

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke Energy) Case No. 12- 1963- EL-UEx
Ohio, Inc. to Set Its Electric Uncollectible Recovery)
Rate Under Rider UE-GEN)

In the Matter of the Application of Duke Energy)
Ohio, Inc. for a Change in Accounting Authority) Case No. 12-1964 -EL-AAM

DIRECT TESTIMONY OF

DANA R. PATTEN

ON BEHALF OF

DUKE ENERGY OHIO, INC.

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Attachments:

DRP-1: Rider UE-GEN – Proposed Rate Calculation

DRP-2: Rider UE-GEN – Tariff Sheet redlined version

DRP-3: Rider UE-GEN – Tariff Sheet clean version

I. INTRODUCTION

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

2 A. My name is Dana R. Patten, and 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 the Duke Energy Business Services LLC, an affiliated service
6 company of Duke Energy Ohio, Inc. (Duke Energy Ohio or the Company) as Lead
7 Rates Analyst.

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

10 A. I received a Bachelor of Science Degree in Finance from Xavier University (XU)
11 in 2002. Upon graduation from XU, I was employed by Fifth Third Bank from
12 2002 through 2004. I joined Cinergy Corp., now known as Duke Energy Ohio,
13 Inc. (Duke Energy Ohio), in June 2004 as a Settlement Analyst for Cinergy Power
14 Marketing and Trading. I have held my current position as Lead Rates Analyst in
15 the Rate Department at Duke Energy Ohio since 2007. My responsibilities include
16 preparation and filing of various Ohio and Kentucky rate riders.

17 **Q. HAVE YOU TESTIFIED PREVIOUSLY BEFORE THE PUBLIC
18 UTILITIES COMMISSION OF OHIO (COMMISSION)?**

19 A. Yes, I've testified in Duke Energy Ohio's electric distribution uncollectible Case
20 No. 10-0912-EL-UEx.

II. OVERVIEW

1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

2 A. The purpose of my testimony is to support Duke Energy Ohio's Application to
3 Adjust and Set its Electric Uncollectible Recovery Rider (Rider UE-GEN) and
4 request for a deferral of electric uncollectible expenses for future recovery. I also
5 sponsor Attachments DRP-1, DRP-2, and DRP-3.

6 **Q. WHAT IS THE HISTORY OF RIDER UE-GEN?**

7 A. Rider UE-GEN was approved as a mechanism for recovery of electric
8 uncollectible expense by the Commission in Case No. 11-3549-EL-SSO, *et al.*
9 Pursuant to the Commission's Opinion and Order dated November 22, 2011,
10 Rider UE-GEN is currently set at \$0. Duke Energy Ohio is now seeking to adjust
11 the Rider to recover incremental electric uncollectible expenses as contemplated
12 and approved in the Commission's Opinion and Order. The Company's proposed
13 adjustment for the residential Rider UE-GEN is \$0.000813 per kWh and the
14 proposed non-residential Rider UE-GEN rate is \$0.60 per bill. Attachment DRP-
15 1 is a schedule showing the calculation of Rider UE-GEN. Details of the rider as
16 set forth in the Opinion and Order and Stipulation in Case No. 11-3549-EL-SSO,
17 *et al.*, are explained in further detail below

18 **Q. PLEASE EXPLAIN THE DETAILS OF RIDER UE-GEN AS APPROVED**
19 **BY THE COMMISSION IN CASE NO. 11-3549-EL-SSO, ET AL.**

20 A. The details of Rider UE-GEN, as approved by the Commission pursuant to the
21 Opinion Order and Stipulation are as follows:

- 22 • Rider UE-GEN shall recover incremental net uncollectible expense

- 1 related to [Duke Energy Ohio's] provision of electric generation service;
- 2 • Applicable to all retail jurisdictional customers in the Company's electric
3 service territory, including those customers taking generation services
4 from a CRES provider, except for those customer accounts designated by
5 CRES providers as not part of [Duke Energy Ohio's] Purchase of
6 Accounts Receivable (PAR) Program;
 - 7 • Rider UE-GEN shall be bypassable by dual-billed customer accounts and
8 customer accounts designated by CRES providers as not part of the PAR
9 Program, but shall be non-passable by all other retail customer, including
10 SSO customers and customer accounts designated by CRES providers as
11 part of the PAR Program;
 - 12 • [Duke Energy Ohio's] initial application to set the rider shall be filed in
13 the second quarter of 2012 and shall include incremental net uncollectible
14 expenses and;
 - 15 • [Duke Energy Ohio] will not accrue carrying charges on the monthly
16 unrecovered balance of incremental net uncollectible expense for which
17 recovery is sought through Rider UE-GEN;
 - 18 • [Duke Energy Ohio] shall make annual filings for Rider UE-GEN, which
19 shall be subject to review and true-up proceedings before the Commission
20 and;
 - 21 • If the Commission chooses to order an independent audit of the
22 uncollectible expense, such an audit will be conducted under the direction
23 of staff and the cost of the audit will be recoverable through Rider UE-

1 GEN.

2 **Q. DOES DUKE ENERGY OHIO'S APPLICATION TO ADJUST AND SET**
3 **RIDER UE-GEN COMPLY WITH THE TERMS OF THE OPINION**
4 **ORDER AND STIPULATION?**

5 A. Yes the filing is in compliance with the terms of the Opinion Order and
6 Stipulation.

7 **Q. PLEASE EXPLAIN WHY THE COMMERCIAL ACTIVITY TAX IS**
8 **INCLUDED IN THE RIDER RATE?**

9 A. R.C. 5751 requires most companies in Ohio to pay a Commercial Activity Tax
10 (CAT), set at 0.26 percent, on revenue received in Ohio. Rider UE-GEN rate has
11 been adjusted to include the 0.26 percent CAT that the Company will be required
12 to pay the Ohio Treasurer.

13 **Q. PLEASE EXPLAIN THE SELF-CORRECTING NATURE OF THE RIDER**
14 **MECHANISM.**

15 A. The mechanism is self-correcting in that the rider rate will decrease as the level of
16 uncollectible expenses decrease or increase as the level of uncollectible expenses
17 increase. The rider mechanism ensures that the Company recovers the actual
18 amount of bad debt write-offs, no more and no less.

19 **Q. PLEASE EXPLAIN THE COMPANY'S REQUEST FOR A DEFERRAL**
20 **OF ELECTRIC UNCOLLECTIBLE EXPENSES.**

21 A. The actual uncollectible expense will vary from the amounts recovered in Rider
22 UE-GEN. The Company needs authority to defer these variances and to create a
23 regulatory asset or liability to recognize amounts due to or from customers. It

1 will also allow the Company to match revenues and expenses in the appropriate
2 periods.

III. REVISED TARIFFS AND CALCULATION OF PROPOSED RATE

3 **Q. ARE REVISED TARIFFS INCLUDED IN THE CURRENT FILING?**

4 A. Yes. Attachments DRP-2 and DRP-3 include red-lined and clean tariff sheets
5 showing proposed changes to Rider UE-GEN. The rate for Rider UE-GEN,
6 currently set at \$0.00000 per kWh for residential customers and \$0.00 per bill for
7 non-residential customers, is updated to reflect the proposed rate of \$0.000813 per
8 kWh and \$0.60 per bill, respectively.

9 **Q. WHY DID YOU USE JANUARY 1, 2012 AS THE BEGINNING MONTH**
10 **OF THE TRACKER BALANCE?**

11 A. According the Opinion Order dated November 22, 2011 in Case No. 11-3549-EL-
12 SSO *et al.*, effective January 1, 2012, Duke Energy Ohio shall implement Rider
13 UE-GEN.

14 **Q. PLEASE DESCRIBE HOW YOU ARRIVED AT THE PROPOSED RIDER**
15 **RATE.**

16 A. The calculation of the proposed Ride UE-GEN rate is shown on Attachment DRP-
17 1. As mentioned previously, the proposed residential Rider UE-GEN is
18 \$0.000813 cents per kWh and the proposed non-residential Rider UE-GEN rate is
19 \$0.60 per bill. The rates for each were calculated by dividing the actual
20 unrecovered tracker balance as of March 31, 2012 by the applicable projected
21 billing determinants (kWh or number of bills) for the twelve months ended March

1 31, 2013. The tracker balance consists of actual net-write-offs amount, less
2 recovery from uncollectible rider. For residential customers the unrecovered
3 tracker balance of \$5,907,297 is divided by 7,300,202,826 kWh to arrive at
4 \$0.000811 per kWh times 0.26068 percent CAT to arrive at \$0.000813 per kWh.
5 For non-residential customers the unrecovered tracker balance of \$513,678 is
6 divided by 865,097 bills to arrive at \$0.60 per bill times 0.26068 percent CAT to
7 arrive at \$0.60 per bill.

IV. CONCLUSION

8 **Q. WERE ATTACHMENTS DRP-1, DRP-2, AND DRP-3 PREPARED BY**
9 **YOU OR AT YOUR DIRECTION?**

10 **A. Yes.**

11 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

12 **A. Yes.**

Line	Description	Source	Residential	Non-Residential
1	Total Incremental Unrecovered Balance at March 31, 2012	Page 3	\$5,907,295	\$513,678
2	Projected Billing Determinants 12 months ended March 31, 2013	Page 5	7,300,202,826 kWh	856,097 Bills
3	Calculated UE-GEN Rate		\$0.000811 per kWh	\$0.60 per bill
4	Rider UE-GEN Rate including CAT tax		\$0.000813 per kWh	\$0.60 per bill

Line	Actual			Projected											
	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13
Residential Under-/(Over-) Recovery															
1	\$0	\$400,165	\$517,391	\$606,254	\$805,278	\$1,360,134	\$1,865,576	\$2,414,825	\$2,844,281	\$3,298,965	\$3,676,835	\$4,161,142	\$4,791,186	\$5,403,792	\$5,773,454
2	\$400,165	\$117,295	\$88,864	\$189,024	\$554,657	\$505,442	\$549,248	\$429,456	\$454,683	\$377,871	\$484,306	\$530,045	\$612,606	\$669,662	\$133,842
3	\$400,165	\$517,391	\$606,254	\$805,278	\$1,360,134	\$1,865,576	\$2,414,825	\$2,844,281	\$3,298,965	\$3,676,835	\$4,161,142	\$4,791,186	\$5,403,792	\$5,773,454	\$5,907,295
4	\$400,165	\$517,391	\$606,254	\$805,278	\$1,360,134	\$1,865,576	\$2,414,825	\$2,844,281	\$3,298,965	\$3,676,835	\$4,161,142	\$4,791,186	\$5,403,792	\$5,773,454	\$5,907,295
Total Non-Residential Under-/(Over-) Recovery															
5	\$0	\$34,797	\$44,990	\$52,718	\$70,024	\$118,273	\$162,224	\$209,985	\$247,328	\$286,866	\$319,725	\$361,838	\$416,625	\$469,895	\$502,039
6	\$34,797	\$10,194	\$7,727	\$17,308	\$48,248	\$43,651	\$47,761	\$37,344	\$39,538	\$32,858	\$42,114	\$54,786	\$53,270	\$32,144	\$11,638
7	\$34,797	\$44,990	\$52,718	\$70,024	\$118,273	\$162,224	\$209,985	\$247,328	\$286,866	\$319,725	\$361,838	\$416,625	\$469,895	\$502,039	\$513,678
8	\$34,797	\$44,990	\$52,718	\$70,024	\$118,273	\$162,224	\$209,985	\$247,328	\$286,866	\$319,725	\$361,838	\$416,625	\$469,895	\$502,039	\$513,678

Line	Description	Projected												Total			
		Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12		Jan-13	Feb-13	Mar-13
1	Residential Actual kWh Sales	714,903,002	636,144,824	540,411,108	497,284,395	454,521,182	559,375,182	702,021,190	732,493,850	651,207,408	477,889,781	458,127,346	652,460,283	798,880,018	715,211,842	622,711,576	7,300,202,828
2	Unrecovered Balance_Beginning of Month	400,165	117,225	88,864	198,024	554,857	505,442	548,249	428,456	454,883	377,871	484,306	630,045	612,606	388,862	133,842	
3	LESS: Recovery from Uncollectible Rider	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
4	Total Incremental Residential Bad Debt to Be Recovered	\$400,165	\$117,225	\$88,864	\$198,024	\$554,857	\$505,442	\$548,249	\$428,456	\$454,883	\$377,871	\$484,306	\$630,045	\$612,606	\$388,862	\$133,842	
5	Non-Residential Actual # Bills	71,553	71,570	71,570	71,311	71,381	71,360	70,771	71,173	71,128	71,314	71,369	71,451	71,577	71,658	71,594	856,097
6	Unrecovered Balance_Beginning of Month	\$34,797	\$10,194	\$7,727	\$17,306	\$48,248	\$43,951	\$47,761	\$37,344	\$38,538	\$32,858	\$42,114	\$54,788	\$53,270	\$32,144	\$11,638	
7	LESS: Recovery from Uncollectible Rider	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
8	Total Incremental Non-Residential Bad Debt to Be Recovered	\$34,797	\$10,194	\$7,727	\$17,306	\$48,248	\$43,951	\$47,761	\$37,344	\$38,538	\$32,858	\$42,114	\$54,788	\$53,270	\$32,144	\$11,638	
9	Total Incremental Bad Debt (Residential + Non-residential)	\$434,962	\$127,419	\$96,591	\$216,330	\$603,105	\$549,393	\$597,010	\$465,800	\$493,421	\$410,729	\$526,420	\$684,831	\$665,878	\$401,006	\$145,480	

(b) Per Order dated November 22, 2011 in Case No. 11-3548-EL-SSO, Duke Energy Ohio's initial application shall include net uncollectible expenses including those taking generation service from a CRES provider.

Duke Energy Ohio Electric
Allocation of Charge-offs to Electric Generation Residential and Non-Residential

Line	Description	Actual												Projected											
		Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13									
	Net Charge Offs for Month - Residential	\$ 821,722	\$ 247,175	\$ 198,042	\$ 450,637	\$ 1,261,597	\$ 1,135,531	\$ 1,223,025	\$ 651,137	\$ 1,019,814	\$ 857,999	\$ 1,101,663	\$ 1,406,537	\$ 1,347,030	\$ 831,609	\$ 288,224									
	Net Charge Offs for Month - Non - Residential	\$ 71,454	\$ 21,463	\$ 16,436	\$ 36,186	\$ 109,704	\$ 98,742	\$ 106,350	\$ 82,708	\$ 88,960	\$ 74,609	\$ 85,787	\$ 122,221	\$ 117,133	\$ 72,314	\$ 25,932									
	Net Charge Offs for Month - Total	\$ 893,176	\$ 268,638	\$ 214,478	\$ 486,823	\$ 1,371,301	\$ 1,234,273	\$ 1,329,375	\$ 733,845	\$ 1,108,774	\$ 932,608	\$ 1,187,450	\$ 1,528,758	\$ 1,464,163	\$ 903,923	\$ 314,156									
	Electric Generation Revenue (b)	\$ 44,033,007	\$ 40,693,216	\$ 37,057,879	\$ 33,044,622	\$ 31,709,897	\$ 35,906,087	\$ 41,220,685	\$ 42,801,893	\$ 39,594,801	\$ 32,892,655	\$ 31,906,237	\$ 38,894,175	\$ 44,385,102	\$ 40,647,461	\$ 37,694,189									
	Electric Retail Revenue (c)	\$ 90,419,862	\$ 85,603,225	\$ 78,634,284	\$ 74,821,086	\$ 72,039,636	\$ 80,897,010	\$ 91,787,501	\$ 94,795,434	\$ 88,807,555	\$ 74,619,549	\$ 72,350,387	\$ 88,744,934	\$ 87,698,426	\$ 91,420,420	\$ 93,653,723									
	Generation Revenue as a % of Electric Retail Revenue	48.89840%	47.43920%	47.00730%	44.16480%	43.98050%	44.51150%	44.80810%	45.15180%	44.56480%	44.04080%	43.98140%	44.82590%	45.47630%	44.45140%	44.97970%									
	Net Charge Offs for Month Allocated to Generation	\$ 434,962	\$ 127,419	\$ 96,591	\$ 216,330	\$ 603,105	\$ 540,393	\$ 597,010	\$ 468,800	\$ 494,221	\$ 410,729	\$ 526,420	\$ 684,831	\$ 665,876	\$ 401,806	\$ 145,460									
1	Residential	92%	92%	92%	92%	92%	92%	92%	92%	92%	92%	92%	92%	92%	92%	92%									
	Actual Net Charge Offs for Month	\$ 400,185	\$ 117,225	\$ 88,864	\$ 189,024	\$ 554,857	\$ 505,442	\$ 549,240	\$ 429,456	\$ 454,683	\$ 377,871	\$ 484,308	\$ 630,045	\$ 612,606	\$ 389,662	\$ 133,942									
2	Non-Residential	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%									
	Actual Net Charge Offs for Month	\$ 34,797	\$ 10,194	\$ 7,727	\$ 17,308	\$ 48,248	\$ 43,951	\$ 47,761	\$ 37,344	\$ 39,538	\$ 32,858	\$ 42,114	\$ 54,788	\$ 53,270	\$ 32,144	\$ 11,638									

(a) Per Order dated November 22, 2011 in Case No. 11-3548-EL-SSO, Duke Energy Ohio's initial application shall include net uncollectible expenses.
 (b) Total Generation Retail Sales (billed) excluding interdepartmental.
 (c) Total Retail Sales (billed) excluding interdepartmental.

Duke Energy Ohio
139 East Fourth Street
Cincinnati, Ohio 45202

P.U.C.O. Electric No. 19
Original Sheet No. 88_1
Cancels and Supersedes
Original Sheet No. 88
Page 1 of 1

RIDER UE-GEN**UNCOLLECTIBLE EXPENSE -- ELECTRIC GENERATION RIDER****APPLICABILITY**

Applicable to all retail jurisdictional customers in the Company's electric service territory including those customers taking generation service from a Competitive Retail Electric Service provider, except for those customer accounts not designated for Duke Energy Ohio's Purchase of Accounts Receivable.

DESCRIPTION

This rider enables the recovery of uncollectible accounts expense related to generation service including Percentage of Income Payment (PIPP) customer installments not collected through the Universal Service Fund Rider. The amounts in the Rider, exclusive of uncollectible PIPP installments, will only be collected from the class (residential or non-residential) that created the uncollectible accounts expense. Uncollectible accounts expense associated with PIPP will be allocated in the manner consistent with the Universal Service Fund Rider. The first application shall be filed in the second quarter of 2012.

CHARGE

A charge of ~~\$0.000000~~ 0.000813 per kWh shall be applied to all kWh delivered to residential customers. A charge of ~~\$0.000.60~~ per bill shall be applied to each non-residential customer.

Filed pursuant to an Order dated ~~November 22, 2011~~ _____ in Case No. ~~11-3549-EL-SSO~~ _____
before the Public Utilities Commission of Ohio.

Issued: ~~December 19, 2011~~ _____

Effective: ~~January 1, 2012~~ _____

Issued by Julie Janson, President

Duke Energy Ohio
139 East Fourth Street
Cincinnati, Ohio 45202

P.U.C.O. Electric No. 19
Original Sheet No. 88.1
Cancels and Supersedes
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Page 1 of 1

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Applicable to all retail jurisdictional customers in the Company's electric service territory including those customers taking generation service from a Competitive Retail Electric Service provider, except for those customer accounts not designated for Duke Energy Ohio's Purchase of Accounts Receivable.

DESCRIPTION

This rider enables the recovery of uncollectible accounts expense related to generation service including Percentage of Income Payment (PIPP) customer installments not collected through the Universal Service Fund Rider. The amounts in the Rider, exclusive of uncollectible PIPP installments, will only be collected from the class (residential or non-residential) that created the uncollectible accounts expense. Uncollectible accounts expense associated with PIPP will be allocated in the manner consistent with the Universal Service Fund Rider. The first application shall be filed in the second quarter of 2012.

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Duke Energy Ohio
139 East Fourth Street
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P.U.C.O. Electric No. 19
Sheet No. 88.1
Cancels and Supersedes
Original Sheet No. 88
Page 1 of 1

RIDER UE-GEN

UNCOLLECTIBLE EXPENSE – ELECTRIC GENERATION RIDER

APPLICABILITY

Applicable to all retail jurisdictional customers in the Company's electric service territory including those customers taking generation service from a Competitive Retail Electric Service provider, except for those customer accounts not designated for Duke Energy Ohio's Purchase of Accounts Receivable.

DESCRIPTION

This rider enables the recovery of uncollectible accounts expense related to generation service including Percentage of Income Payment (PIPP) customer installments not collected through the Universal Service Fund Rider. The amounts in the Rider, exclusive of uncollectible PIPP installments, will only be collected from the class (residential or non-residential) that created the uncollectible accounts expense. Uncollectible accounts expense associated with PIPP will be allocated in the manner consistent with the Universal Service Fund Rider. The first application shall be filed in the second quarter of 2012.

CHARGE

A charge of \$0.000813 per kWh shall be applied to all kWh delivered to residential customers. A charge of \$0.60 per bill shall be applied to each non-residential customer.

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

Issued: ____

Effective: ____

Issued by Julie Janson, President

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in

Case No(s). 12-1963-EL-UEx, 12-1964-EL-AAM

Summary: Testimony ,Direct of Dana R. Patten on Behalf of Duke Energy Ohio, Inc.
electronically filed by Dianne Kuhnell on behalf of Watts, Elizabeth H. and Spiller, Amy B. and
Duke Energy Ohio, Inc.