

**BEFORE**

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Duke )  
Energy Ohio, Inc. for Recovery of )  
Program Costs, Lost Distribution Revenue ) Case No. 12-1857-EL-RDR  
and Performance Incentives Related to its )  
Save-A-Watt Programs. )

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**SUPPLEMENTAL DIRECT TESTIMONY OF**

**TIMOTHY J. DUFF**

**ON BEHALF OF**

**DUKE ENERGY OHIO, INC.**

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October 31, 2012

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**I. INTRODUCTION AND PURPOSE OF TESTIMONY**

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

2   A. My name is Timothy J. Duff. My business address is 526 South Church Street,  
3       Charlotte, North Carolina 28202.

4   **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5   A. I am employed by Duke Energy Business Services LLC, an affiliate of Duke  
6       Energy Ohio, Inc., (Duke Energy Ohio, or Company) as General Manager, Retail  
7       Customer and Regulatory Strategy, Customer Strategy & Innovation.

8   **Q. ARE YOU THE SAME TIMOTHY J. DUFF WHO FILED DIRECT**  
9       **TESTIMONY IN THIS PROCEEDING ON JUNE 29, 2012?**

10   A. Yes.

11   **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL DIRECT**  
12       **TESTIMONY IN THIS PROCEEDING?**

13   A. The purpose of my supplemental direct testimony is to support the Stipulation and  
14       Recommendation (Stipulation) related to the Company's application in this  
15       proceeding; a Stipulation filed by all of the parties to this proceeding. I will  
16       discuss the criteria employed by the Public Utilities Commission of Ohio  
17       (Commission) when reviewing stipulations. My testimony will confirm that the  
18       Stipulation filed in this proceeding: (1) is the product of serious bargaining among  
19       capable, knowledgeable parties; (2) does not violate any important regulatory  
20       principle or practice; and (3) as a package, benefits ratepayers and the public  
21       interest. I will explain that the Stipulation is a fair and reasonable resolution to  
22       the issues relevant to this proceeding.

1                                    **II.    OVERVIEW OF THE STIPULATION**

2    **Q.    PLEASE   IDENTIFY   THE   SIGNATORY   PARTIES   TO   THE**  
3                    **STIPULATION.**

4    A.    In addition to the Commission Staff, two parties intervened in this proceeding and  
5           these parties reflect diverse interests and represent customers in Duke Energy  
6           Ohio's service territory. The parties are the Office of the Ohio Consumers'  
7           Counsel, (OCC), and Ohio Partners for Affordable Energy, (OPAE). Both of  
8           these parties were parties to the October 27, 2008 Stipulation and  
9           Recommendation in the Duke Energy Ohio's first ESP case, Case No. 08-920-  
10          EL-SSO, *et al.*, that was approved by the Commission on December 17, 2008,  
11          establishing Rider DR-SAW. Additionally, both parties have extensive experience  
12          with participation in Duke Energy Ohio's Community Partnership. The Duke  
13          Energy Community Partnership is a collaborative group focused on understanding  
14          and providing input into the Company's energy efficiency and peak demand  
15          programs. Both OCC and OPAE have participated in this collaborative effort for  
16          many years. They have significant experience and understanding of the history of  
17          the Company with respect to providing energy efficiency and peak demand  
18          reduction and each has knowledge of the matters relevant to this proceeding.

19   **Q.    PLEASE   PROVIDE   AN   OVERVIEW   OF   THE   TERMS   OF   THE**  
20                    **SETTLEMENT AGREEMENT AS DETAILED IN THE STIPULATION.**

21   A.    The Stipulation provides that the Company will be permitted to true-up and  
22           recover a revenue requirement related to the actual results of its energy efficiency  
23           and peak demand reduction programs during the period of 2009-2011, covered by

1 Rider DR-SAW. Due to the tremendous success of the Company's energy  
2 efficiency and peak demand response programs from 2009 to 2011, the Company  
3 achieved energy efficiency savings impacts that were over 125 percent of its  
4 annual energy efficiency mandates during the same period, which entitles it to  
5 collect avoided costs revenues equivalent to its actual program expenditures plus  
6 an incentive in the amount of fifteen percent of program costs. The true-up also  
7 allows the Company to collect the actual authorized lost revenues associated with  
8 the actual energy efficiency savings impacts.

9 The Stipulation and Recommendation verifies that the Company  
10 recognized that it was not entitled to collect lost generation revenues from  
11 customers during the period December 10, 2009 through December 31, 2011, and  
12 the stipulation does not provide for such recovery, but rather conclusively  
13 establishes that no such recovery is included in the application or the Stipulation  
14 and Recommendation.

15 In recognition of the Company's collection of lost generation revenues  
16 from shopping customers between January 1, 2009 and December 9, 2009, the  
17 Stipulation requires the Company to credit customers \$57,990 in calculation of  
18 the true-up in this application. The credit will be split and assigned to the  
19 appropriate customer classes in the true-up calculations of revenues to be  
20 collected under Rider DR-SAW.

21 The Stipulation further provides for a credit of \$100,000 in the calculation  
22 of the true-up for residential customers to compensate these customers for a  
23 revenue collection timing adjustment associated with the Commission's decision

1 related to the Company's lack of authorization to collect lost generation in Case  
2 No, 09-1999-EL-POR.

3 Finally, the Stipulation clarifies the understanding of all of the Parties  
4 related to the Company's banked energy efficiency savings. That understanding  
5 is that the Company may not now or in the future, seek to include avoided costs  
6 associated with banked impacts in the calculation of the Company's performance  
7 incentive. However, both the banked impacts achieved during the Rider DR-  
8 SAW period (2009-2011), and the pre-2009 energy and peak demand impacts  
9 may be used by the Company to determine its future annual achievement with  
10 respect to its energy efficiency and peak demand reduction requirements set forth  
11 in Amended Substitute Senate Bill 221 and Revised Code 4928.66.

12  
13 **III. CRITERIA FOR APPROVAL OF A STIPULATION**

14 **Q. PLEASE IDENTIFY THE CRITERIA USED BY THE COMMISSION IN**  
15 **REVIEWING A STIPULATION.**

16 A. As I understand it, the Commission will approve a stipulation when it (1) is the  
17 product of serious bargaining among capable, knowledgeable parties; (2) does not  
18 violate any important regulatory principle or practice, and (3) as a package  
19 benefits ratepayers and the public interest.

20 **Q. DOES THE STIPULATION REPRESENT THE PRODUCT OF SERIOUS**  
21 **BARGAINING AMONG CAPABLE, KNOWLEDGEABLE PARTIES?**

22 A. Yes. The capability and knowledge of the parties and their counsel is readily  
23 apparent. The signatory parties regularly participate in rate proceedings before

1 the Commission, are very knowledgeable in regulatory matters, and were  
2 represented by experienced competent counsel. Furthermore, the signatory  
3 parties represent a broad range of interests.

4 I personally participated in the process that resulted in the Stipulation. I  
5 can therefore confirm that all of the issues raised by the signatory parties in the  
6 proceeding were thoroughly reviewed and addressed during negotiations and  
7 despite the divergent interests among them, all parties had an opportunity to  
8 express their opinions in the negotiation process.

9 Further, the settlement discussions resulted in beneficial modifications and  
10 compromises, thereby confirming that serious bargaining occurred at settlement  
11 meetings.

12 For all of these reasons, I believe that the Stipulation is a compromise  
13 resulting from those negotiations and, therefore, represents a product of the efforts  
14 of capable, knowledgeable parties.

15 **Q. DOES THE STIPULATION VIOLATE ANY IMPORTANT**  
16 **REGULATORY PRINCIPLE OR PRACTICE?**

17 A. No. Based upon my experience, involvement in this proceeding, and review of  
18 the Stipulation, I believe that it complies with all relevant and important  
19 principles and practices. Significantly, the Stipulation furthers important  
20 regulatory principles and practices. The Stipulation furthers important regulatory  
21 principles and practices through the advancement of energy efficiency and peak  
22 demand reduction that is consistent with Ohio energy policy.

