

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Duke)
Energy Ohio, Inc., for an Energy)
Efficiency Cost Recovery Mechanism and) Case No. 11-4393-EL-RDR
for Approval of Additional Programs for)
Inclusion in its Existing Portfolio.)

SUPPLEMENTAL TESTIMONY OF

JAMES E. ZIOLKOWSKI

ON BEHALF OF

DUKE ENERGY OHIO, INC.

November 22, 2011

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I. INTRODUCTION

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

2 A. My name is James E. Ziolkowski and my business address is 139 East Fourth
3 Street, Cincinnati, Ohio 45202.

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

5 A. I am employed by the Duke Energy Business Services LLC (DEBS) as Rates
6 Manager. DEBS provides various administrative and other services to Duke
7 Energy Ohio, Inc., (Duke Energy Ohio or the Company) and other affiliated
8 companies of Duke Energy Corporation (Duke Energy).

9 **Q. ARE YOU THE SAME JAMES E. ZIOLKOWSKI WHO FILED DIRECT**
10 **TESTIMONY IN THIS PROCEEDING ON JULY 20, 2011?**

11 A. Yes.

12 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY IN**
13 **THIS PROCEEDING?**

14 A. The purpose of my supplemental testimony is to respond to some of the incorrect
15 statements and arguments submitted by the Ohio Energy Group (OEG) witness,
16 Stephen J. Baron. Mr. Baron testifies with regard to Duke Energy Ohio's
17 proposed energy efficiency and peak demand reduction cost recovery mechanism
18 and makes essentially three arguments as to why the proposed mechanism should
19 not be approved by the Commission. Mr. Baron's reasoning is illogical and
20 contrary to state policy. Duke Energy Ohio witness Timothy J. Duff will explain
21 why Mr. Baron's recommendation is contrary to state policy. I will explain why
22 it is ill-conceived from a rate perspective.

II. COMMENTS ON OEG RECOMMENDATIONS

1 **Q. PLEASE EXPLAIN MR. BARON’S RECOMMENDATION AND WHY IT**
2 **IS ILL-CONCEIVED.**

3 A. Mr. Baron recommends, on behalf of the OEG, that Duke Energy Ohio’s energy
4 efficiency and peak demand reduction cost recovery rider be designed such that
5 costs would be allocated to each rate schedule based on distribution revenues.
6 Mr. Baron and the OEG advocate this rate design because it would effectively
7 allow OEG members to pay nothing for energy efficiency and peak demand
8 reduction. OEG members include such companies as AK Steel, Procter &
9 Gamble, General Motors, and GE Aviation. Many if not all of these customers’
10 accounts take electric service on Duke Energy Ohio’s tariffed rate TS (Service at
11 Transmission Voltage), which means that their distribution charges are comprised
12 only of a small (\$200) monthly customer charge. Thus, if we allocate energy
13 efficiency costs on distribution rate schedules, OEG members’ share of the energy
14 efficiency costs would be inconsequential. They would effectively avoid the costs
15 of the energy efficiency programs.

16 **Q. PLEASE EXPLAIN WHY SUCH AN OUTCOME WOULD BE UNFAIR**
17 **TO DUKE ENERGY OHIO.**

18 A. The OEG members’ energy load comprises part of the load that is quantified and
19 calculated in order to determine how much energy efficiency the Company must
20 achieve to meet the state of Ohio’s requirements under the law. Since the OEG
21 members are large businesses, their load is a significant part of Duke Energy
22 Ohio’s overall load. Thus, the OEG members are a significant component of the

1 Company's "baseline" for energy efficiency requirements. Requiring the
2 Company to obtain energy efficiency and peak demand reduction to match with
3 this load, while allowing the OEG members to avoid contributing toward payment
4 for the costs, is unfair to the rest of Duke Energy Ohio's customers.

5 **Q. WHY IS THE OEG'S PROPOSED DISTRIBUTION RATE ALLOCATION**
6 **METHODOLOGY UNFAIR TO THE REST OF DUKE ENERGY OHIO'S**
7 **CUSTOMERS?**

8 A. All of Duke Energy Ohio customers contribute toward payment of the costs for
9 energy efficiency so that the Company can meet the mandates set forth by the
10 state of Ohio. If one class of customers is allowed to avoid paying for these costs,
11 the overall costs are borne by the remaining rate classes. This places a
12 disproportionate share of the costs upon the customer classes other than Rate TS.
13 This is unfair to those classes.

14 **Q. PLEASE EXPLAIN FURTHER WHY THE OEG'S ALLOCATION**
15 **METHODOLOGY IS INCORRECT.**

16 A. Mr. Baron, in supporting the OEG's recommended allocation methodology,
17 suggests that non-residential customers with lower kWh energy usage than large
18 industrial customers will likely derive greater benefit from energy efficiency and
19 peak demand reduction programs. I am unaware of any study or analysis that
20 would support this reasoning and therefore it is not a good justification for a rate
21 allocation methodology that places a disproportionate responsibility for costs on
22 the wrong rate classes.

23 **Q. WHAT OTHER REASONING OFFERED BY THE OEG IS INCORRECT?**

1 A. Mr. Baron, on behalf of the OEG, suggests that requiring Rate TS customers to
2 pay for energy efficiency will hinder economic development in the state of Ohio.
3 Again, I am unaware of any support for such an argument. Many commercial and
4 industrial customers in our service territory and in other utilities' service
5 territories are presently paying for energy efficiency and peak demand reduction.
6 I am not aware of any company that has left the state because of this requirement.

7 **Q. DO YOU RECOMMEND THAT THE COMMISSION ADOPT THE RATE**
8 **ALLOCATION METHODOLOGY THAT IS SET FORTH IN THE**
9 **STIPULATION THAT WAS AGREED TO BY ALL OF THE OTHER**
10 **PARTIES IN THIS PROCEEDING?**

11 A. Yes, I do. I believe that methodology represents the most reasonable and fair
12 outcome for all of Duke Energy Ohio's customers.

13 **Q. IF THE COMPANY'S APPLICATION FOR A DECOUPLING**
14 **MECHANISM IS NOT APPROVED, PLEASE CLARIFY WHAT LOST**
15 **REVENUE THE COMPANY WOULD SEEK TO RECOVER?**

16 A. Just as the Company's proposed decoupling mechanism will only apply to
17 distribution rates, consistent with the Commission's "Green Rules," if the
18 Company were to seek lost revenues, such revenues would only be lost
19 distribution revenues.

III. CONCLUSION

20 **Q. DOES THIS CONCLUDE YOUR PRE-FILED SUPPLEMENTAL**
21 **TESTIMONY?**

22 A. Yes.

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Commission of Ohio Docketing Information System on

11/22/2011 1:51:16 PM

in

Case No(s). 11-4393-EL-RDR

Summary: Testimony Supplemental Testimony of Jim Ziolkowski electronically filed by Carys Cochern on behalf of Watts, Elizabeth H. Ms.