

**FILE**

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DE-OHIO EXHIBIT \_\_\_\_\_

**PUCO**

**BEFORE**

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of	)	
Duke Energy Ohio for an	)	Case No. 08-709-EL-AIR
Increase in Electric Distribution Rates	)	
	)	
In the Matter of the Application of	)	
Duke Energy Ohio for Tariff	)	Case No. 08-710-EL-ATA
Approval	)	
	)	
In the Matter of the Application of	)	
Duke Energy Ohio for Approval	)	Case No. 08-711-EL-AAM
to Change Accounting Methods	)	

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**DIRECT TESTIMONY OF**

**CARL J. COUNCIL, JR.**

**ON BEHALF OF**

**DUKE ENERGY OHIO**

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_____	Management policies, practices, and organization
_____	Operating income
_____	Rate Base
_____	Allocations
_____	Rate of return
_____	Rates and tariffs
<u>  X  </u>	Other: Plant in Service

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August 8, 2008

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**DIRECT TESTIMONY OF**

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Testimony relating to Plant in Service

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**I.     INTRODUCTION AND PURPOSE**

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

2     A.     My name is Carl J. Council, Jr., and my business address is 526 South Church Street,  
3             Charlotte, North Carolina 28202-1803.

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

5     A.     I am employed by the Duke Energy Corporation (Duke Energy) affiliated companies as  
6             Director, Asset Accounting.

7     **Q.     PLEASE    SUMMARIZE    YOUR    EDUCATION    AND    PROFESSIONAL**  
8             **QUALIFICATIONS.**

9     A.     I am a graduate of the University of North Carolina at Charlotte with a Bachelor of  
10            Science degree in Accounting. I am a Certified Public Accountant and a member of the  
11            American Institute of Certified Public Accountants. I am also a member of the Edison  
12            Electric Institute Property Accounting and Valuation Committee.

13    **Q.     PLEASE SUMMARIZE YOUR WORK EXPERIENCE.**

14    A.     I began my employment with Duke Energy in the Controller's Department in 1982 as a  
15            Financial and Accounting Assistant. In 1989, I moved to the Internal Audit Department  
16            as an Internal Auditor. In 1992, I moved to the Treasury Department as an assistant to the  
17            Treasurer. I became a Financial Analyst in the Corporate Finance Department in 1994  
18            and a Senior Financial Analyst in 1997, specializing in economic analysis/business unit  
19            valuation, cost of capital calculations and issues, and capital markets issuances. In 1999,  
20            I moved to the Rates & Regulatory Affairs Department as Manager, Regulatory  
21            Accounting, focusing on affiliate code of conduct and electric restructuring issues, as well  
22            as the monthly and annual fuel clause reporting. In 2001, I was named Director, Asset

1 Accounting for Duke Power. In 2006, I assumed my current position as Director, Asset  
2 Accounting for the Duke Energy U.S. Franchised Electric & Gas Commercial Business  
3 Unit.

4 **Q. PLEASE DESCRIBE YOUR DUTIES AS DIRECTOR, ASSET ACCOUNTING.**

5 A. As Director, Asset Accounting, I have responsibility for the accounting activities within  
6 Duke Energy's U.S. Franchised Electric & Gas Commercial Business Unit related to  
7 fixed assets, including depreciation and nuclear decommissioning, materials and supplies  
8 inventory, fuel, including both inventory and payment of fuel invoices, and emission  
9 allowances.

10 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC UTILITIES**  
11 **COMMISSION OF OHIO?**

12 A. Yes. Most recently, I provided testimony in support of Duke Energy Ohio's (DE-Ohio or  
13 Company) gas rate case application in Case No. 07-589-GA-AIR.

14 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

15 A. I am responsible for net plant in service and construction work in progress contained in  
16 rate base as of the date certain, March 31, 2008, and other plant-related items. I sponsor  
17 the following Schedules: B-2, B-2.1, B-2.2, B-2.3, B-2.4, B-2.5, B-3, B-3.1, B-3.2, B-  
18 3.2a, B-3.3, B-3.4, B-4, B-4.1, B-4.2, B-6.2, B-9, page 1 of Schedule D-5, and  
19 Supplemental Filing Requirements (C)(9) (C)(15), (C)(18), (C)(19), (C)(20), (C)(21),  
20 (C)(22) and (C)(24). These schedules and filing requirements were prepared under my  
21 direction and supervision or subject to my review.

**II. SCHEDULES AND FILING REQUIREMENTS**  
**SPONSORED BY WITNESS**

**Q. PLEASE DESCRIBE THE INFORMATION CONTAINED IN THE SCHEDULES OF SECTION B THAT YOU SPONSOR.**

A. The schedules of Section B that I sponsor develop the Jurisdictional Net Plant In Service. The schedules are based on DE-Ohio's property records as of March 31, 2008, the date certain in this proceeding.

**Q. PLEASE DESCRIBE SCHEDULE B-2.**

A. Schedule B-2 shows the investment in electric plant in service, including allocated common plant by major property grouping, as of the date certain, March 31, 2008. The amount shown in the column labeled "Adjusted Jurisdiction" represents plant in service that is used and useful in providing electric distribution service to DE-Ohio's jurisdictional customers.

**Q. PLEASE DESCRIBE SCHEDULE B-2.1.**

A. Schedule B-2.1 consists of a further breakdown of Schedule B-2 by the Federal Energy Regulatory Commission (FERC) and Company Account for each major property grouping. The plant investment shown in the column labeled "Adjusted Jurisdiction" represents plant in service that is used and useful in providing electric distribution service to DE-Ohio's jurisdictional customers.

**Q. PLEASE DESCRIBE SCHEDULE B-2.2.**

A. Schedule B-2.2 shows proposed adjustments to plant in service. DE-Ohio eliminated from plant in service \$1,532,977 for facilities at the Hartwell Recreation Facility. The detail for the adjustment is shown on schedule B-2.5.

**Q. PLEASE DESCRIBE SCHEDULE B-2.3.**

1 A. Schedule B-2.3 shows gross additions, retirements and transfers by FERC and Company  
2 Account for each major property grouping from September 30, 2004, the date certain in  
3 the DE-Ohio's most recent electric distribution rate case, Case No. 05-59-EL-AIR,  
4 through the date certain in this case of March 31, 2008.

5 **Q. PLEASE DESCRIBE SCHEDULE B-2.4.**

6 A. Schedule B-2.4 is entitled "Leased Property." This schedule presents the detail of DE-  
7 Ohio's plant investment in electric meters capitalized in Account 3701- Meters (DE-Ohio  
8 began leasing electric meters in 1999) and leasehold improvements that are capitalized in  
9 Account 1900 - Structures and Improvements. DE-Ohio made capital improvements to  
10 leased office space at the Fourth and Walnut (Clopay) Building and the Atrium II  
11 Building, both located in downtown Cincinnati.

12 **Q. PLEASE DESCRIBE SCHEDULE B-2.5.**

13 A. Schedule B-2.5 contains data on property excluded from rate base. The property is  
14 detailed by DE-Ohio account and vintage year. DE-Ohio has excluded the original cost  
15 and accumulated depreciation and amortization of the Hartwell Recreation Facility from  
16 rate base. Totals on Schedule B-2.5 are carried forward to Schedule B-2.2 as an  
17 adjustment to plant in service and Schedule B-3.1 as an adjustment to accumulated  
18 depreciation and amortization.

19 **Q. PLEASE DESCRIBE SCHEDULE B-3.**

20 A. Schedule B-3 shows the total plant investment and the Reserve for Accumulated  
21 Depreciation and Amortization by FERC and Company Account grouping as of March  
22 31, 2008. The allocated jurisdictional reserve in the last column is applicable to the  
23 jurisdictional plant shown on Schedule B-2, "Allocated Jurisdiction."

1   **Q.   PLEASE DESCRIBE SCHEDULE B-3.1.**

2   A.   Schedule B-3.1 shows proposed adjustments to Accumulated Depreciation and  
3       Amortization. DE-Ohio has eliminated from Accumulated Depreciation and  
4       Amortization \$356,192 associated with the Hartwell Recreation Facility. The detail for  
5       the adjustment is shown on Schedule B-2.5.

6   **Q.   PLEASE DESCRIBE SCHEDULE B-3.2.**

7   A.   Schedule B-3.2 lists the jurisdictional plant investment and reserve balance at March 31,  
8       2008, for each FERC and Company Account within each major property grouping. It  
9       also shows the proposed depreciation and amortization accrual rate, calculated annual  
10      depreciation and amortization expense, percentage of net salvage, average service life and  
11      curve form, as applicable, for each account. The calculated annual depreciation and  
12      amortization for Electric Plant was determined by multiplying the allocated jurisdictional  
13      plant investment at March 31, 2008, by the proposed electric depreciation or amortization  
14      accrual rate. With this filing, DE-Ohio filed with the Commission proposed depreciation  
15      and amortization accrual rates. The account numbers referred to in the depreciation study  
16      were those in effect at December 31, 2007, for DE-Ohio. These depreciation and  
17      amortization accrual rates were established by Mr. John J. Spanos of Gannett Fleming  
18      Valuation and Rate Consultants, Inc., who supports the depreciation and amortization  
19      study in his testimony. DE-Ohio requests that the Commission approve the depreciation  
20      and amortization accrual rates included in this filing and that the depreciation and  
21      amortization accrual rates be effective with the electric rates established in this case.

22   **Q.   PLEASE DESCRIBE SCHEDULE B-3.2a.**

23   A.   Schedule B-3.2a is the same as Schedule B-3.2, except that it shows the current



1 depreciation and amortization accrual rate and current annual depreciation and  
2 amortization expense. DE-Ohio is filing Schedule B-3.2a so that the current and  
3 proposed depreciation and amortization accrual rates, and resulting depreciation and  
4 amortization expense, can be easily compared.

5 **Q. PLEASE DESCRIBE SCHEDULE B-3.3.**

6 A. Schedule B-3.3 shows depreciation accruals, salvage, retirements, cost of removal and  
7 transfers by FERC and Company Account for each major property grouping from  
8 September 30, 2004, the date certain in DE-Ohio's most recent electric distribution rate  
9 case, Case No. 05-59-EL-AIR, through the date certain in this case of March 31, 2008.

10 **Q. PLEASE DESCRIBE SCHEDULE B-3.4.**

11 A. Schedule B-3.4 contains accumulated depreciation reserve, depreciation rates and the  
12 annual depreciation expense for leased property. This data is presented for electric meters  
13 that DE-Ohio began leasing in 1999. This schedule also presents DE-Ohio's plant  
14 investment for Leasehold Improvements by location, the accumulated amortization  
15 reserve, the amortization rates and the annual amortization expense for the leasehold  
16 improvements. This amortization is associated with capital improvements as shown on  
17 Schedule B-2.4.

18 **Q. PLEASE DESCRIBE SCHEDULE B-4.**

19 A. Schedule B-4 is a list of all major projects that qualify for inclusion in rate base as  
20 construction work in progress (CWIP) at the date certain. The Company has not included  
21 any CWIP in rate base in this rate proceeding.

22 **Q. PLEASE DESCRIBE SCHEDULE B-4.1.**

23 A. This schedule provides additional information for the projects listed on Schedule B-4.

1 Since no projects were listed on Schedule B-4, no data is provided on Schedule B-4.1.

2 **Q. PLEASE DESCRIBE SCHEDULE B-4.2.**

3 A. This schedule provides additional information for the projects listed on Schedule B-4.

4 Since no projects were listed on Schedule B-4, no data is provided on Schedule B-4.2.

5 **Q. PLEASE DESCRIBE SCHEDULE B-6.2.**

6 A. This schedule presents Contributions in Aid of Construction by Account and Subaccount.

7 DE-Ohio nets all Contributions in Aid of Construction against gross plant pursuant to  
8 Federal Power Commission (now FERC) Order No. 490.

9 **Q. PLEASE DESCRIBE SCHEDULE B-9.**

10 A. This schedule includes projects that were in CWIP at the date certain of DE-Ohio's most  
11 recent electric distribution rate case and included in rate base. Since DE-Ohio did not  
12 include any CWIP projects in rate base in its last electric distribution rate case, Case No.  
13 05-59-EL-AIR, no data is provided on Schedule B-9.

14 **Q. PLEASE DESCRIBE PAGE 1 OF SCHEDULE D-5.**

15 A. I sponsor page 1, of Schedule D-5, which includes plant in service by major property  
16 grouping and Reserve for Accumulated Depreciation and Amortization by utility service  
17 as of March 31, 2008, the date certain, and December 31, 2007, and for each of the nine  
18 prior years. Plant held for future use, acquisition adjustments, construction work in  
19 progress and composite depreciation rates have also been provided for the same periods.  
20 Schedule D-5 presents this information for DE-Ohio as of the date certain and December  
21 31, 2007, for each of the nine prior years. This information is a true and accurate  
22 representation of these DE-Ohio accounts and/or depreciation rates used by DE-Ohio  
23 during this period.

1    **Q.    PLEASE DESCRIBE SUPPLEMENTAL FILING REQUIREMENT (C)(9).**

2    A.    Supplemental Filing Requirement (C)(9) provides information on CWIP from the prior  
3       rate case. There was no CWIP included in the prior rate case.

4    **Q.    PLEASE DESCRIBE SUPPLEMENTAL FILING REQUIREMENT (C)(15).**

5    A.    Supplemental Filing Requirement (C)(15) provides information on depreciation expense  
6       related to specific accounts that are charged to clearing accounts.

7    **Q.    PLEASE DESCRIBE SUPPLEMENTAL FILING REQUIREMENT (C)(18).**

8    A.    Supplemental Filing Requirement (C)(18) requests information in the same general  
9       format as Schedule B-2.3, which shows plant in service data from the date certain in DE-  
10      Ohio's last general electric distribution base rate case to the date certain in the current  
11      case. The requested information is available on workpaper WPB-2.3.

12   **Q.    PLEASE DESCRIBE SUPPLEMENTAL FILING REQUIREMENT (C)(19).**

13   A.    Supplemental Filing Requirement (C)(19) requires that DE-Ohio provide the allocation of  
14      the depreciation reserve if it was allocated based on a theoretical study. The depreciation  
15      reserve was not allocated to accounts based on a theoretical reserve study. See the  
16      depreciation study supported by the testimony of Mr. Spanos.

17   **Q.    PLEASE DESCRIBE SUPPLEMENTAL FILING REQUIREMENT (C)(20).**

18   A.    Supplemental Filing Requirement (C)(20) requires that DE-Ohio provide the depreciation  
19      study supporting any proposed changes to its depreciation accrual rates. The depreciation  
20      rates are sponsored by Mr. Spanos, who prepared the depreciation study provided in  
21      response to this filing requirement.

22   **Q.    PLEASE DESCRIBE SUPPLEMENTAL FILING REQUIREMENT (C)(21).**

23   A.    Supplemental Filing Requirement (C)(21) requests information in the same general

1 format as Schedule B-3.3, which shows depreciation reserve data from the date certain in  
2 DE-Ohio's last general electric distribution base rate case to the date certain in the current  
3 case. The requested information is available on workpaper WPB-3.3.

4 **Q. PLEASE DESCRIBE SUPPLEMENTAL FILING REQUIREMENT (C)(22).**

5 A. Supplemental Filing Requirement (C)(22) requests information related to construction  
6 projects that are 75% complete. The Company has not included CWIP in this rate case.

7 **Q. PLEASE DESCRIBE SUPPLEMENTAL FILING REQUIREMENT (C)(24).**

8 A. Supplemental Filing Requirement (C)(24) is information concerning surviving dollars by  
9 vintage year of placement (original cost data as of date certain).

### III. CONCLUSION

10 **Q. WERE SCHEDULES B-2, B-2.1, B-2.2, B-2.3, B-2.4, B-2.5, B-3, B-3.1, B-3.2, B-3.2a,**  
11 **B-3.3, B-3.4, B-4, B-4.1, B-4.2, B-6.2, B-9, THE INFORMATION ON PAGE 1 OF**  
12 **SCHEDULE D-5, AND SUPPLEMENTAL FILING REQUIREMENTS (C)(9),**  
13 **(C)(15), (C)(18), (C)(19), (C)(20), (C)(21), (C)(22), AND (C)(24) PREPARED BY**  
14 **YOU OR UNDER YOUR DIRECTION AND SUPERVISION?**

15 A. Yes.

16 **Q. IS THE INFORMATION CONTAINED IN THESE ACCURATE TO THE BEST**  
17 **OF YOUR KNOWLEDGE AND BELIEF?**

18 A. Yes.

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

20 A. Yes.