

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke Energy Ohio, Inc., for an Adjustment to Rider MGP Rates.) Case No. 20-0053-GA-RDR)

In the Matter of the Application of Duke)
Energy Ohio, Inc., for Tariff Approval.) Case No. 20-0054-GA-ATA

DIRECT TESTIMONY OF

SARAH E. LAWLER

ON BEHALF OF

DUKE ENERGY OHIO, INC.

March 31, 2020

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ATTACHMENTS:

SEL-1: Detail of MGP Expense – 2019
SEL-2: Rider MGP charge – Rate Class

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 or
7 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 EDUCATIONAL BACKGROUND AND**
11 **PROFESSIONAL EXPERIENCE.**

12 A. I earned a Bachelor of Science in Accountancy from Miami University, Oxford,
13 OH 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 RESPONSIBILITIES AS DIRECTOR,**
6 **RATES AND 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.

13 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THESE**
14 **PROCEEDINGS?**

15 A. I will explain the history of Rider MGP and describe the updated schedules filed
16 by Duke Energy Ohio in this proceeding. I will also support the reasonableness of
17 Duke Energy Ohio's request for revised Rider MGP rates.

II. HISTORY OF RIDER MGP

18 **Q. PLEASE DESCRIBE THE HISTORY OF RIDER MGP.**

19 A. In Case No. 09-0712-GA-AAM, the Commission issued a Finding and Order, on
20 November 12, 2009, authorizing the Company to defer costs related to the
21 environmental investigation and remediation of two former manufactured gas
22 plant (MGP) sites. In that Finding and Order, the Commission specifically found

1 that the “environmental investigation and remediation costs are business costs
2 incurred by Duke [Energy Ohio] in compliance with Ohio regulations and federal
3 statutes.”¹ The Company was also allowed to accrue carrying costs on the deferred
4 amounts until the date when recovery would begin at the embedded cost of debt.
5 The Commission further observed that the recovery of these business costs would
6 be addressed in a subsequent base rate case.

7 On July 9, 2012, Duke Energy Ohio filed for an increase in its base rates in
8 Case Nos. 12-1685-GA-AIR, *et al.* (Base Rate Case). As part of the Base Rate
9 Case, Duke Energy Ohio followed the Commission’s instructions from the
10 Commission’s Finding and Order in Case No. 09-712-GA-AAM and requested to
11 recover amounts that had been deferred, plus carrying charges, from 2008 through
12 the end of the test period or December 31, 2012. As part of a settlement in the
13 Base Rate Case, the Company agreed to withdraw its request for base rate
14 recovery of the deferred MGP costs and to create a new rider, Rider MGP, to
15 recover Commission-approved deferrals for MGP remediation plus carrying costs.

¹ *In the Matter of the Application of Duke Energy Ohio, Inc., for Authority to Defer Environmental Investigation and Remediation Costs*, Case No. 09-712-GA-AAM, Finding and Order, (November 12, 2009).

1 After litigating the issues of whether MGP costs were recoverable and the amount
2 of MGP remediation costs to be recovered, the Commission issued an Opinion
3 and Order in the Base Rate Case that allowed the Company to begin recovery of
4 these costs (with certain adjustments) through Rider MGP. In its Opinion and
5 Order, Commission disallowed certain costs.

6 The initial tariff for Rider MGP was filed on February 21, 2014, with rates
7 effective in March 2014. Collection under Rider MPG was suspended by the Ohio
8 Supreme Court in June 2014, but resumed in January 2015. In the Opinion and
9 Order, the Commission also ordered Duke Energy Ohio to update Rider MGP on
10 an annual basis, presumably with the Company being able to timely recover its
11 incurred costs. The first such filing for calendar year 2013 costs was made on
12 March 31, 2014, in Case Nos. 14-0375-GA-RDR, *et al.* The second such filing for
13 calendar year 2014 costs was made on March 31, 2015, in Case Nos. 15-0452-
14 GA-RDR, *et al.* The third such filing for calendar year 2015 costs was made on
15 March 31, 2016, in Case Nos. 16-0542-GA-RDR, *et al.* The fourth such filing for
16 calendar year 2016 costs was made on March 31, 2017, in Case Nos. 17-596-GA-
17 RDR, *et al.* The fifth such filing for calendar year 2017 costs was made on March
18 28, 2018 in Case Nos. 18-283-GA-RDR, *et al.* The sixth such filing for calendar
19 year 2018 costs was made on March 29, 2019 in Case Nos. 19-0174-GA-RDR, *et*
20 *al.* In the 2015, 2016, 2017 and 2018 filings, the Company requested that all the
21 rider update filings be consolidated.

22 On June 28, 2018, the Attorney Examiner granted the Company's motion
23 to consolidate the cases and issued a procedural schedule. Commission Staff filed

1 its Staff Report in the consolidated cases on September 28, 2018, recommending a
2 disallowance of \$11,867,900 of costs included in previous rider filings for
3 calendar years 2013-2017. Commission Staff also filed a Staff Report on July 12,
4 2019 recommending a disallowance of \$11,366,242 of costs included in calendar
5 year 2018. The disallowances recommended in both reports were based on the
6 incorrect conclusion that such costs were to remediate areas outside of the former
7 MGP operational sites. A hearing was held November 18 through November 21,
8 2019 for the consolidated cases covering calendar years 2013-2018 and briefs and
9 reply briefs were filed January 17, 2020 and February 14, 2020, respectively. The
10 cases are now awaiting a Commission order.

11 **Q. DOES THE CALCULATION OF ANNUAL MGP DEFERRALS AND**
12 **RIDER MGP COSTS INCLUDE CARRYING CHARGES FOR THE**
13 **DEFERRED BALANCE?**

14 A. No. Although the Commission allowed Duke Energy Ohio to include carrying
15 costs on its deferred balance at the Company's embedded cost of debt when it
16 initially approved the deferral, the Commission reversed that decision in the
17 Opinion and Order in the Base Rate Case, denying the Company any carrying
18 costs, nor was it permitted to continue accruing carrying costs on the deferred
19 balance going forward.

III. EXPLANATION OF SCHEDULES

20 **Q. PLEASE EXPLAIN ATTACHMENT SEL-1.**

21 A. Schedule SEL-1 is the detail of the MGP expense incurred in calendar year 2019 by
22 month and by activity. The total amount for calendar year 2019 is \$39,031,789.

1 **Q. DOES THE AMOUNT ON ATTACHMENT SEL-1 INCLUDE CARRYING**
2 **COSTS?**

3 A. No. Pursuant to the Opinion and Order in the Base Rate Case, there are no carrying
4 costs included in this Application.

5 **Q. PLEASE EXPLAIN ATTACHMENT SEL-2.**

6 A. Schedule SEL-2 provides the proposed Rider MGP charge by rate class using the
7 allocation percentages included in the Stipulation and Recommendation approved
8 by the Commission in the Base Rate Case. It also provides the number of customer
9 bills for the twelve months ended December 31, 2019.

10 **Q. DOES THE CALCULATION IN ATTACHMENT SEL-2 INCLUDE**
11 **AMOUNTS INCURRED IN PRIOR YEARS?**

12 A. Yes. It includes costs incurred in calendar years 2013, 2014, 2015, 2016, 2017 and
13 2018, which were filed with the Commission in Case Nos. 14-0375-GA-RDR, *et*
14 *al.*, Case Nos. 15-0452-GA-RDR, *et al.*, Case Nos. 16-0542-GA-RDR, *et al.*, Case
15 Nos. 17-596-GA-RDR, *et al.*, Case Nos. 18-0283-GA-RDR, *et al.* and Case Nos. 19-
16 0174-GA-RDR, *et al.* which have not yet been ruled upon, along with costs for
17 calendar year 2019.

18 **Q. WHY DOES THE CALCULATION IN ATTACHMENT SEL-2 NOT**
19 **INCLUDE COSTS INCURRED THROUGH DECEMBER 31, 2012.**

20 A. The costs incurred through December 31, 2012 were fully collected from customers
21 in July 2019 and the Rider MGP was then set to zero.

1 **Q. IS THE COMPANY PROPOSING THE SAME AMORTIZATION PERIOD**
2 **FOR 2013-2019 COSTS THAT IT DID FOR COSTS INCURRED**
3 **THROUGH 2012?**

4 A. Yes. The Company is proposing that all remaining costs incurred from 2013-2019
5 be recovered over a five-year period, consistent with the recovery period for the
6 costs incurred through 2012. Based on this amortization period, the current rates
7 would be as follows: Residential \$2.38 per month, GS/FT Small \$5.40 per month,
8 GS/FT Large \$37.27 per month and IT \$312.61 per month.

9 These costs date back as far as 2013 (over seven years old) and as I've
10 mentioned earlier, the Company is not accruing carrying costs. Some consideration
11 should be given to the timely recovery of such costs and increasing the amortization
12 period any longer than what was authorized by the Commission for the costs
13 incurred through 2012 would exacerbate that issue.

IV. REASONABLENESS OF REQUESTED INCREASE

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

16 A. Yes.

17 **Q. DO YOU HAVE AN OPINION REGARDING WHETHER DUKE**
18 **ENERGY OHIO'S REQUEST FOR NEW RIDER MGP RATES IS**
19 **REASONABLE?**

20 A. Yes.

1 **Q. PLEASE STATE YOUR OPINION.**

2 A. Duke Energy Ohio's rate request is fair and reasonable. I believe that the costs of
3 service are properly allocated to customer classes and the rate design was properly
4 performed in accordance with the terms and conditions of the Stipulation and
5 Recommendation in the Base Rate Case, as approved by the Commission.

V. CONCLUSION

6 **Q. WERE ATTACHMENTS SEL-1 AND SEL-2 PREPARED BY YOU OR AT**
7 **YOUR DIRECTION AND UNDER YOUR CONTROL?**

8 A. Yes.

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

10 A. Yes.

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Summary: Testimony Direct Testimony of Sarah Lawler electronically filed by Mrs. Debbie L Gates on behalf of Duke Energy Ohio Inc. and D'Ascenzo, Rocco O. Mr. and Kingery, Jeanne W and Vaysman, Larisa