

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke)
Energy Ohio, Inc., to Adjust Rider AU) Case No. 19-664-GA-RDR
for 2018 Grid Modernization Costs.)

SUPPLEMENTAL TESTIMONY IN SUPPORT OF THE STIPULATION OF

SARAH E. LAWLER

ON BEHALF OF

DUKE ENERGY OHIO, INC.

February 1, 2021

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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 Vice
6 President, Rates and Regulatory Strategy, for Duke Energy Ohio, Inc., (Duke
7 Energy Ohio or Company) and Duke Energy Kentucky, Inc. DEBS provides
8 various administrative and other services to Duke Energy Ohio and other
9 affiliated 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 assumed the
4 role of Director, Rates and Regulatory Planning where I was responsible for the
5 preparation of financial and accounting data used in Duke Energy Ohio and Duke
6 Energy Kentucky retail rate filings and changes in various other rate recovery
7 mechanisms. In May 2020, I was promoted to my current role of Vice President,
8 Rates & Regulatory Strategy where I am responsible for all state and federal
9 regulatory rate matters involving Duke Energy Ohio and Duke Energy Kentucky.

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

12 A. Yes. I have provided testimony in numerous proceedings before the Commission
13 regarding Duke Energy Ohio's various rate mechanisms.

14 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
15 **PROCEEDING?**

16 A. The purpose of my testimony is to support the Stipulation and Recommendation
17 (Stipulation) filed in this proceeding on December 9, 2020; a Stipulation signed
18 by the Staff of the Public Utilities Commission of Ohio (Staff) and the Company.
19 I will provide an overview of the Stipulation. I will discuss the criteria employed
20 by the Public Utilities Commission of Ohio (Commission) when reviewing
21 stipulations. My testimony will confirm that the Stipulation filed in this
22 proceeding: (1) is the product of serious bargaining among capable,
23 knowledgeable parties; (2) does not violate any important regulatory principle or

1 practice; and (3) as a package, benefits ratepayers and the public interest. I will
2 explain that the Stipulation is a fair and reasonable resolution to the issues
3 relevant to this proceeding.

II. DISCUSSION OF THE STIPULATION

4 Q. PLEASE DESCRIBE THE STIPULATION.

5 A. On December 9, 2020, Duke Energy Ohio and Staff (collectively, Signatory
6 Parties) reached an agreement, set forth in the Stipulation, as to the resolution of
7 all the issues in this proceeding, relating to the Plant in Service and Used And
8 Useful Audit of Duke Energy Ohio, Inc. (Plant in Service Audit) for Rider
9 Advanced Utility (Rider AU) conducted by Blue Ridge Consulting Service, Inc.
10 (Blue Ridge) pursuant to the Commission's January 15, 2020, Entry and February
11 26, 2020, Entry in this proceeding. The Stipulation was reached after the
12 Signatory Parties' thorough review and discussion of the report prepared by Blue
13 Ridge to describe the results of the Plant in Service Audit, titled "Audit of the
14 Plant In-Service and Used and Useful (Rider AU) for Duke Energy Ohio, Inc."
15 and filed in this proceeding on July 6, 2020 (Audit Report).

16 Q. DOES THE STIPULATION RESOLVE THE ISSUES RAISED IN THE 17 RIDER AU PLANT IN SERVICE AUDIT?

18 A. Yes. As outlined on page 7, Item 2 of the Stipulation, the Company agrees to
19 make four of the five revenue requirement adjustments recommended by Blue
20 Ridge in the Audit Report to the Rider AU plant in service, specifically
21 Adjustments #1, #2, #4, and #5.¹ As outlined on page 7, Item 3 of the Stipulation,
22 the Signatory Parties agree that (1) the remaining net plant in service in Rider AU,

¹ See Audit Report, pp. 7-8.

1 \$18,490,894, will be placed in one or more dedicated accounts and treated as
2 dying assets, consistent with the treatment of similar dying accounts authorized in
3 Case No. 17-32-EL-AIR and Case No. 08-709-EL-AIR; and (2) the Company will
4 maintain the associated deferred post-in-service carrying costs of \$2,700,712 in a
5 FERC 182 regulatory asset account. As outlined on page 7, Item 4 of the
6 Stipulation, the Signatory Parties agree that the Company will obtain recovery of
7 the total amount, \$21,191,606, in its next natural gas base rate case, with an
8 accelerated recovery period of ten years. As outlined on page 7, Item 5 of the
9 Stipulation, the Signatory Parties agree that the Company will refund any excess
10 accumulated deferred income taxes associated with Rider AU to customers in
11 accordance with the final order in Case No. 18-1830-GA-UNC when such order is
12 issued. As outlined on pages 7 to 8, Item 6 of the Stipulation, the Company will,
13 within 45 days of the Order approving the Stipulation, file a Motion to Withdraw
14 its Application in Case No. 19-1873-GE-AAM, as long as no applications for
15 rehearing have been filed in this case. Additionally, in such event, the Company
16 agrees it will not file another pension deferral application until the Company's
17 next filed natural gas base rate case. Finally, as outlined on page 8, Items 7 and 8
18 of the Stipulation, the Company will, within 45 days of the Order approving the
19 Stipulation, move to withdraw its most recent Rider AU filing in Case No. 20-
20 1117-GA-RDR and discontinue Rider AU, as long as no applications for
21 rehearing have been filed in this case.

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 Staff. The
10 Signatory Parties in those discussions were represented by experienced,
11 competent counsel and subject matter experts. All were provided with an
12 opportunity to express their concerns and to respond to the concerns of others in
13 an open process that resulted in the resolution of all issues raised by the Signatory
14 Parties. For these reasons, I believe that the Stipulation resulted from thorough
15 analysis, discussion, and understanding among capable parties with divergent
16 interests and, therefore, represents the product of the efforts of capable,
17 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 relevant
6 information. The public interest is served when such parties intervene and
7 represent diverse interests in examining the record and ensuring that regulatory
8 requirements are met. The public interest has been served for the following
9 reasons:

- 10 • The Company will reduce the Rider AU plant in service by \$6,094,937,
11 which benefits all ratepayers.
- 12 • The Company will, pursuant to the conditions in the Stipulation, withdraw
13 its Application for deferral of pension costs in Case No. 19-1873-GE-
14 AAM, and agree not to file another pension deferral until the Company's
15 next natural gas base rate case, further benefiting all ratepayers.
- 16 • The Company will, pursuant to the conditions in the Stipulation,
17 discontinue Rider AU and recover the remaining assets in the next natural
18 gas base rate case, which will simplify billing and improve transparency
19 for customers.

20 **Q. IS THE STIPULATION A JUST AND REASONABLE RESOLUTION OF**
21 **THE ISSUES?**

22 A. Yes. The Stipulation is consistent with (1) established regulatory principles and
23 practices; (2) commitments made in prior Commission decisions involving the

1 relevant issues, and prior Commission determinations as to the Rider AU assets;
2 and (3) consistent with the treatment of similar dying asset accounts in previous
3 cases. It also represents a timely and efficient resolution of the issues raised in
4 these proceedings, following thoughtful deliberation and discussion by the
5 Signatory Parties.

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

9 A. Yes, I do.

10 **Q. DOES THE STIPULATION RESOLVE ALL OF THE ISSUES IN THESE**
11 **PROCEEDINGS?**

12 A. Yes, as among the Signatory Parties.

III. CONCLUSION

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

14 A. Yes.

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