

DUKE ENERGY OHIO EXHIBIT _____

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)	
Duke Energy Ohio, Inc., for an)	Case No. 12-1682-EL-AIR
Increase in Electric Distribution Rates.)	
 In the Matter of the Application of)	
Duke Energy Ohio, Inc., for Tariff)	Case No. 12-1683-EL-ATA
Approval.)	
 In the Matter of the Application of)	
Duke Energy Ohio, Inc., for Approval)	Case No. 12-1684-EL-AAM
to Change Accounting Methods.)	

DIRECT TESTIMONY OF

CARL J. COUNCIL, JR.

ON BEHALF OF

DUKE ENERGY OHIO, INC.

PUCO

2012 JUL 20 PM 3:07

RECEIVED-DOCKETING DIV

_____	Management policies, practices, and organization
_____	Operating income
_____	Rate Base
_____	Allocations
_____	Rate of return
_____	Rates and tariffs
<u> X </u>	Other: Plant in Service

July 20, 2012

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 JD Date Processed 7-20-12

TABLE OF CONTENTS

	<u>PAGE</u>
I. INTRODUCTION AND PURPOSE	1
II. SCHEDULES AND FILING REQUIREMENTS SPONSORED BY WITNESS	3
III. CONCLUSION	11

I. INTRODUCTION AND PURPOSE

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

2 A. My name is Carl J. Council, Jr., and my business address is 550 South Tryon
3 Street, 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 Fleet Finance
6 Leader and Interim Director, Asset Accounting. DEBS provides various
7 administrative and other services to Duke Energy Ohio, Inc., (Duke Energy Ohio
8 or Company) and other affiliated companies of Duke Energy Corporation (Duke
9 Energy).

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

12 A. I am a graduate of the University of North Carolina at Charlotte, with a Bachelor
13 of Science degree in Accounting. I am a Certified Public Accountant and a
14 member of the American Institute of Certified Public Accountants. I am also a
15 member of the Edison Electric Institute Property Accounting and Valuation
16 Committee.

17 I began my employment with Duke Energy in the Controller's Department
18 in 1982 as a Financial and Accounting Assistant. In 1989, I moved to the Internal
19 Audit Department as an Internal Auditor. In 1992, I moved to the Treasury
20 Department as an assistant to the Treasurer. I became a Financial Analyst in the
21 Corporate Finance Department in 1994 and a Senior Financial Analyst in 1997,
22 specializing in economic analysis/business unit valuation, cost of capital

1 calculations and issues, and capital markets issuances. In 1999, I moved to the
2 Rates & Regulatory Affairs Department as Manager, Regulatory Accounting,
3 focusing on affiliate code of conduct and electric restructuring issues, as well as
4 the monthly and annual fuel clause reporting. In 2001, I was named Director,
5 Asset Accounting for Duke Power Company. In 2006, I was named Director,
6 Asset Accounting. Effective July 16, 2012, I accepted a new position within
7 Duke Energy as Fleet Finance Leader in Nuclear Finance where I will lead the
8 seven station finance organizations supporting Duke Energy's nuclear operations.
9 I also remain the Interim Director, Asset Accounting until my replacement is
10 identified.

11 **Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AS INTERIM**
12 **DIRECTOR, ASSET ACCOUNTING.**

13 A. As Interim Director, Asset Accounting, I have responsibility for the accounting
14 activities within Duke Energy's U.S. Franchised Electric and Gas Businesses
15 related to fixed assets, including depreciation and nuclear decommissioning,
16 materials and supplies inventory, and fuel (including both inventory and payment
17 of fuel invoices), and emission allowances.

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

20 A. Yes. Most recently, I provided testimony in support of Duke Energy Ohio's request
21 for an increase in electric distribution base rates, filed under Case No. 08-709-EL-
22 AIR, *et al.*

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

3 A. I am responsible for net plant in service contained in rate base as of the date
4 certain, March 31, 2012, and other plant-related items. I sponsor the following
5 Schedules: B-2, B-2.1, B-2.2, B-2.3, B-2.4, B-2.5, B-3, B-3.1, B-3.2, B-3.2a, B-
6 3.3, B-3.4, B-4, B-4.1, B-4.2, B-6.2, B-9, and C-3.5. I also sponsor page 1 of both
7 Schedule D-5A and Schedule D-5B, and Supplemental Filing Requirements
8 (C)(9), (C)(14), (C)(18), (C)(19), (C)(21), (C)(22) and (C)(23). These schedules
9 and filing requirements were prepared under my direction and supervision or
10 subject to my review.

II. SCHEDULES AND FILING REQUIREMENTS
SPONSORED BY WITNESS

11 **Q. PLEASE DESCRIBE THE INFORMATION CONTAINED IN THE**
12 **SCHEDULES OF SECTION B THAT YOU SPONSOR.**

13 A. The schedules of Section B that I sponsor develop the Jurisdictional Net Plant In
14 Service. The schedules are based on Duke Energy Ohio's property records as of
15 March 31, 2012, the date certain in these proceedings.

16 **Q. PLEASE DESCRIBE SCHEDULE B-2.**

17 A. Schedule B-2 shows the investment in electric plant in service, including allocated
18 common plant by major property grouping, as of the date certain, March 31, 2012.
19 The amount shown in the column labeled "Adjusted Jurisdiction" represents plant
20 in service that is used and useful in providing electric distribution service to Duke
21 Energy Ohio's jurisdictional customers.

22 **Q. PLEASE DESCRIBE SCHEDULE B-2.1.**

1 A. Schedule B-2.1 consists of a further breakdown of Schedule B-2 by the Federal
2 Energy Regulatory Commission (FERC) and Company Account for each major
3 property grouping. The plant investment shown in the column labeled "Adjusted
4 Jurisdiction" represents plant in service that is used and useful in providing
5 electric distribution service to Duke Energy Ohio's jurisdictional customers.

6 **Q. PLEASE DESCRIBE SCHEDULE B-2.2.**

7 A. Schedule B-2.2 shows proposed adjustments to plant in service. Duke Energy
8 Ohio eliminated from plant in service \$133,504,331 for facilities at the Hartwell
9 Recreation Facility and grid modernization projects. The detail for the adjustment
10 is shown on Schedule B-2.5.

11 **Q. PLEASE DESCRIBE SCHEDULE B-2.3.**

12 A. Schedule B-2.3 shows gross additions, retirements, and transfers by the FERC and
13 Company Account for each major property grouping from March 31, 2008, the
14 date certain in the Company's most recent electric distribution rate case (Case No.
15 08-709-EL-AIR, *et al.*) through the date certain in these proceedings of March 31,
16 2012.

17 **Q. PLEASE DESCRIBE SCHEDULE B-2.4.**

18 A. Schedule B-2.4 is entitled "Leased Property." This schedule presents the detail of
19 Duke Energy Ohio's plant investment in electric meters capitalized in Account
20 3701 Meters (the Company began leasing electric meters in 1999) and leasehold
21 improvements that are capitalized in Account 1900 - Structures and
22 Improvements. Duke Energy Ohio made capital improvements to leased office
23 space at the Fourth and Walnut (Clopay) Building, the Atrium II Building, the

1 Envision Center, and Holiday Park.

2 **Q. PLEASE DESCRIBE SCHEDULE B-2.5.**

3 A. Schedule B-2.5 contains data on property excluded from rate base. The property
4 is detailed by Duke Energy Ohio account and vintage year. The Company has
5 excluded the original cost and accumulated depreciation and amortization of the
6 Hartwell Recreation Facility from rate base. The Company has also excluded the
7 original cost and accumulated depreciation and amortization of the grid
8 modernization project pursuant to the Stipulation and Recommendation filed in
9 Case No. 10-2326-GE-RDR, which was approved by the Commission on June 13,
10 2012. Totals on Schedule B-2.5 are carried forward to Schedule B-2.2 as an
11 adjustment to plant in service and Schedule B-3.1 as an adjustment to
12 accumulated depreciation and amortization.

13 **Q. PLEASE DESCRIBE SCHEDULE B-3.**

14 A. Schedule B-3 shows the total plant investment and the Reserve for Accumulated
15 Depreciation and Amortization by FERC and Company Account grouping as of
16 March 31, 2012. The allocated jurisdictional reserve in the last column is
17 applicable to the jurisdictional plant shown on Schedule B-2, "Allocated
18 Jurisdiction."

19 **Q. PLEASE DESCRIBE SCHEDULE B-3.1.**

20 A. Schedule B-3.1 shows proposed adjustments to Accumulated Depreciation and
21 Amortization. Duke Energy Ohio has eliminated from Accumulated Depreciation
22 and Amortization, \$10,616,337 associated with the Hartwell Recreation Facility
23 and grid modernization projects. The detail for the adjustment is shown on

1 Schedule B-2.5.

2 **Q. PLEASE DESCRIBE SCHEDULE B-3.2.**

3 A. Schedule B-3.2 lists the jurisdictional plant investment and reserve balance at
4 March 31, 2012, for each FERC and Company Account within each major
5 property grouping. It also shows the proposed depreciation and amortization
6 accrual rate, calculated annual depreciation and amortization expense, percentage
7 of net salvage, average service life and curve form, as applicable, for each
8 account. The calculated annual depreciation and amortization for Electric Plant
9 was determined by multiplying the allocated jurisdictional plant investment at
10 March 31, 2012, by the proposed electric depreciation or amortization accrual
11 rate. With this filing, Duke Energy Ohio has also filed with the Public Utilities
12 Commission of Ohio (Commission) proposed depreciation and amortization
13 accrual rates. The account numbers referred to in the depreciation study were
14 those in effect at September 30, 2011, for Duke Energy Ohio. These depreciation
15 and amortization accrual rates were established by Duke Energy Ohio witness
16 John J. Spanos. Mr. Spanos, of Gannett Fleming Valuation and Rate Consultants,
17 Inc., supports the depreciation and amortization study in his testimony. Duke
18 Energy Ohio requests that the Commission approve the depreciation and
19 amortization accrual rates included in this filing and that the depreciation and
20 amortization accrual rates be effective with the electric distribution rates
21 established in these proceedings.

22 **Q. PLEASE DESCRIBE SCHEDULE B-3.2a.**

23 A. Schedule B-3.2a is the same as Schedule B-3.2, except that it shows the current

1 depreciation and amortization accrual rate and current annual depreciation and
2 amortization expense. Duke Energy Ohio is filing Schedule B-3.2a so that the
3 current and proposed depreciation and amortization accrual rates, and resulting
4 depreciation and amortization expense, can be easily compared.

5 **Q. PLEASE DESCRIBE SCHEDULE B-3.3.**

6 A. Schedule B-3.3 shows depreciation accruals, salvage, retirements, cost of
7 removal, and transfers by FERC and Company Account for each major property
8 grouping from March 31, 2008, the date certain in the Company's most recent
9 electric distribution rate case through the date certain in these proceedings of
10 March 31, 2012.

11 **Q. PLEASE DESCRIBE SCHEDULE B-3.4.**

12 A. Schedule B-3.4 contains accumulated depreciation reserve, depreciation rates, and
13 the annual depreciation expense for leased property. This data is presented for
14 electric meters that Duke Energy Ohio began leasing in 1999. This schedule also
15 presents the Company's plant investment for Leasehold Improvements by
16 location, the accumulated amortization reserve, the amortization rates, and the
17 annual amortization expense for the leasehold improvements. This amortization
18 is associated with capital improvements as shown on Schedule B-2.4.

19 **Q. PLEASE DESCRIBE SCHEDULE B-4.**

20 A. Schedule B-4 is a list of all major projects that qualify for inclusion in rate base as
21 construction work in progress (CWIP) at the date certain. The Company has not
22 included any CWIP in rate base in these proceedings.

23 **Q. PLEASE DESCRIBE SCHEDULE B-4.1.**

1 A. This schedule provides additional information for the projects listed on Schedule
2 B-4. Since no projects were listed on Schedule B-4, no data is provided on
3 Schedule B-4.1.

4 **Q. PLEASE DESCRIBE SCHEDULE B-4.2.**

5 A. This schedule provides additional information for the projects listed on Schedule
6 B-4. Since no projects were listed on Schedule B-4, no data is provided on
7 Schedule B-4.2.

8 **Q. PLEASE DESCRIBE SCHEDULE B-6.2.**

9 A. This schedule presents Contributions in Aid of Construction by Account and
10 Subaccount. Duke Energy Ohio nets all Contributions in Aid of Construction
11 against gross plant pursuant to Federal Power Commission (now FERC) Order
12 No. 490.

13 **Q. PLEASE DESCRIBE SCHEDULE B-9.**

14 A. This schedule includes projects that were in CWIP at the date certain of Duke
15 Energy Ohio's most recent electric distribution rate case and included in rate base.
16 Because Duke Energy Ohio did not include any CWIP projects in rate base in its
17 most recent electric distribution rate case, no data is provided on Schedule B-9.

18 **Q. PLEASE DESCRIBE SCHEDULE C-3.5.**

19 A. Schedule C-3.5 calculates the annualized depreciation expense adjustment
20 between the proposed depreciation on Schedule B-3.2 and the test period
21 depreciation calculated using three months of actual depreciation expense and
22 nine months of projected depreciation expense.

1 **Q. PLEASE DESCRIBE PAGE 1 OF BOTH SCHEDULE D-5A AND**
2 **SCHEDULE D-5B.**

3 A. I sponsor page 1 of both Schedule D-5A and Schedule D-5B, which includes plant
4 in service by major property grouping and Reserve for Accumulated Depreciation
5 and Amortization by utility service as of March 31, 2012, the date certain, and
6 December 31, 2011, and for each of the nine prior years. Plant held for future use,
7 acquisition adjustments, CWIP, and composite depreciation rates have also been
8 provided for the same periods. Schedule D-5A presents this information for Duke
9 Energy Ohio and Schedule D-5B presents the same information on a consolidated
10 Duke Energy basis as of the date certain and December 31, 2011, for each of the
11 nine prior years.

12 **Q. PLEASE DESCRIBE SUPPLEMENTAL FILING REQUIREMENT (C)(9).**
13 Supplemental Filing Requirement (C)(9) provides information on CWIP from the
14 prior rate case. There was no CWIP included in the prior rate case.

15 **Q. PLEASE DESCRIBE SUPPLEMENTAL FILING REQUIREMENT (C)(14).**

16 A. Supplemental Filing Requirement (C)(14) provides information on depreciation
17 expense related to specific accounts that are charged to clearing accounts.

18 **Q. PLEASE DESCRIBE SUPPLEMENTAL FILING REQUIREMENT (C)(18).**

19 A. Supplemental Filing Requirement (C)(18) requests information in the same
20 general format as Schedule B-2.3, which shows plant in service data from the date
21 certain in the Company's last electric distribution base rate case to the date certain
22 in these proceedings. The requested information is available on workpaper WPB-
23 2.3.

1 **Q. PLEASE DESCRIBE SUPPLEMENTAL FILING REQUIREMENT (C)(19).**

2 A. Supplemental Filing Requirement (C)(19) requires that Duke Energy Ohio
3 provide the allocation of the depreciation reserve if it was allocated based on a
4 theoretical study. The depreciation reserve was not allocated to accounts based on
5 a theoretical reserve study. Reference is made to the depreciation study reflected
6 in Supplemental Filing Requirement (C)(20) and supported by the Direct
7 Testimony of Duke Energy Ohio witness Spanos.

8 **Q. PLEASE DESCRIBE SUPPLEMENTAL FILING REQUIREMENT (C)(21).**

9 A. Supplemental Filing Requirement (C)(21) requests information in the same
10 general format as Schedule B-3.3, which shows depreciation reserve data from the
11 date certain in the Company's most recent electric distribution base rate case to
12 the date certain in these proceedings. The requested information is available on
13 workpaper WPB-3.3.

14 **Q. PLEASE DESCRIBE SUPPLEMENTAL FILING REQUIREMENT (C)(22).**

15 A. Supplemental Filing Requirement (C)(22) requests information related to
16 construction projects that are 75 percent complete. This requirement is not
17 applicable because Duke Energy Ohio has not included CWIP in rate base in these
18 proceedings.

19 **Q. PLEASE DESCRIBE SUPPLEMENTAL FILING REQUIREMENT (C)(23).**

20 A. Supplemental Filing Requirement (C)(23) is information concerning surviving
21 dollars by vintage year of placement (original cost data as of date certain).

III. CONCLUSION

1 **Q. WERE SCHEDULES B-2, B-2.1, B-2.2, B-2.3, B-2.4, B-2.5, B-3, B-3.1, B-3.2,**
2 **B-3.2a, B-3.3, B-3.4, B-4, B-4.1, B-4.2, B-6.2, B-9, C-3.5, THE**
3 **INFORMATION ON PAGE 1 OF BOTH SCHEDULE D-5A AND**
4 **SCHEDULE D-5B, AND SUPPLEMENTAL FILING REQUIREMENTS**
5 **(C)(9), (C)(14), (C)(18), (C)(19), (C)(21), (C)(22), AND (C)(23) PREPARED**
6 **BY YOU OR UNDER YOUR DIRECTION AND SUPERVISION OR**
7 **SUBJECT TO YOUR REVIEW?**

8 **A. Yes.**

9 **Q. IS THE INFORMATION CONTAINED IN THESE SCHEDULES AND**
10 **FILING REQUIREMENTS ACCURATE TO THE BEST OF YOUR**
11 **KNOWLEDGE AND BELIEF?**

12 **A. Yes.**

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

14 **A. Yes.**