

**FILE**

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of  
Duke Energy Ohio, Inc. to Adjust and  
Set Its Gas and Electric Recovery Rate for  
2009 SmartGrid Costs Under Rider  
AUand Rider DR-IM

Case No. 10-867-EL-RDR

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**PREPARED TESTIMONY  
OF  
L'NARD E. TUFTS  
PUBLIC UTILITIES COMMISSION OF OHIO  
ACCOUNTING AND ELECTRICITY DIVISION**

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STAFF EX. \_\_\_\_\_

Submitted December 20, 2010

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1 Q. Please state your name and business address.

2 A. My name is L'Nard E. Tufts. My business address is 180 East Broad Street,  
3 Columbus, Ohio 43215.

4  
5 Q. What is your current position with the Public Utilities Commission of Ohio and  
6 that are your duties?

7 A. I am a Public Utility Administrator in the Accounting and Electricity Division of  
8 the Utilities Department.

9  
10 Q. Please outline your educational background and work experience?

11 A. I received a Bachelor of Science Degree in Business Administration with a major  
12 in Accounting from The Ohio State University in 1982. During the summers  
13 prior to graduation, I worked as an Accounting Intern at TRW, Inc. I began my  
14 employment with the Commission in 1982 in the Accounts and Valuation  
15 Division of the Utilities Department. I have been involved in various rate case  
16 audits, continuing regulation, special audits, and rule reviews.

17  
18 Q. What is the purpose of your testimony in this proceeding?

19 A. My testimony covers the revenue requirement calculation based on Staff  
20 recommendations regarding the proposed recovery of 2009 SmartGrid  
21 deployment costs by Duke Energy Ohio (Applicant or Duke Ohio) through its

1 electric rider, Distribution Reliability - Infrastructure Maintenance (Rider DR-  
2 IM), and its gas rider, Advanced Utility (Rider AU).

3  
4 Q. Are the revenue requirements and resulting rates supported in your testimony  
5 the same as those contained in the Staff Comments filed on November 29, 2010?

6  
7 A. The revenue requirements and rates are the same for Rider AU. The Staff  
8 discovered a data input error, a computational error, and made a computational  
9 change affecting Rider DR-IM. I discuss each item below. These changes  
10 combine to calculate the Staff's cover letter revenue requirement.

11  
12 Q. What data input error did you discover?

13 A. Staff recommended adjusting account 39700, Communications Equipment for  
14 December 2009 in the amount of \$418,854. Staff keyed in the amount as \$449,854.  
15 This correction increased the account 39700, Communications Equipment  
16 balance by \$31,000, increased the revenue requirement by \$3,815 and had no  
17 impact on the rate.

18  
19 Q. What computational change did the Staff make?

20 A. Staff changed the way it calculated Post In-Service Carrying Cost (PISCC). The  
21 Staff Comments reflected PISCC as reported by the Applicant. Staff calculated  
22 PISCC based on the sum of: Staff adjusted average plant additions for the current

1 month, plus the Staff adjusted prior month plant balance, plus the prior month  
2 PISCC balance. Staff multiplied that sum by the monthly PISCC rate.

3  
4 Q. How does the Staff PISCC calculation differ from that of the Applicant?

5 A. The Staff and the Applicant used the same method to calculate PISCC based on  
6 plant balances for Rider AU. The Staff and the Applicant also used this method  
7 to calculate PISCC based on plant balances for Rider DR-IM for all accounts  
8 except account 36200, Station Equipment, account 36202, Major Equipment, and  
9 account 36305, Distribution Station Equipment. The Staff continued to use the  
10 method described in the response beginning on line 41 above for these accounts  
11 while the Applicant explained that they recorded PISCC one month after the  
12 plant investment and that they based the PISCC amount on when individual  
13 work orders actually went into service.

14  
15 Q. What is the significance of the different approaches to the PISCC calculation?

16 A. For Station Equipment, Major Equipment, and Distribution Station Equipment,  
17 the Staff calculated a total PISCC amount of \$45,139 compared to \$44,523  
18 calculated by the Applicant. The \$616 increase in carrying cost increases the  
19 revenue requirement by \$82 and does not impact Rider DR-IM rates.

20  
21 The greater significance is in the mechanics of the calculation. The Applicant  
22 used work order in-service dates to determine PISCC for the three accounts and

1 plant balances to determine PISCC for the other plant accounts. Staff used plant  
2 balances as the basis for its PISCC calculation consistent with Staff calculations  
3 and recommendations in prior cases. Staff recommends that the Applicant use  
4 plant balances as the basis for all PISCC calculations.

5  
6 Q. Would you please describe the Rider DR-IM computational change?

7 A. Staff's Deferred Tax (Liberalized Depreciation) computation that's included in  
8 the revenue requirement and resulting rates discussed in the Staff Comments  
9 does not include the impact of the Staff recommended U. S. Department of  
10 Energy Smart Grid Investment offset (SGIG). As the Staff recommends reflecting  
11 the Applicant's investment in SmartGrid plant net of SGIG, the net investment  
12 should be used to calculate effect of Deferred Taxes due to liberalized  
13 depreciation. This change increased the Deferred Tax (Liberalized Depreciation)  
14 by \$864,388, and increased the revenue requirement by \$108,070. The change  
15 increased the residential rate by \$.01 and the non-residential rate by \$.02.

16  
17 Q. Does the Staff revenue requirement and rates calculations include the netting  
18 operational benefits?

19 A. Neither the amounts included in the Staff Comments nor in this testimony  
20 include any netting of operational benefits.

21  
22 Q. Does this conclude your testimony?

1 A. Yes

2

## PROOF OF SERVICE

I hereby certify that a true copy of the foregoing Testimony of L'Nard E. Tuft, submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served by regular U.S. mail, postage prepaid, or hand-delivered, upon the following parties of record, this 20th day of December, 2010.



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