BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

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

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
- X Other: Rate Design

February 19, 2013

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ATTACHMENT

JAR-SUPP-1 Actual sales data

I. <u>INTRODUCTION AND PURPOSE</u>

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	А.	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. <u>OBJECTIONS SPONSORED BY WITNESS</u>
18	Q.	PLEASE DESCRIBE THE COMPANY'S OBJECTION NO. 4.

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

JAMES A. RIDDLE SUPPLEMENTAL DIRECT

forecasted data consistent with Ohio's filing requirements. Duke Energy Ohio's
 estimates, as provided in its Application in these proceedings, were reasonable
 and should be the basis for revenues during the test period. The Staff Report did
 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.

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

JAMES A. RIDDLE SUPPLEMENTAL DIRECT

adjustment, especially including the error described above, translates into any 1 2 accounting for a "proclivity" to conserve by customers. This is especially true considering the Staff's erroneous adjustment results in higher average 3 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.

WHAT IS THE IMPACT OF STAFF'S ADJUSTMENT TO DUKE

9

10

Q.

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?

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

JAMES A. RIDDLE SUPPLEMENTAL DIRECT

levelized consumption pattern based on nine months of actual data only. In the 1 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.

Since the actual data for October, November and December is now available, the attachment also uses this data to recalculate the adjustment for comparison purposes. Again, this comparison clearly shows that the percent 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. <u>CONCLUSION</u>

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

L		Average Consump	Average Consumption Per Customer Percent Increase*	ncrease*
	-	Staff Report	Dirke Corrected**	Diika Corractad***
Rate Code				
RS		6.825%	2.659%	1.615%
ORH		0 464%	20C10 0-	/0000 U
			0/710.0-	0/ EE0.0-
TD		4.186%	0.773%	-0.350%
all				
		0/007.T	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	4.557%	1.729%	1.376%
SFL-ADPL		-2.305%	-0.951%	-2.23%

*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 Con	Average Consumption Per Customer	stomer							
Rate Code		January	February	March	April	May	June	July	August	September	October	November	December	Yearly Average	Percent Increase
RS	Test Year - 3 & 9		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		1,021.821	867.323	710.265	743.885	977.019	1,376.202	1,274.489	1,068.105				1.021.206	6 875%
ORH	Test Year - 3 & 9		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	0/2-30-0
	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				7 675 779	0.464%
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	0/101-0
	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	A 186%
CUR	Test Year - 3 & 9	1	626.791	573.105	534.985	494.808	483.497	473.677	491.626	481.451	469.390	508.177	650.982	539 628	0/0011L
	Actual	687.051	626.791	573.105	508.599	485.253	502.724	532.855	503.324	495.233				546.104	1 2000
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	0/007.1
	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			244412 2212	27277512	0 0050
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	820.880	311.12/2	%/rcn's
	Actual	921.970	836.102	696.625	551.247	564.109	711.601	1.035.189	966.749	790.004			2000	705 925	/0000 0
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	CLV OOV L	062 000 3	0.02070
	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		ntt:000	c troot's	214 636 2	VOLCY C
EH	Test Year - 3 & 9		12,511.954	9,982.171	9,560.359	8,268.066	0.000	0.000	0.000	0.000	7,592,559	7.535.040	10.972.340	6 670 663	e/104/0
	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	-12 172%
Ma	Test Year - 3 & 9		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	0/0/1/27
	Actual		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	4 557%
SFL-ADPL	Test Year - 3 & 9		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	-2.305%

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

	e		76%		20%		73%	2	Q%2	2	700.	2	760		.70/.		10/	4%	/00/	2/0	1%
	Percent Increase		2 659%		~0 01 2%	202	V 773%		1 049%	0.1	70CLE V	- D*+	3 25/79/	- o.o	710/		1 E7A0/	70.1-	1 7700/	7/*7	-0 951%
	Yearly Average	955.965	981 386	2.663.411	2 663 089	1 544 540	1 556 486	539 628	545 290	2 106 949	2 199 073	665 2.02	755 610	0127.000 9	6 875 431	5 670 663	6 568 973	1 1050010	1 16/ 8/16	10 788 458	10.685.825
	December	1.059.169	1.059.169	3.620.394	3.620.394	1.771.217	1171.71	650.982	650.982	2.304.113	2 304 113	820.889	820.889	7 488 473	7 488 473	10.972 340	10 972 340	1.197 106	1 197 106	11 516.000	11.516.000
	November	746.381	746.381	2.292.690	2.292.690	1.219.000	1.219.000	508.177	508.177	1.704.219	1.704.219	588.280	588.280	7.030.445	7.030.445	7.535.040	7 535 040	987.064	987 064	10.818.000	10.818.000
	October	780.234	780.234	1,961,980	1.961.980	1,204.870	1.204.870	469.390	469.390	1,882.935	1.882.935	584.556	584.556	7.214.513	7.214.513	7.592.559	7.592.559	1.018.762	1.018.762	11.038.250	11.038.250
	September	1,066.206	1,068.105	2,165.275	2,124.182	1,551.000	1,529,652	481.451	495.233	2,280.109	2.465.126	770.617	790.004	7,149.694	4.211.734	0.000	(1.308.286)	1,231.443	1.266.817	10,764.000	8,533,400
	August	1,197.359	1,274.489	2,279.950	2,368.387	1,697.000	1,683.136	491.626	503.324	2,460.104	2,644.104	875.263	966.749	6,576.365	7,038,603	0.000	3.000	1,352.453	1.341.508	10,118.250	10,717.250
	July	1,147.986	1,376.202	2,360.920	2,818.722	1,718.636	2,047.391	473.677	532.855	2,522.530	2,883.964	834.450	1,035.189	6,655.545	7,038.707	0.000	(1,648.667)	1,285.922	1,464.909	10,288.000	10,748.000
	June	913.916	977.019	2,041.159	2,135.195	1,415.591	1,525.348	483.497	502.724	2,059.843	2,406.608	652.284	711.601	6,755.983	7,039.228	0.000	4,114.528	1,175.197	1,218.925	10,507.500	10,760.000
	May	710.513	743.885	1,899.655	1,851.477	1,199.130	1,195.455	494.808	485.253	1,853.716	1,975.750	518.913	564.109	6,857.569	7,100.230	8,268.066	7,823.488	1,018.349	1,019.444	10,749.500	10,785.250
	April	808.925	710.265	2,538.465	1,983.606	1,417.864	1,161.591	534.985	508.599	1,769.725	1,675.958	631.244	551.247	6,979.466	7,138.531	9,560.359	7,624.074	1,008.669	997.947	11,156.500	10,808.250
	March	867.323	867.323	2,705.186	2,705.186	1,509.261	1,509.261	573.105	573.105	1,938.677	1,938.677	696.625	696.625	7,054.678	7,054.678	9,982.171	9,982.171	1,068.396	1,068.396	10,828.500	10,828.500
	February	1,021.821	1,021.821	3,686.085	3,686.085	1,937.174	1,937.174	626.791	626.791	1,948.689	1,948.689	836.102	836.102	7,074.960	7,074.960	12,511.954	12,511.954	1,150.559	1,150.559	10,839.000	10,839.000
	January	1,151.744	1,151.744	4,409.168	4,409.168	1,893.739	1,893.739	687.051	687.051	2,558.729	2,558.729	921.970	921.970	7,075.065	7,075.065	13,625.474	13,625.474	1,246.263	1,246.263	10,838.000	10,838.000
Voor	rear	lest Year - 3 & 9	Actual	Test Year - 3 & 9	Actual	Test Year - 3 & 9	Actual	Test Year - 3 & 9	Actual	Test Year - 3 & 9	Actual	Test Year - 3 & 9	Actual	Test Year - 3 & 9	Actual	Test Year - 3 & 9	Actual	Test Year - 3 & 9	Actual	Test Year - 3 & 9	Actual
Bate Code	ישוב רחמה	\$		ORH T		10		CUR		RS3P T		RSU	-	GSFL T		EH T		DM T		SFL-ADPL T	

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

						Average Col	Consumption Per Customer	stomer							
Rate Code	Year	January	February	March	April	May	June	July	August	September	October	November	December	Vearly Averade	Darrant Increase
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	g	dee dee	
	Actual	1,151.744	1,021.821	867.323	710.265	743.885	977.019	1,376.202	1,274.489	1.068.105	701.371	785.475	979.176	971 406	1 615%
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	0/277.7
	Actual	4	3,686.085	2,705.186	1,983.606	1,851.477	2,135.195	2,818.722	2,368.387	2,124.182	1,758.184	2.563.645	3.269.618	2.639.455	20 899%
01	Test Year - 3 & 9		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	0/10010
	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	1.069.727	1.354.043	1 563 043	1 539 130	70 3E UT
CUR	Test Year - 3 & 9		626.791	573.105	534.985	494.808	483.497	473.677	491.626	481.451	469.390	508.177	650.982	539 628	0/0000
	Actual	687.051	626.791	573.105	508.599	485.253	502.724	532.855	503.324	495.233	458.281	528.797	620.519	543 544	0 776%
RS3P	Test Year - 3 & 9	۰.	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	0.120/0
	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	1.784.808	1.866.696	2.094.172	2 186 940	3 797%
RSLI	Test Year - 3 & 9		836.102	696.625	631.244	518.913	652.284	834,450	875.263	770.617	584.556	588.280	820.889	997.777	
	Actual	921.970	836.102	696.625	551.247	564.109	711.601	1,035.189	966.749	790.004	536.420	639,637	802.966	754 385	3 681%
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	057 799 3	0/TDO/2
	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	10.088.168	6.758.997	6.763.303	7 031 850	0 559%
Hu	Test Year - 3 & 9		12,511.954	9,982.171	9,560.359	8,268.066	0000	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)	7,161.875	9.000.351	10.867.397	6.646.447	~U 363%
MQ	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		1,150.559	1,068.396	997.947	1,019.444	1,218.925	1,464.909	1,341.508	1,266.817	1,000.166	1.009.897	1.144.359	1.160.766	1 376%
SFL-ADPL	Test Year - 3 & 9		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	10,584.500	10.583.750	10.557.750	10.548.638	2 223%
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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.