

FILE

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BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke)
Energy Ohio, Inc. to Establish its Fuel and)
Economy Purchased Power Component of its)
Market-Based Standard Service Office for)
2009.)

Case No. 09-974-EL-FAO

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In the Matter of the Application of Duke)
Energy Ohio, Inc. to Establish its System)
Reliability Tracker of its Market-Based)
Standard Service Offer for 2009.)

Case No. 09-975-EL-RDR

TESTIMONY IN SUPPORT OF SETTLEMENT

SALIL PRADHAN

ON BEHALF OF

DUKE ENERGY OHIO, INC

September 3, 2010

363874

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TABLE OF CONTENTS

DESCRIPTION OF TESTIMONY

PAGES

| | |
|---|----------|
| I. INTRODUCTION | 1 |
| II. DISCUSSION OF THE STIPULATION AND RECOMMENDATION | 2 |
| III. CONCLUSION | 5 |

I. INTRODUCTION

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

2 A. My name is Salil Pradhan. My business address is 139 East 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, Inc., as Vice President
6 Portfolio Risk Management for Midwest Commercial Generation.

7 A. **ARE YOU THE SAME SALIL PRADHAN THAT FILED DIRECT AND**
8 **SUPPLEMENTAL TESTIMONY IN THIS PROCEEDING?**

9 A. Yes.

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

12 A. The purpose of my testimony is support the Stipulation and Recommendation
13 filed in this proceeding. The purpose of my Supplemental Direct Testimony is to
14 discuss and support the reasonableness of the Stipulation and Recommendation
15 (Stipulation) filed in the above-captioned proceeding. The Stipulation is filed
16 with the support of parties to this proceeding, including the Staff of the Public
17 Utilities Commission of Ohio (Commission), the Ohio Consumers' Counsel
18 (OCC), and Ohio Partners for Affordable Energy, (collectively, the Stipulating
19 Parties). The Ohio Energy Group (OEG) is a party to the proceeding but limited
20 its involvement in the case and did not actively participate in the settlement
21 discussions. OEG has authorized the signatory Parties to represent to the
22 Commission that it takes no position on the Stipulation. This testimony will

1 demonstrate that: (1) the Stipulation is the product of serious bargaining among
2 capable, knowledgeable parties; (2) the Stipulation does not violate any important
3 regulatory principle or practice; (3) the Stipulation is a just and reasonable
4 resolution of the issues that, as a package, will benefit ratepayers and the public
5 interest.

II. DISCUSSION OF THE STIPULATION AND RECOMMENDATION

6 **Q. PLEASE GENERALLY DESCRIBE THE STIPULATION AND**
7 **RECOMMENDATION.**

8 **A.** I have reviewed the Stipulation and Recommendation and was involved in the
9 discussions reaching resolution. The Stipulation and Recommendation
10 (Stipulation) resolves all issues and recommendations made in the Management/
11 Performance and Financial Audit of the Fuel and Purchased Power as Well as the
12 System Reliability Tracker Riders of Duke Energy Ohio, Inc (Audit Report) filed
13 May 14, 2010 in these proceedings. The Stipulation addresses the auditor's
14 recommendation contained in the audit report and provides further clarity
15 regarding the scope of the next audit and reporting for both Duke Energy Ohio
16 and the auditors of the 2010 Fuel and Purchased Power Rider (Rider PTC-FPP)
17 and System Reliability Tracker (SRA-SRT). The Stipulation also provides a
18 course of action to assist the auditor in auditing Duke Energy Ohio's Active
19 Management of its generation portfolio. Finally, the Stipulation provides for a
20 credit back to Rider PTC-FPP customers in the amount of \$865,365 to be split
21 evenly between residential and non-residential classes.

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

3 **A. Yes. The knowledge and capability of the parties to the Stipulation, and their**
4 **attorneys, are readily apparent. The Stipulating Parties regularly participate in**
5 **rate proceedings before the Commission, are knowledgeable in regulatory**
6 **matters, and are represented by experienced, competent counsel. Furthermore, the**
7 **Stipulating Parties represent a broad range of interests.**

8 The Commission retained an independent auditor, Schumaker and
9 Associates to review Duke Energy Ohio's adjustments to its Fuel and Purchased
10 Power and System Reliability Tracker Riders for calendar year 2009. The auditor
11 filed its Audit Report on May 14, 2010. Duke Energy Ohio responded to
12 numerous data and discovery requests received from the Commission's auditor
13 and OCC.

14 All parties in the proceeding were invited to attend all of the settlement
15 discussions regarding the Audit Report. The first settlement conference was held
16 at the office of the Commission on August 11, 2010. A subsequent telephone
17 discussion was held on August 16, 2010 with the auditor. An additional
18 settlement conference was held on September 1, 2010. Follow-up negotiations
19 occurred via e-mail, with all parties included on all such e-mails. All of the issues
20 raised by the parties in this proceeding were addressed during these negotiations
21 and, despite the divergent interests among the parties, all had opportunity to
22 express their opinions in the negotiating process. For all of these reasons, I

1 believe that the Stipulation is a compromise resulting from serious bargaining
2 among capable, knowledgeable parties.

3 **Q. DOES THE STIPULATION VIOLATE ANY IMPORTANT**
4 **REGULATORY PRINCIPLE OR PRACTICE?**

5 A. No. Based on the advice of counsel, my understanding is that the Stipulation
6 complies with all relevant and important principles and practices. Based upon my
7 examination of the Stipulation as Vice President Portfolio Risk Management for
8 Midwest Commercial Generation, I have also concluded that the Stipulation it is
9 consistent with prior Commission's Orders involving the Company's Rider PTC-
10 FPP and SRA-SRT of the Electric Security Plan (ESP). The Stipulation results in
11 a reasonable rate for customers, and allows the Company to recover its costs
12 under the Fuel and Purchased Power Rider and System Reliability Tracker in a
13 manner consistent with the terms of the Company's Commission-approved ESP.
14 The Stipulation resolves recommendations set forth in the Audit Report and is
15 fully supported by the evidence presented to the Commission and other Parties in
16 this case.

17 **Q. DOES THE STIPULATION BENEFIT RATEPAYERS AND THE PUBLIC**
18 **INTEREST?**

19 A. Yes. As I already mentioned, the Stipulation addresses the recommendations
20 contained in the Audit Report. The Stipulating Parties through discussions with
21 the auditors have further agreed upon a process to facilitate the auditing of the
22 Company's Active Management of its generation portfolio as part of the 2010
23 audit of Riders PTC-FPP and SRA-SRT. This process will begin immediately in

1 the fourth quarter of 2010, which addresses the issues with timing constraints
2 experienced by prior auditors. The Stipulation further provides a credit back to
3 Rider PTC-FPP customers in the amount of \$865,365 to be split evenly between
4 residential and non-residential classes, providing a benefit to customers, that was
5 not part of the recommendations contained in the Audit Report.

6 **Q. IS THE STIPULATION A JUST AND REASONABLE RESOLUTION OF**
7 **THE ISSUES?**

8 A. Yes. As described above, the Stipulation affords benefits to consumers and the
9 public and is consistent with established regulatory principles and practices. The
10 Stipulation also represents a timely and efficient resolution of the issues raised in
11 this proceeding, after thoughtful deliberation and discussion by the Stipulating
12 Parties.

13 **Q. DO YOU BELIEVE THE STIPULATION MEETS THE THREE-PART**
14 **TEST REGARDING CONSIDERATION OF STIPULATIONS AND**
15 **THEREFORE SHOULD BE ADOPTED BY THE COMMISSION?**

16 A. Yes, I do.

17 **Q. DOES THE STIPULATION RESOLVE ALL OF THE ISSUES IN THIS**
18 **PROCEEDING?**

19 A. Yes, it does.

III. CONCLUSION

20 **Q. DOES THIS CONCLUDE YOUR SECOND SUPPLEMENTAL**
21 **TESTIMONY?**

22 A. Yes.

