

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke Energy Ohio, Inc., for an Increase in Gas Rates.))	Case No. 12-1685-GA-AIR
))	
In the Matter of the Application of Duke Energy Ohio, Inc., for Tariff Approval.))	Case No. 12-1686-GA-ATA
))	
In the Matter of the Application of Duke Energy Ohio, Inc., for Approval of an Alternative Rate Plan for Gas Distribution Service.))	Case No. 12-1687-GA-ALT
))	
In the Matter of the Application of Duke Energy Ohio, Inc., for Approval to Change Accounting Methods.))	Case No. 12-1688-GA-AAM
))	

**SUPPLEMENTAL DIRECT TESTIMONY OF
 JAMES E. ZIOLKOWSKI
 ON BEHALF OF
 DUKE ENERGY OHIO, INC.**

- _____ Management policies, practices, and organization
- _____ Operating income
- _____ Rate base
- _____ Allocations
- _____ Rate of return
- _____ Rates and tariffs
- X Other: Cost of Service Study

February 25, 2013

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I. INTRODUCTION AND PURPOSE

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

2 A. My name is James E. Ziolkowski, and my business address is 139 East Fourth
3 Street, Cincinnati, Ohio 45202.

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

5 A. I am employed by Duke Energy Business Services LLC (DEBS) as Rates
6 Manager. DEBS provides various administrative and other services to Duke
7 Energy Ohio, Inc., (Duke Energy Ohio or Company) and other affiliated
8 companies of Duke Energy Corporation (Duke Energy).

9 **Q. ARE YOU THE SAME JAMES E. ZIOLKOWSKI WHO FILED DIRECT**
10 **TESTIMONY IN THESE PROCEEDINGS?**

11 A. Yes.

12 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL DIRECT**
13 **TESTIMONY?**

14 A. My Supplemental Direct Testimony will describe and support the Company's
15 objection to certain findings and recommendation contained in the Report by the
16 Staff of the Public Utilities Commission of Ohio (Staff) issued in these
17 proceedings on January 4, 2013.

II. OBJECTIONS SPONSORED BY WITNESS

18 **Q. PLEASE DESCRIBE COMPANY OBJECTION NO. 17**

19 A. Duke Energy Ohio objects to Staff's recommendation that the Commission
20 require the Company to perform an analysis to determine whether a "facilities-

1 based” approach may better reflect cost causation than the traditional
2 “residential/general service” approach to rate design.

3 The Staff’s recommendation is as follows:

4 *Finally, it is likely that the traditional "residential/general service"*
5 *schedules may not be the appropriate mechanisms to reflect cost*
6 *causation through rates. A more appropriate mechanism for rate*
7 *differentials may be a more "facilities-based" approach. Staff*
8 *recommends that the Commission require the Applicant to perform*
9 *an analysis addressing this issue. If the analysis indicates a change*
10 *is appropriate, the Applicant should so reflect that change in its*
11 *next distribution rate case.*

12 The Company’s reasons for objecting to this recommendation are threefold. First,
13 the term “facilities-based” approach is vague and not well defined. The Company
14 is left to speculate what the Staff means by the statement. Second, Staff’s
15 recommendation presumes customers have more control over the facilities used to
16 serve them than in fact they do. Unlike with electric distribution, most customers
17 do not have any control over the facilities installed on their premises (e.g. a
18 primary electric distribution customer vs. secondary electric distribution
19 customer), the pressure of the gas flowing through the Company’s system at the
20 location of their residence or business, or the age of the Company’s facilities in
21 the general location of their residence. Finally, the Company designs and
22 maintains its natural gas delivery system fundamentally different than its electric
23 system. Imposing some geographic consideration of facilities upon a particular
24 customer does not make sense. Regardless of the definition of “facilities-based,”
25 rate restructuring would be a zero sum game. In other words there will be
26 dramatic winners and dramatic losers among customers and within customer

1 classes. Some customers within a rate class will pay more than they are currently
2 paying while other customers will pay less. This sort of disparity seems facially
3 unreasonable to the Company.

4 **Q. MR. ZIOLKOWSKI, WHAT IS YOUR RECOMMENDATION IN THIS**
5 **REGARD?**

6 A. The Company recommends that the Commission disregard this particular
7 recommendation by Staff. Duke Energy Ohio does not see any benefit resulting
8 from this exercise.

III. CONCLUSION

9 **Q. DOES THIS CONCLUDE YOUR PRE-FILED SUPPLEMENTAL DIRECT**
10 **TESTIMONY?**

11 A. Yes.