

FILE

DE-OHIO EXHIBIT _____

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

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

SUPPLEMENTAL DIRECT TESTIMONY OF

JAMES E. ZIOLKOWSKI

ON BEHALF OF

DUKE ENERGY OHIO

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

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THE PUBLIC UTILITIES COMMISSION OF OHIO

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Supplemental Direct Testimony discussing Duke Energy Ohio's proposed rate design.

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I. INTRODUCTION AND PURPOSE

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

2 A. My name is James E. Ziolkowski, and my business address is 139 East Fourth
3 Street, Cincinnati, Ohio 45202.

4 **Q. ARE YOU THE SAME JAMES E. ZIOLKOWSKI WHO PREVIOUSLY**
5 **SUBMITTED DIRECT TESTIMONY IN THESE PROCEEDINGS?**

6 A. Yes, I am.

7 **Q. DID YOU FILE DIRECT TESTIMONY IN THIS PROCEEDING ON**
8 **BEHALF OF DUKE ENERGY OHIO, INC. ("DE-OHIO")?**

9 A. Yes.

10 **Q. WHAT IS THE PURPOSE OF THIS SUPPLEMENTAL TESTIMONY?**

11 A. I support Objections Nos. 16, 17 and 18 in DE-Ohio's Objections to Staff Report
12 of Investigation, filed January 27, 2009.

II. OBJECTION NO. 16

13 **Q. PLEASE EXPLAIN THE COMPANY'S OBJECTION RELATED TO THE**
14 **STAFF'S RECOMMENDATION FOR THE COMPANY'S PROPOSED**
15 **MODIFICATIONS TO ITS ECONOMIC DEVELOPMENT RIDERS.**

16 A. The Company objects to the Staff's recommendation to exclude the minimum
17 load requirement included in the Brownfield Redevelopment portion of the
18 proposed Rider DIR (Development Incentive Rider). The Company believes a
19 minimum threshold level is an appropriate condition of service under this rider
20 and should be approved.

1 **Q. WHY IS THE MINIMUM THRESHOLD LEVEL NECESSARY?**

2 A. The Company proposes that customers who participate in the Brownfield
3 Redevelopment portion of Rider DIR should have a minimum demand of 250 kW.
4 The Rider DIR incentives are equal to fifty percent of the distribution demand
5 charges incurred by the customer. The Company believes that, without a minimum
6 demand requirement, the incentives paid to some small customers would be
7 insignificant to the customer's decision to locate a facility in a Brownfield site.
8 Rider DIR bill credits will be processed manually by the Company, and it is
9 conceivable that in some cases the Company's cost to prepare a very small
10 customer's monthly bill could exceed the value of the credit.

11 **III. OBJECTION NO. 17**

12 **Q. PLEASE EXPLAIN THE COMPANY'S OBJECTION REGARDING**
13 **STREET LIGHTING SERVICE – CUSTOMER OWNED (RATE SC)?**

14 A. The Company objects to the Staff's failure to include a recommendation regarding
15 its proposal phase out Customer-Owned Street Lighting Service (Rate SC). As
16 explained in my Direct Testimony, the Company believes its proposal is
17 appropriate and should be approved. Rate SC is duplicative of the Company's
18 other street lighting rates and is no longer necessary. The Staff's Report failed to
19 list the phase out of Rate SC as part of its recommendations.

20 **Q. WILL PHASING OUT RATE SC BENEFIT LIGHTING CUSTOMERS?**

21 A. Yes. Rate OLE provides a one-on-one equipment contract with the customer
22 where the customer pays the current cost of the lighting system. This locks in the
23 customer's equipment cost, insulates customers from future rate increases on the

1 equipment portion of the lights, and eliminates subsidies to and from other
2 lighting customers. Customers will have an option to pay for the physical lighting
3 equipment up-front or over time, up to a maximum of ten years. Once the
4 customer has fully paid-off the lighting equipment costs, they will no longer have
5 a monthly payment for the equipment and will be required to pay only for
6 maintenance. In contrast, Rate SC customers pay a single monthly fee, which
7 includes an equipment charge, as long as they require electric service. If the
8 customer's lighting system exceeds the average system life, they end up over-
9 paying for the physical equipment since their rates remain the same.

10 **Q. WILL ELIMINATING RATE SC RESULT IN HIGHER LIGHTING**
11 **COSTS FOR CUSTOMERS?**

12 **A.** Customers who install new systems will see higher lighting equipment costs in the
13 first years relative to the current tariff, but will see only maintenance and energy
14 costs in the later years, as discussed above.

15 **IV. OBJECTION NO. 18**

16 **Q. PLEASE EXPLAIN THE COMPANY'S OBJECTION REGARDING ITS**
17 **SHOPPING CREDIT RIDER (RIDER SC).**

18 **A.** At the time of DE-Ohio's application, Rider SC (Shopping Credit Rider) was
19 dormant and set at zero. Rider SC was originally established in the Company's
20 Transition Case, Case No. 99-1658-EL-ATA to provide shopping credits to
21 customers taking generation from a Competitive Retail Electric Service ("CRES")
22 provider during the Market Development Period. Rider SC was set at zero after
23 December 31, 2005, when the Market Development Period ended for all of DE-

1 Ohio's customer classes. Although DE-Ohio did request to eliminate Rider SC as
2 part of this proceeding, since that time DE-Ohio has re-implemented Rider SC as
3 the mechanism to flow through shopping credits to non-residential customers
4 pursuant to the terms of DE-Ohio's Electric Security Plan (ESP). Accordingly,
5 Rider SC is in use pursuant to DE-Ohio's ESP and should not be cancelled at this
6 time.

V. CONCLUSION

7 **Q. DOES THIS CONCLUDE YOUR PRE-FILED SUPPLEMENTAL**
8 **TESTIMONY?**

9 **A. Yes.**