

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

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

Pre-filed Testimony
of
Jeffrey Hecker
Accounting and Electricity Division
Utilities Department

Staff Exhibit __

March 19, 2013

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

A. My name is Jeffrey Hecker. My address is 180 East Broad Street, Columbus, Ohio 43215-3793.
2. Q. By whom are you employed and in what capacity?

A. I am a Utility Specialist 2 in the Accounting and Electricity Division of the Utilities Department for the Public Utilities Commission of Ohio.
3. Q. Briefly state your educational background, experience and qualifications.

A. I graduated from Miami University with a Bachelor of Science Degree in Business with an Accounting major. After graduation, I performed accounting functions for the Dayton Power and Light Company and other companies before joining the PUCO in December 2004. I have also completed various workshops and classes on the ratemaking process and provided work papers, research, and testimony for previous rate cases and other cases.

4. Q. What is the purpose of your testimony?
- A. I am responding to Company objections Nos. 11 and 15 and OCC's objection No. 26 to the Staff Report.
5. Q. What is the Company's objection No. 11 and how do you respond?
- A. The Company objected to the Staff's exclusion of the proposed \$700,000 in additional funds for the Company's Vegetation Management program, with no explanation. Staff inadvertently failed to mention the proposal in the Staff Report; however, Staff agrees with the Company's objection to excluding the amount. Due to projected increases in labor and material costs, new environmental issues such as tree infestations from the Emerald Ash Borer and the Asian Longhorn Beetle, and adherence to a more aggressive tree-trimming schedule, Staff considers the Company's request for an additional \$700,000 to be reasonable.
6. Q. What is the Company's objection No. 15?
- A. The Company objected to the Staff's failure to address the Company's proposal to establish a baseline amount of \$4.4 million in major storm recovery expenses in the test year revenue requirement.
7. Q. How do you respond to this objection?
- A. Staff agrees that this issue should have been addressed in the Staff Report.

8. Q. Do you have a recommendation?

A. The Company explained that although minor storm repairs are included in the normal O&M expenses, a major storm, such as Hurricane Ike in 2008 and the “derecho” that tore through Ohio in June 2012 can create challenges for the Company to fund other needs during a given year. Over the past several years, there have been several large storms around the state for which the state’s electric companies have incurred high levels of repair costs that have presented budgetary problems. This has resulted in the companies requesting and the Commission approving deferrals and riders to recover these costs, most notably, the repair costs for Hurricane Ike in 2008 (Case No. 09-1946-EL-RDR). In this rate case, the Company has proposed to establish a baseline amount of \$4.4 million to be included in base rates. Any amount greater than or less than this amount in a year, plus carrying charges at the latest approved cost of debt, would be accumulated in a deferred asset or liability to be carried until the next base rate case. The amount and amortization period would be proposed in the next rate case, and, if approved by the Commission, would be recovered in base rates at that time. Over the last four years, the average amount of storm recovery expenses for major storms, excluding those as a result of Hurricane Ike in 2008 (which are being recovered via a separate rider), has been approximately \$5.2 million a year. A portion of this amount is Company labor, which is not considered to be incremental and is recovered through base rates. Therefore, the Company’s proposal is reasonable and no adjustment is necessary. The

Company will be required to demonstrate the reasonableness of the costs for which it seeks recovery. Staff recommends that the Company provide detailed accounting records to the Commission and other parties for auditing the storm costs. Staff also recommends that the balance of the deferred amount be audited by Staff at the end of each calendar year until the next base rate filing.

9. Q. What is OCC's objection No. 26?

A. OCC objects that the Staff did not recommend that the Commission deny the Company's request for a storm cost deferral. OCC says that the Company's proposal allows it "to track changes in only one expense account and does not consider changes ... that may occur in other elements," and that it "lacks sufficient, specific and clear details such as indicating that Duke will have the burden of proof demonstrating that costs were prudently incurred and reasonable..."

10. Q. How do you respond to this objection?
- A. Again, because of the budgetary constraints that can be caused by high repair costs due to large storms, and the fact that the Company will be required to demonstrate the reasonableness of the costs for which it seeks recovery and also must provide detailed accounting records for auditing the storm costs, the Staff disagrees with OCC's objections.
11. Q. Does this conclude your testimony?
- A. Yes, it does. However, I reserve the right to submit supplemental testimony as described herein, as new information subsequently becomes available or in response to positions taken by other parties.

PROOF OF SERVICE

I hereby certify that a true copy of the foregoing Testimony of Jeffrey Hecker submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served via electronic mail, upon the parties listed below, this 19th day of March, 2013.

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Summary: Testimony electronically filed by Mrs. Tonnetta Y Scott on behalf of PUCO