

FILE

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke Energy Ohio, Inc., for an Increase in Electric Distribution Rates.) Case No. 12-1682-EL-AIR

In the Matter of the Application of Duke Energy Ohio, Inc., for Tariff Approval.) Case No. 12-1683-EL-ATA

In the Matter of the Application of Duke Energy Ohio, Inc., for Approval to Change Accounting Methods.) Case No. 12-1684-EL-AAM

VOLUME 1

TESTIMONY

RECEIVED-SOCKETING DIV

2012 JUL 20 PM 3:41

PUCO

July 20, 2012

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business.

Technician [Signature] Date Processed 7-20-12

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)
Duke Energy Ohio, Inc., for an) Case No. 12-1682-EL-AIR
Increase in Electric Distribution Rates.)

In the Matter of the Application of)
Duke Energy Ohio, Inc., for Tariff) Case No. 12-1683-EL-ATA
Approval.)

In the Matter of the Application of)
Duke Energy Ohio, Inc., for Approval) Case No. 12-1684-EL-AAM
to Change Accounting Methods.)

DIRECT TESTIMONY OF

JULIA S. JANSON

ON BEHALF OF

DUKE ENERGY OHIO, INC.

 X Management policies, practices, and organization
 Operating income
 Rate Base
 Allocations
 Rate of return
 Rates and tariffs
 X Other: Rate Case Drivers

July 20, 2012

TABLE OF CONTENTS

	<u>PAGE</u>
I. INTRODUCTION AND PURPOSE	1
II. OVERVIEW OF DUKE ENERGY OHIO'S ELECTRIC DISTRIBUTION BUSINESS.....	4
A. OVERVIEW.....	4
B. ECONOMIC DEVELOPMENT.....	9
C. CHARITABLE GIVING.....	11
D. CUSTOMER SERVICE CHANNELS.....	12
E. BILL MANAGEMENT/ PAYMENT OPTIONS AVAILABLE TO CUSTOMERS.....	15
F. CUSTOMER SATISFACTION SCORES.....	18
III. SIGNIFICANT RECENT DEVELOPMENTS.....	20
IV. SCHEDULES SPONSORED BY WITNESS	25
V. INTRODUCTION OF WITNESSES.....	26
VI. CONCLUSION	28

I. INTRODUCTION AND PURPOSE

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

2 A. My name is Julia S. Janson, 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 Duke Energy Business Services LLC (DEBS) as State
6 President of Duke Energy Ohio, Inc., (Duke Energy Ohio or Company) and Duke
7 Energy Kentucky, Inc. (Duke Energy Kentucky). DEBS provides various
8 administrative and other services to Duke Energy Ohio and other affiliated
9 companies of Duke Energy Corporation (Duke Energy).

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

12 A. I earned a Bachelor of Arts degree in American Studies from Georgetown College
13 in Georgetown, Kentucky. I earned my Juris Doctor degree from the University of
14 Cincinnati, College of Law. I am a member of the Ohio Bar and the Kentucky
15 Bar.

16 Prior to my current position, I served as Senior Vice President of Ethics
17 and Compliance, and Corporate Secretary for Duke Energy, where I directed
18 Duke Energy's ethics and compliance program. Prior to that, I served as
19 Corporate Secretary and Chief Compliance Officer for Cinergy Corp. (Cinergy),
20 where I directed Cinergy's corporate compliance program. I was appointed Chief
21 Compliance Officer in 2004 and Corporate Secretary in 2000. From 1998 to
22 2004, I served as Senior Counsel, providing advice on executive compensation,

1 benefits, transactions, corporate governance, securities, and general corporate
2 matters. From 1996 to 1998, I served as Counsel for Cinergy, providing research,
3 advice, and support for divestitures, mergers and acquisitions, and numerous
4 internal business clients, including investor relations, shareholder services,
5 corporate communications, and government and regulatory affairs. I also served
6 as Corporate Counsel to the international business unit. I was Manager of
7 Investor Relations for Cinergy from 1995 to 1996. Prior to joining Cinergy, I
8 began my corporate career in 1987 as a law clerk with The Cincinnati Gas &
9 Electric Company (CG&E) and began full-time employment with CG&E as
10 Supervisor of Securities Processing and Transfer Agent for CG&E common and
11 preferred stock, after which I was named Corporate Attorney. In addition, I was a
12 member of the legal team responsible for completing the merger of CG&E and
13 PSI Energy, Inc., which formed Cinergy Corp. in 1994. Before joining CG&E, I
14 served as a law clerk with Adams, Brooking, Stepner, Wolterman & Dusing in
15 Covington, Kentucky.

16 **Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AS STATE**
17 **PRESIDENT, DUKE ENERGY OHIO.**

18 A. As State President of Duke Energy Ohio, I am responsible for ensuring that our
19 customers continue to have access to safe, reliable, and reasonably priced electric
20 service, and that these services are provided in accordance with applicable federal
21 and state laws and regulations. I am also involved in external efforts related to
22 governmental and regulatory affairs, interacting with state and community leaders
23 and regulators on matters relevant to Duke Energy Ohio's business and presence

1 in Ohio. I am responsible for the Company's community relations and economic
2 development efforts and am involved with Duke Energy's regional charitable
3 giving through the foundation.

4 **Q. ARE YOU CURRENTLY INVOLVED IN ANY PROFESSIONAL OR**
5 **CHARITABLE ORGANIZATIONS?**

6 A. Yes. I currently serve on a variety of Boards of Directors for nonprofit
7 organizations. For example, I am the 2012 chair of the board of directors and the
8 executive committee of the Cincinnati USA Regional Chamber of Commerce, a
9 member of the board of directors and executive committee of the Kentucky
10 Chamber of Commerce, a board of trustee member of The University of Cincinnati
11 Foundation and a member of the Compensation Committee, a member of the
12 Vision 2015 CEO Roundtable, chair of the Cincinnati Business Committee and co-
13 chair of the Economic Development Task Force, a member of the Climate
14 Protection Steering Committee appointed by Cincinnati City Council, a board
15 member of the Cincinnati Center City Development Corporation (3CDC), and a
16 member of the Cincinnati Women's Executive Forum (CWEF). I am also a
17 member and Treasurer of The Commercial Club and served as the Vice Chair of the
18 2012 World Choir Games. Finally, I chaired the city of Cincinnati's 2010 Fine Arts
19 Fund Campaign.

20 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC**
21 **UTILITIES COMMISSION OF OHIO?**

22 A. Yes. I have testified before the Public Utilities Commission of Ohio
23 (Commission) in connection with Duke Energy Ohio's 2010 and 2011 standard

1 service offer filings, docketed under Case No. 10-2586-EL-SSO, *et al.*, and Case
2 No. 11-3549-EL-SSO, *et al.*, respectively.

3 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THESE**
4 **PROCEEDINGS?**

5 A. My testimony provides an overview of Duke Energy Ohio's electric distribution
6 business operations. I discuss the Company's major developments since its last
7 electric distribution base rate case filed in 2008, and explain our need for an
8 increase in base rates for electric distribution service. I discuss how the timely
9 and constructive regulatory treatment we seek from the Commission will enable
10 us to continue to satisfy our customers by providing them with the safe, reliable,
11 and reasonably priced service they have come to expect from Duke Energy Ohio.

12 Additionally, I sponsor the following schedules: S-3, S-4.1, S-4.2, and
13 Supplemental Filing Requirement (C)(17).

14 Finally, I introduce the various witnesses and identify the subject matters
15 on which they will testify in these proceedings.

16 **II. OVERVIEW OF DUKE ENERGY OHIO'S**
17 **ELECTRIC DISTRIBUTION BUSINESS**

18 **A. OVERVIEW**

16 **Q. PLEASE GENERALLY DESCRIBE THE DUKE ENERGY CORPORATE**
17 **AND BUSINESS STRUCTURE.**

18 A. To more fully understand how Duke Energy Ohio serves its customers, it is
19 helpful to understand Duke Energy's corporate and business structure. Duke
20 Energy is a holding company, formerly named Duke Energy Holding Corp., that

1 was formed in connection with the 2006 merger of the former Duke Energy
2 Corporation, a North Carolina corporation, and Cinergy.

3 Duke Energy is a Delaware corporation and, following the 2006 merger, is
4 organized into three principal business segments: US Franchised Electric and Gas
5 (USFE&G), Commercial Power, and Duke Energy International (DEI). USFE&G
6 consists of Duke Energy's regulated generation and its electric and gas
7 transmission and distribution systems. Its generation portfolio is a diverse mix of
8 fuel sources – coal, oil/natural gas, nuclear, and hydroelectric. USFE&G is Duke
9 Energy's largest business segment and has included the utility operating
10 companies of Duke Energy Carolinas, LLC (Duke Energy Carolinas), which
11 operates in North and South Carolina, Duke Energy Kentucky, Duke Energy
12 Ohio, and Duke Energy Indiana, Inc. (Duke Energy Indiana).

13 Commercial Power owns, operates, and manages power plants located
14 primarily in the Midwest. Commercial Power also includes Duke Energy
15 Generation Services (DEGS), which develops, owns, and operates generation
16 sources (including wind assets) that serve large energy consumers, municipalities,
17 utilities, and industrial facilities.

18 DEI operates and manages power generation facilities located in the
19 Central and South American countries of Argentina, Brazil, Ecuador, El Salvador,
20 Guatemala, and Peru. DEI also owns equity investments in Saudi Arabia and
21 Greece.

22 On July 2, 2012, Duke Energy completed its merger with Progress Energy
23 Corp., which was announced in January 2011. This merger creates the largest

1 U.S. utility, while maintaining and expanding both companies' history of
2 community support, investment, and commitment. The merger will position the
3 new Duke Energy to help shape the energy industry of the next century.

4 **Q. DOES THE MERGER HAVE ANY IMPACT ON THE COMPANY'S**
5 **REQUEST IN THESE PROCEEDINGS?**

6 A. No. It is not expected that the merger will have any material impact on the
7 financial results for Duke Energy Ohio for calendar year 2012. As discussed by
8 Duke Energy Ohio witness Peggy A. Laub, all merger-related costs have been
9 removed from the test year revenue requirement as well.

10 **Q. PLEASE PROVIDE A SUMMARY OF DUKE ENERGY OHIO'S**
11 **ELECTRIC DISTRIBUTION SERVICE TERRITORY.**

12 A. Duke Energy Ohio's headquarters are in downtown Cincinnati, as they have been
13 for over 175 years. From these local headquarters, Duke Energy Ohio directs the
14 planning, construction, operation, and maintenance of its electric transmission and
15 distribution systems. Duke Energy Ohio's distribution system currently provides a
16 reliable supply of electricity to approximately 690,000 residential, commercial,
17 industrial, and public authority customers in southwest Ohio. Duke Energy Ohio
18 owns approximately 1,500 circuit-miles of transmission lines and 16,743 circuit-
19 miles of distribution lines throughout its service territory. Although an increasing
20 percentage of Duke Energy Ohio's customers are served via underground
21 facilities, the vast majority of Duke Energy Ohio's service territory continues to
22 be served via overhead transmission and distribution lines. Duke Energy Ohio

1 also owns electric generation facilities that are functionally separated from the
2 regulated operations of the Company.

3 **Q. WHICH LEGAL ENTITY PROVIDES ELECTRIC DISTRIBUTION**
4 **SERVICES FOR DUKE ENERGY OHIO'S CUSTOMERS?**

5 A. Our customers receive all of their electric distribution services from Duke Energy
6 Ohio. The actual services may be performed by Duke Energy Ohio employees.
7 Additionally, shared service employees or employees of affiliated companies may
8 provide services to our customers in accordance with approved service
9 agreements. The Commission approved these services agreements in Case No. 05-
10 732-EL-MER, *et al.*, which involved the Duke Energy/Cinergy merger, and Duke
11 Energy Ohio witness Daniel J. Reilly sponsors the agreements in these
12 proceedings.

13 The legal entity structure and relationships that I mention above should go
14 unnoticed by our retail electric distribution customers in Ohio. That is, our
15 customers continue, and should expect, to receive safe and reliable electric
16 distribution service from Duke Energy Ohio, at competitively low prices, without
17 regard to how the Company is structured or organized to provide those services.

18 **Q. HOW DOES DUKE ENERGY OHIO ADDRESS CORPORATE**
19 **ALLOCATIONS?**

20 A. Duke Energy Ohio appreciates the Commission Staff's desire to review corporate
21 allocations, as reflected in the Staff Report filed in our last distribution rate case.
22 And, consistent therewith, Duke Energy Ohio's corporate separation plan and cost
23 allocation manual were audited by an independent third party beginning in 2009.

1 The auditor's final report was filed on March 29, 2010, in Case No. 09-495-EL-
2 UNC. Therein, the auditor concluded that there were "no significant errors in the
3 [Company's] calculation of allocation percentages or in its application of those
4 percentages to actual charges."¹ The Commission accepted the audit results in its
5 order of April 5, 2011. The Company continues to follow the audited allocation
6 methodology that we believe to be reasonable and appropriate, applying the same
7 methodology to gas allocation as we do to electric allocation.

8 With respect to allocations, it is important to remember that Duke Energy
9 Ohio is part of a multi-jurisdictional holding company that operates numerous
10 regulated and non-regulated businesses. Consequently, the use of allocation
11 factors and methodologies is necessary to ensure efficient operations.

12 **Q. PLEASE GIVE AN OVERVIEW OF DUKE ENERGY OHIO'S ELECTRIC**
13 **TRANSMISSION SYSTEM AND OPERATIONS.**

14 A. Duke Energy Ohio witness Richard D. Harrell describes the Company's
15 distribution and transmission systems and operations in greater detail as part of
16 his direct testimony. In summary, the transmission system is operated in
17 accordance with standards issued by the North American Electric Reliability
18 Corporation (NERC) and ReliabilityFirst Corporation (RFC). RFC is a Regional
19 Reliability Organization that is the successor organization to the East Central
20 Area Reliability Council (ECAR).

21 On January 1, 2012, Duke Energy Ohio realigned its transmission system
22 to transfer control from the Midwest Independent Transmission System Operator,

¹ *In the Matter of the Application of Duke Energy Ohio, Inc. for Approval of the Second Amended Corporate Separation Plan under Section 4928.17, Revised Code, and Chapter 4901:1-37, Ohio Administrative Code, Case No. 09-495-EL-UNC, Final Report Compliance Audit (March 29, 2010), p. 74.*

1 Inc., (Midwest ISO) to PJM Interconnection, LLC (PJM). In connection with its
2 transition to PJM, Duke Energy Ohio is obligated to function as a fixed resource
3 requirement (FRR) entity through May 31, 2015. And pursuant to this obligation,
4 Duke Energy Ohio must fulfill the service of providing capacity for its entire
5 footprint, with the exception of load that has previously opted out of the
6 Company's FRR plan.

B. ECONOMIC DEVELOPMENT

7 **Q. PLEASE GIVE AN OVERVIEW OF DUKE ENERGY OHIO'S**
8 **ECONOMIC DEVELOPMENT ACTIVITIES.**

9 A. Duke Energy takes seriously our responsibility to promote economic
10 development in the communities in which we do business. Access to low-cost,
11 reliable power is a critical factor in a company's decision about where to locate its
12 facilities. As a top-performing utility, Duke Energy is in a key position to meet
13 companies' energy needs and attract job-creating industry and capital investment
14 to our service territory. But business clients need more than power. They need
15 readily available building sites, transportation infrastructure, access to state and
16 local incentives, flexible workforce training programs, and proximity to a
17 community of customers and business partners. Duke Energy Ohio assists in
18 meeting these needs through our award-winning economic development program.

19 In 2011, *Site Selection* magazine named Duke Energy to its Top 10
20 Utilities in Site Selection for North America for the thirteenth consecutive year.
21 Whether a company is looking for a new site for manufacturing, logistics,
22 distribution, or headquarters, our economic development team is there to help.

1 Cited by *Site Selection* magazine as a best practice, the Duke Energy “Site
2 Readiness” program seeks to identify and improve large tracts of industrial land in
3 the service territory, moving them closer to being “fully marketable.” In
4 collaboration with local economic development organizations, Duke Energy and
5 our Duke Energy Foundation offer grants to those local communities that have
6 taken advantage of the program and spent dollars improving participant sites.

7 Duke Energy Ohio’s strategic partnerships with local, regional, and state
8 economic development efforts, combined with Duke Energy Ohio’s reasonably
9 priced rates, have resulted in a number of economic development successes in
10 southwest Ohio.

11 We estimate that our cooperative efforts, along with those of state and
12 local economic development officials, have contributed to the creation of nearly
13 65,000 Ohio jobs and more than \$7 billion of capital investment in southwest
14 Ohio since 1995.

15 Duke Energy Ohio’s leadership and economic development staff have
16 actively served on several committees of the Cincinnati USA Chamber of
17 Commerce and Cincinnati USA Regional Partnership, the economic development
18 arm of the Chamber. The Cincinnati USA Partnership is the “JobsOhio” authority
19 for southwest Ohio.

20 Some of the economic development and economic development related
21 organizations where Duke Energy is involved in leadership positions include:

- 22 • Cincinnati USA Regional Chamber of Commerce
- 23 • Cincinnati USA Partnership

- 1 • Cincinnati Business Committee, Economic Development
- 2 Committee and Innovation Task Force
- 3 • Hamilton County Development Corporation and its Economic
- 4 Development Committee
- 5 • Cincinnati Community Improvement Corporation
- 6 • Port of Greater Cincinnati Development Authority
- 7 • Cincinnati Center City Development Corporation
- 8 • Mason Port Authority
- 9 • Greater Cincinnati Chinese Chamber of Commerce
- 10 • European American Chamber of Commerce
- 11 • Clermont County Chamber of Commerce

C. CHARITABLE GIVING

12 **Q. PLEASE DESCRIBE DUKE ENERGY OHIO'S CHARITABLE GIVING**
13 **PHILOSOPHY.**

14 A. Duke Energy Ohio has made good corporate citizenship a priority by giving back
15 to the communities we serve. Since 1996, Duke Energy Ohio and the Duke
16 Energy Foundation, formerly the Cinergy Foundation, have contributed over
17 \$47.5 million to Ohio charitable organizations. We strongly encourage a spirit of
18 volunteerism among our employees, who contribute countless hours of volunteer
19 time to support the many communities in which they live and work. At the heart
20 of Duke Energy's volunteer efforts is the Global Service Event, a corporate-wide
21 volunteer effort event that encourages employees to give back to their
22 communities, not just during the event but year round. During the 2011 Global

1 Service Event, Duke Energy Ohio provided grants for 77 volunteer projects
2 performed by employees, their families, and retirees. Corporate stewardship is
3 important to Duke Energy Ohio. However, no charitable contributions are
4 included in the test year revenue requirement being sought in these proceedings.

D. CUSTOMER SERVICE CHANNELS

5 **Q. PLEASE DESCRIBE DUKE ENERGY OHIO'S CUSTOMER SERVICE**
6 **ACTIVITIES.**

7 A. Duke Energy Ohio strives to provide customers with a variety of convenient
8 methods for doing business with us. Duke Energy Ohio also endeavors to manage
9 and reduce our customer service costs by leveraging new technology and new
10 customer service channels. Duke Energy Ohio's customer service channels
11 include:

- 12 • *Contact Centers* – Duke Energy Midwest (covering Ohio,
13 Kentucky, and Indiana) has approximately 75 customer service
14 representatives in our Cincinnati, Ohio, call center and
15 approximately 158 customer service representatives in the
16 Plainfield, Indiana, call center taking customer service calls. All of
17 these representatives are linked to create one virtual call center and
18 all are available to respond to calls from Ohio customers. These
19 representatives are also linked with 340 customer service
20 representatives in North and South Carolina for assistance during
21 storms and emergencies. Our sourcing partner, Convergent
22 Outsourcing (formerly ERS), located in Atlanta, Georgia, and

1 Birmingham, Alabama, takes approximately 30 to 35 percent of
2 total agent call volume for the Midwest and these are
3 predominantly credit calls. This achieves a lower overall cost
4 structure and provides an added means to deal with peak call
5 volumes. For example, Convergent Outsourcing provides us an
6 additional set of agents we can engage fairly quickly at the onset of
7 a major storm or other events that affect a large percentage of our
8 southwest Ohio territory.

9 • *Business Service Center* – Our Business Service Center provides
10 customer service and communications to our commercial,
11 industrial, and governmental customers. The Business Service
12 Center is staffed by skilled personnel with many years of quality
13 field experience who respond to customers via telephone, e-mail,
14 and facsimile. Additionally, Duke Energy Ohio provides Customer
15 Relationship Managers and Technical Service Engineers who
16 personally meet with these customers, as needed.

17 • *Pay Agents* – Pay agents are local authorized retailers or agents
18 that accept Duke Energy Ohio bill payments and transmit the data
19 to our billing system on a daily basis. Our 47 Duke Energy Ohio
20 pay agents allow customers to pay their bills at conveniently
21 located businesses, many of which have extended hours and
22 approximately 25 percent of which are no-fee agents.

- 1 • *Automated Phone Service* – This service allows customers to
2 access information regarding their gas and/or electric service
3 accounts from any touchtone telephone, twenty-four hours a day,
4 seven days a week. Via automated phone service, customers can
5 check the amount and due date of their current bill, verify the
6 amount and date of their last payment, confirm the amount and due
7 date to prevent disconnection for non-payment, pay by phone,
8 make payment arrangements, or report a service outage.

9 In 2009, we rolled out an upgraded Interactive Voice
10 Response (IVR) platform, which included the following key
11 elements:

- 12 ▪ Dynamic menu options - Customers hear options most
13 relevant to their needs (based on customer self-
14 identification).
- 15 ▪ Enhanced outage reporting - Enables us to provide
16 additional information about the cause of a power outage
17 and restoration times.
- 18 ▪ Spanish self-service applications.

19 In 2011, Duke Energy Midwest’s IVR handled approximately 4.9
20 million customer contacts, representing 54 percent of the total call
21 volume.

- 22 • *Enhanced Web Functionality for Online Services* – Duke Energy
23 Ohio is offering enhanced web self-service functionality that

1 includes new tools allowing customers to better analyze how
2 external factors, such as weather, impact their energy usage. The
3 tools also offer customers a sense of which appliances in their
4 homes are likely driving their energy usage. And, customers have
5 the capability to pursue a more detailed energy audit or receive a
6 personalized energy report. A similar set of tools, integrated with
7 those on the web, has been made available to customer service
8 representatives in the call centers so that they can provide this
9 same information to customers. Other useful and timely
10 information is available on the Duke Energy Ohio website,
11 including how to manage bills during heating and cooling seasons,
12 how to be safe around gas and electricity, and information about
13 rates and tariffs. Further, via the web-based services, customers
14 can identify ways to conserve energy, view the “Storm Center” to
15 see the locations and number of electric outages during severe
16 weather, submit online requests for tree trimming, and report street
17 light outages.

**E. BILL MANAGEMENT/PAYMENT OPTIONS
AVAILABLE TO CUSTOMERS**

18 **Q. PLEASE GIVE AN OVERVIEW OF DUKE ENERGY OHIO’S BILL**
19 **MANAGEMENT AND BILL PAYMENT PROGRAMS.**

20 A. Duke Energy Ohio offers several optional bill management programs, designed to
21 meet our customers’ varied needs:

- 1 • *Budget Billing Program* – This program helps customers manage their
2 monthly energy costs by setting a monthly billing amount based on an
3 average annual cost. Under the “Quarterly” Budget Billing plan, we
4 review the customer’s account every three months and adjust the Budget
5 Billing amount to better reflect actual energy use. This allows customers
6 to avoid a twelfth month bill adjustment. Under the “Annual” Budget
7 Billing plan, the customer’s monthly payments remain the same each
8 month and, in the twelfth month, the customer is billed or credited for any
9 difference between actual usage and the total amount paid during the
10 Budget Billing year. During the sixth month of the Annual plan, we
11 review the customer’s account and notify the customer with a bill message
12 if the current Budget Billing amount needs to be adjusted up or down.
13 The customer can notify us of a desire to change the Budget Billing
14 amount at any time.
- 15 • *Adjusted Due Date* – This plan allows eligible customers to extend their
16 normal billing due date up to ten days from their original due date. This
17 enables customers to better align their due date with the date they receive
18 their paycheck, pension benefits, Social Security check, etc.
- 19 • *Extended Payment Agreements* – Duke Energy Ohio offers extended
20 payment plans to eligible customers who are having difficulty paying their
21 entire bill by the due date. Residential customers may be eligible for one
22 three-month agreement in a twelve-month period. The customer must pay
23 one-third of the current balance to start the agreement and the remainder is

1 divided into two equal installments. The customer must also pay the
2 current monthly charges or may choose to go on Budget Billing with the
3 agreement.

- 4 • *Heatshare* – This energy assistance program is available to eligible Duke
5 Energy Ohio customers who need financial assistance with their gas
6 and/or electric bill and is independently administered by the Salvation
7 Army. Eligibility is based upon need and does not necessarily follow
8 government assistance guidelines. Eligible customers can receive up to
9 \$300.00 in assistance with their utility bill. Heatshare is completely funded
10 by Duke Energy Ohio employees, customers, and shareholders. For 2011,
11 Duke Energy Ohio provided a total contribution of \$370,983, which
12 included Duke Energy matching dollar-for-dollar donations, up to
13 \$200,000.

14 Duke Energy Ohio also offers a number of bill payment options for
15 customers, in addition to the traditional bill payment option via U.S. mail. These
16 options include:

- 17 • *Speedpay* – This program allows customers to make payments by
18 electronic check or credit/debit card over the telephone or via the Internet.
19 The third-party vendor charges a transaction fee for this program.
20 However, as part of a continuous improvement customer service plan,
21 Duke Energy revised the agreement earlier this year with our third-party
22 vendor, reducing the fee for residential customers from \$3.50 to \$1.50 per
23 transaction.

- 1 • *e-Bill* – This free, online electronic payment option allows Duke Energy
2 Ohio customers to view and pay their gas and/or electric bills online. e-
3 Bill offers two payment options: AutoPay (payments are automatically
4 paid each month on the due date) and Pay Online (customers authorize bill
5 payments online each month). All customer payments are electronically
6 deducted from the customer’s personal checking account and/or money
7 market account. Duke Energy Ohio currently has approximately 162,500
8 customers enrolled in e-Bill.
- 9 • *Payment Advantage* – This program allows customers to have their bill
10 payments automatically deducted from their checking or savings account
11 and reflects a free payment option for customers.

F. CUSTOMER SATISFACTION SCORES

12 **Q. HOW IS DUKE ENERGY OHIO’S PERFORMANCE IN TERMS OF**
13 **PROVIDING HIGH QUALITY CUSTOMER SERVICE?**

14 A. We measure our customer satisfaction performance through the J.D. Power and
15 Associates (J.D. Power) annual electric utility residential customer satisfaction
16 studies and our own surveys of residential, large business customers, and
17 community leaders.

J.D. POWER STUDIES

18 J.D. Power is well known for setting the standard for measurement of
19 consumer opinion and customer satisfaction in many key industries. J.D. Power
20 annually surveys electric utilities’ residential customer satisfaction. Duke Energy
21 Midwest participates in these annual studies.

1 The J.D. Power electric utility residential customer satisfaction study,
2 established in 2001, calculates overall customer satisfaction based on six
3 performance areas: (1) corporate citizenship, (2) communications, (3) price and
4 value, (4) billing and payment, (5) power quality and reliability, and (6) customer
5 service. For 2012, the most recent study for which results are available, J.D.
6 Power measured residential customer satisfaction for the country's Midwest large
7 electric utilities, serving over 500,000 customers. Duke Energy Midwest scored
8 637 points in the Overall Customer Satisfaction Index, an increase of 13 points
9 from the 2011 J.D. Power survey. Additionally, the Duke Energy Midwest 2012
10 J.D. Power survey results were higher, by 20 points, than the Midwest Large
11 Segment Average of 617 points. Since 2001, the results of the J.D. Power studies
12 have indicated that Duke Energy's Midwest Operations consistently deliver high-
13 quality customer satisfaction.

DUKE ENERGY OHIO-SPECIFIC CUSTOMER SURVEYS

14 In addition to the independent J.D. Power studies, our internal customer
15 satisfaction measurements continue to reflect strong performance in meeting the
16 needs of Duke Energy Ohio customers. We regularly survey residential, large
17 business customers, and community leaders who have had a recent service contact
18 with Duke Energy Ohio. These survey results confirm that Duke Energy Ohio
19 consistently performs well among our customer classes. The most recent survey
20 results reflect scores of 65 percent for residential; 87.4 percent for large business;
21 and 90.6 percent for community leaders.

III. SIGNIFICANT RECENT DEVELOPMENTS

1 **Q. WHAT MAJOR DEVELOPMENTS HAVE AFFECTED DUKE ENERGY**
2 **OHIO'S BUSINESS SINCE ITS LAST ELECTRIC DISTRIBUTION RATE**
3 **CASE?**

4 A. The Company's last electric distribution rate case was filed in 2008. Since that
5 time, there have been numerous developments that have impacted or are
6 impacting the business of Duke Energy Ohio.

7 Amended Substitute Senate Bill 221 (S.B. 221) took effect on July 31,
8 2008, and, although a large focus has been on the standard service offers required
9 under that law, it also imposed upon regulated distribution utilities obligations in
10 respect of energy efficiency and alternative energy resources. Duke Energy Ohio
11 remains committed to statutory compliance with these mandates and assisting our
12 customers in their efforts to become more energy efficient. Consistent therewith,
13 Duke Energy Ohio witness Bruce Sailors discusses the proposed tariff revisions to
14 Rider PLM, Peak Load Management Program, that enable all non-residential
15 customers served under Standard Rates DS, DP, and TS to elect to reduce demand
16 or energy usage during peak load periods, thereby reducing electric costs.

17 The implications of S.B. 221, as well as recent and current market
18 conditions, have affected Duke Energy Ohio. Indeed, we have seen increased
19 interaction between the Company and competitive retail electric service (CRES)
20 providers, and have increased our efforts to enable informed participation by
21 customers in the competitive market for generation services. To effectuate those
22 changes, we have made a variety of improvements in our operating systems.

1 Although these system changes and the associated increased management
2 resulting from a very active competitive market were appropriately addressed in
3 the Company's most recent electric security plan, they are significant changes to
4 the manner in which Duke Energy Ohio currently operates, as compared to 2008.

5 Another piece of recent legislation that will impact Duke Energy Ohio's
6 electric operations is Sub. S.B. 315 (S.B. 315), which was signed by Governor
7 Kasich on June 11, 2012. This law incorporates the governor's energy policy for
8 the state, which was announced following a very successful 21st Century Energy
9 & Economic Summit in September 2011. As Governor Kasich has summarized
10 the rationale for this new law, "[w]ith energy being so important to major Ohio
11 job creators, it's critical that we do everything possible to make it inexpensive,
12 plentiful, and reliable."² The new law is thus intended to improve Ohio's
13 economy and create jobs. S.B. 315 recognizes the challenges and needs in the
14 areas of distribution infrastructure maintenance, and costs associated with same,
15 and further identifies the implementation of rules to effectuate state policy relative
16 to such infrastructure.

17 The Company has continued, since 2009, in the deployment of its grid
18 modernization initiative. Through the first quarter of 2012, Duke Energy Ohio has
19 installed 358,371 electric meters, 250,816 gas meters, and 84,386 communication
20 nodes.

21 Further, in the intervening years since our last electric distribution rate
22 case, the Company has experienced a decline in our base revenue and our load
23 growth has been stagnant. And, as I mentioned previously, Duke Energy

² *Columbus Dispatch*, June 10, 2012.

1 completed its merger with Progress Energy almost one month after the Company
2 filed its pre-filing notice in these proceedings.

3 **Q. PLEASE BRIEFLY DESCRIBE WHY DUKE ENERGY OHIO REQUIRES**
4 **AN INCREASE IN ITS ELECTRIC DISTRIBUTION RELATED RATES**
5 **AT THIS TIME.**

6 A. Duke Energy Ohio last increased its electric base rates in July 2009, pursuant to
7 Commission Order in Case No. 08-709-EL-AIR, *et al.* As discussed by Duke
8 Energy Ohio witness Richard D. Harrell, the Company has made significant
9 investment in our electric distribution facilities since initiating that last rate
10 proceeding. Indeed, since March 31, 2008, the date certain in the Company's last
11 electric base rate case, we have invested about \$310 million in our electric
12 distribution system. This investment excludes all of the substantial investment in
13 grid modernization, which represents another approximate \$138 million for
14 electric distribution. And, as briefly mentioned above, Duke Energy Ohio's base
15 revenue has declined from the levels assumed in the 2008 rate case as load growth
16 has been stagnant for some rate classes and has actually declined in others.

17 **Q. PLEASE GIVE A BRIEF OVERVIEW OF DUKE ENERGY OHIO'S**
18 **PROPOSED RETAIL ELECTRIC RATE INCREASE.**

19 A. Duke Energy Ohio is proposing to increase its retail electric distribution rates in
20 order to increase its annual revenues attributable to retail electric distribution
21 service by approximately \$86.6 million. This represents an average aggregate rate
22 increase of approximately 5.1 percent³ on a total bill basis over the total average

³ This amount assumes that all customers pay the standard service offer rate for generation service.

1 electric rates paid by all customers in effect at the time we filed our pre-filing
2 notice on June 7, 2012. This rate increase is necessary in order to allow Duke
3 Energy Ohio the opportunity to recover its annual expenses associated with
4 providing safe, reliable, and reasonably priced electric distribution service, plus a
5 fair return on its investment in distribution facilities. Duke Energy Ohio witness
6 William Don Wathen Jr. provides additional detail concerning the primary drivers
7 for the requested rate increase, as well as the overall relief requested in these
8 proceedings.

9 **Q. ASIDE FROM THE SIGNIFICANT DEVELOPMENTS YOU IDENTIFIED**
10 **ABOVE, ARE THERE OTHER CHALLENGES FACING DUKE ENERGY**
11 **OHIO IN RESPECT OF ITS ELECTRIC DISTRIBUTION SYSTEM?**

12 A. Duke Energy Ohio is consistently guided by our desire to provide our customers
13 with access to safe, reliable, and reasonably priced electric service. Importantly, at
14 Duke Energy Ohio, safety is central to how we interact with our customers and
15 each other on a daily basis. Toward that end, Duke Energy Ohio endeavors to
16 ensure that our electric distribution system is safely and prudently maintained at a
17 low cost to customers. But there are external factors that influence our system and
18 its operation. Indeed, as we have experienced over the last four years alone,
19 unpredictable storm patterns – from tornadoes to severe ice – can impact our
20 electric distribution system and the customers we serve.

21 And as Duke Energy Ohio witness Harrell explains, aging infrastructure,
22 changing customer expectations, and significant projects initiated by local
23 governments may result in facility relocations that were not otherwise

1 contemplated or necessary, thereby potentially inviting increased costs to operate
2 and maintain our system.

3 **Q. PLEASE DISCUSS DUKE ENERGY OHIO'S EFFORTS IN RESPECT OF**
4 **THE JUNE 29, 2012, STORM THAT RESULTED IN A REQUEST FROM**
5 **GOVERNOR KASICH FOR FEDERAL DISASTER ASSISTANCE.**

6 A. Reliability and safety are always of paramount concern at Duke Energy Ohio.
7 This concern permeates all aspects of our operations. And I am incredibly
8 impressed – although not surprised – by Duke Energy Ohio's response to this
9 most recent, damaging storm. The crews responding to the storm did an
10 outstanding job restoring power to all of our customers by midnight on Monday,
11 July 2, 2012. To put in context the significance of this result, it must be
12 remembered that the storm of June 29 resulted in 25 percent of our customers
13 losing power. And as restoration efforts proceeded, additional thunderstorms
14 moved quickly through our area, complicating those efforts. In comparison,
15 customers of other utilities in Ohio were still without power a full week after the
16 storm, as weather conditions persistently approached or exceeded record high
17 temperatures. The result is indicative of the hard work, dedication, and sense of
18 priority reflected in Company employees as they serve our customers.

19 **Q. HOW IS DUKE ENERGY OHIO PROPOSING TO ADDRESS THESE**
20 **CHALLENGES RELATED TO STORM COSTS AND FACILITY**
21 **RELOCATION?**

22 A. Duke Energy Ohio witness Wathen discusses the Company's proposal to even out
23 the impact of storm costs, given their variability. I mention here only that the

1 proposal is intended to mitigate rate impacts to the customer and earnings impacts
2 to the Company resulting from unpredictable, but necessary, storm response.
3 Company witnesses Harrell and Wathen provide details on the Company's
4 proposed Rider FRT, Facility Relocation – Mass Transportation Rider, which is
5 intended to address a significant ratemaking issue regarding cost causation and
6 recovery.

IV. SCHEDULES SPONSORED BY WITNESS

7 **Q. PLEASE DESCRIBE SCHEDULE S-3.**

8 A. Schedule S-3 is Duke Energy Ohio's proposed newspaper notice, which informs
9 the public about this case. Duke Energy Ohio requests that the Commission
10 approve the form and content of the newspaper notice. Duke Energy Ohio will
11 publish the newspaper notice following Commission approval as to form and
12 content.

13 **Q. PLEASE DESCRIBE SCHEDULE S-4.1.**

14 A. Schedule S-4.1 is an executive summary of the corporate processes followed by
15 the Duke Energy's board of directors and its executive management team. This
16 executive summary generally describes our processes for: establishing and
17 achieving our policy objectives; communicating these objectives to our
18 stakeholders; organizing our management structure; making decisions; and
19 implementing corporate controls.

20 **Q. PLEASE DESCRIBE SCHEDULE S-4.2.**

21 A. Schedule S-4.2 is an executive summary of the Company's management policies,
22 practices, and organization to align corporate goals and discusses our

1 management process in various functional areas. It should be noted that the
2 material in Schedule S-4.2 includes the focused discussion requested by the
3 Commission Staff in its Letter Filing of June 20, 2012, wherein it requested a
4 detailed discussion of two of the Company's functional areas. The Letter Filing
5 specifically identified Information Technology policies and Corporate Allocations
6 as functional areas that the Company should address.

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

9 A. Supplemental Filing Requirement (C)(17) is a copy of the advertisements for
10 which costs were charged to advertising expense during the actual months of the
11 test year financial data. I also sponsor the Company's estimated cost of the
12 advertisements that will be included in the budgeted portion of the test year.

V. INTRODUCTION OF WITNESSES

13 **Q. PLEASE IDENTIFY THE WITNESSES WHO WILL PRESENT**
14 **TESTIMONY ON BEHALF OF DUKE ENERGY OHIO IN THIS CASE.**

15 A. Duke Energy Ohio will present testimony from the following witnesses:

- 16 • **Keith G. Butler**, Vice President, Tax
 - 17 ○ Mr. Butler presents testimony on Duke Energy Ohio's tax expense
 - 18 for the test year period.
- 19 • **Stephen G. De May**, Vice President and Treasurer
 - 20 ○ Mr. De May offers testimony regarding Duke Energy Ohio's credit
 - 21 ratings, financial objectives, cash requirements, and capital
 - 22 structure.

- 1
- **John J. Spanos**, Gannet Fleming, Inc.
 - Mr. Spanos will offer testimony on Duke Energy Ohio’s latest depreciation study.

2

3

 - **Carl J. Council Jr.**, Interim Director, Asset Accounting and Fleet Finance Leader, Nuclear Finance
 - Mr. Council testifies as to net plant in service and construction work in progress contained in rate base and other plant-related items.

4

5

 - **Patricia W. Mullins**, Director, Regional Financial Forecasting
 - Ms. Mullins presents testimony on Duke Energy Ohio’s budgeting and forecasting processes.

6

7

 - **Daniel J. Reilly**, Director, USFE&G Accounting
 - Mr. Reilly testifies as to Duke Energy Ohio’s accounting processes and sponsors certain accounting information used for test year financial data.

8

9

 - **Dr. Roger A. Morin, Ph. D.**, Principal, Utility Research International
 - Dr. Morin offers testimony on Duke Energy Ohio’s requested rate of return.

10

11

 - **Peggy A. Laub**, Manager, Accounting
 - Ms. Laub testifies as to Duke Energy Ohio’s revenue requirements and certain adjustments to the test year financial data.

12

13

 - **James A. Riddle**, Rates Manager, Pricing and Rates Options
 - Mr. Riddle offers testimony as to rate design and tariff language.

14

15

16

17

18

19

20

21

22

23

- 1 • **James E. Ziolkowski**, Rates Manager
- 2 ○ Mr. Ziolkowski provides testimony on Duke Energy Ohio’s cost of
- 3 service study.
- 4 • **William Don Wathen Jr.**, Director Rates and Regulatory Strategy,
- 5 Ohio/Kentucky
- 6 ○ Mr. Wathen presents testimony regarding the drivers of the
- 7 Company’s proposed rate increase, and various regulatory
- 8 proposals, including new tracking mechanism to recover direct
- 9 investment in the Company’s electric distribution system.
- 10 • **Bruce Sailers**, Manager, Product Development Analytics
- 11 ○ Mr. Sailers offers testimony regarding the proposed changes to
- 12 Duke Energy Ohio’s Powershare program.
- 13 • **Richard Harrell**, Vice President, Field Operations-Midwest
- 14 ○ Mr. Harrell will present testimony in respect of the Duke Energy
- 15 Ohio electric distribution system and safety and reliability
- 16 programs.

VI. CONCLUSION

17 **Q. IS THE INFORMATION YOU SPONSORED IN SCHEDULES S-3, S-4.1,**

18 **S-4.2 AND SUPPLEMENTAL FILING REQUIREMENT (C)(17)**

19 **ACCURATE TO THE BEST OF YOUR KNOWLEDGE AND BELIEF?**

20 A. Yes.

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

22 A. Yes.