

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

PATRICIA W. MULLINS

ON BEHALF OF

DUKE ENERGY OHIO, INC.

_____	Management policies, practices, and organization
_____	Operating income
_____	Rate base
_____	Allocations
_____	Rate of return
_____	Rates and tariffs
<u> X </u>	Other: Budgeting and Forecasting

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I. INTRODUCTION AND PURPOSE

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

2 A. My name is Patricia W. Mullins and my business address is 550 South Tryon Street,
3 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 Director,
6 Regional Financial Forecasting. DEBS provides various administrative and other
7 services to Duke Energy Ohio, Inc., (Duke Energy Ohio or Company) and other
8 affiliated companies of Duke Energy Corporation (Duke Energy).

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

11 A. I graduated from Clemson University in 1987 with a Bachelor of Science in
12 Accounting. I am a Certified Public Accountant in the State of North Carolina.

13 I started my employment with Duke Power Company in 1987 as a staff
14 accountant. I held various positions in a number of areas, including Internal
15 Audit, Subsidiary Accounting, International Project Development, Duke Fluor
16 Daniel, and Duke Capital Partners. I was an accounting manager in the
17 Controllers area and also managed the accounting for Duke Power's Wholesale
18 and Bulk Power businesses. After the merger between Cinergy Corp. and Duke
19 Energy in 2006, I was promoted to Director of Derivative and Revenue Analysis.
20 I assumed my current role as Director, Regional Financial Forecasting in March
21 of 2009. I currently lead forecasting for Duke Energy's U. S. Franchised Electric
22 and Gas Businesses, Duke Energy Ohio, Duke Energy Kentucky, Inc. (Duke

1 Energy Kentucky), and Duke Energy Indiana, Inc.

2 **Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AS DIRECTOR,**
3 **REGIONAL FINANCIAL FORECASTING.**

4 A. I am responsible for preparing the budgets and forecasts and performing financial
5 analysis for Duke Energy Ohio and Duke Energy Kentucky.

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

8 A. No.

9 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THESE**
10 **PROCEEDINGS?**

11 A. I describe the budgeting and forecasting process underlying the projected data for
12 the test year proposed in this Application. I also sponsor Supplemental Filing
13 Requirements S-1, S-2, and (C)(12). Finally, I provided projected revenue, sales,
14 and customer data for the years 2013 through 2017 to Duke Energy Ohio witness
15 Peggy A. Laub for the preparation of Schedules C-11.1 through C-11.4.

II. THE BUDGETING AND FORECASTING PROCESS

16 **Q. DESCRIBE THE SOURCE OF THE FORECASTED FINANCIAL DATA**
17 **USED IN THESE PROCEEDINGS.**

18 A. The forecasted data used in this proceeding is based on Duke Energy Ohio's 2012
19 Annual Budget. I supervised the coordination and development of this budget,
20 and it was reviewed and approved by Duke Energy Ohio's executive management
21 and Duke Energy's Board of Directors.

22 **Q. DESCRIBE THE BUDGETING AND FORECASTING PROCESS THAT**

1 **YOU USED TO DEVELOP THE TEST PERIOD IN THESE**
2 **PROCEEDING.**

3 A. Budgeting is done at organizational levels known as the “responsibility centers.”
4 The responsibility centers use guidelines provided by Duke Energy’s Budgeting
5 and Business Support Department. The responsibility centers prepare detailed
6 responsibility budgets consisting of expense items, certain types of revenues, and
7 construction budgets for capital projects. The information is consolidated along
8 with sales and revenue data into a corporate budget and is reviewed by various
9 levels of management. One or more iterations of the annual budget are typically
10 required before final approval by executive management and the Board of
11 Directors. This “bottom-up” approach is reasonable and has been an effective
12 process for managing costs.

13 **Q. DESCRIBE THE GUIDELINES PROVIDED BY THE BUDGETING AND**
14 **BUSINESS SUPPORT DEPARTMENT IN DEVELOPING DUKE**
15 **ENERGY OHIO’S ANNUAL RESPONSIBILITY (OPERATING AND**
16 **MAINTENANCE) CENTER BUDGET.**

17 A. The guidelines provided by the business support department are a detailed set of
18 instructions for creating a responsibility center budget. For example, there are
19 detailed instructions for budgeting employee labor data, such as the escalation
20 rates for non-union labor expenses and indirect labor and fringe benefit loading
21 rates, and how to handle staff additions or deletions. Individual employees and
22 certain associated costs of the employees are included or excluded in any given
23 center’s budget according to the expected future reporting assignment for that

1 employee. Detailed instructions for non-labor related expenses, such as
2 transportation and information technology expenses, are included. There are
3 instructions for handling contract labor and supplies, and guidelines for
4 identifying a capital versus expense item. Budget coordinators are required to use
5 these assumptions and/or instructions in projecting their future departmental
6 expenses. These operating and maintenance (O&M) budgeting guidelines are
7 reflected in the budgets and forecasts that are submitted to Duke Energy Ohio's
8 executive management and Duke Energy's Board of Directors for approval and
9 are also reflected in the forecasted financial data in these proceedings.

III. SCHEDULES AND FILING REQUIREMENTS

SPONSORED BY WITNESS

10 **Q. PLEASE DESCRIBE SUPPLEMENTAL FILING REQUIREMENT S-1.**

11 A. Supplemental Filing Requirement S-1 contains five-year financial forecast for
12 certain capital expenditure information for the five years 2013 through 2017.

13 **Q. PLEASE DESCRIBE SUPPLEMENTAL FILING REQUIREMENT S-2.**

14 A. Supplemental Filing Requirement S-2 contains five-year financial forecast for
15 certain revenue requirement information.

16 **Q. PLEASE DESCRIBE THE INFORMATION YOU PROVIDED FOR THE**
17 **PREPARATION OF SCHEDULES C-11.1 THROUGH C-11.4.**

18 A. I provided all of the forecasted information shown on Schedule C-11.1 through C-
19 11.4.

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

1 A. Supplemental Filing Requirement (C)(12) is a summary of the forecasting
2 methods used by Duke Energy Ohio for the test period financial data.

IV. CONCLUSION

3 **Q. WERE THE SUPPLEMENTAL FILING REQUIRMENTS S-1 AND S-2,**
4 **AND SUPPLEMENTAL FILING REQUIREMENT (C)(12), AND THE**
5 **INFORMATION PROVIDED FOR SCHEDULES C-11 THROUGH C-11.2**
6 **PREPARED BY YOU OR UNDER YOUR SUPERVISION?**

7 A. Yes.

8 **Q. IS THE INFORMATION CONTAINED IN THOSE SCHEDULES AND**
9 **SUPPLEMENTAL FILING REQUIREMENTS ACCURATE TO THE**
10 **BEST OF YOUR KNOWLEDGE AND BELIEF?**

11 A. Yes.

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

13 A. Yes.