

NC
RECEIVED
2011 DEC 8 PM 3:43

20
RECEIVED-DOCKETING DIV
2011 DEC -8 PM 3:43
PUCO

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke)
Energy Ohio, Inc., for Approval of a) Case No. 11-5905EL-RDR
Distribution Decoupling Rider)

APPLICATION OF DUKE ENERGY OHIO, INC.,
FOR APPROVAL OF A DISTRIBUTION DECOUPLING RIDER

1. Duke Energy Ohio, Inc., (Duke Energy Ohio) is an Ohio corporation engaged in the business of supplying electric transmission, distribution, and generation service in Adams, Brown, Butler, Clinton, Clermont, Hamilton, Montgomery, and Warren counties in southwestern Ohio to approximately 660,000 consumers, and supplying electric transmission and distribution service to approximately 210,000 customers who receive generation service from Competitive Retail Electric Service providers.
2. Duke Energy Ohio is a public utility, as defined by R.C. 4905.02 and 4905.03, and an electric distribution company, an electric light company, an electric supplier, and an electric utility, as defined by R.C. 4928.01.
3. This application (Application) to the Public Utilities Commission of Ohio (Commission) is made pursuant to O.A.C. Chapter 4901:1-39 and pursuant to the Commission's Opinion and Order (Order) issued November 22, 2011, in Case No. 11-3549-EL-SSO, *et seq.*, which adopted and approved a stipulation (Stipulation) that included a provision whereby the Company agreed to withdraw its request to

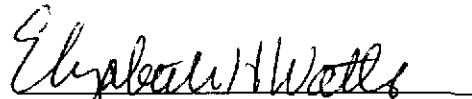
This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business.
Technician DW Date Processed DEC-08-2011

establish Rider DR and to file this Application for approval of a distribution revenue decoupling mechanism to adjust rates between rate cases to remove Duke Energy Ohio's incentive to sell energy. The Company further agreed that the rate mechanism requested in this Application only, would not apply to customers on Duke Energy Ohio's tariff rates TS, DS and DP.

4. As initially approved, the rider proposed herein, Rider Distribution Decoupling Rider (Rider DDR) will become effective on January 1, 2012, or as soon as approved by the Commission.
5. In support of this Application, Duke Energy Ohio submits the direct testimony of Timothy J. Duff and James E. Ziolkowski.

WHEREFORE, Duke Energy Ohio respectfully request that the Commission approve this Application and the tariff attached to Mr. Ziolkowski's Direct Testimony for Rider DDR, to become effective upon approval.

Respectfully submitted,
DUKE ENERGY OHIO, INC.



Amy B. Spiller
Deputy General Counsel
Elizabeth H. Watts
Associate General Counsel
139 East Fourth Street, 1303-Main
Cincinnati, Ohio 45201
(614) 222-1330
Amy.Spiller@duke-energy.com
Elizabeth.Watts@duke-energy.com

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke)
Energy Ohio, Inc. for Approval of a) Case No. 11 5905 EL-RDR
Distribution Decoupling Rider)

DIRECT TESTIMONY OF

JAMES E. ZIOLKOWSKI

ON BEHALF OF

DUKE ENERGY OHIO, INC.

November 30, 2011

TABLE OF CONTENTS

	<u>PAGE</u>
I. INTRODUCTION	1
II. DISCUSSION OF RIDER DDR.....	3
III. RIDER DDR RECONCILIATION AND UPDATES	6
IV. CONCLUSION.....	7

I. INTRODUCTION

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

2 A. My name is James E. Ziolkowski, and my business address is 139 East Fourth
3 Street, Cincinnati, Ohio 45202.

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

5 A. I am employed by the Duke Energy Business Services LLC (DEBS) as Rates
6 Manager. DEBS provides various administrative and other services to Duke
7 Energy Ohio, Inc., (Duke Energy Ohio or the Company) and other affiliated
8 companies of Duke Energy Corporation (Duke Energy).

9 **Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL**
10 **EXPERIENCE.**

11 A. I received a Bachelor of Science degree in Mechanical Engineering from the U.S.
12 Naval Academy in 1979 and a Master of Business Administration degree from
13 Miami University in 1988. I am also a licensed Professional Engineer in the state
14 of Ohio.

15 After graduating from the Naval Academy, I attended the Naval Nuclear
16 Power School and other follow-on schools. I served as a nuclear-trained officer
17 on various ships in the U.S. Navy through 1986. From 1988 through 1990, I
18 worked for Mobil Oil Corporation as a Marine Marketing Representative in the
19 New York City area.

20 I joined The Cincinnati Gas & Electric Company (CG&E) in 1990 as a
21 Product Applications Engineer, in which capacity I designed and managed some
22 of CG&E's demand side management programs, including Energy Audits and

1 Interruptible Rates. From 1996 until 1998, I was an Account Engineer and
2 worked with large customers to resolve various service-related issues, particularly
3 in the areas of billing, metering, and demand management. In 1998, I joined
4 Cinergy Services, Inc.'s, Rate Department, where I focused on rate design and
5 tariff administration. I was significantly involved with the initial unbundling and
6 design of CG&E's retail electric rates. I was appointed to my current position in
7 January 2008.

8 **Q. PLEASE DESCRIBE YOUR DUTIES AS RATES MANAGER.**

9 A. As Rates Manager, I am responsible for rate design, tariff administration, billing,
10 and revenue reporting issues in Ohio and Kentucky. I also prepare filings to
11 modify charges and terms in retail tariffs of Duke Energy Ohio and Duke Energy
12 Kentucky, Inc., (Duke Energy Kentucky) and develop rates for new services.
13 During major rate cases, I help with the design of the new base rates. I assisted in
14 the development of the retail electric tariffs in the Company's Case No. 03-93-
15 EL-ATA, which established the Company's market-based standard service offer.
16 Additionally, I frequently work with customer contact and billing personnel of
17 Duke Energy Ohio and Duke Energy Kentucky to answer rate-related questions
18 and to apply the retail tariffs to specific situations. Occasionally, I meet with
19 customers and Company representatives to explain rates or provide rate training.
20 I also prepare reports that are required by regulatory authorities.

21 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC**
22 **UTILITIES COMMISSION OF OHIO?**

23 A. Yes. Most recently, I provided testimony before the Public Utilities Commission of

1 Ohio (Commission) in support of Duke Energy Ohio's application for approval of
2 Rider EE-PDR, filed under Case Number 11-4393-EL-RDR. I was also a witness in
3 the Electric Security Plan case, filed under Case Number 11-3549-EL-SSO, *et seq.*,
4 and in the Company's Application for a Market Rate Offer, filed under Case
5 Number 10-3549-EL-SSO.

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

8 A. The purpose of my testimony in this proceeding is to: (i) describe the calculation of
9 the initial Rider DDR beginning January 2012 and (ii) address annual applications
10 to update Rider DDR.

11 **Q. WHAT ARE THE ATTACHMENTS AND SCHEDULES FOR WHICH**
12 **YOU ARE RESPONSIBLE?**

13 A. I am sponsoring the following item:

- 14
 - Attachment JEZ-1 – Proposed Rider DDR tariff sheet

II. DISCUSSION OF RIDER DDR

Q. WHAT IS THE PURPOSE OF RIDER DDR?

15 A. Rider DDR is a distribution revenue decoupling mechanism that adjusts
16 distribution rates between distribution base rate cases to remove the link between
17 sales and distribution revenues.

18 **Q. WHY IS THE COMPANY FILING FOR APPROVAL OF RIDER DDR AT**
19 **THIS TIME?**

20 A. In the Stipulation in the Company's recent Electric Security Plan filing, Duke
21 Energy Ohio agreed to file for approval of a distribution revenue decoupling

1 mechanism. The Stipulation states on page 30 and 31:

2 "Within 45 days of an executed Stipulation in these proceedings,
3 Duke Energy Ohio shall file, in a separate proceeding, for Commission
4 approval of a distribution revenue decoupling mechanism that will adjust
5 rates between rate cases to effectively remove Duke Energy Ohio's
6 through-put incentive, with all parties retaining their rights to due process
7 in such proceeding. The decoupling mechanism to be filed through such
8 application shall not be applicable to Rates TS, DS, and DP. Nothing in
9 this Stipulation is intended, or shall be interpreted, to signify Parties'
10 agreement with such application. Further, nothing in this Stipulation shall
11 affect Duke Energy Ohio's existing SmartGrid recovery mechanism,
12 which shall continue under Rider DR-IM."
13

14 **Q. WHAT IS THE TERM OF RIDER DDR?**

15 A. Duke Energy Ohio proposes that Rider DDR be established as a three-year pilot
16 for the period of January 1, 2012 through December 31, 2014. At the end of the
17 pilot period, the Company will file a report discussing the results of the pilot and
18 justification to extend or terminate the pilot.

19 **Q. TO WHICH RATES DOES RIDER DDR APPLY?**

20 A. Rider DDR will apply to all metered rate schedules, except for Rates DS, DP, and
21 TS, which were excluded pursuant to the terms of the ESP Stipulation. Rider
22 DDR will not apply to unmetered rates such as lighting, Rate GS-FL, and Rate
23 SFL-ADPL.

24 **Q. PLEASE DESCRIBE HOW THE RIDER DDR RATES WILL BE**
25 **CALCULATED.**

26 A. Rider DDR will be calculated annually in the following manner:

27 On a monthly basis, for each eligible customer rate class, the following amounts
28 (i and ii) will be calculated and compared.

29 i. Authorized distribution revenues that are based on kWh usage or kW

1 demand, except those authorized pursuant to any Rider that is adjusted
2 periodically to recover amounts authorized by the Commission. In 2012, and
3 subsequent years, authorized revenues shall be the amount of revenue designed to
4 be collected in charges based on kWh usage or kW demand from Case No. 08-
5 709-EL-AIR, adjusted by the number of customers added or subtracted to
6 DukeEnergy Ohio's distribution system by customer rate class since the test year,
7 except those authorized pursuant to any Rider that is adjusted periodically to
8 recover amounts authorized by the Commission.

9 ii. The revenues actually collected for that customer class for the weather
10 normalized kilowatt-hour usage (based upon the methodology used in the
11 Company's Long Term Forecast Report Case No. 11-1439-EL-FOR) and/or
12 kilowatt demand, except those collected pursuant to any Rider that is adjusted
13 periodically to recover amounts authorized by the Commission.

14 The Company shall accrue the positive or negative difference in a
15 balancing account specific to each rate class, which shall accrue interest at the
16 pre-tax weighted average cost of capital authorized by the Commission in the
17 most recent distribution rate case.

18 If, during the term of the pilot, the Company files a rate case, any amount
19 accrued in the balancing account associated with the test period would be
20 eliminated from collection in Rider DDR. Additionally, upon the new base
21 distribution rates becoming effective, the new authorized revenues will replace
22 the authorized revenues from in Case No. 08-709-EL-AIR in the calculation of
23 the monthly comparison underlying Rider DDR until the any future rate case.

1 **Q. HOW WILL THE APPROVAL OF RIDER DDR AFFECT ANY OTHER**
2 **DUKE ENERGY OHIO ELECTRIC RETAIL TARIFF SHEETS?**

3 A. Duke Energy Ohio's energy efficiency riders, Rider DR-SAW, and its proposed
4 Rider EE-PDR that was filed in Case Number 11-4393-EL-RDR and would
5 supercede Rider SAW, recover lost distribution revenues as part of their cost-
6 recovery formulas. Upon approval of Rider DDR, the energy efficiency rider will
7 be adjusted to remove lost distribution revenue recovery to the extent that the
8 energy efficiency rider is recovering those costs.

III. RIDER DDR RECONCILIATION AND UPDATES

9 **Q. HOW OFTEN WILL RIDER DDR BE UPDATED?**

10 A. Duke Energy Ohio proposes to make an update filing each year.

11 **Q. WHAT PROCESS DOES THE COMPANY PROPOSE TO UPDATE**
12 **RIDER DDR?**

13 A. Commencing in 2013, the Company shall allocate the prior calendar year amount
14 in each balancing account to the corresponding customer rate class, and adjust the
15 proposed Rider amount for each customer rate class accordingly. The Company
16 will then submit to the Commission the following information by March 1 of each
17 year:

18 i. The proposed rate changes under this Rider to be effective on July 1st of
19 the submittal year shall be based on the amount in the Balancing Account
20 at the end of the 12-month period commencing on January 1, 2012, and at
21 the end of each succeeding calendar year.

22 ii. Revisions to this Schedule which reflect the new proposed rates and

1 supporting work papers detailing the calculation of the new proposed
2 rates.

3 The Commission Staff and other parties shall review the accuracy of the
4 Company's submission and file comments at the Commission by May 1. Without a
5 Commission order to the contrary, the Company's proposed rate changes shall go
6 into effect July 1 of the submittal year.

IV. CONCLUSION

7 **Q. HOW DOES THE COMPANY PROPOSE THAT ITS TARIFF,**
8 **INCLUDING THE PREVIOUSLY DISCUSSED RATES AND CHARGES,**
9 **BE IMPLEMENTED?**

10 A. Duke Energy Ohio proposes that the revised tariff, including the rates and charges
11 complying with the Commission's Order in this case, be effective January 1,
12 2012, for all customers.

13 **Q. WAS THE ATTACHMENT DISCUSSED ABOVE PREPARED BY YOU**
14 **OR UNDER YOUR SUPERVISION?**

15 A. Yes.

16 **Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?**

17 A. Yes.

RIDER DDR

DISTRIBUTION DECOUPLING RIDER

APPLICABILITY

Applicable to all customers taking service under the Company's rate schedules listed below.

DECOUPLING RIDER RATES

As a three-year pilot program or until the Company's next distribution rate case, applicable customers shall be assessed a monthly charge or credit which reflects an adjustment to rates that will effectively remove Duke Energy Ohio's distribution-related through-put incentive.

CHARGES/CREDITS

Beginning January 1, 2012, the following Rider DDR rates apply:

<u>Tariff Sheet</u>	<u>DDR Charge/Credit</u> (Per kWh)
Rates RS, RS3P, RSLI, Residential Service All kWh	\$0.000000
Rate ORH, Optional Residential Service With Electric Space Heating All kWh	\$0.000000
Rates TD, Optional Time-of-Day Rate All kWh	\$0.000000
Rates TD-AM, Optional Time-of-Day Rate For Residential Service With Advanced Metering All kWh	\$0.000000
Rates TD-CPP_LITE, Optional Critical Peak Pricing Rate For Residential Service With Advanced Metering All kWh	\$0.000000
Rates TD-LITE, Optional Time-of-Day Rate For Residential Service With Advanced Metering (Modified) All kWh	\$0.000000
Rate CUR, Common Use Residential Service All kWh	\$0.000000
Rate EH, Optional Rate For Electric Space Heating All kWh	\$0.000000
Rate DM, Secondary Distribution Service, Small All kWh	\$0.000000

Filed pursuant to an Order dated _____ in Case No. _____ before the Public
Utilities Commission of Ohio.

Issued:

Issued by Julie Janson, President

Effective:

BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke)
Energy Ohio, Inc., for Approval of a) Case No. 11-5905-EL-RDR
Distribution Decoupling Rider.)

DIRECT TESTIMONY OF
TIMOTHY J. DUFF
ON BEHALF OF
DUKE ENERGY OHIO, INC.

December 8, 2011

TABLE OF CONTENTS

	<u>PAGE</u>
I. INTRODUCTION	1
II. RECOVERY OF LOST DISTRIBUTION REVENUE	2
III. CONCLUSION	6

I. INTRODUCTION

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

2 A. My name is Timothy J. Duff. My business address is 526 South Church Street,
3 Charlotte, North Carolina 28202.

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

5 A. I am employed by Duke Energy Business Services LLC, (DEBS) as General
6 Manager, Retail Customer and Regulatory Strategy, Customer Strategy &
7 Innovation. DEBS provides various administrative and other services to Duke
8 Energy Ohio, Inc., (Duke Energy Ohio or the Company) and other affiliated
9 companies of Duke Energy Corporation (Duke Energy).

10 **Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL**
11 **QUALIFICATIONS.**

12 A. I graduated from Michigan State University with a Bachelor of Arts in Political
13 Economics and a Bachelor of Arts in Business Administration, and received a
14 Master of Business Administration from the Stephen M. Ross School of Business
15 at the University of Michigan. I started my career with Ford Motor Company and
16 worked in a variety of roles within the Company's financial organization. After
17 five years with Ford Motor Company, I began work with Cinergy in 2001,
18 providing business and financial support to plant operating staff. Eighteen
19 months later, I joined Cinergy's Rates Department, where I provided revenue
20 requirement analytics and general rate support for the company's transfer of three
21 generating plants. After my time in the Rates Department, I spent a short period
22 of time in the Environmental Strategy Department, and then I joined Cinergy's

1 Regulatory and Legislative Strategy Department. After Cinergy merged with
2 Duke Energy in 2006, I worked for four years as Managing Director, Federal
3 Regulatory Policy. In this role, I was primarily responsible for developing and
4 advocating Duke Energy's policy positions with the Federal Energy Regulatory
5 Commission. I assumed my current position in 2010.

6 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC**
7 **UTILITIES COMMISSION OF OHIO?**

8 A. Yes. I have provided testimony in previous cases related to energy efficiency and
9 Duke Energy Ohio's SmartGrid deployment.

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

12 A. The purpose of my testimony in this proceeding is to explain the Company's
13 proposal for an innovative regulatory mechanism that will allow the Company to
14 recover revenue in a manner that both incentivizes energy efficiency and allows
15 the Company to be made whole at the same time.

I. RECOVERY OF LOST DISTRIBUTION REVENUE

16 **Q. WHAT IS MEANT BY THE TERM "LOST REVENUE" IN THE**
17 **CONTEXT OF ENERGY EFFICIENCY?**

18 A. In this context, lost revenue is a term used to describe the negative effect that
19 offering energy efficiency programs can have on a utility's ability to recover its
20 fixed costs and earn its allowed return. Under traditional ratemaking policy, such
21 as is applied in Ohio with respect to utility distribution services, a utility generally
22 recovers both its fixed and variable costs through a combination of fixed customer

1 charges and volumetric charges paid by customers. These charges are assessed on
2 a price per kilowatt hour or price per kilowatt. The volumetric price is
3 determined by dividing the utility's total test period costs by the annual sales level
4 realized at the time rates were set. If actual sales vary from the level that was
5 estimated in determining the volumetric rate, the utility will either over- or under-
6 recover the level of test period fixed costs approved by the Public Utilities
7 Commission of Ohio (Commission).

8 **Q. HOW IS THE UTILITY'S ABILITY TO RECOVER ITS COST OF**
9 **SERVICE AFFECTED BY ENERGY EFFICIENCY?**

10 **A.** If a utility offers energy efficiency programs that lower its energy sales and, in
11 some cases, its demand, the utility's ability to recover its fixed costs and earn its
12 allowed return will be adversely affected. Thus, a utility has an economic
13 disincentive to aggressively pursue offering energy efficiency programs. This is a
14 temporary problem in that once a utility files a new rate case, rates are "reset"
15 such that they synchronize with a current level of sales in each rate case.
16 However, in between rate cases, absent a lost revenue recovery mechanism or
17 another mechanism that removes the connection between utility sales and the
18 utility's ability to fully recover its fixed costs, a utility that achieves energy
19 efficiency savings for its customers will under recover fixed costs and
20 disadvantage its opportunity to earn a fair and reasonable return.

21 **Q. DOES OHIO LAW RECOGNIZE THE UTILITY'S ABILITY TO**
22 **RECOVER LOST DISTRIBUTION REVENUES?**

1 A. Yes. I am advised that R.C. 4928.66 speaks to the ability of a utility to recover
2 lost revenue through a decoupling mechanism. Also, the Commission enacted a
3 rule pursuant to this law that recognizes that a utility may submit a request for
4 recovery of an approved rate mechanism that can include program costs, lost
5 distribution revenue and shared savings. Consistent with this law and regulations,
6 the Commission has historically granted utility request for lost revenues.
7 However, in concurring opinions provided in *In the Matter of the Application of*
8 *the Cleveland Electric Illuminating Company, Ohio Edison Company and The*
9 *Toledo Edison Company for Approval of Their Energy Efficiency and Peak*
10 *Demand Reduction Program Portfolio Plans for 2010 through 2012 and*
11 *Associated Cost Recovery Mechanism.*, Case No. 09-1947-EL-POR, Opinion and
12 Order, March 23, 2011, Chairman Snitchler and Commissioner Roberto
13 expressed in separate concurring opinions that they would encouraged utilities to
14 bring forth innovative rate designs that would eliminate the need for lost
15 distribution related margin recovery.

16 **Q. HOW DID DUKE ENERGY OHIO RESPOND TO THESE OPINIONS?**

17 A. Duke Energy Ohio proposed a formulaic distribution rider in its recent application
18 in its Electric Security Plan case, filed under Case Number 11-3549-EL-SSO (ESP).
19 This proposed formulaic distribution rider would have effectively eliminated the
20 need for the Company to recover lost distribution revenues, as well as eliminating
21 regulatory lag. However, this proposal was eliminated from the ESP case. In its
22 place, as part of the final ESP Stipulation and Recommendation, the Company
23 agreed to file a proposal for a revenue decoupling mechanism with the

1 Commission within forty-five days of the signing of the ESP Stipulation and
2 Recommendation.

3 **Q. IS THIS APPLICATION SUBMITTED PURSUANT TO THE**
4 **COMPANY'S COMMITMENT IN ITS ESP CASE?**

5 A. Yes. The Company is submitting this application pursuant to that commitment.

6 **Q. WHAT DOES THE COMPANY PROPOSE IN THIS CASE?**

7 A. While the Company continues to believe that a formulaic rate, such as the
8 proposal included in the Company's ESP Application, is the preferred approach to
9 eliminating the natural disincentive to utility enabled energy efficiency and the
10 need to recovery lost distribution revenue, the Company proposes herein to
11 recover revenue on a per customer decoupling mechanism pilot program.

12 **Q. WHY IS THIS PROGRAM CHARACTERIZED AS A PILOT PROGRAM?**

13 A. This form of decoupling is new and untested by electric utilities in Ohio. Duke
14 Energy Ohio proposes it to be a three year pilot for the period of January 1, 2012,
15 through December 31, 2014. At the end of the pilot period, the Company will file
16 a report discussing the results of the pilot and justification to extend or terminate
17 the pilot.

18 The revenue per customer decoupling methodology is consistent with
19 traditional rate making, but is designed to eliminate the utility's incentive to sell
20 energy that exists due to the application of "test year" sales.

21 **Q. BY EXCLUDING THE THREE CUSTOMER CLASSES FROM THIS**
22 **PILOT, IS IT THE COMPANY'S POSITION THAT IT DOES NOT NEED**
23 **TO BE MADE WHOLE FOR LOST REVENUES ASSOCIATED WITH**

1 **ENERGY EFFICIENCY IMPACTS FROM THESE CUSTOMER**
2 **CLASSES?**

3 A. No, the exclusion was simply one of many components of a larger stipulation and
4 Duke Energy Ohio is requesting to reserve the right to request recovery of the lost
5 revenues associated with these three customer classes at a future time.

6 **Q. PLEASE EXPLAIN THE PROPOSED DECOUPLING MECHANISM.**

7 A. Duke Energy Ohio witness James E. Ziolkowski will explain the details related to
8 the calculation of the decoupling rider mechanism that Duke Energy Ohio
9 proposes to call the Distribution Decoupling Rider or Rider DDR and its affect on
10 rates.

II. CONCLUSION

11 **Q. DOES THIS CONCLUDE PRE-FILED YOUR TESTIMONY?**

12 A. Yes, it does.