

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Annual Application of)
Duke Energy Ohio, Inc. for an Adjustment) Case No. 20-1526-GA-RDR
to Rider AMRP Rates.)

In the Matter of the Application of Duke Energy Ohio, Inc. for Tariff Approval.) Case No. 20-1540-GA-ATA)

DIRECT TESTIMONY OF

DOUGLAS J. HEITKAMP

ON BEHALF OF

DUKE ENERGY OHIO, INC.

February 25, 2021

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I. INTRODUCTION AND PURPOSE

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

2 A. My name is Douglas J. Heitkamp 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 Lead Analyst,
6 Rates and Regulatory Strategy for Duke Energy Ohio, Inc., (Duke Energy Ohio or
7 Company) and Duke Energy Kentucky, Inc. DEBS provides various administrative
8 and other services to Duke Energy Ohio and other affiliated companies of Duke
9 Energy Corporation (Duke Energy).

10 **Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL**
11 **QUALIFICATIONS.**

12 A. I earned a Bachelor of Science in Business Administration degree with a
13 concentration in accounting from Saint Louis University and subsequently a Master
14 of Science in Accountancy from the University of Notre Dame. I am a Certified
15 Public Accountant licensed in Missouri. I began my career with Deloitte & Touche
16 LLP as an audit associate in September 2008. In November 2009, I joined the
17 internal audit department at Ameren Corporation, an electric and gas investor
18 owned utility based in St. Louis, Missouri. In 2013, I left Ameren for Macy's, Inc.,
19 a national department store and online retailer, where I worked in internal audit
20 initially and then in Selling Support as Manager, Investment Strategies. I began
21 working at Duke Energy in May 2017, in the Rates and Regulatory Strategy
22 department.

1 **Q. PLEASE SUMMARIZE YOUR DUTIES AS LEAD ANALYST, RATES AND**
2 **REGULATORY STRATEGY.**

3 A. I organize and prepare financial and accounting data used in Duke Energy Ohio and
4 Duke Energy Kentucky, Inc., retail rate filings and changes in various other rate
5 recovery mechanisms.

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

8 A. Yes. I have testified in support of the application for the previous year's adjustment
9 to Rider AMRP rates, in Case No. 19-1769-GA-RDR and in support of one of the
10 Company's annual SmartGrid Rider filings, Rider DR-IM, Case No. 18-0838-EL-
11 RDR.

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

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

II. EXPLANATION OF SCHEDULES

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

2 A. Schedules 1 and 2 provide the annualized revenue requirement for Duke Energy
3 Ohio's revised Rider AMRP rates based on the Net Rate Base of the AMRP (Schedule
4 1) and the RRP (Schedule 2) at December 31, 2020. The information on these
5 schedules is supported by various schedules from Schedules 3 through 14. Schedules
6 1 and 2 also include an approved pre-tax rate of return that reflects a reduction of the
7 corporate federal tax rate from 35% to 21% as a result of the Tax Cut and Jobs Act of
8 2017 becoming law.

9 **Q. PLEASE EXPLAIN SCHEDULE 3.**

10 A. Schedule 3 provides the actual provision for depreciation from January 2020
11 through December 2020 to calculate the balance at December 31, 2020. This
12 schedule provides information for the AMRP.

13 **Q. PLEASE EXPLAIN SCHEDULES 4 AND 5.**

14 A. Schedules 4 and 5 provide the Post In-Service Carrying Cost (PISCC) activity by
15 month from January 2020 through December 2020 to calculate the balance at
16 December 31, 2020. These schedules show that the only activity in 2020 is the
17 actual PISCC amortization. Additionally, the Net PISCC Regulatory Asset for the
18 periods is provided. Schedule 4 provides information for the AMRP and Schedule
19 5 provides information for the RRP.

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

2 A. Schedules 6-A, 6-B, and 7 provide the calculation of deferred taxes on liberalized
3 depreciation for actual deferred taxes as of December 31, 2020. These deferred
4 taxes are calculated only on the plant in-service added through the AMRP and the
5 RRP since the date certain in the Company's last natural gas base rate case. The
6 schedules also provide the calculation of excess deferred income taxes as of
7 December 31, 2020. Schedules 6-A and 6-B provide information for the AMRP.
8 Schedule 7 provides information for the RRP.

9 **Q. PLEASE EXPLAIN SCHEDULE 8.**

10 A. Schedule 8 provides the calculation of the annualized reduction in depreciation
11 expense associated with retirements based on actual AMRP retirements from the
12 date certain of the Company's last natural gas base rate case through 2020.

13 **Q. PLEASE EXPLAIN SCHEDULE 9.**

14 A. Schedule 9 provides a calculation of the annualized amortization of the PISCC
15 accrued from the date certain of the Company's last natural gas base rate case
16 through 2020 for AMRP.

17 **Q. PLEASE EXPLAIN SCHEDULE 10.**

18 A. Schedule 10 demonstrates that there are \$312,532 of savings included in the
19 Company's filing. In Case No. 10-2788-GA-RDR, the Company committed to
20 savings of \$929,670. Schedule 10 shows the savings of \$617,138 when comparing
21 the last natural gas base rate case, Case No. 07-589-GA-AIR, *et al.*, to the most
22 recent natural gas base rate case, Case No. 12-1685-GA-AIR, *et al.* The difference
23 between the \$929,670 and \$617,138 is a guaranteed savings amount of \$312,532,

1 as shown on Schedule 10 and on the revenue requirement page, Schedule 1 for this
2 Application. This schedule does not include any expenses for the Integrity
3 Management Program.

4 **Q. PLEASE EXPLAIN SCHEDULE 11.**

5 A. Schedule 11 provides actual camera work expenses by month for the twelve months
6 ended December 31, 2020.

7 **Q. PLEASE EXPLAIN SCHEDULES 12 AND 13.**

8 A. Schedules 12 and 13 provide the calculation of the annualized property tax expense
9 based on actual additions and retirements to plant in-service from the date certain
10 of the Company's last natural gas base rate case through 2015. This calculation
11 follows the process used in Duke Energy Ohio's Annual Report to the Ohio
12 Department of Taxation to determine the Net Property Valuation and uses the latest
13 known average property tax rate per \$1,000 of valuation. Schedule 12 provides
14 information for the AMRP and Schedule 13 provides information for the RRP.

15 **Q. PLEASE EXPLAIN SCHEDULE 14.**

16 A. Schedule 14 provides the Rider AMRP charge by rate class using the allocation
17 percentages for the AMRP and the RRP included in the Stipulation and
18 Recommendation approved by the Commission in Case No. 12-1685-GA-AIR, *et*
19 *al.*; the number of customer bills for the twelve months ended December 31, 2020;
20 Mcf Sales to Interruptible Transportation customers for the twelve months ended
21 December 31, 2020; and the annualized AMRP and RRP revenue requirement as
22 calculated on Schedules 1 and 2. The Rider AMRP Rate Cap for 2020 for

1 residential customers in accordance with the Stipulation and Recommendation is
2 \$4.00 per month.

III. REASONABLENESS OF REQUESTED RATE

3 **Q. ARE YOU FAMILIAR WITH THE STIPULATION AND**
4 **RECOMMENDATION FILED WITH THE COMMISSION ON APRIL 2,**
5 **2013, AND APPROVED BY THE COMMISSION IN ITS OPINION AND**
6 **ORDER ON NOVEMBER 13, 2013, IN CASE NO. 12-1685-GA-AIR, *et al.*?**

7 A. Yes.

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

10 A. Yes.

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

13 A. Yes.

14 **Q. DO YOU HAVE AN OPINION REGARDING WHETHER DUKE ENERGY**
15 **OHIO'S REQUEST FOR NEW RIDER AMRP RATES IS 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-AIR,
2 *et al.*

IV. CONCLUSION

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

4 A. Yes.