

FILE

RECEIVED-DOCKETING DIV.

2009 NOV 19 PM 4: 06

DE-Ohio Exhibit _____

BEFORE

PUCO

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke)
Energy Ohio to Adjust and Set its Gas and)
Electric Recovery Rate for SmartGrid) Case No. 09-543-GE-UNC
Deployment under Rider AU and)
Rider DR-IM.)

In the Matter of the Application of) Case No. 09-544-GE-ATA
Duke Energy Ohio for Tariff Approval.)

In the Matter of the Application of)
Duke Energy Ohio to Change its) Case No. 09-545-GE-AAM
Accounting Methods.)

SUPPLEMENTAL DIRECT TESTIMONY OF

WILLIAM DON WATHEN JR.

ON BEHALF OF

DUKE ENERGY OHIO, INC.

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 Bmm Date Processed 11/19/09

November 19, 2009

Table of Contents

I. INTRODUCTION	1
II. DISCUSSION.....	2
III. CONCLUSION.....	6

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
3 Street, Cincinnati, Ohio 45202.

4 **Q. ARE YOU THE SAME WILLIAM DON WATHEN, JR., WHO**
5 **PREVIOUSLY SUBMITTED DIRECT TESTIMONY IN THESE**
6 **PROCEEDINGS?**

7 A. Yes, I am.

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

10 A. The purpose of my Supplemental Direct Testimony is to discuss and support the
11 reasonableness of the Stipulation and Recommendation (Stipulation) filed in the
12 above-captioned proceeding. The Stipulation is filed with the support of all of the
13 parties to this proceeding, including the Staff of the Public Utilities Commission
14 of Ohio (Commission), the Ohio Consumers' Counsel (OCC), Ohio Partners for
15 Affordable Energy, and the Kroger Company (collectively, the Stipulating
16 Parties). This testimony will demonstrate that: (1) the Stipulation is the product
17 of serious bargaining among capable, knowledgeable parties; (2) the Stipulation
18 does not violate any important regulatory principle or practice; (3) the Stipulation
19 is a just and reasonable resolution of the issues that, as a package, will benefit
20 ratepayers and the public interest.

21

22

1 in fact attend. The first settlement conference was held at the office of the
2 Commission on October 27, 2009, and additional conferences were held on
3 November 3 and November 6, 2009. Follow-up negotiations occurred via e-mail,
4 with all parties included on all such e-mails. All of the issues raised by the parties
5 in this proceeding were addressed during these negotiations and, despite the
6 divergent interests among the parties, all had opportunity to express their opinions
7 in the negotiating process. For all of these reasons, I believe that the Stipulation
8 is a compromise resulting from serious bargaining among capable, knowledgeable
9 parties.

10 **Q. DOES THE STIPULATION VIOLATE ANY IMPORTANT**
11 **REGULATORY PRINCIPLE OR PRACTICE?**

12 A. No. Based on the advice of counsel, my understanding is that the Stipulation
13 complies with all relevant and important principles and practices. Based upon my
14 examination of the Stipulation as Director - Rates for Duke Energy Ohio, I have
15 also concluded that the Stipulation does not violate any regulatory ratemaking
16 principle.

17 **Q. DOES THE STIPULATION BENEFIT RATEPAYERS AND THE PUBLIC**
18 **INTEREST?**

19 A. Yes. The Stipulation provides several significant benefits to all customer groups
20 and other interested stakeholders, including:

- 21 1. The Stipulation provides for the implementation of Riders DR-IM and
22 AU.

1 2. The Stipulation provides for the implementation of a pilot program for at
2 least one hundred customers needed both to roll out new rate designs and to
3 provide information to customers in the future.

4 3. The Stipulation requires that costs incurred for the retirement and
5 replacement of gas meters that are incompatible with automated meter reading
6 devices be recovered in Duke Energy Ohio's next rate case rather than through
7 Rider AU.

8 4. The Stipulation provides for a specific tariff to be applied to customers
9 that take gas service from Duke Energy Ohio but reside outside of Duke Energy
10 Ohio's electric service territory. Beginning with the next annual filing, costs to be
11 charged to these gas-only customers will include only those costs specific to
12 serving gas customers and will not include an allocation of most common costs
13 that are related solely to the implementation of SmartGrid.

14 5. The Stipulating Parties agreed that costs related to Duke Energy Ohio's
15 Envision Center will be eliminated from Rider DR-IM and will not be recovered
16 through any SmartGrid filings.

17 6. The Stipulating Parties agreed that reasonable business practices include
18 the necessity to have three months of inventory on hand, in order to enable
19 efficient deployment of SmartGrid to the field.

20 7. The Parties agree that, in order to provide Staff and interested stakeholders
21 sufficient opportunity to verify and ensure value to customers and, also, in
22 preparation for the mid-term review, Duke Energy Ohio will provide Staff and
23 members of the SmartGrid Collaborative with such data and information as may

1 be necessary to understand any revisions or changes to its business case for
2 SmartGrid as was set forth in Case No. 08-920-EL-SSO, et al.

3 8. Duke Energy Ohio has committed to provide its share of any Stimulus
4 Funds received by Duke Energy Ohio (net of reasonable costs to comply with the
5 stimulus rules and regulations and net of taxes) to offset overall SmartGrid
6 deployment costs, subject to terms and conditions that may be imposed by the
7 U.S. Department of Energy.

8 9. Duke Energy Ohio is committing, in the Stipulation, to undertake a study
9 of SmartGrid deployment and its ability to capture momentary interruptions and
10 to provide the results of the study to the Commission.

11 **Q. DO YOU BELIEVE THE STIPULATION MEETS THE THREE-PART**
12 **TEST REGARDING CONSIDERATION OF STIPULATIONS AND**
13 **THEREFORE SHOULD BE ADOPTED BY THE COMMISSION?**

14 A. Yes, I do.

15 **Q. DOES THE STIPULATION RESOLVE ALL OF THE ISSUES IN THIS**
16 **PROCEEDING?**

17 A. Yes, it does.

18

19

20

21

22

23

1

III. CONCLUSION

2 **Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL TESTIMONY**
3 **SUPPORTING THE STIPULATION?**

4 **A. Yes.**