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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. 08-709-EL-AIR
)	
In the Matter of the Application of Duke Energy Ohio, Inc. for Tariff Approval)	Case No. 08-710-EL-ATA
)	
In the Matter of the Application of Duke Energy Ohio, Inc. for Approval to Change Accounting Methods)	Case No. 08-710-EL-AAM
)	
In the Matter of the Application of Duke Energy Ohio, Inc. for Approval of its Rider BDP, Backup Delivery Point Rider)	Case No. 06-718-EL-ATA
)	

Prepared Testimony
of
William Ross Willis
Accounting and Electricity Division
Utilities Department

Staff Exhibit ____

March 30, 2009

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Technician Amr Date Processed 3/31/09

1 PREPARED TESTIMONY OF WILLIAM ROSS WILLIS

2 1. Q. Please state your name and business address.

3 A. My name is Wm. Ross Willis. My business address is 180 East Broad
4 Street, Columbus, Ohio 43215.

5 2. Q. By whom are you employed?

6 A. I am employed by the Public Utilities Commission of Ohio (PUCO).

7 3. Q. What is your current position with the PUCO and what are your
8 duties?

9 A. I am an Administrator in the Accounting and Electric Division within the
10 Utilities Department. My duties include developing, organizing, and
11 directing staff during rate case investigations and other financial audits of
12 public utility companies subject to the jurisdiction of the PUCO. The
13 determination of revenue requirements in connection with rate case
14 investigations is under my purview.

15 4. Q. Would you briefly state your educational background?

16 A. I earned a Bachelor of Business Administration Degree that included a
17 Major in Finance and a Minor in Management from Ohio University in
18 December 1983. In November 1986, I attended the Academy of Military
19 Science and received a commission in the Air National Guard. Moreover, I
20 have attended various seminars and rate case training programs sponsored
21 by this Commission, professional trade organizations, and the financial
22 community.

23 5. Q. Please outline your work experience.

1 A. Following graduation from Ohio University, I joined the Public Utilities
2 Commission in February 1984, in the Utilities Department as a Utility
3 Examiner. I have held several technical and managerial positions with the
4 PUCO. They include Utility Examiner, Utility Rate Analyst, Utility Audit
5 Coordinator, Utility Supervisor, Utility Administrator 1 and my current
6 position, Utility Administrator 2.

7 My military career spans 27 honorable years of service with the Ohio
8 National Guard. I earned the rank of Lieutenant Colonel and I am a
9 veteran of the war in Afghanistan. I retired from the Air National Guard in
10 March 2006.

11 I have previously testified before this Commission.

12 6. Q. What is the purpose of your testimony in this proceeding?

13 A. The purpose of my testimony is to respond to objections raised by Duke
14 Energy Ohio, Inc. (DEO), the Office of Consumers Counsel (OCC), and the
15 Ohio Partners for Affordable Energy (OPAE) related to storm damage.

16 7. Q. DEO objects to the Staff's failure to recommend that Rider DR-Ike
17 recovery be considered in the current rate case proceeding and further
18 objects to Staff's failure to address recovery of other known and
19 measureable storm cost recovery expenses, such as the January 2009 ice
20 storm, through a tracking mechanism. How do you respond?

21 A. On December 22, 2008, DEO filed a Motion seeking additional authority to
22 change accounting methods to defer and create a regulatory asset for actual
23 O&M storm restoration costs incurred and carrying charges resulting from

1 the September 14, 2008, Hurricane Ike wind storm. The Application
2 asserted that DEO would apply for approval of recovery in a future
3 application to set and adjust Rider DR. Furthermore, all interested parties
4 would have an opportunity for a hearing through the due process afforded
5 by the Commission through such a proceeding.

6 By Commission Order in Case Nos. 08-709-EL-AIR, 08-710-EL-ATA, 08-
7 711-EL-AAM dated January 14, 2009, DEO was authorized to defer
8 incremental O&M storm damage restoration costs associated with the
9 September 14, 2008 wind storm with carrying costs. The Commission's
10 Order further ruled that the determination of the reasonableness of the
11 deferred storm damage restoration amounts and the recovery thereof, if any,
12 will be examined and addressed in a future proceeding before the
13 Commission.

14 The Staff Report recommendation that DR-Ike is an appropriate mechanism
15 to evaluate deferred storm damage costs, and that the Commission should
16 establish a procedural schedule to afford interested parties the opportunity
17 to participate in implementation of Rider DR-IKE is consistent with DEO's
18 motion seeking the specific authority, and, the Commission's Order.

19 The fact that Staff did not address other storm cost expenses such as the
20 January 2009 ice storm is beyond the purview of DEO's Motion seeking
21 specific authority related to the September 14, 2008, Hurricane Ike wind
22 storm. Furthermore, an ice storm in January 2009 is outside the test period
23 in the present rate case.

1 8. Q. The OCC objects to the Staff Report Recommendation that the Commission
2 establish a procedural schedule to afford interested parties the opportunity
3 to participate in implementation of Rider DR-Ike when the only appropriate
4 procedure for recovery of the Rider DR-Ike costs is a future distribution
5 rate case. How do you respond?

6 A. The OCC failed to provide Direct Testimony supporting its objection. Staff
7 is unable to determine if OCC simply seeks to delay addressing the recovery
8 of these costs to some future distribution case, or, if OCC recommends the
9 Ike related costs to be embedded in current test year O&M expenses for the
10 current rate case. The Staff believes the appropriate mechanism to recover
11 Hurricane Ike restoration costs are through a rider. To include Ike costs in
12 test year O&M expenses would cause the continued collection of revenue in
13 base rates until another rate case is filed. Building such costs into the test
14 year O&M expenses, even amortizing the amount over time, could
15 potentially permit an over-recovery of the deferred amount. A rider
16 provides recovery of the allowable costs but no more.

17 9. Q. OPAE objects to the establishment of the distribution rider to recover
18 deferred storm damage restoration costs. OPEA contends the establishment
19 of a new distribution rider violates the concepts of test-year and recurring
20 expenses fundamental to statutory ratemaking in Ohio. The proper
21 mechanism for Duke to seek an increase in its distribution rates due to
22 increased operating and maintenance expenses is the filing of an application
23 pursuant to R.C. 4909.18. How do you respond?

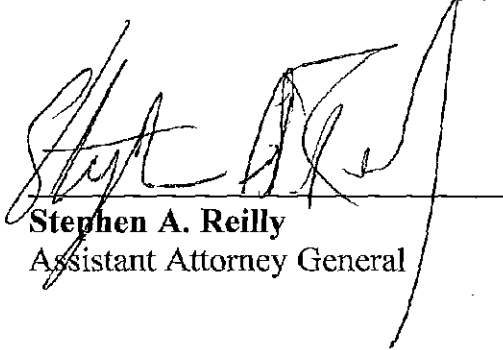
1 A. OPAE failed to provide Direct Testimony supporting of its objection. The
2 storm damage costs related to Hurricane Ike were incurred during the test
3 year in the current rate case. Staff is unable to determine if OPAE simply
4 seeks to delay addressing the recovery of these costs to some future
5 distribution case, or, if OPAE recommends the Ike related costs to be
6 embedded in current test year O&M expenses for the current rate case. To
7 include Ike costs in test year O&M expenses would cause the continued
8 collection of revenue in base rates until another rate case is filed. Building
9 such costs into the test year O&M expenses, even amortizing the amount
10 over time, could potentially permit an over-recovery of the deferred
11 amount. A rider provides recovery of the allowable costs but no more.

12 10. Q. Does this conclude your testimony?

13 A. Yes.

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Testimony of William Ross Willis was served via electronic mail and/or regular U.S. mail, postage prepaid upon the following parties of record this 30th day of March, 2009.


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