

FILE

BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke )  
Energy Ohio, Inc. to Establish its Fuel ) Case No. 10-974-EL-FAC  
and Economy Purchased Power )  
Component of its Market-Based Standard )  
Service Offer for 2010. )

In the Matter of the Application of Duke )  
Energy Ohio, Inc. to Establish its System ) Case No. 10-975-EL-RDR  
Reliability Tracker of its Market-Based )  
Standard Service Offer for 2010. )

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TESTIMONY IN SUPPORT OF SETTLEMENT

WILLIAM DON WATHEN JR.,

ON BEHALF OF

DUKE ENERGY OHIO, INC

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## **TABLE OF CONTENTS**

<b>DESCRIPTION OF TESTIMONY</b>	<b><u>PAGES</u></b>
<b>I. INTRODUCTION.....</b>	<b>1</b>
<b>II. DISCUSSION OF THE STIPULATION AND RECOMMENDATION .....</b>	<b>1</b>
<b>III. CONCLUSION .....</b>	<b>5</b>

**I. INTRODUCTION**

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

A. My name is William Don Wathen Jr. My business address is 139 East Fourth Street, Cincinnati, Ohio 45202.

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

A. I am employed by Duke Energy Corporation (Duke Energy), Duke Energy Business Services (DEBS) as Vice President Rates, Ohio and Kentucky.

**Q. ARE YOU THE SAME WILLIAM DON WATHEN JR. THAT FILED DIRECT AND SUPPLEMENTAL TESTIMONY IN THIS PROCEEDING?**

A. Yes.

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

A. The purpose of my Supplemental Direct Testimony is to discuss and support the reasonableness of the Stipulation and Recommendation (Stipulation) filed in the above-captioned proceeding. The Stipulation is filed with the support of parties to this proceeding, including the Staff of the Public Utilities Commission of Ohio (Commission), and the Ohio Consumers' Counsel (OCC), (collectively, the Stipulating Parties). This testimony will demonstrate that: (1) the Stipulation is the product of serious bargaining among capable, knowledgeable parties; (2) the Stipulation does not violate any important regulatory principle or practice; (3) the Stipulation is a just and reasonable resolution of the issues that, as a package, will benefit ratepayers and the public interest.

**II. DISCUSSION OF THE STIPULATION AND RECOMMENDATION**

1   **Q.   PLEASE GENERALLY DESCRIBE THE STIPULATION AND**  
2   **RECOMMENDATION.**

3   A.   I have reviewed the Stipulation and Recommendation and was involved in the  
4       discussions reaching resolution.   The Stipulation and Recommendation  
5       (Stipulation) resolves all issues and recommendations made in the Management/  
6       Performance and Financial Audit of the Fuel and Purchased Power, as well as the  
7       System Reliability Tracker Riders of Duke Energy Ohio, Inc., filed May 12, 2011  
8       in these proceedings (Audit Report).   The Stipulation addresses the Auditor's  
9       recommendations contained in the Audit Report and provides further clarity  
10      regarding the scope of the next audit and reporting for both Duke Energy Ohio  
11      and the Auditors of the 2011 Fuel and Purchased Power Rider (Rider PTC-FPP)  
12      and System Reliability Tracker (SRA-SRT).   Finally, the Stipulation provides for  
13      a credit back to Rider PTC-FPP customers in the amount of \$612,970 to be  
14      credited back to residential and non-residential customers subject to Rider PTC-  
15      FPP.

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

18   A.   Yes.   The knowledge and capability of the parties to the Stipulation, and their  
19       attorneys, are readily apparent.   The Stipulating Parties regularly participate in  
20       rate proceedings before the Commission, are knowledgeable in regulatory  
21       matters, and are represented by experienced, competent counsel.   Furthermore, the  
22       Stipulating Parties represent a broad range of interests.

1           The Commission retained an independent auditor, Schumaker and  
2 Associates to review Duke Energy Ohio's adjustments to its Fuel and Purchased  
3 Power and to its System Reliability Tracker Riders for calendar year 2010. The  
4 auditor filed its Audit Report on May 12, 2011. During the audit, Duke Energy  
5 Ohio responded to numerous data and discovery requests received from the  
6 Commission's auditor and OCC.

7           All parties in the proceeding participated in settlement discussions  
8 regarding the Audit Report. Negotiations occurred via e-mail, with all parties  
9 included on all such e-mails. All of the issues raised by the Auditors in this  
10 proceeding were addressed during these negotiations and, despite the divergent  
11 interests among the parties, all had opportunity to express their opinions in the  
12 negotiating process. For all of these reasons, I believe that the Stipulation is a  
13 compromise resulting from serious bargaining among capable, knowledgeable  
14 parties.

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

17 **A.** No. Based on the advice of counsel, my understanding is that the Stipulation  
18 complies with all relevant and important principles and practices. Based upon my  
19 examination of the Stipulation as Vice President Rates, Ohio and Kentucky, I  
20 have also concluded that the Stipulation it is consistent with prior Commission's  
21 Orders involving the Company's Rider PTC-FPP and SRA-SRT of the current  
22 Electric Security Plan (ESP). The Stipulation results in a reasonable rate for  
23 customers, and allows the Company to recover its eligible costs under the Fuel

1 and Purchased Power Rider and System Reliability Tracker in a manner  
2 consistent with the terms of the Company's Commission-approved ESP. The  
3 Stipulation resolves recommendations set forth in the Audit Report and is fully  
4 supported by the evidence presented to the Commission and other Parties in this  
5 case.

6 **Q. DOES THE STIPULATION BENEFIT RATEPAYERS AND THE PUBLIC**  
7 **INTEREST?**

8 A. Yes. As I already mentioned, the Stipulation addresses the recommendations  
9 contained in the Audit Report. Among other things, the Stipulation provides a  
10 credit back to Rider PTC-FPP customers in the amount of \$612,970 to be credited  
11 back to residential and non-residential customers subject to Rider PTC-FPP,  
12 providing a benefit to these customers.

13 **Q. IS THE STIPULATION A JUST AND REASONABLE RESOLUTION OF**  
14 **THE ISSUES?**

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

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

23 A. Yes, I do.

1 Q. DOES THE STIPULATION RESOLVE ALL OF THE ISSUES IN THIS  
2 PROCEEDING?

3 A. Yes, it does.

### III. CONCLUSION

4 Q. DOES THIS CONCLUDE YOUR SECOND SUPPLEMENTAL  
5 TESTIMONY?

6 A. Yes.