BEFORE

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

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| In the Matter of the Application of Duke Energy Ohio, Inc. to Adjust and Set Its Gas and Electric Recovery Rate for 2010 SmartGrid Costs Under Riders AU and Rider DR-IM and Mid-deployment Review of AMI/SmartGrid Program. | ) ) ) ) ) ) | Case No. 10-2326-GE-RDR |

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**SUPPLEMENTAL DIRECT TESTIMONY**

**OF PEGGY A. LAUB**

**ON BEHALF OF**

**DUKE ENERGY OHIO, INC.**

March 6, 2012

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1. INTRODUCTION

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

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

**Q. What is your current position?**

A. I am employed by Duke Energy Business Services LLC as Rates Manager.

**Q. ARE YOU THE SAME PEGGY A. LAUB WHO FILED DIRECT TESTIMONY IN THIS PROCEEDING ON JUNE 30, 2011?**

A. Yes.

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

A. Through my Supplemental Direct Testimony, I will provide an overview of the Stipulation and Recommendation filed on February 24, 2011, (Stipulation) in this proceeding. I will discuss the criteria employed by the Public Utilities Commission of Ohio (Commission) when reviewing stipulations. In doing so, my testimony confirms that the Stipulation filed in this proceeding: (1) is the product of serious bargaining among capable, knowledgeable parties; (2) does not violate any important regulatory principle or practice; and (3) as a package, benefits ratepayers and the public interest. Finally, through my Supplemental Direct Testimony, I explain that the Stipulation is a fair and reasonable resolution to the issues relevant to this proceeding.

1. **OVERVIEW OF THE STIPULATION**

**Q. PLEASE GENERALLY DESCRIBE THE STIPULATION.**

A. The Stipulation, filed with the Commission on February 24, 2012, represents a resolution of all of the issues among the Stipulating Parties relating to Duke Energy Ohio’s application regarding Riders DR-IM and Rider AU that recover costs related to the Company’s deployment of advanced utility services or SmartGrid.

To appreciate the significance of the commitment described in the Stipulation, it is important to recognize that the Commission originally authorized Duke Energy Ohio to proceed with deployment of SmartGrid in Case No. 08-920-EL-SSO, *et al*., in December of 2008. In the Stipulation that was approved in that proceeding, the Commission Staff and intervening Parties agreed to a number of provisions that conditionally allowed the Company to proceed with deployment. Among those provisions was one that provided for annual true-ups for the Riders and a mid-deployment program summary and review to be included with the 2010 SmartGrid cost recovery.

In October 2010, the Commission issued an Order that included a request for proposals to perform an audit that included both an operational audit and an operational benefits assessment of the Company’s overall SmartGrid implementation. The Commission subsequently selected MetaVu, Inc., (MetaVu) to conduct the audit. MetaVu’s final audit report was filed with the Commission on June 30, 2011 (Report). Thus, the subject of this proceeding included not only the Company’s request for recovery of costs related to deployment in 2010, but also a review of the overall vision of SmartGrid, including a determination that the deployment should continue to completion. Therefore, the Parties discussed resolution of many related issues and engaged in protracted negotiations to reach a fair and reasonable settlement that all Parties could recommend to the Commission. No Parties were excluded from the settlement negotiations.

**Q. DID THE PARTIES TO THIS PROCEEDING HAVE AN OPPORTUNITY TO EXAMINE THE INFORMATION SUBMITTED BY THE COMPANY AND THE INFORMATION CONTAINED IN THE METAVU AUDIT REPORT AND TO REACH AN INDEPENDENT CONLCUSION?**

A. All of the Parties intervening in this proceeding had an independent opportunity to review the information provided by the Company and by MetaVu and to determine whether or not they could agree with the terms of the Stipulation. The Parties did agree and are submitting the Stipulation jointly to the Commission.

**Q. HOW WERE THE ISSUES IDENTIFIED AND RESOLVED BY THE PARTIES?**

A. After Duke Energy Ohio submitted its Application and after MetaVu filed its Report, the Parties each submitted comments. Thereafter, over numerous weeks and months, the Parties isolated each of the issues in contention in the filed Comments and worked through those issues to reach agreement on how the Company should recover costs for deployment, how the operational benefits should be netted against those costs, and numerous other issues related to cyber security, distribution reliability, operational planning, and other topics. These issues were discussed at length in order to reach agreement across a broad spectrum of concerns.

Q. **DOES THE STIPULATION REPRESENT THE PRODUCT OF SERIOUS BARGAINING AMONG CAPABLE, KNOWLEDGEABLE PARTIES?**

A. Yes. The knowledge and capability of the Parties and their attorneys is readily apparent. The Stipulating Parties regularly participate in rate proceedings before the Commission, are knowledgeable in regulatory matters, and were represented by experienced, competent counsel and subject matter experts. Furthermore, the Stipulating Parties represent a broad range of interests.

The issues raised by the Parties in this proceeding were addressed during negotiation and, despite the divergent interests among the Parties, all of the Parties had an opportunity to express their respective opinions. For these reasons, I believe that the agreed Stipulation resulted from thorough analysis, discussion, and understanding among capable parties with divergent interests and, therefore, represents a product of the efforts of capable, knowledgeable parties.

**Q. DOES THE STIPULATION VIOLATE ANY REGULATORY PRINCIPLE OR PRACTICE?**

A. No. Based on the advice of counsel, my understanding is that the Stipulation complies with all relevant and important regulatory principles and practices. Based upon my experience with regulatory matters, my involvement in this proceeding, and my examination of the Stipulation, I have also concluded that the Stipulation does not violate any regulatory ratemaking principle.

**Q. DOES THE STIPULATION BENEFIT CONSUMERS AND THE PUBLIC INTEREST?**

A. Yes. The Stipulation demonstrates that stakeholders representing different interests in the Duke Energy Ohio service territory have examined information relevant to the Company’s SmartGrid deployment and determined that the Company should continue to deploy the SmartGrid system. The public interest is served when such Parties intervene and represent diverse interests in examining the record and ensuring that the regulatory requirements are met.

**Q. IS THE STIPULATION A JUST AND REASONABLE RESOLUTION OF THE ISSUES?**

A. Yes. As described above, the Stipulation is beneficial to consumers and the public and is consistent with established regulatory principles and practices. The Stipulation also represents a timely and efficient resolution of the issues raised in this proceeding, following thoughtful deliberation and discussion by the Stipulating Parties.

**Q. DO YOU BELIEVE THE STIPULATION MEETS THE THREE-PART TEST REGARDING CONSIDERATION OF STIPULATIONS AND THEREFORE SHOULD BE ADOPTED BY THE COMMISSION?**

A. Yes, I do.

**Q. DOES THE STIPULATION RESOLVE ALL OF THE ISSUES IN THIS PROCEEDING?**

A. Yes.

1. CONCLUSION

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

A. Yes.