

FILE

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke)
 Energy Ohio, Inc. for an Increase in Electric) Case No. 08-709-EL-AIR
 Distribution Rates)
)
 In the Matter of the Application of Duke) Case No. 08-710-EL-ATA
 Energy Ohio, Inc. for Tariff Approval)
)
 In the Matter of the Application of Duke) Case No. 08-710-EL-AAM
 Energy Ohio, Inc. for Approval to)
 Change Accounting Methods)
)
 In the Matter of the Application of Duke) Case No. 06-718-EL-ATA
 Energy Ohio, Inc. for Approval of its Rider)
 BDP, Backup Delivery Point Rider)

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Prepared Testimony
 of
 Carlos J. Garcia
 Accounting and Electricity Division
 of the Utilities Department

Staff Exhibit __

March 30, 2009

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 Technician AMP Date Processed 3/30/09

1 Raza Unida of Ohio from 1977 to 1978 as a Junior Accountant. In
2 1979 I was employed by Isabelle Ridgway Nursing Home as Office
3 Manager. In July 1980 I was employed by the Commission as Staff
4 Accountant and was assigned to my present position in January
5 2005.

6 5. Q. What is the purpose of your testimony in this proceeding?

7 A. I will respond to the portion of Applicant's Objection 4 concerning
8 the Staff's recommendation that no allowance should be made for
9 working capital in rate base because the Applicant did not file a
10 lead-lag study.

11 6. Q. In Objection 4, the Applicant states that it agrees with the Staff's
12 recommendation as it applies solely to the cash component of
13 working capital since it is not seeking cash working capital in rate
14 base. However, the Applicant contends that it has significant non-
15 cash working capital investment that should be part of the rate base.
16 How do you respond?

17 A. Since the early 1980s, the Commission has required that larger
18 utilities (including the Applicant's predecessor company Cincinnati
19 Gas & Electric in Case No. 83-1529-GA-AIR) determine the cash
20 portion of the total allowance for working capital via a lead-lag
21 study. The results of the lead-lag study, whether positive or negative,
22 are added to a thirteen month average for the materials and supplies

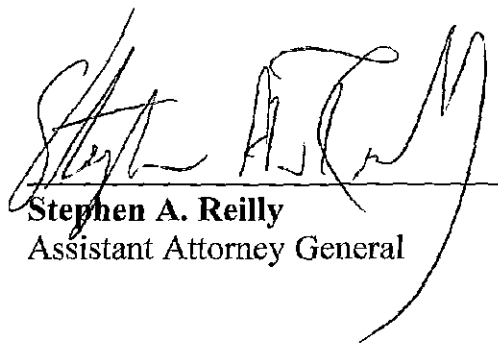
1 inventory to arrive at the total allowance for working capital. The
2 Applicant's recommendation to include the materials and supplies
3 inventory in working capital but not include the cash component
4 fails to account for the fact that the cash component from the lead-
5 lag study could be negative. A negative cash component could
6 reduce the amount or completely eliminate the need for an allowance
7 for working capital. Absent of a lead-lag study in this case, the Staff
8 is unable to determine the total allowance for working capital.
9 Therefore, the Staff continues to recommend that the Applicant's
10 total allowance for working capital for inclusion in the rate base
11 should be set at zero.

12 7. Q. Does this conclude your direct testimony?

13 A. Yes it does.

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Testimony of Carlos J. Garcia was served via electronic mail and/or regular U.S. mail, postage prepaid upon the following parties of record this 30th day of March, 2009.



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