

**BEFORE**

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

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

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**SECOND SUPPLEMENTAL DIRECT TESTIMONY OF**

**BRUCE L. SAILERS**

**ON BEHALF OF**

**DUKE ENERGY OHIO, INC.**

**IN SUPPORT OF SETTLEMENT**

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

September 22, 2022

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### **ATTACHMENT**

BLS-SECOND-SUPP-1: Stipulation Attachment 4: Rider DDR Target Revenues per  
Customer without Customer Charge Revenues

## **I. INTRODUCTION**

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

2   A.   My name is Bruce L. Sailers, and my business address is 139 E. 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       Jurisdictional Rate Administration 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.   ARE YOU THE SAME BRUCE L. SAILERS THAT FILED DIRECT**  
11  **TESTIMONY IN THESE PROCEEDINGS?**

12  A.   Yes.

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

15  A.   My Second Supplemental Direct Testimony supports the Corrected Stipulation and  
16       Recommendation filed on September 19, 2022, in these proceedings (Stipulation).  
17       In doing so, I summarize and support the tariff changes and the rate design that  
18       results from the Stipulation and explain how the Stipulation, as a package, satisfies  
19       the Commission's three-part test for evaluating the reasonableness of a settlement.

**II. SUMMARY OF THE STIPULATION AND THE COMMISSION'S  
THREE PART TEST**

1   **Q.    ARE YOU FAMILIAR WITH THE STIPULATION FILED IN THESE**  
2       **PROCEEDINGS?**

3    A.    Yes.

4   **Q.    PLEASE BRIEFLY SUMMARIZE THE STIPULATION IN THESE**  
5       **PROCEEDINGS.**

6    A.    The Stipulation resolves Duke Energy Ohio's request for an increase in its base  
7       distribution rates and the various tariff changes proposed, suggested, and agreed  
8       upon during the pendency of these proceedings. I am aware that the Stipulation  
9       contains numerous other provisions related to the overall revenue requirement, low-  
10      income programs, collaboration with other stakeholders, reliability commitments  
11      and other terms and conditions explained by Ms. Spiller and supported by other  
12      witnesses. For purposes of my testimony, I am supporting the reasonableness of the  
13      rate design and other tariff changes that have been resolved through the Stipulation.

14   **Q.    ARE YOU FAMILIAR WITH THE COMMISSION'S THREE-PART TEST**  
15       **FOR CONSIDERING THE REASONABLENESS OF A STIPULATION?**

16   A.    I am aware that the Commission uses a three-part test whereby it evaluates a  
17      regulatory settlement under the following criteria: 1) is it the product of serious  
18      bargaining among capable, knowledgeable parties; 2) does it violate any important  
19      regulatory principle or practice; and 3) as a package, does it benefit customers and  
20      the public interest.

1   **Q.    DO YOU BELIEVE THE SETTLEMENT SATISFIES THE THREE-PART**  
2           **TEST?**

3    A.    Yes.

4   **Q.    PLEASE EXPLAIN.**

5    A.    The Stipulation resolves all of the issues with nearly every party, and includes  
6           agreement by representatives of every stakeholder group. This includes the Staff of  
7           the Commission (Staff), who represents all interests, large industrials, medium non-  
8           residential and commercial customers, retail customers, competitive suppliers, low  
9           income interests, brokers and energy service providers, and the City of Cincinnati,  
10          who represents both non-residential and residential customers. The balancing of  
11          interests is apparent insofar as the settlement produces a lower overall revenue  
12          requirement from what the Company requested, which corresponds to reductions  
13          in the rates customers will ultimately pay and many changes to the Company's  
14          Application as initially submitted, which are described by other Company  
15          witnesses in greater detail. This shows that the settlement is the product of serious  
16          bargaining.

17                The parties to the Stipulation (Signatory Parties) agreed to the revenue  
18                allocation, which is consistent with principles of cost causation, and the overall  
19                increase, which results in a rate increase to customers of approximately 1.4 percent,  
20                will not result in rate shock. Moreover, the agreed upon allocation and rate design,  
21                while moving towards a cost of service that is more reflective of actual cost  
22                causation, still maintains a significant portion of the residential subsidy that exists,  
23                thereby being consistent with the principle of gradualism. Company Witness Sarah

1 E. Lawler discusses the residential subsidy further in her Second Supplemental  
2 Direct Testimony. Accordingly, I do not believe that the Stipulation violates any  
3 important regulatory rule or principle.

4 Finally, as a package, I believe the settlement benefits customers and is in  
5 the public interest. There are numerous provisions agreed to in the Stipulation that  
6 are beneficial to customers, including a small overall revenue increase,  
7 enhancements to the competitive market in Duke Energy Ohio's territory that make  
8 supplier and broker participation easier and less costly, continuation of low-income  
9 programs, and approval of changes to various tariffs that are aimed to either  
10 enhance service, facilitate the competitive market, provide greater rate and price  
11 flexibility for customers, expand lighting options, and produce a reasonable  
12 distribution of costs between fixed and volumetric rate designs.

### **III. RATE DESIGN AND TARIFFS**

13 **Q. PLEASE SUMMARIZE HOW THE STIPULATION RESOLVES THE**  
14 **VARIOUS RATE DESIGN ISSUES IN THESE PROCEEDINGS.**

15 A. Company Witness Lawler explains and supports the negotiated allocation of base  
16 distribution revenues. My testimony focuses on the rate design and tariff changes  
17 aspects of the settlement.

18 The billing determinants are the Company's weather normalized actual  
19 sales that occurred during the rate case test year (twelve months ended March 31,  
20 2022) for purposes of recovering the agreed upon revenue requirement for all rates  
21 other than lighting. Lighting rates will use the billing determinants in the

1 Company's Application and as recommended in the Staff's report of findings and  
2 recommendations filed in these proceedings on May 19, 2022 (Staff Report).

3 **Q. PLEASE DESCRIBE HOW THE SETTLEMENT RESOLVES ISSUES**  
4 **INVOLVING THE CUSTOMER CHARGE COMPONENT OF BASE**  
5 **RATES.**

6 A. The Stipulation provides that the monthly fixed charge for residential customers  
7 taking service on Rates RS, ORH and TD-CPP shall be \$8.00 per bill and the fixed  
8 charge for Rate RS3P shall be \$10.50 per bill. The monthly fixed customer charge  
9 for customers on Rate TD is \$17.50 per bill. These rates represent modest increases  
10 to existing residential customer charges, are much lower than what the Company  
11 proposed in its Application, and are otherwise supported in the Cost of Service  
12 Study submitted in these proceedings. In addition, the Signatory Parties have agreed  
13 to no change to the residential low-income customer charge (Rate RSLI), allowing  
14 it to remain at \$2.00 per bill.

15 For non-residential customers, the monthly fixed charge for rate DM is \$12  
16 for single phase and \$24 for three-phase electric service. For customers taking  
17 service under Rate TS, the customer charge is \$197 per bill. The Stipulation  
18 provides that all other non-residential customer charges will be as proposed in the  
19 Company's Application. The remaining agreed upon revenue requirement will be  
20 captured in the volumetric energy charges.

1   **Q.   PLEASE SUMMARIZE HOW THE STIPULATION RESOLVES THE**  
2   **VARIOUS TARIFF ISSUES IN THESE PROCEEDINGS.**

3   A.   The Stipulation provides that the Company's Application should be approved as  
4       modified by the Staff Report, except as otherwise noted in the Stipulation. As it  
5       relates to the individual tariffs, the Company will file the final compliance tariffs  
6       after the Commission issues its Opinion and Order in these proceedings.

7   **Q.   PLEASE IDENTIFY THE SPECIFIC TARIFF AND RATE DESIGN**  
8   **CHANGES ADDRESSED IN THE STIPULATION THAT ARE**  
9   **DIFFERENT FROM WHAT WAS INCLUDED IN THE COMPANY'S**  
10   **APPLICATION.**

11   A.   In summary, and together with the rate design changes I previously discussed, the  
12       Stipulation includes the following:

- 13           •   Distribution Capital Investment Rider (Rider DCI): existing rider is rolled  
14               into base rates and reset. The Stipulation establishes new annual caps and a  
15               reliability performance-based SAIDI metric through May 31, 2025. These  
16               new caps and metric are discussed further by Company Witnesses Lawler  
17               and Hesse;
- 18           •   Electric Service Reliability Rider (Rider ESRR): the rider will be approved  
19               as proposed by the Company and recommended by the Staff Report;
- 20           •   Distribution Storm Rider (Rider DSR): the rider will be approved as  
21               proposed by the Company with a baseline amount in base rates as agreed  
22               upon in the Stipulation and discussed by Company Witness Lawler;



- 1                   • Distribution Decoupling Rider (Rider DDR): shall continue as currently  
2                   approved and is adjusted for the updated billing determinants agreed upon  
3                   in the Stipulation and base distribution revenue per customer. Attachment  
4                   BLS-SECOND-SUPP-1 to this testimony depicts Attachment 4 to the  
5                   Stipulation less the customer charge revenues. This is the revenue per  
6                   customer that will be used in Rider DDR filings and is consistent with how  
7                   Rider DDR has historically been calculated;
- 8                   • Uncollectible Distribution Expense (Rider UE-D): The Company agrees to  
9                   withdraw its proposal to include third party payment processing fees for  
10                  electronic card payments in the Rider UE-D;
- 11                  • Certified Supplier Charges Tariff (Rate CS), P.U.C.O. 20, Sheet No. 52:  
12                  The Company agrees to amend its Certified Supplier Tariff within 30 days  
13                  after the approval of the Stipulation without material modification as  
14                  follows:
- 15                       (1) eliminate the End-use Customer Enrollment/ Switching Fee  
16                       (\$5.00/ switch);
- 17                       (2) eliminate the Customer Usage Request Charges (\$6.00- One  
18                       month of electronic Interval Meter Data and \$7.50 – Twelve months  
19                       of electronic Interval Meter Data); and
- 20                       (3) reduce from \$150 to \$50 the Pre-Enrollment End-use Customer  
21                       Information List Fee.
- 22                  • P.U.C.O. 20, Sheet No. 34: The Company agrees to amend its Certified  
23                  Supplier Tariff, Section V, Certified Supplier Registration And

1 Participation Requirements, within 30 days after the approval of the  
2 Stipulation without material modification to exempt Power Brokers who  
3 meet the specific criteria outlined on pages 17-18 of the Stipulation from  
4 certain registration and participation requirements;

- 5 • Retail Reconciliation Rider (Rider RR): The Signatory Parties agree that  
6 this Rider shall not be approved in the proceeding. However, Company  
7 Witness Lawler notes, that the Signatory Parties also agree to a process to  
8 address the issue of default service costs and distribution rates in a future  
9 proceeding in the event of a change in law;

- 10 • Field Collection Charge: The Signatory Parties agree to no change to the  
11 Company's charge for field collection. The charge will remain at \$15. All  
12 other reconnection related charges are as proposed in the Company's  
13 Application;

- 14 • Development Incentive Rider (Rider DIR): The Company's proposed  
15 changes to Rider DIR are to be approved as proposed in the Company's  
16 Application;

- 17 • Community Driven Investments (Rider CDI): The Company withdraws its  
18 proposal to implement Rider CDI in these proceedings;

- 19 • GoGreen Ohio (Rider GP): The Signatory Parties agree that the Company's  
20 proposed modifications to Rider GP in its Application should be withdrawn  
21 and not approved. However, the Signatory parties reserve all rights to  
22 propose, intervene and participate in any future filing involving Rider GP;

- Time of Day, Critical Peak Pricing (Rate TD-CPP): The Signatory Parties agree to the implementation of Rate TD-CPP subject to the following changes:
  - Addition of “Rate TD-CPP is not available to customers served under the Company’s temporary service rate or the Company’s Advanced Meter Opt-out, Rider AMO.,” and removal of references to the Company’s electric vehicle charging pilot that is pending in another proceeding;
  - Revision of language to state “If the customer desires to cancel service under this tariff before completion of the initial term, the Company, at its option, may grant the request and rebill the customer on Rate RS for all months billed on Rate TD-CPP. The rebilling process will eliminate the bill impacts accrued under Rate TD-CPP as compared to Rate RS, the Company’s standard residential rate.”
  - Modifications to ensure access for timely testing, repair, and/or replacement of the smart meter.
  - The Company commits to keeping Rate TD-CPP Rider RC and RE values equal to that of the Rider RC and RE values for Rate RS, such that the generation component of Rate TD-CPP will not be time-of-use;

- 1           • Optional Time of Day Rate (Rate TD): is amended to clarify that Rate TD  
2           will remain available for customers only until Rate TD-CPP becomes  
3           available at which time Rate TD will be closed to new participation;
- 4           • Street Lighting Service: The Company is agreeing to withdraw clarifying  
5           language regarding vegetation management responsibility to the following  
6           lighting tariffs: Rate SL, OL, NSU, NSP, SE, UOLS, OL-E, and LED;
- 7           • Net Metering (Rate NM): Within 30 days of Commission approval of the  
8           Stipulation without material modification, the Company agrees to make a  
9           filing of a revised net metering tariff (P.U.C.O. 19, Sheet No. 48) to address  
10          certain updates to O.A.C. 4901:1-10-28 and to exclude concurrent  
11          participation in Rider AMO, as well as explain any requirements still in the  
12          process of being implemented.
- 13          • Late Payment Charges: The Signatory Parties agree that there should be no  
14          change to the Company's late payment charging processes, but the  
15          Company will add language about waiving a late payment charge for a  
16          residential customer when the charge is the only late payment charge levied  
17          in the most recent twelve month period. This provision will be added to the  
18          following tariffs: Rate RS, Rate RSLI, Rate RS3P, Rate ORH, Rate TD, and  
19          Rate TD-CPP.
- 20          • The Signatory Parties agree that Duke Energy Ohio shall update the  
21          following tariffs to clarify its policies as follows:
  - 22               ○ Electric No. 19 Sheet No. 25.8 Section VI – Billing and Payment to  
23               clarify that the Company accepts payments by mail.

- 1                   ○ Electric No. 19 Sheet No. 22.10 Section III – Customer Choice  
2                   Enrollment and Participation Guidelines to clarify that MDM  
3                   Certified Meter Indicator and MDM Meter Certification Date should  
4                   be added to the Pre-enrollment End-use Customer Information List.  
5                   ○ Electric No. 19 Sheet No. 30.18 Rate RS –clarifying that separately  
6                   metered structures on residential premises not used for commercial  
7                   purposes be eligible for the residential rate.

8   **Q.   DO YOU BELIEVE THAT THE TARIFF REVISIONS AGREED UPON AS**  
9       **PART OF THE STIPULATION ARE REASONABLE, BENEFICIAL TO**  
10      **CUSTOMERS, AND CONSISTENT WITH THE PUBLIC INTEREST?**

11   A.   Yes. As an overall package, the settlement is reasonable. I believe it is beneficial to  
12       customers and in the public interest. The rate design agreed upon whereby  
13       customers’ rates are based upon both fixed and volumetric-based rates incorporate  
14       the reduced revenue requirement, negotiated allocation, and agreed upon customer  
15       charges achieved in the settlement. Having answered a number of data request  
16       responses during the pendency of these proceedings, I believe the Commission  
17       Staff and Intervening Parties conducted a thorough investigation. The final  
18       settlement includes tariff changes that were of interest to parties and raised in these  
19       proceedings. The Company agreed to nearly all of the recommendations of Staff  
20       and the Signatory Parties have agreed to, and non-opposing parties do not dispute,  
21       several changes that were of importance to the Company. The rate design agreed  
22       upon whereby customers’ rates are based upon both fixed and volumetric-based  
23       rates is consistent with accepted regulatory practice. The overall revenue increase

1 is small, and thus customers will not experience rate shock. Overall, the Stipulation,  
2 as a total package, represents a balancing of all interests. This is clearly reflected in  
3 the number of stakeholder interests either supporting or not opposing the  
4 settlement. This includes groups representing all customer classes (residential, low  
5 income, commercial, industrial, governmental, etc.), Staff, and market interests  
6 (suppliers and brokers). The benefits of the settlement to customers and the public  
7 are numerous, and include but are not limited to: 1) lower rates than what was  
8 requested; 2) tariff changes to enhance the competitive market; 3) lower residential  
9 and low income-fixed charges than what was proposed and supported by a cost of  
10 service study; 4) agreement to modify tariffs to clarify that initial late payment  
11 charges for residential customers will be waived upon request; 5) no increase to the  
12 field collection charge; 6) withdrawal of several proposals that settling parties were  
13 opposed to implementation; and 7) changes to Rider DCI to include a performance-  
14 based incentive. In my non-legal opinion, and based upon my participation in the  
15 settlement discussions in these proceedings, these changes are reflective of serious  
16 negotiating.

#### IV. CONCLUSION

17 **Q. DOES THIS CONCLUDE YOUR SECOND SUPPLEMENTAL DIRECT**  
18 **TESTIMONY?**

19 **A. Yes.**

Duke Energy Ohio  
Stipulation Base Distribution Revenues Applicable for Distribution Decoupling Rider - Case No. 21-887-EL-AIR  
Stipulation Attachment 4 Without Customer Charge Revenues

Page 1 of 1

Rate	Description	Base Distribution Revenue		Customer Bills	Rider DDR Revenue Target per Bill
		Less Customer Charge Revenue			
1 RS	Residential Service	\$	295,848,898	8,016,950	\$ 36.90
	Optional Residential Service with Electric Space				
2 ORH	Heating	\$	182,021	2,331	\$ 78.09
3 TD	Optional Residential Service - Time of Day	\$	7,834	177	\$ 44.26
	Optional Residential Service - Time of Day with				
4 TD-CPP	Critical Peak Pricing		N/A	N/A	\$ 36.86
5 RS3P	Residential Three Phase Service	\$	390,882	2,560	\$ 152.69
6 RSLI	Residential Service - Low Income	\$	1,342,329	42,394	\$ 31.66
7 DM	Secondary Distribution Service - Small	\$	25,578,419	540,218	\$ 47.35
8 EH	Optional Rate for Electric Space Heating	\$	1,364,389	3,998	\$ 341.27

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Summary: Testimony Second Supplemental Direct Testimony of Bruce Sailors 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 and Akhbari, Elyse