

FILE

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

**BEFORE**  
**THE PUBLIC UTILITIES COMMISSION OF OHIO**

IN THE MATTER OF THE APPLICATION OF )  
DUKE ENERGY OHIO, INC. TO ESTABLISH ) CASE NO. 09-1946-EL-RDR  
AND ADJUST THE INITIAL LEVEL OF )  
ITS DISTRIBUTION RATE RIDER DR )

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**SUPPLEMENTAL**  
**DIRECT TESTIMONY OF**  
**JAMES E. MEHRING**  
**ON BEHALF OF**  
**DUKE ENERGY OHIO, INC.**

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\_\_\_\_\_ Management Policies, Practices, & Organization  
\_\_\_\_\_ Operating Income  
\_\_\_\_\_ Rate Base  
\_\_\_\_\_ Allocations  
\_\_\_\_\_ Rate of Return  
\_\_\_\_\_ Rates and Tariffs  
  X   Other

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## **I. INTRODUCTION**

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

2   **A.   My name is James E. Mehring. My business address is 139 E. Fourth Street,**  
3       **Cincinnati, Ohio 45202.**

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

6   **A.   Yes.**

7   **Q.   HAVE THERE BEEN ANY CHANGES TO YOUR EMPLOYMENT**  
8       **SUBSEQUENT TO THE FILING OF THAT DIRECT TESTIMONY ON**  
9       **DECEMBER 11, 2009?**

10   **A.   Yes. Effective June 1, 2010, I will become Vice President, Gas Operations for Duke**  
11       **Energy Ohio and Duke Energy Kentucky.**

12   **Q.   WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL DIRECT**  
13       **TESTIMONY?**

14   **A.   On February 23, 2010, the Staff of the Public Utilities Commission of Ohio**  
15       **(Staff) issued its Comments relative to Duke Energy Ohio, Inc.'s (Duke Energy**  
16       **Ohio or Company) Application to Establish and Adjust the Initial Level of its**  
17       **Distribution Reliability Rider (Application). Comments were also filed by**  
18       **Intervenors, The Kroger Co. (Kroger) and the Office of the Ohio Consumers'**  
19       **Counsel (OCC). My Supplemental Testimony will respond to several of the**  
20       **comments filed by the OCC.**

21               **Through my Supplemental Direct Testimony, I also plan to address certain**  
22       **parts of my Direct Testimony.**

## **II. COMMENTS OF THE OCC**

1   **Q.   PLEASE GENERALLY SUMMARIZE THE OCC'S COMMENTS IN**  
2       **RESPECT OF DUKE ENERGY OHIO'S APPLICATION.**

3   **A.   The OCC's comments can best be separated into two main categories – financial**  
4       **and non-financial. The former category reflects the OCC's objections to expenses**  
5       **that Duke Energy Ohio incurred in responding to the widespread outages caused**  
6       **by the remnants of Hurricane Ike. The latter category reflects the OCC's**  
7       **objection to the manner in which Duke Energy Ohio actually responded to and**  
8       **performed storm restoration. My Supplemental Direct Testimony concerns those**  
9       **comments from the OCC that are non-financial in nature.**

10   **Q.   THE OCC CLAIMS THAT DUKE ENERGY OHIO FAILED TO**  
11       **PROPERLY REPORT THE NUMBER OF ITS CUSTOMERS WHO**  
12       **EXPERIENCED OUTAGES BECAUSE OF THE WIND STORM. DO**  
13       **YOU AGREE WITH THIS STATEMENT?**

14   **A.   No. The 2008 windstorm caused unprecedented damage throughout southwest**  
15       **Ohio, including the Company's service territory. As detailed in my Direct**  
16       **Testimony filed on December 11, 2009, Duke Energy Ohio documented**  
17       **approximately 822,000 outages that lasted longer than five minutes. This**  
18       **information is accurate and indicative of the level of the storm's impact.**

1 Q. THE OCC CLAIMS THAT DUKE ENERGY OHIO'S APPLICATION IS  
2 DEFECTIVE BECAUSE IT FAILS TO EXPLAIN WHY OUTAGES WERE  
3 OCCURRING TWO DAYS AFTER THE STORM WAS OVER. DO YOU  
4 AGREE WITH THIS STATEMENT?

5 A. No. Given the impact of the storm upon trees and structures, it was reasonable to  
6 expect that outages would be occurring in the days immediately following  
7 September 14, 2009. The storm left trees in such weakened conditions that these  
8 trees or their limbs continued to fall in the days following the storm. To the  
9 extent these trees or limbs contacted the distribution facilities, additional outages  
10 occurred. The same held true for structures that were in a precarious position  
11 because of, but could not be stabilized or repaired immediately after, the storm.  
12 As these structures, or parts thereof, interfered with the distribution system after  
13 September 14, 2008, more outages occurred. These interferences with the  
14 distribution facilities resulted in some customers experiencing more than one  
15 outage in the days following the storm. Furthermore, and even without the level  
16 of catastrophic damage caused by the remnants of Hurricane Ike, it is not  
17 uncommon in the restoration process for subsequent outages to occur. By way of  
18 example only, if a transformer is re-energized and fails, it may cause other  
19 upstream devices on that same distribution line to operate, thereby causing  
20 additional outages.

21 Q. THE OCC CRITICIZES DUKE ENERGY OHIO FOR NOT REALIZING  
22 THE EXTENT OF THE DAMAGE UNTIL SEPTEMBER 15, 2008, THE

1       **DAY AFTER THE STORM STRUCK OHIO. DO YOU AGREE WITH**  
2       **THIS CRITICISM?**

3       A.   Absolutely not. On September 14, 2008, the Company could not dispatch crews  
4       to inspect its entire distribution system. Doing so would have been a very  
5       careless decision as the conditions on September 14, 2008, were initially very  
6       unsafe. Even immediately after the hurricane-force winds dissipated, Duke  
7       Energy Ohio could not access all of its distribution system as city streets were  
8       closed or blocked, and downed trees and other debris needed to be removed.  
9       Furthermore, parts of the Duke Energy Ohio distribution system are located in  
10      rural areas. Certain faults on these systems could not be identified without  
11      physically walking the lines. As soon as the Company was able to safely divert  
12      resources to this function, it did so. But it could not assess its entire system on  
13      September 14, 2008.

14             Duke Energy Ohio did not delay in requesting additional crews or  
15      assistance in responding to the outages. This is an unfair – and irresponsible –  
16      criticism.

17      **Q.   THE OCC OPINES THAT THE NUMBER OF OUTAGES WAS CAUSED**  
18      **BY THE CONDITION OF DUKE ENERGY OHIO'S DISTRIBUTION**  
19      **SYSTEM. DO YOU AGREE WITH THIS STATEMENT?**

20      A.   No. The condition of Duke Energy Ohio's distribution system did not contribute  
21      to the number of outages caused by the 2008 wind storm. Rather, the outages  
22      were a function of the significant and extensive damage to that distribution system  
23      because of excessive winds and falling trees and debris. Indeed, Duke Energy

1 Ohio performs very well with respect to the reliability measures to which it is  
2 subject.

3 **Q. THE OCC HAS CRITICIZED DUKE ENERGY OHIO FOR ALLEGEDLY**  
4 **NOT WANTING TO IMPROVE ITS RESPONSE TO STORM OUTAGES.**  
5 **DO YOU FIND THIS TO BE A FAIR CRITICISM?**

6 **A.** No. Duke Energy Ohio reacted immediately to the 2008 wind storm. As the  
7 Company began to identify the extent of the damage to its system and the  
8 resulting customer outages, it promptly retained services from within the Duke  
9 Energy Corporation and from external contractors. The Company coordinated  
10 with area emergency response agencies to ensure that critical areas of the system  
11 were restored as quickly and safely as possible. Restoration efforts were also  
12 prioritized so that the Company could maximize the number of customers to  
13 whom service was restored. In this regard and after critical facilities have been  
14 addressed, the Company will endeavor to first restore those circuits that serve the  
15 largest numbers of customers.

### **III. DIRECT TESTIMONY**

16 **Q. YOU MENTIONED EARLIER THAT ONE OF THE PURPOSES OF**  
17 **YOUR SUPPLEMENTAL DIRECT TESTIMONY WAS TO ADDRESS**  
18 **CERTAIN PARTS OF YOUR DIRECT TESTIMONY. CAN YOU**  
19 **PLEASE ELABORATE ON THIS STATEMENT?**

20 **A.** Certainly. My Direct Testimony referenced distribution poles and transformers  
21 that had to be repaired or replaced following the storm. A total of 707 distribution  
22 poles and 499 transformers were replaced; they were not repaired.

1           My Direct Testimony also addressed the various categories of expenses  
2           that Duke Energy Ohio incurred in responding to the wind storm. These  
3           categories are (1) internal labor for the Company and its affiliates; (2) third party  
4           contractor labor; (3) materials and supplies; and (4) costs of logistical support for  
5           field crews. In originally testifying as to the dollar amount associated with each  
6           category, I was relying upon estimates. Furthermore, Duke Energy Ohio has  
7           agreed to certain adjustments to its Application consistent with comments  
8           received from Staff. For sake of clarity and confirmation, I summarize below  
9           each category and the actual costs associated with each.

10           • Internal labor - \$12,898,598

- 11           ○ This figure includes all Company labor from Power  
12           Delivery in addition to personnel from outside of Power  
13           Delivery (e.g., Customer Call Centers, Information  
14           Technology, Purchasing and Warehousing) who charged  
15           Duke Energy Ohio's wind storm work code for the support  
16           activities they performed.

17           • Contractor labor - \$13,202,611

- 18           ○ This category includes the various contractors and mutual  
19           assistance from other utilities used during the storm event  
20           to restore service or to provide support services such as  
21           security.

22           • Materials and Supplies - \$775,010

- 23           ○ This category includes the cost of material and supplies,



1 e.g., connectors and splices, used in the restoration of  
2 service.

3 • Logistical Support - \$1,597,025

4 o This category includes the costs of lodging, food, and other  
5 logistical support necessary to complete the storm  
6 restoration effort.

7 **Q. IS DUKE ENERGY OHIO SEEKING TO RECOVER, THROUGH THIS**  
8 **APPLICATION, ANY COSTS INCURRED IN REPAIRING ITS**  
9 **TRANSMISSION SYSTEM?**

10 A. No. As I explained in my Direct Testimony, the Company is seeking recovery of  
11 only its distribution-related costs. The operating and maintenance expenses and  
12 payroll taxes applicable to the transmission system total \$1.1 million. Duke  
13 Energy Ohio did not include that amount in its Application and is not seeking  
14 recovery from its customers for the transmission-related expenses and taxes. As  
15 discussed in the Supplemental Direct Testimony of William Don Wathen Jr., the  
16 Company is proposing to make adjustments to reduce the initial balance in its  
17 deferred regulatory asset account. Included in these adjustments is a reduction of  
18 \$42,059 for a transmission-related item that was inadvertently included in the  
19 original Application.

20 **Q. THE OCC OBJECTS TO OVERTIME PAID TO SALARIED**  
21 **EMPLOYEES WHO PARTICIPATED IN STORM RESTORATION**  
22 **EFFORTS, CLAIMING THAT THEY ARE NOT NORMALLY PAID**  
23 **OVERTIME. WILL YOU PLEASE EXPLAIN WHY THESE**

1           **EMPLOYEES WERE PAID OVERTIME?**

2    A.    As a general proposition, salaried employees at Duke Energy Corporation, and its  
3           subsidiary companies, are not paid overtime. But Duke Energy Corporation also  
4           acknowledges that there are unusual circumstances that may require salaried  
5           employees to work excessive hours. In recognition of, and to reward, those  
6           employees who dedicate their time and talents in extreme circumstances, Duke  
7           Energy Corporation has a supplemental pay policy.

8                   In connection with the 2008 wind storm, many salaried employees  
9           endured extremely long, chaotic, and stressful days diligently working to restore  
10          service to Duke Energy Ohio's customers. Indeed, it was not uncommon for  
11          employees to work in excess of 16 hours per day – for several consecutive days –  
12          dedicated to restoration activities. At management's discretion, salaried  
13          employees were given some compensation in addition to their regular salaries for  
14          their tremendous efforts.

**IV.   CONCLUSION**

15   Q.    **DOES THIS CONCLUDE YOUR SUPPLEMENTAL TESTIMONY?**

16   A.    Yes.