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Date of Hearing: 5/25/2010

Case No. 09-1946-EL-RDR

PUCO Case Caption: Duke Energy Ohio

List of exhibits being filed:

Company Ex 2-6

OCC Ex 2-6

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1 BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

2 - - -

3
4 In the Matter of the :
5 Application of Duke Energy:
6 Ohio, Inc. to Establish :
7 and Adjust the Initial :Case No. 09-1946-EL-RDR
8 Level of its Distribution :
9 Reliability Rider. :

10 - - -

11 PROCEEDINGS

12 before Ms. Katie Stenman and Ms. Christine Pirik,
13 Hearing Examiners, at the Public Utilities Commission
14 of Ohio, 180 East Broad Street, Room 11-C, Columbus,
15 Ohio, called at 10:00 a.m. on Tuesday, May 25, 2010.

16 - - -

17
18 - - -

19 VOLUME I

20 - - -

21
22 ARMSTRONG & OKEY, INC.
23 222 East Town Street, 2nd Floor
24 Columbus, Ohio 43215
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 - - -

**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-ATA
AND ADJUST THE INITIAL LEVEL OF)
ITS DISTRIBUTION RATE RIDER DR)

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

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

December 11, 2009

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ATTACHMENTS:

- Attachment JEM-1 Spreadsheet Depicting Customer Outages, Sept. 14-24, 2008
- Attachment JEM-2 Graph Depicting Customer Outages, Sept. 14-24, 2008
- Attachment JEM-3 March 11, 2009 EEI Press Release

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, Cincinnati,
3 Ohio 45202.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by the Duke Energy Corporation (Duke Energy) affiliated companies as
6 Vice President of Field Operations for the Midwest region.

7 **Q. PLEASE DESCRIBE YOUR EDUCATION AND PROFESSIONAL**
8 **QUALIFICATIONS.**

9 A. I hold a Bachelor of Science degree in Business Administration from Indiana Wesleyan
10 University. I also hold a Master of Business Administration degree from Indiana
11 University.

12 I began my career with PSI Energy, Inc. as a lineperson apprentice in 1977. Upon
13 completion of the apprenticeship, I progressed through assignments of increasing
14 responsibility in distribution operations, safety and technical training, and field operations.
15 These assignments included serving as a first line supervisor, area manager for transmission
16 and distribution construction and maintenance, and general manager of substation
17 operations. I was named to my current position in November 2006.

18 **Q. PLEASE DESCRIBE YOUR DUTIES AS VICE PRESIDENT OF FIELD**
19 **OPERATIONS.**

20 A. I am responsible for transmission and distribution (T&D) construction and maintenance,
21 substation construction and maintenance, customer service engineering, and electric
22 outage response for the Duke Energy Midwest service area in Kentucky, Ohio and

1 Indiana.

2 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

3 A. The purpose of my testimony is to describe: (1) the characteristics of the September 2008
4 wind storm caused by the remnants of Hurricane Ike (Storm Ike); (2) the damage that
5 Storm Ike caused to Duke Energy Ohio, Inc.'s (Duke Energy Ohio or Company)
6 distribution and transmission facilities, including the resulting customer power outages;
7 and (3) the storm restoration operation and maintenance (O&M) costs and capital costs
8 that Duke Energy Ohio incurred in restoring power to its customers who experienced
9 power outages due to Storm Ike.

10 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

11 A. Yes. I have submitted testimony on numerous occasions before the Public Utilities
12 Commission of Ohio (Commission) and various other state regulators.

13 **II. CHARACTERISTICS OF STORM IKE**

14 **Q. WHAT WAS STORM IKE?**

15 A. Storm Ike was a historic wind storm caused by the remnants of Hurricane Ike. Storm Ike
16 struck the Midwest, including virtually the entire state of Ohio, on September 14, 2008.
17 Storm Ike exhibited hurricane force winds that included gusts in excess of 74 miles per
18 hour within Duke Energy Ohio's service territory.

19 **Q. WHAT WAS THE EFFECT OF STORM IKE ON THE STATE OF OHIO?**

20 A. Electric distribution systems throughout the state of Ohio were so severely damaged by
21 Storm Ike that the day after the storm, Governor Ted Strickland declared a state of
22 emergency. At that time, 1.92 million Ohioans were without electric power as a result of
23 the storm. Three days after the storm, on September 17, 2008, Governor Strickland

1 requested federal assistance because nearly 1.5 million Ohioans were still without
2 electric power.

**III. DAMAGE TO DUKE ENERGY OHIO'S
DISTRIBUTION AND TRANSMISSION FACILITIES
AND POWER OUTAGES CAUSED BY STORM IKE**

3 **Q. PLEASE DESCRIBE HOW STORM IKE IMPACTED DUKE ENERGY OHIO'S**
4 **CUSTOMERS.**

5 **A.** I have prepared a spreadsheet that tracks, hour-by-hour, the number of customers who
6 experienced power outages, the number of power outage cases opened, and the number of
7 customers whose power had been restored. This spreadsheet is attached to my prefiled
8 testimony as Attachment JEM-1. I have also prepared a graphical representation of these
9 figures, which is attached as Attachment JEM-2.

10 **Q. WERE THE SPREADSHEET AND GRAPH PREPARED BY YOU OR AT YOUR**
11 **REQUEST?**

12 **A.** Yes.

13 **Q. IS IT THE REGULAR PRACTICE OF DUKE ENERGY OHIO TO CREATE**
14 **AND KEEP THE INFORMATION RECORDED WITHIN THESE DOCUMENTS**
15 **IN THE COURSE OF ITS REGULARLY CONDUCTED BUSINESS**
16 **ACTIVITIES?**

17 **A.** Yes.

18 **Q. PLEASE DESCRIBE DUKE ENERGY OHIO'S INITIAL RESPONSE TO THE**
19 **STORM.**

20 **A.** Duke Energy has five (5) meteorologists on staff whose job is to monitor weather
21 conditions twenty-four hours a day, providing the Company with needed information for

1 both planning and trouble response. Weather advisories are received regularly by T&D
2 operations personnel.

3 Duke Energy's meteorologists were monitoring Hurricane Ike's progress and had
4 been sending forecasts to appropriate personnel throughout the week of September 7,
5 2008 and before the storm hit Northern Kentucky and Greater Cincinnati. On the
6 morning of September 14, 2008, prior to the windstorm event, a special notice was sent
7 by one of Duke Energy's meteorologists advising of the escalation of weather
8 conditions. This updated weather advisory was supported with a telephone call from the
9 Storm Director (the Company executive directing Duke Energy Ohio's emergency
10 response efforts) to meteorologists to get up-to-date expected wind speeds and other
11 weather conditions. This early warning allowed for the Company to call out additional
12 resources before the storm had passed through the region.

13 Regular meteorology updates were provided at each storm meeting and storm
14 meetings occurred twice a day throughout the event. These weather forecasts allowed
15 operations to make adjustments on travel times for off-system resources to account for
16 inclement weather. Such forecasts are integral in projecting Estimated Time of
17 Restoration. The early warning and regular updates throughout the event aided in the
18 overall logistics restoration management.

19 The initial evaluation and assessment began the afternoon of Sunday, September
20 14, 2008. In anticipation of significant winds, Duke Energy Ohio called in its T&D
21 construction crews to report to the various district offices. This was done to supplement
22 the normal trouble shift employees. In the initial hours from Sunday afternoon into
23 Monday morning, these resources responded to emergency agency calls and began

1 assessment and restoration of complete circuit lockouts. Due to the large number of
2 circuit lockouts, the assessment and restoration of circuits was the principle assignment
3 of line resources during the first few days of restoration. These resources focused on
4 isolating single- and three-phase tap lines on each circuit and restoring power to the main
5 circuit.

6 On the afternoon of September 14, 2008, the Company began calling in
7 responders from our premises services group and our engineering/technical personnel for
8 damage assessment. This was in accordance to our normal storm plan. On Monday,
9 September 15, 2008, the Company realized the extent of the damage restoration
10 necessary and began calling in second tier-responders who are not typically called upon
11 in regular storm situations. This additional pool of employees included qualified persons
12 from other non-field engineering areas as well as other corporate areas.

13 **Q. WOULD YOU PLEASE PROVIDE MORE SPECIFIC INFORMATION**
14 **REGARDING THE TIME IT TOOK TO RESTORE POWER TO DUKE**
15 **ENERGY OHIO'S CUSTOMERS?**

16 **A.** Storm Ike caused the largest documented electric outage in the history of Duke Energy
17 Ohio. Storm Ike's unprecedented winds brought widespread damage to trees and to Duke
18 Energy Ohio's electric delivery system including distribution poles, power lines,
19 transformers, insulators, and other equipment. Approximately 83% of Duke Energy
20 Ohio's customers were impacted by the outages caused by Storm Ike and the Company
21 documented approximately 822,000 sustained outages (greater than five minutes in
22 length) caused by Storm Ike. Because of the massive extent of the damage, it took nine
23 days to fully restore the system to its pre-storm capabilities.

1 **Q. HOW, SPECIFICALLY, DID STORM IKE DAMAGE DUKE ENERGY OHIO'S**
2 **ELECTRIC DISTRIBUTION AND TRANSMISSION FACILITIES?**

3 A. As a result of Storm Ike, 767 distribution poles and 499 transformers had to be repaired
4 or replaced. Storm Ike also required the replacement of 862 crossarms, 171,278 feet
5 (over 32 miles) of electric wire, 53,134 connectors, 4,728 insulators, 12,887 fuses, and
6 314 arresters. In addition, Storm Ike necessitated a total of 31,880 splices and 942
7 cutouts.

8 **Q. HAD DUKE ENERGY OHIO'S FACILITIES EVER EXPERIENCED THAT**
9 **LEVEL OF DAMAGE FROM A STORM OR OTHER NATURAL DISASTER?**

10 A. No. As I previously mentioned, the extent of damage that Storm Ike caused was
11 unprecedented.

12 **Q. HOW LONG DID IT TAKE DUKE ENERGY OHIO TO RESTORE POWER TO**
13 **ITS CUSTOMERS?**

14 A. Storm Ike hit the Duke Energy Ohio system at approximately 11:00 a.m. on September
15 14, 2008. At approximately 4:00 P.M. on September 14, 2008, the number of Duke
16 Energy Ohio customers without power peaked at 492,002. Duke Energy Ohio was able
17 to restore power to approximately 40% of those customers who had lost power within 48
18 hours after the outages peaked. Through the diligent efforts of Duke Energy Ohio's
19 employees and contractors and colleagues from other utilities, Duke Energy Ohio
20 restored power to over 70% of those customers who had lost power within four days of
21 the storm. Because of the unprecedented damage Storm Ike caused, however, it took nine
22 days to restore service to all Duke Energy Ohio customers who were able to have service
23 restored.

1 Q. IS NINE DAYS CONSIDERED AN UNUSUALLY LONG TIME TO RESTORE
2 POWER FOR A STORM-RELATED EVENT?

3 A. Under normal circumstances, it is. But there was nothing normal about Storm Ike. As I
4 have attempted to describe, the extent of damage caused by Storm Ike was massive.
5 Insofar as Duke Energy Ohio strives to operate and maintain a safe and reliable system,
6 the Company is deeply concerned whenever any customer is without electric power for
7 even a brief period, let alone for a period as long as nine days. Nonetheless, I do not
8 believe any utility could have performed any better in the circumstances. In fact, the
9 Edison Electric Institute honored Duke Energy Ohio with an "Emergency Recovery
10 Award" for its Storm Ike power restoration efforts, recognizing the Company's
11 exceptional efforts to restore electric service that has been disrupted by Storm Ike. I have
12 attached a brief article recognizing Duke Energy Ohio's efforts as attachment JEM-3.

13 It is also noteworthy that the Commission's own staff charged with inspecting
14 utility facilities and reviewing operating practices happened to be auditing Duke Energy
15 Ohio at the time Storm Ike impacted the Duke Energy Ohio service territory. The
16 Commission's Service Monitoring and Enforcement Department Facilities and
17 Operations Field Division personnel were able to directly observe the response of Duke
18 Energy Ohio and its contractors and have already reported their findings to the
19 Commission. Significantly, there were no recommendations concerning improvements to
20 Duke Energy Ohio's reliability and service quality.

IV. DUKE ENERGY OHIO'S O&M AND CAPITAL
STORM IKE RESTORATION COSTS

1 **Q. PLEASE DESCRIBE HOW DUKE ENERGY OHIO MOBILIZED TO RESPOND**
2 **TO THE DAMAGE CAUSED BY STORM IKE.**

3 **A. On September 14, 2008, Duke Energy Ohio and its sister utilities, Duke Energy**
4 **Kentucky, Inc. and Duke Energy Indiana, Inc., immediately began implementing their**
5 **emergency plans to respond to the damage Storm Ike had caused. With respect to Duke**
6 **Energy Kentucky and Duke Energy Ohio, Storm Ike affected every part of the 2287-**
7 **square mile service area in northern Kentucky and southwest Ohio. More than 1,200**
8 **Duke Energy employees and contractors responded to the storm by assessing damage,**
9 **preparing material for the field, assigning jobs to crews, removing damaged vegetation,**
10 **repairing down lines and equipment, and providing support services. An additional 450**
11 **employees and contractors worked in the call centers, including 145 people from other**
12 **departments within Duke Energy who served as auxiliary call center representatives.**

13 Duke Energy Ohio and its affiliate, Duke Energy Kentucky, worked together to
14 retain approximately 1,230 contractors and employees from other, unaffected utilities in
15 other states to assist in the restoration effort for Kentucky and Ohio customers. This
16 included approximately 570 employees and contractors from Duke Energy Carolinas.
17 Many of these contractors were preparing to go to Texas and Louisiana – and in certain
18 cases were actually en route – to assist with hurricane restoration there but were diverted
19 to the Greater Cincinnati area. Employees and contractors from six other utilities from as
20 far away as Virginia assisted with the restoration effort. These non-Duke Energy Ohio
21 crews first arrived September 15, 2008, the day after the wind storm hit.

1 Q. WOULD YOU PLEASE DISCUSS THE SPECIFIC EXPENSES DUKE ENERGY
2 OHIO INCURRED IN ITS STORM IKE RESTORATION EFFORTS?

3 A. The expenses incurred by Duke Energy Ohio in its response to Storm Ike can be divided
4 into four basic cost categories: (1) internal labor for Duke Energy Ohio and its affiliates;
5 (2) third party contractor labor; (3) materials and supplies; and (4) costs of logistical
6 support for these field crews (food, lodging, transportation, and miscellaneous expenses).
7 I will discuss each in turn.

8 *Internal labor* - Midwest field operations provided the daily number of Duke
9 Energy Ohio personnel working on Storm Ike restoration efforts, which included scouts
10 and administrative personnel. Daily direct labor rates were determined based upon
11 timesheets that were entered into the payroll system during Storm Ike. The direct labor
12 cost was then loaded with fringe benefit costs, supervision (calculated as a percent of
13 labor), and transportation costs. This calculation results in a total direct labor cost of
14 \$15,300,000.

15 I should also note that included within the direct labor cost total is the cost of all
16 Company support labor used for the Storm Ike restoration efforts. This support labor
17 includes personnel from outside of power delivery and internal labor from departments
18 such as the customer call centers, information technology, purchasing, and warehousing,
19 who charged Duke Energy Ohio's Storm Ike workcode for the support activities they
20 performed.

21 *Contractor labor* - The cost of contractor support was calculated by aggregating
22 the contractor invoices charged to the storm event. This calculation results in a total
23 contractor cost of \$14,000,000.

1 *Materials and supplies* - As materials and supplies are removed from the
2 Company's storerooms, the cost is posted to the ledger. The material and supply costs
3 were calculated from what was actually recorded in the ledger at the time of the Storm
4 Ike restoration efforts. Aggregating these figures results in a total material and supplies
5 cost of \$700,000.

6 *Logistical support* - This category includes lodging, food, and miscellaneous
7 expenses. The cost for this category was calculated by taking the number of people
8 working on the storm restoration efforts per day (as provided by operations) times a daily
9 per person amount. This amount was based on field input. The total cost for logistical
10 support was \$1,700,000.

11 **Q. DO YOU KNOW THE TOTAL EXPENSES THAT DUKE ENERGY OHIO**
12 **INCURRED IN ITS STORM IKE RESTORATION EFFORTS?**

13 **A.** Yes. The storm restoration efforts resulting from Storm Ike were extraordinary and
14 unprecedented, both in magnitude of damage repair and total cost. The costs Duke
15 Energy Ohio incurred as part of the restoration were almost ten times the Company's
16 average annual storm-related costs. The total Storm Ike related expenses were \$32.5
17 million, of which \$31.8 million is for O&M and payroll taxes and \$0.7 million is for
18 capital-related expenses. The Company is only asking for recovery of distribution-related
19 O&M costs and is not seeking recovery of the capital costs in this proceeding. The
20 distribution share of the O&M expense for which recovery is being sought in this case is
21 \$30,682,461 before carrying costs.

1 Q. AS THE COMPANY EXECUTIVE DIRECTLY RESPONSIBLE FOR DUKE
2 ENERGY OHIO'S RESPONSE TO THE STORM IKE EMERGENCY, DO YOU
3 HAVE ANY OPINION AS TO WHETHER THE COSTS THE COMPANY
4 INCURRED TO RESPOND TO THE EMERGENCY WERE REASONABLE AND
5 PRUDENT?

6 A. I do.

7 Q. WHAT IS YOUR OPINION?

8 A. The costs were reasonably and prudently incurred.

V. CONCLUSION

9 Q. WERE ALL OF THE SCHEDULES YOU SPONSOR PREPARED BY YOU OR
10 UNDER YOUR DIRECT SUPERVISION?

11 A. Yes.

12 Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?

13 A. Yes.

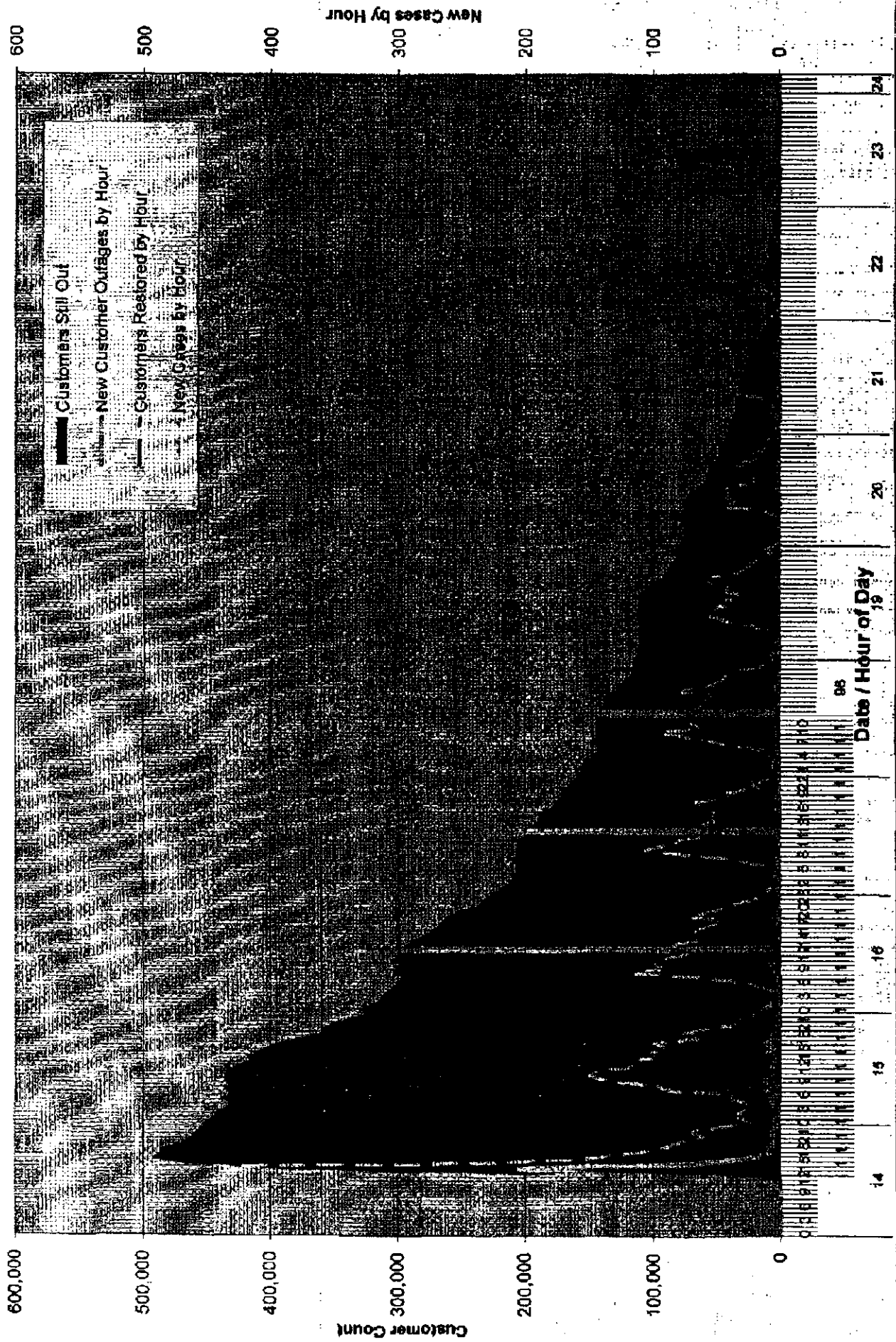
Duke Energy Ohio Storm Outages, Sep 14-Sep 24, 2008

Job Date	Job Day of Month	Hour marks during the event	Hour of Day	New Cases by Hour	Running Total Case Count by Hour	New Customer Outages by Hour	Running Total Out by Hour	Restored Case Count by Hour	Running Tot Jobs Restored by Hour	Customers Restored by Hour	Running Total Custs Restored	Customers Still Out
9/14/2008	14		0	0	0	0	0	0	0	0	0	0
9/14/2008			1	0	0	0	0	0	0	0	0	0
9/14/2008			2	0	0	0	0	0	0	0	0	0
9/14/2008			3	0	0	0	0	0	0	0	0	0
9/14/2008			4	0	0	0	0	0	0	0	0	0
9/14/2008			5	0	0	0	0	0	0	0	0	0
9/14/2008			6	0	0	0	0	0	0	0	0	0
9/14/2008			7	0	0	0	0	0	0	0	0	0
9/14/2008			8	0	0	0	0	0	0	0	0	0
9/14/2008			9	0	0	0	0	0	0	0	0	0
9/14/2008			10	3	3	24	24	0	0	0	0	24
9/14/2008			11	5	8	82	106	0	0	0	0	106
9/14/2008			12	61	90	36,388	38,494	5	5	87	87	36,407
9/14/2008		1	13	301	391	158,187	194,681	5	10	1,517	1,604	193,077
9/14/2008		1	14	507	898	204,511	389,182	8	18	5,361	8,965	392,227
9/14/2008		1	15	265	1,163	74,031	473,223	1	19	2,303	9,268	463,955
9/14/2008		1	16	161	1,314	31,224	504,447	2	21	3,177	12,445	492,002
9/14/2008		1	17	132	1,446	8,645	513,092	8	29	13,848	26,293	488,799
9/14/2008		1	18	100	1,546	11,296	524,387	19	48	11,905	38,198	488,189
9/14/2008		1	19	87	1,633	6,319	530,706	12	60	19,752	57,950	472,756
9/14/2008		1	20	76	1,709	6,987	537,693	12	72	14,438	72,389	465,304
9/14/2008		1	21	61	1,770	5,320	543,013	10	82	10,082	82,471	460,542
9/14/2008		1	22	70	1,840	8,682	551,695	12	94	11,044	93,515	458,180
9/14/2008		1	23	46	1,886	3,300	554,975	11	105	8,890	102,405	452,570
9/15/2008	15	1	0	23	1,909	3,923	558,898	8	113	5,564	107,969	450,829
9/15/2008		1	1	32	1,941	2,225	561,123	23	136	10,252	118,221	442,902
9/15/2008		1	2	32	1,973	414	561,537	4	140	1,269	119,490	442,047
9/15/2008		1	3	23	1,998	2,593	564,130	10	150	10,893	130,383	433,747
9/15/2008		1	4	22	2,018	6,578	569,708	7	157	7,751	138,134	431,674
9/15/2008		1	5	38	2,056	8,599	578,307	12	169	4,823	142,757	435,550
9/15/2008		1	6	37	2,093	1,703	580,010	5	174	6,243	149,000	431,010
9/15/2008		1	7	88	2,181	11,058	591,078	6	180	6,441	155,441	435,637
9/15/2008		1	8	98	2,279	2,449	593,527	3	183	5,928	161,369	432,168
9/15/2008		1	9	136	2,415	12,650	606,177	15	198	9,187	170,556	435,621
9/15/2008		1	10	150	2,565	3,436	609,613	9	207	3,052	173,608	438,005
9/15/2008		1	11	145	2,710	5,322	614,935	11	218	7,391	180,999	433,936
9/15/2008		1	12	117	2,827	7,305	622,240	16	234	15,267	196,266	425,964
9/15/2008		1	13	118	2,945	3,878	626,118	19	255	13,728	210,014	416,104
9/15/2008		1	14	100	3,046	5,918	632,036	8	263	4,881	214,975	417,081
9/15/2008		1	15	101	3,147	9,320	641,356	22	285	16,146	231,120	410,236
9/15/2008		1	16	89	3,236	5,282	646,638	18	303	15,639	246,759	399,959
9/15/2008		1	17	100	3,336	11,454	658,072	18	321	21,042	267,701	390,371

Duke Energy Ohio Storm Outages, Sep 14-Sep 24, 2008

Job Date	Job Day of Month	Hour marks during the event	Hour of Day	New Cases by Hour	Running Total Case Count by Hour	New Customer Outages by Hour	Running Total Out by Hour	Restored Case Count by Hour	Running Tot Jobs Restored by Hour	Customers Restored by Hour	Running Total Custs Restored	Customers Still Out
9/15/2008		1	18	65	3,401	2,624	650,696	28	349	20,235	287,936	372,760
9/15/2008		1	19	78	3,479	5,681	657,377	26	375	21,894	309,830	357,547
9/15/2008		1	20	59	3,538	1,249	658,626	11	386	912	310,742	357,884
9/15/2008		1	21	34	3,572	2,084	670,710	22	408	9,611	320,353	350,357
9/15/2008		1	22	34	3,606	1,508	672,218	23	431	13,251	333,804	338,812
9/15/2008		1	23	19	3,625	1,142	673,358	22	453	14,080	347,884	325,674
9/16/2008	16	1	0	17	3,642	2,963	676,321	10	463	2,590	350,274	326,047
9/16/2008		1	1	7	3,849	111	676,432	5	468	4,785	355,059	321,373
9/16/2008		1	2	8	3,857	642	677,074	12	480	7,384	362,443	314,531
9/16/2008		1	3	8	3,865	301	677,375	6	486	3,474	365,917	311,458
9/16/2008		1	4	5	3,870	780	678,155	4	490	3,115	369,032	308,123
9/16/2008		1	5	15	3,885	2,131	680,288	15	505	8,833	377,865	302,421
9/16/2008		1	6	33	3,718	3,523	683,809	7	512	4,164	382,029	301,780
9/16/2008		1	7	60	3,778	3,455	687,284	12	524	8,842	390,871	298,393
9/16/2008		1	8	115	3,893	3,489	690,753	2	528	53	390,824	299,829
9/16/2008		1	9	93	3,968	2,362	693,115	10	536	2,714	393,538	299,477
9/16/2008		1	10	99	4,005	7,868	700,983	12	548	7,741	401,379	299,604
9/16/2008		1	11	91	4,178	3,435	704,418	5	553	2,208	403,587	300,832
9/16/2008		1	12	73	4,249	3,258	707,677	12	565	7,191	410,778	298,898
9/16/2008		48										
9/16/2008		1	13	84	4,333	5,550	713,237	22	587	8,700	419,478	293,759
9/16/2008		1	14	64	4,397	1,596	714,833	13	600	9,288	428,766	288,067
9/16/2008		1	15	69	4,468	1,931	716,764	28	628	11,527	440,293	278,371
9/16/2008		1	16	65	4,531	1,711	718,475	21	648	4,984	445,277	273,098
9/16/2008		1	17	56	4,587	822	719,297	45	684	6,654	452,031	267,266
9/16/2008		1	18	44	4,631	881	720,178	14	708	3,567	455,598	264,580
9/16/2008		1	19	72	4,703	5,079	725,257	29	737	10,189	465,787	259,470
9/16/2008		1	20	52	4,756	1,886	727,143	33	770	13,839	479,626	247,517
9/16/2008		1	21	44	4,799	1,255	728,398	24	784	11,257	490,883	237,515
9/16/2008		1	22	28	4,827	1,554	729,952	19	813	5,413	496,296	233,656
9/16/2008		1	23	12	4,839	290	730,242	30	843	3,490	499,786	230,456
9/17/2008	17	1	0	12	4,851	585	730,807	22	865	8,543	508,329	222,478
9/17/2008		1	1	7	4,858	1,988	732,795	17	882	5,855	513,984	218,811
9/17/2008		1	2	4	4,862	12	732,807	14	896	6,661	520,645	212,162
9/17/2008		1	3	5	4,857	81	732,888	16	912	4,237	524,882	208,006
9/17/2008		1	4	3	4,870	163	733,061	15	927	432	525,314	207,737

DE-Oh Storm, Sep 14 - Sep 24, 2008





**EDISON ELECTRIC
INSTITUTE**

News

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**FOR IMMEDIATE RELEASE
FOR INFORMATION CONTACT:
Andrew O'Connor, 202-508-5489**

EEI HONORS DUKE ENERGY WITH 'EMERGENCY RECOVERY AWARD' FOR POWER RESTORATION EFFORT

WASHINGTON (March 11, 2009) – The Edison Electric Institute today honored Duke Energy as a winner of the association's "Emergency Recovery Award" for excellence in restoration efforts in the wake of Hurricane Ike, which wreaked extensive damage to Duke's Ohio, Kentucky and Indiana service territories.

The "Emergency Recovery Award", presented annually by EEI, recognizes exceptional efforts in restoring electric service that has been disrupted by severe weather or other natural events. The award was presented to Duke Energy today during EEI's Spring CEO meetings.

On Sept. 14, 2008, trees and power lines succumbed to hurricane winds traveling north from where Hurricane Ike made landfall in the Gulf Coast of Texas. The gusts exceeded 70 miles per hour in some parts of Duke's service territory in the Midwest, taking out power to more than 1 million customers – more than 90 percent of the company's Ohio and Kentucky customers, and more than 32 percent of its Indiana customers.

Damage occurred as trees came down on power lines and distribution poles, and the storm debris also made reaching affected sites very difficult.

More than 1,800 workers were dispatched by the company, an effort that required comprehensive planning and execution in the face of nearly 544,000 customer calls. After four days, 75 percent of the customers experiencing outages were brought back on line, and The company had all affected customers fully restored after nine days.

"Duke Energy's service territory was hit hard in three states, and the company's ability to coordinate crews on all fronts was quite impressive," said EEI President Thomas R. Kuhn.

–more–

"The company seamlessly executed its mission of getting the lights back on quickly and safely with the kind of effort that our industry as a whole prides itself on."

Duke Energy (NYSE: DUK) is one of the largest electric power companies in the United States. It supplies and delivers energy to approximately 4 million U.S. customers. Duke Energy has approximately 35,000 megawatts of electric generating capacity in the Midwest and the Carolinas, and natural gas distribution services in Ohio and Kentucky. In addition, it has more than 4,000 megawatts of electric generation in Latin America.

#

Edison Electric Institute (EEI) is the association of United States investor-owned electric utilities and industry affiliates and associates worldwide. Its domestic members generate approximately three-quarters of all the electricity generated by electric utilities in the country and serve about 70 percent of all ultimate customers in the nation.

**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)

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

<input type="checkbox"/>	Management Policies, Practices, & Organization
<input type="checkbox"/>	Operating Income
<input type="checkbox"/>	Rate Base
<input type="checkbox"/>	Allocations
<input type="checkbox"/>	Rate of Return
<input type="checkbox"/>	Rates and Tariffs
<input checked="" type="checkbox"/>	Other

May 11, 2010

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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**

EMPLOYEES WERE PAID OVERTIME?

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

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

IV. CONCLUSION

Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL TESTIMONY?

A. Yes.

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-IKE)

DIRECT TESTIMONY OF
BETH CLIPPINGER
ON BEHALF OF
DUKE ENERGY OHIO, INC.

_____ Management Policies, Practices, & Organization
_____ Operating Income
_____ Rate Base
_____ Allocations
_____ Rate of Return
_____X Rates and Tariffs
_____X Other

May 11, 2010

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I. INTRODUCTION

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

2 A. My name is Beth Clippinger. My business address is 526 S. Church Street
3 Charlotte, North Carolina 28202.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by the Duke Energy Business Services, Inc., an affiliate service
6 company of Duke Energy Ohio, Inc. (Duke Energy Ohio or Company) as Director
7 of Financial Planning.

8 **Q. PLEASE DESCRIBE YOUR EDUCATION AND PROFESSIONAL**
9 **QUALIFICATIONS.**

10 A. I hold a Bachelor of Science Degree in Accounting from the University of North
11 Carolina at Charlotte. I also hold a Master of Business Administration Degree from
12 Queens University. Since 1990, I have been a Certified Public Accountant.

13 I began my career at Duke Power in 1988 as an assistant accountant in the
14 Corporate Controller's Department. During the period of 1988-1997, I progressed
15 through positions of increasing responsibility in various work groups within
16 Accounting. In 1997, I moved to the Electric Distribution Department as the
17 Financial Process Leader. In 2003, I moved back to Finance to become a part of the
18 budgeting and planning organization. In 2008, I was named to my current position
19 of Director of Financial Planning.

20 **Q. PLEASE DESCRIBE YOUR DUTIES AS DIRECTOR OF FINANCIAL**
21 **PLANNING.**

22 A. As Director of Financial Planning, I am responsible for providing general

1 financial and planning support to the Power Delivery and Gas Delivery
2 Departments within the Company. This consists of routine accounting activities,
3 assisting the business units with functions such as preparation of budgets and
4 forecasts, operational planning, and financial performance analysis.

5 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC**
6 **UTILITIES COMMISSION OF OHIO?**

7 **A.** No, I have not.

8 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
9 **PROCEEDING?**

10 **A.** On February 23, 2010, the Staff of the Public Utilities Commission of Ohio
11 (Staff) issued its Comments relative to Duke Energy Ohio's Application to
12 Establish and Adjust the Initial Level of its Distribution Reliability Rider
13 (Application). Comments were also filed by Intervenors, The Kroger Co.
14 (Kroger) and the Office of the Ohio Consumers' Counsel (OCC). My Direct
15 Testimony will respond to some of the comments filed by the OCC.

II. COMMENTS OF THE OCC

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

18 **A.** Insofar as it concerns the costs for which Duke Energy Ohio is seeking recovery
19 through Rider DR, the OCC's comments primarily focus on the allocation of
20 restoration costs, and associated labor, between capital and operating and
21 maintenance (O&M) expenditures, depreciation of assets, and overtime. The
22 OCC also unfairly criticizes the Company's response to the storm. Here, I

1 address some of the OCC's comments that are financial in nature.

2 **Q. THE OCC CLAIMS DUKE ENERGY OHIO CHARGED EXCESSIVE**
3 **COSTS TO OPERATING AND MAINTENANCE AND DID NOT**
4 **PROPERLY CHARGE COSTS TO CAPITAL. DO YOU AGREE WITH**
5 **THIS STATEMENT?**

6 **A.** No. The Company's replacement of units of property was appropriately
7 capitalized and repairs were appropriately charged to O&M accounts.

8 If the Company installs a unit of property, then the unit of property – and
9 the labor and other costs associated with the installation of that unit of property –
10 must be charged to capital accounts. The type of equipment installed will dictate
11 whether to record the item as capital or an expense. By way of example, if a
12 broken pole is replaced, the costs associated with that replacement would be
13 capitalized. But if an overhead line can be repaired by installing a line splice, the
14 costs are expensed.

15 With respect to the 2008 wind storm, the first priority of the Company was
16 to restore service to its customers as quickly and safely as possible. This effort
17 was accomplished by using both internal and external labor. This labor resource
18 necessarily included field personnel who were not familiar with the charging
19 practices of the Company. Thus, to allow field personnel to focus on restoration
20 efforts, they were instructed to charge all such efforts to O&M accounts.
21 Similarly, materials used for service restoration were initially charged to O&M
22 accounts.

1 Thereafter, in October 2008, a journal entry was made to move units of property,
2 and associated labor costs, from the O&M accounts originally charged to capital
3 accounts. This was done to ensure that the replacement of units of property was
4 appropriately capitalized.

5 **Q. DID THE JOURNAL ENTRY MADE IN OCTOBER 2008 ONLY**
6 **ADDRESS MATERIAL COSTS?**

7 A. No. As I previously explained, a unit of property does not simply consist of
8 the cost of material. Rather, a unit of property includes labor and other costs
9 associated with the installation of that unit of property. As a result, when the
10 journal entry was made and units of property moved to capital accounts, amounts
11 for labor and labor loadings (e.g., fringe benefits, payroll taxes, supervision) were
12 also moved from O&M to capital.

13 **Q. WAS THIS THE ONLY JOURNAL ENTRY THAT WAS MADE**
14 **RELATIVE TO O&M COSTS?**

15 A. No. The journal entry made in October 2008 reflected that a total of 713
16 distribution poles were replaced. This journal entry was prepared using the best
17 information available to Duke Energy Ohio at that time. However, it was
18 subsequently confirmed that the migration of financial systems in 2008 resulted in
19 certain material descriptions and quantities not being fed from the supply chain
20 feeder system to the financial system. Certain detailed description fields were
21 missing. Data has been re-loaded into the financial system and this process
22 yielded only a difference in the pole count by a total of six poles. Pursuant to this
23 process, Duke Energy Ohio has re-booked the journal and reduced the costs

1 associated with poles by \$6,203. Overall the total capital cost increased by \$24,380
2 as there were other units of property involved in addition to poles.

3 **Q. THE OCC OPPOSES DUKE ENERGY OHIO'S ALLOCATION OF**
4 **PAYROLL TAXES, SUGGESTING THAT THE ALLOCATION TO THE**
5 **STORM RESTORATION EFFORTS WAS NOT PRUDENT OR**
6 **REASONABLE. DO YOU AGREE WITH THIS STATEMENT?**

7 **A.** No. Payroll taxes are not unique to Duke Energy Ohio, and, importantly, the
8 Company is obligated to pay them. These taxes represent the Company's portion
9 of state unemployment, federal unemployment, federal health insurance, and
10 FICA. In September 2008, the rate for Duke Energy Ohio employees was 7.54%.

11 To the extent straight time labor for Ohio employees has been removed
12 from the Company's request, so, too, have associated payroll taxes. But the
13 remaining payroll taxes that correlate with incremental labor were reasonably and
14 prudently incurred. Indeed, Duke Energy Ohio could not avoid these taxes.

III. CONCLUSION

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

16 **A.** Yes.

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION OF)
DUKE ENERGY OHIO, INC. TO ESTABLISH)
AND ADJUST THE INITIAL LEVEL OF ITS)
DISTRIBUTION RATE RIDER DR)

CASE NO. 09 - 1946 - EL-ATA

DIRECT TESTIMONY OF
WILLIAM DON WATHEN JR.
ON BEHALF OF
DUKE ENERGY OHIO, INC.

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

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ATTACHMENTS:

Attachment WDW-1	Summary of Journal Entries to Record Storm Deferral
Attachment WDW-2	Rider DR Revenue Requirement Calculation
Attachment WDW-3	Calculation of Rider DR Charges
Attachment WDW-4	Proposed Rider DR (Storm Recovery Rider) Tariff

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. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by Duke Energy Corporation (Duke Energy) affiliated companies General
6 Manager and Vice President of Rates, Ohio and Kentucky.

7 **Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL**
8 **QUALIFICATIONS.**

9 A. I received Bachelor Degrees in Business and Chemical Engineering, and a Master of
10 Business Administration Degree, all from the University of Kentucky. After completing
11 graduate studies, I was employed by Kentucky Utilities Company as a planning analyst. In
12 1989, I began employment with the Indiana Utility Regulatory Commission as a senior
13 engineer. From 1992 until mid-1998, I was employed by SVBK Consulting Group, where I
14 held several positions as a consultant focusing principally on utility rate matters. I was hired
15 by Cinergy Services, Inc., in 1998, as an Economic and Financial Specialist in the Budgets
16 and Forecasts Department. In 1999, I was promoted to the position of Manager, Financial
17 Forecasts. In August 2003, I was named to the position of Director - Rates. On December
18 1, 2009, I took the position of General Manager and Vice President of Rates, Ohio and
19 Kentucky.

20 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

21 A. Yes. I have presented testimony on numerous occasions before the Public Utilities
22 Commission of Ohio (Commission) and various other state, local, and federal regulators.

1 Q. PLEASE SUMMARIZE YOUR DUTIES AS GENERAL MANAGER AND VICE
2 PRESIDENT OF RATES, OHIO AND KENTUCKY.

3 A. As General Manager and Vice President of Rates, Ohio and Kentucky, I am responsible for
4 the preparation of financial and accounting data used in the retail rate filings for Duke
5 Energy Ohio, Inc. (Duke Energy Ohio or Company) and Duke Energy Kentucky, Inc.,
6 petitions for changes in fuel cost adjustment factors, and various other rate recovery
7 mechanisms in Ohio and Kentucky.

8 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

9 A. The purpose of my testimony is to describe the accounting procedures Duke Energy Ohio
10 used to determine the initial rate of the Storm Recovery Rider (Rider DR – Storm Recovery
11 Rider) that is the subject of these proceedings.

12 II. DISTRIBUTION RATE CASE

13 Q. DESCRIBE RIDER DR AS ORIGINALLY PROPOSED IN THE COMPANY'S
14 MOST RECENT DISTRIBUTION RATE CASE.

15 A. In its Application for a retail electric distribution rate increase, Case No. 08-709-EL-AIR, *et*
16 *al.*, Duke Energy Ohio proposed a new distribution rider (Rider DR). The objective of the
17 Company's proposal to implement Rider DR was essentially to recover the cost of
18 distribution-related service. The initial proposal would have allowed the Company to
19 annually track revenue requirements for distribution-related operating and maintenance
20 (O&M) costs and distribution-related investment in plant.

21 Rider DR, as initially proposed in the distribution rate case, would have also
22 provided a mechanism to recover most of the Company's costs associated with its electric
SmartGrid proposal.

1 **Q. DID THE COMPANY MODIFY ITS PROPOSAL REGARDING RIDER DR?**

2 A. Yes. As a result of the September 14, 2008, windstorm, Duke Energy Ohio incurred a
3 significant level of expenses to restore distribution service within its service territory. On
4 December 22, 2008, the Company filed an application for authority to defer restoration costs
5 associated with the September 14, 2008, windstorm and to establish a recovery mechanism
6 for the deferred costs.

7 Also, on October 27, 2008, the Company and the parties to the Company's Electric
8 Security Plan (ESP) case, Case No. 08-920-EL-SSO, *et al.*, signed a stipulation ultimately
9 approved by the Commission that, among other things, provided for an explicit rider for the
10 Company's electric SmartGrid program. This rider would become Rider DR-IM
11 (Distribution Reliability – Infrastructure Maintenance).

12 The December 22, 2008, application for deferral of the windstorm costs also
13 included a request to revise the initial Rider DR and, in its place, proposed that Rider DR
14 recover only the deferred restoration costs associated with the September 14, 2008,
15 windstorm.

16 **Q. IS THE COMPANY REQUESTING RECOVERY OF ALL OF ITS STORM COSTS**
17 **FOR 2008?**

18 A. No. Although, the Company incurred significant expenses for other storm events during
19 2008, it is only seeking to recover the costs associated with the September 14, 2008,
20 windstorm. It should be noted that storm restoration costs, excluding those associated with
21 the September 14, 2008, windstorm, were also more than the amounts included in base rates.
22

1 **Q. WHAT LEVEL OF STORM COSTS WAS THE COMPANY RECOVERING IN ITS**
2 **RETAIL ELECTRIC DISTRIBUTION BASE RATES DURING 2008?**

3 A. The electric distribution rates in effect during 2008 were based on the revenue requirement
4 established in Case No. 05-059-EL-AIR, which used the twelve months ending September
5 30, 2005, as the test year. The test year in that case was based on three months of actual
6 data, October 1, 2004, through December 31, 2004, and nine months of budgeted data,
7 January 1, 2005, through September 30, 2005. So, the amount of storm costs included in the
8 test year revenue requirement would be the sum of actual storm costs for the first three
9 months of the test period, approximately \$210,000¹, and the budgeted amounts for the next
10 nine months. Actual storm costs are tracked separately but, traditionally, the Company has
11 not budgeted storm costs separately. Typically, storm costs are just one component of the
12 overall distribution costs and are aggregated for budgeting purposes. Consequently, it is
13 only possible to estimate the amount of storm costs in base rates using historical storm cost
14 data (which is tracked) that would have been averaged. The table below shows historical
15 storm cost data and historical data for Account 593 (Maintenance of Overhead Lines).

Historical Costs		
Year	Storm Related Distribution O&M	Account 593
2001	\$1,911,127	\$14,854,291
2002	1,659,314	12,620,328
2003	1,825,880	14,610,190
2004	1,927,136	18,887,847
4-Year Avg	\$1,830,864	\$15,243,174
2008 Actual ^(a)	\$5,360,922	\$27,845,701

^(a) Excluding costs related to Hurricane Ike.

16 Combining the actual costs for the first three months of the test year, \$210,000, and a pro

¹ The Company provided this figure in response to discovery in Case No. 08-709-EL-AIR, *et al.* (Staff-DR-17-001).

1 rata share of the budgeted amount for 2005 ($\$1,830,864 * 9 + 12$), a reasonable estimate of
2 storm costs included in base rates for 2008 is approximately \$1,583,148. The table above
3 undeniably shows that actual storm costs for 2008, excluding the September 14, 2008,
4 significantly exceed recovery of storm costs in base rates. Consequently, all of the storm
5 restoration costs associated with the September 14, 2008, windstorm are incremental to the
6 storm costs being recovered in base rates.

7 **Q. WHY DID YOU INCLUDE ACCOUNT 593 IN YOUR SUMMARY TABLE?**

8 A. Only to further illustrate the magnitude of storm costs incurred during 2008. Most of the
9 distribution-related storm restoration costs are reflected in Account 593, Maintenance of
10 Overhead Lines. Overhead lines are typically the area of focus in storm repairs. The test
11 year amounts for Account 593 approved in the Company's last two electric cases, Case No.
12 05-59-EL-AIR and Case No. 08-709-EL-AIR, were \$18,582,206 and \$21,709,094,
13 respectively. In 2008, the Company recorded \$27,845,701 in Account 593, excluding any
14 costs related to the September 14, 2008 windstorm.

15 The Company's December 22, 2008, deferral request included \$28,219,717 of
16 expense just for costs recorded in Account 593. To illustrate the impact of the September
17 14, 2008, windstorm, if the Company had deferred these costs, the 2008 Account 593
18 expense would have been \$56,065,418, which is almost \$30 million more than any year
19 since 2005 or almost \$40 million more than the amount approved in the two prior cases.
20 Following the logic discussed above, the fact that actual expenses for Account 593 for 2008
21 (which exclude the September 14, 2008, windstorm) significantly exceed the amounts being
22 recovered in rates for Account 593, it is inarguable that all of the costs related to the
23 September 14, 2008, windstorm are incremental to amounts that were being recovered in

1 rates.

2 **Q. WHAT IS THE STATUS OF THE COMPANY'S REQUEST TO MODIFY RIDER**
3 **DR?**

4 A. On January 14, 2009, the Commission approved the Company's December 22, 2008,
5 Application to defer O&M costs from the September 14, 2008, windstorm. At that time, the
6 Company recorded a journal entry to defer the distribution and related O&M costs incurred
7 to repair the damage caused by Hurricane Ike. Attachment WDW-1 is a summary of the
8 amount included in Duke Energy Ohio's regulatory asset account to reflect the
9 Commission's January 14, 2009, Order. Since that time, the Company has also recorded
10 carrying costs at the most recently approved long-term debt rate. Page 2 of Attachment
11 WDW-1 shows the monthly transactions to record the approved carrying costs.

12 **Q. DID THE COMMISSION MAKE A FINDING REGARDING THE**
13 **REASONABLENESS OF THE DEFERRED STORM COSTS OR THE MEANS OF**
14 **RECOVERY?**

15 A. No. In the same order, the Commission explicitly stated that the reasonableness of the costs
16 and the means of recovery would be determined in a future proceeding before the
17 Commission. When the Commission issued its Order in the distribution rate case, Case No.
18 08-709-EL-AIR, *et al.*, it approved Rider DR but set the rate at zero. The rate will remain at
19 zero until the Commission issues an order in this instant proceeding.

20 **Q. ARE YOU ATTESTING TO THE REASONABLENESS OF THE DEFERRED**
21 **COSTS?**

22 A. Although I can attest that the Company applied the appropriate carrying cost rate to the
23 monthly balance of the regulatory asset, Company witness James E. Mehring will testify

1 that the costs incurred by the Company to perform the repairs from the September 14, 2008,
2 windstorm were both reasonable and prudently incurred.

3 **Q. DESCRIBE THE TYPES OF COSTS THE COMPANY IS PROPOSING TO**
4 **INCLUDE IN RIDER DR.**

5 A. The O&M accounts listed on Attachment WDW-1, page 1, only reflect the distribution-
6 related expenses for which the Company is seeking recovery in this rider filing. Generally,
7 the accounts are the distribution O&M expenses, those accounts numbered between 580 and
8 598, payroll taxes associated with the labor costs (as recorded in Account 408) and certain
9 administrative and general accounts including labor, office supplies and expenses, benefits
10 and other administrative and general accounts used to record storm restoration costs. The
11 only other costs the Company is seeking to recover via Rider DR are the carrying costs on
12 the unrecovered balance of the deferral (or regulatory asset).

III. PROPOSED RIDER DR RATE CALCULATION

13 **Q. HOW DOES THE COMPANY PROPOSE TO RECOVER THE DEFERRED**
14 **STORM COSTS?**

15 A. Duke Energy Ohio proposes that the Rider DR rates be developed in a manner that
16 minimizes ratepayer impact while still allowing the Company a reasonably timely recovery
17 period. With that objective in mind, the Company is proposing to spread the recovery of
18 Rider DR costs over a three-year period and implement the rate on a per bill basis using the
19 cost of service from Case No. 08-709-EL-AIR to appropriately allocate the costs among the
20 rate classes.

21 **Q. WHY DID YOU CHOOSE THREE YEARS FOR THE RECOVERY PERIOD?**

22 A. Arguably, this period is somewhat arbitrary but it is the same period used in the Company's

1 prior retail electric distribution and gas retail rate cases to amortize rate case expense, which
2 is based on an estimate of the historical period between general rate cases. A three-year
3 period also keeps the rate lower than it would be with a one-year recovery period and results
4 in less carrying costs than would be accrued in a five-year (or longer) recovery period.

5 **Q. HAVING SELECTED THE PERIOD OF RECOVERY, HOW DO YOU PROPOSE**
6 **TO CALCULATE THE RATE?**

7 A. The objective is to develop a rate that, when applied to projected billing determinants, will
8 fully recover the deferred costs. As Rider DR revenue is collected, the balance of the
9 regulatory asset is credited and thus reduced; however, because carrying costs are accrued
10 monthly on the unrecovered balance, it is necessary to calculate essentially an amortization
11 table of the revenue requirement in a manner similar to an amortization of a loan.
12 Attachment WDW-2 provides a summary showing the annualized revenue requirement
13 based on a three-year recovery period.

14 In Attachment WDW-2, I use spreadsheet tools to solve for the monthly revenue
15 required which, when amortized against the balance of the regulatory asset, will result in a
16 \$0 balance at the end of the period, i.e., December 31, 2012.

17 **Q. HOW DO YOU PROPOSE TO ALLOCATE THE ANNUALIZED REVENUE**
18 **REQUIREMENT TO THE VARIOUS RATE CLASSES?**

19 A. The Company's most recent electric distribution rate case included a cost of service study
20 that provided allocation factors used to spread O&M costs, by account, to the various rate
21 classes. Because all of the costs to be included in Rider DR are distribution-related, it is
22 appropriate to use a standard distribution allocation factor to allocate to the various customer
23 classes. Following that reasoning, I propose to use the allocation factor based on the class

1 system peak (i.e., the average of the twelve monthly coincident peaks). Ultimately, this
2 methodology results in a fair allocation of costs among the rate classes and produces an
3 annualized revenue requirement for each rate class that can be used to calculate the ultimate
4 rates for Rider DR.

5 **Q. DID THE COMMISSION APPROVE THE COST OF SERVICE STUDY USED IN**
6 **CASE NO. 08-709-EL-AIR, ET AL?**

7 A. Not explicitly. The Commission's order approved a settlement reached by the parties in the
8 case that included a settlement on the allocation of revenue requirements. The cost of
9 service study included in the Company's application was not the subject of any controversy
10 and no party to the case offered any objection to the allocation factors proposed in the case.
11 Therefore, it is reasonable to conclude that there is no opposition to the proposed allocation
12 factors for establishing the proposed Rider DR charges.

13 **Q. ARE ANY RATE CLASSES EXCLUDED FROM THIS CALCULATION?**

14 A. Transmission service (Rate TS) customers are excluded because all of the costs included in
15 the storm cost deferral relate exclusively to repairing the Company's distribution system.
16 Consequently, Rate TS customers are excluded as these customers are excluded from any
17 distribution allocation factors in the cost of service study.

18 **Q. ONCE THE ANNUALIZED REVENUE REQUIREMENT WAS ALLOCATED TO**
19 **THE RATE CLASSES, HOW DID YOU CALCULATE THE RIDER DR RATE?**

20 A. While any number of alternatives can be formulated to design the Rider DR rates, the
21 Company is proposing to implement Rider DR as a per bill charge to all customers.
22 Essentially, the annualized revenue requirement for each customer class is divided by the
23 number of accounts and divided again by twelve (12) to determine the monthly per bill

charge to recover for all customers. Attachment WDW-3 illustrates the calculations used to develop the proposed Rider DR charges and Attachment WDW-4 is the proposed Rider DR (Storm Recovery Rider) tariff reflecting these rates.

Q. ARE YOU PROPOSING ANY TRUE-UP OF RIDER DR?

A. No. First, applying the charge on a per bill basis minimizes the likelihood of being significantly over- or under-collected during the three-year period. Unlike charges calculated on a per kilowatt-hour basis (such as fuel cost), customer count is fairly predictable over a relatively short period such as three years. Because the Rider DR rate is rounded to the nearest penny and because there may be differences in projected and actual numbers of customer bills, it is improbable that the balance of the regulatory asset at the end of the three-year period will be exactly \$0. However, any over- or under-collection should be negligible to the point that it will be impractical to attempt any true up after the period.

Nevertheless, at the end of the three-year period being proposed herein, the Company will provide the Commission, via a letter filing in this docket, a schedule detailing the monthly balances of the regulatory asset, showing the amortization of the asset as Rider DR revenue is billed, the accruals generated by applying the carrying cost rate, and the ending monthly balances.

IV. CONCLUSION

Q. WERE ALL OF THE SCHEDULES YOU SPONSOR PREPARED BY YOU OR UNDER YOUR DIRECT SUPERVISION?

A. Yes.

Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?

A. Yes.

Duke Energy Ohio
 Rider DR Summary
 Case No. 09-XXX-EL-ATA
 Journal Entries to Create Regulatory Asset

Account Number	Account Title	Debit	Credit
408.1	Taxes Other Than Income Taxes		\$680,852
581	Distribution Load Dispatching		1,461
588	Miscellaneous Distribution Expense		4
592	Distribution Maintenance of Station Equipment		236,310
593	Distribution Maintenance of Overhead Lines		27,857,846
912	Demonstrating and Selling Expenses		587
920	Administrative and General Salaries		3,909
921	Office Supplies and Expenses		45,486
923	Outside Services Employed		975
926	Employee Pensions and Benefits		2,074,229
930	Miscellaneous General Expenses		802
			<u>\$30,682,461</u>
182.3	Other Regulatory Assets	\$30,682,461	

	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09
Balance of Storm Deferrals	\$30,682,461	\$30,682,461	\$30,647,379	\$31,012,741	\$31,178,990	\$31,346,130	\$31,514,166	\$31,683,103	\$31,852,946	\$32,023,699	\$32,195,368	\$32,367,956
+ Prior Month's Carrying Costs	-	164,918	165,361	166,249	167,140	168,036	168,937	169,843	170,753	171,668	172,589	173,514
Ending Balance	\$30,682,461	\$30,847,379	\$31,012,741	\$31,178,990	\$31,346,130	\$31,514,166	\$31,683,103	\$31,852,946	\$32,023,699	\$32,195,368	\$32,367,956	\$32,541,470
Actual Cost of Debt Rate ⁽¹⁾	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%
Monthly Amounts ⁽²⁾	\$164,918	\$165,361	\$166,249	\$167,140	\$168,036	\$168,937	\$169,843	\$170,753	\$171,668	\$172,589	\$173,514	\$174,444

Note: (1) Per the Commission Order of January 14, 2009, the rate reflects the approved average cost of long-term debt in Case No. 08-709-EL-AUR.
(2) Calculated as average of beginning and ending monthly balance multiplied by the applicable carrying cost rate.

	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10
Beginning Balance	\$32,541,470	\$31,725,418	\$30,907,170	\$30,084,536	\$29,257,504	\$28,426,050	\$27,590,150	\$26,749,782	\$25,904,921	\$25,055,543	\$24,201,523	\$23,343,138
Rider DR Revenue/(Amortization) ⁽¹⁾	990,496	990,496	990,496	990,496	990,496	990,496	990,496	990,496	990,496	990,496	990,496	990,496
Balance After Amortization	31,550,974	30,734,912	29,916,674	29,094,039	28,267,002	27,435,553	26,599,654	25,759,286	24,914,424	24,065,046	23,211,127	22,352,642
Actual Cost of Debt Rate ⁽²⁾	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%
Carrying Charge on Unrecovered Balance	\$170,444	\$172,248	\$167,862	\$163,464	\$159,043	\$154,597	\$150,128	\$145,635	\$141,118	\$136,577	\$132,012	\$127,422
Ending Balance of Deferral	\$11,725,418	\$30,907,170	\$10,084,536	\$29,257,504	\$18,426,050	\$27,590,150	\$36,749,782	\$25,904,921	\$25,055,543	\$24,201,523	\$23,343,138	\$22,480,064
Beginning Balance	\$22,480,064	\$21,603,718	\$20,722,710	\$19,836,992	\$18,946,598	\$18,051,324	\$17,151,323	\$16,246,511	\$15,336,861	\$14,422,348	\$13,502,945	\$12,578,827
Rider DR Revenue/(Amortization) ⁽¹⁾	999,153	999,153	999,153	999,153	999,153	999,153	999,153	999,153	999,153	999,153	999,153	999,153
Balance After Amortization	21,480,911	20,604,565	19,723,557	18,837,839	17,942,745	17,052,171	16,152,170	15,247,358	14,337,708	13,423,195	12,503,782	11,579,474
Actual Cost of Debt Rate ⁽²⁾	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%
Carrying Charge on Unrecovered Balance	\$122,807	\$118,145	\$113,435	\$108,699	\$103,939	\$99,152	\$94,343	\$89,503	\$84,640	\$79,750	\$74,835	\$69,899
Ending Balance of Deferral	\$21,603,718	\$20,722,710	\$19,836,992	\$18,946,538	\$18,051,324	\$17,151,313	\$16,246,511	\$15,336,861	\$14,422,348	\$13,502,945	\$12,578,837	\$11,649,367
Beginning Balance	\$11,449,367	\$10,706,783	\$9,759,182	\$8,806,514	\$7,848,753	\$6,885,871	\$5,917,843	\$4,944,637	\$3,966,128	\$2,982,589	\$1,993,691	\$999,506
Rider DR Revenue/(Amortization) ⁽¹⁾	1,007,509	1,007,509	1,007,509	1,007,509	1,007,509	1,007,509	1,007,509	1,007,509	1,007,509	1,007,509	1,007,509	1,007,509
Balance After Amortization	10,441,858	9,699,274	8,751,673	7,799,005	6,841,244	5,878,362	4,910,333	3,937,128	2,958,719	1,975,080	986,182	(8,003)
Actual Cost of Debt Rate ⁽²⁾	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%
Carrying Charge on Unrecovered Balance	\$64,825	\$59,908	\$54,841	\$49,748	\$44,627	\$39,479	\$34,304	\$29,101	\$23,870	\$18,611	\$13,314	\$8,008
Ending Balance of Deferral	\$10,706,783	\$9,759,182	\$8,806,514	\$7,848,753	\$6,885,871	\$5,917,843	\$4,944,637	\$3,966,228	\$2,982,589	\$1,993,691	\$999,506	\$5

Note: ⁽¹⁾ Revenue collected for Rider DR is credited to the regulatory asset. Amount shown is equal to the amount required to amortize the regulatory asset to \$0 by December 31, 2012.

⁽²⁾ Per the Commission Order of January 14, 2009, the RRC reflects the approved average cost of long-term debt in Case No. 08-708-EL-AIR.

Duke Energy Ohio
Rider DR Summary
Case No. 09-XXX-EL-ATA
Cost Allocation and Rate Calculation

Rate Class	Allocation Factor ⁽¹⁾	Allocated Deferral	Annual Bills 2009 ⁽²⁾	Projected Annual Bills ⁽⁴⁾		Projected Monthly Rider DR Charge
				2010	2011	
Residential (RS, ORH, TD, CUR, RSCP)	46.43%	\$15,109,981	7,543,060	7,810,846	7,877,818	7,942,416
Secondary Distribution (DS)	36.90%	12,007,477	270,670	280,252	282,830	285,347
Electric Space Heating (EH)	0.45%	145,786	5,160	5,343	5,392	5,440
Secondary Distribution (DM)	3.29%	1,071,591	504,887	522,760	527,569	532,264
Unmetered Small Fixed Loads (GSFL)	0.18%	58,575	3,358	3,477	3,509	3,540
Primary Distribution (DP)	11.82%	3,847,378	3,756	3,889	3,925	3,960
Transmission (TS)	0.00%	n/a	n/a	n/a	n/a	n/a
Lighting (SL, TL, OL, NSU, NSP, SC, SE, UOCS)	0.92%	300,683	1,508,028	1,561,412	1,575,777	1,589,801
Total	100.00%	\$32,541,470	9,840,919	10,187,779	10,276,820	10,362,768

Annual Regulatory Asset Amortization for \$0 balance at 12/31/2012 (Attachment WDW-2) ⁽³⁾ \$11,885,956 \$11,989,836 \$12,090,108

Note: ⁽¹⁾ From Cost of Service Study in Case No. 08-709-EL-AIR, Schedule E-3.2, page 23 of 25, factor K205, "Weighted Distribution Line Allocation Factor."

⁽²⁾ From Attachment WDW-1, page 2, ending balance of deferral at December 2009.

⁽³⁾ From Schedule E-4, page 1, Case No. 08-709-EL-AIR.

⁽⁴⁾ Based on projected increases in customer count from Schedule C-12.1, page 1 of 2, in Case No. 08-709-EL-AIR.

	2008-2010	2010-2011	2011-2012
Residential Growth (Customers)	3.52%	0.86%	0.82%
Commercial & Industrial Growth (Customers)	3.54%	0.92%	0.89%

⁽⁵⁾ Sum of monthly revenue/(amortization) from Attachment WDW-2.

Attachment WDW-4

P.U.C.O. Electric No. 19
Sheet No. 70.1
Cancels and Supersedes
Original Sheet No. 70
Page 1 of 1

Duke Energy Ohio
139 East Fourth Street
Cincinnati, Ohio 45202

RIDER DR

STORM RECOVERY RIDER

APPLICABILITY

Applicable to all retail jurisdictional customers in the Company's electric service areas.

STORM RECOVERY RIDER

All retail jurisdictional customers shall be assessed a monthly charge to recover the revenue requirement associated with costs incurred by the Company due to Hurricane Ike.

For all customers, these rates are effective beginning with the first billing cycle of January 2010 and end on the last billing cycle of December 2013.

<u>Tariff Sheet</u>	<u>Charge</u>
Rate RS, RSLI, ORH, TD, CUR, RS3P	\$ 0.71
Rate DS	\$ 15.64
Rate EH	\$ 9.98
Rate DM	\$ 0.75
Rate GSFL	\$ 8.15
Rate DP	\$ 361.16
Rate TS	\$ 0.00
Rate SL, TL, OL, NSU, NSP, SC, SE, UOLS (per lighting unit)	\$ 0.07

Issued Pursuant to an Order dated _____ in Case No. _____ before the Public Utilities Commission of Ohio.

Issued:

Effective:

Issued by Julie Janson, President

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)
ITS DISTRIBUTION RATE RIDER DR)

SUPPLEMENTAL DIRECT TESTIMONY OF

WILLIAM DON WATHEN JR.

ON BEHALF OF

DUKE ENERGY OHIO, INC.

<u> </u>	Management policies, practices, and organization
<u> </u>	Operating income
<u> </u>	Rate Base
<u> X </u>	Allocations
<u> </u>	Rate of return
<u> X </u>	Rates and tariffs
<u> X </u>	Other

May 11, 2010

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SUPPLEMENTAL ATTACHMENTS

Supplemental Attachment WDW-1

Supplemental Attachment WDW-2

Supplemental Attachment WDW-3

Supplemental Attachment WDW-4

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

7 A. Yes.

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

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

16 **Q. PLEASE DESCRIBE THE ATTACHMENTS TO YOUR**
17 **SUPPLEMENTAL DIRECT TESTIMONY.**

18 A. The attachments to my Supplemental Direct Testimony are essentially updated
19 schedules to reflect the impacts of (1) certain adjustments recommended by the
20 Staff and Intervenors, (2) a proposed change in billing the rider for certain non-
21 residential customers, and (3) the additional carrying charges that have

1 compounded on the regulatory asset balance since the time the schedule was
2 originally created.

II. COMMENTS OF THE STAFF

3 Q. PLEASE SUMMRIZE THE STAFF'S COMMENTS IN RESPECT OF DUKE
4 ENERGY OHIO'S APPLICATION.

5 A. Staff conducted a thorough and extensive review of the expenses incurred by
6 Duke Energy Ohio in responding to the outages caused by the remnants of
7 Hurricane Ike. The documents provided to Staff and Intervenors included
8 material requisitions, invoices and supporting documents, such as time sheets,
9 from contractors retained by the Company for storm restoration purposes, and
10 time sheets of employees of Duke Energy Ohio and its affiliated companies.
11 Based upon its detailed review, Staff concluded that certain invoices were not
12 applicable to the Ohio restoration efforts and, instead, were related to similar
13 efforts then underway in Kentucky and Indiana. Staff thus recommended that the
14 Company remove a total of \$46,886.32 for non-jurisdictional work.

15 Staff also recommended that Duke Energy Ohio make adjustments for
16 straight-time labor and associated overhead for Ohio employees. Staff reasoned
17 that these expenses constitute normal operating expenses that were already
18 reflected in base rates. These recommended adjustments total \$986,244.62. Staff
19 otherwise found that the storm expenses to be recovered by the Company were
20 reasonable.

21 Finally, Staff recommended that the Company provide it with an annual
22 report showing the yearly balance and activity in the regulatory asset. This last

1 recommendation was to assist the Staff in ensuring that the balance of the
2 regulatory asset stays on schedule to be at \$0 by the end of the three-year
3 amortization period.

4 **Q. WHAT IS THE COMPANY'S RESPONSE TO THE**
5 **RECOMMENDATIONS DESCRIBED ABOVE?**

6 A. Duke Energy Ohio accepts Staff's recommendations and has agreed to reduce its
7 request for those costs described in the Staff's comments. Duke Energy Ohio will
8 provide Staff with annual reports reflecting the yearly balance and activity in the
9 regulatory asset. In addition, the Company is willing to true-up Rider DR upon
10 the end of the three-year recovery period if the Commission deems the balance of
11 any over- or under-recovery to be material. However, because of the manner in
12 which the Company is proposing to bill customers for this charge, it is likely that
13 ending balance will be immaterial.

14 Duke Energy Ohio also agrees to the recommendations made by Staff
15 concerning Duke Energy Ohio labor. However, based on additional review of the
16 Staff's proposal, the Company recommends additional adjustments for
17 supervisory and service company labor provided for or on behalf of Duke Energy
18 Ohio and other miscellaneous items totaling \$293,767.65. The Company agrees
19 to make total adjustments of \$1,326,898.59 to its original request, which results in
20 a starting balance in the regulatory asset for the wind storm of \$29,355,562.

III. COMMENTS OF THE KROGER CO.

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

3 **A.** Kroger stated that it did not object to the Company recovering reasonable costs
4 incurred in responding to the 2008 windstorm and Kroger did not recommend any
5 further adjustments, or reductions, to the total expenses incurred by the Company.
6 Kroger's comments focused on the allocation of the costs between classes and the
7 "per bill" recovery mechanism proposed by Duke Energy Ohio. In addition,
8 Kroger also clarified that is disagreed with Duke Energy Ohio's assertion that no
9 other party in Case No. 08-709-EL-AIR, *et al.* objected to its proposed allocation
10 factors.

11 **Q. WHAT IS YOUR RESPONSE TO KROGER'S COMMENTS**
12 **REGARDING THE ALLOCATION OF COSTS?**

13 **A.** The Company is willing to modify its request insofar as it concerns the use of a
14 per bill customer charge. Kroger's proposal to bill costs allocated on demand
15 using a demand billing determinant is reasonable in this instance. Therefore, for
16 those customers taking service under tariffs that charge based on demand, Rider
17 DR will be on a "per kW" basis. This change has no impact on the relative
18 allocation between classes but will slightly shift the impact of Rider DR among
19 customers within those affected rate classes.

1 Q. IF THE COMPANY'S ORIGINAL ALLOCATION WAS FAIR AND
2 REASONABLE, WHY IS IT AGREEING TO ALLOCATE ON A "PER
3 kW" BASIS FOR CERTAIN CUSTOMERS?

4 A. The Company continues to believe that the recovery mechanism described in my
5 Direct Testimony is fair and reasonable and that because of some unique
6 characteristics of Rider DR, a per bill charge for all customers is reasonable.

7 Compared to a total bill, the impact of Rider DR will be less than 1% for
8 all customers. Because the charge is so small, the Company proposed that a per
9 bill charge would be reasonable for all customers. However, Duke Energy Ohio
10 acknowledges the legitimate concern from Kroger and is willing to accept the
11 alternative billing basis that it proposed.

IV. COMMENTS OF THE OCC

12 Q. PLEASE GENERALLY SUMMARIZE THE OCC'S COMMENTS IN
13 RESPECT OF DUKE ENERGY OHIO'S APPLICATION.

14 A. Insofar as it concerns the costs for which Duke Energy Ohio is seeking recovery
15 through Rider DR, the OCC's comments primarily focus on the allocation of
16 restoration costs, and associated labor, between capital and operating and
17 maintenance (O&M) expenditures, depreciation of assets, and overtime. The
18 OCC also unfairly criticizes the Company's response to the storm. Here, I
19 address some of the OCC's comments that are financial in nature.

1 Q. THE OCC CONTENDS THAT THE EMPLOYEE BENEFITS CHARGE
2 APPEARS EXCESSIVE GIVEN THE NUMBER OF CONTRACTORS
3 RETAINED IN THE RESTORATION EFFORTS. DO YOU AGREE
4 WITH THIS STATEMENT?

5 A. No. Significantly, employee benefit charges were applied only to Company labor,
6 not contractor labor. However, consistent with its position relative to Staff's
7 Comments, Duke Energy Ohio has removed from its request straight-time labor
8 and associated fringe benefits for Ohio employees. As a result, only incremental
9 labor costs, and associated fringe benefits allocated to the wind storm, remain in
10 O&M for the 2008 wind storm restoration efforts.

11 Q. THE OCC CHALLENGES THE DEPRECIATION METHODOLOGY
12 EMPLOYED BY DUKE ENERGY OHIO RELATIVE TO REPLACED
13 ASSETS. DO YOU AGREE WITH THIS STATEMENT?

14 A. No. Duke Energy Ohio follows composite depreciation accounting, a method that
15 has been historically used and approved by the Commission in prior rate cases.
16 The composite method of accounting does not recognize losses on assets retired
17 prior to their estimated life. A characteristic of this procedure is that the cost of
18 plant retired prior to the average service life is not fully recouped at the time of
19 retirement, whereas the cost of plant retired subsequent to average life is more
20 than fully recouped. Over the entire life cycle, the portion of cost not recouped
21 prior to average life is balanced by the cost recouped subsequent to average life.
22 Subtraction from rate base for the depreciation remaining on assets removed
23 would be inconsistent with composite depreciation accounting and previous

1 Commission approval of this method. Further, Duke Energy Ohio conducts
2 periodic depreciation studies that analyze several components of the business, one
3 of which is the over and under impacts of retirements in development of
4 depreciation rates. Depreciation rates from these studies are approved by the
5 Commission.

6 **Q. THE OCC COMMENTS THAT DUKE ENERGY OHIO IS ATTEMPTING**
7 **TO RECOVER OVERTIME LABOR COSTS THAT ARE ALREADY**
8 **INCLUDED IN BASE RATES. DO YOU AGREE WITH THIS**
9 **STATEMENT?**

10 **A.** No. The amount of overtime in Duke Energy Ohio's current electric distribution
11 base rates, as approved in Case No. 08-709-EL-AIR, *et al.*, is approximately \$3.7
12 million. Total electric distribution overtime actual charges for 2008, excluding
13 the 2008 wind storm, were \$5.3 million. Thus, without any consideration to the
14 wind storm, the actual overtime expense incurred by the Company in 2008
15 exceeded the amount included in base rates.

16 Total electric distribution overtime charges for 2008, including the 2008
17 wind storm, were \$8.8 million. Of this amount, \$3.5 million was related to the
18 wind storm restoration efforts. Therefore, the amount of storm-related overtime
19 requested in the current proceeding is undeniably incremental to the overtime
20 collected in base rates.

1 Q. IS THE COMPANY SEEKING TO RECOVER ALL INCREMENTAL
2 OVERTIME FROM 2008 THROUGH THIS PROCEEDING?

3 A. No. Duke Energy Ohio is only asking for recovery of the incremental overtime
4 associated with the 2008 wind storm. The Company is not seeking to recover any
5 other incremental overtime from 2008 in this proceeding.

V. CONCLUSION

6 Q. ARE THERE ANY OTHER ADJUSTMENTS THE COMPANY WOULD
7 LIKE TO MAKE TO ITS OVERALL REQUEST?

8 A. Yes. In the course answering the extensive discovery submitted in this
9 proceeding, the Company determined that it applied a formula for estimating
10 fringe benefit costs on overtime labor that inappropriately included certain costs
11 as incremental that were not truly incremental. A common method for
12 determining the amount of fringe benefit costs that should be allocated to a dollar
13 of labor is to apply a "loading" rate. The loading rate includes such items as
14 payroll taxes, medical insurance, etc. For an item such as medical insurance, the
15 Company's cost does not vary with the level of overtime. Because, as described
16 above, the overtime charged to the wind storm is all incremental to the amount in
17 base rates, all of the fringe benefits charges that were allocated to the overtime
18 costs should be excluded from the requested amount for recovery via Rider DR.
19 The impact of this change reduces the beginning balance of the regulatory asset
20 by \$800,461. Finally, the Company made a number of other miscellaneous
21 adjustments that total \$81,858.

1 Q. AS A RESULT OF ALL THE ADJUSTMENTS DESCRIBED ABOVE,
2 HAVE YOU REVISED THE ATTACHMENTS TO YOUR DIRECT
3 TESTIMONY FILED ON DECEMBER 11, 2009?

4 A. Yes.

5 Q. PLEASE EXPLAIN THESE REVISIONS.

6 A. Attachment WDW-1 to my Direct Testimony reflected the summary of the
7 amount included in the Company's regulatory asset account, consistent with the
8 Commission's Entry of January 14, 2009. This attachment also summarizes the
9 monthly transactions to record approved carrying charges. Supplemental
10 Attachment WDW-1 reflects this same information but as revised consistent with
11 the adjustments described above.

12 Attachment WDW-2 was modified from my Direct Testimony to reflect
13 the updated balance from Supplemental Attachment WDW-1 and to reflect the
14 additional carrying costs that are expected to accrue at least until July 1, 2010,
15 which is the date the Company is requesting that the Rider DR become effective.
16 Any change to the dollar amount of the request or the starting date for recovery
17 will require revisions to Supplemental Attachment WDW-2.

18 Attachment WDW-3 to my Direct Testimony reflected the Company's
19 cost allocation and rate calculation for Rider DR. Attachment WDW-4 calculated
20 the tariff rates reflecting the monthly charge, by class, for Rider DR. I have
21 revised both of these attachments consistent with the revisions to the balance for
22 the regulatory asset and to reflect the change in billing basis for certain non-

1 residential customers. The revised documents are attached as Supplemental
2 Attachment WDW-3 and Supplemental Attachment WDW-4, respectively.

3 **Q. WHAT IS THE FINAL BALANCE THAT THE COMPANY PROPOSES**
4 **TO COLLECT FOR RESTORATION COSTS RELATED TO THE**
5 **HURRICANE IKE WINDSTORM?**

6 **A.** After considering various adjustments recommended by the Staff in its Comments
7 and additional Company adjustments as described above, the revised balance in
8 the regulatory asset account proposed for recovery is \$28,473,244.

9 **Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL DIRECT**
10 **TESTIMONY?**

11 **A.** Yes.

Duke Energy Ohio
Rider DR Summary
Case No. 09-1946-EL-RDR
Journal Entries to Create Regulatory Asset

Account Number	Account Title	Debit	Credit
408.1	Taxes Other Than Income Taxes		\$660,852
581	Distribution Load Dispatching		1,481
588	Miscellaneous Distribution Expense		4
592	Distribution Maintenance of Station Equipment		236,310
593	Distribution Maintenance of Overhead Lines		27,857,846
812	Demonstrating and Selling Expenses		587
920	Administrative and General Salaries		3,909
921	Office Supplies and Expenses		45,488
923	Outside Services Employed		975
926	Employee Pensions and Benefits		2,074,228
930	Miscellaneous General Expenses		802
182.3	Staff Recommended Adjustments		(1,033,131)
182.3	Additional Adjustments by Company		(1,176,086)
			<u>\$28,473,244</u>

Duke Energy Ohio
Rider DR Summary
Case No. 09-1946-B-RDR
Calculation of Carrying Charges

	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09
Balance of Storm Deferrals	\$28,473,244	\$28,473,244	\$28,473,244	\$28,779,743	\$28,914,021	\$29,099,127	\$29,345,004	\$29,401,838	\$29,588,451	\$29,717,910	\$29,877,217	\$30,037,379
+ Prior Month's Carrying Costs	-	153,044	153,453	154,279	155,106	155,937	156,773	157,614	158,458	159,308	160,162	161,020
Ending Balance	\$28,473,244	\$28,626,288	\$28,779,743	\$28,934,021	\$29,089,127	\$29,244,064	\$29,401,838	\$29,559,451	\$29,717,910	\$29,877,217	\$30,037,379	\$30,198,000
Actual Cost of Debt Rate ⁽¹⁾	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%
Monthly Amounts ⁽²⁾	\$153,044	\$153,453	\$154,279	\$155,106	\$155,937	\$156,773	\$157,614	\$158,458	\$159,308	\$160,162	\$161,020	\$161,894
Balance of Storm Deferrals	\$30,198,000	\$30,350,283	\$30,503,085	\$30,655,839	\$30,808,539	\$30,961,160	\$31,113,713	\$31,266,209	\$31,418,648	\$31,571,031	\$31,723,358	\$31,875,629
+ Prior Month's Carrying Costs	\$153,044	\$153,453	\$154,279	\$155,106	\$155,937	\$156,773	\$157,614	\$158,458	\$159,308	\$160,162	\$161,020	\$161,894
Ending Balance	\$30,350,283	\$30,503,085	\$30,655,839	\$30,808,539	\$30,961,160	\$31,113,713	\$31,266,209	\$31,418,648	\$31,571,031	\$31,723,358	\$31,875,629	\$32,027,923
Actual Cost of Debt Rate ⁽¹⁾	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%
Monthly Amounts ⁽²⁾	\$153,044	\$153,453	\$154,279	\$155,106	\$155,937	\$156,773	\$157,614	\$158,458	\$159,308	\$160,162	\$161,020	\$161,894

Notice: (1) Per the Commission Order of January 14, 2009, the rate reflects the approved average cost of long-term debt in Case No. 09-200-B-JLR.
(2) Calculated as average of beginning and ending monthly balance multiplied by the applicable carrying cost rate.

Duke Energy Ohio
Rider DR Summary
Case No. 08-1946-B-ADR
Calculation of Carrying Charges

	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11
Beginning Balance	\$11,321,312	\$10,394,331	\$10,611,248	\$10,811,076	\$10,811,091	\$12,736,915	\$16,415,909	\$15,630,774	\$14,821,255	\$14,007,409	\$13,191,217	\$12,366,640
Rider DR Revenue (Amortization) (1)	949,061	949,061	949,061	949,061	949,061	949,061	949,061	949,061	949,061	949,061	949,061	949,061
Balance After Amortization	30,273,751	29,449,191	28,665,188	27,876,508	27,084,150	26,287,838	25,485,356	24,681,713	23,877,194	23,071,348	22,264,150	21,457,578
Actual Cost of Debt Rate (2)	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%
Carrying Charge on Unrecovered Balance	\$164,501	\$165,037	\$165,840	\$166,826	\$167,993	\$170,430	\$173,144	\$176,144	\$179,435	\$182,916	\$186,589	\$190,453
Ending Balance of Deferral	\$10,399,152	\$10,611,248	\$10,811,076	\$11,011,391	\$11,212,819	\$11,415,909	\$11,620,774	\$11,827,356	\$12,035,690	\$12,245,791	\$12,457,660	\$12,671,393
Beginning Balance	\$21,819,670	\$20,899,984	\$19,855,831	\$18,007,164	\$15,153,960	\$12,205,195	\$9,161,844	\$6,115,882	\$3,071,028	\$0,027,409	\$-1,021,312	\$-2,074,334
Rider DR Revenue (Amortization) (1)	957,336	957,336	957,336	957,336	957,336	957,336	957,336	957,336	957,336	957,336	957,336	957,336
Balance After Amortization	20,862,334	19,942,648	18,908,497	16,049,800	12,196,624	8,247,859	4,204,508	1,178,546	-1,943,283	-4,068,791	-6,195,948	-8,322,680
Actual Cost of Debt Rate (2)	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%
Carrying Charge on Unrecovered Balance	\$117,670	\$113,209	\$108,630	\$104,152	\$99,761	\$95,455	\$91,234	\$87,098	\$83,046	\$79,076	\$75,189	\$71,384
Ending Balance of Deferral	\$19,699,984	\$19,855,831	\$19,007,164	\$18,153,960	\$17,296,415	\$16,438,844	\$15,581,144	\$14,723,408	\$13,865,690	\$13,007,955	\$12,150,206	\$11,292,442
Beginning Balance	\$11,162,049	\$10,326,384	\$9,380,832	\$8,436,136	\$7,520,420	\$6,597,818	\$5,670,283	\$4,737,788	\$3,800,309	\$2,857,837	\$1,900,388	\$937,690
Rider DR Revenue (Amortization) (1)	965,363	965,363	965,363	965,363	965,363	965,363	965,363	965,363	965,363	965,363	965,363	965,363
Balance After Amortization	10,196,686	9,360,021	8,415,469	7,470,773	6,555,057	5,632,455	4,704,920	3,772,425	2,834,946	1,892,474	945,025	(7,673)
Actual Cost of Debt Rate (2)	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%	6.45%
Carrying Charge on Unrecovered Balance	\$61,209	\$57,402	\$53,547	\$49,647	\$45,700	\$41,718	\$37,693	\$33,626	\$29,517	\$25,364	\$21,166	\$16,924
Ending Balance of Deferral	\$10,258,084	\$9,326,921	\$8,415,469	\$7,520,420	\$6,597,818	\$5,670,283	\$4,737,788	\$3,800,309	\$2,857,837	\$1,900,388	\$937,690	(60)

Note: (1) Revenue collected for Rider DR is credited to the regulatory asset. Amount shown is equal to the amount required to amortize the regulatory asset to \$0 by June 30, 2013.
(2) Per the Commission Order of January 14, 2008, the rate reflects the approved average cost of long-term debt in Case No. 08-709-EL-AM.

Case No. 09-1946-EL-RDR
Cost Allocation and Rate Calculation

Rate Class	Allocation Factor (%)	Allocated Deferral	Annual Bill (\$000s)	Projected Annual Bill (\$M)			Projected Monthly Rider DR Charge	Annual MW 2009 ^W	Projected Monthly Rider DR Charge Per kW
				Year 1	Year 2	Year 3			
Residential (RS, CRH, TO, CLUR, RSHIP)	46.43%	\$14,248,736	7,545,060	7,810,646	7,877,818	7,942,416	\$0.68	n/a	
Secondary Distribution (DS)	34.90%	11,323,070	270,870	280,252	282,830	285,847	14.89	20,765,534	\$0.22
Electric Service Heating (EH)	0.65%	137,476	5,160	5,343	5,391	5,440	9.54	n/a	
Secondary Distribution (DM)	3.29%	1,010,512	904,857	922,760	937,568	952,164	0.72	n/a	
Unmetered Small Piped Loads (USPL)	0.18%	55,236	3,358	3,477	3,509	3,540	5.89	n/a	
Primary Distribution (DP)	11.82%	3,628,084	3,756	3,889	3,925	3,960	346.06	4,782,372	\$0.22
Transmission (TS)	0.00%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Lighting (EL, TL, OL, NSU, NRP, SC, SE, UDLS)	0.92%	283,545	1,508,028	1,565,413	1,575,777	1,589,003	\$0.07	n/a	
Total	100.00%	\$30,686,658	9,840,913	10,187,779	10,276,820	10,362,768		25,557,906	

Annual Regulatory Asset Amortization for 80 balance at 6/30/2013 (Attachment WDW-2)^W \$11,388,796 \$11,488,272 \$11,584,358

Note: ^W From Cost of Service Study in Case No. 08-709-EL-AIR, Schedule E-3.1, page 23 of 25, factor K005, "Weighted Distribution Line Allocation Factor."

^U From Attachment WDW-1, page 2, ending balance of deferral at June 30, 2010.

^W From Schedule E-4, page 1, Case No. 08-709-EL-AIR.

^W Based on projected increases in customer count from Schedule C-12.1, page 1 of 2, in Case No. 08-709-EL-AIR.

OCC

**Duke Energy Ohio
Case No. 09-1946-EL-ATA
OCC Sixth Set Production of Documents
Date Received: March 24, 2010**

OCC-POD-06-039

REQUEST:

Mr. Mehring's testimony at page 6 states that the storm "necessitated a total of 31,880 splices:"

If none of the documents provided to OCC or the Staff in discovery have include documentation of the 31,880 splices please provide documentation that reflect the completion of these splices including:

- a. The general locations in which the splices were completed;
- b. The identity of the teams who completed these splices; and
- c. The time consumed in completing these splices.

RESPONSE:

No records exist that contain the level of detail requested in subparts (a) – (c) above. The Company's normal business practice is such that it does not document the detailed information referenced in this Request for Production of Documents. Answering further and in the spirit of discovery, please see STAFF DR-04-001 (Material Charges.xls), which references the quantity of splices.

PERSON RESPONSIBLE: N/A

Duke Energy Ohio
Case No. 09-1946-EL-ATA
OCC Sixth Set Production of Documents
Date Received: March 24, 2010

OCC-POD-06-040

REQUEST:

If none of the documents provided to OCC or the Staff in discovery have included documentation of the 942 cutouts, please provide documentation that reflects the completion of these cutouts, including:

- a. The general locations in which the cutouts were completed;
- b. The identify of the teams who completed these cutouts; and
- c. The time consumed in completing these cutouts.

RESPONSE:

No records exist that contain the level of detail requested in subparts (a) - (c) above. The Company's normal business practice is such that it does not document the detailed information referenced in this Request for Production of Documents. Answering further and in the spirit of discovery, please see STAFF DR-04-001 (Material Charges.xls), which references the cutouts.

PERSON RESPONSIBLE: N/A

occ 3

Unit of Property	ACCOUNT	Memo Account	PUC	Install Labor
POLE, 30 FT	0364.01.030	0364010	030	\$ 94.32
POLE, 30 FT	0364.01.030	0364010	030	\$ 94.32
POLE, 30 FT	0364.01.030	0364010	030	\$ 94.32
POLE, 30 FT	0364.01.030	0364010	030	\$ 94.32
POLE, 35 FT	0364.01.035	0364010	035	\$ 97.11
POLE, 35 FT	0364.01.035	0364010	035	\$ 97.11
POLE, 35 FT	0364.01.035	0364010	035	\$ 97.11
POLE, 35 FT	0364.01.035	0364010	035	\$ 97.11
POLE, 40 FT	0364.01.040	0364010	040	\$ 113.18
POLE, 40 FT	0364.01.040	0364010	040	\$ 113.18
POLE, 40 FT	0364.01.040	0364010	040	\$ 113.18
POLE, 40 FT	0364.01.040	0364010	040	\$ 113.18
POLE, 40 FT	0364.01.040	0364010	040	\$ 113.18
POLE, 40 FT	0364.01.040	0364010	040	\$ 113.18
POLE, 40 FT	0364.01.040	0364010	040	\$ 113.18
POLE, 45 FT	0364.01.045	0364010	045	\$ 129.24
POLE, 45 FT	0364.01.045	0364010	045	\$ 129.24
POLE, 45 FT	0364.01.045	0364010	045	\$ 129.24
POLE, 45 FT	0364.01.045	0364010	045	\$ 129.24
POLE, 50 FT	0364.01.050	0364010	050	\$ 236.84
POLE, 50 FT	0364.01.050	0364010	050	\$ 236.84
POLE, 55 FT	0364.01.055	0364010	055	\$ 349.32
POLE, 55 FT	0364.01.055	0364010	055	\$ 349.32
POLE, 60 FT	0364.01.060	0364010	060	\$ 419.18
POLE, 60 FT	0364.01.060	0364010	060	\$ 419.18
POLE, 65 FT	0364.01.065	0364010	065	\$ 454.13
POLE, 65 FT	0364.01.065	0364010	065	\$ 454.13
POLE, DECORATIVE	0371.22.003	0371220	003	\$ 279.45
POLES-CONCRETE/FIBERGLASS/STEEL	0364.11.001	0364110	001	\$ 698.63
POLES-CONCRETE/FIBERGLASS/STEEL	0364.11.001	0364110	001	\$ 698.63

000 4.

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke)	Case No. 08-709-EL-AAM	AIR
Energy Ohio for Authority to Change)	08-710-EL-AAM	ATA
Accounting Methods.)	08-711-EL-AAM	

FINDING AND ORDER

The Commission finds:

- (1) Duke Energy Ohio (DE-Ohio or the Company) is an Ohio corporation engaged in the business of providing electric generation, transmission and distribution service to customers in Ohio and, as such, is a public utility as defined by Sections 4905.02 and 4905.03(A)(4), Revised Code.
- (2) On July 25, 2008, DE-Ohio filed an application to increase electric distribution rates under Case No. 08-709-EL-AIR. Within the context of the distribution rate case, DE-Ohio filed two other applications. Specifically, DE-Ohio requested authority to change accounting methods and defer costs associated with its future electric distribution investments under Case No. 08-711-EL-AAM, and for authority to implement a new tariff rider called Distribution Rider (Rider DR) to recover these investments under Case No. 08-710-EL-ATA.
- (3) On July 30, 2008, DE-Ohio filed its Electric Security Plan (ESP), Case No. 08-920-EL-SSO. Within the context of the ESP case, DE-Ohio filed similar applications, Case No. 08-921-EL-AAM, seeking authority to defer the same costs associated with its future electric distribution investments that were requested in the distribution rate case discussed above, and Case No. 08-923-EL-ATA, for a new Distribution Rider Infrastructure Modernization (Rider DR-IM) similar to the mechanism requested in this proceeding, referred to as Rider DR.
- (4) On October 28, 2008, a Stipulation and Recommendation was filed in Case No. 08-920-EL-SSO which, among other things, agreed to the creation of Rider DR-IM for the implementation of an advanced SmartGrid technology and deferral of costs related

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Technician SMS Date Processed JAN 14 2009

to SmartGrid investment. The Commission approved the Stipulation and Recommendation in an Opinion and Order dated December 17, 2008.

- (5) On December 22, 2008, DE-Ohio filed a motion seeking additional Commission authority to change accounting methods to defer and create a regulatory asset for actual O&M storm restoration costs incurred and carrying charges resulting from the September 14, 2008, Hurricane Ike wind storm. DE-Ohio also requests approval to narrow the scope of the Rider DR to just those incremental O&M expenses and carrying charges related to storm damage. To avoid confusion in the naming of other riders, DE-Ohio proposes to change the name of Rider DR to Rider "DR-IKE". The initial level of Rider DR-IKE to be approved in these proceedings would be zero. DE-Ohio proposes to file Rider DR-IKE in 2009 and would include an amortization of these storm-related costs and carrying charges over three years.
- (6) The Application asserts that the storm restoration costs that DE-Ohio has incurred have significantly exceeded its average annual storm-related costs. DE-Ohio estimates that its Hurricane Ike-related expenses will be approximately \$31 million, of which \$30 million are O&M costs and \$1 million are capital-related expenditures. The costs that DE-Ohio seeks authority to accumulate as a regulatory asset and to defer for future recovery are the actual O&M costs incurred and carrying charges related to the September 14, 2008, wind-storm that exceeds the Company's storm-related costs included in the test-year revenue requirement set forth in its July 25, 2008, application to increase electric distribution rates under Case No. 08-709-EL-AIR. Until the costs are fully recovered, DE-Ohio proposes to apply a carrying charge, based upon its most recently approved average cost of long-term debt. DE-Ohio proposes to amortize the accumulated regulatory asset over a period of three years, to be recovered in a future application to set and adjust Rider DR-IKE. The application asserts that interested parties will have an opportunity for due process through a public hearing afforded by the Commission. DE-Ohio proposes that the scope of such proceeding be limited to a review of the reasonableness of the calculation of the amount to be recovered. The application also proposes that, if the Commission does not allow for such a deferral, with carrying costs, DE-Ohio will make the appropriate test-year adjustment to amortize the restoration costs over three

years for recovery in a manner similar to rate case expense, providing the adjustment for storm cost along with proposed carrying charges does not result in a net increase to the Company's revenue requirement to a level above that set forth in its July 25, 2008, application to increase electric distribution rates under Case No. 08-709-EL-AIR.

- (7) On January 9, 2008, the Ohio Consumers' Counsel (OCC) filed a memorandum contra Duke's motion. OCC argues that the Commission should deny the motion on the ground that the identified storm costs are extraordinary and, therefore, not representative of test-year expenses. OCC is thus concerned that granting the motion will allow Duke to overrecover distribution costs in the future. OCC contends that the Commission may not authorize single-issue adjustment clauses for costs recovered prior to 2009.
- (8) The Commission finds that the specific segment of the application that sought authority to modify the Companies' accounting procedures to defer incremental O&M expenses associated with the September 14, 2008 wind storm, with carrying costs, as modified herein, is reasonable and should be approved.
- (9) The determination of the reasonableness of the deferred amounts and the recovery thereof, if any, will be examined and addressed in a future proceeding before the Commission. As the Supreme Court has previously held, deferrals do not constitute ratemaking. *See Elyria Foundry Co. v. Pub. Util. Comm.* (2007), 114 Ohio St.3d 305.
- (10) The determination of the Company's original request for authority to change accounting methods and defer costs associated with its future electric distribution investments as filed on July 25, 2008, will be addressed within the context of the combined proceeding in Case Nos. 08-709-EL-AIR, 08-710-EL-ATA, and 08-711-EL-AAM.
- (11) DE-Ohio is directed to separately identify and record in a sub-account of Account 182, Other Regulatory Assets, all O&M costs to be deferred by DE-Ohio.

- (12) DE-Ohio is directed to utilize the interest rate that reflects the actual cost of debt based on the outcome of the Company's application to increase electric distribution rates under Case No. 08-709-EL-AIR when calculating carrying costs.

It is, therefore,

ORDERED, That the application by DE-Ohio to modify accounting procedures to defer incremental O&M costs related to the September 14, 2008, wind storm service restoration expenses, with carrying costs, as set forth in findings (7) thru (12) is approved. It is, further,

ORDERED, That nothing in this Entry shall be binding upon this Commission in any subsequent investigation or proceeding involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

ORDERED, That a copy of this entry be served upon all parties of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO


Alan R. Schriber, Chairman


Paul A. Centolella

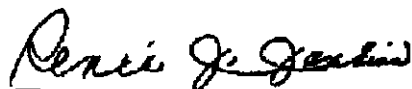

Ronda Hartman Fergus


Valerie A. Lemmie


Cheryl L. Roberto

RW:sm

Entered in the Journal
JAN, 14 2009


Renee J. Jenkins
Secretary

OCC 5

**Duke Energy Ohio
Case No. 09-1946-EL-RDR
Eleventh Set Interrogatories
Date Received: May 10, 2010**

OCC-INT-011-112

REQUEST:

Regarding the Company's response to Staff-DR-01-001 under tab "Category-Data", please response to the following Interrogatories:

- a. Under column "K" entitled "Resp Center Level 3 Descr" there are approximately 30 lines labeled as "FE&G Business Support". Under column "L" entitled "Resp Center Level 4 Descr" each of lines contains the designation of "BUSINESS PLANNING A". What general types of costs are included as FE&G Business Support and Business Planning A?
- b. How are the types of costs included as "FE&G Business Support" designated as "Business Planning A" related to the Hurricane Ike restoration efforts?
- c. Under column "K" entitled "Resp Center Level 3 Descr" there are approximately 30 lines labeled as "DE Ohio & Kentucky ". Under column "L" entitled "Resp Center Level 4 Descr" each of lines contains the designation of "BUSINESS RELATIONS & DEVELOPMENT". Only one of the 30 of these lines had a "Employee ID JD" associated with it. What general types of costs are included as Business Relations & Development?
- d. How are the "Business Relations & Development" costs related to the Hurricane Ike restoration efforts?
- e. Under column "K" entitled "Resp Center Level 3 Descr" there are approximately 143 lines labeled as "Retail Customer Services". Under column "L" entitled "Resp Center Level 4 Descr" each of lines contains the designation of "Call Center Operations". Only 6 of those lines had a "Employee ID JD" associated with it. What is meant by or included under "Employee ID JD" numbers: 18427, 43054, 129636, and 159698?
- f. What general types of costs are included under these "Employee ID JD" numbers?
- g. How are the costs included under "Employee ID JD" numbers: 18427, 43054, 129636, and 159698 related to the Hurricane Ike restoration efforts?

- h. Under column "K" entitled "Resp Center Level 3 Descr" there are approximately 143 lines labeled as "Retail Customer Services". Under column "L" entitled "Resp Center Level 4 Descr" each of lines contains the designation of "Call Center Operations". Only 4 of those lines had listed in column "X" entitled "Vendor Name" the entry "BANK ONE". Where were these costs incurred?
- i. Under column "K" entitled "Resp Center Level 3 Descr" there are approximately 143 lines labeled as "Retail Customer Services". Under column "L" entitled "Resp Center Level 4 Descr" each of lines contains the designation of "Call Center Operations". Only 4 of those lines had listed in column "X" entitled "Vendor Name" the entry "BANK ONE". On what date were these costs incurred?
- j. Under column "K" entitled "Resp Center Level 3 Descr" there are approximately 143 lines labeled as "Retail Customer Services". Under column "L" entitled "Resp Center Level 4 Descr" each of lines contains the designation of "Call Center Operations". Only 4 of those lines had listed in column "X" entitled "Vendor Name" the entry "BANK ONE". What was the reason for incurring these costs?
- k. Under column "K" entitled "Resp Center Level 3 Descr" there are approximately 143 lines labeled as "Retail Customer Services". Under column "L" entitled "Resp Center Level 4 Descr" each of lines contains the designation of "Call Center Operations". One of those lines had listed in column "X" entitled "Vendor Name" the entry "SAMS CLUB". Where were these costs incurred?
- l. Under column "K" entitled "Resp Center Level 3 Descr" there are approximately 143 lines labeled as "Retail Customer Services". Under column "L" entitled "Resp Center Level 4 Descr" each of lines contains the designation of "Call Center Operations". One of those lines had listed in column "X" entitled "Vendor Name" the entry "SAMS CLUB". On what date were these costs incurred?
- m. Under column "K" entitled "Resp Center Level 3 Descr" there are approximately 143 lines labeled as "Retail Customer Services". Under column "L" entitled "Resp Center Level 4 Descr" each of lines contains the designation of "Call Center Operations". One of those lines had listed in column "X" entitled "Vendor Name" the entry "SAMS CLUB". For what reason were these costs incurred?
- n. Under column "K" entitled "Resp Center Level 3 Descr" there are approximately 143 lines labeled as "Retail Customer Services". Under column "L" entitled "Resp Center Level 4 Descr" each of lines contains the designation of "Call Center Operations". One those lines had listed in column "X" entitled "Vendor Name" the entry "TWENTY FIRST CENTURY COMMUNICATIONS INC". Please indicate

the location where these costs were incurred, the date(s) incurred, and the reason for the costs.

- o. Under column "K" entitled "Resp Center Level 3 Descr" there are approximately 143 lines labeled as "Retail Customer Services". Under column "L" entitled "Resp Center Level 4 Descr" each of lines contains the designation of "Call Center Operations". One of those lines had listed in column "X" entitled "Vendor Name" the entry "OFFICE PERKS & POPS". Please indicate the location where these costs were incurred, the date(s) incurred, and the reason for the costs.
- p. Under column "X" entitled "Vendor Name" there are multiple entries for the vendor named "Allied Barton Security Services LLC". Approximately \$111,000 was paid to this vendor. What was the purpose of this vendor and how does it relate to the storm restoration efforts?
- q. Under column "K" entitled "Resp Center Level 3 Descr" there are multiple lines labeled as "ENGINEERING & TECH SVCS". Under column "L" entitled "Resp Center Level 4 Descr" each of lines contains the designation of "GENERATION EQUIPMENT SERVICES". One of those lines had listed in column "X" entitled "Vendor Name" the entry "GUIDANT GROUP" and in the column "V" entitled "Journal Line Descr JD" is listed Schenkel, Tamara1303786LAB. Please indicate the exact location where these costs were incurred, the type of Company facility, the date(s) and times incurred, and the responsibility/duties of this person.
- r. Under column "K" entitled "Resp Center Level 3 Descr" there are multiple lines labeled as "Corporate IT". Under column "L" entitled "Resp Center Level 4 Descr" each of lines contains the designation of "IT Client & Security Services". One of those lines had listed in column "X" entitled "Vendor Name" the entry "GUIDANT GROUP" and in the column "V" entitled "Journal Line Descr JD" is listed Martin,JohnC1304762LAB. Please indicate the exact location where these costs were incurred, the type of Company facility, the date(s) and times incurred, and the responsibility/duties of this person.
- s. What specific entries or designations would label a line of expense in the Company's response to Staff-DR-01-010 tab "Category-Data" as being the same entry (or summation of entries) that were provided with respect to the individual company employees in the response to Staff-DR-08-001 (i.e., how can the dollars listed in Staff-DR-08-001 be reconciled/identified in the response to Staff-DR-01-001)?
- t. Under column "K" entitled "Resp Center Level 3 Descr" there are multiple lines labeled as "Retail Customer Services". Under column "L" entitled "Resp Center Level 4 Descr" there are 50 lines containing the designation of "Large Business Customers". One of those lines had listed in column "X" entitled "Vendor Name" the entry "Home City Ice". Please indicate what the expenditure of \$13,705 was for.

- u. Under column "K" entitled "Resp Center Level 3 Descr" there are multiple lines labeled as "Retail Customer Services". Under column "L" entitled "Resp Center Level 4 Descr" there are 50 lines containing the designation of "Large Business Customers". One of those lines had listed in column "X" entitled "Vendor Name" the entry "The Kroger Co". Please indicate what the expenditure of \$19,469 was for.
- v. Under column "K" entitled "Resp Center Level 3 Descr" there are multiple lines labeled as "POWER DELIVERY". Under column "L" entitled "Resp Center Level 4 Descr" there are multiple lines containing the designation of "PD FIELD OPS MIDWEST-35M". One of those lines had listed in column "W" entitled "Employee ID JD" the entry "17930". Please indicate where this employee (assuming that it is an employee) can be located in the response to Staff-DR-08-001.
- w. With respect to the response to "n" above, if the employee ID numbers in the response to Staff -DR-01-001 are different (for the same employee) than the ID numbers used in Staff-DR-08-001, then please supply a reconciliation of the two different numbers for the same employee.

RESPONSE:

- a. Labor and other storm related expenses.
- b. These employees provided additional resources to perform damage assessment following the storm. As part of our comprehensive storm plan, we use in-house resources with operational experience to join the "all-hands on deck" response to major storm events in order to restore power to customers as quickly and safely as possible.
- c. See response to subpart (a).
- d. See response to subpart (b).
- e. Employee identification numbers.
- f. Food for call center representatives.
- g. See response to subpart (f).
- h.

Item	Amount	Vendor	Date
1	\$16,240.18	Eurest Dining	9/26/2008 & 9/30/2008
2	\$5,000.00	Eurest Dining	9/19/2008
3a	\$51.30	McDonalds	9/22/2008
3b	\$18.10	McDonalds	9/22/2008

3c	\$90.04	McDonalds	9/22/2008
3d	\$195.77	Peecox	9/22/2008
3e	\$509.16	Cracker Barrel	9/23/2008
4	(\$455.44)	Holiday Inn	10/4/2008

- i. See response to subpart (h).
- j. See response to subpart (h).
- k. These costs were incurred at Sam's Club.
- l. The purchases were made on September 19, 2008.
- m. The costs were incurred to purchase snacks for employees working on the storm restoration effort.
- n. The costs were incurred in Ohio in September 2008 for a high volume call answering service.
- o. The costs were incurred on September 18, 2008 in Ohio to purchase snacks for employees working on the storm restoration effort.
- p. Allied Barton Security Services LLC provided security personnel to protect Company property and personnel working to restore the damage to the electric distribution system.
- q. The charges were incurred at the Company's downtown Cincinnati office on September 19, 2008 and September 20, 2008. The job responsibilities consisted of making follow up phone calls to customers regarding the status of electric service.
- r. The charges were incurred at the Eastgate command center September 15, 2008 through September 26, 2008. The job responsibilities consisted of technical support for cell phones, computers and printers.
- s. The dollars listed in Staff-DR-08-001 cannot be traced back to the response to Staff-DR-01-001. Employee names and identification numbers are not carried forward from the Company's labor system because of the confidential nature of the information. The dollars listed in Staff-DR-08-001 are included in the "Category-Data" tab provided in response to Staff-DR-01-001 within the "labor" category.
- t. The expenditure was for ice that was distributed in communities in which Duke Energy Ohio provides service.
- u. The expenditure was for water that was distributed in communities in which Duke Energy Ohio provides service.
- v. This entry was for an employee expense. See response to subpart (s).

OCCP

Duke Energy Ohio
Case No. 09-1946-EL-RDR
Eleventh Set POD
Date Received: May 10, 2010

OCC-POD-011-65 CONFIDENTIAL

REQUEST:

Under column "K" entitled "Resp Center Level 3 Descr" there are approximately 143 lines labeled as "Retail Customer Services". Under column "L" entitled "Resp Center Level 4 Descr" each of lines contains the designation of "Call Center Operations". One of those lines had listed in column "X" entitled "Vendor Name" the entry "SAMS CLUB". Please provide a copy of the actual invoices associated with these costs.

RESPONSE:

CONFIDENTIAL PROPRIETARY TRADE SECRET

See Attachment OCC-POD-011-065, which has been redacted to remove information, such as account number and account history, that is both confidential and irrelevant to this request.

PERSON RESPONSIBLE: Dennis H. Wright



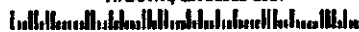
6032105090608106977

AMOUNT PAID \$

RECEIVED
OCT. 17 2008
CORPORATE - AP

EXHIBIT D

Make Payment To: SAM'S CLUB
P.O. BOX 530581
ATLANTA, GA 30353-0581



00055000120798 000550000129647 000771509 0608106 97722

Detach and mail this portion with your check to SAM'S CLUB. Please use blue or black ink. Write your account number on your check.

Account Number :	1000000000
Billing Date :	11/04/2008
Payment Due Date :	11/02/2008
Days in Billing Period :	30
Total Credit Line :	\$7,200.00
Total Available Credit :	\$5,900.00

* See reverse for cash advance guidelines

Date	Invoice Number	Description	Amount
08/19	005529	J.W. CLAY BLVD CHARLOTTE NC	\$454.60
08/25	007815	J.W. CLAY BLVD CHARLOTTE NC	\$775.98
		TOTAL FOR AUTHORIZED BUYER MO	13 \$1,229.58
10/02	004116	LAURENS RD GREENVILLE SC	\$66.49
		TOTAL FOR AUTHORIZED BUYER MO	36 \$66.49
08/25			

THE PERIODIC RATE SHOWN ON THIS STATEMENT MAY VARY, EXCEPT IN FL.

THE PERIODIC RATE SHOWN ON THIS STATEMENT MAY VARY, EXCEPT IN PR.

How Your Finance Charge Was Calculated	Balance Subject To Finance Charge	Daily Periodic Rate	Corresponding Annual Percentage Rate	Finance Charge	Balance After Calculation \$ (See Remarks)
Repay as Purchases	\$0.00	0.8333%	16.53%	\$0.00	20
Annual Percentage Rate		16.530%	Total Periodic	FINANCE CHARGE	\$0.00

Access your account online! Visit samsclubcredit.com today to pay your bill, request a credit line increase, update your account information, view recent activity and more!

Celebrate Halloween with Sam's Club®, the best place to buy candy for the whole neighborhood!

Your Sam's Club® Credit Account offers peace of mind with zero fraud liability. Don't forget, you won't be held responsible for unauthorized charges on your card, so you can enjoy safety and security with your Sam's Club Credit Account.

MEMBER SERVICE: For account information, log onto samedaycredit.com, or call toll free 1-800-203-5764.

This account is already registered, see your Online Admin to get a User ID & Password.

PAYMENT DUE BY 5 P.M. (ET) ON THE DUE DATE. We may convert your payment into an electronic debit. See reverse side for details.

NOTICE: See reverse side for Billing Rights and other important information.

CONFIDENTIAL PROPRIETARY TRADE SECRET

0002 0003



DUKE POWER CO. CSC		62537			
INVOICE#: 005329	DATE OF SALE: 091908	P.O. #:			
TRANSACTION#: 5529	AUTHORIZATION: 001414	CLUB#: 6540			
		REGISTER#: 11			
S.I.U.	DESCRIPTION	QUANTITY	UNIT	PRICE	EXT. PRICE
000011474	ALMOND JOY	1.000	EA	\$14.8900	\$14.89
000011475	MOUNDS	1.000	EA	\$14.8900	\$14.89
000011486	MIL. GOODBAR	1.000	EA	\$14.8900	\$14.89
000011577	M&M'S PEANUT	2.000	EA	\$20.5200	\$41.04
000014738	BUTTERFINGER	1.000	EA	\$15.6300	\$15.63
000014871	SNICKER	2.000	EA	\$21.2800	\$42.56
000015028	SWEET 'N LOW	1.000	EA	\$10.7400	\$10.74
000023053	MASTER BLEND COFFEE	2.000	EA	\$6.8900	\$13.38
002357104	PAYDAY	1.000	EA	\$10.7000	\$10.70
002645569	RED DEL APPLES	2.000	EA	\$9.8700	\$19.74
003019798	BAHIANAS.BLS	3.000	EA	\$1.5600	\$4.68
004080330	RICE KRISPIES TREATS	1.000	EA	\$6.2200	\$6.22
004086098	GRANDMA'S VTY COOKIE	1.000	EA	\$6.8200	\$6.82
004086100	CRACKER JACK	2.000	EA	\$6.8800	\$13.76
004239218	KELLOGG FRUIT SNACKS	3.000	EA	\$6.7000	\$19.40
004439497	LANCE TOASTY CRACKER	1.000	EA	\$5.2400	\$5.24
004439509	LANCE TOASTY CRACKER	1.000	EA	\$5.2400	\$5.24
004452741	OREO	1.000	EA	\$6.1000	\$6.10
004928730	SALTED PEANUTS	1.000	EA	\$7.7800	\$7.78
005112713	CHEK MIX	1.000	EA	\$8.2600	\$8.26
005333743	DORITOS COOLER RANCH	1.000	EA	\$11.2300	\$11.23
005333747	FRONTUM HOT CHEESES	1.000	EA	\$11.2300	\$11.23
005355393	PEANUT BUTTER PRETZELS	3.000	EA	\$6.7600	\$20.28
005398094	ZOO ANIMAL CRACKERS	1.000	EA	\$7.2200	\$7.22
005570533	HALF AND HALF CUPS	1.000	EA	\$7.3600	\$7.36
005627498	SHYDERS MINI PRETZEL	1.000	EA	\$8.0900	\$8.09
005687734	SWEET 'N SALTY MIX	2.000	EA	\$7.0400	\$14.08
005725877	CHOC & CLEZED DONUTS	2.000	EA	\$5.7300	\$11.46
006917803	SWEET & SALTY BARS	2.000	EA	\$8.2800	\$16.56
006917815	CATS & HONEY BARS	1.000	EA	\$8.2800	\$8.28
006917767	CHEWY TRAIL MIX BARS	1.000	EA	\$8.2800	\$8.28
006926452	ADVANCED LITHIUM AA	2.000	EA	\$14.8600	\$29.72
SUB \$436.19		TAX \$18.41		TOTAL INVOICE	\$454.60
				CREDITS TOTAL	\$0.00
				BALANCE DUE	\$454.60

Continued on Next Page		DUKE POWER CO. CSC	62537		
INVOICE# 007815		DATE OF SALE : 092508	P.O. #:		
TRANSACTION# : 7815		AUTHORIZATION : 001741	CLUB# : 6340		
			REGISTER# : 18		
S.I.U.	DESCRIPTION	QUANTITY	UNIT	PRICE	EXT. PRICE
000011474	ALMOND JOY	1.000	EA	\$14.8900	\$14.89
000011475	MOUNDS	1.000	EA	\$14.8900	\$14.89
000011486	MIL. GOODBAR	2.000	EA	\$14.8900	\$29.78
000011488	MIL. CAT WAFER BAR	2.000	EA	\$14.8900	\$29.78
000011490	PEANUT BUTTER CUPS	2.000	EA	\$14.8900	\$29.78
000011576	M&M'S PLAIN	2.000	EA	\$19.2800	\$38.56
000011577	M&M'S PEANUT	2.000	EA	\$19.2800	\$38.56
000014738	BUTTERFINGER	4.000	EA	\$15.6300	\$62.52
000014871	SNICKER	2.000	EA	\$21.2800	\$42.56
000051848	REESE'S PRECES	2.000	EA	\$14.8900	\$29.78
000073556	CHEEZ N CRACKERS	3.000	EA	\$7.5800	\$22.74
002357104	PAYDAY	2.000	EA	\$10.7000	\$21.40
002410161	SUN DROP	2.000	EA	\$7.1200	\$14.24
002468580	COKE	3.000	EA	\$7.1300	\$21.39
004080330	RICE KRISPIES TREATS	2.000	EA	\$6.2200	\$12.44
004086100	CRACKER JACK	2.000	EA	\$6.8800	\$13.76
004157936	BOB'S SWEET STRIPES	1.000	EA	\$5.0000	\$5.00
004239218	KELLOGG FRUIT SNACKS	4.000	EA	\$6.7000	\$26.80
004400272	MARS CHOC VARIETY	4.000	EA	\$11.8800	\$47.52
004439497	LANCE TOASTY CRACKER	2.000	EA	\$5.2400	\$10.48
004439509	LANCE TOASTY CRACKER	2.000	EA	\$5.2400	\$10.48

CONFIDENTIAL PROPRIETARY TRADE SECRET



0085 0088

Continued From Previous Page		DUKE POWER CO. CSC		62537	
INVOICE#: 007815		DATE OF SALE: 082508		P.O. #:	
TRANSACTION#: 7815		AUTHORIZATION: 001741		CLUB#: 8840	
				REGISTER#: 10	
004871406	ANDY CAPP HOT FRIES	1.000	EA	\$8.8600	\$8.86
004928730	SALTED PEANUTS	2.000	EA	\$7.7800	\$15.56
005112713	CHEX MIX	1.000	EA	\$9.2600	\$9.26
005195117	FIG NEWTONS	4.000	EA	\$8.1200	\$32.48
005333747	FINOFLM HOT CHEETOS	1.000	EA	\$11.2200	\$11.22
005355383	PEANUT BUTTER PRETZELS	2.000	EA	\$6.7600	\$13.52
005513701	COKE	1.000	EA	\$8.8200	\$8.82
005612784	MINI COOKIE VARIETY	4.000	EA	\$10.5700	\$42.28
005887734	SWEET 'N SALTY MIX	2.000	EA	\$7.0400	\$14.08
005725977	CHOC & GLAZED DONUTS	4.000	EA	\$1.7300	\$6.92
006917603	SWEET & SALTY BARS	2.000	EA	\$8.2800	\$16.56
SUB \$737.49		TAX \$37.89		TOTAL INVOICE	\$775.38
				CREDITS TOTAL	\$0.00
				BALANCE DUE	\$775.38

		DUKE POWER CO. CSC		62537	
INVOICE#: 004116		DATE OF SALE: 100308		P.O. #:	
TRANSACTION#: 4116		AUTHORIZATION: 001039		CLUB#: 8278	
				REGISTER#: 18	
S.K.U.	DESCRIPTION	QUANTITY	UNIT	PRICE	EXT. PRICE
004822874	COFFEE CREAMER	2.000	EA	\$6.1200	\$12.24
005208468	MM NAPRINS LUNCH	2.000	EA	\$8.4900	\$16.98
005418962	SPLENDA	1.000	EA	\$17.4900	\$17.49
005682773	FACTORY FAVORITES	1.000	EA	\$8.8900	\$8.89
005930428	MARS VARIETY	1.000	EA	\$9.8800	\$9.88
SUB \$65.47		TAX \$1.82		TOTAL INVOICE	\$66.49
				CREDITS TOTAL	\$0.00
				BALANCE DUE	\$66.49

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