

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke Energy Ohio, Inc., for an Increase in Gas Rates.)	Case No. 12-1685-GA-AIR
)	
In the Matter of the Application of Duke Energy Ohio, Inc., for Tariff Approval.)	Case No. 12-1686-GA-ATA
)	
In the Matter of the Application of Duke Energy Ohio, Inc., for Approval of an Alternative Rate Plan for Gas Distribution Service.)	Case No. 12-1687-GA-ALT
)	
In the Matter of the Application of Duke Energy Ohio, Inc., for Approval to Change Accounting Methods.)	Case No. 12-1688-GA-AAM
)	

**DIRECT TESTIMONY OF
CARL J. COUNCIL, JR.
ON BEHALF OF
DUKE ENERGY OHIO, INC.**

- _____ Management policies, practices, and organization
- _____ Operating income
- _____ Rate base
- _____ Allocations
- _____ Rate of return
- _____ Rates and tariffs
- X Other: Plant in Service

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I. INTRODUCTION AND PURPOSE

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

2 A. My name is Carl J. Council, Jr., and my business address is 550 South Tryon
3 Street, Charlotte, North Carolina 28202.

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

5 A. I am employed by Duke Energy Business Services LLC (DEBS) as Fleet Finance
6 Leader and Interim Director, Asset Accounting. DEBS provides various
7 administrative and other services to Duke Energy Ohio, Inc., (Duke Energy Ohio
8 or Company) and other affiliated companies of Duke Energy Corporation (Duke
9 Energy).

10 **Q. PLEASE BRIEFLY SUMMARIZE YOUR EDUCATIONAL**
11 **BACKGROUND AND PROFESSIONAL EXPERIENCE.**

12 A. I am a graduate of the University of North Carolina at Charlotte, with a Bachelor
13 of Science degree in Accounting. I am a Certified Public Accountant and a
14 member of the American Institute of Certified Public Accountants. I am also a
15 member of the Edison Electric Institute Property Accounting and Valuation
16 Committee.

17 I began my employment with Duke Energy in the Controller's Department
18 in 1982, as a Financial and Accounting Assistant. In 1989, I moved to the Internal
19 Audit Department as an Internal Auditor. In 1992, I moved to the Treasury
20 Department as an assistant to the Treasurer. I became a Financial Analyst in the
21 Corporate Finance Department in 1994, and a Senior Financial Analyst in 1997,
22 specializing in economic analysis/business unit valuation, cost of capital

1 calculations and issues, and capital markets issuances. In 1999, I moved to the
2 Rates & Regulatory Affairs Department as Manager, Regulatory Accounting,
3 focusing on affiliate code of conduct and electric restructuring issues, as well as
4 the monthly and annual fuel clause reporting. In 2001, I was named Director,
5 Asset Accounting for Duke Power Company. In 2006, I was named Director,
6 Asset Accounting. Effective July 16, 2012, I accepted a new position within
7 Duke Energy as Fleet Finance Leader in Nuclear Finance where I will lead the
8 seven station finance organizations supporting Duke Energy's nuclear operations.
9 I also remain the Interim Director, Asset Accounting until my replacement is
10 identified.

11 **Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AS INTERIM**
12 **DIRECTOR, ASSET ACCOUNTING.**

13 A. As Interim Director, Asset Accounting, I have responsibility for the accounting
14 activities within Duke Energy's U.S. Franchised Electric and Gas Businesses
15 related to fixed assets, including depreciation and nuclear decommissioning,
16 materials and supplies inventory, fuel (including both inventory and payment of
17 fuel invoices), and emission allowances.

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

20 A. Yes. Most recently, I provided testimony in support of Duke Energy Ohio's request
21 for an increase in electric distribution base rates, filed under Case No. 08-709-EL-
22 AIR, *et al.*

1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THESE**
2 **PROCEEDINGS?**

3 A. I am responsible for net plant in service contained in rate base as of the date
4 certain, March 31, 2012, and other plant-related items. I sponsor the following
5 Schedules: B-2, B-2.1, B-2.2, B-2.3, B-2.4, B-2.5, B-3, B-3.1, B-3.2, B-3.2a, B-
6 3.3, B-3.4, B-4, B-4.1, B-4.2, B-6.2, B-9, and C-3.5. I also sponsor page 1 of both
7 Schedule D-5A and Schedule D-5B, as well as Supplemental Filing Requirements
8 (C)(9), (C)(14), (C)(18), (C)(19), (C)(21), (C)(22), and (C)(23). These schedules
9 and filing requirements were prepared under my direction and supervision or
10 subject to my review.

II. SCHEDULES AND FILING REQUIREMENTS
SPONSORED BY WITNESS

11 **Q. PLEASE DESCRIBE THE INFORMATION CONTAINED IN THE**
12 **SCHEDULES OF SECTION B THAT YOU SPONSOR.**

13 A. The schedules of Section B that I sponsor develop the Jurisdictional Net Plant in
14 Service. The schedules are based on Duke Energy Ohio's property records as of
15 March 31, 2012, the date certain in these proceedings.

16 **Q. PLEASE DESCRIBE SCHEDULE B-2.**

17 A. Schedule B-2 shows the investment in gas plant in service, including allocated
18 common plant by major property grouping, as of the date certain, March 31, 2012.
19 The amount shown in the column labeled "Adjusted Jurisdiction" represents plant
20 in service that is used and useful in providing gas service to Duke Energy Ohio's
21 jurisdictional customers.

1 **Q. PLEASE DESCRIBE SCHEDULE B-2.1.**

2 A. Schedule B-2.1 consists of a further breakdown of Schedule B-2 by Federal
3 Energy Regulatory Commission (FERC) and Company Account for each major
4 property grouping. The plant investment shown in the column labeled "Adjusted
5 Jurisdiction" represents plant in service that is used and useful in providing gas
6 distribution service to Duke Energy Ohio's jurisdictional customers.

7 **Q. PLEASE DESCRIBE SCHEDULE B-2.2.**

8 A. Schedule B-2.2 shows proposed adjustments to plant in service. Duke Energy
9 Ohio eliminated from plant in service \$337,305 for facilities at the Hartwell
10 Recreation Facility. The detail for the adjustment is shown on schedule B-2.5.

11 **Q. PLEASE DESCRIBE SCHEDULE B-2.3.**

12 A. Schedule B-2.3 shows gross additions, retirements and transfers by the FERC and
13 Company Account for each major property grouping from March 31, 2007, the
14 date certain in the Company's most recent natural gas case rate case filed under
15 Case No. 07-589-GA-AIR, *et al.*, through the date certain in these proceedings of
16 March 31, 2012.

17 **Q. PLEASE DESCRIBE SCHEDULE B-2.4.**

18 A. Schedule B-2.4 is entitled "Leased Property." The Company began leasing new
19 gas meters in 1999 and regulators in 2002. This schedule also presents the detail
20 of the Company's Plant Investment in Leasehold Improvements that are
21 capitalized in Account 1900 - Structures and Improvements. Duke Energy Ohio
22 made capital improvements to leased office space at the Fourth and Walnut
23 (Clopay) Building, the Atrium II Building, the Envision Center, and Holiday Park.

1 **Q. PLEASE DESCRIBE SCHEDULE B-2.5.**

2 A. Schedule B-2.5 contains data on property excluded from rate base. The property
3 is detailed by Duke Energy Ohio account and vintage year. The Company has
4 excluded the original cost and accumulated depreciation and amortization of the
5 Hartwell Recreation Facility from rate base. Totals on Schedule B-2.5 are carried
6 forward to Schedule B-2.2 as an adjustment to plant in service and Schedule B-3.1
7 as an adjustment to accumulated depreciation and amortization.

8 **Q. PLEASE DESCRIBE SCHEDULE B-3.**

9 A. Schedule B-3 shows the total plant investment and the Reserve for Accumulated
10 Depreciation and Amortization by FERC and Company Account grouping as of
11 March 31, 2012. The adjusted jurisdictional reserve in the last column is
12 applicable to the jurisdictional plant shown on Schedule B-2, "Adjusted
13 Jurisdiction."

14 **Q. PLEASE DESCRIBE SCHEDULE B-3.1.**

15 A. Schedule B-3.1 shows proposed adjustments to Accumulated Depreciation and
16 Amortization. Duke Energy Ohio has eliminated from Accumulated Depreciation
17 and Amortization \$64,140 associated with the Hartwell Recreation Facility. The
18 detail for the adjustment is shown on Schedule B-2.5.

19 **Q. PLEASE DESCRIBE SCHEDULE B-3.2.**

20 A. Schedule B-3.2 lists the jurisdictional plant investment and reserve balance at
21 March 31, 2012, for each FERC and Company Account within each major
22 property grouping. It also shows the proposed depreciation and amortization
23 accrual rate, calculated annual depreciation and amortization expense, percentage

1 of net salvage, average service life, and curve form, as applicable, for each
2 account. The calculated annual depreciation and amortization for Gas Plant was
3 determined by multiplying the allocated jurisdictional plant investment at March
4 31, 2012, by the proposed Gas depreciation or amortization accrual rate. With
5 this filing, Duke Energy Ohio has also filed with the Public Utilities Commission
6 of Ohio (Commission) proposed depreciation and amortization accrual rates. The
7 account numbers referred to in the depreciation study were those in effect on
8 September 30, 2011, for Duke Energy Ohio. These depreciation and amortization
9 accrual rates were established by Duke Energy Ohio witness John J. Spanos. Mr.
10 Spanos, of Gannett Fleming Valuation and Rate Consultants, Inc., supports the
11 depreciation and amortization study in his testimony. Duke Energy Ohio requests
12 that the Commission approve the depreciation and amortization accrual rates
13 included in this filing and that the depreciation and amortization accrual rates be
14 effective with the gas rates established in these proceedings.

15 **Q. PLEASE DESCRIBE SCHEDULE B-3.2a.**

16 A. Schedule B-3.2a is the same as Schedule B-3.2, except that it shows the current
17 depreciation and amortization accrual rate and current annual depreciation and
18 amortization expense. Duke Energy Ohio is filing Schedule B-3.2a so that the
19 current and proposed depreciation and amortization accrual rates, and resulting
20 depreciation and amortization expense, can be easily compared.

21 **Q. PLEASE DESCRIBE SCHEDULE B-3.3.**

22 A. Schedule B-3.3 shows depreciation accruals, salvage, retirements, cost of
23 removal, and transfers by FERC and Company Account for each major property

1 grouping from March 31, 2007, the date certain in the Company's most recent
2 natural gas rate case through the date certain in these proceedings of March 31,
3 2012.

4 **Q. PLEASE DESCRIBE SCHEDULE B-3.4.**

5 A. Schedule B-3.4 contains accumulated depreciation reserve, depreciation rates, and
6 the annual depreciation expense for leased property. This data is presented for gas
7 meters and regulators that Duke Energy Ohio began leasing in 1999 and 2002,
8 respectively. This schedule also presents the Company's plant investment for
9 Leasehold Improvements by location, the accumulated amortization reserve, the
10 amortization rates, and the annual amortization expense for the leasehold
11 improvements. This amortization is associated with capital improvements as
12 shown on Schedule B-2.4.

13 **Q. PLEASE DESCRIBE SCHEDULE B-4.**

14 A. Schedule B-4 is a list of all major projects that qualify for inclusion in rate base as
15 Construction Work in Progress (CWIP) at the date certain. The Company has not
16 included any CWIP in rate base in these proceedings.

17 **Q. PLEASE DESCRIBE SCHEDULE B-4.1.**

18 A. This schedule provides additional information for the projects listed on Schedule
19 B-4. Since no projects were listed on Schedule B-4, no data is provided on
20 Schedule B-4.1.

21 **Q. PLEASE DESCRIBE SCHEDULE B-4.2.**

22 A. This schedule provides additional information for the projects listed on Schedule

1 B-4. Since no projects were listed on Schedule B-4, no data is provided on
2 Schedule B-4.2.

3 **Q. PLEASE DESCRIBE SCHEDULE B-6.2.**

4 A. This schedule presents Contributions in Aid of Construction by Account and
5 Subaccount. Duke Energy Ohio nets all Contributions in Aid of Construction
6 against gross plant pursuant to Federal Power Commission (now FERC) Order
7 No. 490.

8 **Q. PLEASE DESCRIBE SCHEDULE B-9.**

9 A. This schedule includes projects that were in CWIP at the date certain of Duke
10 Energy Ohio's most recent natural gas rate case, and included in rate base.
11 Because Duke Energy Ohio did not include any CWIP projects in rate base in its
12 most recent natural gas rate case, no data is provided on Schedule B-9.

13 **Q. PLEASE DESCRIBE SCHEDULE C-3.5.**

14 A. Schedule C-3.5 calculates the annualized depreciation expense adjustment
15 between the proposed depreciation on schedule B-3.2 and the test period
16 depreciation calculated using three months of actual depreciation expense and
17 nine months of projected depreciation expense.

18 **Q. PLEASE DESCRIBE PAGE 1 OF BOTH SCHEDULE D-5A AND**
19 **SCHEDULE D-5B.**

20 A. I sponsor page 1 of both Schedule D-5A and Schedule D-5B, which includes Plant
21 in Service by major property grouping and Reserve for Accumulated Depreciation
22 and Amortization by utility service as of March 31, 2012, the date certain, and
23 December 31, 2011, and for each of the nine prior years. Plant held for future use,

1 acquisition adjustments, CWIP, and composite depreciation rates have also been
2 provided for the same periods. Schedule D-5A presents this information for Duke
3 Energy Ohio and Schedule D-5B presents the same information on a consolidated
4 Duke Energy basis as of the date certain and December 31, 2011, for each of the
5 nine prior years.

6 **Q. PLEASE DESCRIBE SUPPLEMENTAL FILING REQUIREMENT (C)(9).**

7 A. Supplemental Filing Requirement (C)(9) provides information on CWIP from the
8 prior rate case. There was no CWIP included in the prior rate case.

9 **Q. PLEASE DESCRIBE SUPPLEMENTAL FILING REQUIREMENT (C)(14).**

10 A. Supplemental Filing Requirement (C)(14) provides information on depreciation
11 expense related to specific accounts that are charged to clearing accounts.

12 **Q. PLEASE DESCRIBE SUPPLEMENTAL FILING REQUIREMENT (C)(18).**

13 A. Supplemental Filing Requirement (C)(18) requests information in the same
14 general format as Schedule B-2.3, which shows plant in service data from the date
15 certain in the Company's last natural gas base rate case to the date certain in these
16 proceedings. The requested information is available on workpaper WPB-2.3a.

17 **Q. PLEASE DESCRIBE SUPPLEMENTAL FILING REQUIREMENT (C)(19).**

18 A. Supplemental Filing Requirement (C)(19) requires that Duke Energy Ohio
19 provide the allocation of the depreciation reserve if it was allocated based on a
20 theoretical study. The depreciation reserve was not allocated to accounts based on
21 a theoretical reserve study. Reference is made to the depreciation study reflected
22 in Supplemental Filing Requirement (C)(20) and supported by the Direct
23 Testimony of Duke Energy Ohio witness Spanos.

1 **Q. PLEASE DESCRIBE SUPPLEMENTAL FILING REQUIREMENT (C)(21).**

2 A. Supplemental Filing Requirement (C)(21) requests information in the same
3 general format as Schedule B-3.3, which shows depreciation reserve data from the
4 date certain in the Company's most recent natural gas base rate case to the date
5 certain in the current proceedings. The requested information is available on
6 workpaper WPB-3.3a.

7 **Q. PLEASE DESCRIBE SUPPLEMENTAL FILING REQUIREMENT (C)(22).**

8 A. Supplemental Filing Requirement (C)(22) requests information related to
9 construction projects that are 75 percent complete. This requirement is not
10 applicable because Duke Energy Ohio has not included CWIP in rate base in these
11 proceedings.

12 **Q. PLEASE DESCRIBE SUPPLEMENTAL FILING REQUIREMENT (C)(23).**

13 A. Supplemental Filing Requirement (C)(23) is information concerning surviving
14 dollars by vintage year of placement (original cost data as of date certain).

III. CONCLUSION

15 **Q. WERE SCHEDULES B-2, B-2.1, B-2.2, B-2.3, B-2.4, B-2.5, B-3, B-3.1, B-3.2,**
16 **B-3.2a, B-3.3, B-3.4, B-4, B-4.1, B-4.2, B-6.2, B-9, C-3.5, THE**
17 **INFORMATION ON PAGE 1 OF SCHEDULE D-5A AND SCHEDULE D-**
18 **5B, AND SUPPLEMENTAL FILING REQUIREMENTS (C)(9), (C)(14),**
19 **(C)(18), (C)(19), (C)(21), (C)(22), AND (C)(23) PREPARED BY YOU OR**
20 **UNDER YOUR DIRECTION AND SUPERVISION OR SUBJECT TO**
21 **YOUR REVIEW?**

22 A. Yes.

1 **Q. IS THE INFORMATION CONTAINED IN THESE SCHEDULES AND**
2 **FILING REQUIREMENTS ACCURATE TO THE BEST OF YOUR**
3 **KNOWLEDGE AND BELIEF?**

4 **A. Yes.**

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

6 **A. Yes.**