity to express their  
13       concerns and to respond to the concerns of others in an open process that resulted  
14       in the resolution of all issues raised by the Signatory Parties in this case. For  
15       these reasons, I believe that the Stipulation resulted from thorough analysis,  
16       discussion, and understanding among capable parties with divergent interests and,  
17       therefore, represents the product of the efforts of capable, knowledgeable parties.

18   **Q.   DOES THE STIPULATION VIOLATE ANY IMPORTANT**  
19       **REGULATORY PRINCIPLE OR PRACTICE?**

20   A.   No. Based on the advice of counsel, my understanding is that the Stipulation  
21       complies with all relevant and important regulatory principles and practices.  
22       Based upon my experience with regulatory matters, my involvement in these

1 proceedings, and my examination of the Stipulation, I have concluded that the  
2 Stipulation does not violate any regulatory ratemaking principle.

3 **Q. DOES THE STIPULATION BENEFIT RATEPAYERS AND THE PUBLIC**  
4 **INTEREST?**

5 A. Yes. The Stipulation demonstrates that stakeholders have examined information  
6 relevant to the Rider DCI Compliance Audit. The public interest is served when  
7 such parties intervene and represent diverse interests in examining the record and  
8 ensuring that regulatory requirements are met. The public interest has been served  
9 for the following reasons:

- 10 • The Company's revenue requirement in Rider DCI will be reduced in the  
11 1<sup>st</sup> Quarterly filing after Commission Order by \$2,299,414 and will be  
12 reduced in the following 3 quarterly filings by \$146,329 which benefits all  
13 ratepayers.
- 14 • The Company will implement enhanced controls and processes around  
15 billing of CIAC and workorder estimating.
- 16 • The Company will catch up on the un-unitized Plant and RWIP backlog  
17 within one year of the Commission's Order in this proceeding.

18 **Q. IS THE STIPULATION A JUST AND REASONABLE RESOLUTION OF**  
19 **THE ISSUES?**

20 A. Yes. The Stipulation is consistent with (1) established regulatory principles and  
21 practices and (2) commitments made in prior Commission decisions involving the  
22 relevant issues, and prior Commission determinations as to the Rider DCI  
23 Compliance Audit. It also represents a timely and efficient resolution of the issues



1 raised in these proceedings, following thoughtful deliberation and discussion by  
2 the Signatory Parties.

3 **Q. DO YOU BELIEVE THE STIPULATION MEETS THE THREE-PART**  
4 **TEST REGARDING CONSIDERATION OF STIPULATIONS AND**  
5 **THEREFORE SHOULD BE ADOPTED BY THE COMMISSION?**

6 A. Yes, I do.

7 **Q. DOES THE STIPULATION RESOLVE ALL OF THE ISSUES IN THESE**  
8 **PROCEEDINGS?**

9 A. Yes, as among the Signatory Parties.

### **III. CONCLUSION**

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

11 A. Yes.

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

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Summary: Testimony Direct Testimony of Sarah E. Lawler on behalf of Duke Energy Ohio, Inc. electronically filed by Mrs. Tammy M Meyer on behalf of Duke Energy Ohio Inc. and Rocco D'Ascenzo and Elizabeth Watts