

**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
	)	)	

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**SUPPLEMENTAL DIRECT TESTIMONY OF  
DANIEL J. REILLY  
ON BEHALF OF  
DUKE ENERGY OHIO, INC.**

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_____	Management policies, practices, and organization
_____	Operating income
_____	Rate base
_____	Allocations
_____	Rate of return
_____	Rates and tariffs
<u>  X  </u>	Other: Accounting Adjustments

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 Daniel J. Reilly, and my business address is 550 South Tryon,  
3 Charlotte, North Carolina 28202.

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

5 A. I am employed by Duke Energy Business Services LLC (DEBS) as Director, U.S.  
6 Franchised Electric and Gas (USFE&G) Accounting. DEBS provides various  
7 administrative and other services to Duke Energy Ohio, Inc., (Duke Energy Ohio or  
8 Company) and other affiliated companies of Duke Energy Corporation (Duke  
9 Energy).

10 **Q. ARE YOU THE SAME DANIEL J. REILLY WHO FILED DIRECT**  
11 **TESTIMONY IN THESE PROCEEDINGS?**

12 A. Yes.

13 **Q. HAVE YOUR JOB RESPONSIBILITIES CHANGED SINCE THE TIME**  
14 **OF THE FILING OF YOUR DIRECT TESTIMONY IN THESE**  
15 **PROCEEDINGS?**

16 A. Yes. On August 1, 2012, I took a new position in Duke Energy with new  
17 responsibilities. I now have responsibility for the accounting activities within  
18 Duke Energy's USFE&G related to fixed assets, including depreciation, materials  
19 and supplies inventory, and fuel (including both inventory and payment of fuel  
20 invoices), and emission allowances.

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

3 A. The purpose of my Supplemental Direct Testimony is twofold. First, I am  
4 adopting the Direct Testimony and the corresponding schedules sponsored by  
5 Carl Council and filed on July 20, 2012 in these Proceedings. Mr. Council has  
6 accepted a new position with Duke Energy, related to its accounting in nuclear  
7 operations and is no longer in the position he described in his Direct Testimony.  
8 As of August 1, 2012, I have assumed Mr. Council's responsibilities for plant  
9 accounting. Second, I support several of the Company's objections to the Report  
10 by the Staff of the Public Utilities Commission of Ohio (Staff) issued in these  
11 proceedings on January 4, 2013 (Staff Report).

**II. ADOPTION OF TESTIMONY**

12 **Q. ARE YOU FAMILIAR WITH THE ACCOUNTING PROCEDURES AND**  
13 **BOOKS OF ACCOUNT OF DUKE ENERGY OHIO?**

14 A. Yes. The books of account for Duke Energy Ohio's regulated business follow the  
15 Uniform System of Accounts prescribed by the Federal Energy Regulatory  
16 Commission (FERC).

17 **Q. ARE YOU FAMILIAR WITH THE TESTIMONY SUBMITTED BY MR.**  
18 **COUNCIL IN THESE PROCEEDINGS AND THE SCHEDULES**  
19 **DESCRIBED IN HIS DIRECT TESTIMONY SUPPORTING THE**  
20 **COMPANY'S NET PLANT IN SERVICE?**

21 A. Yes. I have reviewed the various schedules submitted by the Company and  
22 sponsored by Mr. Council in his Direct Testimony, namely Schedules B-2, B-2.1,

1 B-2.2, B-2.3, B-2.4, B-2.5, B-3, B-3.1, B-3.2, B-3.2a, B-3.3, B-3.4, B-4, B-4.1, B-  
2 4.2, B-6.2, B-9, and C-3.5. I also reviewed page 1 of both Schedule D-5A and  
3 Schedule D-5B and Supplemental Filing Requirements (C)(9), (C)(14), (C)(18),  
4 (C)(19), (C)(21), (C)(22), and (C)(23). As a result of my assumption of the net  
5 plant accounting for Duke Energy's USFE&G business unit and through my  
6 thorough review of the schedules submitted in these proceedings, I am very familiar  
7 with the Company's proposed adjustments for net plant in service submitted in  
8 these proceedings and hereby adopt these schedules and the support Mr. Council  
9 provided in his July 20, 2012, Direct Testimony as my own Direct Testimony in  
10 these proceedings.

### **III. OBJECTIONS SPONSORED BY WITNESS**

11 **Q. PLEASE EXPLAIN THE COMPANY'S OBJECTION NO. 3.**

12 A. Duke Energy Ohio objects to Staff's recommended adjustments to its Rider AU  
13 (Advanced Utility) in two respects. First, Duke Energy Ohio objects to Staff's  
14 exclusion of the uninstalled gas modules. Staff is correct to point out that FERC  
15 Account 381 and FERC Account 397 do not have the same guidance for in-  
16 service classification of non-installed equipment. However, most FERC accounts  
17 do not incorporate or require FERC Account 381 guidance. Thus, the  
18 classification of the gas modules in FERC Account 397 does not, under FERC  
19 accounting, preclude the equipment from being classified as in-service upon  
20 capitalization. The determination of the equipment's status as in-service is  
21 determined by the Company's operations and Asset Accounting. The current  
22 installation effort installation on new meters and installation on installed meters

1 requires gas modules to be requisitioned from inventory to capital in quantities  
2 greater than what can be installed in a day. The gas modules are a unit of property  
3 but only used and useful (in service) when associated to a gas meter, since these  
4 gas modules are being placed on gas meter units classified in-service. Asset  
5 Accounting has made an accounting decision to classify an appropriate supply of  
6 these units as in-service upon withdraw from inventory to capital.

7 Second, Duke Energy Ohio objects to Staff's reclassification of software  
8 from gas to electric. In the Rider AU, the gas/electric split was incorrect for  
9 project SGUOF33. This was corrected in the accounting records as of March  
10 2012. Schedules prepared for Case No. 12-1685-GA-AIR *et al.*, reflected the  
11 correct gas/electric split because they were prepared based on the information in  
12 the accounting system; therefore, the rate base should not be adjusted for this  
13 project.

14 **Q. WHAT IS THE RESULT OF CORRECTING THIS ADJUSTMENT?**

15 A. The result is an increase to the Company's net plant in service at the date certain  
16 investment of \$1,047,587 for the uninstalled gas modules and \$347,996 for the  
17 software reclassification for project SGUOF33.

#### IV. CONCLUSION

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

20 A. Yes.