BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke

Energy Ohio, Inc., for an : Case No. 21-887-EL-AIR

Increase in Electric Distribution Rates.

In the Matter of the :
Application of Duke : Case No. 21-888-EL-ATA
Energy Ohio, Inc., for :

Tariff Approval.

In the Matter of the Application of Duke Energy:

Ohio, Inc., for Approval : Case No. 21-889-EL-AAM

to Change Accounting Methods.

PROCEEDINGS

before Mr. Matthew Sandor, Attorney Examiner, at the Public Utilities Commission of Ohio, 180 East Broad Street, Room 11-A, Columbus, Ohio, called at 10:04 a.m. on Tuesday, October 11, 2022.

VOLUME IV

ARMSTRONG & OKEY, INC. 222 East Town Street, Second Floor Columbus, Ohio 43215-5201 (614) 224-9481

```
455
     APPEARANCES:
 1
 2
            Duke Energy Ohio, Inc.
            By Mr. Rocco D'Ascenzo,
 3
            Ms. Larisa Vaysman,
            and Ms. Elyse Akhbari
            139 East Fourth Street
 4
            Cincinnati, Ohio 45202
 5
            Taft, Stettinius & Hollister LLP
 6
            By Ms. Kodi J. Verhalen
            and Ms. Elizabeth M. Brama
 7
            2200 IDS Center
            80 South Eighth Street
 8
            Minneapolis, Minnesota 55402
 9
                 On behalf of the Applicant.
            Bruce J. Weston, Ohio Consumers' Counsel
10
            By Ms. Angela O'Brien,
11
            Ms. Ambrosia Wilson,
            Mr. John Finnegan,
12
            and Connor Semple,
            Assistant Consumers' Counsel
13
            65 East State Street, Suite 700
            Columbus, Ohio 43215-3485
14
                 On behalf of the Residential Consumers of
15
                 Duke Energy Ohio, Inc.
16
            Boehm, Kurtz & Lowry
            By Mr. Michael Kurtz,
17
            Mr. Kurt Boehm,
            and Ms. Jody Kyler Cohn
            36 East Seventh Street, Suite 1510
18
            Cincinnati, Ohio 45202
19
                 On behalf of the Ohio Energy Group.
20
            Bricker & Eckler, LLP
21
            By Mr. Dylan Borchers
            100 South Third Street
22
            Columbus, Ohio 43215-4291
2.3
                 On behalf of the ChargePoint.
24
25
```

```
456
 1
     APPEARANCES: (Continued)
 2
            Bricker & Eckler, LLP
            By Mr. Matthew Warnock
 3
            and Ms. Sommer Sheely
            100 South Third Street
 4
            Columbus, Ohio 43215-4291
 5
            One Energy Enterprises, Inc.
            By Ms. Katie Treadway
 6
            and Mr. James Dunn
            12385 Township Road 215
 7
            Findlay, Ohio 45840
 8
                 On behalf of the One Energy Enterprises,
                 LLC.
 9
            Carpenter Lipps & Leland LLP
10
            By Ms. Angela Paul Whitfield
            280 North High Street, Suite 1300
11
            Columbus, Ohio 43215
12
                 On behalf of the The Kroger Company.
13
            Kegler, Brown, Hill & Ritter
            By Mr. Robert Dove
14
            and Mr. Nicholas Bobb
            65 East State Street
15
            Columbus, Ohio 43215
16
                 On behalf of the Ohio Partners for
                 Affordable Energy.
17
            Hubay Dougherty
18
            By Mr. Trent A. Dougherty
            P.O. Box 12460
19
            Columbus, Ohio 43212
                 On behalf of the Citizens' Utility Board
20
                 of Ohio.
21
            Interstate Gas Supply
22
            By Mr. Evan Betterton
            and Ms. Stacie Cathcart
23
            6100 Emerald Parkway
            Dublin, Ohio 43016
24
                 On behalf of the Interstate Gas Supply,
25
                 Inc.
```

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1	APPEARANCES: (Continued)	
2	Calfee, Halter & Griswold LLP By Ms. Gretchen L. Whaling,	
3	Mr. James Lang, and Mr. Scott Franson	
4	1405 East Sixth Street Cleveland, Ohio 44114	
5		
6	On behalf of the City of Cincinnati	
7	Carpenter Lipps & Leland LLP By Ms. Kimberly W. Bojko	
8	and Mr. Jonathan Wygonski 280 North High Street, Suite 1300	
9	Columbus, Ohio 43215	
10	On behalf of the Ohio Manufacturers' Association Energy Group.	
11	Spilman, Thomas & Battle PLLC By Ms. Carrie H. Grundmann	
12	110 Oakwood Drive, Suite 500 Winston-Salem, North Carolina 27103	
13	On behalf of the Walmart, Inc.	
14	Dickinson Wright PLLC	
15	By Ms. Christine M.T. Pirik, Mr. Matthew C. McDonnell,	
16	and Mr. Terrence O'Donnell 180 East Broad Street, Suite 3400	
17	Columbus, Ohio 43215	
18	On behalf of the People Working Cooperatively, Inc.	
19	Mr. Frank P. Darr	
20	6800 Linbrook Boulevard Columbus, Ohio 43235	
21		
22	On behalf of the Retail Electric Supply Association.	Y
23		
24		
25		

```
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 1
     APPEARANCES: (Continued)
 2
            Dave Yost, Ohio Attorney General
            By Mr. Werner L. Margard, III,
 3
            Mr. Robert Eubanks,
            and Mr. Shaun Lyons,
 4
            Assistant Attorneys General
            30 East Broad Street
 5
            Columbus, Ohio 43215
 6
                 On behalf of the Staff of the PUCO
 7
 8
9
10
11
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                                  Tuesday Morning Session,
 2
                                  October 10, 2022.
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                 EXAMINER SANDOR: Let's go on the record.
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                 We are back today to resume the hearing
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     for 21-887-EL-AIR, et al.
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                 I believe, OCC, it's your turn to call
 8
     your witness.
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                 MS. WILSON: Thank you. I call Robert
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     Fortney.
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                 EXAMINER SANDOR: Please raise your right
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     hand.
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                 (Witness sworn.)
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                 EXAMINER SANDOR: Thank you.
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                 Let's go off the record.
                 (Discussion off the record.)
16
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                 EXAMINER SANDOR: Let's go back on the
18
     record.
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                 OCC, you may proceed.
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                 MS. WILSON: Thank you, your Honor.
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461 ROBERT B. FORTNEY 1 2 being first duly sworn, as prescribed by law, was examined and testified as follows: 3 4 DIRECT EXAMINATION 5 By Ms. Wilson: 6 Mr. Fortney, do you have in front of you 7 what has been marked as OCC Exhibits 6 and 7, your direct and supplemental testimonies? 8 9 Α. Yes, I do. 10 MS. WILSON: Your Honor, may I approach? 11 EXAMINER SANDOR: You may. 12 (By Ms. Wilson) Mr. Fortney, was the Ο. 13 testimony that you have in front of you, was that 14 prepared by you or at your direction? 15 Α. Yes, it was. 16 If I ask you the same questions today, Ο. 17 would you have the same answers? 18 Α. Yes. 19 Do you have any corrections? Ο. 20 Α. None that I know of, no. 2.1 MS. WILSON: Thank you. 22 EXAMINER SANDOR: Can we mark both exhibits? 23 24 Yeah, yeah. MS. WILSON: If we could 25 mark the direct testimony of Robert Fortney as OCC

462 Exhibit 6. 1 2 EXAMINER SANDOR: So marked. 3 (EXHIBIT MARKED FOR IDENTIFICATION.) 4 MS. WILSON: And the supplemental 5 testimony of Robert Fortney at OCC Exhibit 7. 6 EXAMINER SANDOR: So marked. 7 (EXHIBIT MARKED FOR IDENTIFICATION.) 8 MS. WILSON: Thank you. Mr. Fortney is available for cross. 9 10 EXAMINER SANDOR: Thank you. 11 Duke. 12 MR. WYGONSKI: Your Honor, would now be a 13 time to entertain motions to strike? 14 EXAMINER SANDOR: It would be, yep. 15 MR. WYGONSKI: Thank you. I have two motions to strike. I will go first with the direct 16 testimony, your Honor, which we just marked OCC 17 18 Exhibit 6. On page 5, line 4, through page 7, line 19 8, and then lower on page 7, line 15 --20 EXAMINER SANDOR: Wait. One moment, I'm 2.1 sorry. Through line 8 for the first one? 2.2 MR. WYGONSKI: Correct. 23 EXAMINER SANDOR: Okay. 24 MR. WYGONSKI: And then lower on page 7, 25 line 15, through page 10, line 3, of the direct

testimony. These are on the same grounds so I am just skirting them together. These have been affirmatively adopted by the witness and incorporated into his supplemental testimony on page 1 through page 2.

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Your Honor, pursuant to Ohio Rules of Evidence 401 and 402, evidence that lacks any tendency to make a fact at issue more or less probable is irrelevant and inadmissible. In his direct testimony he is offering testimony regarding Duke's application, the Staff Report, and OCC's original litigation position, all of which are irrelevant here as they do not address the proposed terms contained in the Stipulation.

This is not a hearing on the application and Duke is not asking the Commission to adopt the allocation or the residential customer charge proposed in the Staff Report or in the application.

And these provisions have been specifically modified by the Stipulation.

For example, on page 5, the witness testifies the Staff Report recommends allocating the entire rate increase to the residential customer class. The Stipulation at issue in this hearing modifies that recommendation and so that

recommendation is, therefore, irrelevant including the witness's subsequent recommendation and opinion as to whether those two proposals are just and reasonable.

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So Mr. Fortney's testimony on that point about the allocation and the residential customer charge in the Staff Report and the application is irrelevant and really only serves to confuse the record and prejudice -- and it is prejudicial in this case.

Furthermore, the witness's claim in his supplemental testimony that these relevant pieces of testimony that were modified by the Stipulation are still somehow relevant is simply false and that's a legal -- I'm sorry, an improper legal opinion, which I'll address in my next motion, but to this end, much of the direct testimony is already incorporated in the supplemental testimony and is, therefore, duplicative and constitutes improper cumulative testimony that is prejudicial.

On page 8 of the direct testimony, for example, the witness cites the Staff's recommendation and Staff Report for the residential customer charge and then talks about that again on page 8 of the supplemental testimony. This duplicative info is not

necessary, will only serve to confuse the record. So pursuant to the Ohio Rules of Evidence 403(B), we would also move to strike on that basis of that portion of the direct testimony to avoid needless presentation of cumulative evidence.

EXAMINER SANDOR: Okay.

2.1

MR. WYGONSKI: That's it for that portion. Thank you.

EXAMINER SANDOR: Any other grounds?

MR. WYGONSKI: Not on that portion. I
have another motion to strike on different grounds on

13 EXAMINER SANDOR: Okay. Response?

a different portion.

MS. WILSON: Your Honor, Duke agreed with OCC not to oppose the testimony we filed on September 2. There's no basis for OMA to do it and all other parties have been permitted to include their September 2 testimony so OCC should as well. There should be no confusion in the briefs. It will be clearly cited to.

EXAMINER SANDOR: Okay. I'm sorry. You said Duke agreed with who?

MS. O'BRIEN: Your Honor -- go ahead.

MS. WILSON: Duke agreed with OCC not to oppose our testimony.

EXAMINER SANDOR: Okay.

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MS. O'BRIEN: Oppose not to -- admission of the September 2 testimony. They -- they reserved the right to -- to move to strike certain portions of it. But -- but simply because it was a September 2 testimony in response to -- in support of the objections, the Company agreed not to oppose it. Therefore, there is no reason for OMA to oppose it now is what I am saying.

EXAMINER SANDOR: Okay.

MS. O'BRIEN: If for any reason Duke feels like I am misrepresenting their agreement, they are free to speak up now or state differently so.

EXAMINER SANDOR: Okay. Any response?

MR. D'ASCENZO: Yeah, your Honor, what

Ms. O'Brien said is -- is accurate. Duke agreed not

to object to OCC proffering their testimony from

September 2 into the record, but we did reserve the

right to -- to object to portions of it, but we

wouldn't object whole cloth to their testimony, OCC

attempting to move their testimony into evidence,

that is correct.

EXAMINER SANDOR: Okay. Any response?

MR. WYGONSKI: Yes, your Honor. First, I
would object to multiple attorneys arguing this --

EXAMINER SANDOR: I agree. Going forward, Ms. Wilson.

2.1

MS. O'BRIEN: Yeah, and that's fine. I agree. I don't believe she was copied on the e-mails, but she is perfectly capable.

MR. WYGONSKI: Thank you. I would respond that was not necessarily our agreement, and we are not opposing wholesale admission of the testimony. We are simply opposing that particular portion which is cumulative and confusing given that the points to which the witness testified in the direct testimony are really no longer at issue in this case at all and that kind of testimony is prejudicial to have on the record as it reflects a point that is, again, not at issue and directly contradicts the terms of the Stipulation which is at issue in this case.

EXAMINER SANDOR: Okay. Thank you for your arguments. I am going to deny the motions to strike. I think the Commission can give it the weight it deserves. It can parse through what is relevant and not with regard to the Stipulation and the direct testimony.

MR. WYGONSKI: Thank you, your Honor. I have another motion to strike that I would offer at

this time.

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EXAMINER SANDOR: Please go ahead.

MR. WYGONSKI: Thank you. Moving to the supplemental testimony, I would like to move to strike a portion of that starting on page 1, line 15, and continuing through page 2, line 4. Your Honor, these portions of the witness's testimony constitute improper legal opinion under Rule 702.

As the witness stated on page 4 of his direct testimony, the witness is not a lawyer, and his testimony lays no foundation that would otherwise qualify him as an expert by his education, knowledge, training, experience, or skill to offer a legal opinion. So the witness is not qualified to offer that opinion as to the legal justification for admitting portions of his testimony and what the Commission or reviewing court should consider in making its ruling.

Your Honor, the witness has no basis for giving such legal opinions, and we would request that these sections of his testimony be stricken accordingly.

MS. WILSON: Your Honor, these sections of his testimony is in no way a legal opinion. He is a regulatory expert; and again, I would note that

469 1 Witness Woolridge had similar language in his 2 testimony, and it was admitted into the record. 3 EXAMINER SANDOR: Are we looking at page 1, line 15, through line 4 of 2? 4 5 MR. WYGONSKI: Yes. 6 EXAMINER SANDOR: Okay. 7 MR. WYGONSKI: Your Honor, if I could 8 respond to that? 9 EXAMINER SANDOR: Go ahead. 10 MR. WYGONSKI: This portion of the 11 witness's testimony doesn't have anything to do with 12 his status as a regulatory expert. It is 13 specifically about a legal issue which is kind of 14 procedural, and the witness is stating what the 15 Commission and a court should consider or what the 16 court should -- or the Commission should rule on 17 admissibility which is really outside the purview of 18 the witness's experience and testimony in this case. 19 EXAMINER SANDOR: Okav. 20 MR. WYGONSKI: And there is no bearing on 2.1 what another witness did or did not do. That has no 22 bearing on this given that we were not -- we did not 23 oppose that and OCC could have opposed on those

EXAMINER SANDOR: Go ahead.

grounds if they chose to and they did not.

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1 MS. WILSON: Mr. Fortney is offering 2 testimony on the three prong and that -- this section 3 of his testimony explains that he -- it's -- the purpose is to discuss whether the settlement violates 4 5 any important principle or practice which he is fully 6 qualified to do as a regulatory expert and having 7 participated in many proceedings before this Commission. Thank you. 8 9 EXAMINER SANDOR: Okay. Again, motion to 10 strike is denied. The Commission can weigh, you 11 know, the relevance of the direct testimony that's 12 incorporated hereto. I see no reason to strike this 13 from the testimony. 14 Thank you, your Honor. MS. WILSON: 15 MR. WYGONSKI: Thank you, your Honor. 16 EXAMINER SANDOR: Anyone else? 17 Okay. Duke, you may proceed. 18 MS. VERHALEN: Thank you, your Honor. 19 20 CROSS-EXAMINATION 2.1 By Ms. Verhalen: 2.2 0. Good morning, Mr. Fortney. 23 Α. Good morning. 24 My name is Kodi Verhalen. I am with the Ο. 25 Taft law firm. I represent Duke Energy. Good

morning.

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- A. Good morning.
- Q. Mr. Fortney, am I pronouncing Your name correctly?
 - A. I'm sorry. I didn't.
 - Q. Mr. Fortney, am I pronouncing your name correctly?
 - A. Yes.
 - Q. Great. Do you have up there on the witness stand with you a copy of your direct testimony and your supplemental testimony that have been marked as Exhibits 6 and 7?
 - A. Yes.
- Q. And are those clean copies with no annotations on them?
- 16 A. I believe so, yes.
 - Q. Thank you. Let's start with your supplemental testimony at page 3. Let me know when you are there, please.
- A. I'm there.
- Q. Thank you. And you are only testifying in this proceeding as to the criteria No. 2, as to whether there is a benefit to the public interest, and criteria No. 3, as to violating any important regulatory principle or practice, correct?

- A. Correct.
- Q. And so you are not testifying as to what you list as criteria 1, which is whether the settlement is a product of serious bargaining, correct?
- A. No, I am not.
 - Q. Thank you. And as to the -- what you label as criteria 2, whether the settlement as a package benefits customers and the public interest, let's start there, okay?
- 11 A. Yes.

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- Q. That criteria does not call out just one customer group; it speaks to all customers, correct?
 - A. It talks about as a package which would include all customer groups, yes.
- Q. And it also must be in the public interest, correct?
- 18 A. Yes.
- Q. And that's speaking to all of the public, as you said, as a package, correct?
 - A. That's correct.
- Q. And so keeping that in mind, let's talk
 about your testimony as to the overall allocation
 of -- excuse me, the allocation of the overall
 revenue requirement. And just so we are all on the

same page as we talk about this, the Company originally proposed an allocation to residential consumers of approximately 63 percent, correct?

2.1

- A. I believe it was, yeah, 63.06.
- Q. And the Staff Report proposed an allocation of 65 percent; is that your understanding?

 MS. WILSON: I'm sorry, your Honor. Is opposing counsel referring to a specific part of Mr. Fortney's testimony?

MS. VERHALEN: I am referring to the record in this case, and I would be happy to point him to Ms. Lawler's testimony where it discusses this. But given that this witness is critical as to what the Stipulation position -- or what the Staff Report said and the overall Stipulation in this case, I am just trying to establish that this witness has an understanding of what the different positions were.

A. I don't have it in front of me exactly what the Staff Report recommended. I know they recommended a significant increase to the residential class, actually nearly double what the overall increase was, but I don't know what percent that brought -- brought -- the percent of the distribution revenue that recommendation brought it to.

Q. But you are aware that the Stipulation settles this issue at an allocation of a total base distribution to residential consumers of 64 percent, correct?

A. Yes, I am.

2.1

MS. BOJKO: Your Honor, could we ask the witness to pull the mic closer to him? The mowing outside, it's difficult to hear.

EXAMINER SANDOR: Can you pull the mic just a little bit closer to you just so everyone can hear?

THE WITNESS: Can you hear me now?

MS. BOJKO: Yes.

- Q. (By Ms. Verhalen) And, Mr. Fortney, do you understand based on the Company's class cost-of-service study the residential customers are not currently paying their full cost of service under the current allocation for Duke Energy Ohio?
 - A. Yes, I understand.
- Q. And that the 63 percent originally proposed by the Company in this proceeding -- excuse me. And that the 63.06 percent originally proposed by the Company in this proceeding did not remove any of that existing nonresidential subsidy under its class cost of service?

- A. I believe it removed a little. I wouldn't say it didn't remove any of the subsidy. I believe it moved gradually towards cost of service.
- Q. So speaking of moving it to the cost of service, moving the allocation to 64 percent will move residential customers toward the cost of service, correct?
 - A. Correct.

2.1

- Q. And that 64 percent would still maintain a subsidy for residential consumers from nonresidential consumers.
- A. Yes, it would. The Company's application did not move the residential class to a -- what we call a full cost of service.
- Q. Thank you, Mr. Fortney. And -- sorry. You actually answered my next question, so I will move on. Thank you.

And looking at page 10 of your supplemental testimony, can you let me know when you are there, Mr. Fortney?

- A. I'm there.
- Q. At lines 1 through 4, you discuss the concept of gradualism and there you reference at line -- specifically at line 2 a principle and practice. On what are you relying for that

definition of gradualism, Mr. Fortney?

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- A. Well, there's lots of places that describe principles of rate design and revenue allocation. This probably is similar to something that is said in the -- in the Staff Report. The Staff Report always includes -- in their rate and revenue guidelines, they talk about things like gradualism and consistency and cost of service and understanding and things like that. So it's either something similar to the Staff Report, or it's my own definition.
- Q. So you would be leaning on the definitions of the Staff Report for this discussion in your testimony on how you interpret gradualism.
- A. Well, the Staff Report and, as I said, there are many things that you can read. You can read Bonbright. There are different publications that talk about rate design and almost all of them include similar definitions and similar guidelines.
- Q. So there is no one specific source that you are relying on here when you talk about gradualism referring to the principle and practice of rates, correct? I just want to make sure --
- A. No. I think it is more of a standard definition of gradualism is what is -- an increase

gradually over time so they don't cause rate shock to consumers so, I mean, I think that's a fairly standard definition.

- Q. So can you help me understand then how 63.06 percent of an allocation is in compliance with your definition of gradualism but 64 percent violates that principle?
- A. Well, first of all, the difference of doing the 63 percent and the 64 percent is over \$5 million. So a total increase of 23 million, that's, you know, 20 to 25 percent of the increase; so, I mean, I think an increase of 60 million as compared to an increase of 21 million is significant.
- Q. And just to be clear, the total revenues of the company are over 550 million, correct? And I direct you to Table 1 on page 5 of your supplemental, if that's helpful to you, Mr. Fortney.
- A. Current base distribution revenues are 543,000, and the proposed under the stip are 565 million.
- Q. And you just said "543,000." Just so we are clear, it's 543 million?
 - A. 543 million, yes, I'm sorry.
- Q. No, quite okay. Just want to make sure
 we are all speaking in the same magnitude of numbers.

In discussing the overall allocation, Mr. Fortney, in your testimony at page -- your supplemental testimony which has been marked as Exhibit 7 at page 6, let me know when you are there, please.

- A. I am at page 6.
- Q. Starting at line 20, you identify several concerns you have with financial hardship of residential customers including COVID, high inflation, and escalating generation prices, correct?
 - A. Yes.

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- Q. Just so we are clear, Duke Energy Ohio does not own generation; is that correct?
 - A. Yes.
 - Q. Okay. And in discussing COVID, can you identify any customer classes that have not experienced issues related to COVID?
- A. No. I expect that COVID has caused problems for all classes.
 - Q. And can you identify any customer classes that have not experienced impacts of increased inflation?
- MS. WILSON: Objection, your Honor. This question and the question preceding it is asking the witness for speculation.
- 25 EXAMINER SANDOR: Overruled. He can

answer.

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- A. No. I assume that all classes to some degree have been affected by COVID and by inflation.
- Q. And so if all customer classes have experienced -- and so if all customer classes have experienced these financial hardships, as you refer to them, or impacts resulting in financial hardships, wouldn't that support reducing nonresidential customers from subsidizing residential customers in allocation?
- A. I'm sorry. Could you have that question reread?
 - Q. I could actually rephrase it in a much clearer way, Mr. Fortney. My apologies. So we just -- we just established that you have -- that all customer classes have faced financial hardships associated with COVID and higher inflation, correct?
 - A. Yes.
 - Q. And so if all customer classes have had those financial hardships, couldn't that further support reducing the subsidy on the residential customer class?
- A. I don't follow that line of thinking; so, no, I don't agree with what you said.
 - Q. So your position is even though every

customer class has faced impacts from what you

identify as financial hardships, the nonresidential

class should continue subsidizing residential

4 customers at the current rate?

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5 MS. WILSON: Objection, your Honor.

6 | Counsel is mischaracterizing Mr. Fortney's testimony.

EXAMINER SANDOR: Overruled. He can clarify if he needs to.

MS. VERHALEN: Thank you, your Honor.

EXAMINER SANDOR: You can answer the question, sir.

THE WITNESS: I guess I need the question reread again. I forgot the question.

EXAMINER SANDOR: Karen, do you mind rereading it.

(Record read.)

- A. I don't understand what you mean at the current rates. I'm confused by the question.
- Q. Let's move on, Mr. Fortney. Let's talk about the fixed customer charge which you discuss on pages 8 and 9 of your supplemental testimony.
 - A. Okay.
- Q. And here you are objecting to the change of the fixed customer charge for residential customers from \$6 to \$8, correct?

A. Yes.

2.1

- Q. And just so we are clear, the settlement keeps the fixed customer charge unchanged for the low-income customers; is that your understanding?
 - A. I believe that's correct, yes.
- Q. And at lines 13 and 14 here on page 8, you state that the increase in the customer charge does not benefit consumers and is not in the public interest. I want to make sure I am correctly stating your testimony.
 - A. Yes.
- Q. And then you go on on page 9 and you take issue with the position that the \$8 amount in the Stipulation does benefit consumers because it's less than the \$12 charge proposed by the Company where you are discussing the Staff's testimony; is that correct?
- A. No, that's not correct at all. I am actually disputing what Mr. Lipthratt said, that the \$8 benefits customers because it's less than the \$12 in the application. There's no -- nothing in the record that shows that \$12 is -- is the appropriate price, so I don't -- I disagree with Mr. Lipthratt that -- that \$8 is a benefit to the residential class because it is lower than what the Company applied

for. That makes no sense to me.

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- And you just said that there is nothing Ο. in the record that says \$12 -- excuse me. There is nothing in the record that shows \$12 is the appropriate price.
- I probably misspoke. I am sure that Duke Α. has workpapers that justify their calculation of a \$12 customer charge. I simply in -- believe that Staff's methodology of a minimally compensatory customer charge is the proper way to go, and I -- and OCC goes a little bit further because they don't include line transformers but that's --

MS. VERHALEN: Your Honor.

-- black and white. Α.

MS. VERHALEN: Your Honor, I am going to request to strike everything after Mr. Fortney said "I am sure Duke has workpapers that support their calculation of a \$12 customer charge." The rest of the information can be addressed on redirect by his own attorney.

EXAMINER SANDOR: I can make this easy, I am going to grant the motion to strike after the "\$12 charge" and agree it can be addressed on redirect.

> Thank you, your Honor. MS. WILSON:

MS. VERHALEN: Thank you.

- Q. (By Ms. Verhalen) Mr. Fortney, did you review the Company's class cost-of-service study in preparing your testimony?
 - A. Of course, I did.

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- Q. I'm sorry. I didn't hear the last word.
- A. Of course, I did.
- Q. And are you aware that the Company's cost-of-service study supported a fixed customer charge higher than \$12?
 - A. I don't remember that.
- Q. And if a cost of service isn't covered by the fixed charge, it has to be covered somewhere else, correct?
- A. That's correct. The fixed charge and variable charge have -- combined have to equal a certain revenue and -- and, yes, the -- what the customer charge is doesn't change the revenue allocation for a class.
- Q. And a utility has the right to recover from its consumers its cost of service, correct?
- A. I agree. That's the principle of rate design.
- Q. Thank you, Mr. Fortney. Now, in your testimony on page -- sorry, your supplemental testimony, which we've been looking at, on page 11,

- 1 | you discuss the regulatory principle of practicality.
- 2 | Can you let me know when you are on page 11,
- 3 Mr. Fortney?

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- A. I'm there.
- Q. And here you cite to -- specifically at line 12 when discussing the regulatory principle of practicality, you cite to Bonbright, a 1961 publication; is that correct?
 - A. Yeah, that's the footnote.
- 10 Q. And you mentioned Bonbright earlier.
- 11 Have you studied this text extensively in your
- 12 | career, Mr. Fortney?
- 13 A. I'm sorry. Have I studied what?
- 14 O. Bonbright.
- 15 A. I have read Bonbright as any great 16 analyst probably has.
- Q. And are you familiar with Bonbright -Bonbright's criteria for desirable rate structure?
- 19 A. I don't remember the exact wording.
- 20 Perhaps you could remind me.
- Q. Sure. Just as -- as an initial item though, the page to which you cite is Bonbright's list of criteria for a desirable rate structure,
- 24 correct?
- 25 A. That is part of what Bonbright has

described.

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MS. VERHALEN: Permission to approach,

3 your Honor?

EXAMINER SANDOR: You may.

5 MS. VERHALEN: Your Honor, I would

6 request that this be marked as Company Exhibit 18.

EXAMINER SANDOR: So marked.

(EXHIBIT MARKED FOR IDENTIFICATION.)

- Q. (By Ms. Verhalen) Mr. Fortney, in your testimony you cite to page 291 of Bonbright; and Company Exhibit 18, does this look to be like page 291 from Bonbright to which you cite?
- A. It -- yes, my testimony looks -- looks like it pretty much uses the criteria in No. 1 on the right-hand side of page 291.
- Q. And did you review this page before you provided your testimony and cited to this source?
 - A. I'm sorry. Did I review this page?
- Q. Before you prepared your testimony and cited to this source.
 - A. Yes.
- Q. And so to this list, Bonbright identifies
 eight criteria of a sound rate structure; is that
 correct?
- 25 A. It looks like it, yes.

Q. And you identified that practicality is No. 1 in that list -- what you call practicality is identified by its terms as No. 1 in that list.

A. Correct.

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- Q. And criteria 3, if we could look at that, also requires yielding the total revenue requirements which is consistent with a concept you raised a few minutes ago in cross-examination, correct?
- A. Perhaps No. 3 is the most concrete of all the recommendations because the Company is entitled to recover whatever the authorized revenue requirement is, yes.
- Q. And then Bonbright also addresses apportionment in No. 6, that it's total cost of service -- apportionment of total cost of service among the different consumers, correct?
 - A. That is No. 6, yes.
- Q. And so let's go back to criteria 1 which you identify in your testimony. And at line 12, you state that a rate must be feasibly applied.
 - A. Yes.
- Q. And where Bonbright's discussing feasibility in item 1, he is discussing the feasibility of whether it's possible to apply that rate; is that correct?

1 Α. Well, I'm not going to speak for 2 Bonbright. I actually like the choice of the word 3 feasibility because I did look up the definition of feasibility. And one of the definitions is that --4 5 MS. VERHALEN: Excuse me. Is the witness 6 referring to a handwritten note or other annotation, 7 your Honor? 8 EXAMINER SANDOR: Sir, are you just 9 looking at your testimony and Bonbright or what are 10 you looking at? 11 THE WITNESS: Well --12 MS. VERHALEN: He is looking at a 13 handwritten page full of notes. 14 THE WITNESS: I did have a note that I 15 brought up with me because my memory isn't so good 16 and I --17 EXAMINER SANDOR: We ask you only refer 18 to the documents that are presented to you by 19 parties, please. 20 I'm sorry. THE WITNESS: 2.1 EXAMINER SANDOR: That's okay. 22 MS. VERHALEN: Your Honor, can all of the 23 attorneys please get a copy of what Mr. Fortney has 24 been referring to? 25 EXAMINER SANDOR: They may, yeah.

488 MS. VERHALEN: And we are not sure what 1 2 he has referred to during his testimony, your Honor, 3 so we would request that the full document be copied. EXAMINER SANDOR: Yeah. She's copying. 4 5 MS. VERHALEN: Thank you. 6 EXAMINER SANDOR: Let's go off the 7 record. (Discussion off the record.) 8 9 EXAMINER SANDOR: Let's go back on the 10 record. 11 Duke, you may proceed. 12 MS. VERHALEN: Thank you. 13 Q. (By Ms. Verhalen) Mr. Fortney, who -- who 14 prepared this handwritten document that we have a 15 copy of here? 16 That's all mine. Α. 17 It's all yours? Did anyone assist you in Q. 18 preparing this document? 19 Α. Nope. 20 Q. Did you discuss its contents at all with 2.1 your counsel or anyone else that you work with? 2.2 Α. No. 23 And did you ask anyone to review any Q. 24 portion of this document? 25 Α. No.

- Q. And did you ask anyone to provide input as to its contents?
 - A. No.

- Q. And I see there are a couple of case numbers cited here that are not references to this particular case. Is that -- are those cases that you found on your own, or did someone point you to those?
- A. I read about those cases. Actually it was in the --
- EXAMINER SANDOR: Can you speak a little closer to the microphone, please?
 - A. I read those cases. Actually it was from the consultant's report in the Aqua water or wastewater case regarding rates and tariffs. And I was actually at the Commission when those cases occurred, so I do remember them.
 - Q. And, Mr. Fortney, were you instructed by your counsel either to or to not take notes up to the witness stand today?
- A. I was not. I didn't ask. I didn't realize it wasn't allowed.
- MS. VERHALEN: No further questions, your Honor.
- 24 EXAMINER SANDOR: Any other cross?
- MR. WYGONSKI: Yes, I have some

490 1 questions, your Honor. 2 EXAMINER SANDOR: Go ahead. 3 4 CROSS-EXAMINATION 5 By Mr. Wygonski: 6 Good afternoon, Mr. Fortney. My name is Ο. 7 Jonathan Wygonski. I represent the Ohio Manufacturers' Association Energy Group in this case. 8 9 Mr. Fortney, you described yourself as a 10 rate design and cost-of-service analyst, correct? 11 Α. Yes. 12 You did not perform a cost-of-service Q. 13 study for this rate case, correct? 14 No, I did not. Α. 15 Q. But I believe earlier you stated that you reviewed Duke's cost-of-service study? 16 17 Α. Yes. 18 And did you review that cost-of-service Q. study prior to preparing your direct testimony in 19 20 this case? 2.1 Α. Yes. 22 Q. Okay. 23 MR. WYGONSKI: Your Honor, at this time I 24 would like to use as an exhibit Schedule E -- E-3.2 25 which was part of Duke's application. It was in

Volume 10 of 11 in that application we previously
marked and admitted as Duke Exhibit 1. But for ease
of this proceeding, would it be helpful if I mark it
now as a separate document for identification
purposes and to use in my cross-examination, if
that's okay with the Bench?

EXAMINER SANDOR: I think I would prefer to have it stay as marked just so it doesn't muddy the record when you are referring to it and reading back the transcript.

MR. WYGONSKI: Okay.

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Q. (By Mr. Wygonski) Mr. Fortney, do you
have in front of you Schedule E-3.2 which was part of
Duke's Exhibit 1?

EXAMINER SANDOR: One moment. Let's let everyone get on the same page.

MR. WYGONSKI: Your Honor, I have a copy
of this Schedule E.

EXAMINER SANDOR: Yes, please pass those around.

MR. WYGONSKI: Just to be clear, you don't want me to mark them with anything?

EXAMINER SANDOR: Correct, since it has already been admitted.

MR. WYGONSKI: All right. Your Honor, if

I could just let the record reflect that I just handed the witness Schedule E-3.2 which was part of Duke's application which we previously marked as Exhibit 1.

EXAMINER SANDOR: Thank you.

MR. WYGONSKI: Duke Exhibit 1.

EXAMINER SANDOR: Thank you.

- Q. (By Mr. Wygonski) Mr. Fortney, are you familiar with the document that I just handed you as --
- A. Yes. It's the --
- O. And that's --

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- A. -- part of Mr. Ziolkowski's testimony,
 Schedule E-3.2 which is a cost-of-service study. I
 would note it is only partial. Mr. Ziolkowski
 actually has in his testimony and his exhibits has
 several iterations of the cost-of-service study that
 break things down differently for demand and customer
 and energy. So -- so, yes, this is part of
 Mr. Ziolkowski's testimony.
- Q. And, Mr. Fortney, this is a true and accurate copy of the total distribution cost of study, Schedule E-3.2, correct?
- MS. WILSON: Objection. This isn't part of Mr. Fortney's testimony. To the extent that it's

on the record, that can be checked but Mr. Fortney really wouldn't have any way to know if this has been altered or anything.

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MR. WYGONSKI: Your Honor, I previously asked the witness if he was familiar with this document and if he had reviewed it, and I believe his answer was yes.

EXAMINER SANDOR: Objection overruled. You may proceed.

- Q. (By Mr. Wygonski) Mr. Fortney, just to clarify, this was the cost-of-service study that you stated that you reviewed previously, correct?
- A. Yes. I will take for fact this is taken right from the application and Mr. Ziolkowski's testimony.
 - Q. Okay. Thank you. And reviewing this document, do you remember what percentage of Duke's cost of service was allocated to the residential customer class according to this study?
- A. Currently or what would bring it to full cost of service or what Duke recommended? There's many different iterations so which one are you referring to?
- Q. So based on this schedule, which is total distribution cost of service, do you remember what

percentage of Duke's cost of service was allocated to the residential customer class according to this study?

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- A. There again, I am not -- there's an allocation based upon full cost of service. There is an allocation based upon the current revenues. There is an allocation based upon what Duke requested. So I'm not sure which -- which allocation you are referring to.
- Q. So referring to this document which was as filed with Duke's application, the total distribution cost of service, which I believe was about 69.4 percent, does that sound correct to you, to residential customers?
- A. Well, I mean, I see the line three up from the bottom which is present revenues, and the present residential revenue is 334 million, and the total distribution revenue is 534 million, so whatever 334 divided by the 534 is is what it would be. Under -- that would be the present revenues.
- Q. Mr. Fortney, so I was asking about the total electric cost of service rather than the present revenues. Again, looking at the cost of service rather than the revenues here, so on line 19, that line says "total electric cost of service."

Could you review that for a second?

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- A. Then that would be whatever the 409 million divided by the 589 million is.
- Q. Subject -- subject to check, would you agree that that's about 69.4 percent?
- A. Yes. I believe I say that in my supplemental -- supplemental testimony at page 7, oh, line 7, that the allocation of the revenue increase to the residents of class under that proposal and utilizing the revenue increase as proposed in the settlement of 23.1 million should be no more than 69.42 percent, or 16.03 million.
- Q. And, Mr. Fortney, in either your direct or supplemental testimony, do you recommend a revenue allocation to the residential class of 69.42 percent?
- A. I'm sorry. Could I have that question repeated?
- MR. WYGONSKI: Could I just have that reread, your Honor?
- 20 EXAMINER SANDOR: Karen, if you could.
- 21 (Record read.)
- MS. WILSON: Objection, your Honor.
- That's not what his testimony says, if counsel is
- 24 referring to page 7, line 8, of Mr. Fortney's
- 25 testimony.

MR. WYGONSKI: Your Honor, that's not what I am referring to.

EXAMINER SANDOR: Overruled. I think he asked if that number appeared in either of the testimonies, so he can clarify.

MS. WILSON: Thank you.

MR. WYGONSKI: Your Honor, I was asking if the witness recommended allocating 69.4 percent of the revenue requirement to the residential customer class.

- A. No. That is not my recommendation.
- 12 Q. (By Mr. Wygoneski) Thank you,
- Mr. Fortney. And instead you recommend a revenue
 allocation to the residential class of 63.05 percent,
 correct, which is below --
- 16 A. 63.05 or 6, I forget which.
- Q. Which is below the residential class cost to serve, correct?
 - A. Yes.

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- Q. So you recommend that customers in other rate classes pay more than their cost to serve those customers, correct?
- A. That is my recommendation, yes.
- Q. And, Mr. Fortney, did you review Staff's analysis of the cost-of-service study?

A. I read the Staff Report, yes.

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- Q. Okay. And Staff's recommended revenue requirement allocation, as you mentioned, is 65 percent, correct, to the residential class?
- A. Well, as I think I answered Duke's attorney, I -- I don't have the numbers in front of me that shows the 65 percent. I know that they recommended nearly double the increase of the residential class as the overall increase was which OCC thought was very unreasonable.

MR. WYGONSKI: Your Honor, I would move to strike everything that the witness said there after -- after saying he doesn't remember. I was just asking what the allocation recommended to the customer class -- the residential customer class in the Staff Report was. The -- the bulk of that response was not responsive to what I asked the witness.

EXAMINER SANDOR: Any response?

MS. WILSON: The Staff Report speaks for itself. If Mr. Fortney doesn't remember exactly what it said, then.

EXAMINER SANDOR: Karen, can you read back the beginning part of that answer. I'm sorry.

Read the entire answer.

(Record read.)

EXAMINER SANDOR: I will grant the motion to strike starting with "I know they" to the end of his answer.

MR. WYGONSKI: Thank you, your Honor.

Q. (By Mr. Wygonski) Mr. Fortney, do you have the Staff Report in front of you which has been marked as Staff Exhibit 1?

A. No.

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MR. WYGONSKI: Your Honor, could I request that OCC's counsel provide a copy of Staff Exhibit 1, the Staff Report, to the witness?

MS. O'BRIEN: We don't have it. I have it electronically.

MS. VERHALEN: Your Honor, we think that there may be a copy on the stand if we could approach and help locate it --

EXAMINER SANDOR: You may.

MS. VERHALEN: -- please. Thank you.

MR. WYGONSKI: Thank you.

MS. WILSON: Your Honors, if opposing counsel wants to cross-examine Mr. Fortney on the Staff Report, I believe it's their prerogative to provide him a copy of it.

MR. WYGONSKI: Your Honor, first, I would

again request that only one attorney for OCC argue at a time but --

MS. O'BRIEN: She's the one defending him so.

5 EXAMINER SANDOR: Only one attorney going 6 forward.

MS. O'BRIEN: People are looking at me.

8 I just responded I don't have it, so sorry.

9 EXAMINER SANDOR: That's all right.

Typically I would agree. I know we have been in and out here and virtual, so I would ask if we are going to ask questions about it, that it be provided, but we are where we are at right now so.

MS. AKHBARI: Your Honor, we have a binder copy.

16 EXAMINER SANDOR: Oh, you do? Okay.

17 Let's go off the record.

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18 (Discussion off the record.)

EXAMINER SANDOR: All right. Let's go back on the record.

MR. WYGONSKI: Thank you, your Honor.

Q. (By Mr. Wygonski) Mr. Fortney, now that you have a copy of the Staff Report in front of you, could you turn to page 28 and look at Table 3.

A. Yes, I'm there.

- Q. And Staff there recommended a revenue requirement allocation of 65 percent to the residential customer class, correct?
- A. That's correct, and it's also over on Table 4 on the next page, Staff proposed.
 - Q. Okay.

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- A. Base revenue distribution, Staff proposed percent of total 65 percent to the residential class.
- Q. Thank you. Mr. Fortney, turning back to your direct testimony on page 6, looking at lines 9 through 12, let me know when you are there.
 - A. The first testimony, direct testimony?
 - Q. Correct, the initial direct.
 - A. Page 6.
- Q. Lines 9 through 12. And, Mr. Fortney, at that portion of your direct testimony, you quote the Staff Report and note that other considerations may result in movement more closely aligning revenue with costs rather than an absolute match at a particular time period, correct?
 - A. That's correct, yes.
- Q. And a bit down that page on lines 14
 through 15, you claim that Staff proceeds to ignore
 its own guidelines and allocate revenue based solely
 on cost of service, correct?

A. Correct.

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- Q. Did you speak to Staff to ask which guidelines they employed to recommend an allocation of the revenue requirement?
 - A. No.
- Q. And isn't it true that Staff could not have allocated the revenue requirement based purely on the cost-of-service study since the percentage Staff recommended was below the cost to serve?
- A. They did not recommend going to the full cost of service, but they did recommend a significant increase.
- Q. And so isn't it true that the revenue allocation moving forward will still not be an absolute match to the results of the cost-of-service study as you mention there?
 - A. I agree with that entirely, yes.
- Q. Okay. And so the revenue requirement proposed by Staff would still result in residential customers paying less than their cost to serve, correct?
 - A. Yes.
- Q. Okay. Mr. Fortney, turning back to your supplemental testimony at page 5, looking at Table 1, I believe you mentioned that you reviewed the revenue

allocation proposed in the Stipulation in this case, correct?

A. Yes.

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- Q. And isn't it true that the Stipulation recommends a lower revenue requirement allocation to residential customers than the Staff Report did?
 - A. Yes.
- Q. And the Stipulation recommends allocating 64 percent of the revenue requirement to residential customers, correct?
- 11 A. 64 percent rather than the 65 percent 12 that was in the Staff Report, yes.
 - Q. Thank you. And so the Stipulation allocation of the base distribution revenue requirement for the residential class is still below the residential class cost to serve?
 - A. Yes.
- Q. And isn't it true that the -- strike that question, your Honor. I apologize.

20 And so -- sorry. Strike that one too.

So, Mr. Fortney, isn't it true that the majority of rate classes do not receive a rate decrease under this Stipulation's proposed allocation?

A. It looks like only two, rate DS and

lighting, receive a rate revenue de -- decrease under the Stipulation.

- Q. You are referring to, just to clarify, he said looks like, you are referring to Table 1, that last column that says "Revenue Increase Percentage" on page 5 of your supplemental testimony?
- A. The column -- columns that are titled "Revenue Increase Under the Stipulation" and the right-hand "Percent of Total" is -- that's the distribution of the increase to the classes.
- Q. Mr. Fortney, I was -- I was asking about the "Class Revenue Increase," that last column.
- A. The last column, that's just the revenue increase percent which would -- would be the revenue increase divided by the current revenues.
- Q. And for the record, Mr. Fortney, you are looking at page 5, Table 1, of your supplemental testimony, correct?
 - A. Yes.

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Q. Thank you. Okay. Mr. Fortney, turning to page 6 of your supplemental testimony, lines 20 through 24, I believe you stated earlier that residential customers have been harmed by high inflation and escalating generation prices, correct, as well as COVID?

- A. Yes, that's -- that is my testimony.
- Q. And I believe you discussed that public policy should recognize these factors when allocating the revenue requirement, correct?
 - A. Yes, that's what my testimony says.
- Q. And you discussed this a bit earlier, but just to clarify, commercial and industrial customers are harmed by high inflation as well, correct?
 - A. Yes. I'm sure they are.
- Q. And commercial and industrial customers are also harmed by escalating generation prices, correct?
 - A. I am sure they will be.
- Q. And just to clarify, commercial and industrial customers are also harmed by the impacts of COVID-19, correct?
 - A. Probably, yes.

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- Q. And, Mr. Fortney, the second prong of the Commission's three-prong test, which I believe you discussed earlier, is whether or not the settlement as a package benefits customers and the public interest, correct?
- A. Yes, correct.
- Q. But just to clarify, on page 6, answer 13, which was lines 17 through 24 of your

supplemental testimony, you are only considering the benefits related to residential customers, correct?

- A. I'm sorry. I didn't follow the page numbers.
- Q. That same paragraph we are looking for, I was just stating it for the record, page 6, line 17 through 24, that last question and answer, your -- in that answer you are only considering the benefits related to the residential customers, correct?
 - A. That's correct, yes.

MR. WYGONESKI: Thank you.

Your Honor, I have no further questions.

EXAMINER SANDOR: Okay. Any other cross?

MS. COHN: I just have one question.

EXAMINER SANDOR: Go ahead.

MS. COHN: Thank you.

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18 CROSS-EXAMINATION

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- Q. Hey, Mr. Fortney.
- A. Good morning.
- Q. Is it still -- good morning. Okay. Do
 you know what percentage of the stipulated revenue
 requirement would be allocated to residential at full
 cost of service?

506 1 Α. It's probably in the cost-of-service 2 document that --3 Q. Well, I'm talking about the stipulated 4 revenue requirement. 5 I don't know, no. I did not do that 6 calculation. 7 MS. COHN: Okay. Thank you. 8 No further questions. EXAMINER SANDOR: Okay. Any other cross? 9 10 Okay. Hearing none, any redirect? 11 MS. WILSON: Can we have just a moment, 12 please? 13 EXAMINER SANDOR: Sure. 14 MS. WILSON: No redirect, your Honor. 15 MS. VERHALEN: Your Honor? Sorry. Would 16 it be possible for us to move our exhibit, please? 17 EXAMINER SANDOR: Yes. Well, we are 18 going to do OCC's first. 19 MS. VERHALEN: Apologies. Thank you. 20 EXAMINER SANDOR: That's okay. 21 Mr. Fortney, you are excused. 2.2 THE WITNESS: Thank you. 23 EXAMINER SANDOR: OCC. 24 MS. WILSON: OCC moves to -- moves for 25 admission of OCC Exhibits 6 and 7, the direct and

507 supplemental testimony of Robert Fortney. 1 2 EXAMINER SANDOR: Any objections? 3 Okay. Hearing none, OCC Exhibits 6 and 7 are admitted. 4 5 (EXHIBITS ADMITTED INTO EVIDENCE.) 6 EXAMINER SANDOR: All right. Duke. 7 MS. VERHALEN: Thank you, your Honor. 8 Duke would move Company Exhibit 18. 9 EXAMINER SANDOR: Any objections? 10 Hearing none, Duke Energy Ohio Exhibit 18 11 is admitted. 12 (EXHIBIT ADMITTED INTO EVIDENCE.) 13 EXAMINER SANDOR: Okay. Let's go off the 14 record. (Discussion off the record.) 15 16 EXAMINER SANDOR: Let's go back on the 17 record. 18 We just had a discussion with the 19 parties -- the AE just had a discussion with the 20 parties off the record. The initial briefs will be 2.1 due on October 31, and then reply briefs will be due 2.2 on November 14. 23 And it's our understanding too that the 24 transcript will be able to be filed tomorrow, 25 October 12.

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                 And with that, do the parties or counsel
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     have any other matters?
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                 Okay. Hearing none, we are adjourned.
                  (Thereupon, at 11:37 a.m., the hearing
 4
 5
     was adjourned.)
 6
 7
                           CERTIFICATE
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                 I do hereby certify that the foregoing is
 9
     a true and correct transcript of the proceedings
10
     taken by me in this matter on Tuesday, October 11,
     2022, and carefully compared with my original
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12
     stenographic notes.
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15
                           Karen Sue Gibson, Registered
                           Merit Reporter.
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     (KSG-7348)
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Case No(s). 21-0887-EL-AIR, 21-0888-EL-ATA, 21-0889-EL-AAM

Summary: Transcript of Duke Energy Ohio, Inc. hearing held on 10/11/22 - Volume IV electronically filed by Mr. Ken Spencer on behalf of Armstrong & Okey, Inc. and Gibson, Karen Sue Mrs.