

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In The Matter of the Application of)	
Duke Energy Ohio, Inc., 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)	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.)	

Pre-filed Testimony
of
Marchia Rutherford
Accounting and Electricity Department

Staff Exhibit ____

March 19, 2013

1. Q. State your name and address.

A. My name is Marchia Rutherford. My business address is 180 E. Broad Street, Columbus, Ohio 43266-0573.

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

A. I am employed by the Public Utilities Commission of Ohio as a Utility Specialist in the Utilities Department.

3. Q. Please outline your educational background.

A. I received a Bachelor of Science Degree in Business Administration from Franklin University, Columbus, Ohio, and received a Master of Business Administration Degree from Ashland University, Ashland, Ohio.

4. Q. Please outline your work experience.

A. I came to the Public Utilities Commission in February, 1989 as a Utility Rate Analyst 2. My current position is a Utility Specialist. I have been involved with utility rates and tariff issues in electric, gas and water.

5. Q. What is the purpose of your testimony?

A. I will be addressing certain objections pertaining to the Rates and Tariffs section of the Staff Report of Investigation. I will specifically address issues pertaining to the Class Cost of Service Study, Revenue Distribution and Rate Design.

6. Q. The Company objects (Objection #17) to Staff's 66% movement on an indices basis towards a levelized (full cost to serve) rate of return, versus the Company's proposed 15% movement towards the cost of service resulting in a similar revenue distribution. How do you respond?

A. The methodology used in this case is a prescribed method and has been used by Staff for over twenty years. The 66% movement is based on determining each class current index in relation to the Company's overall current rate of return. For instance, if a particular class has a 2.5% rate of return, which is half (.50 on an index basis) of the Company's overall 5% rate of return, then .33 (66% subsidy/excess) is added to the current .50 index. The adjusted current index of .83 is applied to the proposed overall Company rate of return. Assuming the Company proposed an overall 10% rate of return, the .83 index produces a proposed 8.13 rate of return.

7. Q. The Kroger Co. (Objections #2a and 2b), Cincinnati Bell Wireless, LLC and CyrusOne Inc. (Objections 3 and 4) and The Greater Cincinnati Health Council (Objections 3 and 4) object to Staff's acceptance of the Company's class cost of service study and revenue distribution. How do you respond?
- A. Staff utilized the Company's class cost of service study and made adjustments. The methodology used by the Company has been approved by the Commission in previous cases and is one of many acceptable approaches used in allocating costs to customer classes. Although some parties argue opposing positions, I have not seen any data proving why the Company's filing is insufficient and should not be used as a starting point in determining costs among classes.
8. Q. Ohio Partners for Affordable Energy (OPAЕ), (Objection #4), People Working Cooperative, Inc. (PWC), (Objection #1) and Ohio Consumers' Counsel (OCC), (Objections #28 and #29) object to the proposed customer charge and/or rate design. Please respond to the objections.
- A. First I will address the customer charge issue. OPAЕ and PWC state that the proposed customer charge is unfair and violates regulatory principles of gradualism and unfairly discriminate against low-income customers. However, low-income customers that do not participate in the Percentage of Income Payment Plan (PIPP) and who are at or below 200% of the Federal

poverty level may take service under the low income schedule for residential customers. Customers taking service under the Residential Service – Low Income schedule (Rate RSLI) pay a lower customer charge (\$4.0 less) than customers consuming the same level of energy under Rate RS. OCC objects to Staff's inclusion of minimum-sized transformers in the customer charge calculation and states that the proposed calculation is a departure from the Commission's traditional methodology for determining the residential customer charge. In Case No. 08-709-EL-AIR, Staff included the minimum sized transformers cost in the customer charge calculation. If customer related costs increase, these costs should be reflected in the customer charge as long as it doesn't violate other principles of rate design, i.e., gradualism and rate shock. Due to the fixed component portion (customer charge) of the customer's bill, generally, low-usage customers will experience a higher percentage increase on a per kilo-watt hour basis when compared to higher usage customers. However, the proposed residential customer charge calculation in Staff's opinion continues to be minimally compensatory and is not unreasonable. Therefore, Staff continues to support its proposed customer charge.

Staff proposed an overall increase for the whole residential class of 24%. The Optional Residential Service with Electric Heating Schedule (Rate ORH) and Optional Time of Day Schedule (Rate TD) received an equal percent increase as well. The energy rates were increased to recover the remaining revenue

requirement to achieve the overall proposed 24% increase for each residential rate schedule. In the rate design process Rate TD energy charges were developed to achieve the target revenue allocated to this rate schedule after the derived customer charge revenue was determined. Again, the overall percent increase for this rate schedule is consistent with the overall rate increase for the residential class as a whole.

Rate ORH customers currently pay a higher energy charge for winter months for the first 1,000 kilo-watt hours, and for all energy charges for summer months. Points made by Mr. Rubin (OCC's witness) concerning Rate ORH are well taken and merit some attention. Staff recommends that in the Company's next base rate case filing, that the Company be required to provide a study supporting maintaining energy charge differences for heating rate customers.

9. Q. Does that conclude your direct testimony?

A. Yes. 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 Marchia Rutherford 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