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Gebolys, Debra

From: Roberto, Cheryl
Sent: Tuesday, September 27, 2011 4:52 PM
To: <carl@m2rtech.com>
Cc: Peter Beck; Monte Miller; Gebolys, Debra
Subject: Re: Duke Energy Proposal

11-3549-EL-SSO

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2011 SEP 28 PM 3:57
PUCO

Dear Mr. Rullmann,

Thank you for following your participation at the Duke public hearing with your thoughtful observations and suggestions by email. I will indeed share this with my colleagues by arranging to have your thoughts included in the public record of this matter, just as your comments were included at the public hearing. Thank you again for sharing your insight.

Sincerely,

Cheryl Roberto

On Sep 27, 2011, at 8:29 PM, "Carl Rullmann" <carl@m2rtech.com> wrote:

Ms. Roberto,

Monte Miller and I are very appreciative of the time you gave us at the public hearing in Middletown on September 8 concerning the Duke Energy Proposal. Your openness to discussion with us on this issue was admirable in these days of "hurry, scurry—my time is valuable."

I would like to expand on my words of that meeting with a scenario that is, admittedly, conjecture.

Electric rates billed by Duke Energy have increased greatly since Duke acquired Cinergy in the Cincinnati area. Shortly after the acquisition, Duke employees and contractors began extensive tree-trimming activities in our area, ostensibly to protect wires from nature's tree growth. To my own observations of the trimming, they seemed excessive. The scenario I offer is that perhaps Duke is using a strategy of increasing their costs far above normal levels as a means of reflecting poorer financial results in order to gain rate increases. This would be followed by more profitable years during which trimming costs would be low and not subject to review.

At the hearing, that is why I mentioned my hope that the PUCO would be using such audit techniques as, Trend Analysis (of specific costs and expenses, year to year, to get explanations of unusual swings), Benchmarking (of cost and expense levels compared to other organizations), operational auditing (versus financial auditing), and other techniques as appropriate.

We notice from the PUCO website that the bios of the Commissioners do not include any experience or expertise in the field of auditing. There is no doubt that the commissioners are talented and dedicated people, but this condition comes to mind. In addition, also from the PUCO website, the Utilities Department is charged with "technical investigations." Does this constitute actual audits as the public would understand them? Or is it words that sound good but actually relieve the PUCO from actual audits as part of their responsibility to regulate for the benefit of Ohio consumers?

We are please to read in the PUCO flyer, "The PUCO was created to assure Ohioans adequate, safe, and reliable public utility services at a fair price. More recently, the PUCO gained responsibility for facilitating competitive utility choices for Ohio consumers." However, we believe the Duke proposal would reduce the ability of others to compete by loading them with costs not of their own making.

It has been stated that the proposed rates would be in effect through May 31, 2021! That's an awfully long time.

FYI—my career (Fortune 100 and other) has been in finance, accounting, auditing, systems, and management, with responsibilities at all levels. Thank you for the opportunity to offer these comments. I trust you will forward this to the other Commissioners.

Carl E. Rullmann
8285 Ventle Drive

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P.S. In a guest column in the Cincinnati Enquirer, September 26, Julie S. Janson, president of Duke Energy Ohio, states, "Regulators will be responsible for making sure those costs are reasonable." I hope she is correct.