

FILE

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the Application of)
Duke Energy Ohio, Inc. for an)
Increase in Electric Distribution Rates)

Case No. 08-709-EL-ATA

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In the Matter of the Application of)
Duke Energy Ohio, Inc. for)
Tariff Approval)

Case No. 08-710-EL-ATA

In the Matter of the Application of)
Duke Energy Ohio, Inc. for Approval)
To Change Accounting Methods)

Case No. 08-7110-EL-AAM

In the Matter of the Application of Duke)
Energy Ohio, Inc. for Approval of its)
Rider BDP, Backup Delivery Point Rider)

Case No. 06-718-EL-ATA

SECOND SUPPLEMENTAL TESTIMONY OF

WILLIAM DON WATHEN JR.

ON BEHALF OF

DUKE ENERGY OHIO, INC.

_____ Management policies, practices, and organization

_____ Operating income

_____ Rate Base

_____ Allocations

_____ Rate of return

_____ Rates and tariffs

 x Other

June 15, 2009

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business technician _____ Date Processed JUN 15 2009

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke Energy Ohio, Inc. for an Increase in Electric Distribution Rates)))	Case No. 08-709-EL-AIR
In the Matter of the Application of Duke Energy Ohio, Inc. for Tariff Approval)))	Case No. 08-710-EL-ATA
In the Matter of the Application of Duke Energy Ohio, Inc. for Approval To Change Accounting Methods)))	Case No. 08-711-EL-AAM
In the Matter of the Application of Duke Energy Ohio, Inc. for Approval of its Rider BDP, Backup Delivery Point Rider)))	Case No. 06-718-EL-ATA

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ON BEHALF OF

DUKE ENERGY OHIO, INC.

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Testimony supporting Schedule A-1, filed on May 8, 2009, and the Staff's clarifying letter filed on May 29, 2009.

I. INTRODUCTION

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

2 **A. My name is William Don Wathen Jr. My business address is 139 East Fourth Street,**
3 **Cincinnati, Ohio 45202**

4 **Q. DID YOU FILE DIRECT AND SUPPLEMENTAL TESTIMONY IN THIS**
5 **PROCEEDING ON BEHALF OF DUKE ENERGY OHIO INC. (“DE-**
6 **OHIO”)?**

7 **A. Yes.**

8 **Q. WHAT IS THE PURPOSE OF YOUR SECOND SUPPLEMENTAL**
9 **TESTIMONY?**

10 **A. On May 8, 2009, DE-Ohio made a filing to include an additional exhibit with the**
11 **Stipulation filed by the parties on March 31, 2009. The additional exhibit was a**
12 **summary schedule of the Company’s electric distribution revenue requirement,**
13 **commonly referred to as Schedule A-1. On May 29, 2009, the Commission Staff**
14 **filed a letter to clarify the material included in the May 8, 2009, Schedule A-1.**
15 **Finally, on June 3, 2009, the Commission issued an order that testimony**
16 **supporting the stipulated Schedule A-1 and the clarifying letter is to be pre-filed**
17 **no later than June 15, 2009.**

18 My second supplemental testimony addresses the content of the Schedule
19 A-1 filed on May 8, 2009, and the clarifying letter filed on May 29, 2009.

II. SCHEDULE A-1

21 **Q. WHAT IS SCHEDULE A-1?**

1 A. Pursuant to the Commission's rules under the Ohio Administrative Code (OAC)
2 4901-7-01, Appendix A, Schedule A-1 is one of many documents that constitute
3 the 'standard filing requirements' for retail rate case. I have attached the template
4 for Schedule A-1 from the OAC for reference as Second Supplemental
5 Attachment WDW-1. It is essentially a high level summary of the utility's overall
6 revenue requirement and includes a summary of the utility's rate base, adjusted
7 operating income, and return. It also includes the required return, the magnitude
8 of the deficiency (*i.e.*, the additional earnings required to bring the utility's
9 current earnings up to the required return), and the magnitude of the increase in
10 revenue required to meet the earnings deficiency. Finally, it includes the
11 magnitude of retail revenue before and after the increase.

12 In a fully litigated case, the Commission would make a determination
13 regarding each aspect of the utility's overall rate increase and issue its own
14 Schedule A-1 detailing its findings. In such a case, the rate base, operating
15 income, and return, for example, would be spelled out in the Commission's order.

16 **Q. ARE YOU FAMILIAR WITH THE SCHEDULE A-1 FILED ON MAY 8,**
17 **2009?**

18 A. Yes. I was involved with the development, preparation and submission of the
19 Schedule A-1 filed on May 8, 2009. Based upon my training, experience,
20 knowledge and involvement in these proceedings, I believe the Schedule A-1 filed
21 on May 8, 2009 is accurate and representative of the Stipulating Parties' positions
22 in reaching a settlement in this case.

23 **Q. PLEASE DESCRIBE THE SCHEDULE A-1 FILED ON MAY 8, 2009.**

1 A. The Schedule A-1 filed on May 8, 2009, follows the template from the
2 Commission's Standard Filing Requirements. There are four columns shown in
3 this document – the first three represent the litigation positions of the Company,
4 the Staff, and the Office of the Ohio Consumers' Counsel, respectively. Although
5 there were other parties to the case, these are the only three that presented a
6 version of Schedule A-1. The last column is entitled Settlement and includes
7 figures for each line in the Schedule A-1 template.

8 **Q. ARE YOU AWARE OF ANY DISPUTE OVER THE SCHEDULE A-1**
9 **FILED ON MAY 8, 2009, AMONG THE SETTLING PARTIES?**

10 A. No. The Stipulation agreed to by the settling parties addressed the overall
11 revenue increase and the overall revenue requirement. The Schedule A-1 filed on
12 May 8, 2009 was created with the input and agreement of all Settling Parties.
13 However, as described in the clarifying letter, all but one of the settling parties
14 also agreed that the Commission can rely on Schedule A-1 filed on May 8, 2009,
15 in issuing its order in the case. Although the Office of the Ohio Consumers'
16 Counsel did not sign the clarifying letter filed on May 29, 2009, it filed a letter on
17 June 1, 2009, indicating that it did not oppose the Commission's use of Schedule
18 A-1 for the purpose indicated in the clarifying letter.

19 **III. CONCLUSION**

20 **Q. DO YOU HAVE ANY CONCLUDING COMMENTS?**

21 A. Yes. To my knowledge, only Mr. Albert E. Lane has asserted an objection to the
22 Schedule A-1 filed on May 8, 2009. Significantly, Mr. Lane indicated only that he

1 disapproves of the Schedule A-1. There has been no testimony or other
2 documentation alleging that the Schedule A-1 cannot be used for the purpose of
3 demonstrating reasonable rates reached in settlement of this case. Therefore, based
4 upon my training, experience and knowledge of the Schedule A-1 submitted on May
5 8, 2009, I submit that the Schedule A-1 filed on May 8, 2009, and the subsequent
6 clarifying letter filed on May 29, 2009, are reasonable and may be used by the
7 Commission in reaching an Opinion and Order relevant to the Company's
8 Application and the Stipulation in this case.

9 **Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT SECOND**
10 **SUPPLEMENTAL TESTIMONY?**

11 **A. Yes.**

(Company)

Case No. _____
Overall Financial Summary
For the Twelve Months Ended _____

Schedule A-1
Page ___ of ___
Witness Responsible: _____

Data: ___ Months Actual & ___ Months Estimated
Type of Filing: ___ Original ___ Updated ___ Revised
Work Paper Reference No(s): _____

Line No.	Description	Supporting Schedule Reference	Jurisdiction Proposed Test Year
1	Rate base as of date certain	B-1	\$
2	Current operating income	C-1	
3	Earned rate of return (2 + 1)		
4	Requested rate of return	D-1	
5	Required operating income (1 x 4)		
6	Operating income deficiency (5 - 2)		
7	Gross revenue conversion factor	C-11	
8	Revenue deficiency (6 x 7)		
9	Revenue increase requested before mirrored revenue offset	E-4	
10	Adjusted operating revenues	C-1	
11	Revenue requirements (9 + 10)		