

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Annual Application of)
Duke Energy Ohio, Inc., for an Adjustment) Case No. 14-2051-GA-RDR
to Rider AMRP Rates.)

In the Matter of the Application of Duke)
Energy Ohio, Inc., for Tariff Approval.) Case No. 14-2052-GA-ATA
)

DIRECT TESTIMONY OF

PEGGY A. LAUB

ON BEHALF OF

DUKE ENERGY OHIO, INC.

February 24, 2015

TABLE OF CONTENTS

	<u>PAGE</u>
I. INTRODUCTION AND PURPOSE	1
II. EXPLANATION OF SCHEDULES	2
III. REASONABLENESS OF REQUESTED INCREASE	7
IV. CONCLUSION.....	8

I. INTRODUCTION AND PURPOSE

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Peggy A. Laub and my business address is 139 East Fourth Street,
3 Cincinnati, Ohio 45202.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by the Duke Energy Business Services LLC., an affiliate service
6 company of Duke Energy Ohio, Inc., (Duke Energy Ohio or Company) as
7 Director, Rates and Regulatory Planning.

8 **Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL**
9 **QUALIFICATIONS.**

10 A. I received a Bachelor of Business Administration Degree with a major in
11 accounting from the University of Cincinnati. I began my career with The
12 Cincinnati Gas & Electric Company, the predecessor of Duke Energy Ohio, in the
13 Accounting Department in 1981. I worked in various departments including Tax,
14 Regulated Business Unit's financial group, and Fixed Assets. In May 2006,
15 following the merger with Duke Energy Corporation, I transferred to the Midwest
16 US Franchised Electric & Gas accounting group. In November 2008, I
17 transferred to the Midwest wholesale accounting group as Manager of Wholesale
18 and Bulk Power Marketing accounting. In May 2010, I transferred to the Rate
19 Department and to my current position as Director, Rates and Regulatory
20 Planning in the Ohio/Kentucky Rate Department.

1 **Q. PLEASE SUMMARIZE YOUR DUTIES AS DIRECTOR RATES AND**
2 **REGULATORY PLANNING.**

3 A. As Director, I am responsible for the preparation of financial and accounting data
4 used in Duke Energy Ohio and Duke Energy Kentucky, Inc., retail rate filings and
5 changes in various other rate recovery mechanisms.

6 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC**
7 **UTILITIES COMMISSION OF OHIO (COMMISSION)?**

8 A. Yes. I have previously testified in a number of cases before this and other
9 regulatory commissions.

10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

11 A. I will explain the updated schedules filed by Duke Energy Ohio in this proceeding
12 for both the Accelerated Main Replacement Program (AMRP) and the Riser
13 Replacement Program (RRP). I will also support the reasonableness of Duke
14 Energy Ohio's request for revised Rider AMRP rates.

II. EXPLANATION OF SCHEDULES

15 **Q. PLEASE EXPLAIN SCHEDULES 1 AND 2.**

16 A. Schedules 1 and 2 provide the annualized revenue requirement for Duke Energy
17 Ohio's revised Rider AMRP rates based on the Net Rate Base of the AMRP
18 (Schedule 1) and the RRP (Schedule 2) at December 31, 2014. The information on
19 these schedules is supported by various schedules from Schedules 3 through 22.

20 **Q. PLEASE EXPLAIN SCHEDULES 3-A AND 3-B.**

21 A. Schedules 3-A and 3-B provide actual plant additions by month from January 2014
22 through December 2014 to calculate the balance at December 31, 2014. Schedules

1 3-A and 3-B provide information for the AMRP. There are no current year additions
2 for the RRP.

3 **Q. PLEASE EXPLAIN SCHEDULES 4-A AND 4-B.**

4 A. Schedules 4-A and 4-B provide the AMRP actual cost of removal by month from
5 January 2014 through December 2014 to calculate the balance at December 31,
6 2014.

7 **Q. PLEASE EXPLAIN SCHEDULES 5-A AND 5-B.**

8 A. Schedules 5-A and 5-B provide the AMRP actual original cost retired by month
9 from January 2014 through December 2014 to calculate the balance at December 31,
10 2014.

11 **Q. PLEASE EXPLAIN SCHEDULES 6-A, 6-B, AND 7.**

12 A. Schedules 6-A, 6-B and 7 provide actual provision for depreciation from January
13 2014 through December 2014 to calculate the balance at December 31, 2014.
14 Schedules 6-A and 6-B provide information for the AMRP and Schedule 7
15 provides information for the RRP.

16 **Q. PLEASE EXPLAIN SCHEDULES 8-A, 8-B, 9-A, AND 9-B.**

17 A. Schedules 8-A, 8-B, 9-A, and 9-B provide the PISCC activity by month from
18 January 2014 through December 2014 to calculate the balance at December 31,
19 2014. These schedules also provide the actual Post In-Service Company Charges
20 (PISCC) amortization from January 2014 through December 2014 to calculate the
21 balance at December 31, 2014. Additionally, the Net PISCC Regulatory Asset for
22 the periods is provided. Schedules 8-A and 8-B provide information for the
23 AMRP and Schedules 9-A and 9-B provide information for the RRP.

1 **Q. PLEASE EXPLAIN SCHEDULES 10-A, 10-B, AND 11.**

2 A. Schedules 10-A, 10-B, and 11 provide the calculation of deferred taxes on
3 liberalized depreciation for actual deferred taxes for vintage 2012, 2013, and 2014
4 to calculate the balance at December 31, 2014. These deferred taxes are
5 calculated only on the plant in-service added through the AMRP and the RRP
6 since the date certain in the Company's last gas base rate case. Schedules 10-A
7 and 10-B provide information for the AMRP. Schedule 11 provides information
8 for the RRP.

9 **Q. PLEASE EXPLAIN SCHEDULES 12-A AND 12-B.**

10 A. Schedules 12-A and 12-B provide the calculation by month of the annualized
11 depreciation expense associated with additions, based on actual AMRP additions
12 from the date certain of the Company's last gas base rate case through 2014.
13 Schedules 12-A and 12-B provide information for the AMRP. There are no
14 current year additions for RPP, so no schedule is provided.

15 **Q. PLEASE EXPLAIN SCHEDULE 13.**

16 A. Schedule 13 provides the calculation of the annualized reduction in depreciation
17 expense associated with retirements based on actual AMRP retirements from the
18 date certain of the Company's last gas base rate case through 2014.

19 **Q. PLEASE EXPLAIN SCHEDULES 14 AND 15.**

20 A. Schedules 14 and 15 provide a calculation of the annualized amortization of the
21 PISCC accrued from the date certain of the Company's last gas base rate case
22 through 2014. The PISCC Regulatory Assets by account are in agreement with

1 those provided on Schedules 14 and 15. Schedule 14 provides information for the
2 AMRP and Schedule 15 provides information for the RRP.

3 **Q. PLEASE EXPLAIN SCHEDULE 16.**

4 A. Schedule 16 demonstrates that there are \$172,488 of savings included in the
5 Company's filing. In Case No. 10-2788-GA-RDR, the Company committed to
6 savings for year 2014 of \$789,626. Schedule 16 shows the calculated increase of
7 \$75,288 when comparing the last rate case, Case No. 07-589-GA-AIR, *et al.* to
8 the most recent rate case, Case No. 12-1685-GA-AIR, *et al.* The difference
9 between the \$789,626 and \$617,138 is a guaranteed savings amount of \$172,488,
10 as shown on Schedule 16 and on the revenue requirement page, Schedule 1 for
11 this Application. This schedule does not include any expenses for the Integrity
12 Management Program.

13 **Q. PLEASE EXPLAIN SCHEDULE 17.**

14 A. Schedule 17 provides actual camera work expenses by month for the twelve
15 months ended December 31, 2014.

16 **Q. PLEASE EXPLAIN SCHEDULES 18 AND 19.**

17 A. Schedules 18 and 19 provide the calculation of the annualized property tax
18 expense based on actual additions and retirements to plant in-service from the
19 date certain of the Company's last gas base rate case through 2014. This
20 calculation follows the process used in Duke Energy Ohio's Annual Report to the
21 Ohio Department of Taxation to determine the Net Property Valuation and uses
22 the latest known average property tax rate per \$1,000 of valuation. Schedule 18

1 provides information for the AMRP and Schedule 19 provides information for the
2 RRP.

3 **Q. PLEASE EXPLAIN SCHEDULE 20.**

4 A. Schedule 20 provides the Rider AMRP charge by rate class using the allocation
5 percentages for the AMRP and the RRP included in the Stipulation and
6 Recommendation approved by the Commission in Case No. 12-1685-GA-AIR, *et*
7 *al.*; the number of customer bills for the twelve months ended December 31,
8 2014; Mcf Sales to Interruptible Transportation customers for the twelve months
9 ended December 31, 2014; and the annualized AMRP and RRP revenue
10 requirement as calculated on Schedules 1 and 2. The Rider AMRP Rate Cap for
11 2014 for Residential customers in accordance with the Stipulation and
12 Recommendation is \$3.00 per month.

13 **Q. PLEASE EXPLAIN SCHEDULE 21.**

14 A. Schedule 21 provides the aged survivors of mains and services as of December
15 31, 2014.

16 **Q. PLEASE EXPLAIN SCHEDULE 22**

17 A. Schedule 22 provides a reconciliation of the Accumulated Depreciation Balance
18 for all mains and services by account from January 31, 2014, to December 31,
19 2014. The information is provided for AMRP plant and non-AMRP plant and the
20 activity is segregated between Depreciation Expense and Adjustments Due to
21 Retirement or Replacement.

III. REASONABLENESS OF REQUESTED INCREASE

1 **Q. ARE YOU FAMILIAR WITH THE STIPULATION AND**
2 **RECOMMENDATION FILED WITH THE COMMISSION ON APRIL 2,**
3 **2013, AND APPROVED BY THE COMMISSION IN ITS OPINION AND**
4 **ORDER ON NOVEMBER 13, 2103, IN CASE NO. 12-1685-GA-AIR, *et al.*?**

5 **A. Yes.**

6 **Q. IN YOUR OPINION, HAS THE COMPANY STAYED UNDER THE RATE**
7 **CAPS ESTABLISHED IN THAT BASE RATE CASE PROCEEDING?**

8 **A. The Company's calculated rate for residential customers is over the cap but its**
9 **tariff reflects the agreed upon cap of \$3.00.**

10 **Q. HAVE YOU REVIEWED DUKE ENERGY OHIO'S APPLICATION IN**
11 **THESE PROCEEDINGS?**

12 **A. Yes.**

13 **Q. DO YOU HAVE AN OPINION REGARDING WHETHER DUKE**
14 **ENERGY OHIO'S REQUEST FOR NEW RIDER AMRP RATES IS**
15 **REASONABLE?**

16 **A. Yes.**

17 **Q. PLEASE STATE YOUR OPINION.**

18 **A. Duke Energy Ohio's rate request is fair and reasonable. I believe that the costs of**
19 **service are properly allocated to customer classes and the rate design was properly**
20 **performed in accordance with the terms and conditions of the Stipulation and**
21 **Recommendation. The proposed Rider AMRP rates are within the rate caps**

1 established in the Stipulation and Recommendation in Case No. 12-1685-GA-
2 AIR, *et al.*

IV. CONCLUSION

3 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

4 **A. Yes.**

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

2/24/2015 3:14:20 PM

in

Case No(s). 14-2051-GA-RDR, 14-2052-GA-ATA

Summary: Testimony Direct Testimony of Peggy A. Laub on Behalf of Duke Energy Ohio, Inc. electronically filed by Dianne Kuhnell on behalf of Duke Energy Ohio, Inc. and Spiller, Amy B. and Kingery, Jeanne W.