

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)
Duke Energy Ohio for Authority to) Case No. 14-841-EL-SSO
Establish a Standard Service Offer)
Pursuant to Section 4928.143,)
Revised Code, in the Form of)
An Electric Security Plan,)
Accounting Modifications and Tariffs)
for Generation Service)

In the Matter of the Application of)
Duke Energy for Authority to Amend) Case No. 14-842-EL-ATA
its Certified Supplier Tariff, P.U.C.O.)
No. 20)

PREFILED TESTIMONY

OF

DORIS MCCARTER
RATES AND ANALYSIS DEPARTMENT
CAPITAL RECOVERY AND FINANCIAL ANALYSIS DIVISION

STAFF EXHIBIT___

October 2, 2014

1 1. Q. Please state your name and business address.

2 A. My name is Doris McCarter. My business address is 180 East Broad
3 Street, Columbus, Ohio 43215.

4

5 2. Q. By whom are you employed and in what capacity?

6 A. I am employed by the Public Utilities Commission of Ohio (PUCO). I am
7 Chief of the Capital Recovery and Financial Analysis Division within the
8 Rates and Analysis Department. I am also the Interim Department Director
9 for the former Utilities Department, now combined with the Energy and
10 Environment Department to form the Utilities Rates and Analysis
11 Department.

12

13 3. Q. Please briefly describe your educational and professional background.

14 A. I received a Masters in Public Administration from Columbia University. I
15 have been employed by the PUCO since December, 1989 in various
16 capacities; Commissioner Aide to Commissioner Richard M. Fanelly,
17 Utility Specialist 2 in the Telecommunications Division of the Utilities
18 Department, and Deputy Director of the Service Monitoring and
19 Enforcement Department.

20

21 4. Q. Please describe your responsibilities.

1 A. Aside from the duties associated with my role as Interim Director, wherein
2 I am responsible for the policy and administrative oversight of the former
3 Utilities Department, now forming part of the Rates and Analysis
4 Department, my duties as Chief of the Capital Recovery and Financial
5 Analysis Division include establishing policies, practices, and procedures
6 for the Division's regulatory analysts who conduct audits and investigations
7 of public utility companies subject to the jurisdiction of the PUCO. I have
8 overall responsibility for certain aspects of the Staff's revenue requirement
9 determination during rate setting investigations. The calculation of
10 depreciation expense, accumulated depreciation reserve and cost of capital
11 are under my purview. I also have overall responsibility for management
12 and operations reviews, corporate separation compliance, financing
13 approvals, and the administration of the significantly excessive earnings
14 test for electric distribution companies.

15
16 5. Q. What is the purpose of your testimony in this proceeding?

17 A. The purpose of my testimony is to address those aspects of Duke Energy
18 Ohio's (Duke) Distribution Capital Investment (DCI) Rider for which Staff
19 is recommending several modifications.

20
21 6. Q. Will you summarize your position?

1 A. Staff does not oppose the creation, in general, of the DCI Rider mechanism.
2 However, Staff is recommending several modifications to the DCI as
3 proposed by Duke.

4
5 7. Q. If the Commission approves a continuation of a DCI, what modifications
6 should the Commission make to the proposed DCI?

7 **General and Common Plant**

8 A. No General or Common Plant costs should be included in the DCI. The
9 overall nature of the assets recorded in the General and Common Plant
10 accounts are more appropriately considered for recovery in a distribution
11 rate case and expenses such as office furniture are not directly related to
12 maintaining reliability of distribution service, which is the purpose of the
13 DCI.

14 **Projected Plant Balances**

15 Staff opposes the incorporation of projected plant balances in the
16 establishment of the revenue requirement. As a general matter, Staff
17 believes that only plant that is used and useful should be permitted in the
18 calculation. In addition, given the frequency of the rider updates, very little
19 lag exists in the commencement of capital cost recovery and therefore, the
20 need for the use of projections is extremely minimalized.

21

1 8. Q. If the Commission approves a continuation of a DCI, do you have any
2 recommendations in relation to any additional information duke should
3 include in subsequent dci filings?

4 A. Staff also recommends that the Commission continue to require Duke to
5 use the jurisdictional allocations and accrual rates for each account and
6 subaccount that was approved in Duke's prior rate case.¹

7 In each DCI filing, Duke should include the same information that was
8 provided in this standard service offer (SSO) case for each account and
9 subaccount, a full reconciliation between the functional ledger and FERC
10 form filings as well as detailed workpapers showing the jurisdictional
11 allocation, accrual rates and reserve balances of each account and
12 subaccount. Duke should be directed to provide this information for any
13 rider being used to collect costs recorded in the Distribution Plant
14 Accounts, by rider and as a grand total. Commission Staff needs this
15 information to determine whether the appropriate allocation of cost
16 recovery is occurring between the DCI and other riders. This information
17 will also help Staff ensure that the Company is adhering to the schedules
18 ordered in the previous rate case.

¹ In the Matter of the Application Duke Energy Ohio, Inc., for an Increase in its Electric Distribution Rates, Case No. 12-1682-EL-AIR.

1 Duke should also be directed to detail the DCI revenue collected by month
2 and to date in its filings to demonstrate compliance with the revenue caps
3 authorized by the Commission.

4 Staff also recommends that any further changes Duke proposes to make to
5 its capitalization policy should be highlighted and quantified in the DCI
6 filing preceding the implementation of the change. This would allow the
7 Commission to consider the proposed change and ensure that there is no
8 inappropriate recovery from Duke customers.

9
10 9. Q. Do you concur with duke's proposed caps on the amount of the DCI?

11 A. Staff recommends the annual caps to be the following: \$17 million for
12 2015, \$50 million in 2016, \$67 million in 2017, and \$35 (which is the five
13 month prorated amount associated with an annual cap of \$85 million in
14 2018 based on the staff adjusted prorated capital budget for 2018). This
15 rate reflects the removal of common and general plant and the adjustment
16 of the gross up factor to 10.68%

17
18 10. Q. Do you have a recommendation as to when the DCI rate should sunset if
19 the Commission approves a DCI for Duke?

20 A. Staff recommends that the DCI recovery mechanism and associated rate(s)
21 sunset with the end of the Electric Security Plan (ESP), May 31, 2018.

22 After that time, should Duke wish to recover any of the incremental plant in

1 service incurred since the inception of the ESP, it would be necessary to file
2 a rate case to recover the incremental plant in service unless a subsequent
3 ESP has been approved by the Commission which continues the DCI
4 recovery mechanism for the incurred incremental plant in service. In
5 addition, due to the timing of the quarterly filings and quarterly update
6 process, no additional costs should be included in the DCI after May 31,
7 2018 and a reconciliation filing should be filed within 90 days of May 31,
8 2018.

9 Additionally, because this will be the third major distribution infrastructure
10 rider in Ohio, Staff proposes that the quarterly filings occur on or about
11 February 10, May 10, August 10 and November 10 of each year. The
12 filings should be permitted to be automatically approved 60 days after
13 filing unless suspended. The annual compliance review would occur with
14 the August 10th filing. Similar to the annual compliance audit mechanism
15 utilized to review the AEP DIR and FE DCR, the annual compliance audit
16 could be conducted by either Staff or an independent auditor chosen by and
17 under the direction of Staff. The costs associated with the annual
18 compliance audit would be recovered in the next quarter via the DCI Rider.
19 Recommendations or objections could be filed by either Staff or interested
20 parties within 120 days of the filing of the application. If after, 150 days,
21 Duke is unable to resolve objections or agree to recommendations made by
22 Staff or interested parties, the Commission will set the matter for hearing.

1 If no objections or recommendations are raised, or have been resolved, the
2 rates will go into effect without adjustment.

3 11. Q. Does this conclude your testimony?

4 A. Yes it does. However, I reserve the right to submit supplemental testimony
5 as described herein, as new information subsequently becomes available or
6 in response to positions taken by other parties.

CERTIFICATE OF SERVICE

This is to certify that the foregoing Testimony of Doris McCarter has been served upon all of the parties of record in Case No. 14-841-EL-SSO by electronic and/or U.S. mail, postage pre-paid mail this 2nd day of October, 2014.

/s/Steven L. Beeler _____

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Summary: Testimony Testimony of Doris McCarter electronically filed by Mrs. Tonnetta Y Scott on behalf of PUCO