

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Duke Energy Ohio, Inc., for an increase in its 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

PREFILED TESTIMONY
OF
S. NICOLE CROCKER
UTILITIES DEPARTMENT
ACCOUNTING AND ELECTRICITY DIVISION
PUBLIC UTILITIES COMMISSION OF OHIO

STAFF EX. ____

March 20, 2013

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

2 A. My name is S. Nicole Crocker. My business address is 180 East Broad Street,
3 Columbus, Ohio 43215.

4

5 2. Q. By whom are you employed?

6 A. I am employed by the Public Utilities Commission of Ohio (PUCO).

7

8 3. Q. What is your current position with the PUCO?

9 A. My current position is Utility Specialist 1 in the Accounting and Electricity Division
10 of the Utilities Department.

11

12 4. Q. Would you briefly state your professional and educational background?

13 A. I earned a Master of Business Administration from The Ohio State University in
14 2004, and a Bachelor of Arts from Wittenberg University in 1993. I have worked for
15 the Public Utilities Commission of Ohio for over nine years, serving in my current
16 position since 2010. I served as a Commissioner Aide from 1997 – 2003. I have
17 attended various seminars and rate case training programs sponsored by the
18 Commission.

19

20 5. Q. Have you testified before the Public Utilities Commission of Ohio?

21 A. Yes, I testified in Water and Sewer LLC, Case No. 11-4509-ST-AIR.

1 6. Q. What's the purpose of your testimony?

2 A. The purpose of my testimony is to respond to objections concerning property tax
3 schedule C-3.8 and related work papers in the Staff Report of Investigation, raised
4 by Duke Energy Ohio (Company) and the Office of Consumers' Counsel (OCC),
5 and objections concerning property valuation, raised by OCC, Ohio Partners for
6 Affordable Energy (OPAE), Cincinnati Bell Companies, and Cincinnati Health
7 Council.

8
9 7. Q. The Company objects to Staff's failure to include any provision for real property
10 taxes (Objection 7). Could you please address this?

11 A. Originally, Staff adopted the Company's property tax filing C-3.8 and applied
12 updated data where appropriate. Personal and real property are included in these
13 schedules. This resulted in all real property being assessed at the higher personal
14 property tax rate. See response to question eight for further clarification.

15
16 8. Q. The Office of Consumer's Counsel (Objections 1 and 19) objects to the fact that Staff
17 did not perform a separate property tax expense calculation for both personal and
18 real property which resulted in overstated property valuations. Do you agree?

19 A. Yes. Staff should have performed separate calculations for personal property tax
20 expense and real property tax expense. Attached are Revised Schedules C-3.8
21 Property Tax Expense, C-3.8a Personal Property Tax Expense and C-3.8b Real

Property Tax Expense. These schedules incorporate the latest available valuation data from the Ohio Department of Taxation, data from the Company on actual taxes paid, information filed in the latest FERC Form 1, as well as Staff adjusted plant data from Schedule B-2.1. In the Staff Report, personal and real property were combined and assessed at the personal property tax rate of 8.9058 percent. Real property should be taxed at the lower rate of 5.6428 percent. The revised schedules adjust tax-to-book value ratios and apply the appropriate tax rates to personal and real property separately.

9. Q. The Ohio Partners for Affordable Energy (OPAE Objection 1), Cincinnati Bell Companies, and Cincinnati Health Council object to the Staff's property tax valuation. Could you please address this?

A. Staff is aware that the Company and the Ohio Department of Taxation reached a settlement regarding electric personal property tax values that resulted in a decrease of property valuation. The Company provided Staff property tax certificates issued on June 1, 2012. These certificates include property values listed alongside lower revised "*per final order*" values (*Public Utility Property Tax Amended Preliminary Assessment*, Staff DR 25-001 Attachment (b)). However, Staff received updated certificates dated October 4, 2012 (*Public Utility Property Tax Amended Preliminary Assessment* Staff DR 25-001 Attachment (b) 2nd Supplemental Attachment). The updated certificates reflect an increase in property values since the settlement. Staff confirmed the increase by reviewing an updated *Valuation*

1 *Notice* from the Ohio Department of Taxation dated October 3, 2012. The Company
2 indicates that this is the latest property valuation available and Staff relied on these
3 updated figures to create the attached revised property tax schedules. Therefore,
4 Staff believes the property values used to create the revised schedules are correct.

- 5
- 6 11. Q. Does this conclude your testimony?
- 7 A. Yes. However, I reserve the right to submit supplemental testimony as described
8 herein, as new information subsequently becomes available or in response to
9 positions taken by other parties.

PROOF OF SERVICE

I hereby certify that a true copy of the foregoing Testimony of S. Nicole Crocker submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served via electronic mail, upon the parties listed below, this 20th day of March, 2013.

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SCHEDULE C-3.8
REVISED

DUKE ENERGY OHIO, INC.
Case No. 12-1682-EL-AIR
Property Tax Expense Calculation

(1)	Personal Property Tax (a)	\$ 67,646,159
(2)	Real Estate Tax (b)	<u>628,941</u>
(3)	Adjusted Property Tax Expense (1) + (2)	68,275,100
(4)	Less: Test Year Expense (c)	<u>66,593,800</u>
(5)	Adjustment (3) - (4)	<u><u>\$ 1,681,300</u></u>

- (a) - Staff's Schedule WPC-3.8a
- (b) Staff's Schedule C-3.8b
- (c) Applicant's Schedule C-2.1

	Original Cost Personal Property 12/31/2011 (a)	True Value (b)	Assessment Rate (c)	Taxable Value (d)	Tax Value to Book Value Ratio (e)	Total Plant Allocated to Distribution (f)	Real Plant (g)	Adjusted Plant Allocated to Distribution (h)	Distribution Taxable Value (i)
(1) Distribution	\$ 1,874,341,126	\$ 880,226,272	85.00%	\$ 748,192,331	39.92%	\$ 1,878,034,210	\$ 47,538,735	1,830,495,475	730,733,794
(2) General	110,744,243	58,119,968	24.00%	13,948,792	12.60%	85,791,990	23,878,491	61,913,499	7,801,101
(3) Common	47,176,826 (j)	33,662,815 (k)	24.00%	8,079,075	17.13%	106,419,826	47,483,099	58,936,727	10,095,861
(4) Materials and Supplies	77,684,616	75,451,392	24.00%	18,108,334	23.31%	46,947,409		46,947,409	10,943,441
(5) Total	<u>\$ 2,109,946,811</u>	<u>\$ 1,047,460,447</u>		<u>\$ 788,328,533</u>		<u>\$ 2,117,193,435</u>	<u>\$ 118,900,325</u>	<u>\$ 1,998,293,110</u>	<u>759,574,197</u>
(6) Tax Rate Per \$1000 (h)									89.058 (l)
(7) Personal Property Tax (4) x (5)									<u>\$ 67,646,159</u>

- (a) Ohio Dept of Taxation 2012 Annual Report for Electric Company, amended 8/23/12 (OCC POD-16-048) and for Common Company (OCC INT-16-182 Atch b)
 (b) Updated Supplemental (C) (10) 2012 Valuation Notice (DR 25) and Ohio Dept of Taxation 2012 Annual Report amended 8/23/12 (OCC POD-16-048)
 (c) Updated Supplemental (C) (10) 2012 Valuation Notice (DR 25)
 (d) Column (b) x Column (c)
 (e) Column (d) + Column (a)
 (f) Staffs Schedule B-2 and Applicant B-5.1
 (g) Staffs Schedule B-2.1
 (h) Column (f) - Column (g)
 (i) Column (e) x Column (h)
 (j) Allocation 83.50% for Electric, derived Company SFR, (\$171,390,676 subtract Real Property \$114,891,483)
 (k) ODT Plant balance as of 12/31/11, (\$40,314,748 x 83.50%)
 (l) Schedule WPC-3.8c

DUKE ENERGY OHIO, INC.
ELECTRIC
CASE NO. 12-1682-EL-AIR
CALCULATION OF REAL PROPERTY TAXES
BASED ON PLANT AT MARCH 31, 2012, Staff Adjusted

SCHEDULE WPC-3.8b
Page 1 of 2
CROCKER WORKPAPER

	Distribution	General	Common	Total
(1) Land & Land Rights (a)	\$ 13,109,977	\$ 949,213	\$ 2,121,647	
(2) Rights of Way (a)	26,110,943	0	37,969	
(3) Structures and Improvements (a)	8,317,815	24,933,367	124,713,921	
(4) Total (1) + (2) + (3)	47,538,735	25,882,580	126,873,537	
(5) Allocation to Electric Percentage (a)	100.00%	100.00%	83.50%	
(6) Plant Allocated to Electric (4) x (5)	47,538,735	25,882,580	105,939,403	
(7) Allocation to Distribution Percentage (b)	100.00%	92.26%	44.82%	
(8) Plant Allocated to Distribution (6) x (7)	47,538,735	23,878,492	47,483,100	
(9) Assessment Value Percentage (c)	5.243%	12.126%	12.126%	
(10) Assessed Value (8) x (9)	2,492,313	2,895,601	5,757,991	
(11) Tax Rate Per \$1,000 (d)	56.428	56.428	56.428	
(12) Real Property Taxes (10) x (11)	\$ 140,636	\$ 163,393	\$ 324,912	\$ 628,941

- (a) Staffs Schedule B-2.1
- (b) Staffs Schedule B-7
- (c) Staffs WPC-3.8b page 2
- (d) Staff Data Request 25 x \$1000

DUKE ENERGY OHIO, INC.
ELECTRIC

CASE NO. 12-1682-EL-AIR

CALCULATION OF REAL PROPERTY TAXES

BASED ON PLANT AT MARCH 31, 2012, Staff Adjusted

SCHEDULE WPC-3.8b
Page 2 of 2
CROCKER WORKPAPER

Taxable Property	Distribution	Common & General	Total
Assessed Value			
(1) Real Property (a)	<u>2,492,293</u>	<u>18,523,800</u>	<u>21,016,093</u>
(2) Gross Plant in Service (b)	47,538,735	152,756,117	200,294,852
(3) Estimated Valuation Percent: (1) / (2)	5.243%	12.126%	

(a) Derived from DR-25-001 Attachment (a)

(b) Derived from Staff B-2.1

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

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