

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)	
Duke Energy Ohio, Inc., for an)	Case No. 12-1685-GA-AIR
Increase in Gas Rates.)	
In the Matter of the Application of)	
Duke Energy Ohio, Inc., for Tariff)	Case No. 12-1686-GA-ATA
Approval.)	
In the Matter of the Application of)	
Duke Energy Ohio, Inc., for Approval)	Case No. 12-1687-GA-ALT
of an Alternative Rate Plan for Gas)	
Distribution Service.)	
In the Matter of the Application of)	
Duke Energy Ohio, Inc., for Approval)	Case No. 12-1688-GA-AAM
to Change Accounting Methods.)	

VOLUME 1TESTIMONY

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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 Gas Rates.)))	Case No. 12-1685-GA-AIR
In the Matter of the Application of Duke Energy Ohio, Inc., for Tariff Approval.)))	Case No. 12-1686-GA-ATA
In the Matter of the Application of Duke Energy Ohio, Inc., for Approval of an Alternative Rate Plan for Gas Distribution Service.))))	Case No. 12-1687-GA-ALT
In the Matter of the Application of Duke Energy Ohio, Inc., for Approval to Change Accounting Methods.)))	Case No. 12-1688-GA-AAM

DIRECT TESTIMONY OF**JULIA S. JANSON****ON BEHALF OF****DUKE ENERGY OHIO, INC.**

<u> X </u>	Management policies, practices, and organization
<u> </u>	Operating income
<u> </u>	Rate Base
<u> </u>	Allocations
<u> </u>	Rate of return
<u> </u>	Rates and tariffs
<u> X </u>	Other: Rate Case Drivers

July 20, 2012

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I. INTRODUCTION AND PURPOSE

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

2 A. My name is Julia S. Janson, and 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 LLC (DEBS) as State President
6 of Duke Energy Ohio, Inc., (Duke Energy Ohio or the Company) and Duke Energy
7 Kentucky, Inc. (Duke Energy Kentucky). DEBS provides various administrative
8 and other services to Duke Energy Ohio and other affiliated companies of Duke
9 Energy Corporation (Duke Energy).

10 **Q. PLEASE BRIEFLY SUMMARIZE YOUR EDUCATIONAL BACKGROUND**
11 **AND PROFESSIONAL EXPERIENCE.**

12 A. I earned a Bachelor of Arts degree in American Studies from Georgetown College
13 in Georgetown, Kentucky. I earned my Juris Doctor degree from the University of
14 Cincinnati, College of Law. I am a member of the Ohio Bar and the Kentucky Bar.

15 Prior to my current position, I served as Senior Vice President of Ethics and
16 Compliance, and Corporate Secretary for Duke Energy, where I directed Duke
17 Energy's ethics and compliance program. Prior to that, I served as Corporate
18 Secretary and Chief Compliance Officer for Cinergy Corp. (Cinergy), where I
19 directed Cinergy's corporate compliance program. I was appointed Chief
20 Compliance Officer in 2004 and Corporate Secretary in 2000. From 1998 to 2004,
21 I served as Senior Counsel, providing advice on executive compensation, benefits,
22 transactions, corporate governance, securities, and general corporate matters. From

1 1996 to 1998, I served as Counsel for Cinergy, providing research, advice, and
2 support for divestitures, mergers and acquisitions, and numerous internal business
3 clients, including investor relations, shareholder services, corporate
4 communications, and government and regulatory affairs. I also served as Corporate
5 Counsel to the international business unit. I was Manager of Investor Relations for
6 Cinergy from 1995 to 1996. Prior to joining Cinergy, I began my corporate career
7 in 1987 as a law clerk with The Cincinnati Gas & Electric Company (CG&E) and
8 began full-time employment with CG&E as Supervisor of Securities Processing and
9 Transfer Agent for CG&E common and preferred stock, after which I was named
10 Corporate Attorney. In addition, I was a member of the legal team responsible for
11 completing the merger of CG&E and PSI Energy, Inc., which formed Cinergy
12 Corp. in 1994. Before joining CG&E, I served as a law clerk with Adams,
13 Brooking, Stepner, Wolterman & Dusing in Covington, Kentucky.

14 **Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AS STATE**
15 **PRESIDENT, DUKE ENERGY OHIO.**

16 A. As State President of Duke Energy Ohio, I am responsible for ensuring that our
17 customers continue to have access to safe, reliable, and reasonably priced natural
18 gas service, and that this service is provided in accordance with applicable federal
19 and state laws and regulations. I am also involved in external efforts related to
20 governmental and regulatory affairs, interacting with state and community leaders
21 and regulators on matters relevant to Duke Energy Ohio's business and presence in
22 Ohio. I am responsible for the Company's community relations and economic

1 development efforts and am involved with Duke Energy's regional charitable
2 giving through the foundation.

3 **Q. ARE YOU CURRENTLY INVOLVED IN ANY PROFESSIONAL OR**
4 **CHARITABLE ORGANIZATIONS?**

5 A. Yes, I currently serve on a variety of Boards of Directors for nonprofit organizations.
6 For example, I am the 2012 chair of the board of directors and the executive
7 committee of the Cincinnati USA Regional Chamber of Commerce, a member of the
8 board of directors and executive committee of the Kentucky Chamber of Commerce,
9 a board of trustee member of The University of Cincinnati Foundation and a member
10 of the Compensation Committee, a member of the Vision 2015 CEO Roundtable,
11 chair of the Cincinnati Business Committee and co-chair of the Economic
12 Development Task Force, a member of the Climate Protection Steering Committee
13 appointed by Cincinnati City Council, a board member of the Cincinnati Center City
14 Development Corporation (3CDC), and a member of the Cincinnati Women's
15 Executive Forum (CWEF). I am also a member and Treasurer of The Commercial
16 Club and served as the Vice Chair of the 2012 World Choir Games. Finally, I chaired
17 the city of Cincinnati's 2010 Fine Arts Fund Campaign.

18 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC**
19 **UTILITIES COMMISSION OF OHIO?**

20 A. Yes. I have testified before the Public Utilities Commission of Ohio (Commission)
21 in connection with Duke Energy Ohio's 2010 and 2011 standard service offer
22 filings, docketed under Case No. 10-2586-EL-SSO, *et al.*, and Case No. 11-3549-
23 EL-SSO, *et al.*, respectively.

1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THESE**
2 **PROCEEDINGS?**

3 A. My testimony provides an overview of Duke Energy Ohio's natural gas business
4 operations. I discuss the Company's major developments since our last natural gas
5 base rate case, which was filed in 2007, and explain our need for an increase in base
6 rates for natural gas service. I discuss how the timely and constructive regulatory
7 treatment we seek from the Commission will enable us to continue to satisfy our
8 customers by providing them with the safe, reliable, and reasonably priced service
9 they have come to expect from Duke Energy Ohio. I introduce our proposals
10 related to natural gas vehicles and economic development, both of which we believe
11 to be consistent with Sub. S.B. 315 (S.B. 315), signed by Governor Kasich on June
12 11, 2012.

13 Additionally, I sponsor the following schedules; S-3, S-4.1, S-4.2, and
14 Supplemental Filing Requirement (C)(17).

15 Finally, I introduce the various witnesses and identify the subject matters on
16 which they will testify in these proceedings.

II. OVERVIEW OF DUKE ENERGY OHIO'S **NATURAL GAS BUSINESS**

A. OVERVIEW

17 **Q. PLEASE GENERALLY DESCRIBE THE DUKE ENERGY CORPORATE**
18 **AND BUSINESS STRUCTURE.**

19 A. To more fully understand how Duke Energy Ohio serves its customers, it is helpful
20 to understand Duke Energy's corporate and business structure. Duke Energy is a
21 holding company, formerly named Duke Energy Holding Corp., that was formed in

1 connection with the 2006 merger of the former Duke Energy Corporation, a North
2 Carolina corporation, and Cinergy.

3 Duke Energy is a Delaware corporation and, following the 2006 merger, is
4 organized into three principal business segments: US Franchised Electric and Gas
5 (USFE&G), Commercial Power, and Duke Energy International (DEI). USFE&G
6 consists of Duke Energy's regulated generation and its electric and gas transmission
7 and distribution systems. Its generation portfolio is a diverse mix of fuel sources –
8 coal, oil/natural gas, nuclear, and hydroelectric. USFE&G is Duke Energy's largest
9 business segment and has included the utility operating companies of Duke Energy
10 Carolinas, LLC (Duke Energy Carolinas), which operates in North and South
11 Carolina, Duke Energy Kentucky, Duke Energy Ohio, and Duke Energy Indiana,
12 Inc. (Duke Energy Indiana).

13 Commercial Power owns, operates, and manages power plants located
14 primarily in the Midwest. Commercial Power also includes Duke Energy
15 Generation Services (DEGS), which develops, owns, and operates generation
16 sources (including wind assets) that serve large energy consumers, municipalities,
17 utilities, and industrial facilities.

18 DEI operates and manages power generation facilities located in the Central
19 and South American countries of Argentina, Brazil, Ecuador, El Salvador,
20 Guatemala, and Peru. DEI also owns equity investments in Saudi Arabia and
21 Greece.

22 On July 2, 2012, Duke Energy completed its merger with Progress Energy
23 Corp., which was announced in January 2011. This merger creates the largest U.S.

1 utility, while maintaining and expanding both companies' history of community
2 support, investment, and commitment. The merger will position the new Duke
3 Energy to help shape the energy industry of the next century.

4 **Q. DOES THE MERGER HAVE ANY IMPACT ON THE COMPANY'S**
5 **REQUEST IN THESE PROCEEDINGS?**

6 A. No. It is not expected that the merger will have any material impact on the financial
7 results for Duke Energy Ohio for calendar year 2012. As discussed by Duke Energy
8 Ohio witness Peggy A. Laub, all merger-related costs have been removed from the
9 test year revenue requirement as well.

10 **Q. PLEASE PROVIDE A SUMMARY OF DUKE ENERGY OHIO'S NATURAL**
11 **GAS BUSINESS.**

12 A. Duke Energy Ohio's headquarters are in downtown, Cincinnati, as they have been
13 for over 175 years. We also have additional Gas Operations locations in Green
14 Township (Monfort Heights), Monroe Township (Todhunter), Miami Township
15 (Little Miami), Sharonville (Glendale), and Cincinnati (Eastern Avenue). From
16 these local facilities, Duke Energy Ohio directs the planning, construction,
17 operation, and maintenance of our gas delivery system. Duke Energy Ohio sells and
18 transports natural gas and provides service to approximately 417,000 customers in
19 southwest Ohio. The Company's Gas Operations are more fully described in the
20 Direct Testimony of Duke Energy Ohio witness James E. Mehring.

1 **Q. WHICH LEGAL ENTITY PROVIDES NATURAL GAS SERVICE FOR**
2 **DUKE ENERGY OHIO'S CUSTOMERS?**

3 A. Our customers receive all of their natural gas delivery services from Duke Energy
4 Ohio. The actual services that Duke Energy Ohio's customers receive may be
5 performed by Duke Energy Ohio employees. Additionally, shared service
6 employees or employees of affiliated companies may provide services to our
7 customers in accordance with approved service agreements. The Commission
8 approved these service agreements in Case No. 05-732-EL-MER, *et al.*, which
9 involved the Duke Energy/Cinergy merger, and Duke Energy Ohio witness Daniel
10 J. Reilly sponsors the agreements in these proceedings.

11 The legal entity structure and relationships that I mention above should go
12 unnoticed by our natural gas customers in Ohio. That is, our customers continue,
13 and should expect, to receive safe and reliable natural gas service from Duke
14 Energy Ohio, at competitively low prices, without regard to how the Company is
15 structured or organized to provide those services.

16 **Q. HOW DOES DUKE ENERGY OHIO ADDRESS CORPORATE**
17 **ALLOCATIONS?**

18 A. Duke Energy Ohio appreciates the Commission Staff's desire to review corporate
19 allocations. As a combined gas and electric utility, Duke Energy Ohio addresses
20 corporate allocations with respect to its gas business in the same manner as it does
21 with respect to its electric business. Duke Energy Ohio's electric corporate
22 separation plan and cost allocation manual were audited by an independent third
23 party beginning in 2009. The auditor's final report was filed on March 29, 2010, in

1 Case No. 09-495-EL-UNC. Therein, the auditor concluded that there “were no
2 significant errors in the [Company’s] calculation of allocation percentages or in its
3 application of those percentages to actual charges.”¹ The Commission accepted the
4 audit results in its order of April 5, 2011. The Company continues to follow the
5 audited allocation methodology that we believe to be reasonable and appropriate,
6 applying the same methodology to gas allocation as we do to electric allocation.

7 With respect to allocations, it is important to remember that Duke Energy
8 Ohio is part of a multi-jurisdictional holding company that operates numerous
9 regulated and non-regulated businesses. Consequently, the use of allocation factors
10 and methodologies is necessary to ensure efficient operations.

B. ECONOMIC DEVELOPMENT

11 **Q. PLEASE GIVE AN OVERVIEW OF DUKE ENERGY OHIO’S ECONOMIC**
12 **DEVELOPMENT ACTIVITIES.**

13 A. Duke Energy takes seriously our responsibility to promote economic development
14 in the communities in which we do business. Access to low-cost, reliable power is a
15 critical factor in a company’s decision about where to locate its facilities. As a top-
16 performing utility, Duke Energy is in a key position to meet companies’ energy
17 needs and attract job-creating industry and capital investment to our service area.
18 But business clients need more than energy. They need readily available building
19 sites, transportation infrastructure, access to state and local incentives, flexible
20 workforce training programs, and proximity to a community of customers and

¹ *In the Matter of the Application of Duke Energy Ohio, Inc. for Approval of the Second Amended Corporate Separation Plan under Section 4928.17, Revised Code, and Chapter 4901:1-37, Ohio Administrative Code, Case No. 09-495-EL-UNC, Final Report Compliance Audit (March 29, 2010), p. 74.*

1 business partners. Duke Energy Ohio assists in meeting these needs through our
2 award-winning economic development program.

3 In 2011, *Site Selection* magazine named Duke Energy to its Top 10 Utilities
4 in Site Selection for North America for the thirteenth consecutive year. Whether a
5 company is looking for a new site for manufacturing, logistics, distribution, or
6 headquarters, our economic development team is there to help. Cited by *Site*
7 *Selection* magazine as a best practice, the Duke Energy "Site Readiness" program
8 seeks to identify and improve large tracts of industrial land in the service territory,
9 moving them closer to being "fully marketable." In collaboration with local
10 economic development organizations, Duke Energy and our Duke Energy
11 Foundation offer grants to those local communities that have taken advantage of the
12 program and spent dollars improving participant sites.

13 Duke Energy Ohio's strategic partnerships with local, regional, and state
14 economic development efforts, combined with Duke Energy Ohio's reasonably
15 priced rates, have resulted in a number of economic development successes in
16 southwest Ohio.

17 We estimate that our cooperative efforts, along with those of state and local
18 economic development officials, have contributed to the creation of nearly 65,000
19 Ohio jobs and more than \$7 billion of capital investment in southwest Ohio since
20 1995.

21 Duke Energy Ohio's leadership and economic development staff have
22 actively served on several committees of the Cincinnati USA Chamber of
23 Commerce and Cincinnati USA Regional Partnership, the economic development

1 arm of the Chamber. The Cincinnati USA Partnership is the “JobsOhio” authority
2 for southwest Ohio.

3 Some of the economic development and economic development related
4 organizations where Duke Energy is involved in leadership positions include:

- 5 • Cincinnati USA Regional Chamber of Commerce
- 6 • Cincinnati USA Partnership
- 7 • Cincinnati Business Committee, Economic Development Committee
8 and Innovation Task Force
- 9 • Hamilton County Development Corporation and its Economic
10 Development Committee
- 11 • Cincinnati Community Improvement Corporation
- 12 • Port of Greater Cincinnati Development Authority
- 13 • Cincinnati Center City Development Corporation
- 14 • Mason Port Authority
- 15 • Greater Cincinnati Chinese Chamber of Commerce
- 16 • European American Chamber of Commerce
- 17 • Clermont County Chamber of Commerce

C. CHARITABLE GIVING

18 **Q. PLEASE DESCRIBE DUKE ENERGY OHIO’S CHARITABLE GIVING**
19 **PHILOSOPHY.**

20 **A.** Duke Energy Ohio has made good corporate citizenship a priority by giving back to
21 the communities we serve. Since 1996, Duke Energy Ohio and the Duke Energy
22 Foundation, formerly the Cinergy Foundation, have contributed over \$47.5 million

1 to Ohio charitable organizations. We strongly encourage a spirit of volunteerism
2 among our employees, who contribute countless hours of volunteer time to support
3 the many communities in which they live and work. At the heart of Duke Energy's
4 volunteer efforts is the Global Service Event, a corporate-wide volunteer effort
5 event that encourages employees to give back to their communities, not just during
6 the event but year round. During the 2011 Global Service Event, Duke Energy
7 Ohio provided grants for 77 volunteer projects performed by employees, their
8 families, and retirees. Corporate stewardship is important to Duke Energy Ohio.
9 However, no charitable contributions are included in the test year revenue
10 requirement being sought in these proceedings.

D. CUSTOMER SERVICE CHANNELS

11 **Q. PLEASE DESCRIBE DUKE ENERGY OHIO'S CUSTOMER SERVICE**
12 **ACTIVITIES.**

13 A. Duke Energy Ohio strives to provide customers with a variety of convenient
14 methods for doing business with us. Duke Energy Ohio also endeavors to manage
15 and reduce our customer service costs by leveraging new technology and new
16 customer service channels. Duke Energy Ohio's customer service channels include:

- 17 • *Contact Centers* – Duke Energy Midwest (covering Ohio, Kentucky,
18 and Indiana) has approximately 75 customer service representatives
19 in our Cincinnati, Ohio, call center and approximately 158 customer
20 service representatives in the Plainfield, Indiana, call center taking
21 customer service calls. All of these representatives are linked to
22 create one virtual call center and all are available to respond to calls

1 from Ohio customers. These representatives are also linked with 340
2 customer service representatives in North and South Carolina for
3 assistance during storms and emergencies. Our sourcing partner,
4 Convergent Outsourcing (formerly ERS), located in Atlanta,
5 Georgia, and Birmingham, Alabama, takes approximately 30 to 35
6 percent of total agent call volume for the Midwest and these are
7 predominantly credit calls. This achieves a lower overall cost
8 structure and provides an added means to deal with peak call
9 volumes. For example, Convergent Outsourcing provides us an
10 additional set of agents we can engage fairly quickly at the onset of a
11 major storm or other events that affect a large percentage of our
12 southwest Ohio territory.

- 13 • *Business Service Center* – Our Business Service Center provides
14 customer service and communications to our commercial, industrial,
15 and governmental customers. The Business Service Center is staffed
16 by skilled personnel with many years of quality field experience who
17 respond to customers via telephone, e-mail, and facsimile.
18 Additionally, Duke Energy Ohio provides Customer Relationship
19 Managers and Technical Service Engineers who personally meet
20 with these customers, as needed.
- 21 • *Pay Agents* – Pay agents are local authorized retailers or agents that
22 accept Duke Energy Ohio bill payments and transmit the data to our
23 billing system on a daily basis. Our 47 Duke Energy Ohio pay agents

1 allow customers to pay their bills at conveniently located businesses,
2 many of which have extended hours and approximately 25 percent of
3 which are no-fee agents.

- 4 • *Automated Phone Service* – This service allows customers to access
5 information regarding their gas and/or electric service accounts from
6 any touchtone telephone, twenty-four hours a day, seven days a
7 week. Via automated phone service, customers can check the
8 amount and due date of their current bill, verify the amount and date
9 of their last payment, confirm the amount and due date to prevent
10 disconnection for non-payment, pay by phone, make payment
11 arrangements, or report a service outage. For emergency situations
12 such as suspected natural gas leaks, our automated system allows
13 calls to route to customer service representatives, who are available
14 twenty-four hours a day, seven days a week to provide additional
15 information.

16 In 2009, we rolled out an upgraded Interactive Voice
17 Response (IVR) platform, which included the following key
18 elements:

- 19 ▪ Dynamic menu options - Customers hear options most
20 relevant to their needs (based on customer self-
21 identification).

1 ▪ Enhanced outage reporting - Enables us to provide additional
2 information about the cause of a power outage and
3 restoration times.

4 ▪ Spanish self-service applications.

5 In 2011, Duke Energy Midwest's IVR handled approximately 4.9
6 million customer contacts – representing 54 percent of the total call
7 volume.

- 8 • *Enhanced Web Functionality for Online Services* – Duke Energy
9 Ohio is offering enhanced web self-service functionality that
10 includes new tools allowing customers to better analyze how
11 external factors, such as weather, impact their energy usage. The
12 tools also offer customers a sense of which appliances in their homes
13 are likely driving their energy usage. And, customers have the
14 capability to pursue a more detailed energy audit or receive a
15 personalized energy report. A similar set of tools, integrated with
16 those on the web, has been made available to customer service
17 representatives in the call centers so that they can provide this same
18 information to customers. Other useful and timely information is
19 available on the Duke Energy Ohio website, including how to
20 manage bills during heating and cooling seasons, how to be safe
21 around gas and electricity, and information about rates and tariffs.
22 Further, via the web-based services, customers can identify ways to
23 conserve energy, view the “Storm Center” to see the locations and

1 number of electric outages during severe weather, submit online
2 requests for tree trimming, and report street light outages.

E. BILL MANAGEMENT/PAYMENT OPTIONS
AVAILABLE TO CUSTOMERS

3 **Q. PLEASE GIVE AN OVERVIEW OF DUKE ENERGY OHIO'S BILL**
4 **MANAGEMENT AND BILL PAYMENT PROGRAMS.**

5 A. Duke Energy Ohio offers several optional bill management programs, designed to
6 meet our customers' varied needs:

- 7 • *Budget Billing Program* -- This program helps customers manage their
8 monthly energy costs by setting a monthly billing amount based on an
9 average annual cost. Under the "Quarterly" Budget Billing plan, we review
10 the customer's account every three months and adjust the Budget Billing
11 amount to better reflect actual energy use. This allows customers to avoid a
12 twelfth month bill adjustment. Under the "Annual" Budget Billing plan, the
13 customer's monthly payments remain the same each month and, in the
14 twelfth month, the customer is billed or credited for any difference between
15 actual usage and the total amount paid during the Budget Billing year.
16 During the sixth month of the Annual plan, we review the customer's
17 account and notify the customer with a bill message if the current Budget
18 Billing amount needs to be adjusted up or down. The customer can notify us
19 of a desire to change the Budget Billing amount at any time.
- 20 • *Adjusted Due Date* -- This plan allows eligible customers to extend their
21 normal billing due date up to ten days from their original due date. This

1 enables customers to better align their due date with the date they receive
2 their paycheck, pension benefits, Social Security check, etc.

- 3 • *Extended Payment Agreements* – Duke Energy Ohio offers extended
4 payment plans to eligible customers who are having difficulty paying their
5 entire bill by the due date. Residential customers may be eligible for one
6 three-month agreement in a twelve-month period. The customer must pay
7 one-third of the current balance to start the agreement and the remainder is
8 divided into two equal installments. The customer must also pay the current
9 monthly charges or may choose to go on Budget Billing with the agreement.
- 10 • *Heatshare* – This energy assistance program is available to eligible Duke
11 Energy Ohio customers who need financial assistance with their gas and/or
12 electric bill and is independently administered by the Salvation Army.
13 Eligibility is based upon need and does not necessarily follow government
14 assistance guidelines. Eligible customers can receive up to \$300.00 in
15 assistance with their utility bill. Heatshare is completely funded by Duke
16 Energy Ohio employees, customers, and shareholders. For 2011, Duke
17 Energy Ohio provided a total contribution of \$370,983, which included
18 Duke Energy matching dollar-for-dollar donations, up to \$200,000.

19 Duke Energy Ohio also offers a number of bill payment options for
20 customers, in addition to the traditional bill payment option via U.S. mail. These
21 options include:

- 22 • *Speedpay* – This program allows customers to make payments by electronic
23 check or credit/debit card over the telephone or via the Internet. The third-

1 party vendor charges a transaction fee for this program. However, as part of
2 a continuous improvement customer service plan, Duke Energy revised the
3 agreement earlier this year with our third-party vendor, reducing the fee for
4 residential customers from \$3.50 to \$1.50 per transaction.

- 5 • *e-Bill* – This free, online electronic payment option allows Duke Energy
6 Ohio customers to view and pay their gas and/or electric bills online. e-Bill
7 offers two payment options: AutoPay (payments are automatically paid each
8 month on the due date) and Pay Online (customers authorize bill payments
9 online each month). All customer payments are electronically deducted
10 from the customer's personal checking account and/or money market
11 account. Duke Energy Ohio currently has approximately 162,500 customers
12 enrolled in e-Bill.
- 13 • *Payment Advantage* – This program allows customers to have their bill
14 payments automatically deducted from their checking or savings account
15 and is a free payment option for customers.

F. CUSTOMER SATISFACTION SCORES

16 **Q. HOW IS DUKE ENERGY OHIO'S PERFORMANCE IN TERMS OF**
17 **PROVIDING HIGH QUALITY CUSTOMER SERVICE?**

18 A. We measure our customer satisfaction performance through the J.D. Power and
19 Associates (J.D. Power) annual natural gas utility residential customer satisfaction
20 studies and our own surveys of residential, large business customers, and
21 community leaders.

J.D. POWER STUDIES

J.D. Power is well known for setting the standard for measurement of consumer opinion and customer satisfaction in many key industries. J.D. Power annually surveys natural gas utilities' residential customer satisfaction. Duke Energy Midwest participates in these annual studies.

The J.D. Power natural gas utility residential customer satisfaction study, established in 2001, calculates overall customer satisfaction based on six performance areas: (1) corporate citizenship, (2) communications, (3) price and value, (4) billing and payment, (5) power quality and reliability, and (6) customer service. For 2012, the most recent study for which results are available, J.D. Power measured residential customer satisfaction for the midsize segment of the country's Midwest natural gas utilities. Since 2001, the results of the J.D. Power studies have indicated that Duke Energy's Midwest Operations consistently deliver high-quality customer satisfaction. In the 2012 Gas Utility Residential Customer Satisfaction Study, Duke Energy Midwest's results were 62 points higher than the results of the 2011 J.D. Power survey.

DUKE ENERGY OHIO-SPECIFIC CUSTOMER SURVEYS

In addition to the independent J.D. Power studies, our internal customer satisfaction measurements continue to reflect strong performance in meeting the needs of Duke Energy Ohio customers. We regularly survey residential, large business customers, and community leaders who have had a recent service contact with Duke Energy Ohio. These survey results confirm that Duke Energy Ohio consistently performs well among our customer classes. The most recent survey

1 results reflect scores of 72.3 percent for residential; 87.4 percent for large business;
2 and 90.6 percent for community leaders.

III. SIGNIFICANT RECENT DEVELOPMENTS

3 **Q. PLEASE COMMENT ON DUKE ENERGY OHIO'S OPERATIONS SINCE**
4 **ITS LAST NATURAL GAS RATE CASE.**

5 A. The Company's last natural gas rate case was filed in 2007. Since that time, Duke
6 Energy Ohio has made significant progress in implementing programs designed to
7 improve our system and, consequently, benefit our customers. Much of this
8 progress is discussed, in greater detail, in the Direct Testimony of other Company
9 witnesses. But I mention it here, so as to provide a comprehensive summary of
10 these developments.

11 We have continued with the deployment of our grid modernization
12 initiative, including the installation of advanced metering infrastructure. This
13 initiative will result in reduced metering expenses, while improving theft and leak
14 detections and enabling remote service connections.

15 Duke Energy Ohio continues with our accelerated main replacement
16 program (AMRP), improving both the safety and reliability of our natural gas
17 distribution system. Duke Energy Ohio witness Gary J. Hebbeler discusses the
18 status of the AMRP. And as Mr. Hebbeler further testifies, we completed the
19 installation of a new, seventeen-mile transmission pipeline between Foster,
20 Kentucky, and Bethel, Ohio, in 2008.

21 The Company has also responded to its obligations as the owner/operator of
22 former manufactured gas plant (MGP) sites. More specifically, we have initiated

1 remediation efforts at two former MGP sites. Duke Energy Ohio witness Andrew
2 Middleton, Ph.D., provides a history of manufactured gas operations, from
3 historical operations to current environmental concerns. And, Company witness
4 Jessica L. Bednarcik testifies to the remediation activities specific to Duke Energy
5 Ohio.

6 Duke Energy Ohio also responded to S.B. 315. This law incorporates the
7 governor's energy policy for the state, which was announced following a very
8 successful 21st Century Energy & Economic Summit in September 2011. As
9 Governor Kasich has summarized the rationale for this new law, "[w]ith energy
10 being so important to major Ohio job creators, it's critical that we do everything
11 possible to make it inexpensive, plentiful, and reliable."² The new law is thus
12 intended to improve Ohio's economy and create jobs. S.B. 315 recognizes the
13 challenges and needs in the areas of distribution infrastructure maintenance.

14 As I discussed above, Duke Energy Ohio is focused on economic
15 development and objective of creating jobs in our territory. Toward that end and in
16 furtherance of the provisions of S.B. 315, we are seeking Commission approval, in
17 these proceedings, to implement a natural gas vehicle (NGV) tariff. Duke Energy
18 Ohio witness Mehring elaborates on the mechanics of this rider.

19 Additionally, consistent with the purpose of S.B. 315, we are proposing an
20 economic development tariff (Economic Development Incentive Rider, or Rider
21 ED), which I discuss in greater detail below.

² *Columbus Dispatch*, June 10, 2012.

1 Further, in the intervening years since our last natural gas rate case, the
2 Company has experienced a decline in our base revenue for non-residential load
3 and our load growth has been stagnant. Duke Energy Ohio witness Mehring
4 discusses these points in more detail. And, as I mentioned previously, Duke Energy
5 completed its merger with Progress Energy almost one month after the Company
6 filed its pre-filing notice in these proceedings.

7 **Q. PLEASE DESCRIBE THE COMPANY'S PROPOSED RIDER ED.**

8 A. This program is intended to encourage businesses to either locate or expand their
9 existing operations in Ohio by providing funds for eligible projects. Stated another
10 way, Rider ED has been designed to help encourage job growth and retention in
11 those instances where certain impediments to commercial or industrial development
12 have been identified.

13 The criteria for eligibility includes, but is not limited to, consideration of job
14 growth, moving sites participating in Duke Energy Ohio's "Site Readiness"
15 program closer to market, revitalization of urban areas such as Brownfield
16 redevelopment, and development of NGV transportation facilities. The program is
17 created with recognition that this type of business development has a compounding
18 effect on other jobs in our region. Further, the funding mechanism recognizes that,
19 over time, Duke Energy Ohio customers who contribute to the fund will realize
20 future benefits via increases in the Company's natural gas throughput.

21 Pursuant to our proposal, Rider ED will allow for the creation of fund
22 approximately \$1 million per year. Funds that are not used in one year will be
23 carried over to subsequent years. Should there be funds carried over in subsequent

1 years, the rider would be adjusted accordingly to ensure that the fund does not
2 exceed \$2 million annually. Through this focused economic development proposal,
3 Duke Energy Ohio hopes to contribute to the revitalization of southwest Ohio.

4 **Q. PLEASE BRIEFLY DESCRIBE WHY DUKE ENERGY OHIO REQUIRES**
5 **AN INCREASE IN ITS NATURAL GAS RELATED RATES AT THIS TIME.**

6 A. Duke Energy Ohio last increased its gas base rates in 2008, pursuant to Commission
7 Order in Case No. 07-589-GA-AIR, *et al.*, and Duke Energy Ohio continues to
8 invest in its gas facilities. Indeed, since the date certain in our last gas rate case,
9 Duke Energy Ohio has invested over \$500 million in gross plant additions. As
10 elaborated in the direct testimony of other Company witnesses, approximately two-
11 thirds of this investment is attributable to our ongoing AMRP and another \$19
12 million is attributable to Duke Energy Ohio's grid modernization program.
13 Furthermore, Duke Energy Ohio has incurred significant expense to remediate to
14 former MGP sites. These ongoing investments are being made – and these ongoing
15 costs are being incurred – while Duke Energy Ohio's base revenue for non-
16 residential load has declined from the levels assumed in the 2007 rate case and load
17 growth has been stagnant.

18 **Q. PLEASE GIVE A BRIEF OVERVIEW OF DUKE ENERGY OHIO'S**
19 **PROPOSED RETAIL NATURAL GAS RATE INCREASE.**

20 A. Duke Energy Ohio is proposing to increase its retail gas rates in order to increase its
21 annual revenues attributable to retail gas distribution service by approximately
22 \$44.6 million. This represents an average aggregate rate increase of approximately
23 6.6 percent on a total bill basis over the average rates in effect when we filed our

1 pre-filing notice on June 7, 2012. This rate increase is necessary in order to allow
2 Duke Energy Ohio the opportunity to recover its annual expenses associated with
3 providing safe, reliable, and reasonably priced gas service, plus a fair return on its
4 investment in gas facilities. Duke Energy Ohio witness William Don Wathen Jr.
5 provides additional detail concerning the primary drivers for the requested rate
6 increase, as well as the overall relief requested in these proceedings.

7 **Q. ASIDE FROM THE SIGNIFICANT DEVELOPMENTS YOU IDENTIFIED**
8 **ABOVE, ARE THERE OTHER CHALLENGES FACING DUKE ENERGY**
9 **OHIO IN RESPECT OF ITS GAS DISTRIBUTION SYSTEM?**

10 A. Duke Energy Ohio is consistently guided by our desire to provide our customers
11 with access to safe, reliable, and reasonably priced gas service. Importantly, at
12 Duke Energy Ohio, safety is central to how we interact with our customers and each
13 other on a daily basis. Toward that end, Duke Energy Ohio endeavors to ensure that
14 our gas distribution system is safely and prudently maintained.

15 As Duke Energy Ohio witness Mehring explains in his Direct Testimony,
16 this focus on safety and reliability has been influenced by external factors, such as
17 increased pipeline regulation. These regulations, as well as our experience in
18 managing a very successful AMRP, form the basis for our request in these
19 proceedings for a new accelerated service line replacement program. Additionally,
20 significant projects initiated by local government may result in facility relocations
21 that were not otherwise contemplated or necessary, thereby potentially inviting
22 increased costs to operate and maintain our system.

1 **Q. HOW IS DUKE ENERGY OHIO PROPOSING TO ADDRESS THESE**
2 **CHALLENGES RELATED TO INCREASING REGULATION AND**
3 **FACILITY RELOCATION?**

4 A. As part of Duke Energy Ohio's Alternative Regulation Plan, we plan to continue
5 our successful AMRP program, expanding it further to replace certain service lines
6 through the proposed ASRP. This proposal is discussed by Duke Energy Ohio
7 witness Hebbeler. Company witnesses Mehring and Wathen provide details on the
8 Company's proposed Rider FRT, Facility Relocation – Mass Transportation Rider,
9 which is intended to address a significant ratemaking issue regarding cost causation
10 and recovery.

IV. SCHEDULES SPONSORED BY WITNESS

11 **Q. PLEASE DESCRIBE SCHEDULE S-3.**

12 A. Schedule S-3 is Duke Energy Ohio's proposed newspaper notice, which informs the
13 public about this case. Duke Energy Ohio requests that the Commission approve
14 the form and content of the newspaper notice. Duke Energy Ohio will publish the
15 newspaper notice following Commission approval as to form and content.

16 **Q. PLEASE DESCRIBE SCHEDULE S-4.1.**

17 A. Schedule S-4.1 is an executive summary of the corporate processes followed by the
18 Duke Energy's board of directors and its executive management team. This
19 executive summary generally describes our processes for: establishing and
20 achieving our policy objectives; communicating these objectives to our
21 stakeholders; organizing our management structure; making decisions; and
22 implementing corporate controls.

1 **Q. PLEASE DESCRIBE SCHEDULE S-4.2.**

2 A. Schedule S-4.2 is an executive summary of the Company's management policies,
3 practices, and organization to align corporate goals and discusses our management
4 process in various functional areas. It should be noted that the material in Schedule
5 S-4.2 includes the focused discussion requested by the Commission Staff in its
6 Letter Filing of June 20, 2012, wherein it requested a detailed discussion of two of
7 the Company's functional areas. The Letter Filing specifically identified
8 Information Technology policies and Corporate Allocations as functional areas the
9 Company should address.

10 **Q. PLEASE DESCRIBE SUPPLEMENTAL FILING REQUIREMENT (C)(17).**

11 A. Supplemental Filing Requirement (C)(17) is a copy of the advertisements for which
12 costs were charged to advertising expense during the actual months of the test year
13 financial data. I also sponsor the Company's estimated cost of the advertisements
14 that will be included in the budgeted portion of the test year.

V. **INTRODUCTION OF WITNESSES**

15 **Q. PLEASE IDENTIFY THE WITNESSES FROM WHOM DUKE ENERGY**
16 **OHIO WILL PRESENT TESTIMONY IN THIS CASE.**

17 A. Duke Energy Ohio will present testimony from the following witnesses:

- 18 • **Keith G. Butler**, Vice President, Tax
- 19 ○ Mr. Butler presents testimony on Duke Energy Ohio's tax expense
- 20 for the test year period.

- 1 • **Stephen G. De May**, Vice President and Treasurer
 - 2 ○ Mr. De May offers testimony regarding Duke Energy Ohio's credit
 - 3 ratings, financial objectives, cash requirements, and capital structure.
- 4 • **John J. Spanos**, Gannet Fleming, Inc.
 - 5 ○ Mr. Spanos will offer testimony on Duke Energy Ohio's latest
 - 6 depreciation study.
- 7 • **James E. Mehring**, Vice President, Gas Operations
 - 8 ○ Mr. Mehring will present testimony regarding Duke Energy Ohio's
 - 9 gas business, and support the operation and maintenance data used in
 - 10 the test period.
- 11 • **Carl J. Council Jr.**, Interim Director, Asset Accounting, and Fleet Finance
12 Leader, Nuclear Finance
 - 13 ○ Mr. Council testifies as to net plant in service and construction work
 - 14 in progress contained in rate base and other plant-related items.
- 15 • **Patricia W. Mullins**, Director, Regional Financial Forecasting
 - 16 ○ Ms. Mullins presents testimony on Duke Energy Ohio's budgeting
 - 17 and forecasting processes.
- 18 • **Daniel J. Reilly**, Director, USFE&G Accounting
 - 19 ○ Mr. Reilly testifies as to Duke Energy Ohio's accounting processes
 - 20 and sponsors certain accounting information used for test year
 - 21 financial data.

- 1 • **Jose Merino**, Director, Load Forecasts and Fundamentals
 - 2 ○ Mr. Merino will testify regarding the process of weather
 - 3 normalization and supports the Duke Energy Ohio gas sales used in
 - 4 the test year.
- 5 • **Dr. Roger A. Morin, Ph.D.**, Principal, Utility Research International
 - 6 ○ Dr. Morin offers testimony on Duke Energy Ohio's requested rate of
 - 7 return.
- 8 • **Peggy A. Laub**, Manager, Accounting
 - 9 ○ Ms. Laub testifies as to Duke Energy Ohio's revenue requirements
 - 10 and certain adjustments to the test year financial data.
- 11 • **James A. Riddle**, Rates Manager, Pricing and Rates Options
 - 12 ○ Mr. Riddle offers testimony as to rate design and tariff language.
- 13 • **James E. Ziolkowski**, Rates Manager
 - 14 ○ Mr. Ziolkowski offers testimony on Duke Energy Ohio's cost of
 - 15 service study.
- 16 • **William Don Wathen Jr.**, Director, Rates and Regulatory Strategy,
 - 17 Ohio/Kentucky
 - 18 ○ Mr. Wathen presents testimony regarding the drivers of the
 - 19 Company's proposed rate increase, various regulatory proposals,
 - 20 including tariff modifications and our continuing deferral request
 - 21 related to MGP remediation expense, and Duke Energy Ohio's
 - 22 Alternative Regulation Plan.

1 • **Andrew Middleton, Ph.D.,** Corporate Environmental Solutions LLC

- 2 ○ Mr. Middleton presents testimony industry practices with regard to
3 generating and managing residuals from gas manufacture during the
4 time when the MGPs were operational, and the development of
5 understanding with regard to the contaminants that resulted from
6 those operations, along with the current industry practices with
7 regard to remediation of the resultant issues.

8 • **Jessica L. Bednarcik,** Senior Engineer

- 9 ○ Ms. Bednarcik presents testimony regarding Duke Energy Ohio's
10 former MGP sites and the reason for and nature of the remediation
11 activities at those sites.

12 • **Gary J. Hebbeler,** General Manager, Gas Field and System Operations

- 13 ○ Mr. Hebbeler will provide a detailed status of Duke Energy Ohio's
14 AMRP, and support the continuation of Rider AMRP. Additionally,
15 he discusses the Company's Integrity Management Program and also
16 supports the capital expenditures used in the test period.

VI. CONCLUSION

17 **Q. IS THE INFORMATION YOU SPONSORED IN SCHEDULES S-3, S-4.1, S-**
18 **4.2, AND SUPPLEMENTAL FILING REQUIREMENTS (C)(17)**
19 **ACCURATE TO THE BEST OF YOUR KNOWLEDGE AND BELIEF?**

20 **A. Yes.**

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

22 **A. Yes.**