

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Duke)
Energy Ohio, Inc. for an Increase in Gas) Case No. 07-589-GA-AIR
Rates.)

In the Matter of the Application of Duke)
Energy Ohio, Inc. for Approval of an) Case No. 07-590-GA-ALT
Alternative Rate Plan for its Gas)
Distribution Service.)

In the Matter of the Application of Duke)
Energy Ohio, Inc. for Approval to Change) Case No. 07-591-GA-AAM
Accounting Methods.)

REBUTTAL TESTIMONY

of

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*ON BEHALF OF THE
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March 6, 2008

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EXHIBITS

Rebuttal Exhibit AJY-1
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1 **I. INTRODUCTION**

2 **Q1. PLEASE STATE YOUR NAME.**

3 **A1.** My name is Anthony J. Yankel.

4

5 **Q2. ARE YOU THE SAME ANTHONY J. YANKEL THAT FILED DIRECT**
6 **TESTIMONY IN THIS PROCEEDING ON BEHALF OF THE OCC?**

7 **A2.** Yes.

8

9 **Q3. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

10 **A3.** I will be providing rebuttal testimony regarding the issues of Sales Decoupling
11 and Rate Design, which I understand are not settled by the Stipulation filed in this
12 case. I will address the Supplemental Testimony of Duke Energy Ohio ("Duke"
13 or "Company") witnesses Riddle and Storck as they apply to these two issues.
14 After presenting an overview of the Sales Decoupling issue, I will address:

- 15 • Mr. Storck' position that the Sales Decoupling Rider is required
16 because without it, the Company does not have an opportunity to
17 obtain the revenue that it believes that it deserves. I point out that
18 although the Company may not get all of the revenue it would like,
19 the Company is projecting an overall increase in sales, which will
20 result in net increased revenues after the test year.
- 21 • Mr. Riddle testifies that the Company's weatherization
22 methodology is appropriate for DE-Ohio. I find that his comments
23 do not support his contention regarding the accuracy of the

1 Company's methodology. The scatter-plot graph that is offered to
2 show the relationship between temperature and Residential usage
3 on the system actually supports the use of a 65°F basis for Heating
4 Degree Days ("HDD") and not the 59°F basis proposed by the
5 Company.

- 6 • Mr. Storck's brief argument that the Company should be given
7 either a large customer charge or a Sales Decoupling Rider. I will
8 discuss the impact of a large customer charge.

9
10 **II. SALES DECOUPLING OVERVIEW**

11 ***Q4. PLEASE PROVIDE AN OVERVIEW OF WHAT IS INVOLVED IN THE***
12 ***SALES DECOUPLING ISSUE.***

13 ***A4.*** The Company is proposing that the Public Utilities Commission of Ohio
14 ("Commission" or "PUCO") charge to customers a Sales Decoupling Rider
15 because it contends that the current volumetric rate design is inadequate in today's
16 environment. Specifically, Mr. Storck said in his Direct Testimony that the
17 current volumetric rate design:

18 ... doesn't allow DE-Ohio an adequate opportunity to recover its
19 base revenues due to the steadily declining throughput per
20 customer.¹
21

¹ Duke Ex. No. 13 (Storck Direct Testimony) at 9 lines 11 and 12.

1 The Company is proposing a Sales Decoupling Rider in order to sever the
2 relationship between cost recovery and customer purchases (throughput). The
3 Sales
4 Decoupling calculations would be based upon the Company's calculation of
5 normalized weather. The Company's proposal can best be summarized by Mr.
6 Storck's testimony at page 10 of his Direct Testimony:

7 Rider SD breaks the linkage between volumes sold and the cost
8 recovery. DE-Ohio will recover the differences between Actual
9 Base Revenues and Adjusted Order Granted Base Revenues for the
10 applicable Rates Schedules. Actual Base Revenues area defined as
11 weather normalized monthly base revenues for each Rate
12 Schedule, prior to the Rider SD adjustments. (Emphasis added)

13
14 The Commission needs to consider whether the Company properly calculated the
15 weather normalization adjustment in the context of decoupling sales from
16 revenues. My testimony will point out that while a weather normalization
17 adjustment is appropriate, the methodology used by the Company should not be
18 adopted.

19 The overall growth in residential usage between 2008-2012 is projected to
20 more than offset the short-term trend of lower per-customer usage during that
21 timeframe.² The end result is that residential revenues are projected to grow, thus
22 clearly providing the Company with a reasonable opportunity to earn adequate
23 and reasonable revenues. Because of the possibility that even with energy
24 efficiency the Company might experience a growth in sales that exceed the sales
25 losses from energy efficiency, the revenue decoupling mechanism has been

² OCC Ex. No. 12 (Company Schedule C-12.3).

structured in a symmetrical fashion so as to assure that any revenues received by the Company above those authorized by the Commission get credited back to customers through the decoupling rider. Therefore, the decoupling rider's symmetrical structure, as proposed, is consistent with good public policy. However, a Sales Decoupling Rider should be implemented with sufficient consumer safeguards as advocated by OCC witness Gonzalez.³

III. SALES DECOUPLING -- STORCK SUPPLEMENTAL TESTIMONY

***Q5. MR. STORCK QUOTED AND TOOK EXCEPTION TO YOUR DIRECT TESTIMONY WHERE YOU STATED THAT "PROBABLY THE LARGEST FALLACY IS THAT SOMEHOW A DECLINE IN THE USAGE PER CUSTOMER FIGURE RESULTS IN A DECREASE IN THE COMPANY'S REVENUES AND THUS THE NEED FOR A RATE CASE."*⁴ UPON WHAT DID YOU BASE THIS STATEMENT IN YOUR DIRECT TESTIMONY?**

A5. I pointed out in my Direct Testimony that in spite of the projected decline in the Residential usage-per-customer over the 2008-2012 timeframe, the same data also demonstrates a projected net increase of 1.4% in overall Residential usage. The Company's own figures on Schedule C-12.3 demonstrate that there is no direct link between a decline in use-per-customer and total usage. Total Residential usage and thus total Residential revenue (if one ignores the customer charge) is directly proportional to use-per-customer, but the other half of that equation is "number of customers." With the

³ OCC Ex No. 5 (Gonzalez Direct Testimony) at 12-13.

⁴ Duke Ex. No. 22 (Storck Second Supplemental Testimony) at 11.

1 number of customers increasing faster than the use-per-customer is declining, the overall
2 residential revenues are increasing (not decreasing).

3
4 **Q6. ON WHAT BASIS DOES MR. STORCK TAKE EXCEPTION TO YOUR**
5 **STATEMENT THAT A DECLINE IN THE USAGE PER CUSTOMER**
6 **FIGURE DOES NOT NECESSARILY RESULT IN A DECREASE IN**
7 **REVENUE?**

8 **A6.** Mr. Storck does not address the overall linkage between the number of
9 Residential customers and usage-per-customer to come up with an overall
10 increase in usage. He simply equates any loss of sales as a reduction in revenue.
11 Essentially, if total sales are increasing, but one person conserves, Mr. Storck
12 concludes that somehow the Company is not getting all of the revenue that it
13 somehow deserves. I agree that if one customer conserves, the Company gets less
14 revenue than it otherwise would. But whether the Company is “entitled” to this
15 sale that was “lost” is another issue.

16 My Direct Testimony stated that the Company’s revenues during the 2008
17 to 2012 timeframe were increasing in spite of a reduction in the Residential use-
18 per-customer. Mr. Storck’s Second Supplemental Testimony is saying that in
19 spite of the increasing revenues, the Company’s revenues could have increased
20 more. The issue for the Commission should be whether the resulting increase in
21 overall residential revenues is reasonable, not whether the Company has achieved
22 every possible residential revenue or whether the Company’s revenues could have
23 grown faster.

1

2 **Q7. IN HIS DIRECT TESTIMONY MR. STORCK JUSTIFIES THE PROPOSED**
3 **SALES DECOUPLING RIDER ON THE BASIS THAT THE COMPANY**
4 **DOES NOT HAVE AN ADEQUATE OPPORTUNITY TO RECOVER ITS**
5 **BASE REVENUES WITH STEADILY DECLINING THROUGHPUT PER**
6 **CUSTOMER. HE CONTINUES THIS THEME IN HIS SECOND**
7 **SUPPLEMENTAL TESTIMONY. IS DECLINING USAGE PER**
8 **CUSTOMER A UNIVERSAL PROBLEM FOR THE COMPANY?**

9

10 **A7.** No. In both Mr. Storck's Direct Testimony and in his Supplemental Testimony
11 his focus has been on the decline in usage-per-customer for only the Residential
12 customers. However, he notes in his Second Supplemental Testimony that usage-
13 per-customer has increased for the Company's Commercial and Industrial sales.⁵
14 If there is an increase in usage-per-customer in these other classes, then it would
15 certainly offset any concerns the Company has regarding the Residential sales not
16 increasing as fast as the Company would like. It is interesting to note that the
17 Company's proposed Sales Decoupling Rider does not include its rate for
18 Interruptible Transportation ("IT"), one of the rates for the commercial/industrial
19 customers where use-per-customer is increasing.

20

21 **IV. SALES DECOUPLING -- RIDDLE SUPPLEMENTAL TESTIMONY**

⁵ Duke Ex. No. 22 (Storck Second Supplemental Testimony) at 11 line 22 through page 12 line 1.

1 ***Q8. YOUR DIRECT TESTIMONY QUESTIONED THE COMPANY'S ABILITY***
2 ***TO WEATHER NORMALIZE DATA IN A MANNER THAT WOULD***
3 ***RESULT IN AN ACCURATE REVENUE REQUIREMENT UNDER THE***
4 ***SALES DECOUPLING RIDER. DOES MR. RIDDLE'S TESTIMONY***
5 ***OFFER ANY ASSURANCE THAT THE COMPANY'S WEATHER***
6 ***NORMALIZATION RESULTS CAN BE RELIED UPON?***

7 ***A8.*** No. Although he attempts to address my concerns on pages 13 and 14 of his
8 Supplemental Testimony, he adds nothing new to the discussion and actually
9 makes more of a case for questioning the Company's weather normalization
10 procedures and results.

11 For example, in support of his position, Mr. Riddle offers his JAR
12 Supplemental Attachment-11 which is simply a graph of "Weather Normal
13 Residential Use per Customer" over the last 17 years with projections for the next
14 8 years. Although this would appear to be a graphical representation of the data
15 presented by Mr. Storck in his Direct Testimony to demonstrate the decline in
16 weather-normalized Residential sales (See Attachment DLS-1), it is not. This
17 moving target of "weather-normalized" results is what raises the whole question
18 of the Company's weatherization process and how its use would ultimately
19 impact the Sales Decoupling Rider. If weather normalization results cannot be
20 viewed with any confidence or certainty, then they are inappropriate for setting
21 rates under a Sales Decoupling Rider.

22 Separate from the difference between the data Mr. Storck used in his
23 Direct Testimony and that now being used by Mr. Riddle, JAR Supplemental

1 Attachment-11 demonstrates a point I raised in my Direct Testimony that the
2 decrease in use-per-customer should be steady and relatively even from year to
3 year.⁶ In fact, for the first 10 years of data contained on JAR Supplemental
4 Attachment-11, the decrease in use-per-customer is steady and relatively even
5 from year to year. However, the changes in the data for the most recent seven
6 years is anything but steady and even. In fact, according to Mr. Riddle's graph,
7 during this recent seven-year period, there were four years where the weather-
8 normalized Residential use-per-customer increased. Assuming that there is a
9 reduction in Residential use-per-customer, Mr. Riddle's Supplemental JAR-11
10 does not demonstrate the Company's ability to accurately capture this data on a
11 weather-normalized basis.

12 Furthermore, Mr. Riddle seems to make a point of the fact that Residential
13 use-per-customer has been declining. He states:

14 Yet, it is patently obvious that there has been a decline in
15 residential usage per customer. See Supplemental JAR-11. The
16 key is that residential use per customer has been declining
17 (whatever the reason) since 1990 and is expected to continue
18 declining into the forecast period.

19
20 Mr. Riddle's position is wide of the mark. The questions being raised are with
21 regard to the ability of the Company's weather normalization calculations to
22 produce reliable results. I do not view the Company's weather normalization
23 results as consistent or valid. Residential use-per-customer may be declining, but
24 that does not mean that the Company's weather normalization calculations are
25 appropriate, accurate or reasonable. Under Mr. Riddle's theory, if the Residential

⁶ OCC Ex. No. 6 (Yankel Direct Testimony) at 49 lines 6-10.

1 use-per-customer were increasing, that would mean that the Company's weather
2 normalization procedure was wrong. The point is that the two items are simply
3 unrelated.

4
5 ***Q9. IN SUPPORT OF HIS POSITION ON WEATHER NORMALIZATION AND***
6 ***DECOUPLING, MR. RIDDLE INTRODUCES SUPPLEMENTAL JAR-12.⁷***
7 ***DOES THE DATA INCORPORATED ON THAT GRAPH SUPPORT THE***
8 ***COMPANY'S POSITION?***

9 ***A9.*** No. First of all, it simply repeats the Company's position that somehow declining
10 use-per-customer translates into the Company's weather normalization procedures
11 being adequate. Second, a look at the graph on Supplemental JAR-12
12 demonstrates that the decline in the data is anything but steady and relatively even
13 from year to year.
14 More important however, there once again appears to be a discrepancy in the data
15 used to develop this Duke graph and data found elsewhere in the Company's
16 filing.⁸ Mr. Riddle is presenting information that is based upon different values
17 than in the Company's original filing. It is another example of Duke's

⁷ Duke Ex. No. 25 (Riddle Supplemental Testimony) at 14.

⁸ The data in Supplemental JAR-12 claims to be "Residential Usage Per Customer Per NOAA Degree Day." Schedule C-12.3 contains actual usage and customer count data. When combining this data with National Oceanic Atmospheric Administration ("NOAA") Heating Degree Day ("HDD") data as is done on AJY-Rebuttal Exhibit 1, different results are derived than found on Supplemental JAR-12. For example, Supplemental JAR-12 portrays a value of 0.0170 MCF for 2006 for usage per customer per NOAA HDD. With the data from Duke Schedule C-12.3 and NOAA we can write the following equation:

$$27,978,156 \text{ Mcf} / 380,774 \text{ customers} / 4,430 \text{ HDD} = 0.0166 \text{ MCF}$$

One can visibly see from the graph on Supplemental JAR-12 that the Company's data does not represent this data point. The graph shows a value that is at least 0.01695 MCF. (The exact data point was not provided, but the scale of the graph allows at least this degree of certainty.) The difference between the value of 0.0170 in Mr. Riddle's testimony compared to 0.0166 in the Company's filing may appear to be small, but is inconsistent.

1 inconsistent use of data that is of concern when trying to understand the
2 methodologies used by the Company.

3
4 ***Q10. MR. RIDDLE DEFENDED THE COMPANY'S CHOICE OF A 59°F BASIS***
5 ***FOR HEATING DEGREE DAYS BY OFFERING THE GRAPHS ON HIS***
6 ***SUPPLEMENTAL JAR-1. DO THESE GRAPHS SUPPORT HIS***
7 ***CONTENTION THAT THE 59°F BASIS IS APPROPRIATE?***

8 ***A10.*** No, as a matter of fact, these graphs readily demonstrate how inappropriate the
9 choice of a 59°F basis is. Mr. Riddle makes the following statement with respect
10 to his graphs:

11 DE-Ohio plotted daily gas loads vs. daily average temperature for
12 the time period of 2000 through 2005. These graphs provide visual
13 evidence that heating loads begin around 59°F.

14
15 On Rebuttal Exhibit AJY-2, I have provided an enlarged version of the
16 Residential graph that Mr. Riddle had in his Supplemental JAR-1 page 1. Other
17 than being enlarged for ease of reference, I have included an approximate line of
18 best fit through the data. This line crosses the X-axis at Mr. Riddle's chosen
19 average daily temperature of 59°F. Note that this line could be drawn slightly
20 steeper, but it is already above all of the highest usage levels for the temperatures
21 that are at or below 14°F. However, no matter how steep the line is drawn (within
22 reason), the data in the 40-59°F would predominantly fall above this line, as long
23 as it is anchored at 59°F instead of 65°F. In other words, the line does not fit the
24 data in the 40-59°F range. Contrary to Mr. Riddle's position, this graph does not
25 provide visual evidence the heating load begins at 59 degrees.

1 **Q11. CAN ANY OTHER INFORMATION BE GLEANED FROM MR. RIDDLE'S**
2 **SUPPLEMENTAL JAR-1?**

3 **A11.** Yes. I have constructed Rebuttal Exhibit AJY-3 which was also simply an
4 enlargement of Mr. Riddle's Residential graph in Supplemental JAR-1. The
5 change I made to this graph was that I simply removed all of the data below 59°F.
6 Mr. Riddle contends that:

7 These graphs provide visual evidence that heating loads begin
8 around 59°F.

9
10 A review of Rebuttal Exhibit AJY-3 demonstrates otherwise. As one moves from
11 higher temperatures in the 80°F range down to 65°F, there is a tight pattern of
12 usage levels (no change in usage with change in temperature). Below 65°F, this
13 tight pattern begins to expand (usage is beginning to increase) as temperature
14 drops below 65°F. Heating load requirements start long before the Company's
15 proposed 59°F.

16
17 **Q12. DO YOU HAVE ANY GENERAL COMMENTS ON THE INFORMATION**
18 **PROVIDED BY MR. RIDDLE REGARDING THE SIZE OF RESIDENTIAL**
19 **DWELLINGS?**

20 **A12.** Yes. The OCC sent the following Request to Produce, No. 119, to the Company
21 and received the following response:

22 REQUEST:

23 Please provide a copy of any reports of surveys in the
24 Company's possession over the last 25 years that contains
25 information regarding the number of residential customers
26 by housing unit (single family, apartment, multi-family,
27 etc.) and sized (square foot) of dwelling.

1 RESPONSE:

2 Duke Energy Ohio does not routinely perform such surveys
3 and does not have any such surveys in its current files. The
4 Company has not performed a search of all closed files for
5 such customer surveys because it would be extremely time-
6 consuming and unduly burdensome to do so.

7
8 Now Mr. Riddle's Supplemental Testimony produces data from last year as well
9 as three additional surveys over the last 10 years representing square footage of
10 residential dwellings -- something that the Company claimed it did not have or
11 could not produce if it did have it. This Company response to a data request, in
12 combination with this 11th hour production of information to support its own case,
13 speaks volumes as to why there are concerns regarding the data being provided to
14 justify the Company's weather normalization methodology. Not only has the
15 Company denied that they had this very data, but there is now no opportunity for
16 the parties to review the information.

17
18 ***Q13. DO YOU HAVE ANY SPECIFIC COMMENTS ON THE INFORMATION***
19 ***PROVIDED BY MR. RIDDLE REGARDING THE SIZE OF RESIDENTIAL***
20 ***DWELLINGS?***

21 ***A13.*** Like the other information provided in Mr. Riddle's Supplemental Testimony, this
22 data is limited and adds nothing to the discussion. The data is not a compilation
23 of governmental data for the entire area, collected on a standardized basis. It is
24 simply a compilation of the data estimated by various "respondents" to surveys
25 conducted by the Company. There is nothing here to demonstrate the value of
26 this information. There is no explanation of how many "respondents" there were

1 each year out of how many surveys were distributed. There's no representation of
2 the "respondents" across the usage range of the Residential customers. There is a
3 question of how accurately was square footage measured, or by whom. There is
4 no statistical analysis provided by the Company in support of the conclusions;
5 therefore, the information has no credibility.

6 Beyond this is the question of does the data meet a "reality check?" Mr.
7 Riddle's testimony shows that the average dwelling size increased from 1,760
8 square feet in 2004 to 1,918 square feet in 2007. This is an increase in the
9 average size of a residential dwelling by 158 square feet or 9.0% in just 3 years.
10 This is equivalent to the addition of a 10x16 foot bedroom to every dwelling in
11 the DE-Ohio service area in the last three years. In the alternative, it is equivalent
12 to the doubling of the size of every 11th dwelling in the DE-Ohio service territory.
13 Assuming that Mr. Riddle's increase in the size of the dwellings came from new
14 construction is even more remote -- the average size of new construction in the
15 service territory would have had to average 4,995 square for every single family
16 unit, including apartment and condos.⁹ None of these scenarios pass a "reality
17 check." The Company has merely provided data that on its face should be
18 considered inaccurate.

19

⁹ OCC Ex. NO. 12 (Company Schedule C-12.3) lists the average number of Residential customers in 2004 as 373,424 and in the 2007 test years as 392,599 for an increase of 19,175 customers over this three-year period. If the average size of a dwelling in 2004 was 1,760 sq. ft., then the total square footage would have been 657,226,000. If the average size dwelling in 2007 was 1,918 sq. ft., then the total square footage would have been 753,005,000. The increase in total square footage would have been 95,779,000 sq. ft. Divided by additional 19,175 customers yields 4,995 sq. ft average for each new customer.

**Q14. ARE THERE ANY OVERALL OBSERVATIONS YOU WOULD LIKE TO
MAKE WITH RESPECT TO MR. RIDDLES'S SUPPLEMENTAL
TESTIMONY?**

A14. I did not find Mr. Riddle's supplemental testimony to directly address most of the issues I raised in my Direct Testimony. As evidence of this I offer the following observations:

- On the bottom of page 3 and carrying over to page 4 of his Supplemental Testimony, Mr. Riddle lists a number of "R"-Square values that he calculated using different base temperatures. There is no information provided regarding what input data was used, over what range of temperatures, or what regression equations resulted. Basically, this isolated information adds nothing to the discussion.
- On page 4 of his Supplemental testimony Mr. Riddle introduces Supplemental JAR-2 that indicates that 16% of the "respondents in a survey used a base temperature other than 65°F." This bit of information says nothing regarding the validity of the Company's weather normalization calculations or its choice of a base of 59°F.
- On page 5 of his Supplemental testimony Mr. Riddle supports his choice of a 10-year average to define "normal" through his Supplemental JAR-3 which is a copy of the "AEO 2008 Overview" wherein Mr. Riddle states that the Energy Information Administration ("EIA") just changed to a 10-year average. Mr. Riddle goes on to provide Supplemental JAR-4, which he purports is from an EIA employee, that explains the reasons for the change. However, on page 1 of Supplemental JAR-4, the EIA employee wrote to Mr. Riddle:

Since we've pulled back the AEO 2008 reference case in order to incorporate the new Energy Bill, things have been delayed, so there is no official document at this point. (Emphasis added)
- Mr. Riddle's Supplemental JAR-5 is another survey. Once again, the results of a survey of other companies does not mean that DE-Ohio's weather normalization calculations are correct.
- On page 7 of his Supplemental Testimony Mr. Riddle contends that the NOAA 30-year normal performed no better as a predictor than did his 10-year normal. Admittedly the 30-year normal data

1 did not perform well, but as seen from Mr. Riddle's own table on
2 page 7 of his Supplemental Testimony, the 30-year data performed
3 better than the 10-year data for each year listed.

- 4 • Supplemental JAR-6 is another government based document that
5 Mr. Riddle seems to introduce in support of his use of a 10-year
6 normal. However, this document only indicates that NOAA is
7 looking:

8 ... forward to continuing to work closely with all segments of the
9 energy/utility industry to strategize on ways to provide better
10 climate normals.

11 There is no mention here that a 10-year average is considered
12 appropriate by NOAA.

- 13 • On page 11 of Mr. Riddle's testimony he takes issue with my
14 concerns regarding the fact that when the Company used its
15 historic HDD treatment it produced different results (compared to
16 the treatment in this case) for FT and IT customers during the
17 summer months when there is virtually no HDD data recorded.
18 Mr. Riddle's explanation that some of the usage data shifted from
19 IT to FT simply ignores the question -- Why do these volumes
20 change for customers that have little HDD sensitivity, when there
21 is little or no HDD data during these months anyway?

22
23 **V. RESIDENTIAL RATE DESIGN**

24 ***Q15. ON PAGE 12 OF HIS SECOND SUPPLEMENTAL TESTIMONY MR.***
25 ***STORCK INDICATES THAT HE DOES NOT FAVOR A SMALL***
26 ***CUSTOMER CHARGE IN ORDER TO KEEP THE VOLUMETRIC RATE AS***
27 ***HIGH AS POSSIBLE. DO YOU AGREE WITH EACH OF THE THREE***
28 ***REASONS HE PRESENTS?***

29 ***A15.*** No. His first premise is that he believes that: "A customer is more likely to
30 replace appliances near the end of their useful life." Although this may be true,
31 this is another fact that is simply off the mark. First of all, appliance replacement
32 is taking place everyday, so these are choices being made by real customers

1 everyday that have “appliances near the end of their useful life.” Additionally, as
2 pointed out in Mr. Riddle’s testimony, the decisions to consume are not simply
3 based upon the purchase of new equipment¹⁰:

4 Mr. Yankel also assumes that conservation is only accomplished
5 through the purchase of higher efficiency appliances and
6 insulation. While these items play a key role in customer
7 conservation, customers can conserve (or not conserve) simply by
8 adjusting their thermostat. Customers can even change their
9 thermostat setting from one year to the next. If customers believe
10 that gas is more expensive relative to electric, they can use portable
11 electric space heaters in lieu of the gas furnace. And if that
12 gas/electric price relationship changes the next year, customers
13 could put the electric heaters away and go back to using the gas
14 furnace.

15 If customers are so price sensitive as to be switching between electric and gas for
16 space heating needs, it is obvious that the lower the overall price of natural gas
17 (commodity and base rates) the less natural gas conservation will take place. The
18 Company cannot have it both ways -- either the customers are very sophisticated
19 in their energy consumption decision-making, as Mr. Riddle testifies, or are
20 inclined to make adjustments only at the end of an appliance’s useful life as
21 testified to by Mr. Storck.

22 The second reason brought up by Mr. Storck regarding his belief that the
23 volumetric rate does not need to be as high as possible to promote conservation is
24 that: “customers tend to look at their total energy bill rather than preparing a
25 sophisticated variable cost analysis of the distribution charge, natural gas cost and
26 riders.” As pointed out above, Mr. Riddle believes that customers are
27 sophisticated enough to compare their marginal costs of electric versus marginal
28 natural gas usage in their decision making process. In any event, a customer does

¹⁰ Duke Ex. No. 25 (Riddle Supplemental Testimony) at 14.

1 not have to do a sophisticated analysis to make a decision. For the Company's
2 larger use customer, there will be a significant decrease in the overall bill. If the
3 total bill decreases 10% because the customer charge is raised, but the volumetric
4 rate is decreased, this would certainly not be sending a price signal to conserve.
5 Likewise, for the smaller use customers, an increased customer charge with less
6 price sensitivity to usage will not be sending a price signal to conserve either.

7 Mr. Storck's third premise is that: "the majority of a customer's bill (over
8 75% under the Company's or Staff's proposed rates) will be based on a
9 volumetric rate." This is another fact that is simply wide of the mark. We are
10 addressing incentives to promote conservation. Having 75% of the bill related to
11 the volume used may seem as if it provides an incentive for conservation, but
12 changing the percentage of the bill that is based upon the volume used from 90%
13 down to 75% does not promote conservation -- it is simply a reduction from
14 today's level of incentives.

15
16 ***Q16. MR. STORCK PROVIDED TESTIMONY THAT SUPPORTS THE PUCO***
17 ***STAFF'S MOVEMENT TOWARD A STRATIGHT FIXED VARIABLE***
18 ***("SFV") RATE DESIGN. DO YOU AGREE WITH THE STAFF'S***
19 ***PROPOSED MOVEMENT TOWARD A SFV RATE DESIGN?***

20 ***A16.*** No. The movement to a SFV rate design is simply a movement away from
21 decades of Commission decisions and State policies that were designed to
22 promote conservation of what was (is) believed to be limited natural resources of
23 natural gas. The SFV rate design would guarantee the Company a more stable

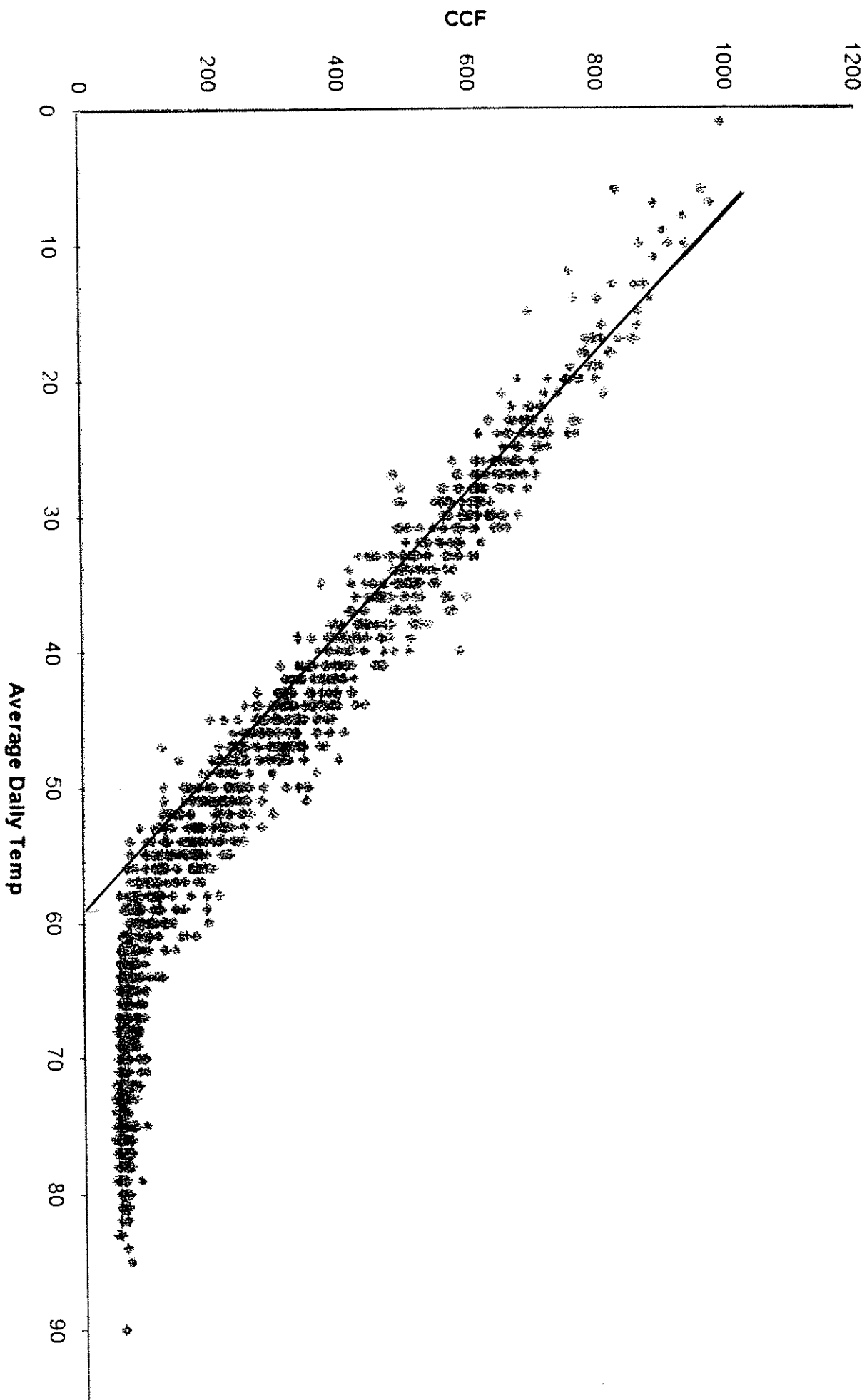
1 revenue stream. The SFV rate design may be easier for the Staff to review and
2 audit, but the Staff's desire to limit its future work is not a compelling rationale to
3 support an SFV rate design. In addition, the SFV rate design is a step backward
4 with respect to the promotion of conservation. The decision is the Commission's,
5 but the Commission must recognize that it can not continue to promote
6 conservation at its present level and adopt the Staff's proposed SFV. It is an
7 either-or decision, and I recommend that the Commission promote conservation
8 by adopting a customer charge for residential customers that is no higher than the
9 present \$6.00 customer charge.

10 ***Q17.*** Does this conclude your rebuttal testimony?

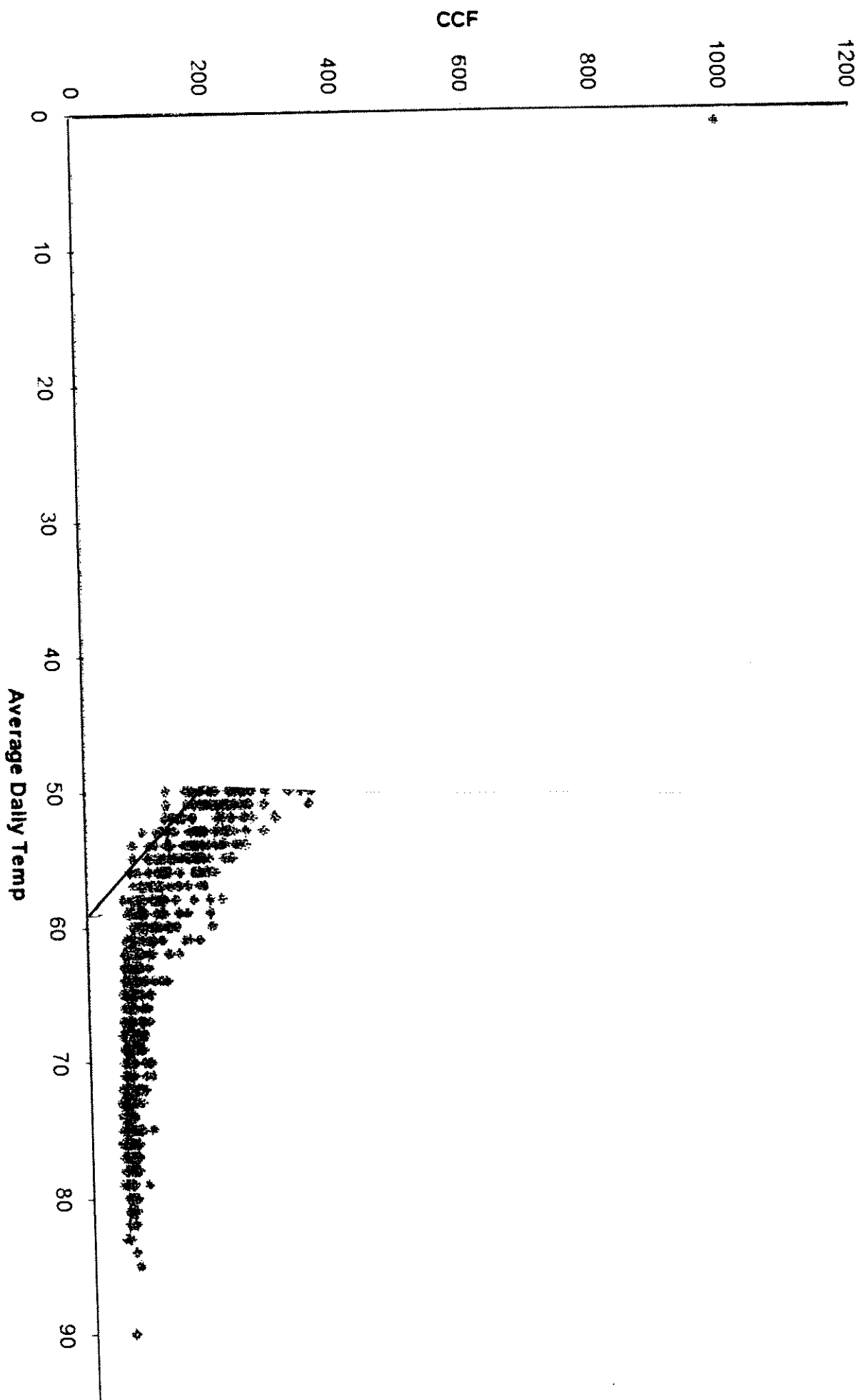
11 ***A17.*** Yes, however, I reserve the right to supplement my testimony to incorporate new
12 information that may subsequently become available.
13
14

Actual MCF per Residential Customer per HDD									
(Based upon Company Schedule C-12.3)									
	RS	RS	MCF per	RFT	RFT	MCF per	Total Res.	Total Res.	MCF per
	HDD	MCF	customers	MCF	customers	Cust/HDD	MCF	customers	Cust/HDD
2002	4,938	28,555,868	323,240	3,982,084	41,802	0.0193	32,537,952	365,042	0.0181
2003	5,180	31,647,448	334,062	3,639,106	35,146	0.0200	35,286,554	369,208	0.0185
2004	4,847	30,411,350	345,047	2,639,016	28,377	0.0192	33,050,366	373,424	0.0183
2005	4,925	29,978,541	349,389	2,564,802	28,153	0.0185	32,543,343	377,542	0.0175
2006	4,430	25,298,116	342,091	2,680,040	38,683	0.0156	27,978,156	380,774	0.0166

Residential



Residential



CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Rebuttal Testimony of Anthony J. Yankel* on behalf of the Office of the Ohio Consumers' Counsel has been served upon those persons listed below via hand-delivery & electronically, prepaid, this 6th day of March, 2008.



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*Prepared Rebuttal Testimony of Anthony J. Yankel
On Behalf of the Office of the Ohio Consumers' Counsel
PUCO Case No. 07-589-AIR et al.*

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Summary: Testimony Rebuttal Testimony of Anthony J. Yankel on Behalf of the Office of the Ohio Consumers' Counsel electronically filed by Mrs. Bonnie C Morava on behalf of Office of the Ohio Consumers' Counsel