

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke)
Energy Ohio, Inc. for Recovery of)
Program Costs, Lost Distribution Revenue) Case No. 12-1857-EL-RDR
and Performance Incentives Related to its)
Save-A-Watt Programs.)

SUPPLEMENTAL DIRECT TESTIMONY OF

TIMOTHY J. DUFF

ON BEHALF OF

DUKE ENERGY OHIO, INC.

October 31, 2012

TABLE OF CONTENTS

	PAGES
I. INTRODUCTION AND PURPOSE OF TESTIMONY	1
II. OVERVIEW OF THE STIPULATION	2
III. CRITERIA FOR APPROVAL OF A STIPULATION	4
IV. CONCLUSION	6

I. INTRODUCTION AND PURPOSE OF TESTIMONY

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

2 A. My name is Timothy J. Duff. My business address is 526 South Church 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, an affiliate of Duke
6 Energy Ohio, Inc., (Duke Energy Ohio, or Company) as General Manager, Retail
7 Customer and Regulatory Strategy, Customer Strategy & Innovation.

8 **Q. ARE YOU THE SAME TIMOTHY J. DUFF WHO FILED DIRECT**
9 **TESTIMONY IN THIS PROCEEDING ON JUNE 29, 2012?**

10 A. Yes.

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

13 A. The purpose of my supplemental direct testimony is to support the Stipulation and
14 Recommendation (Stipulation) related to the Company's application in this
15 proceeding; a Stipulation filed by all of the parties to this proceeding. I will
16 discuss the criteria employed by the Public Utilities Commission of Ohio
17 (Commission) when reviewing stipulations. My testimony will confirm that the
18 Stipulation filed in this proceeding: (1) is the product of serious bargaining among
19 capable, knowledgeable parties; (2) does not violate any important regulatory
20 principle or practice; and (3) as a package, benefits ratepayers and the public
21 interest. I will explain that the Stipulation is a fair and reasonable resolution to
22 the issues relevant to this proceeding.

1 **II. OVERVIEW OF THE STIPULATION**

2 **Q. PLEASE IDENTIFY THE SIGNATORY PARTIES TO THE**
3 **STIPULATION.**

4 A. In addition to the Commission Staff, two parties intervened in this proceeding and
5 these parties reflect diverse interests and represent customers in Duke Energy
6 Ohio's service territory. The parties are the Office of the Ohio Consumers'
7 Counsel, (OCC), and Ohio Partners for Affordable Energy, (OPAE). Both of
8 these parties were parties to the October 27, 2008 Stipulation and
9 Recommendation in the Duke Energy Ohio's first ESP case, Case No. 08-920-
10 EL-SSO, *et al.*, that was approved by the Commission on December 17, 2008,
11 establishing Rider DR-SAW. Additionally, both parties have extensive experience
12 with participation in Duke Energy Ohio's Community Partnership. The Duke
13 Energy Community Partnership is a collaborative group focused on understanding
14 and providing input into the Company's energy efficiency and peak demand
15 programs. Both OCC and OPAE have participated in this collaborative effort for
16 many years. They have significant experience and understanding of the history of
17 the Company with respect to providing energy efficiency and peak demand
18 reduction and each has knowledge of the matters relevant to this proceeding.

19 **Q. PLEASE PROVIDE AN OVERVIEW OF THE TERMS OF THE**
20 **SETTLEMENT AGREEMENT AS DETAILED IN THE STIPULATION.**

21 A. The Stipulation provides that the Company will be permitted to true-up and
22 recover a revenue requirement related to the actual results of its energy efficiency
23 and peak demand reduction programs during the period of 2009-2011, covered by

1 Rider DR-SAW. Due to the tremendous success of the Company's energy
2 efficiency and peak demand response programs from 2009 to 2011, the Company
3 achieved energy efficiency savings impacts that were over 125 percent of its
4 annual energy efficiency mandates during the same period, which entitles it to
5 collect avoided costs revenues equivalent to its actual program expenditures plus
6 an incentive in the amount of fifteen percent of program costs. The true-up also
7 allows the Company to collect the actual authorized lost revenues associated with
8 the actual energy efficiency savings impacts.

9 The Stipulation and Recommendation verifies that the Company
10 recognized that it was not entitled to collect lost generation revenues from
11 customers during the period December 10, 2009 through December 31, 2011, and
12 the stipulation does not provide for such recovery, but rather conclusively
13 establishes that no such recovery is included in the application or the Stipulation
14 and Recommendation.

15 In recognition of the Company's collection of lost generation revenues
16 from shopping customers between January 1, 2009 and December 9, 2009, the
17 Stipulation requires the Company to credit customers \$57,990 in calculation of
18 the true-up in this application. The credit will be split and assigned to the
19 appropriate customer classes in the true-up calculations of revenues to be
20 collected under Rider DR-SAW.

21 The Stipulation further provides for a credit of \$100,000 in the calculation
22 of the true-up for residential customers to compensate these customers for a
23 revenue collection timing adjustment associated with the Commission's decision

1 related to the Company's lack of authorization to collect lost generation in Case
2 No, 09-1999-EL-POR.

3 Finally, the Stipulation clarifies the understanding of all of the Parties
4 related to the Company's banked energy efficiency savings. That understanding
5 is that the Company may not now or in the future, seek to include avoided costs
6 associated with banked impacts in the calculation of the Company's performance
7 incentive. However, both the banked impacts achieved during the Rider DR-
8 SAW period (2009-2011), and the pre-2009 energy and peak demand impacts
9 may be used by the Company to determine its future annual achievement with
10 respect to its energy efficiency and peak demand reduction requirements set forth
11 in Amended Substitute Senate Bill 221 and Revised Code 4928.66.

12
13 **III. CRITERIA FOR APPROVAL OF A STIPULATION**

14 **Q. PLEASE IDENTIFY THE CRITERIA USED BY THE COMMISSION IN**
15 **REVIEWING A STIPULATION.**

16 A. As I understand it, the Commission will approve a stipulation when it (1) is the
17 product of serious bargaining among capable, knowledgeable parties; (2) does not
18 violate any important regulatory principle or practice, and (3) as a package
19 benefits ratepayers and the public interest.

20 **Q. DOES THE STIPULATION REPRESENT THE PRODUCT OF SERIOUS**
21 **BARGAINING AMONG CAPABLE, KNOWLEDGEABLE PARTIES?**

22 A. Yes. The capability and knowledge of the parties and their counsel is readily
23 apparent. The signatory parties regularly participate in rate proceedings before

1 the Commission, are very knowledgeable in regulatory matters, and were
2 represented by experienced competent counsel. Furthermore, the signatory
3 parties represent a broad range of interests.

4 I personally participated in the process that resulted in the Stipulation. I
5 can therefore confirm that all of the issues raised by the signatory parties in the
6 proceeding were thoroughly reviewed and addressed during negotiations and
7 despite the divergent interests among them, all parties had an opportunity to
8 express their opinions in the negotiation process.

9 Further, the settlement discussions resulted in beneficial modifications and
10 compromises, thereby confirming that serious bargaining occurred at settlement
11 meetings.

12 For all of these reasons, I believe that the Stipulation is a compromise
13 resulting from those negotiations and, therefore, represents a product of the efforts
14 of capable, knowledgeable parties.

15 **Q. DOES THE STIPULATION VIOLATE ANY IMPORTANT**
16 **REGULATORY PRINCIPLE OR PRACTICE?**

17 A. No. Based upon my experience, involvement in this proceeding, and review of
18 the Stipulation, I believe that it complies with all relevant and important
19 principles and practices. Significantly, the Stipulation furthers important
20 regulatory principles and practices. The Stipulation furthers important regulatory
21 principles and practices through the advancement of energy efficiency and peak
22 demand reduction that is consistent with Ohio energy policy.

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

10/31/2012 12:09:50 PM

in

Case No(s). 12-1857-EL-RDR

Summary: Testimony TESTIMONY IN SUPPORT OF STIPULATION OF TIM DUFF
electronically filed by Carys Cochern on behalf of Watts, Elizabeth H. Ms.