

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.)	

SUPPLEMENTAL DIRECT TESTIMONY OF

JAMES A. RIDDLE

ON BEHALF OF

DUKE ENERGY OHIO, INC.

_____	Management policies, practices, and organization
<u> X </u>	Operating income
_____	Rate base
_____	Allocations
_____	Rate of return
_____	Rates and tariffs
<u> X </u>	Other: Rate Design

February 19, 2013

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ATTACHMENT

JAR-SUPP-1 Actual sales data

I. INTRODUCTION AND PURPOSE

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

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

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

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

9 **Q. ARE YOU THE SAME JAMES A. RIDDLE WHO FILED DIRECT**
10 **TESTIMONY IN THESE PROCEEDINGS?**

11 A. Yes.

12 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL DIRECT**
13 **TESTIMONY?**

14 A. The purpose of my Supplemental Direct Testimony is to support the Company's
15 objections to certain findings contained in the Report by Staff of the Public
16 Utilities Commission of Ohio (Staff) issued in these proceedings on January 4,
17 2013 (Staff Report).

II. OBJECTIONS SPONSORED BY WITNESS

18 **Q. PLEASE DESCRIBE THE COMPANY'S OBJECTION NO. 4.**

19 A. Duke Energy Ohio objects to the staff's adjustment to the test year revenue using
20 an average consumption per customer methodology. Duke Energy Ohio submitted
21 an estimate of sales based upon three months of actual and nine months of

1 forecasted data consistent with Ohio's filing requirements. Duke Energy Ohio's
2 estimates, as provided in its Application in these proceedings, were reasonable
3 and should be the basis for revenues during the test period. The Staff Report did
4 not provide any compelling justification for Staff's adjustment.

5 Staff's adjustment methodology is erroneous in the fact that Staff's
6 **annualized** average consumption adjustment was based on only nine months of
7 2012 actual kilowatt-hour sales data. The Staff's methodology ignored the 2012
8 calendar months of October, November, and December. Staff's calculation
9 implies that usage for these three months is constant and equal to the nine-month
10 average. This assumption cannot be true, and is thus unreasonable, due to the
11 seasonality of customer usage. Data shows usage in these months, especially
12 October and November, is typically lower than the annualized average usage.
13 Staff's methodology results in a significantly higher kWh/customer usage than the
14 average usage that would be calculated using a full twelve months of actual data.
15 Staff's adjustment in this regard is flawed and inaccurately inflates the Staff's
16 estimate of Company's base revenue for the test year.

17 Further, Staff's support for its adjustment, that the adjusted test year
18 revenues should take into account a customer's proclivity to conserve, is also
19 flawed and unreasonable. The Company's test year data already does, in fact,
20 capture conservation impacts in the three months of actual data as well as the nine
21 months of forecast data. Specifically, the Company's forecast methodology
22 already incorporates energy conservation impacts, including price-driven
23 conservation and equipment energy efficiency gains. It is not clear how Staff's

1 adjustment, especially including the error described above, translates into any
2 accounting for a “proclivity” to conserve by customers. This is especially true
3 considering the Staff’s erroneous adjustment results in higher average
4 consumption per customer and, correspondingly, unreasonably higher sales for
5 the test year. Staff’s methodology, relying on its questionable assumption about
6 customers’ proclivity to conserve, is duplicative and punitive, especially
7 considering that the Company’s test year sales already incorporate assumptions
8 about conservation efforts.

9 **Q. WHAT IS THE IMPACT OF STAFF’S ADJUSTMENT TO DUKE**
10 **ENERGY OHIO?**

11 A. The impact of Staff’s adjustment is that it serves to artificially inflate the
12 Company’s level of sales by assuming customers use the same amount of
13 electricity in October, November, and December as they do, on average, the rest
14 of the year, which factually is not the case. The Staff’s assumption thus
15 inappropriately results in an estimate of the Company’s sales that is artificially
16 and inaccurately inflated.

17 **Q. HOW DOES THE COMPANY PROPOSE TO CORRECT THIS STAFF’S**
18 **ERRONEOUS ADJUSTMENT TO TEST YEAR BASE REVENUE?**

19 A. The Company believes that its filed test year base revenue should be used as it is
20 consistent with the Commission’s filing requirements and is more representative
21 of actual sales during the test year. The Company’s sales using three months
22 actual data and nine months forecasted data is reasonable and more accurately
23 reflects customer consumption, unlike Staff’s assumption which imputes a

1 levelized consumption pattern based on nine months of actual data only. In the
2 alternative, if Staff is making adjustments to test year revenues, it should use
3 actual data for all twelve months in the test year. Attachment JAR-SUPP-1
4 replicates the AVERAGE CONSUMPTION sheet from the Staff Excel file titled
5 “Duke Electric Tariff Revenue Final (Avg Consumption).xlsx” and corrects
6 Staff’s methodology, using the Company’s test year data for October, November,
7 and December as proxy for actual data. This represents the available data at the
8 time Staff prepared its adjustment and serves to demonstrate the error in their
9 adjustment. The attachment shows the resulting difference in the calculations of
10 the percentage increase amounts. Clearly, the Staff’s estimate of test year sales
11 suggests percentage increases that are overstated.

12 Since the actual data for October, November and December is now
13 available, the attachment also uses this data to recalculate the adjustment for
14 comparison purposes. Again, this comparison clearly shows that the percent
15 increases proposed in the Staff Report are overstated.

16 **Q. WAS JAR-SUPP-1 PREPARED BY YOU AND UNDER YOUR**
17 **DIRECTION AND CONTROL?**

18 **A.** Yes.

III. CONCLUSION

1 **Q. DOES THIS CONCLUDE YOUR PRE-FILED SUPPLEMENTAL DIRECT**
2 **TESTIMONY?**

3 **A. Yes.**

Average Consumption Per Customer Percent Increase*				
Rate Code	Staff Report	Duke Corrected**		Duke Corrected***
RS	6.825%	2.659%	1.615%	
ORH	0.464%	-0.012%	-0.899%	
TD	4.186%	0.773%	-0.350%	
CUR	1.200%	1.049%	0.726%	
RS3P	8.095%	4.372%	3.797%	
RSLI	8.020%	3.850%	3.681%	
GSFL	-3.437%	-1.677%	0.559%	
EH	-12.173%	-1.524%	-0.363%	
DM	4.557%	1.729%	1.376%	
SFL-ADPL	-2.305%	-0.951%	-2.223%	

*For those rates where Staff applied the average consumption methodology.

**Using forecasted test year data for October, November and December.

***Using actual test year data for October, November and December.

Staff Methodology as used in Staff Report
For those rates where Staff applied the average consumption methodology

Average Consumption Per Customer														
Rate Code	Year	January	February	March	April	May	June	July	August	September	October	November	December	Yearly Average
RS	Test Year - 3 & 9	1,151,744	1,021,821	867,323	808,925	710,513	913,916	1,147,986	1,197,359	1,066,206	780,234	746,381	1,059,169	955,965
	Actual	1,151,744	1,021,821	867,323	710,265	743,885	977,019	1,376,202	1,274,489	1,068,105				1,021,206
ORH	Test Year - 3 & 9	4,409,168	3,686,085	2,705,186	2,538,465	1,899,655	2,041,159	2,360,920	2,279,950	2,165,275	1,961,980	2,292,690	3,620,394	2,663,411
	Actual	4,409,168	3,686,085	2,705,186	1,983,606	1,851,477	2,135,195	2,818,722	2,368,387	2,124,182				2,675,779
TD	Test Year - 3 & 9	1,893,739	1,937,174	1,509,261	1,417,864	1,199,130	1,415,591	1,718,636	1,697,000	1,551,000	1,204,870	1,219,000	1,771,217	1,544,540
	Actual	1,893,739	1,937,174	1,509,261	1,161,591	1,195,455	1,525,348	2,047,391	1,683,136	1,529,652				1,609,194
CUR	Test Year - 3 & 9	687,051	626,791	573,105	534,985	494,808	483,497	473,677	491,626	481,451	469,390	508,177	650,982	539,628
	Actual	687,051	626,791	573,105	508,599	485,253	502,724	532,855	503,324	495,233				546,104
RS3P	Test Year - 3 & 9	2,558,729	1,948,689	1,938,677	1,769,725	1,853,716	2,059,843	2,522,530	2,460,104	2,280,109	1,882,935	1,704,219	2,304,113	2,106,949
	Actual	2,558,729	1,948,689	1,938,677	1,675,958	1,975,750	2,406,608	2,883,964	2,644,104	2,465,126				2,277,512
RSLI	Test Year - 3 & 9	921,970	836,102	696,625	631,244	518,913	652,284	834,450	875,263	770,617	584,556	588,280	820,889	727,599
	Actual	921,970	836,102	696,625	551,247	564,109	711,601	1,035,189	966,749	790,004				785,955
GSFL	Test Year - 3 & 9	7,075,065	7,074,960	7,054,678	6,979,466	6,857,569	6,755,983	6,655,545	6,576,365	7,149,694	7,214,513	7,030,445	7,488,473	6,992,730
	Actual	7,075,065	7,074,960	7,054,678	7,138,531	7,100,230	7,039,228	7,038,707	7,038,603	4,211,734				6,752,415
EH	Test Year - 3 & 9	13,625,474	12,511,954	9,982,171	9,560,359	8,268,066	4,114,528	0.000	0.000	0.000	7,592,559	7,535,040	10,972,340	6,670,663
	Actual	13,625,474	12,511,954	9,982,171	7,624,074	7,823,488	4,114,528	(1,648,667)	3,000	(1,308,286)				5,858,637
DM	Test Year - 3 & 9	1,246,263	1,150,559	1,068,396	1,008,669	1,018,349	1,175,197	1,285,922	1,352,453	1,231,443	1,018,762	987,064	1,197,106	1,145,015
	Actual	1,246,263	1,150,559	1,068,396	997,947	1,019,444	1,218,925	1,464,909	1,341,508	1,266,817				1,197,196
SFL-ADPL	Test Year - 3 & 9	10,838,000	10,839,000	10,828,500	11,156,500	10,749,500	10,507,500	10,288,000	10,118,250	10,764,000	11,038,250	10,818,000	11,516,000	10,788,458
	Actual	10,838,000	10,839,000	10,828,500	10,808,250	10,785,250	10,760,000	10,748,000	10,717,250	8,533,400				10,539,739

Staff Methodology using test year data for October, November and December
For those rates where Staff applied the average consumption methodology

Average Consumption Per Customer														
Rate Code	Year	January	February	March	April	May	June	July	August	September	October	November	December	Yearly Average
RS	Test Year - 3 & 9	1,151,744	1,021,821	867,323	808,925	710,513	913,916	1,147,986	1,197,359	1,066,206	780,234	746,381	1,059,169	955,965
	Actual	1,151,744	1,021,821	867,323	710,265	743,885	977,019	1,376,202	1,274,489	1,068,105	780,234	746,381	1,059,169	981,386
ORH	Test Year - 3 & 9	4,409,168	3,686,085	2,705,186	2,538,465	1,899,655	2,041,159	2,360,920	2,279,950	2,165,275	1,961,980	2,292,690	3,620,394	2,663,411
	Actual	4,409,168	3,686,085	2,705,186	1,983,606	1,851,477	2,135,195	2,818,722	2,368,387	2,124,182	1,961,980	2,292,690	3,620,394	2,663,089
D	Test Year - 3 & 9	1,893,739	1,937,174	1,509,261	1,417,864	1,199,130	1,415,591	1,718,636	1,697,000	1,551,000	1,204,870	1,219,000	1,771,217	1,544,540
	Actual	1,893,739	1,937,174	1,509,261	1,161,591	1,195,455	1,525,348	2,047,391	1,683,136	1,529,652	1,204,870	1,219,000	1,771,217	1,556,486
UR	Test Year - 3 & 9	687,051	626,791	573,105	534,985	494,808	483,497	473,677	491,626	481,451	469,390	508,177	650,982	539,628
	Actual	687,051	626,791	573,105	508,599	485,253	502,724	532,855	503,324	495,233	469,390	508,177	650,982	545,290
SS3P	Test Year - 3 & 9	2,558,729	1,948,689	1,938,677	1,769,725	1,853,716	2,059,843	2,522,530	2,460,104	2,280,109	1,882,935	1,704,219	2,304,113	2,106,949
	Actual	2,558,729	1,948,689	1,938,677	1,675,958	1,975,750	2,406,608	2,883,964	2,644,104	2,465,126	1,882,935	1,704,219	2,304,113	2,199,073
LSLI	Test Year - 3 & 9	921,970	836,102	696,625	631,244	518,913	652,284	834,450	875,263	770,617	584,556	588,280	820,889	727,599
	Actual	921,970	836,102	696,625	551,247	564,109	711,601	1,035,189	966,749	790,004	584,556	588,280	820,889	755,610
GSFL	Test Year - 3 & 9	7,075,065	7,074,960	7,054,678	6,979,466	6,857,569	6,755,983	6,655,545	6,576,365	7,149,694	7,214,513	7,030,445	7,488,473	6,992,730
	Actual	7,075,065	7,074,960	7,054,678	7,138,531	7,100,230	7,039,228	7,038,707	7,038,603	4,211,734	7,214,513	7,030,445	7,488,473	6,875,431
H	Test Year - 3 & 9	13,625,474	12,511,954	9,982,171	9,560,359	8,268,066	4,114,528	0.000	0.000	0.000	7,592,559	7,535,040	10,972,340	6,670,663
	Actual	13,625,474	12,511,954	9,982,171	7,624,074	7,823,488	4,114,528	(1,648,667)	3,000	(1,308,286)	7,592,559	7,535,040	10,972,340	6,568,973
NM	Test Year - 3 & 9	1,246,263	1,150,559	1,068,396	1,008,669	1,018,349	1,175,197	1,285,922	1,352,453	1,231,443	1,018,762	987,064	1,197,106	1,145,015
	Actual	1,246,263	1,150,559	1,068,396	997,947	1,019,444	1,218,925	1,464,909	1,341,508	1,266,817	1,018,762	987,064	1,197,106	1,164,808
FL-ADPL	Test Year - 3 & 9	10,838,000	10,839,000	10,828,500	11,156,500	10,749,500	10,507,500	10,288,000	10,118,250	10,764,000	11,038,250	10,818,000	11,516,000	10,788,458
	Actual	10,838,000	10,839,000	10,828,500	10,808,250	10,785,250	10,760,000	10,748,000	10,717,250	8,533,400	11,038,250	10,818,000	11,516,000	10,685,825

Staff Methodology using actual data for October, November and December
For those rates where Staff applied the average consumption methodology

Average Consumption Per Customer

Rate Code	Year	January	February	March	April	May	June	July	August	September	October	November	December	Yearly Average	Percent Increase
RS	Test Year - 3 & 9 Actual	1,151,744	1,021,821	867,323	808,925	710,513	913,916	1,147,986	1,197,359	1,066,206	780,234	746,381	1,059,169	955,965	1.615%
ORH	Test Year - 3 & 9 Actual	4,409,168	3,686,085	2,705,186	2,538,465	1,899,655	2,041,159	2,360,920	2,279,950	2,165,275	1,961,980	2,292,690	3,620,394	2,663,411	-0.899%
TD	Test Year - 3 & 9 Actual	1,893,739	1,937,174	1,509,261	1,417,864	1,199,130	1,415,591	1,718,636	1,697,000	1,551,000	1,204,870	1,219,000	1,771,217	1,544,540	-0.350%
CUR	Test Year - 3 & 9 Actual	687,051	626,791	573,105	534,985	494,808	483,497	473,677	491,626	481,451	469,390	508,177	650,982	539,628	0.726%
RS3P	Test Year - 3 & 9 Actual	2,558,729	1,948,689	1,938,677	1,769,725	1,853,716	2,059,843	2,522,530	2,460,104	2,280,109	1,882,935	1,704,219	2,304,113	2,106,949	3.797%
RSLL	Test Year - 3 & 9 Actual	921,970	836,102	696,625	631,244	518,913	652,284	834,450	875,263	770,617	584,556	588,280	820,889	754,385	3.681%
GSFL	Test Year - 3 & 9 Actual	7,075,065	7,074,960	7,054,678	6,979,466	6,857,569	6,755,983	6,655,545	6,576,365	7,149,694	7,214,513	7,030,445	7,488,473	6,992,730	0.559%
EH	Test Year - 3 & 9 Actual	13,625,474	12,511,954	9,982,171	9,560,359	7,100,230	7,039,228	7,038,707	7,038,603	4,211,734	10,088,168	6,758,997	6,763,303	7,031,850	-0.363%
DM	Test Year - 3 & 9 Actual	1,246,263	1,150,559	1,068,396	1,008,669	1,018,349	1,175,197	1,285,922	1,352,453	1,231,443	1,018,762	987,064	1,197,106	1,145,015	1.376%
SFL-ADPL	Test Year - 3 & 9 Actual	10,838,000	10,839,000	10,828,500	11,156,500	10,749,500	10,507,500	10,288,000	10,118,250	10,764,000	11,038,250	10,818,000	11,516,000	10,788,458	-2.223%
		10,838,000	10,839,000	10,828,500	10,808,250	10,785,250	10,760,000	10,748,000	10,717,250	8,533,400	10,584,500	10,583,750	10,557,750	10,548,638	

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Case No(s). 12-1682-EL-AIR, 12-1683-EL-ATA, 12-1684-EL-AAM

Summary: Testimony Supplemental Direct Testimony of James A. Riddle electronically filed by Ms. Elizabeth H Watts on behalf of Duke Energy Ohio, Inc.