

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)
Duke Energy Ohio, Inc., for an) Case No. 12-1685-GA-AIR
Increase in Gas Rates.)

In the Matter of the Application of)
Duke Energy Ohio, Inc., for Tariff) Case No. 12-1686-GA-ATA
Approval.)

In the Matter of the Application of)
Duke Energy Ohio, Inc., for Approval) Case No. 12-1687-GA-ALT
of an Alternative Rate Plan for Gas)
Distribution Service.)

In the Matter of the Application of)
Duke Energy Ohio, Inc., for Approval) Case No. 12-1688-GA-AAM
to Change Accounting Methods.)

SUPPLEMENTAL DIRECT TESTIMONY OF

JAMES A. RIDDLE

ON BEHALF OF

DUKE ENERGY OHIO, INC.

_____ Management policies, practices, and organization

 X Operating income

_____ Rate Base

_____ Allocations

_____ Rate of return

_____ Rates and tariffs

 X Other: Rate Design

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 A. Riddle, and my business address is 139 E. Fourth Street,
3 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 Manger, Pricing and Rates Options. DEBS provides various administrative and
7 other services to Duke Energy Ohio, Inc., (Duke Energy Ohio or Company) and
8 other affiliated companies of Duke Energy Corporation (Duke Energy).

9 **Q. ARE YOU THE SAME JAMES A. RIDDLE 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. The purpose of my Supplemental Direct Testimony is to support the Company's
15 objections to certain findings contained in the Report by the Staff of the Public
16 Utilities Commission of Ohio (Staff) issued in these proceedings on January 4,
17 2013 (Staff Report).

II. OBJECTIONS SPONSORED BY WITNESS

18 **Q. PLEASE DESCRIBE THE COMPANY'S OBJECTION NO. 4.**

19 A. Duke Energy Ohio objects to the adjustment to the test year revenue using an
20 average consumption per customer methodology. Duke Energy Ohio submitted
21 an estimate of sales based upon three months of actual and nine months of

1 forecasted data consistent with Ohio's filing requirements. Duke Energy Ohio's
2 estimates, as provided in its Application in these proceedings, were reasonable
3 and should be the basis for revenues during the test period. The Staff Report did
4 not provide any compelling justification for Staff's adjustment.

5 Further, Staff's support for its adjustment, that the adjusted test year
6 revenues should take into account a customer's proclivity to conserve, is also
7 flawed and unreasonable. The Company's test year data already does, in fact,
8 capture conservation impacts in the three months of actual data as well as the nine
9 months of forecast data. Specifically, the Company's forecast methodology
10 already incorporates energy conservation impacts, including price-driven
11 conservation and equipment energy efficiency gains. It is not clear how Staff's
12 adjustment translates into any accounting for a "proclivity" to conserve by
13 customers. Staff's methodology, relying on its questionable assumption about
14 customers' proclivity to conserve, is duplicative, especially considering that the
15 Company's test year sales already incorporate assumptions about conservation
16 efforts.

17 **Q. PLEASE DESCRIBE THE COMPANY'S OBJECTION NO. 14.**

18 A. The Company objects to the effect of Staff's various recommendations as they
19 pertain and affect the revenue requirement model used by Staff. Staff's
20 adjustments impact other expenses in the model, including, but not limited to,
21 various income and other tax collections. One such adjustment relates to Schedule
22 C-3.1, where Staff grosses up its Other Revenue adjustment for the Excise Tax,
23 thereby, increasing the adjustment to \$2,001,007 from the Company's original

1 filed amount of \$1,907,786. This equates to a 4.89 percent increase which
2 happens to be the rate in the Excise Tax Rider (Rider ETR). However, the Staff
3 fails to synchronize this revenue adjustment with a corresponding change to the
4 Excise Tax expense. Consequently, Staff's adjustment understates the
5 Company's excise tax expense by \$93,221. The Company objects to the Staff's
6 adjustment.

III. CONCLUSION

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

9 **A. Yes.**