

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)	
Duke Energy Ohio, Inc., for an)	Case No. 21-887-EL-AIR
Increase in Electric Distribution Rates.)	
In the Matter of the Application of)	
Duke Energy Ohio, Inc., for Tariff)	Case No. 21-888-EL-ATA
Approval.)	
In the Matter of the Application of)	
Duke Energy Ohio, Inc., for Approval)	Case No. 21-889-EL-AAM
to Change Accounting Methods.)	

DIRECT TESTIMONY OF

GRADY “TRIPP” S. CARPENTER

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: Forecasting

October 15, 2021

TABLE OF CONTENTS

	<u>PAGE</u>
I. INTRODUCTION AND PURPOSE.....	1
II. THE BUDGETING AND FORECASTING PROCESS	2
III. SCHEDULES AND FILING REQUIREMENTS SPONSORED BY WITNESS	4
IV. CONCLUSION	5

I. INTRODUCTION AND PURPOSE

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

2 A. My name is Grady “Tripp” S. Carpenter, and my business address is currently 550
3 South Tryon Street, Charlotte, North Carolina 28202. Effective November 1, 2021,
4 that address will change to 526 South Church Street, Charlotte, North Carolina
5 28202.

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

7 A. I am employed by Duke Energy Business Services LLC (DEBS) as Manager
8 Financial Forecasting I. DEBS provides various administrative and other services to
9 Duke Energy Ohio Inc., (Duke Energy Ohio or Company) and other affiliated
10 companies of Duke Energy Corporation (Duke Energy).

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

13 A. I have a Bachelor of Science degree in Business Administration with a Finance
14 concentration from the University of North Carolina at Wilmington and a Master
15 of Accounting degree from the University of North Carolina at Chapel Hill. I am
16 a licensed Certified Public Accountant in the state of North Carolina. After nine
17 years working in various roles within public accounting and private industry, I
18 joined Duke Energy as a senior accounting analyst in 2013. Subsequently, I held
19 various positions of increasing responsibility within the Controller’s and Financial
20 Planning and Analysis departments. In 2021, I became the Forecasting Manager
21 for Duke Energy Ohio and its subsidiary, Duke Energy Kentucky, Inc. (Duke
22 Energy Kentucky).

1 **Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AS MANAGER**
2 **FINANCIAL FORECASTING I.**

3 A. I am responsible for preparing the budgets and forecasts as well as performing
4 financial analysis for Duke Energy Ohio and Duke Energy Kentucky's electric
5 and gas utilities.

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)(10). Finally, I provided projected revenue, sales,
14 and customer data for the years 2022 through 2026 to Duke Energy Ohio witness
15 Lisa D. Steinkuhl 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 these proceedings is based on Duke Energy Ohio's
19 2021 and 2022 Annual Budgets. This is because the Company's twelve-month
20 test period for these proceedings spans two calendar years. These budgets were
21 reviewed and approved by Duke Energy Ohio's executive management and Duke
22 Energy's Board of Directors.

1 **Q. DESCRIBE THE BUDGETING AND FORECASTING PROCESS THAT**
2 **YOU USED TO DEVELOP THE PROJECTED DATA CONTAINED IN**
3 **THE TEST PERIOD IN THESE PROCEEDINGS.**

4 A. Budgeting is done at organizational levels known as the “responsibility centers.”
5 Each entity (or group) that performs work throughout the organization is assigned
6 a responsibility center, which is specific to a single payroll company. The
7 responsibility centers use guidelines provided by Duke Energy’s Forecast
8 Systems and Reporting organization within the Financial Planning and Analysis
9 Department. The responsibility centers represent detailed responsibility budgets
10 consisting of expense items, certain types of revenues, and construction budgets
11 for capital projects. The information is consolidated, along with sales and revenue
12 data, into a corporate budget and is reviewed by various levels of management.
13 One or more iterations of the annual budget are typically required before final
14 approval by executive management and the Board of Directors. This “bottom-up”
15 approach is reasonable and has been an effective process for managing costs.

16 **Q. DESCRIBE THE GUIDELINES PROVIDED BY THE FORECAST**
17 **SYSTEMS AND REPORTING ORGANIZATION IN DEVELOPING**
18 **DUKE ENERGY OHIO’S ANNUAL RESPONSIBILITY (OPERATING**
19 **AND MAINTENANCE) CENTER BUDGET.**

20 A. The guidelines provided by the Forecast Systems and Reporting organization are
21 a detailed set of instructions for creating a responsibility center budget. For
22 example, there are detailed instructions for budgeting employee labor data, such
23 as the escalation rates for non-union labor expenses and indirect labor and fringe

1 benefit loading rates, and how to handle staff additions or deletions. Individual
2 employees and certain associated costs of the employees are included or excluded
3 in any given center's budget according to the expected future reporting
4 assignment for that employee. Detailed instructions for non-labor related
5 expenses, such as transportation and facilities expenses, are included. There are
6 also resources provided for determining whether a cost is capital or expense.
7 Budget coordinators are required to use these assumptions and/or instructions in
8 projecting their future departmental expenses. These operating and maintenance
9 budgeting guidelines are reflected in the budgets and forecasts that are submitted
10 to Duke Energy Ohio's executive management and Duke Energy's Board of
11 Directors for approval and are also reflected in the forecasted financial data in
12 these proceedings.

III. SCHEDULES AND FILING REQUIREMENTS SPONSORED BY WITNESS

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

14 A. Supplemental Filing Requirement S-1 contains a five-year financial forecast for
15 certain capital expenditure information for the five years 2022 through 2026. This
16 supplemental filing requirement demonstrates the substantial capital expenditures
17 that the Company anticipates spending during the next five years. Duke Energy
18 Ohio witness Christopher R. Bauer discusses the importance of having access to
19 the capital markets in order to finance these capital needs on reasonable terms.

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

21 A. Supplemental Filing Requirement S-2 contains a five-year financial forecast for
22 certain revenue requirement information.

1 **Q. PLEASE DESCRIBE SUPPLEMENTAL FILING REQUIREMENT**
2 **(C)(10).**

3 A. Supplemental Filing Requirement (C)(10) is a summary of the forecasting
4 methods used by Duke Energy Ohio for the test period financial data.

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

7 A. I provided all of the forecasted information shown on Schedules C-11.1 through
8 C-11.4.

IV. CONCLUSION

9 **Q. WERE SUPPLEMENTAL FILING REQUIREMENTS S-1 AND S-2,**
10 **SUPPLEMENTAL FILING REQUIREMENT (C)(10), AND THE**
11 **INFORMATION YOU PROVIDED FOR SCHEDULES C-11.1 THROUGH**
12 **C-11.4 PREPARED BY YOU OR UNDER YOUR SUPERVISION?**

13 A. Yes.

14 **Q. IS THE INFORMATION CONTAINED IN THOSE SCHEDULES AND**
15 **SUPPLEMENTAL FILING REQUIREMENTS ACCURATE TO THE**
16 **BEST OF YOUR KNOWLEDGE AND BELIEF?**

17 A. Yes.

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

19 A. Yes.

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Summary: Testimony Direct Testimony of Grady "Tripp" S. Carpenter electronically filed by Mrs. Tammy M. Meyer on behalf of Duke Energy Ohio Inc. and D'Ascenzo, Rocco and Kingery, Jeanne W. and Vaysman, Larisa and Elizabeth M. Brama