

**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 ) Case No. 12-1684-EL-AAM  
Approval to Change Accounting )  
Methods. )

**DIRECT TESTIMONY OF NEAL TOWNSEND**

**On Behalf of The Kroger Co.**

**February 19, 2013**

**DIRECT TESTIMONY OF NEAL TOWNSEND**

**Introduction**

**Q. Please state your name and business address.**

A. Neal Townsend, 215 South State Street, Suite 200, Salt Lake City, Utah,  
84111.

**Q. By whom are you employed and in what capacity?**

A. I am a Director at Energy Strategies, LLC. Energy Strategies is a private  
consulting firm specializing in economic and policy analysis applicable to energy  
production, transportation, and consumption.

**Q. On whose behalf are you testifying in this proceeding?**

A. My testimony is being sponsored by The Kroger Co. ("Kroger"). Kroger  
is one of the largest grocers in the United States. Kroger has over 65 facilities  
served by Duke Energy Ohio, Inc. ("Duke" or "the Company") that collectively  
consume over 255 million kWh per year. Kroger takes most of its service under  
the DS, DP, and TS rate schedules.

**Q. Please describe your educational background.**

A. I received an MBA from the University of New Mexico in 1996. I also  
earned a B.S. degree in Mechanical Engineering from the University of Texas at  
Austin in 1984.

**Q. Please describe your professional experience and background.**

A. I have provided regulatory and technical support on a variety of energy  
projects at Energy Strategies since I joined the firm in 2001. Prior to my

1 employment at Energy Strategies, I was employed by the Utah Division of Public  
2 Utilities as a Rate Analyst from 1998 to 2001. I have also worked in the  
3 aerospace, oil, and natural gas industries.

4 **Q. Have you testified previously before this Commission?**

5 A. No. This is my first opportunity to testify before the Public Utilities  
6 Commission of Ohio ("Commission").

7 **Q. Have you testified previously before any other state utility regulatory**  
8 **commissions?**

9 A. Yes. I have testified in utility regulatory proceedings before the Arkansas  
10 Public Service Commission, the Illinois Commerce Commission, the Indiana  
11 Utility Regulatory Commission, the Kentucky Public Service Commission, the  
12 Michigan Public Service Commission, the Public Utility Commission of Oregon,  
13 the Public Utility Commission of Texas, the Utah Public Service Commission, the  
14 Virginia Corporation Commission, and the Public Service Commission of West  
15 Virginia. A more detailed description of my qualifications is contained in  
16 Attachment A, attached to this testimony.

17  
18 **Overview and Conclusions**

19 **Q. What is the purpose of your testimony in this proceeding?**

20 A. My testimony addresses Duke's cost-of-service study and the distribution  
21 of any proposed rate increase, or "rate spread." As part of this testimony, I offer  
22 recommendations to the Commission in support of a just and reasonable outcome  
23 in this proceeding.

1   **Q.    Have you reviewed Duke's Application filed in this proceeding on July 9,**  
2       **2012?**

3   **A.    Yes, I have.**

4   **Q.    Have you reviewed the Staff Report of Investigation ("Staff Report") dated**  
5       **January 4, 2013?**

6   **A.    Yes, I have.**

7   **Q.    What are your primary conclusions and recommendations?**

8   **A.           I offer the following conclusions and recommendations:**

9           (1) Duke's class cost-of-service study improperly weights the class  
10       coincident peak demands in the calculation of Factor K205, which is used to  
11       allocate the costs of its primary voltage distribution plant to classes. In an attempt  
12       to split cost responsibility between the primary and secondary voltage distribution  
13       system, Duke assigns a greater weight to Rate DP's demand than to other classes'  
14       demand. This apparently inadvertent error in reasoning assigns Rate DP 15.4  
15       percent of the demand-related costs of the primary system, although the class  
16       comprises only 11.8 percent of the average 2011 coincident peak demand.  
17       Weighting of class coincident peak demands is wholly unnecessary in the  
18       calculation of this factor, and distorts the cost responsibility among classes. I  
19       recommend that this improper weighting be eliminated in the calculation of this  
20       factor.

21       (2) Duke's cost-of-service study allocates all General and Common Plant  
22       functionalized into the distribution plant category on the basis of demand. This is  
23       inconsistent with the composition of Duke's distribution plant, which is

1        comprised of both demand and customer-related costs. I recommend that  
2        distribution General and Common Plant be classified into demand and customer  
3        components based on the composition of distribution plant.

4                (3) Duke's cost-of-service study fails to distinguish between Operations  
5        and Maintenance ("O&M") expenses related to primary and secondary overhead  
6        and underground lines. According to Duke's analysis, 74 percent of its conductor  
7        circuit miles are primary voltage and 26 percent are secondary voltage.<sup>1</sup>  
8        Appropriately, the Company's cost-of-service study does not allocate rate base  
9        associated with secondary conductors to Rate DP (Service at Primary Distribution  
10       Voltage). However, Duke fails to make a corresponding distinction for O&M  
11       expenses. I recommend that O&M costs for overhead and underground lines be  
12       split between primary and secondary voltage using the same proportions as  
13       applied to rate base for conductors.

14               (4) Duke's cost-of-service methodology allocates the cost of certain  
15       distribution facilities such as poles and conductors exclusively on the basis of  
16       class demand, without considering that the cost of poles and conductors also has a  
17       significant customer-related component. The Company's treatment of these costs  
18       is inconsistent with the guidelines published in the National Association of  
19       Regulatory Utility Commissioners ("NARUC") Electric Utility Cost Allocation  
20       Manual, which states that a portion of pole and conductor costs should be  
21       classified as customer-related. As a result of Duke's failure to classify a portion  
22       of these costs as customer-related, the Company's analysis under-assigns cost

---

<sup>1</sup> Source: Duke WP E-3.2d, p. 3 of 10.

responsibility based on the number of customers served and over-assigns cost responsibility on the basis of demand, shifting costs unreasonably to the larger customers served on the distribution system. Accordingly, in my analysis, I employed the minimum-size method to identify the customer-related costs associated with poles and conductors (FERC Accounts 364-367). I applied the customer and demand cost proportions resulting from my analysis to the applicable plant and O&M expense accounts.

(5) When I incorporated the above modifications into the cost-of-service study, I determined that the required percentage increases for Rates DS and DP are not significantly different at the Company's requested revenue requirement. Thus, I recommend that Rates DS and DP receive the same percentage increases at Duke's requested revenue requirement. Should a lower revenue requirement be approved by the Commission, the class increase apportionment methodology employed by Staff is acceptable for spreading the approved increase, so long as my recommendation that the percentage increases between Rate DS and DP remain equal is adopted.

#### **Cost-of-Service / Rate Spread**

**Q. How is Duke proposing to spread its proposed rate increase?**

**A.** The Company is proposing to spread its proposed rate increase of \$86.6 million in the manner shown in Table NT-1 below. The Company's proposed rate increase is based on the results of its as-filed cost-of-service study.

Table NT-1

## Duke Proposed Rate Spread

| Rate Schedule             | Proposed Increase |       |
|---------------------------|-------------------|-------|
|                           | \$                | %     |
| Residential               | 46,796,761        | 23.6% |
| Secondary Dist Large DS   | 24,340,025        | 23.8% |
| Secondary Dist Large EH   | 180,428           | 15.0% |
| Secondary Dist Small DM   | 3,183,438         | 16.7% |
| Secondary Dist Small GSFL | 137,800           | 23.9% |
| Primary Distribution DP   | 7,944,434         | 36.6% |
| Transmission              | 944               | 0.8%  |
| Lighting                  | 3,998,144         | 51.4% |
| Total Distribution        | 86,581,974        | 24.6% |

If adopted, the Company's proposal would give Duke the highest primary distribution rates of any investor-owned utility in Ohio. Comparable rates for other Ohio utilities are listed in Table NT-2 below.

Table NT-2

Comparison of Distribution Charges for Primary Service<sup>2</sup>

| Utility/Rate                         | Customer Charge | Demand Charge |
|--------------------------------------|-----------------|---------------|
|                                      | \$/mo.          | \$/kW-mo.     |
| DP&L - Primary                       | 95.00           | 1.8405        |
| Toledo Edison - GP                   | 150.00          | 2.1741        |
| Cleveland Electric Illuminating - GP | 150.00          | 3.1608        |
| Ohio Edison - GP                     | 150.00          | 3.1761        |
| Columbus So. Power - GS-3 (Pri)      | 126.36          | 3.4886        |
| Ohio Power Company - GS-3 (Pri)      | 104.64          | 4.1210        |
| Duke Ohio-DP (Current)               | 200.00          | 3.7700        |
| Duke Ohio-DP (Proposed)              | 273.21          | 5.1500        |

<sup>2</sup> Demand Charges for Toledo Edison, Cleveland Electric Illuminating, and Ohio Edison include Delivery Capital Recovery Rider of \$0.4413/kW, \$0.7558/kW, and \$0.9221/kW, respectively. Customer and Demand Charges for Columbus Southern Power and Ohio Power Company include Distribution Investment Rider of 9.60174%.

1           As shown in Table NT-2, Duke's proposed distribution demand charge for  
2           primary service (DP) is nearly three times the rate charged by the Dayton Power  
3           and Light Company ("DP&L"), more than double the rate charged by Toledo  
4           Edison Company, and approximately 25 to 60 percent more than the rates charged  
5           by the other companies.

6   **Q.   What inferences do you draw from this information?**

7   A.           Based on this information, it appears that Duke is either doing an  
8           extremely poor job of providing distribution service to primary voltage customers  
9           in a cost-effective manner relative to other Ohio utilities, or there is something  
10          wrong with the Company's class cost-of-service analysis that is causing an over-  
11          allocation of costs to primary service.

12 **Q.   Have you reviewed the methodology employed by Duke to analyze**  
13 **distribution cost of service?**

14 A.           Yes, I have. The methodology used by the Company to evaluate  
15          distribution cost-of-service is described by Duke witness James E. Ziolkowski.<sup>3</sup>  
16          The Company's cost-of-service analysis is presented generally in Duke Schedule  
17          E-3.2.

---

<sup>3</sup> Direct Testimony of James W. Ziolkowski at 3-10.



**Class Coincident Peak Demand Allocation Factors for Primary & Secondary Plant**

**Q. Please describe how Duke allocates the costs of its primary and secondary distribution system to classes.**

A. Duke divides rate base accounts for poles and conductors (FERC Accounts 364-367) into primary and secondary voltage components using the proportions of primary and secondary conductor circuit miles of its distribution system (74 percent primary and 26 percent secondary). This distinction is made in order to allocate the costs of the primary and secondary system to applicable customer classes. The class allocation of primary costs appropriately excludes Rate TS (Service at Transmission Voltage), and the class allocation of secondary costs excludes Rates TS and DP (Service at Primary Distribution Voltage). The allocation factors for primary and secondary distribution plant are based on 2011 average class coincident peak demand. The calculation of these factors can be found in Duke's WP E-3.2a, p. 3 of 6.

**Q. Have you identified any problems with Duke's calculation of class coincident peak demand allocation factors?**

A. Yes, I have. In an attempt to split cost responsibility between the primary and secondary voltage distribution system, Duke assigns an arbitrarily greater weight to Rate DP's coincident peak demand than to other classes' coincident peak demand. In the calculation of the primary coincident peak demand allocation factor, K205, Duke reduces the coincident peak demands of each class except for Rate DP by applying a scalar of 74 percent (the proportion of primary conductors on the system). Duke includes the coincident peak demand of Rate

1 DP at 100 percent. There is no logical or other reasonable basis for “reweighting”  
2 class coincident peak demands in this fashion. It serves no purpose in the analysis  
3 and only distorts coincident peak demand allocation factors among the classes to  
4 the disadvantage of Rate DP. This apparently inadvertent error in reasoning  
5 assigns Rate DP 15.4 percent of the costs of the primary system, although the  
6 class comprises only 11.8 percent of the average 2011 coincident peak demand.

7 In the calculation of the secondary coincident peak demand allocation  
8 factor, K206, Duke multiplies the coincident peak demands of each applicable  
9 class (which excludes Rates TS and DP) by 26 percent. While logically  
10 unnecessary, the 26 percent weighting is applied equally to all secondary classes  
11 in calculation of the secondary factor, and thus produces identical results as un-  
12 weighted coincident peak demands for this factor.

13 **Q. Isn’t it necessary to weight the class demands in order to assign costs of the**  
14 **primary and secondary voltage distribution system?**

15 **A.** No, not at all. The calculation of the primary coincident peak demand  
16 factor should include each applicable class’ load at the time of system peak.<sup>4</sup>  
17 Only classes that use the primary distribution system should be included, thus  
18 Rate TS is appropriately excluded from the calculation.

19 The calculation of the secondary coincident peak demand factor should  
20 also include each applicable class’ load at the time of system peak. Only classes  
21 that use the secondary distribution system should be included, thus Rates TS and

---

<sup>4</sup> Duke uses 2011 average coincident peak demands (12 CP), which are the average of each class’s load during the system’s peak each month.

1 DP are appropriately excluded. The allocation factors should be based on the  
2 proportion of system peak demand that each applicable rate class comprises.

3 No weighting of class demands is necessary, because the total costs of the  
4 primary and secondary voltage system have already been determined. The only  
5 necessary difference between the calculation of the primary and secondary  
6 demand allocation factors is the exclusion of Rate DP in the calculation of the  
7 secondary factor. Instead, Duke needlessly applies unequal weighting  
8 percentages to class coincident peak demands, resulting in dramatic over-  
9 assignment of costs to Rate DP.

10 **Q. What do you recommend regarding the calculation of primary and**  
11 **secondary coincident peak demand allocation factors?**

12 **A.** The calculation of these factors in Duke's cost-of-service study should be  
13 corrected to include each class' demand without the superfluous and incorrect  
14 weighting assigned by Duke in deriving Allocation Factor K205. By correcting  
15 this error, the resulting class allocation proportions revert to those of Allocation  
16 Factor K201, the class coincident peak demand allocation factor.

17  
18 **General and Common Plant**

19 **Q. How does Duke allocate its General and Common Plant to classes?**

20 **A.** First, Duke splits its General and Common Plant into functions based on  
21 percentage of payroll. These functions include Production Plant, Transmission  
22 Plant, Distribution Plant, Customer Accounting, and Customer Service & Info.  
23 The General and Common Plant functionalized into the Production and

1 Transmission Plant categories is excluded from the distribution cost-of-service.  
2 The plant functionalized into the remaining categories: Distribution Plant,  
3 Customer Accounting, and Customer Service & Info is allocated to classes in the  
4 distribution cost-of-service study.

5 The General and Common Plant functionalized into the Customer  
6 Accounting and Customer Service & Info categories is allocated according to  
7 Customer Accounting and Customer Service O&M expense ratios, based largely  
8 on the number of customers. The General and Common Plant functionalized into  
9 the Distribution Plant category is allocated to classes based on class coincident  
10 peak demand, Factor K201.

11 **Q. Do you have any comments on Duke's allocation method for General and**  
12 **Common Plant?**

13 **A.** Yes, the General and Common Plant functionalized into the Distribution  
14 Plant category should be classified into demand and customer components  
15 consistent with the composition of distribution plant itself. The Company's cost-  
16 of-service study recognizes 12 percent of net distribution as customer-related. I  
17 believe that the recognition of a greater proportion of customer-related costs is  
18 appropriate. Nonetheless, at a minimum, 12 percent of General and Common  
19 Plant should be classified as customer-related, and allocated to classes based on  
20 the number of customers.

21

22

23

1 **Overhead and Underground Lines O&M Expenses**

2 **Q. How does Duke allocate its O&M expenses for Overhead and Underground**  
3 **Lines?**

4 A. Duke allocates its O&M expenses for Overhead and Underground Lines  
5 (FERC Accounts 583, 584, 593, and 594) to classes using Factor K205, the  
6 primary class coincident peak demand factor.

7 **Q. What is your assessment of Duke's allocation method for Overhead and**  
8 **Underground Lines O&M expenses?**

9 A. First, Duke fails to distinguish between primary and secondary voltage in  
10 the allocation of these expenses. Primary voltage conductors comprise 74 percent  
11 of Duke's distribution system, and secondary voltage conductors comprise 26  
12 percent. Rate base for conductors is divided into primary and secondary cost  
13 categories based on these proportions. Therefore, it is appropriate to make this  
14 distinction for associated O&M expenses. However, Duke fails to make a  
15 corresponding distinction for O&M expenses. Customers taking service on Rate  
16 DP should not be allocated O&M expenses associated with the secondary voltage  
17 distribution system.

18 Second, Duke's use of the flawed Factor K205 compounds the problem of  
19 over-allocation of costs to Rate DP. After O&M expenses have been divided into  
20 primary and secondary cost categories, demand-related costs should be allocated  
21 using coincident peak demand allocation factors calculated according to the  
22 guidelines described earlier in my testimony (i.e., using un-weighted class  
23 coincident peaks).

1           Lastly, I recommend that the demand and customer cost proportions  
2           resulting from my minimum-size analysis for conductors, described in the  
3           following section, be used to classify and allocate the Overhead and Underground  
4           Lines O&M expenses based on demand and customer components.

5   **Q.   What is the impact of your recommended corrections and adjustments on the**  
6   **rate spread?**

7   A.           I have incorporated the corrections and allocation adjustments discussed  
8           above (Factor K205 correction, General and Common Plant allocation, and  
9           Overhead and Underground Lines O&M Expense allocation) into Duke's cost-of-  
10          service study. The resulting rate spread using Duke's rate spread and subsidy  
11          reduction framework is presented in Attachment NT-1, p. 1 of 1. These results  
12          are provided for informational purposes, and do not constitute my final rate  
13          spread proposal.

14  
15   **Classification and Allocation of Poles and Conductors**

16   **Q.   Do you have any comments regarding the Company's allocation method for**  
17   **poles and conductors?**

18   A.           Yes. Duke's cost-of-service methodology allocates the cost for poles and  
19           conductors exclusively on the basis of class demand, without considering that the  
20           cost of poles and conductors also has a significant customer-related component.<sup>5</sup>  
21           These facilities are installed to deliver service to customer premises. As such, a  
22           significant portion of the investment required to provide these facilities is directly

---

<sup>5</sup> Direct Testimony of James E. Ziolkowski at 9, ln 9.

1 related to the number of customers and their geographic dispersion on the utility's  
2 system. A well-designed and fair distribution cost-of-service study should take  
3 these aspects of cost causation into account. In contrast, the Company's approach  
4 ignores the role of the number of customers and their geographic dispersion in  
5 influencing system investment requirements. As a result, the Company's analysis  
6 under-assigns cost responsibility based on the number of customers served and  
7 over-assigns cost responsibility on the basis of demand, shifting costs  
8 unreasonably to the larger customers served on the distribution system.

9 **Q. What FERC accounts are affected by the Company's failure to classify pole**  
10 **and conductor costs as customer-related?**

11 A. The affected accounts are Account 364 – Poles, Towers, and Fixtures,<sup>6</sup>  
12 Account 365 – Overhead Conductors and Devices, and Accounts 366 and 367 –  
13 Underground Conduit, Conductors, and Devices.

14 **Q. Is the position you are advancing with respect to the classification of a**  
15 **portion of pole and conductor costs as customer-related consistent with the**  
16 **recommended treatment of these costs as presented in the Electric Utility**  
17 **Cost Allocation Manual published by NARUC?**

18 A. Yes. The NARUC Cost Allocation Manual is very clear on this subject.  
19 Regarding the allocation of distribution costs, the manual states: "The customer  
20 component of distribution facilities is that portion of costs which varies with the  
21 number of customers. Thus the number of poles, conductors, transformers,  
22 services, and meters are directly related to the number of customers on the

---

<sup>6</sup> Duke Energy Ohio includes Account 3601 (rights of way) with its Account 364 plant in its cost-of-service study, so for purposes of this discussion I will include Account 3601 with Account 364.

1 utility's system."<sup>7</sup> The NARUC Manual goes on to describe methodologies for  
2 incorporating the influence of customer-related costs in the allocation of costs for  
3 these accounts.

4 **Q. What are the consequences of allocating costs for poles and conductors**  
5 **exclusively on the basis of class demand?**

6 Ignoring the customer-related cost component for poles and conductors,  
7 and allocating these costs solely on the basis of demand, distorts cost  
8 responsibility among customers using the distribution system. Consider, for  
9 example, that to serve Duke's nearly 700,000 customers, the Company has had to  
10 install poles and distribution lines throughout its service territory sufficient to  
11 deliver service to each customer premise. Of these nearly 700,000 customers,  
12 only 280 take service under the DP rate schedule.<sup>8</sup> These 280 customers comprise  
13 less than 5/100 of 1 percent of the customers on the distribution system – yet the  
14 Company's cost-of-service study assigns these customers 15.4 percent of the net  
15 plant costs of the primary distribution system poles, towers, fixtures, and  
16 conductors.<sup>9</sup> In my opinion, this is an egregious inequity. It is fundamentally  
17 unreasonable on its face to maintain that 280 customers are somehow responsible  
18 for causing 15 percent of the costs of the primary poles and wires to deliver power  
19 over a system that was constructed to reach nearly 700,000 customers. One  
20 reason for this gross over-allocation is that Duke allocates the costs of all of the

---

<sup>7</sup> NARUC Electric Utility Cost Allocation Manual at 90 (1992) (emphasis added).

<sup>8</sup> Duke Schedule E 3.2, p. 18.

<sup>9</sup> Duke Schedule E 3.2, p. 4. Note that when Factor K205 is calculated correctly (un-weighted class peaks), Rate DP is allocated 11.8 percent of primary distribution plant costs.



1 poles and conductors on the basis of class group peak demand, ignoring the  
2 customer-related cost component of these facilities.

3 **Q. What methodologies are typically used for determining the customer-related**  
4 **portion of poles and conductor costs?**

5 A. The most commonly-used methods are the minimum-size method and the  
6 zero-intercept method. Both methods are described in the NARUC Manual  
7 referenced above. In fact, Duke allocates line transformer costs (FERC Account  
8 368) using the minimum-size method.<sup>10</sup> The Staff Report also recognized that a  
9 minimum size distribution system is required to serve any one customer.<sup>11</sup>  
10 According to the study conducted by Mr. Ziolkowski approximately 21 percent of  
11 transformer costs are customer-related.<sup>12</sup> The Company, however, ignores the  
12 NARUC Manual guidelines for classifying poles and conductors.

13 **Q. Please explain the minimum-size method you utilized to identify the**  
14 **customer-related cost of poles and conductors.**

15 A. Using information obtained through discovery, I identified the 2011  
16 average unit cost of the minimum-size pole (Account 364), overhead conductor  
17 (Account 365), and underground conductor (Account 367) on Duke's primary and  
18 secondary distribution system. Duke's responses to Kroger-POD-03-007, Kroger-  
19 POD-05-015 and Kroger-POD-05-016 provided the number of in-service poles  
20 and miles of conductor installed in each year beginning in 1910 through 2011.

<sup>10</sup> Direct Testimony of James E. Ziolkowski at 10-11.

<sup>11</sup> Staff Report at 35 (January 4, 2013).

<sup>12</sup> Direct Testimony of James W. Ziolkowski at 11, ln 9.

1           Using the Handy-Whitman Index for each FERC account, I calculated the  
2           minimum-size cost per unit for each year. I then multiplied the minimum-size  
3           unit cost by the number of units (number of poles or miles of conductor) installed  
4           in each year. These amounts were summed to obtain the total minimum-size cost  
5           for each FERC account, which was classified as customer-related. The balance of  
6           each FERC account was classified as demand-related.

7   **Q.   What were the results of your minimum-size analysis for each account?**

8   A.           For primary Poles, Towers, and Fixtures (Account 364), 29.7 percent of  
9           the costs were customer-related, and 70.3 percent of the costs were demand-  
10          related. For secondary Poles, Towers, and Fixtures (Account 364), 29.6 percent  
11          of the costs were customer-related, and 70.4 percent of the costs were demand-  
12          related. Duke includes Account 3601 (rights-of-way) with its Account 364 plant  
13          in its cost-of-service study, so I applied these same ratios to the balance in  
14          Account 3601.

15               For primary Overhead Conductors and Devices (Account 365), 16.4  
16               percent of the costs were customer-related, and 83.6 percent of the costs were  
17               demand-related. For secondary Overhead Conductors and Devices (Account  
18               365), 13.8 percent of the costs were customer-related, and 86.2 percent of the  
19               costs were demand-related.

20               For primary Underground Conductors and Devices (Account 367), 13.1  
21               percent of the costs were customer-related, and 86.9 percent of the costs were  
22               demand-related. For secondary Underground Conductors and Devices (Account

1           367), 6.6 percent of the costs were customer-related, and 93.4 percent of the costs  
2           were demand-related.

3           Based on NARUC minimum-size method guidelines, Underground  
4           Conduit (Account 366) is assigned the same demand and customer cost ratios  
5           resulting from the Account 367 analysis.

6   **Q.   What do you recommend based on the results of your minimum-size analysis**  
7   **for poles and conductors?**

8   A.           I recommend that the customer and demand cost proportions resulting  
9           from my minimum-size analysis be used to classify and allocate the gross plant  
10          and depreciation reserve associated with FERC accounts 364-367 in Duke's cost-  
11          of-service study. Net distribution plant is used to allocate working capital and  
12          depreciation expense.

13          In addition, the O&M expenses for Overhead and Underground  
14          conductors should be classified into demand and customer components based on  
15          the minimum-size method results for FERC Accounts 365 and 367, respectively.<sup>13</sup>

16   **Q.   What is the combined impact of all your recommended corrections and**  
17   **adjustments on the rate spread?**

18   A.           I have incorporated each of the corrections and allocation adjustments  
19          discussed above into Duke's cost-of-service study. The resulting rate spread  
20          using Duke's rate spread and subsidy reduction framework is presented in

---

<sup>13</sup> Because the FERC Uniform System of Accounts specifies that Account 593, Maintenance of Overhead Lines, shall include expenses incurred for Account 364, Account 365, and Account 369 (Services, classified as customer-related), the customer cost ratio resulting from my minimum-size analysis for FERC Account 365 should be the minimum customer cost proportion applied to Account 593.

1 Attachment NT-2, p. 1 of 1. These results are provided for informational  
2 purposes, and do not constitute my final rate spread proposal.  
3

4 **Rate Spread Recommendation**

5 **Q. What recommendations do you make to the Commission based on your**  
6 **review of the Company's cost-of-service study?**

7 A. Because Duke's cost-of-service study dramatically over-allocates costs to  
8 Rate DP, the Company's study results cannot be relied upon to inform the  
9 Commission as to the appropriate rate increase for this customer class. By relying  
10 on the Company's study, the rate spreads proposed both by Duke and Staff  
11 apportion an unreasonable share of the proposed rate increase to Rate DP and  
12 would distort the relative pricing relationship of customers taking service on  
13 Rates DS and DP.

14 By correcting the errors in the Company's cost-of-service study and  
15 applying the distribution cost-of-service principles in the NARUC Manual, I have  
16 determined that the required percentage increases for Rates DS and DP at the  
17 Company's requested revenue requirement are not significantly different.  
18 Therefore, I recommend that Rates DS and DP receive the same percentage  
19 increase at the Company's requested revenue requirement.

20 I have used Staff's rate spread proposal as the starting point for my rate  
21 spread recommendation, which is presented in Attachment NT-3, p. 1 of 3, and is  
22 compared to that of Duke and Staff in Table NT-3 below.  
23

**Table NT-3**

**Comparison of Rate Spread Proposals**  
(at Duke's Requested Revenue Requirement)

|                                   | Duke Proposed |            | Staff Proposed |            | Kroger Proposed |            |
|-----------------------------------|---------------|------------|----------------|------------|-----------------|------------|
|                                   | (\$)          | % of Total | (\$)           | % of Total | (\$)            | % of Total |
| <b>Residential</b>                | 46,796,761    | 54.05%     | 46,651,251     | 53.88%     | 46,651,251      | 53.88%     |
| <b>Secondary Dist. Large</b>      | 24,340,025    | 28.11%     | 24,619,812     | 28.44%     | 26,839,761      | 31.00%     |
| <b>Secondary Dist. Large EH</b>   | 180,428       | 0.21%      | 294,082        | 0.34%      | 294,082         | 0.34%      |
| <b>Secondary Dist. Large DM</b>   | 3,183,438     | 3.68%      | 2,982,883      | 3.45%      | 2,982,883       | 3.45%      |
| <b>Secondary Dist. Large GSFL</b> | 137,800       | 0.16%      | 138,603        | 0.16%      | 138,603         | 0.16%      |
| <b>Primary Distribution</b>       | 7,944,434     | 9.18%      | 7,908,804      | 9.13%      | 5,688,856       | 6.57%      |
| <b>Transmission</b>               | 944           | 0.001%     | 899            | 0.001%     | 899             | 0.001%     |
| <b>Lighting</b>                   | 3,998,144     | 4.62%      | 3,985,639      | 4.60%      | 3,985,639       | 4.60%      |
| <b>Total Distribution</b>         | 86,581,974    | 100%       | 86,581,973     | 100%       | 86,581,974      | 100%       |

**Q. Does your rate spread proposal impact rates associated with the residential class relative to Staff's proposal?**

**A.** No. My rate spread proposal does not alter the distribution of revenue responsibility to residential customers compared to Staff's proposal.

**Q. What rate spread do you recommend if the Commission approves a lower revenue requirement than that requested by Duke?**

**A.** If a lower revenue requirement is approved by the Commission, the class increase apportionment methodology employed by Staff is reasonable for spreading the approved increase so long as my recommendation that the percentage increases between Rate DS and DP remain equal is adopted. My rate spread proposals at Staff's "Upper Bound" revenue increase (\$46.2 million) and at Staff's "Lower Bound" revenue increase (\$37.2 million) are presented in Attachment NT-3, p. 2 and p. 3, respectively.

1    **Q.**     **Does this conclude your direct testimony?**

2    **A.**            Yes, it does.

## ATTACHMENT A

### Resume

**Neal Townsend**  
**Energy Strategies, LLC**  
**215 S. State Street, Suite 200**  
**Salt Lake City, Utah 84111**

#### **Work Experience:**

Director, Energy Strategies, LLC (2001 – Present)

Rate Analyst, State of Utah, Division of Public Utilities (1997 – 2001)

#### Other

Systems Engineer, Morton Thiokol, Inc.

Assistant Engineer, Schafer Engineering

Graduate/Research Assistant, University of New Mexico

#### **Education:**

University of New Mexico, Masters of Business Administration, 1996

University of Texas, Austin, B.S., Mechanical Engineering, 1984

#### **Publications:**

Kevin C. Higgins, Neal Townsend, and Susannah Vale, "Utility-Related Statutory and Regulatory Barriers," Chapter 6 in Coastal Wind: Energy for North Carolina's Future. University of North Carolina, Chapel Hill: 2009.

## ATTACHMENT A

### Regulatory Testimony:

#### State of Arkansas

| <u>Docket #</u>        | <u>Title</u>  | <u>Activity</u>                     |
|------------------------|---|-------------------------------------|
| 10-010-U &<br>10-010-R | In the Matter of a<br>Notice of Inquiry into<br>Energy Efficiency   | DSM Self Direction<br>Opt-Out Rules |
|                        | In the Matter of the Institution<br>of a Rulemaking to Adopt<br>Amendments to the Commission's<br>Rules on Conservation & Energy<br>Efficiency to Allow Self-Directed<br>Programs for Large Consumers |                                     |

#### State of Illinois

| <u>Docket #</u> | <u>Title</u>  | <u>Activity</u>          |
|-----------------|---|--------------------------|
| 10-0467         | Commonwealth Edison<br>Company Proposed General<br>Increase in Electric Rates | Rate Spread, Rate Design |

#### State of Indiana

| <u>Cause #</u> | <u>Title</u>   | <u>Activity</u>                       |
|----------------|--|---------------------------------------|
| 44075          | Petition of Indiana Michigan<br>Power Company, an Indiana<br>Corporation, for Authority to<br>Increase its Rates and Charges<br>for Electric Utility Service, for<br>Approval of: Revised Depreciation<br>Rates; Accounting Relief;<br>Inclusion in Basic Rates and<br>Charges of the Costs of Qualified<br>Pollution Control Property;<br>Modifications to Rate Adjustment<br>Mechanisms; and Major Storm<br>Reserve; and for Approval of<br>New Schedules of Rates, Rules<br>and Regulations | Rate Design, Class Cost<br>of Service |



## ATTACHMENT A

### State of Kentucky

| <u>Case #</u> | <u>Title</u>  | <u>Activity</u>          |
|---------------|---|--------------------------|
| 2009-00548    | Application of Kentucky Utilities Company for an Adjustment of Base Rates                               | Rate Spread, Rate Design |
| 2009-00549    | Application of Louisville Gas and Electric Company for an Adjustment of its Electric and Gas Base Rates | Rate Spread, Rate Design |

### State of Michigan

| <u>Case #</u>     | <u>Title</u>  | <u>Activity</u>  |
|-------------------|---|--|
| U-16794           | In the Matter of the Application of Consumers Energy Company for Authority to Increase its Rate for the Generation and Distribution of Electricity and for Other Relief   | Rate Spread, Revenue Decoupling, Rate Design, Load Aggregation,  |
| U-16472 & U-16489 | In the Matter of the Application of the Detroit Edison Company for Authority to Increase its Rates, Amend its Rate Schedules and Rules Governing the Distribution and Supply of Electric Energy, and for Miscellaneous Accounting Authority<br><br>In the Matter of the Application of the Detroit Edison Company for Approval to Defer Certain Pension and Post-Employment Benefits for Future Amortization and Recovery | Rate Increase Mitigation Proposals, Bonus Tax, Depreciation, Rate Spread, Decoupling, Load Aggregation, Surcharge Proposal, Environmental Cost Recovery, Revenue Tracker |
| U-16191           | In the Matter of the Application of Consumers Energy Company for Authority to Increase its Rate for the Generation and Distribution of Electricity and for Other Relief   | Pension Tracker, Class Cost of Service, Decoupling, Rate Spread, Tariff Language   |

## ATTACHMENT A

|         |  |                                       |
|---------|--|---------------------------------------|
| U-15645 | In the Matter of the<br>Application of Consumers<br>Energy Company for Authority<br>to Increase its Rate for the<br>Generation and Distribution of<br>Electricity and Other Relief | Class Cost of Service,<br>Rate Spread |
|---------|--|---------------------------------------|

### State of Oregon

| <u>Docket #</u> | <u>Title</u>   | <u>Activity</u>  |
|-----------------|--|--|
| UE-217          | In the Matter of PacifiCorp's<br>Filing of Revised Tariff<br>Schedules for Electric<br>Service in Oregon | Support of Stipulation   |
| UE-246          | In the Matter of PacifiCorp's<br>Filing of Revised Tariff<br>Schedules for Electric<br>Service in Oregon | Rate Design,<br>Energy Cost Adjustment<br>Mechanism, Support of<br>Stipulation |

### State of Texas

| <u>Docket #</u> | <u>Title</u>  | <u>Activity</u>            |
|-----------------|---|----------------------------|
| 38951           | Application of Entergy<br>Texas, Inc. for Approval of<br>Competitive Generation Service<br>Tariff (Issues Severed from<br>Docket No. 37744) | Recovery of Stranded Costs |

### State of Utah

| <u>Docket #</u> | <u>Title</u>   | <u>Activity</u>                                       |
|-----------------|--|---|
| 11-035-200      | In the Matter of the<br>Application of Rocky Mountain<br>Power for Authority to Increase<br>its Retail Electric Utility Service<br>Rates in Utah and for Approval<br>of its Proposed Electric Service<br>Schedules and Electric Service<br>Regulations | Class Cost of Service,<br>Rate Spread, Rate<br>Design |

## ATTACHMENT A

|            |   |   |
|------------|---|---|
| 09-035-23  | In the Matter of the Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Service Rates in Utah and for Approval of its Proposed Electric Service Schedules and Electric Service Regulations | Rate Design, Revenue Decoupling   |
| 09-035-T08 | In the Matter of Rocky Mountain Power Advice No. 09-08, seeking an Adjustment to the DSM Tariff Rider, Schedule 193   | Support of Stipulation  |
| 04-035-42  | In the Matter of the Application of PacifiCorp For Approval of its Proposed Electric Rate Schedules and Electric Service Regulations  | Derivation of Prudence Disallowance   |
| 03-035-14  | In the Matter of the Application of PacifiCorp For Approval of an IRP Based Avoided Cost Methodology For QF Projects Larger than 1 MW   | Derivation of Methodology for Establishing QF Avoided Cost Pricing  |
| 02-035-04  | In the Matter of the Application of PacifiCorp for an Investigation of Inter-Jurisdictional Issues  | Support of Settlement Agreement   |
| 99-057-20  | In the Matter of the Application of Questar Gas Company for an Increase in Rates and Charges  | Revenue Requirement and Class Cost of Service Modeling, Proposed CO <sub>2</sub> Plant Disallowance Mechanism |
| 99-035-10  | In the Matter of the Application of PacifiCorp For Approval of its Proposed Electric Rate Schedules and Electric Service Regulations  | Interjurisdictional Cost Allocation and Class Cost of Service Modeling  |

## ATTACHMENT A

|           |  |   |
|-----------|--|---|
| 98-057-12 | In the Matter of the Application of Questar Gas Company for Approval of a Natural Gas Processing Agreement | Assessment of Application, Revenue Requirement Modeling |
|-----------|--|---|

### State of Virginia

| <u>Case #</u>  | <u>Title</u>  | <u>Activity</u> |
|----------------|---|-----------------|
| PUE-2012-00072 | Application of Virginia Electric and Power Company for Revision of Rate Adjustment Clause: Rider B, Biomass Conversions of the Altavista, Hopewell, and Southampton Power Stations, for the Rate Year Commencing April 1,2013 | Rate Design     |
| PUE-2012-00071 | Application of Virginia Electric and Power Company for Revision of Rate Adjustment Clause: Rider S, Virginia City Hybrid Energy Center, for the Rate Year Commencing April 1,2013 and April 1, 2014                           | Rate Design     |
| PUE-2012-00067 | Application of Virginia Electric and Power Company for Revision of Rate Adjustment Clause: Rider W, Warren County Power Station, for the Rate Year Commencing April 1,2013  | Rate Design     |

## ATTACHMENT A

|                |   |             |
|----------------|---|-------------|
| PUE-2011-00042 | In the Matter of the<br>Application of Virginia<br>Electric and Power Company<br>for Approval and Certification<br>of the Proposed Warren County<br>Power Station, Electric<br>Generation and Related<br>Transmission Facilities under<br>§§ 56-580 D, 56-265.2 and<br>56-46.1 of the Code of Virginia<br>and for Approval of a Rate<br>Adjustment Clause, Designated<br>Rider W, under § 56-585.1 A 6<br>of the Code of Virginia | Rate Design |
|----------------|---|-------------|

### State of West Virginia

| <u>Case #</u> | <u>Title</u>   | <u>Activity</u>          |
|---------------|--|--------------------------|
| 09-1352-E-42T | Monongahela Power Company<br>and the Potomac Edison<br>Company, both d/b/a<br>Allegheny Power<br><br>Rule 42T Tariff Filing to<br>Increase Rates and Charges | Rate Spread, Rate Design |

**Rate Spread Results Using Duke's Framework from WP E-3.2g, p. 1  
Incorporating Kroger's Correction to Factor K205, General & Common Plant Allocation,  
and Overhead and Underground Lines O&M Expenses Allocation**

| Line<br>No. | Rate Class | Distribution<br>Rate Base | Present<br>Distribution<br>Revenues | Increase<br>Including<br>15% Subsidy<br>Reduction | Resulting<br>Percent<br>Increase |
|-------------|------------|---------------------------|-------------------------------------|---|----------------------------------|
| 1           | Rate RS    | \$ 595,427,849            | \$ 198,522,719                      | \$ 48,133,771                                     | 24.25%                           |
| 2           | Rate DS    | 345,536,158               | 102,395,120                         | 25,021,712  | 24.44%                           |
| 3           | Rate EH    | 6,203,748                 | 1,202,853                           | 535,039   | 44.48%                           |
| 4           | Rate DM    | 45,877,026                | 19,058,213                          | 2,931,179   | 15.38%                           |
| 5           | Rate GSFL  | 1,929,913                 | 575,543                             | 141,460   | 24.58%                           |
| 6           | Rate DP    | 75,539,271                | 21,703,289                          | 5,811,453   | 26.78%                           |
| 7           | Rate TS    | 166,803                   | 122,600                             | 287   | 0.23%                            |
| 8           | Lighting   | 45,992,149                | 7,772,168                           | 4,007,073   | 51.56%                           |
| 9           | Total      | <u>\$ 1,116,672,917</u>   | <u>351,352,505</u>                  | <u>\$ 86,581,974</u>                              | <u>24.64%</u>                    |

**Rate Spread Results Using Duke's Framework from WP E-3.2g, p. 1  
Incorporating All of Kroger's Recommended Corrections and Allocation Adjustments**

| Line<br>No. | Rate Class | Distribution<br>Rate Base | Present<br>Distribution<br>Revenues | Increase<br>Including<br>15% Subsidy<br>Reduction | Resulting<br>Percent<br>Increase |
|-------------|------------|---------------------------|-------------------------------------|---|----------------------------------|
| 1           | Rate RS    | \$ 639,720,664            | \$ 198,522,719                      | \$ 53,088,892                                     | 26.74%                           |
| 2           | Rate DS    | 309,550,713               | 102,395,120                         | 20,995,403  | 20.50%                           |
| 3           | Rate EH    | 5,705,993                 | 1,202,853                           | 479,326   | 39.85%                           |
| 4           | Rate DM    | 48,024,729                | 19,058,213                          | 3,171,530   | 16.64%                           |
| 5           | Rate GSFL  | 1,775,288                 | 575,543                             | 123,994   | 21.54%                           |
| 6           | Rate DP    | 65,600,363                | 21,703,289                          | 4,700,332   | 21.66%                           |
| 7           | Rate TS    | 166,803                   | 122,600                             | 287   | 0.23%                            |
| 8           | Lighting   | 46,128,364                | 7,772,168                           | 4,022,210   | 51.75%                           |
| 9           | Total      | <u>\$ 1,116,672,917</u>   | <u>\$ 351,352,505</u>               | <u>\$ 86,581,974</u>                              | <u>24.64%</u>                    |

# **Kroger Proposed Distribution of Revenue Increase at Duke Ohio's Requested Revenue Increase vs. Most Current Revenue**

Duke Energy Ohio  
Case No. 12-1682-EL-AIR  
for the Twelve Months Ended December 31, 2012  
(Electric Service)

## CURRENT VS. PROPOSED ANNUALIZED

| Line No.                     | Rate Code<br>(A)     | Class Description<br>(B)          | Customer Bills<br>(C) | Sales<br>(D)<br>(kWh) | Current                          | Proposed                         | Revenue                           | % Incr. in                              |
|------------------------------|----------------------|-----------------------------------|-----------------------|-----------------------|----------------------------------|----------------------------------|-----------------------------------|---|
|                              |                      |                                   |                       |                       | Revenue Less                     | Revenue Less                     | Incr. Less                        | Rev. Less                               |
|                              |                      |                                   |                       |                       | Fuel Cost Revenue<br>(E)<br>(\$) | Fuel Cost Revenue<br>(F)<br>(\$) | Fuel Cost Rev.<br>(F - E)<br>(\$) | Fuel Cost Rev.<br>(G ÷ E)<br>(H)<br>(%) |
| 1                            | Total Residential    |                                   | 7,535,400             | 7,117,952,670         | 198,522,719                      | 245,173,970                      | 46,651,251                        | 23.5                                    |
| DISTRIBUTION VOLTAGE SERVICE |                      |                                   |                       |                       |                                  |                                  |                                   |   |
| 2                            | DS/DS RTP            | Sec. Distribution Service         | 242,355               | 6,368,170,538         | 102,395,120                      | 129,234,881                      | 26,839,761                        | 26.2                                    |
| 3                            | GSFL/SFL-ADPL        | Unmetered Small Fixed Load        | 4,290                 | 30,180,210            | 575,543                          | 714,146                          | 138,603                           | 24.1                                    |
| 4                            | EH                   | Electric Space Heating            | 6,945                 | 69,443,303            | 1,202,853                        | 1,496,935                        | 294,082                           | 24.4                                    |
| 5                            | DM                   | Sec. Distribution Service - Small | 460,412               | 527,335,773           | 19,058,213                       | 22,041,096                       | 2,982,883                         | 15.7                                    |
| 6                            | DP/DP RTP            | Prim. Distribution Voltage        | 4,666                 | 2,331,909,630         | 21,703,289                       | 27,392,145                       | 5,688,856                         | 26.2                                    |
| 7                            | Total Distribution   |                                   | 718,668               | 9,327,039,454         | 144,935,018                      | 180,879,203                      | 35,944,185                        | 24.8                                    |
| 8                            | Total Transmission   |                                   | 655                   | 3,137,807,912         | 122,600                          | 123,499                          | 899                               | 0.7                                     |
| 9                            | Total Lighting       |                                   | 1,299,944             | 122,892,816           | 7,772,168                        | 11,757,807                       | 3,985,639                         | 51.3                                    |
| 10                           | Total Company        |                                   | 9,554,667             | 19,705,692,852        | 351,352,505                      | 437,934,479                      | 86,581,974                        | 24.6                                    |
| OTHER MISCELLANEOUS REVENUE  |                      |                                   |                       |                       |                                  |                                  |                                   |   |
| 11                           | Interdepartmental    |                                   | 12                    | 4,004,501             | 275,197                          | 275,197                          | 0                                 | 0.0                                     |
| 12                           | Bad Check Charges    |                                   | 0                     | 0                     | 0                                | 0                                | 0                                 | 0.0                                     |
| 13                           | Late Payment Charges |                                   | 0                     | 0                     | 0                                | 0                                | 0                                 | 0.0                                     |
| 14                           | Reconnection Charges |                                   | 0                     | 0                     | 0                                | 0                                | 0                                 | 0.0                                     |
| 15                           | Rents-Distribution   |                                   | 0                     | 0                     | 2,771,052                        | 2,771,052                        | 0                                 | 0.0                                     |
| 16                           | Pole Contact Rentals |                                   | 0                     | 0                     | 1,563,439                        | 1,563,439                        | 0                                 | 0.0                                     |
| 17                           | Intercompany         |                                   | 0                     | 0                     | 0                                | 0                                | 0                                 | 0.0                                     |
| 18                           | Special Contracts    |                                   | 24                    | 1,415,959             | 21,889                           | 21,889                           | 0                                 | 0.0                                     |
| 19                           | Other Misc.          |                                   | 0                     | 0                     | 4,404,693                        | 4,404,693                        | 0                                 | 0.0                                     |
| 20                           | Total Misc.          |                                   | 36                    | 5,420,460             | 9,036,270                        | 9,036,270                        | 0                                 | 0.0                                     |
| 21                           | Total Company        |                                   | 9,554,703             | 19,711,113,312        | 360,388,775                      | 446,970,749                      | 86,581,974                        | 24.0                                    |



**Kroger Proposed Distribution of Revenue Increase  
at Staff's Recommended Upper Bound Revenue Increase vs. Most Current Revenue**

Duke Energy Ohio  
Case No. 12-1682-EL-AIR  
for the Twelve Months Ended December 31, 2012  
(Electric Service)

CURRENT VS. PROPOSED ANNUALIZED

| Line No. | Rate Code (A)        | Class/Description (B)             | Customer Bills (C) | Sales (D)<br>(kWh) | Current Revenue Less Fuel Cost Revenue (E)<br>(\$) | Proposed Revenue Less Fuel Cost Revenue (F)<br>(\$) | Revenue Incr. Less Fuel Cost Rev. (F - E)<br>(\$) | % Incr. in Rev. Less Fuel Cost Rev. (G + E)<br>(%) |
|----------|----------------------|-----------------------------------|--------------------|--------------------|--|---|---|--|
| 1        |                      | Total Residential                 | 7,535,400          | 7,117,952,670      | 198,522,719  | 223,397,638   | 24,874,919  | 12.5   |
|          |                      | DISTRIBUTION VOLTAGE SERVICE      |                    |                    |  |   |   |  |
| 2        | DS/DS RTP            | Sec. Distribution Service         | 242,355            | 6,368,170,538      | 102,395,120  | 116,706,352   | 14,311,232  | 14.0   |
| 3        | GSFL/SFL-ADPL        | Unmetered Small Fixed Load        | 4,290              | 30,180,210         | 575,543  | 649,448   | 73,905  | 12.8   |
| 4        | EH                   | Electric Space Heating            | 6,945              | 69,443,303         | 1,202,853  | 1,359,660   | 156,807   | 13.0   |
| 5        | DM                   | Sec. Distribution Service - Small | 460,412            | 527,335,773        | 19,058,213   | 20,648,716  | 1,590,503   | 8.3  |
| 6        | DP/DP RTP            | Prim. Distribution Voltage        | 4,666              | 2,331,909,630      | 21,703,289   | 24,736,645  | 3,033,356   | 14.0   |
| 7        |                      | Total Distribution                | 718,668            | 9,327,039,454      | 144,935,018  | 164,100,821   | 19,165,803  | 13.2   |
| 8        |                      | Total Transmission                | 655                | 3,137,807,912      | 122,600  | 123,079   | 479   | 0.4  |
| 9        |                      | Total Lighting                    | 1,299,944          | 122,892,816        | 7,772,168  | 9,897,351   | 2,125,183   | 27.3   |
| 10       |                      | Total Company                     | 9,554,667          | 19,705,692,852     | 351,352,505  | 397,518,890   | 46,166,385  | 13.1   |
|          |                      | OTHER MISCELLANEOUS REVENUE       |                    |                    |  |   |   |  |
| 11       | Interdepartmental    |                                   | 12                 | 4,004,501          | 275,197  | 275,197   | 0   | 0.0  |
| 12       | Bad Check Charges    |                                   | 0                  | 0                  | 0  | 0   | 0   | 0.0  |
| 13       | Late Payment Charges |                                   | 0                  | 0                  | 0  | 0   | 0   | 0.0  |
| 14       | Reconnection Charges |                                   | 0                  | 0                  | 0  | 0   | 0   | 0.0  |
| 15       | Rents-Distribution   |                                   | 0                  | 0                  | 2,771,052  | 2,771,052   | 0   | 0.0  |
| 16       | Pole Contact Rentals |                                   | 0                  | 0                  | 1,563,439  | 1,563,439   | 0   | 0.0  |
| 17       | Intercompany         |                                   | 0                  | 0                  | 0  | 0   | 0   | 0.0  |
| 18       | Special Contracts    |                                   | 24                 | 1,415,959          | 21,889   | 21,889  | 0   | 0.0  |
| 19       | Other Misc.          |                                   | 0                  | 0                  | 4,404,693  | 4,404,693   | 0   | 0.0  |
| 20       | Total Misc.          |                                   | 36                 | 5,420,460          | 9,036,270  | 9,036,270   | 0   | 0.0  |
| 21       |                      | Total Company                     | 9,554,703          | 19,711,113,312     | 360,388,775  | 406,555,160   | 46,166,385  | 12.8   |

**Kroger Proposed Distribution of Revenue Increase  
at Staff's Recommended Lower Bound Revenue Increase vs. Most Current Revenue**

Duke Energy Ohio  
Case No. 12-1682-EL-AIR  
for the Twelve Months Ended December 31, 2012  
(Electric Service)

CURRENT VS. PROPOSED ANNUALIZED

| Line No. | Rate Code (A)                | Class Description (B)             | Customer Bills (C) | Sales (D)<br>(kWh) | Current Revenue Less Fuel Cost Revenue (E)<br>(\$) | Proposed Revenue Less Fuel Cost Revenue (F)<br>(\$) | Revenue Incr. Less Fuel Cost Rev. (F - E)<br>(\$) | % Incr. in Rev. Less Fuel Cost Rev. (G + E)<br>(%) |
|----------|------------------------------|-----------------------------------|--------------------|--------------------|--|---|---|--|
| 1        | Total Residential            |                                   | 7,535,400          | 7,117,952,670      | 198,522,719  | 218,549,748   | 20,027,029  | 10.1   |
|          | DISTRIBUTION VOLTAGE SERVICE |                                   |                    |                    |  |   |   |  |
| 2        | DS/DS RTP                    | Sec. Distribution Service         | 242,355            | 6,368,170,538      | 102,395,120  | 113,917,226   | 11,522,106  | 11.3   |
| 3        | GSFL/SFL-ADPL                | Unmetered Small Fixed Load        | 4,290              | 30,180,210         | 575,543  | 635,044   | 59,501  | 10.3   |
| 4        | EH                           | Electric Space Heating            | 6,945              | 69,443,303         | 1,202,853  | 1,329,100   | 126,247   | 10.5   |
| 5        | DM                           | Sec. Distribution Service - Small | 460,412            | 527,335,773        | 19,058,213   | 20,338,742  | 1,280,529   | 6.7  |
| 6        | DP/DP RTP                    | Prim. Distribution Voltage        | 4,666              | 2,331,909,630      | 21,703,289   | 24,145,472  | 2,442,183   | 11.3   |
| 7        | Total Distribution           |                                   | 718,668            | 9,327,039,454      | 144,935,018  | 160,365,585   | 15,430,567  | 10.6   |
| 8        | Total Transmission           |                                   | 655                | 3,137,807,912      | 122,600  | 122,986   | 386   | 0.3  |
| 9        | Total Lighting               |                                   | 1,299,944          | 122,892,816        | 7,772,168  | 9,483,173   | 1,711,005   | 22.0   |
| 10       | Total Company                |                                   | 9,554,667          | 19,705,692,852     | 351,352,505  | 388,521,491   | 37,168,986  | 10.6   |
|          | OTHER MISCELLANEOUS REVENUE  |                                   |                    |                    |  |   |   |  |
| 11       | Interdepartmental            |                                   | 12                 | 4,004,501          | 275,197  | 275,197   | 0   | 0.0  |
| 12       | Bad Check Charges            |                                   | 0                  | 0                  | 0  | 0   | 0   | 0.0  |
| 13       | Late Payment Charges         |                                   | 0                  | 0                  | 0  | 0   | 0   | 0.0  |
| 14       | Reconnection Charges         |                                   | 0                  | 0                  | 0  | 0   | 0   | 0.0  |
| 15       | Rents-Distribution           |                                   | 0                  | 0                  | 2,771,052  | 2,771,052   | 0   | 0.0  |
| 16       | Pole Contact Rentals         |                                   | 0                  | 0                  | 1,563,439  | 1,563,439   | 0   | 0.0  |
| 17       | Intercompany                 |                                   | 0                  | 0                  | 0  | 0   | 0   | 0.0  |
| 18       | Special Contracts            |                                   | 24                 | 1,415,959          | 21,889   | 21,889  | 0   | 0.0  |
| 19       | Other Misc.                  |                                   | 0                  | 0                  | 4,404,693  | 4,404,693   | 0   | 0.0  |
| 20       | Total Misc.                  |                                   | 36                 | 5,420,460          | 9,036,270  | 9,036,270   | 0   | 0.0  |
| 21       | Total Company                |                                   | 9,554,703          | 19,711,113,312     | 360,388,775  | 397,557,761   | 37,168,986  | 10.3   |

**This foregoing document was electronically filed with the Public Utilities**

**Commission of Ohio Docketing Information System on**

**2/19/2013 4:59:03 PM**

**in**

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

Summary: Testimony Direct Testimony of Neal Townsend electronically filed by Mrs. Kimberly W. Bojko on behalf of The Kroger Co.