

FILE

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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
Judy Sarver
Capital Recovery & Financial Analysis Division
Utilities Department

Staff Exhibit ____

March 30, 2009

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1 PREPARED TESTIMONY OF JUDY SARVER

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

3 A. My name is Judy Sarver. My business address is 180 East Broad Street,
4 Columbus, Ohio 43215.

5 2. Q. By whom are you employed?

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

7 3. Q. What is your position with the Public Utilities Commission and what are
8 your duties?

9 A. My current position is a Utility Specialist III in the Capital Recovery &
10 Financial Analysis Division of the Utilities Department. The duties of this
11 position include: reviewing rate case applications and depreciation accrual
12 rate represcriptions, reviewing public utility records and analyzing accrual
13 rate information to determine the appropriate depreciation reserve and
14 expense.

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

16 A. I earned a Bachelor of Arts Degree that included a Major in Accounting
17 from Glenville State College in May 1981. I came to the Public Utilities
18 Commission as a Utility Examiner I in November 1982 and was promoted
19 to Utility Examiner II in February 1984. In April 1984, I began working in
20 the Depreciation Section. I was reassigned to a Utility Examiner III in
21 March 1987, which was later re-titled Utility Audit Coordinator. In
22 January 1999, I was promoted to position as Utility Specialist I in

1 depreciation. In August 2006, I was promoted to my present position as
2 Utility Specialist III in depreciation. I have attended Programs II, III, D,
3 and E at the Center for Depreciation Studies in Kalamazoo, Michigan. In
4 addition, I have attended various seminars and rate case training programs
5 sponsored by this Commission. I have prepared and presented testimony in
6 Ohio Power Case No. 85-726-EL-AIR and 94-966-EL- AIR, Toledo Edison
7 Case No. 85-554-EL-AIR, Cincinnati Gas & Electric Case Nos. 90-390-
8 GA-AIR, 92-1463-GA-AIR, 92-1464-EL-AIR, and Ohio Bell Telephone
9 Company Case No. 93-487-TP-ALT. I am a member of the Society of
10 Depreciation Professionals.

11 5. Q. What is the purpose of your testimony in this proceeding?

12 A. The purpose of my testimony is to support the Staff's calculations of the
13 Depreciation Reserve, Depreciation Expense, and Accrual Rates.

14 6. Q. To which objections will you be responding?

15 A. I will respond to OCC's objections 4.

16 7. Q. By its objection no. 4, the OCC alleges that the Staff failed to eliminate the
17 depreciation expense on General Miscellaneous Intangible plant and
18 Common Miscellaneous Intangible plant that will be fully depreciated by
19 the end of the test year. Do you agree with this objection?

20 A. No. OCC's witness David J. Effron indicates in his testimony, that the
21 depreciation expense should be adjusted by \$527,000 for a number of
22 capitalized software costs in the General Plant and Common Plant

1 Miscellaneous Intangible Plant accounts that became fully depreciated as of
2 the end of the test year. But as of date certain this plant is not fully
3 depreciated. Therefore, the Staff recommends that the depreciation expense
4 be based on the plant in service used and useful at date certain. This
5 synchronizes the expense with the investment and does not single out
6 individual additions, retirements or items fully depreciated after date
7 certain. This is consistent with this Commission's policy of synchronizing
8 test period depreciation expenses with the rate base.¹

9 The Staff also recommends that a full twelve months of the expense be
10 recognized. Recognizing twelve months of this expense annualizes the cost
11 of the test year to allow the applicant an opportunity to recover a normally
12 expected level of operating expenses. Recognizing an amount representing
13 less than twelve months of the expense would be an understatement.

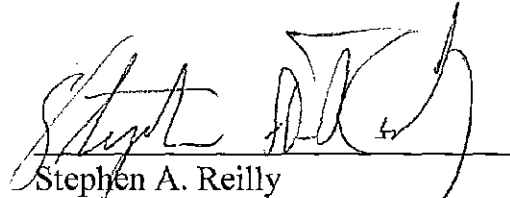
14 8. Q. Does this conclude your testimony?

15 A. Yes, it does.

¹ Opinion and Order Case No. 85-675-EL-AIR, page 58 and 59.

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Testimony of Judy Sarver 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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