

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke Energy Ohio, Inc., for an Increase in Electric Distribution Rates.)	Case No. 21-887-EL-AIR
)	
In the Matter of the Application of Duke Energy Ohio, Inc., for Tariff Approval.)	Case No. 21-888-EL-ATA
)	
In the Matter of the Application of Duke Energy Ohio, Inc., for Approval to Change Accounting Methods.)	Case No. 21-889-EL-AAM
)	

SUPPLEMENTAL DIRECT TESTIMONY OF

SARAH E. LAWLER

ON BEHALF OF

DUKE ENERGY OHIO, INC.

_____	Management policies, practices, and organization
_____	Operating income
_____	Rate Base
_____	Allocations
_____	Rate of return
<u> X </u>	Rates and tariffs
<u> X </u>	Other: Rate Case Drivers

August 18, 2022

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ATTACHMENTS

Attachment SEL-Supp-1

I. INTRODUCTION

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 President,
6 Rates and Regulatory Strategy, for Duke Energy Ohio, Inc., (Duke Energy Ohio or
7 Company) and Duke Energy Kentucky, Inc. (Duke Energy Kentucky). DEBS
8 provides various administrative and other services to Duke Energy Ohio and other
9 affiliated companies of Duke Energy Corporation (Duke Energy).

10 **Q. ARE YOU THE SAME SARAH LAWLER THAT SUBMITTED DIRECT**
11 **TESTIMONY IN THESE PROCEEDINGS?**

12 A. Yes.

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

15 A. My Supplemental Direct Testimony describes and supports the Company's
16 objections to certain findings and recommendations contained in the Report by the
17 Staff of the Public Utilities Commission of Ohio (Staff) issued in these proceedings
18 on May 19, 2022 (Staff Report). The Company filed its Objections to the Staff
19 Report of Investigation and Summary of Major Issues on June 17, 2022.

II. OBJECTIONS SPONSORED BY WITNESS

A. AMOUNT OF STAFF'S PROPOSED REVENUE REQUIREMENT

1 **Q. PLEASE EXPLAIN THE COMPANY'S OBJECTION NUMBER 1.**

2 A. Duke Energy Ohio objects to Staff's recommendation to reduce Duke Energy
3 Ohio's requested revenue increase to a range of \$1,861,525 to \$15,279,698, or 0.33
4 percent to 2.72 percent over test year operating revenue. Staff's proposed revenue
5 increase significantly understates the magnitude of the Company's actual cost of
6 service, the relief to which it is entitled, and that Duke Energy Ohio which
7 supported through its Standard Filing Requirements. As will be discussed further
8 in my Supplemental Direct Testimony and in the Supplemental Direct Testimony
9 and Direct Testimony of other Company witnesses, Duke Energy Ohio is willing
10 to accept certain adjustments proposed by Staff; however, Staff's overall revenue
11 requirement calculation significantly understates the costs incurred by the
12 Company to continue providing safe and reliable electric distribution service to its
13 customers. Staff's recommended reductions in the Company's requested increase
14 result from unreasonable, unlawful, and erroneous adjustments that would yield
15 rates that are insufficient to provide Duke Energy Ohio with just compensation or
16 an opportunity to earn an adequate return for providing safe, necessary, adequate,
17 and reliable electric service for its customers.

1 **Q. WHAT ADJUSTMENTS PROPOSED BY STAFF IS THE COMPANY**
2 **WILLING TO ACCEPT?**

3 A. The Company is willing to accept certain Staff adjustments that would revise the
4 Company's requested revenue requirement increase from \$54.7 million to \$50.7
5 million, as follows:

Per Application	\$ 54.7
Remove PUCO & OCC Fees in Gross Revenue Conversion Factor	(0.1)
Plant Adjustments excluding Capitalized Incentives and ESO Facility	(0.5)
ESO Facility Adjustment (Company corrected)	(1.5)
Plant Inappropriately Classified as Held for Future Use (Company corrected)	0.2
Remove Material & Supplies (M&S)	(2.8)
Remove Accumulated Deferred Income Tax Adjustments	1.4
Interest on Customer Service Deposits Adjustment	(0.1)
Property Tax Adjustment for M&S	(0.4)
Annualize PUCO & OCC Fees Adjustment	0.1
Annualize Labor Adjustment	0.0
Eliminate Customer Connect Expenses Adjustment	0.0
Pole Attachment Revenue (Company corrected)	(0.3)
Revised Revenue Requirement Increase	\$ 50.7

6 The Company does not object to Staff's removal of Public Utilities Commission of
7 Ohio (Commission) and The Office of the Ohio Consumers' Counsel (OCC)
8 assessments from the gross revenue conversion factor (GRCF), which corresponds
9 to a new regulation that recently became effective.¹ Additionally, except for those
10 objections supported by Company witness Lisa D. Steinkuhl, the Company accepts
11 the adjustments Staff made to plant in service, which have the effect of decreasing
12 the Company's requested revenue requirement by approximately \$500,000. Ms.
13 Steinkuhl also notes that the Company does not object to Staff's adjustment related

¹ O.A.C. 4901-7-01, Appendix, Chapter II, Section A, Instruction C.

1 to the Electric Systems Operations Facility (ESO Facility); however, she does note
2 an error in Staff's calculation methodology. This has the effect of reducing the
3 Company's requested revenue requirement by approximately \$1.5 million. The
4 Company also noted in its objections, and Ms. Steinkuhl supports in her
5 Supplemental Direct Testimony, that Staff failed to capture in its Staff Report the
6 fact that, in discovery in this proceeding, the Company disclosed that certain assets
7 were inadvertently classified as Plant Held for Future Use and therefore were
8 inadvertently excluded from rate base. The Staff Report therefore should have
9 noted the same and increased rate base by \$2,120,000. This has the effect of
10 increasing the Company's revenue requirement by approximately \$200,000. The
11 Company also does not object to Staff's recommendations related to the removal
12 of materials and supplies from rate base, nor does the Company object to Staff's
13 adjustments to accumulated deferred income taxes. The Company does not object
14 to Staff's adjustment to interest on customer service deposits, property taxes for
15 materials and supplies, labor, or Commission and OCC assessments, and agrees
16 with Staff's adjustment related to the Customer Connect expenses. Finally,
17 Company witness Bruce L. Sailors outlines in his Supplemental Direct Testimony
18 the correct adjustment that should be made to pole attachment revenues. The
19 impacts to the Company's revenue requirement are listed in the table above.

B. FUTURE DEPRECIATION STUDIES

20 **Q. PLEASE EXPLAIN THE COMPANY'S OBJECTION NUMBER 3.**

21 A. Duke Energy Ohio objects to Staff's recommendation that the Company submit a
22 depreciation study for all electric distribution accounts within the next five years.

1 Company witness Ms. Steinkuhl explains additional components of the
2 Company's objection number 3.

3 **Q. DID STAFF PROVIDE ANY BASIS OR SUPPORT FOR MAKING THIS**
4 **ADJUSTMENT?**

5 A. Staff only states that it has long maintained that accrual rates should be thoroughly
6 reviewed every three to five years and that, because of that belief, they recommend
7 that the Company should submit a current depreciation study within five years.

8 **Q. PLEASE EXPLAIN WHY DUKE ENERGY OHIO OBJECTS TO THIS**
9 **RECOMMENDATION.**

10 A. Depreciation studies are inappropriate outside of a rate case. Depreciation studies
11 are time consuming and costly to conduct. Additionally, Staff makes no
12 recommendation as to how these new depreciation rates will be updated in customer
13 rates when the depreciation study is complete, nor does Staff indicate how the costs
14 of the depreciation study will be recovered. Because the Company cannot predict
15 whether it will file another rate case related to electric distribution rates in the next
16 five years, a depreciation study should not be required as a matter of course, absent
17 a mechanism to adjust depreciation expense and recover the costs of such a study.
18 Moreover, Duke Energy Ohio, as an electric distribution utility, is subject to an
19 annual significantly excessive earnings test. To date, the Company has not reached
20 a level of earnings considered to be significantly excessive. Therefore, a singular
21 review of depreciation-related expense would be inappropriate, as it would focus
22 on a single component of rates to the exclusion of all other costs of providing
23 service.

1 **Q. WHAT IS DUKE ENERGY OHIO’S RECOMMENDATION REGARDING**
2 **THIS COMPONENT OF OBJECTION NUMBER 3?**

3 A. The Company recommends that it file a depreciation study with its next electric
4 distribution base rate case so that there is a mechanism to then update these rates
5 and recover the costs of the depreciation study. If, on the other hand, the
6 Commission determines that the Company must conduct a study outside of a base
7 rate case, the Commission should permit the Company to defer the incremental
8 costs of conducting such a study for future recovery and should provide clarity on
9 the mechanism for updating depreciation in customer rates as a result of the
10 depreciation study conducted.

C. **PUBLIC SERVICE ADVERTISING**
 AND CUSTOMER EDUCATION

11 **Q. PLEASE EXPLAIN THE COMPANY’S OBJECTION NUMBER 13.**

12 A. Duke Energy Ohio objects to Staff’s recommendation to remove expenses related
13 to public service advertising and customer education from operating expenses.

14 **Q. DID STAFF PROVIDE ANY BASIS OR SUPPORT FOR MAKING THIS**
15 **ADJUSTMENT?**

16 A. No.

1 **Q. PLEASE EXPLAIN WHY DUKE ENERGY OHIO OBJECTS TO THIS**
2 **ADJUSTMENT.**

3 A. Eliminating these expenses from operating expenses will deprive customers of the
4 benefits of the Company's public service advertising and customer education
5 program. If the Company cannot recover the costs of the program, it can't in good
6 faith to its shareholders conduct the program. Customers expect and deserve to be
7 informed about the Company's efforts to improve reliability, public safety, and the
8 customer experience with the Company, including continued education regarding
9 Customer Choice. Customers continue to be confused about Customer Choice
10 options, which can lead to them not making the right choices. Effective customer
11 communication is the only way to provide the necessary and relevant information
12 that customers want and need about their electric service, and the additional \$1
13 million is a necessary expense related to performing this work.

14 **Q. WHAT IS DUKE ENERGY OHIO'S RECOMMENDATION REGARDING**
15 **OBJECTION NUMBER 13 AND THE RESULTING IMPACT TO THE**
16 **COMPANY'S REVENUE REQUIREMENT?**

17 A. The Company recommends that the Commission reject Staff's proposal to
18 eliminate \$1 million of expense from the Company's cost of service.

D. MISCELLANEOUS EXPENSES - DUES

19 **Q. PLEASE EXPLAIN THE COMPANY'S OBJECTION NUMBER 14.**

20 A. Duke Energy Ohio objects to Staff's recommendation to remove expenses
21 associated with dues to a number of organizations.

1 **Q. DID STAFF PROVIDE ANY BASIS OR SUPPORT FOR MAKING THIS**
2 **ADJUSTMENT?**

3 A. No. Staff suggests removal of expenses related to organizations “that were
4 determined not to be appropriate to include for ratemaking purposes,” but the Staff
5 Report fails to provide any rationale for why Staff thinks the dues are not
6 appropriate for ratemaking.

7 **Q. PLEASE EXPLAIN WHY DUKE ENERGY OHIO OBJECTS TO THIS**
8 **ADJUSTMENT.**

9 A. The Company seeks recovery of dues related to organizations that support its ability
10 to provide electric service to customers, as well as its ability to be trusted by active
11 members of the community it serves. Such dues are appropriately included in rates.

12 **Q. WHAT DUES DOES STAFF PROPOSE TO REMOVE FROM THE TEST**
13 **PERIOD?**

14 A. Staff proposes to remove the following amounts from the test period:

Account 930230	
Allocated to DEO Electric	
ASSOCIATION OF CORPORATE CITIZENSHIP	\$ 246.81
ELECTRIC POWER RESEARCH INSTITUTE EPRI	1,256.50
GILBERT S HEDSTROM	168.73
BUSINESS FOR SOCIAL RESPONSIBILITY	1,256.50
SAND HILL GROUP	987.25
Directly paid by DEO Electric	
ELECTRIC POWER RESEARCH INSTITUTE EPRI	16,284.97
GREEN UMBRELLA	620.00
STEPTOE & JOHNSON PLLC agent for Midwest Ozone Group	1,816.60
	\$ 22,637.36
Account 923000	
Directly paid by DEO Electric	
ELECTRIC POWER RESEARCH INSTITUTE EPRI	19,100.24
Total Staff Adjustment before allocation to Distribution	41,737.60
Total Staff Adjustment after allocation to Distribution 82.585%	\$ 34,469.00

1 **Q. WHY DOES THE COMPANY BELIEVE THESE AMOUNTS SHOULD**
2 **BE INCLUDED IN BASE RATES?**

3 A. As shown in Attachment SEL-Supp-1, attached to this testimony, the Company
4 explained in detail in response to discovery received from Staff how these
5 organizations relate to providing distribution service to customers. In those
6 responses, we stated that these dues are for industrial and trade associations.
7 Membership in industry and trade associations fosters the exchange of information
8 on topics related to the safe and reliable operation of the utility system. These
9 associations are a valuable resource to the Company in ensuring the availability of
10 the latest educational material and information for operating the utility system in a
11 safe, reliable, and efficient manner.

12 The majority of the dues Staff is recommending be disallowed relate to the
13 Electric Power Research Institute (EPRI). EPRI provides thought leadership,

1 industry expertise, and collaborative value to help the electricity sector identify
2 issues, technology gaps, and broader needs that can be addressed through effective
3 research and development programs for the benefit of society. Advances in
4 electrification are aided by EPRI's Electric Vehicle industry expertise, thereby
5 aligning Duke Energy's services across jurisdictions, including Ohio, in this area.
6 Additionally, access to evaluation research on energy source integration, modeling
7 for integrated electric system in a carbon-constrained future, and guidance to grid
8 planners needed for interconnection with energy networks facilitate the provision
9 of reliable electric service. These are all things that assist in the Company's ability
10 to operate the utility system in a safe, reliable, and efficient manner.

11 The other various industry and trade organizations assist the Company in
12 several manners such as best practice sharing, idea generation and tracking social
13 impact trends to best support our customers and communities. These organizations
14 provide opportunities to benchmark and learn from other peer sustainability leaders
15 throughout the industry. They include sustainable business experts that work with
16 leading companies to build a just and sustainable world. Best practices around
17 sustainability benefit all Duke Energy Ohio customers. These sustainability
18 initiatives have a direct impact on the provision of electric distribution service and
19 Duke Energy Ohio's active participation with these organizations facilitates an
20 exchange of information relevant to service reliability. They serve an important
21 role in helping Duke Energy evaluate and plan for electric distribution services to
22 Ohio customers.

1 **Q. WHAT IS DUKE ENERGY OHIO’S RECOMMENDATION REGARDING**
2 **OBJECTION NUMBER 14 AND THE RESULTING IMPACT TO THE**
3 **COMPANY’S REVENUE REQUIREMENT?**

4 A. The Company recommends that the Commission reject Staff’s recommended
5 adjustment to remove \$34,469 of expense from the Company’s cost of service.

E. FERC ACCOUNT 912

6 **Q. PLEASE EXPLAIN THE COMPANY’S OBJECTION NUMBER 11b.**

7 A. Duke Energy Ohio objects to Staff’s recommendation to adjust test year operating
8 income Staff derived by removing both labor and non-labor expenses associated
9 with FERC Account 912 (Demonstrating and Selling).

10 Duke Energy Ohio also objects to Staff’s adjustment to payroll tax test year
11 expense based on the labor adjustment associated with FERC Account 912
12 (Demonstrating and Selling), as noted in the prior Objection.

13 **Q. DID STAFF PROVIDE ANY BASIS OR SUPPORT FOR MAKING THESE**
14 **ADJUSTMENTS?**

15 A. No. Staff simply states that the expenses in this account involve promotion,
16 demonstration, and sales activities, and that they are not appropriate to include for
17 ratemaking purposes.

18 **Q. PLEASE EXPLAIN WHY DUKE ENERGY OHIO OBJECTS TO THIS**
19 **ADJUSTMENT.**

20 A. These costs pertain to customer account management, which is a legitimate
21 function necessary to provide distribution service and is appropriate for inclusion
22 in the Company’s base rates. For example, the labor necessary for large account

1 management for Ohio, as well as low-income account management, is accounted
2 for here. Additionally, the labor necessary to support web and other online access
3 for customers to review and pay their bills, review usage reports, report outages,
4 start and stop service, etc., is recorded to this account. These are fundamental
5 activities that all benefit Ohio customers.

6 **Q. HOW MANY LARGE CUSTOMER ACCOUNTS ARE MANAGED BY**
7 **ONE OF THE GROUPS THAT RECORDS THEIR LABOR UNDER THIS**
8 **ACCOUNT AND WHAT TYPES OF SERVICES DO THEY PROVIDE?**

9 A. The Large Account Management (LAM) Team manages hundreds of Duke Energy
10 Ohio's largest customers, representing approximately 7,000 accounts. LAM's team
11 of Account Executives and Customer Account Specialists serve as the primary
12 point of contact for Duke Energy Ohio's largest customers in assisting with any
13 service or billing/payment-related matter. These accounts include manufacturing,
14 commercial, hospital, institutional, and governmental customers with a combined
15 load of 1.676 GW, and annual energy consumption of 7.7 billion kWh. These
16 customers are the largest employers in the region.

17 The LAM Team assists these large customers and significant employers
18 with adding new load, working with the Company's Transmission, Customer
19 Delivery, and Natural Gas business units to ensure that all Duke Energy Ohio work
20 is completed on the customer's schedule, so that the customers can commence,
21 change, or increase operations on their timeline. These large loads are typically
22 more complex in nature and require extensive coordination for on-time power
23 delivery.

1 The LAM Team also proactively monitors the reliability of service to Duke
2 Energy Ohio's largest customers to identify areas of the system that are unduly
3 affecting large customers. LAM's Account Executives field calls from their
4 assigned customers regarding reliability issues customers may be experiencing, and
5 work with their Customer Delivery teammates to ensure the successful operation
6 of these businesses and institutions.

7 During storms, the team also deploys to Duke Energy Ohio's Operations
8 Centers to assist in fielding outage calls and prioritizing restoration efforts.

9 Large customers typically have multiple utility accounts, some with as
10 many as several hundred accounts. These customers often take service under some
11 of Duke Energy Ohio's more complex rates, and often require assistance in
12 validating bills, processing payments, and resolving any billing and payment issues
13 that may arise. The LAM team, by focusing on the region's largest customers, and
14 by helping them meet their manufacturing, commercial, educational, health care
15 and public service missions, ensures the economic vitality of our region.

16 These expenses are not for advertising and promotion as Staff seems to
17 believe in its report. Therefore, the entire justification for Staff's removal of these
18 expenses is flawed. For these reasons, these costs should be recoverable.

19 **Q. WHY IS IT APPROPRIATE FOR THE COMPANY TO RECOVER LABOR**
20 **EXPENSE FOR THE SUPPORT OF WEB AND ONLINE ACCESS FOR**
21 **CUSTOMERS AND FOR LOW-INCOME ACCOUNT MANAGEMENT?**

22 **A.** As I previously stated, these are necessary services that benefit customers. It is
23 unreasonable for the Commission to eliminate recovery of labor costs, particularly

1 as it relates to the provision of necessary services such as supporting low-income
2 customers, which includes interacting with local agencies and educating them to
3 better help our customers. Likewise, the web and online access benefits to
4 customers are available to all. It takes labor to maintain and develop new services
5 for customers to enable them to access their account information electronically and
6 enable the creation of usage reports, process bill payments, and other access issues.
7 It is unreasonable for the Staff to eliminate the costs to provide customers with this
8 access. To do so is to imply these services are not desired, necessary, or welcome
9 by the Commission for our Ohio customers.

10 **Q. WERE THESE COSTS APPROPRIATELY RECORDED TO ACCOUNT**
11 **912?**

12 A. The Company realizes that these types of costs may more accurately be reflected in
13 Account 908 “Customer Assistance Expenses” and Account 910 “Miscellaneous
14 Customer Service and Informational Expenses” and plans to make this change
15 going forward. The Company is planning a comprehensive review of all labor and
16 non-labor charges recorded to Account 912 and intends to implement the results of
17 this review effective January 1, 2023.

18 **Q. WHAT IS DUKE ENERGY OHIO’S RECOMMENDATION REGARDING**
19 **OBJECTION NUMBER 11b AND THE RESULTING IMPACT TO THE**
20 **COMPANY’S REVENUE REQUIREMENT?**

21 A. The Commission should reject Staff’s recommendation to eliminate \$2,706,172 of
22 expense from the Company’s cost of service. If the Commission determines it
23 appropriate to disallow labor expense associated with FERC Account 912, then the

1 disallowance should be based on the known labor for the 12 months from April
2 2021 through March 2022 which was used in the Staff's labor adjustment. The
3 Staff's adjustment of \$2,706,172 is based on the labor included in the adjusted test
4 year. The adjustment should instead be \$2,401,134, which is based on the labor for
5 the 12 months from April 2021 through March 2022, which is the basis for the
6 Staff's labor adjustment. The Staff's payroll tax adjustment based on labor in
7 FERC Account 912 will also be impacted.

F. RIDER DCI

8 **Q. PLEASE EXPLAIN THE COMPANY'S OBJECTION NUMBER 27.**

9 A. Duke Energy Ohio objects to Staff's recommendation to reduce the Company's
10 proposed annual revenue caps on Rider DCI to \$17 million for 2022 (prorated for
11 whenever new base distribution rates go into effect), \$34 million for 2023, \$51
12 million for 2024, and \$28 million for the first five months of 2025, and \$0 after
13 May 31, 2025 (the end date of the Company's current Standard Service Offer).
14 Staff's recommendation has the impact of reducing the existing caps for the
15 Company's Rider DCI.

16 **Q. DID STAFF PROVIDE ANY BASIS OR SUPPORT FOR MAKING THIS**
17 **ADJUSTMENT?**

18 A. Staff simply notes that its recommended revenue caps are based on the base
19 distribution revenues that Staff recommends in this case, rather than the base
20 distribution rates proposed by Duke Energy Ohio. They also claim that the
21 Company's recommended revenue cap percentage of base distribution rates with
22 Staff's adjustments exceeds the Commission's previously stated maximum growth

1 rate.

2 **Q. PLEASE EXPLAIN WHY DUKE ENERGY OHIO OBJECTS TO THIS**
3 **ADJUSTMENT.**

4 A. The Company objects to this recommendation for a number of reasons. The
5 Company's proposed caps in this proceeding are based on current estimated capital
6 expenditures that enable the Company to provide safe, reliable service and to meet
7 previously established reliability targets. Staff's recommended caps are based
8 simply on a three percent per year revenue growth target. Staff's approach is
9 arbitrary and deficient in three respects: 1) Staff's recommendation ignores the
10 capital investment necessary to achieve the Company's reliability targets,
11 especially considering the inflationary pressures and supply chain constraints the
12 Company is experiencing. 2) Staff made no corresponding change in reliability
13 targets. 3) Staff's recommendation is less than currently approved caps, which
14 allow a four percent per year revenue growth. If Staff's arbitrary revenue growth
15 target is agreed to by the Commission, the Company will be required to file
16 unnecessary rate cases to recover investments made to achieve reliability targets,
17 which will negatively impact the Company's customers.

18 **Q. WHY DOES STAFF CLAIM THAT THE COMPANY'S RECOMMENDED**
19 **REVENUE CAP EXCEEDS THE COMMISSION'S PREVIOUSLY**
20 **ESTABLISHED MAXIMUM GROWTH RATE?**

21 A. Staff inappropriately relies on AEP's Case No. 13-2385-EL-SSO for support in
22 recommending rejection of the Company's proposed annual revenue caps. Staff's
23 justification is further flawed insofar as the Company has been following the caps

1 that were initially established in the Company's last ESP Case, Case No. 17-1263-
2 EL-SSO, which are not tied to a three percent annual growth rate.

3 **Q. PLEASE EXPLAIN WHY THE COMPANY DISAGREES WITH USING**
4 **CONCLUSIONS IN AEP'S CASE AS THE BASIS FOR ESTABLISHING**
5 **CAPS IN THIS INSTANT PROCEEDING.**

6 A. The holding cited by Staff addresses a different utility's proposals and was
7 necessarily limited to that utility's case. The Commission did not make any similar
8 finding for Duke Energy Ohio in that order, nor was Duke Energy Ohio a party to
9 the case. Moreover, in the case cited by Staff, that utility's cap was calculated
10 differently than the cap in Duke Energy Ohio's Rider DCI. The distribution-capital-
11 related riders for each of the electric distribution utilities in Ohio are simply not the
12 same. The individual utilities' riders are based on different calculation
13 methodologies in that, for example, some use historical data while others are based
14 on projected data, they have different roll-over provisions impacting the
15 calculation, and certain companies include more FERC accounts than others, just
16 to name a few differences. Because the individual distribution capital-related
17 riders are not identical, it is inappropriate to use this non-binding decision as
18 justification for setting the Company's Rider DCI caps, given the vast array of
19 different methodologies used to calculate these riders and other stipulated reliability
20 targets. Moreover, if the Commission intended to establish a state-wide policy for
21 rider-related increases, the appropriate mechanism would be through either the
22 legislative process or administrative rule making process, and not through a single
23 utility's rate-proceeding where impacted parties were denied due process and an

1 opportunity to be heard.

2 **Q. WHY DOES THE COMPANY NEED HIGHER CAPS THAN WHAT WAS**
3 **APPROVED IN ESP IV?**

4 A. While the Company negotiated the original Rider DCI caps and reliability targets
5 in good faith, as Company witness Jeffrey W. Hesse explains in his Direct
6 Testimony and Supplemental Direct Testimony, the costs to achieve the reliability
7 targets have been much higher than originally estimated. Without relief from the
8 arbitrary revenue growth target limiting recovery of distribution-related investment
9 to proactively improve reliability, the Company will have to file unnecessary rate
10 cases to get recovery of the investments being made to achieve the reliability
11 targets.

12 Adjusting the Rider DCI caps to allow for the Company's planned level of
13 required investments will not only support ongoing investments, as previously
14 described, but will also eliminate unnecessary regulatory lag and reduce the
15 Company's need to file frequent, expensive electric distribution base rate case
16 proceedings. Rider filings are streamlined and less costly than base rate case
17 proceedings, while still providing a very robust audit process to ensure that
18 customers are only paying for prudently incurred capital investments. All parties
19 have an opportunity to intervene in the annual Rider DCI audits to ensure that their
20 interests are being considered. Riders also have the ability to smooth out rate
21 increases to customers over time, with rates being updated modestly every quarter,
22 thus avoiding potential rate shock from larger one-time increases that could result
23 from base rate case proceedings.

1 **Q. DOES THE COMPANY OBJECT TO ANYTHING ELSE REGARDING**
2 **STAFF’S RECOMMENDATION ON RIDER DCI?**

3 A. Yes. Staff also recommends that the Commission reject the Company’s proposal
4 to clarify the annual true-up for the over/under recovery of the rider. Staff
5 recommends, instead, that the Company’s annual true-ups for over- or under-
6 recovery should be limited to \$2 million to be rolled over to the following year’s
7 cap.

8 **Q. PLEASE EXPLAIN WHY DUKE ENERGY OHIO OBJECTS TO THIS**
9 **ADJUSTMENT.**

10 A. Staff does not expand on the consequence if the Company over- or under-recovers
11 greater than \$2 million. This proposal suggests that the Company can set rates with
12 such incredible accuracy that over- or under-recovery greater than \$2 million is
13 impossible. While the Company always aims to set rates consistent with the
14 approved cap, recoveries are subject to a number of conditions that vary year to
15 year and are outside the Company’s control, and Staff fails to recognize this in
16 proposing its alternative.

17 **Q. DID STAFF PROVIDE ANY BASIS OR SUPPORT FOR MAKING THIS**
18 **ADJUSTMENT?**

19 A. Yes. Staff is concerned that the true-up language proposed by the Company could
20 allow the Company to not aim to set their rates to collect only the amount approved
21 in the revenue cap. Staff is also concerned that there are no limits to the amount
22 that could be trued-up in the Company’s proposal.

1 **Q. ARE STAFF’S CONCERNS VALID?**

2 A. No. The Company has no similar language in any of its existing riders and there is

3 no evidence that it ever sets rates in a manner other than to collect the amount that

4 is allowed. The Company is simply proposing a mechanism to ensure customers

5 are charged no more than the allowed caps, no matter how much the over/under

6 recovery ends up being in a given year. The Company’s proposal ensures that the

7 Company does not ultimately collect revenue over the allowed caps. Under Staff’s

8 proposal, if the Company’s revenue is greater than \$2 million over the cap in a

9 given year, the Company does not have to refund anything greater than \$2 million.

10 This is not fair or appropriate for customers. The Company’s method ensures that

11 the customers pay no more than the allowed caps. There is nothing in the

12 Company’s proposal to suggest the Company would use this methodology to aim

13 to set rates to collect something more than the revenue cap.

1 **Q. DOES THE COMPANY OBJECT TO ANYTHING ELSE REGARDING**
2 **STAFF’S RECOMMENDATION ON RIDER DCI?**

3 A. Yes. Company witness David Doss discusses in his supplemental testimony the
4 Company’s objection to the exclusion of incentive costs from capital placed in-
5 service and included in rate base.

6 **Q. DID STAFF PROVIDE ANY BASIS OR SUPPORT FOR MAKING THIS**
7 **ADJUSTMENT?**

8 A. Yes. Staff bases its recommended adjustment on part of the Stipulation in the
9 previous electric base rate case where the Company agreed, in settlement, to include
10 a credit in the DCI Rider for the estimated revenue requirement impact of
11 capitalizing the portion of employee incentive compensation related to financial
12 metrics. However, the Company’s agreement to a stipulation in a prior case is not
13 relevant and has no precedential value in this proceeding. The terms of that
14 stipulation were part of an overall package and included gives and takes on behalf
15 of the Company and the other parties to the stipulation. Mr. Doss explains in his
16 supplemental testimony why accounting policies support that the Company’s
17 position should be rejected.

18 **Q. WHAT IS DUKE ENERGY OHIO’S RECOMMENDATION REGARDING**
19 **OBJECTION NUMBER 27?**

20 A. For the reasons I have outlined, the Commission should adopt the caps as originally
21 proposed by the Company in its application and reject those caps the Staff is
22 arbitrarily proposing. The Commission should also disregard Staff’s
23 recommendation regarding the annual true-up for the over/under recovery of the

1 rider. The Commission should adopt the annual true-up methodology that the
2 Company proposed in its application.

III. CONCLUSION

3 **Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL DIRECT**
4 **TESTIMONY?**

5 **A. Yes.**

**Duke Energy Ohio
Case No. 21-887-EL-AIR
STAFF Fifty Fourth Set of Data Requests
Date Received: December 22, 2021**

STAFF-DR-54-001

REQUEST:

For the period April 1, 2021 – present, please provide Staff with a list of all payments for dues and/or contributions made to all 501 (c) or other organizations. Please include the following information:

- Name of organization
- 501 (c) classification (if applicable)
- Goods or services provided and how they relate to providing distribution service to customers
- Amount of money paid
- Indication of whether the expense is included or excluded from test year expenses.

RESPONSE:

Please see STAFF-DR-54-001 Attachment A for payments for dues and/or contributions made to 501(c) or other organizations recorded to “*above the line*” O&M accounts. The attachment contains the name of the organization, amount paid by Duke Energy Ohio electric, and the 501(c) classification (if applicable or available).

The dues on Attachment A are for industrial and trade associations and chamber memberships. Membership in industry and trade associations fosters the exchange of information on topics related to the safe and reliable operation of the utility system. These associations are a valuable resource to the Company in ensuring the availability of the latest educational material and information for operating the utility system in a safe, reliable, and efficient manner. Membership in local chambers of commerce helps support various organizations that promote economic growth for large, medium, and small businesses in Duke Energy’s service territory. This gives the Company the opportunity to engage leaders in the community, and to be a vital part of business associations, as well as keeping on-going dialogue with the communities it serves and community leaders. Moreover, such business relationships allow Company participants to engage in ongoing dialogue with customers regarding quality of service and specific business requirements as it relates to utility service.

The amounts included in the test year expenses are the payments in STAFF-DR-54-001 Attachment A for responsibility centers not eliminated on C-3.10 in April 2021 through June 2021 allocated using the DLAB allocator (see chart below). The test year includes forecasted amounts for July 2021 through March 2022 which are not broken down by organizations.

Name of the Organization	21-Apr	May-21	Jun-21	Total	Allocation DLAB	Included in Adjusted Test Year
UNIVERSITY OF NORTH CAROLINA		1,860.00		1,860.00		
ELECTRIC POWER RESEARCH INSTITUTE EPRI			1,256.50	1,256.50		
FAIRFIELD CHAMBER OF COMMERCE		283.65		283.65		
GREEN UMBRELLA	620.00			620.00		
	620.00	2,143.65	1,256.50	4,020.15	82.585%	3,320.04

Please see STAFF-54-001 Attachment B for dues and/or contributions made to 501(c) or other organizations recorded to “*below the line*” O&M accounts. The attachment contains the Name of the organization, amount paid by Duke Energy Ohio electric, and 501(c) classification (if applicable or available). All of the payments are excluded from test year expenses.

PERSON RESPONSIBLE: Danielle L. Weatherston / Lisa D. Steinkuhl

Duke Energy Ohio
Case No. 21-887-EL-AIR
STAFF Sixtieth-Fifth Set of Data Requests
Date Received: January 12, 2022

STAFF-DR-65-001

REQUEST:

In reference to information pertaining to payments not eliminated from the revenue requirement that was provided in Attachment A of the response to DR 54, please provide Staff with written narrative explanations for each of the following organizations describing what services are being provided and how they facilitate the provision of electric distribution service to Ohio customers.

- University of North Carolina
- Association of Corporate Citizenship
- Electric Power Research Institute (EPRI)
- Gilbert S. Hedstrom
- Business for Social Responsibility
- Sand Hill Group
- Southeastern Electric Exchange Inc.
- Anderson Area Chamber of Commerce
- Cincinnati USA Regional Chamber
- Colerain Chamber of Commerce Inc.
- Fairfield Chamber of Commerce
- Franklin Area Chamber of Commerce
- Mason Area Chamber of Commerce
- Ohio Chamber of Commerce
- The Chamber of Commerce
- West Chester-Liberty Chamber Alliance
- Green Umbrella
- Steptoe & Johnson PLLC agent for Midwest Ozone Group

RESPONSE: Please see the written narrative explanations for each of the organizations in the bullets below.

Please see bullet H. – Miscellaneous Local Chamber of Commerce for the following organizations:

- Anderson Area Chamber of Commerce
- Cincinnati USA Regional Chamber
- Colerain Chamber of Commerce Inc.
- Fairfield Chamber of Commerce
- Franklin Area Chamber of Commerce
- Mason Area Chamber of Commerce
- The Chamber of Commerce
- West Chester-Liberty Chamber Alliance

- A. University of North Carolina – The University of North Carolina at Charlotte’s Energy Production and Infrastructure Center Affiliates Program’s (EPIC AP) main focus is energy workforce development. By bringing together industry, students, faculty, and research experts in disciplines of electrical and computer, civil and environmental, mechanical, and systems engineering, the EPIC AP aims to drive new advancements in energy fields as it educates a new generation of engineering professionals. The EPIC AP is comprised of representatives from corporations (members) that have purchased membership into the program. Members benefit from EPIC AP’s core capabilities in developing focused energy solutions in technology, workforce development and preferred access to students with an energy concentration for employment opportunities. Because this is a corporate membership, the benefits and participation are equally available to all Duke Energy jurisdictions, including Ohio.
- B. Association of Corporate Citizenship – The Association of Corporate Citizenship (ACCP) is a network of over 220 companies around the nation that are driving social impact and business value through corporate citizenship efforts. Duke Energy engages with this group as a forum for best practice sharing, idea generation and tracking social impact trends to best support our customers and communities across each jurisdiction. Because this is a corporate membership, the benefits and participation are equally available to all Duke Energy jurisdictions including Ohio.
- C. Electric Power Research Institute (EPRI) – The Electric Power Research Institute (EPRI), ESIG provides thought leadership, industry expertise, and collaborative value to help the electricity sector identify issues, technology gaps, and broader needs that can be addressed through effective research and development programs for the benefit of society.

Sustainability and environmental, social and governance (ESG) are key areas of research for EPRI, and EPRI established the ESIG to help lead sustainability and ESG-related research, collaboration, and identification and sharing of best practices to help ESIG member companies improve their sustainability and ESG performance for customers, communities and other stakeholders.

Advances in electrification are aided by EPRI's EV industry expertise, thereby aligning Duke Energy’s services across jurisdictions, including Ohio, in this area:

- Market Transformation Research to accompany paradigm shift in the energy industry for society at large
- Benefits for Society – National Resources Defense Council Study by providing a cleaner grid, reducing greenhouse gases
- Comprehensive Electric Transportation Expertise to expedite actions to achieve EV-related goals

Additionally, access to evaluation research on energy source integration, modeling for integrated electric system in a carbon-constrained future, and guidance to grid planners needed for interconnection with energy networks facilitate the provision of reliable electric

service. Because this is a corporate membership, the benefits and participation are equally available to all Duke Energy jurisdictions including Ohio.

- D. Gilbert S. Hedstrom - As a founding member of the ESG Navigator tool (Gilbert S. Hedstrom), Duke Energy has utilized the tool and participated in monthly meetings led by Hedstrom and Associates for several years. The ESG Navigator tool provides ESG insight to drive growth and help reduce risk company wide. The monthly and quarterly meetings provide opportunities to benchmark and learn from other peer sustainability leaders throughout the industry. Because this is a corporate membership, the benefits and participation are equally available to all Duke Energy jurisdictions including Ohio.
- E. Business for Social Responsibility – The Business for Social Responsibility (BSR) is an organization of sustainable business experts that works with its global network of the world’s leading companies to build a just and sustainable world. As a BSR member, Duke Energy has access to experts for a wide range of sustainability and ESG topics. Duke Energy has consulted with BSR on human rights, sustainability/ESG performance management, reporting, materiality and other topics. Because this is a corporate membership, the benefits and participation are equally available to all Duke Energy jurisdictions including Ohio.
- F. Sand Hill Group – The Sand Hill Group (aka Corporate Eco Forum (CEF)) is a membership organization focused on guiding companies with a strong commitment to sustainability with their business strategy. CEF helps accelerate sustainable business innovation by providing opportunities to exchange best-practice insights and collaboration to drive change. In addition to participation in peer group meetings, Duke Energy regularly utilizes CEF’s data gathering resources to share with internal stakeholders throughout the company, and has participated in CEF Next: a group focused on educating the next generation of sustainability leaders. Because this is a corporate membership, the benefits and participation are equally available to all Duke Energy jurisdictions including Ohio.
- G. Southeastern Electric Exchange Inc. – The Southeastern Electric Exchange Inc. is a membership organization of investor-owned electric utility companies. The mission of the organization is to promote the common interests and growth of its members, develop and enhance the human, operational, and technical resources of members companies to the fullest and to provide coordination of storm restoration services. The organization is comprised of member-driven working groups in which each group plans and implements training meetings, workshops, seminars, or conferences during which relevant technical information is presented and/or shared. Working groups often provide a consensus opinion to national standards, develop and implement appropriate research and survey activities and coordinates the storm restoration resources for the member companies. The outcomes of these working groups are not focused solely on applicability of these issues for southeastern United States. Because this is a corporate membership, the benefits and participation are equally available to all Duke Energy jurisdictions including Ohio.

- H. Miscellaneous Local Chambers of Commerce - Critical to providing safe and reliable electric service and effectively responding to evolving customer expectation is meaningful engagement in those organizations that facilitate regional or local initiatives that have an impact on our business. The organizations listed in STAFF-DR-54-001 promote economic vibrancy for large, medium, and small businesses in Duke Energy Ohio's service territory. Under the umbrella of economic growth is a diverse list of topics, including, but not limited to, workforce, economic development, and general community conditions. Involvement with these chambers provides the Company with an ability to engage with community leaders and remain apprised of developments that impact the provision of safe, reliable electric service. This active engagement further enables ongoing dialogue with customers regarding quality of service and specific business requirements as it relates to utility service. The chambers also provide a forum for the Company that can be leveraged when sharing service-related information, such as impactful rate changes or, billing system changes.

The Company leverages these relationships to disseminate important information to customers and communities such as our 2020 COVID customer resources, our 2021/2022 Winter Bill campaign messaging (tips/resources to manage expected high winter bills), and other significant customer information.

Our employees obtain information from chamber involvement that often helps us think through how to improve service to this group of customers or to be aware of new business trends that may impact our business and for which we should plan for in future years. Some examples include growing and continued business interest in LED lighting, EV fleets, energy efficiency and sustainable energy opportunities. Over the last few years, the Company held "small medium business focus groups," so that businesses could provide input to us on challenges they may experience with Duke Energy Ohio or ways in which we can improve our overall distribution services.

Another indirect benefit is that these chambers are involved in business growth and economic and workforce development in our region, and thus the Company's support helps to further these critical efforts in maintaining a vibrant, healthy economy for continued business prosperity and job growth. Further, as the region grows, the electric grid must evolve to enable continued reliable supply. Timely access to growth-related information allows such information to be considered for purposes of forecasting and planning.

- I. The Ohio Chamber of Commerce – In addition to the chamber involvement discussed in (H), above, participation with the Ohio Chamber of Commerce's Energy and Environment committee enables the Company to work with other constituents in the energy sector to (i) share diverse perspectives, (ii) drive consensus around energy policy and (iii) raise awareness with legislators on energy matters, including electric distribution and reliability. The chamber at large informs us of matters important to the business community in Ohio and drives the expansion of business in the state; helping us keep a finger on the pulse of Ohio's economy, and plan for maintenance and growth of our electric distribution system.

J. Green Umbrella – Green Umbrella is a non-profit located in Cincinnati, Hamilton County, Ohio engaged in providing, facilitating and promoting a regional dialogue in support of its purpose. As stated in its bylaws, Green Umbrella’s purpose is to promote, among other things, the sustainability, protection and improvement of water and air quality, conservation or greenspace, generation and conservation of energy production of local foods, waste reduction, and transportation alternatives in the region. Consistent with this purpose, Green Umbrella supports sustainability initiatives that have a direct impact on the provision of electric distribution service and Duke Energy Ohio’s active participation in this organization facilitates an exchange of information relevant to service reliability.

K. Steptoe & Johnson PLLC agent for Midwest Ozone Group (MOG) – The Midwest Ozone Group (MOG) (of which Duke Energy is a member) is an affiliation of companies, trade organizations, and associations with the objective of seeking solutions to the development of a legally and technically sound national ambient air quality standards (NAAQS) program. MOG members contract modeling services and technical analysis for a variety of issues related to interstate transport of air pollutants. The focus of much of the recent work has been the ozone NAAQS and the efforts being undertaken by member company states to address the Clean Air Act mandates to address the CSAPR, Good Neighbor SIPs, and petitions filed by downwind states. Given the nonattainment status of the greater Cincinnati region and the respective SIP requirements, electric utilities such as Duke Energy are often implicated in SIP planning (whether it be in limiting emissions, investing in control equipment or general distribution planning). In this regard, MOG serves an important role in helping Duke Energy evaluate and plan for electric distribution services to Ohio customers.

PERSON RESPONSIBLE: Amy B. Spiller

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Case No(s). 21-0887-EL-AIR, 21-0888-EL-ATA, 21-0889-EL-AAM

Summary: Testimony Supplemental 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 D'Ascenzo, Rocco and Kingery, Jeanne and Akhbari, Elyse Hanson and Vaysman, Larisa and Brama, Elizabeth