

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.)

DIRECT TESTIMONY OF

JAMES P. HENNING

ON BEHALF OF

DUKE ENERGY OHIO, INC.

 X Management policies, practices, and organization
 Operating income
 Rate Base
 Allocations
 Rate of return
 Rates and tariffs
 X Other: Rate Case Drivers

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 P. Henning, 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 Duke Energy Business Services LLC (DEBS) as State
6 President of Duke Energy Ohio, Inc., (Duke Energy Ohio or the Company) and
7 Duke Energy Kentucky, Inc. (Duke Energy Kentucky). DEBS provides various
8 administrative and other services to Duke Energy Ohio and other affiliated
9 companies of Duke

10 **Q. PLEASE BRIEFLY SUMMARIZE YOUR EDUCATIONAL**
11 **BACKGROUND AND PROFESSIONAL EXPERIENCE.**

12 A. I received a Bachelor of Science in Financial Services from Wright State
13 University in 1988, and a Master's of Business Administration from the
14 University of South Florida in 1990. I have attended numerous other industry and
15 company sponsored programs and courses.

16 I have worked in the energy industry for 23 years. From 1990-1993, I was
17 employed at the Dayton Power & Light Company (DP&L) as a Gas Analyst in the
18 Gas Supply Planning Department. My responsibilities as a Gas Analyst included
19 natural gas and interstate pipeline procurement, system load forecasting, and daily
20 load dispatching. From 1993-1996, I worked for DP&L's non-regulated natural
21 gas sales company (MVR) as a Manager of Natural Gas Sales and Marketing. In
22 1996, I joined Cinergy Corp.'s non-regulated natural gas sales company (Cinergy

1 Resources, Inc.) as the Manager of Energy Sales and Services and worked in this
2 capacity until 2000. As Manager of Energy Sales and Services, my
3 responsibilities included the coordination of all retail sales, marketing and
4 customer service activities in the Indiana, Ohio, and Kentucky markets. From
5 2000-2001, I worked for various departments within Cinergy Corp. including
6 Environmental Services, Labor Relations and Gas Operations. Beginning
7 October 2001 I led the commercial activities of Duke Energy's regulated natural
8 gas business in Ohio and Kentucky as General Manager, Gas Commercial
9 Operations. My responsibilities included leading the planning, procurement and
10 recovery of more than \$400 million of annual natural gas supply. I directed the
11 24 hour/day physical operations and control of Duke Energy's natural gas
12 distribution system. I also led the teams responsible for managing the
13 relationships with large business natural gas customers, as well as the
14 management and administration of the company's natural gas customer choice
15 program. In September 2010 I became Vice President of Government and
16 Regulatory affairs for Duke Energy Ohio and Duke Energy Kentucky. In this
17 role, I was responsible for the government and regulatory policies and strategies
18 to strengthen the Duke Energy Ohio and Duke Energy Kentucky mission of
19 providing safe, reliable and clean energy for customers located in both states. I
20 assumed the role of President of Duke Energy Ohio and Duke Energy Kentucky
21 in December 2012.

1 **Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AS STATE**
2 **PRESIDENT, DUKE ENERGY OHIO.**

3 A. As State President of Duke Energy Ohio, I am responsible for ensuring that our
4 customers continue to have access to safe, reliable, and reasonably priced natural
5 gas service, and that these services are provided in accordance with applicable
6 federal and state laws and regulations. I am also involved in external efforts
7 related to governmental and regulatory affairs, interacting with state and
8 community leaders and regulators on matters relevant to Duke Energy Ohio's
9 business and presence in Ohio. I am responsible for the Company's community
10 relations and economic development efforts and am involved with Duke Energy's
11 regional charitable giving through the foundation.

12 **Q. ARE YOU CURRENTLY INVOLVED IN ANY PROFESSIONAL OR**
13 **CHARITABLE ORGANIZATIONS?**

14 A. I am the treasurer and member of the board of trustees of the Boone County
15 Kentucky Public Library. I serve on the board of directors of the Ohio Chamber of
16 Commerce. I am a board member of the Dan Beard Council, Boy Scouts of
17 America. I also serve on the board of directors of People Working Cooperatively,
18 Cincinnati USA Regional Chamber and Vision 2015 CEO Roundtable. I am also a
19 member of the Cincinnati Business Committee.

20 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC**
21 **UTILITIES COMMISSION OF OHIO?**

22 A. Yes.

1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THESE**
2 **PROCEEDINGS?**

3 A. The primary purpose of my testimony is to adopt the Direct Testimony of Julia S.
4 Janson that was pre-filed in these proceedings on July 20, 2012. Ms. Janson has
5 assumed a new position with Duke Energy Corp., as the Chief Legal Officer
6 effective December 17, 2012. The next day, December 18, 2012, I was named
7 President of Duke Energy Ohio and Duke Energy Kentucky.

8 Additionally, my Direct Testimony provides support for the Company's
9 objection to certain findings and recommendations contained in the Report by the
10 Staff of the Public Utilities Commission of Ohio on (Staff) issued in these
11 proceedings on January 4, 2013 (Staff Report).

II. ADOPTION OF TESTIMONY

12 **Q. ARE YOU FAMILIAR WITH THE TESTIMONY SUBMITTED BY MS.**
13 **JANSON IN THESE PROCEEDINGS AND THE SCHEDULES**
14 **DESCRIBED IN HER DIRECT TESTIMONY?**

15 A. Yes. I have reviewed the various schedules submitted by the Company and
16 sponsored by Ms. Janson in her July 20, 2012 Direct Testimony, namely
17 Schedules S-3, S-4.1, S-4.2 and Supplemental Filing Requirement (C)(17).

18 **Q. AS PRESIDENT OF DUKE ENERGY OHIO, DO YOU HEREBY ADOPT**
19 **THE DIRECT TESTIMONY OF JULIE S. JANSON FILED IN THESE**
20 **PROCEEDINGS ON JULY 20, 2012, AS YOUR OWN?**

21 A. Yes. As a result of my assumption of the responsibilities of President of Duke
22 Energy Ohio and Duke Energy Kentucky, and through my thorough review of the

1 schedules submitted in these proceedings, I am very familiar with the Company's
2 operations and hereby adopt these schedules and the information and support Ms.
3 Janson provided in her Direct Testimony as my own Direct Testimony in these
4 proceedings.

III. OBJECTIONS SPONSORED BY WITNESS

5 **Q. PLEASE EXPLAIN THE COMPANY'S OBJECTION NO. 20.**

6 A. The Company objects to the Staff's recommendation not to approve the proposed
7 economic development rider (Rider ED). Staff gave two reasons for this
8 rejection: 1.) that economic development should be paid for by the Company and
9 its shareholders; and 2.) that the Company's application lacks detail about how
10 the money would be spent and how decisions are made about economic
11 development are made.

12 **Q. DO YOU AGREE WITH STAFF'S JUSTIFICATION FOR REJECTING**
13 **THE COMPANY'S RIDER ED?**

14 A. No. First, the Staff's justification fails to recognize the fact that the Company
15 already does contribute funding for economic development opportunities in its
16 service territory. Second, Staff fails to recognize the benefits that will accrue
17 directly to the Company's customers through increased job opportunities and new
18 connected gas load. Third, the Company's Rider ED fully explains the
19 Company's proposal and how dollars would be spent and decisions made. The
20 Rider explains eligibility criteria for receipt of funds and how decisions will be
21 made. Specifically, the program will be managed by Duke Energy Ohio under the
22 terms and conditions outlined in the proposed tariff. In summary there are four

1 scenarios in which The Rider would most likely be utilized 1) Product
2 Development using the “Site Readiness” program, 2) a Competitive economic
3 development opportunity normally involving Jobs Ohio, 3) Development of
4 natural gas vehicle transportation facilities and 4) Revitalization of urban areas
5 such as “Brownfield” redevelopment. The Rider describes the use of an advisory
6 team made up of southwest Ohio business leaders who will determine if an area
7 qualifies for urban revitalization.

8 **Q. PLEASE BRIEFLY EXPLAIN THE COMPANY’S ECONOMIC**
9 **DEVELOPMENT RIDER PROPOSAL.**

10 A. Duke Energy Ohio proposed the creation of Rider ED to establish a means by
11 which to encourage economic growth in the Duke Energy Ohio service territory.
12 The rider is specifically directed toward encouraging businesses to locate or
13 expand in southwest Ohio and to provide jobs to spur economic development in
14 the region. As was highlighted in the testimony of my processor, Julia S. Janson,
15 Duke Energy Ohio has been nationally recognized as a leader in creating jobs and
16 the Company estimates that its site selection readiness work, in cooperation with
17 state, regional and local governments has resulted in the development of over
18 65,000 jobs and more than \$7 billion dollars of capital investment since 1995.
19 Additionally, Duke Energy Ohio and its employees make significant charitable
20 contributions to Ohio charitable organizations.

21 The Company’s proposal for an economic development rider would be in
22 addition to the contribution already funded by the Duke Energy Foundation, and
23 Duke Energy Ohio employees. The fund is designed to collect \$1 million dollars

1 a year to be carried over each year. However, the fund would never exceed \$2
2 million a year. If there are not immediate projects to be funded, the funds are kept
3 in reserve.

4 **Q. PLEASE EXPLAIN THE COMPANY’S SITE READINESS PROGRAM.**

5 A. Duke Energy “Site Readiness” program seeks to identify and improve large tracts
6 of industrial land in the service territory, moving them closer to being “fully
7 marketable.” In collaboration with local economic development organizations,
8 Duke Energy and our Duke Energy Foundation offer grants to those local
9 communities that have taken advantage of the program and spent dollars
10 improving participant sites. Rider ED is proposed to provide funding for this and
11 other projects that spur economic development in the region. Gas infrastructure
12 costs are often seen as an insurmountable impediment to develop new industrial
13 property. The process currently used by which the “first user” or developer bears
14 the entire cost of a gas line extension simply does not work in today’s economic
15 climate. The risk is too great and many communities aren’t able to participate in
16 Ohio’s economic recovery because their cost to “get property to market” is too
17 great. By utilizing the “Site Readiness” process Duke Energy Ohio and our
18 consultants (a nationally recognized site selection firm) work with the local
19 community and identify properties close to being developed and assist with
20 mitigating development impediments. As stated elsewhere, all customers benefit
21 through a lower individual cost when there is a larger base of customers. And it is
22 important to note that the Rider ED funds are in some cases supplemented by

1 contributions from the Duke Energy Foundation so that the Company and its
2 customers can jointly work to boost economic development and job creation.

3 For these reasons, Duke Energy Ohio has proposed a rider that will
4 support the continuation of these worthy projects and keep southwest Ohio
5 moving in a positive direction. The Commission should approve this rider.

6 **Q. HOW DOES THE COMPANY’S PROPOSAL PROVIDE BENEFITS TO**
7 **CUSTOMERS AND TO THE STATE OF OHIO?**

8 A. Simply put, the Company’s proposal is intended to both create jobs for customers
9 and to expand the use of natural gas along the Company’s current delivery system
10 which ultimately reduces costs for customers. The more the system is used and
11 the greater the number of customers, the lesser the ultimate cost per customer. It is
12 reasonable that customer should share in some small portion of funding for
13 economic development within the state of Ohio. Rider DIR allows Duke Energy
14 to partner with its local communities by helping remove impediments to
15 development. Many states including Ohio have recognized the importance of
16 having “shovel ready” sites available for industrial site seekers. Having these
17 sites available removes risk, and more importantly “speed to market” for new or
18 expanding companies. These “shovel ready” sites have become the gold standard
19 in the site selection community providing industrial companies the shortest time
20 possible to permit and operate new facilities.

IV. CONCLUSION

1 **Q. DOES THIS CONCLUDE YOUR PRE-FILED SUPPLEMENTAL**
2 **TESTIMONY?**

3 **A. Yes.**