

PREPARED TESTIMONY OF JEFFREY HECKER

1. Q. Please state your name and business address.

A. My name is Jeffrey Hecker. My address is 180 East Broad Street,
Columbus, Ohio 43215-3793.

2. Q. By whom are you employed and in what capacity?

A. I am a Utility Specialist 2 in the Accounting and Electricity Division of the
Utilities Department for the Public Utilities Commission of Ohio.

3. Q. Briefly state your educational background, experience and qualifications.

A. I graduated from Miami University with a Bachelor of Science Degree in
Business with an Accounting major. After graduation, I performed
accounting functions for the Dayton Power and Light Company and other
companies before joining the PUCO in December 2004. I have also
completed various workshops and classes on many regulatory processes
and provided workpapers, research, and testimony for previous cases.

4. Q. For what types of cases have you previously filed testimony?

A. I have filed testimony for several rate cases for electric, gas, and water
companies.

5. Q. What is the purpose of your testimony?

A. I am supporting the Staff's adjustment to Duke Energy Ohio's (or
Company) level of expenses for the repair of storm-related damages due to
the remnants of Hurricane Ike in September 2008.

6. Q. How is your testimony organized?

1 A. I will summarize the Company's request, the Staff's investigation and
2 findings, and then Staff's recommended adjustments.

3 7. Q. Please summarize the Company's request.

4 A. In the Case No. 08-709-EL-AIR (2008 Rate Case), the Company received
5 approval to defer the operation and maintenance (O&M) costs for restoring
6 service after the windstorm from the remnants of Hurricane Ike struck the
7 Cincinnati area on September 14, 2008. The Commission directed the
8 Company to separately identify and record all O&M costs deferred and to
9 calculate carrying costs on the deferral by using the Company's actual cost
10 of long-term debt as ultimately determined in the 2008 Rate Case.

11 8. Q. What is the level of expenses that the Company has deferred and wishes to
12 recover?

13 A. The Company has deferred expenses in the amount of \$30,582,461. After
14 carrying costs are added, at the end of 2009, the amount is \$32,541,470.
15 Carrying costs until the rates go into effect will add approximately
16 \$170,000 per month.

17 9. Q. Please describe in general your audit process to determine the amount of
18 the adjustment.

19 A. The Company divided the expenses into four categories: Contract
20 (External), Labor (Company and affiliate employees), Material (internal
21 requisitions), and Logistics (travel and hotels for affiliate employees). For
22 each category, I requested a detailed list of transactions making up the total

1 charged for each of the categories. From the lists, I randomly selected
2 source documents to identify specific invoices, material requisitions, and
3 timesheets to examine reasonableness of the expenses and accuracy of the
4 data. Specifically, I verified: the proper job code was charged; the amounts
5 were reasonable; and the hours reported on the contractor and company
6 (and affiliate) employee timesheets matched what was charged to the storm
7 expenses.

8 10. Q. Did any amounts require adjustment?

9 A. Yes. My review of the four categories revealed that some labor expense
10 and contractor expense adjustments are necessary.

11 11. Q. What adjustments were necessary?

12 A. The largest adjustment reduced labor expenses by \$986,244.62. Other
13 adjustments reduced expenses associated with several contractor invoices
14 by a total of \$46,886.32.

15 12. Q. More specifically, what were the internal labor expense adjustments?

16 A. The majority of the adjustments, approximately \$690,000, were for
17 straight-time labor for Ohio employees. The rationale for this is that these
18 labor expenses would have been incurred whether there was a storm or not
19 and would be included in base rates. Collecting more through this rider
20 results in double-recovery of the expenses. This information came from
21 data provided by the Company in response to OCC interrogatory number
22 21. An overhead rate of 42.75%, or approximately \$295,000, was then

1 added to the \$690,000 labor expense to account for benefits and complete
2 the adjustment.

3 13. Q. What other adjustments were made to Company labor?

4 A. Using data provided by the Company in response to OCC's interrogatory
5 number 21, I randomly chose employee timesheets to compare the amount
6 of hours reported to the amount of hours charged to the storm. I found
7 three employees whose hours on their timesheets were lower than the
8 amount actually charged to the storm and removed these excess hours from
9 the storm damage charges. This adjustment removed 56 hours of labor, and
10 when overhead at 42.75% was added, the total amount removed was
11 \$1,619.36.

12 14. Q. How was the overhead percentage determined?

13 A. The information was derived from the data provided on OCC's
14 interrogatory number 21. The percentage is calculated by dividing the total
15 labor loaders (\$4,504,551) by the total of the Direct Labor plus Fleet plus
16 Supervision minus the Transfers to Capital and Journal Corrections (total is
17 \$10,536,845)

18 15. Q. Why are you suggesting adjustments for the contractor invoices?

19 A. Some invoices showed that the work being billed was done for storm
20 repairs in Kentucky and Indiana or other projects outside of the storm and
21 should not have been charged to Ohio customers in this rider. Another
22 invoice, when compared to the included timesheet, showed that 19 hours

1 were not recorded on the timesheet associated with the invoice and charged
2 to the storm.

3 16. Q. What is the total adjustment Staff recommends?

4 A. Total O&M expenses to be recovered should be reduced by \$1,033,130.94.

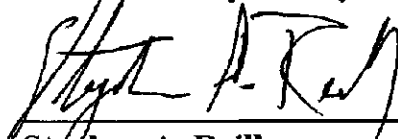
5 This total computes to a \$.02 reduction in the Residential rate classes, and
6 small reductions in the other classes when compared to the Company's
7 application and testimony.

8 17. Q. Does this conclude your testimony?

9 A. Yes, it does.

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Testimony of Jeffrey Hecker was served via electronic mail upon the following parties of record this 18th day of May, 2010.



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