

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

LISA D. STEINKUHL

ON BEHALF OF

DUKE ENERGY OHIO, INC.

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

October 15, 2021

TABLE OF CONTENTS

	<u>PAGE</u>
I. INTRODUCTION.....	1
II. TEST YEAR AND DATE CERTAIN.....	3
III. SCHEDULES AND SUPPLEMENTAL FILING REQUIREMENTS SPONSORED BY WITNESS	3
IV. CONCLUSION.....	25

I. INTRODUCTION

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

2 A. My name is Lisa D. Steinkuhl, 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 Utility
6 Strategy Director. DEBS provides various administrative and other services to
7 Duke Energy Ohio, Inc., (Duke Energy Ohio or Company) and other affiliated
8 companies of Duke Energy Corporation (Duke Energy).

9 **Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATION AND**
10 **PROFESSIONAL EXPERIENCE.**

11 A. I received a Bachelor's Degree in Mathematics from Western Kentucky
12 University in Bowling Green, Kentucky. After completing my Bachelor's
13 Degree, I received a Post Baccalaureate Certificate in Professional Accountancy
14 from the University of Southern Indiana in Evansville, Indiana. I became a
15 Certified Public Accountant (CPA) in the State of Ohio in 1993. After receiving
16 my Post Baccalaureate Certificate in 1988, I was employed by small public
17 accounting firms. I was hired by Cinergy Services, Inc., the predecessor of
18 DEBS, in 1996, as a tax accountant. I held various positions with Cinergy
19 Services, Inc., including responsibilities in Regulated Business Financial
20 Operations, Commercial Business Asset Management, and Budgets and
21 Forecasts. I joined the Rates Department in April 2006 as a Lead Rates Analyst,
22 was promoted to Rates & Regulatory Manager in January 2014 and have held my

1 current position as Utility Strategy Director since May 2018.

2 **Q. PLEASE DESCRIBE YOUR RESPONSIBILITIES AS UTILITY**
3 **STRATEGY DIRECTOR.**

4 A. As Utility Strategy Director, I am responsible for the preparation of financial and
5 accounting data used in retail rate filings and various other rate recovery
6 mechanisms for Duke Energy Ohio and Duke Energy Kentucky, Inc. (Duke Energy
7 Kentucky), along with filings with the Federal Energy Regulatory Commission
8 (FERC).

9 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC**
10 **UTILITIES COMMISSION OF OHIO?**

11 A. Yes. I have previously testified in several cases before the Public Utilities
12 Commission of Ohio (Commission) and other regulatory commissions.

13 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THESE**
14 **PROCEEDINGS?**

15 A. I sponsor Schedules A-1, A-2, A-3, B-1, B-5, B-5.1, B-6, B-6.1, B-7, B-7.1, B-
16 7.2, C-1, C-2, C-2.1, C-3, C-3.1 through C-3.3, C-3.5 through C-3.19, C-5
17 through C-9.1, C-11.1 through C-12, and page 5 of Schedule D-5A and D-5B. In
18 addition, I address certain test year operating income and rate base adjustments. I
19 also sponsor Supplemental Filing Requirements (C)(5), (C)(6), (C)(11), (C)(14),
20 (C)(15) and (C)(22).

II. TEST YEAR AND DATE CERTAIN

1 **Q. WHAT ARE THE TEST YEAR AND DATE CERTAIN IN THESE**
2 **PROCEEDINGS?**

3 A. Pursuant to the Company's Motion to Set Test Period and Date Certain filed in
4 these proceedings on September 1, 2021, the test year consists of the twelve
5 months ending March 31, 2022, and the date certain is June 30, 2021.

III. SCHEDULES AND SUPPLEMENTAL FILING **REQUIREMENTS SPONSORED BY WITNESS**

6 **Q. PLEASE DESCRIBE SCHEDULE A-1.**

7 A. Schedule A-1 is the overall financial summary of Duke Energy Ohio's electric
8 distribution operations. The data presented on Schedule A-1 shows that the
9 Company will earn a 5.21 percent overall return on rate base for the test year and
10 that an increase of \$54.7 million over current electric distribution revenue is
11 required to earn a reasonable rate of return on its electric distribution rate base at
12 the Company's current cost of capital of 7.26 percent.

13 **Q. PLEASE DESCRIBE SCHEDULE A-2.**

14 A. Schedule A-2 sets forth the calculation of the gross revenue conversion factor.
15 The gross revenue conversion factor is used on Schedule A-1, Line 7 in the
16 computation of the revenue deficiency.

17 **Q. WHAT ITEMS ARE INCLUDED IN THIS REVENUE CONVERSION**
18 **FACTOR?**

19 A. The revenue conversion factor includes the city of Cincinnati Franchise Tax, the
20 Commercial Activities Tax, the Commission and the Office of the Ohio Consumers'
21 Counsel (OCC) annual assessments, certain municipal income taxes, state income

1 taxes, and federal income taxes. The rates used represent either the most current
2 applicable rates or statutory rates as of the time of the filing. Also included in this
3 factor is an uncollectible account factor.

4 **Q. PLEASE DESCRIBE SCHEDULE A-3.**

5 A. Schedule A-3 is a calculation of a mirrored construction work in progress (CWIP)
6 revenue surcredit rider. As indicated on this schedule, the Company has no
7 mirrored CWIP revenue.

8 **Q. PLEASE DESCRIBE SCHEDULE B-1.**

9 A. Schedule B-1 is a jurisdictional rate base summary. The rate base components
10 listed on this summary are supported by the various Section B schedules. The
11 plant in service and reserve for accumulated depreciation were summarized from
12 Schedules B-2 and B-3, sponsored by Duke Energy Ohio witness David G.
13 Raiford. The working capital and other items of rate base were summarized from
14 Schedules B-5, which I sponsor, and B-6, which I co-sponsor with Duke Energy
15 Ohio witness John R. Panizza.

16 **Q. PLEASE DESCRIBE SCHEDULES B-5 AND B-5.1.**

17 A. Schedule B-5 is a summary of allowance for working capital, which includes cash
18 working capital and materials and supplies (M&S). Additional detail for all of
19 these items is shown on Schedule B-5.1, including the average thirteen-month
20 balance and the actual balance as of June 30, 2021, the date certain in these
21 proceedings.

22 **Q. HOW MUCH CASH WORKING CAPITAL ALLOWANCE IS BEING**
23 **REQUESTED BY DUKE ENERGY OHIO IN THESE PROCEEDINGS?**

1 A. Duke Energy Ohio is not making a request for cash working capital allowance in
2 these proceedings.

3 **Q. WHY HAS THE COMPANY INCLUDED NO CASH WORKING**
4 **CAPITAL IN RATE BASE?**

5 A. The question in determining the appropriate level of cash working capital to
6 include in rate base is essentially one of reasonableness. Many jurisdictions
7 consistently use a formula method, such as the one-eighth method, to estimate
8 cash working capital. This method is accepted at the FERC and by other state
9 regulators.

10 Admittedly, a lead/lag study is a more detailed approach, but it is a costly
11 and time-consuming exercise, and it typically invites considerable dispute over
12 the assumptions used to develop the study. In addition to these reasonable
13 approaches of using the lead/lag study or the one-eighth method, the Company
14 submits that its proposal to include \$0 for its cash working capital allowance is
15 well within the bounds of reasonableness.

16 **Q. PLEASE DESCRIBE HOW YOU ESTIMATED THE BALANCE OF M&S**
17 **TO INCLUDE ON SCHEDULES B-5 AND B-5.1.**

18 A. The process of allocating the Company's investment in M&S to electric
19 distribution is described in Supplemental Filing Requirement (C)(11), which is
20 discussed later in my testimony.

21 **Q. SHOULD THE COMPANY BE ALLOWED TO INCLUDE ITS**
22 **INVESTMENT IN M&S IN RATE BASE EVEN IF THERE IS NO**
23 **REQUEST FOR CASH WORKING CAPITAL?**

1 A. Yes. The two items are separate components of rate base. I have been advised by
2 counsel that Section 4909.15(A)(1) of the Ohio Revised Code draws a distinction
3 between a utility's investment in cash working capital and its investment in M&S.
4 As this provision states:

5 (1) The valuation as of the date certain of the property of the public
6 utility used and useful or, with respect to a natural gas company,
7 projected to be used and useful as of the date certain, in rendering
8 the public utility service for which rates are to be fixed and
9 determined. The valuation so determined shall be the total value as
10 set forth in division (C)(8) of section 4909.05 of the Revised Code,
11 *and a reasonable allowance for materials and supplies and cash*
12 *working capital* as determined by the commission. (Emphasis
13 added.)

14 The unambiguous language here indicates that an allowance for M&S is
15 appropriate regardless of whether there is any request for cash working capital. In
16 this case, the Company is making no request for cash working capital, as is its
17 prerogative, but it is requesting an allowance for M&S.

18 **Q. IS IT YOUR UNDERSTANDING THAT A LEAD/LAG STUDY IS**
19 **REQUIRED FOR THE COMMISSION TO APPROVE ANY**
20 **ALLOWANCE FOR CASH WORKING CAPITAL?**

21 A. Yes, that is my understanding. O.A.C. Chapter 4901-7 includes Appendix A,
22 which provides a set of instructions for rate proceedings before the Commission.
23 In Section (B)(E)(1) of Appendix A, the requirement for a cash working capital
24 allowance provides that “[a]n allowance for cash working capital shall be
25 supported by a recent lead-lag study.” The fact that the Company is asking for no
26 allowance for cash working capital renders this requirement moot – there is no
27 request to support.

1 Furthering the conclusion that cash working capital and other working
2 capital are separate and separable rate base items, the same section of Appendix A
3 distinguishes cash working capital from “Miscellaneous Working Capital,” such
4 as M&S.

5 I have been advised by counsel that there is no explicit provision in the
6 Commission’s rules or in the Ohio Revised Code that requires a lead/lag study
7 related to cash working capital in order to support an allowance for non-cash
8 working capital.

9 **Q. ARE M&S A DISTINGUISHABLE INVESTMENT FROM THE**
10 **LEAD/LAG OF RECEIPT OF PAYMENTS ATTRIBUTABLE TO CASH**
11 **WORKING CAPITAL?**

12 A. Yes. M&S are indeed a distinguishable investment from the lead/lag of
13 receipts/payments. The Company’s shareholders must invest in on-hand inventory
14 of material and equipment to reasonably maintain and operate its electric
15 distribution system. To conflate the Company’s investment in M&S with cash
16 working capital would be inappropriate. The Company is not asking for a return
17 on any cash working capital but is making a reasonable request that shareholders
18 be compensated for investments made to maintain a safe and reliable electric
19 distribution system.

20 **Q. PLEASE DESCRIBE SCHEDULE B-6.**

21 A. Schedule B-6 is a summary of other rate base items including any adjustments to
22 these balances as contained on Schedule B-6.1. The items include customer
23 deposits, post-retirement benefits, accumulated deferred investment tax credits,

1 excess deferred income taxes (EDIT), accumulated deferred income taxes
2 (ADIT), and other rate base adjustments. The investment tax credit balance for the
3 10 percent credits is non-jurisdictional pursuant to the normalization requirements
4 of the Internal Revenue Code.

5 **Q. PLEASE EXPLAIN WHY CUSTOMER SERVICE DEPOSITS ARE**
6 **INCLUDED AS A DEDUCTION FROM RATE BASE ON SCHEDULE B-6.**

7 A. Customer service deposits represent funds held by the Company in advance of
8 service. These funds are included on Schedule B-6 because they provide the
9 Company with a source of capital. The Commission's rules (O.A.C. 4901-7-01,
10 Appendix A) specifically identify this item as one to be included on Schedule B-
11 6. It also prescribes that items included on Schedule B-6 are to be included at the
12 date certain balance.

13 **Q. HOW DID YOU DERIVE THE FIGURE SHOWN ON SCHEDULE B-6**
14 **FOR CUSTOMER SERVICE DEPOSITS?**

15 A. The estimate of customer service deposits to be included in Schedule B-6 is the
16 date certain balance as of June 30, 2021, allocated to electric distribution
17 operations based on the ratio of electric residential customers to total natural gas
18 and electric residential customers.

19 **Q. PLEASE EXPLAIN THE ADJUSTMENT FOR POST-RETIREMENT**
20 **LIFE INSURANCE AND HEALTH INSURANCE BENEFITS INCLUDED**
21 **ON SCHEDULE B-6 AS AN INCREASE IN RATE BASE.**

22 A. In prior proceedings, the Commission has allowed the Company to internally fund
23 its post-retirement life insurance and health insurance benefits. Accordingly, the

1 amount included on Schedule B-6 represents cumulative expense recovery included
2 in rates, net of benefits paid.

3 **Q. PLEASE DESCRIBE SCHEDULE B-6.1.**

4 A. Schedule B-6.1 summarizes the adjustments to the various other rate base item
5 balances contained on Schedule B-6. Certain balances are eliminated or adjusted
6 to reflect the ratemaking treatment of these or related items in this filing. For
7 example, the Company has removed ADIT balances associated with assets and
8 liabilities not included in rate base. Because the net deferred taxes associated
9 with assets and liabilities not included in rate base is a deferred tax asset, the
10 adjustment to the test period has the effect of increasing ADIT and ultimately
11 reducing rate base by approximately \$15.5 million.

12 **Q. PLEASE DESCRIBE SCHEDULE B-7.**

13 A. Schedule B-7 is a summary of the jurisdictional allocation factors used in the
14 development of the revenue requirement. The only “jurisdictional” costs, *i.e.*,
15 costs regulated by the Commission, are distribution costs and there are no
16 “jurisdictional” wholesale distribution customers. Therefore, the allocation factors
17 shown are those used to allocate certain costs between distribution and other
18 electric functions (*i.e.*, transmission).

19 **Q. PLEASE DESCRIBE SCHEDULES B-7.1 AND B-7.2.**

20 A. Schedule B-7.1 provides statistics used to develop the jurisdictional allocation
21 factors shown on Schedule B-7. The requirement for Schedule B-7.2 is to provide
22 an explanation of changes to allocation factors since the prior electric distribution
23 base rate case, Case No. 17-0032-EL-AIR, *et al.* The allocation procedures in this

1 case are consistent with the prior electric distribution rate case.

2 **Q. PLEASE DESCRIBE SCHEDULE C-1.**

3 A. Schedule C-1 sets forth the Company's jurisdictional *pro forma* income statement
4 for the twelve months ending March 31, 2022, at both the current and proposed
5 rates, and assumes that the total amount of the requested increase calculated on
6 Schedule A-1 is authorized in these proceedings. The current adjusted operating
7 results for the test year were summarized from Schedule C-2. Test year revenue at
8 the proposed rates was developed by adding the increase in revenue as set forth on
9 Schedule E-4 to the adjusted operating revenues. The *pro forma* results (column
10 C) were developed by calculating the operating income effect of the requested
11 increase (column B) and adding these amounts to the adjusted revenue and
12 expense (column A). If the full increase were to be authorized, the resulting rate
13 of return would be 7.26 percent, which is the Company's proposed rate of return.

14 **Q. PLEASE DESCRIBE SCHEDULE C-2.**

15 A. Schedule C-2 shows the Company's jurisdictional adjusted electric operating
16 income associated with its distribution operations for the test year at current rates.
17 This schedule includes unadjusted jurisdictional revenue and expense amounts
18 from Schedule C-2.1, and a summary of the adjustments per Schedule C-3.

19 **Q. PLEASE DESCRIBE SCHEDULE C-2.1.**

20 A. Schedule C-2.1 lists the unadjusted test year operating revenue and expenses, by
21 account. These amounts were derived from the Company's financial records and are
22 summarized and carried forward to Schedule C-2. Also shown on Schedule C-2.1 is
23 the jurisdictional allocation of each cost to electric distribution.

1 **Q. PLEASE DESCRIBE SCHEDULE C-3 AND THE ADJUSTMENTS**
2 **SHOWN ON SCHEDULES C-3.1 THROUGH C-3.19.**

3 A. Schedule C-3 is a summary of the jurisdictional adjustments to operating revenues
4 and expenses set forth on Schedules C-3.1 through C-3.19. The effect of each
5 adjustment on Net Operating Income is shown on Line 43. The cumulative impact
6 of the adjustments is summarized on Schedule C-3, page 1 of 4, and carried
7 forward to Schedule C-2.

8 **Q. WHY ARE ADJUSTMENTS TO TEST YEAR ACTUAL AND BUDGET**
9 **INFORMATION NECESSARY?**

10 A. These adjustments are required to reflect the representative ongoing level of
11 revenues and expenses that the Company would experience in a normal year. Some
12 adjustments are required to even out or eliminate the impacts of journal entries made
13 to the actual book accounting data that comprise the first three months in the test
14 year. Other adjustments are to reflect the level of revenue and expenses that would
15 have occurred had all known prospective changes been in effect during the test year.

16 The test year adjustments ensure that prevailing revenues and expenses are
17 properly included in the determination of an ongoing level of rates. Duke Energy
18 Ohio must reflect a proper level of cost in order to give the Company a reasonable
19 opportunity to earn its authorized return. Not capturing these adjustments and
20 reflecting them in the Company's test year would impair the Company's ability to
21 earn a fair rate of return on its electric distribution operations or could result in the
22 Company over-recovering or under-recovering its costs.

23 **Q. PLEASE EXPLAIN THE ADJUSTMENTS TO OPERATING INCOME.**

1 A. Schedule C-3.1 adjusts test year revenue in order to: (1) annualize revenue; (2)
2 eliminate “unbilled” revenue; and (3) eliminate miscellaneous revenues related to
3 other electric functions. The federal income tax effects of this adjustment are shown
4 on Schedule C-3. Importantly, the Company’s overall revenue requirement for
5 electric distribution service is reduced by the revenue it receives from other
6 sources such as from its Backup Delivery Point Rider (Rider BDP).

7 **Q. PLEASE EXPLAIN WHY YOU ANNUALIZE REVENUE.**

8 A. Because the test year includes three months of actual data, it is necessary to make
9 certain adjustments to ensure that the revenue included in the test year is
10 representative of the annual level the Company can expect from its ongoing
11 operations. Also, the methodology employed by the Company to budget revenue
12 for the nine months used in the test year is based on averages to simplify the
13 budgeting process. The revenue by Rate Code, as developed on Schedule E-4,
14 applying currently approved rates to test year sales, is a more precise method for
15 determining the test year revenue and represents the level of current base revenue
16 that should be used in these proceedings.

17 **Q. WHY DID THE COMPANY ELIMINATE UNBILLED REVENUE AND**
18 **EXPENSE?**

19 A. The Company eliminated the estimated unbilled revenue and expense from its
20 operating results to be consistent with the revenue and volume computations
21 contained on Schedule E-4. The revenue and volume amounts on Schedule E-4 are
22 based on adjusted test year billing statistics and, consequently, do not reflect
23 estimated unbilled sales.

1 **Q. WHY DID THE COMPANY ELIMINATE MISCELLANEOUS**
2 **REVENUES?**

3 A. The Company eliminated non-jurisdictional transmission pole and line attachment
4 revenues and tower lease rental revenues of \$116,711 and \$9,108 respectively.
5 When a customer is required to provide the Company with a Contribution in Aid of
6 Construction (CIAC) payment, it may be grossed-up to reflect the time delay
7 between the Company's ability to deduct for tax purposes the cost of the property
8 through depreciation and the time when the contribution was recognized as taxable
9 income. This Gross-up on CIAC revenues of \$917,664 was also eliminated because
10 the revenue requirement does not include any property the Company has received
11 CIAC payments or any expenses associated with that property.

12 **Q. PLEASE DESCRIBE THE OTHER ADJUSTMENTS INCLUDED IN**
13 **DUKE ENERGY OHIO'S FILING.**

14 A. Schedule C-3.2 eliminates energy efficiency, economic competitiveness, storm,
15 tax cuts and job act, and decoupling revenue and expense levels from the test year
16 since these amounts are recovered from customers through various riders. This
17 jurisdictional adjustment results in an increase in revenue of \$16,765,993 and an
18 increase in operating and maintenance (O&M) expense of \$384,546. The revenue
19 increase includes the elimination of a portion of the Electric Tax Cuts and Jobs
20 Act Rider (Rider ETCJA) which refunds to customers the impacts of the Tax Cut
21 and Jobs Act of 2017. The refunds included in Rider ETCJA consist of the
22 federal income tax (FIT) rate adjustment and the amortization of the EDIT. In this
23 proceeding, the Company has rolled into base rates the FIT rate adjustment of

1 \$4.7 million; therefore, the refund eliminated in this adjustment is only for the
2 amortization of the EDIT.

3 Schedule C-3.3 adjusts operating income for the estimated cost of
4 presenting this case. The Company proposes to defer this expense and amortize it
5 over a three-year period. The three-year amortization period reflects the
6 approximate expected time between rate cases. The net jurisdictional adjustment
7 results in an increase in annual operating expenses of \$320,000.

8 Schedule C-3.4, sponsored by Mr. Raiford, calculates the annualized
9 depreciation expense adjustment between the proposed depreciation on Schedule
10 B-3.2 and the test year depreciation calculated using three months of actual
11 depreciation expense and nine months of projected depreciation expense.

12 Schedule C-3.5 adjusts operating income to include, as an operating
13 expense, interest computed at 3 percent per annum on the date certain balance of
14 the electric distribution business' share of electric operations customer service
15 deposits. This jurisdictional adjustment results in an increase in O&M expense of
16 \$417,975.

17 Schedule C-3.6 adjusts operating income to annualize property tax
18 expense based on the Ohio Average Property Tax Rate for 2020 (per \$1,000 of
19 valuation) and the estimated valuation percentages on date certain plant. Also
20 included in this computation is the property tax on the average electric
21 distribution M&S balance and real property. This jurisdictional adjustment to
22 property tax expense results in a decrease in taxes other than income taxes of
23 \$1,385,738.

1 Schedule C-3.7 is an adjustment to operating income to reflect interest
2 expense deductible for federal income tax purposes. The *pro forma* tax deduction
3 is based on the embedded weighted cost of long-term debt of 2.06 percent as
4 shown on Schedule D-1A. This adjustment reflects federal income tax at 21
5 percent on the interest cost included in the cost of capital. The adjustment has
6 been determined by multiplying the weighted cost of long-term debt and the
7 jurisdictional rate base, as indicated on Schedule B-1. Also included as a part of
8 this adjustment is the elimination of interest-related tax Schedule M items and
9 deferred taxes. This jurisdictional adjustment results in a \$547,992 increase in
10 current income tax expense and a \$778,027 increase in deferred income tax
11 expense.

12 Schedule C-3.8 is an adjustment to normalize major event day (MED)
13 distribution storm recovery costs in the test year to reflect an average of the costs
14 based on a five-year average. The Company uses the methodology outlined in the
15 IEEE (Institute of Electrical and Electronics Engineers) Guide for Electric Power
16 Distribution Reliability Indices to determine when a storm is classified as a MED
17 storm. This jurisdictional adjustment results in an increase in expenses of
18 \$780,780.

19 Schedule C-3.9 is an adjustment to operating income to eliminate the Ohio
20 Excise Tax Rider (*i.e.*, “kWh tax”) revenues and expenses from the test year. This
21 jurisdictional adjustment results in a decrease in revenue of \$67,628,600 and a
22 decrease in taxes other than income taxes of \$67,770,772.

23 Schedule C-3.10 is an adjustment to operating income to eliminate non-

1 jurisdictional expenses from the test year. Included in unadjusted test year
2 expense are industry association dues, advertising expenses, and other expenses
3 that are not recoverable in electric distribution rates. The Company proposes to
4 eliminate these charges through a jurisdictional adjustment that decreases O&M
5 expense by \$957,943.

6 Schedule C-3.11 is an adjustment to operating income to annualize the
7 Commission and OCC annual assessments to the latest known levels. This
8 jurisdictional adjustment results in a \$96,177 increase in O&M expense.

9 Schedule C-3.12 is an adjustment to operating income to annualize
10 uncollectible expense based on the adjusted base revenue shown on Schedule C-2,
11 less interdepartmental revenue and rents, plus other rider revenues that are subject
12 to uncollectible expense, times the uncollectible expense factor shown on WPA-
13 2a. This adjustment is consistent with the methodology used in prior proceedings
14 and results in a \$7,291,861 decrease in O&M expense. The adjustment also
15 eliminates \$8,726,654 of revenues collected from the Company's uncollectible
16 expense rider and the amortization of the regulatory asset deferral of \$1,706,590.

17 Schedule C-3.13 reflects an adjustment to annualize the Commercial
18 Activities Tax. This jurisdictional adjustment results in a net increase in taxes
19 other than income taxes of \$142,409.

20 Schedule C-3.14 is an adjustment to operating income to reflect the
21 annualization of the Company's payroll costs, pensions and benefits, and payroll
22 taxes based on labor for the twelve months ended June 30, 2021, adjusted for
23 annual salary increases. As detailed on work paper WPC-3.14b and WPC-3.14c,

1 annualized labor was determined by using the most recent twelve months of labor
2 and then applying any applicable wage increases that were not already reflected in
3 the twelve months of actual labor. This jurisdictional adjustment to salaries and
4 wages represents a decrease in expenses of \$510,607. WPC-3.14d is an
5 adjustment to operating income to annualize pension and benefits expense based
6 on annualized salaries and wages as determined on WPC-3.14a. It shows a
7 jurisdictional adjustment to pensions and benefits, which is an increase to O&M
8 expense of \$1,075,322. WPC-3.14e is an adjustment to operating income to
9 annualize payroll taxes based on annualized salaries and wages as determined on
10 WPC-3.14a. It shows a jurisdictional adjustment that increases taxes other than
11 income taxes by \$301,895. These jurisdictional adjustments are similar to the
12 adjustments performed in prior cases and adopted by the Commission.

13 Schedule C-3.15 is an adjustment to operating income to include
14 amortization of the regulatory asset related to 2019 vegetation management costs
15 for which the Company was granted deferral authority in Case No.19-1771-EL-
16 AAM. The Company is proposing a three-year amortization. This jurisdictional
17 adjustment results in an increase in expense of \$2,333,333.

18 Schedule C-3.16 is an adjustment to operating income to eliminate the
19 amortization and deferrals of the Electric Service Reliability Rider (Rider ESRR).
20 This jurisdictional adjustment results in a decrease in expense of \$1,432,916.

21 Schedule C-3.17 is an adjustment to operating income to eliminate
22 expenses related to the customer information system, known as Customer
23 Connect. These project costs are being eliminated because the Company has

1 requested authority to defer these O&M expenses and recover them through
2 Power Future Initiatives Rider (Rider PF) in the pending Case Nos. 19-1750-EL-
3 UNC and 19-1751-GE-AAM. This jurisdictional adjustment results in an increase
4 in expense of \$9,147.

5 Schedule C-3.18 is an adjustment to operating income to adjust test year
6 expenses to include \$522,000 for the rate case commitment associated with the
7 cost of the weatherization program administered by People Working
8 Cooperatively per Case No. 17-0032-EL-AIR, *et al.*¹ This jurisdictional
9 adjustment results in a decrease in expense of \$76,096.

10 Schedule C-3.19 is an adjustment to operating income to adjust test year
11 expenses for the costs of a public informational and customer education campaign
12 that were not included in the Company's operating budget. This jurisdictional
13 adjustment results in an increase in expense of \$1,000,000. See the direct
14 testimony of Duke Energy Ohio witness Amy B. Spiller for a discussion of the
15 Company's proposed campaign.

¹ *In the Matter of the Application of Duke Energy Ohio, Inc., for an Increase in Electric Distribution Rates*, Case No. 17-0032-EL-AIR, *et al.*, Opinion and Order, p. 52 (December 19, 2018).

1 **Q. PLEASE DESCRIBE SCHEDULES C-5, C-6, AND C-7.**

2 A. Schedule C-5 is entitled “Social and Service Club Dues.” No costs are reflected in
3 this case for employee social or service club membership dues. Schedule C-6
4 entitled “Charitable Contributions” indicates that there are no charitable
5 contributions charged to jurisdictional electric operating expenses. Schedule C-7
6 provides detail, by account, of test year Customer Service and Informational
7 Expense, Sales Expense, and General Advertising Expense.

8 **Q. PLEASE DESCRIBE SCHEDULE C-8.**

9 A. Schedule C-8 sets forth the estimated expense of presenting this case. The top half
10 of this schedule compares the expenses estimated to be incurred in these
11 proceedings to the expenses for the Company's prior two rate cases. The
12 Company proposes to defer this expense and amortize it over a three-year period.
13 This amount is included in test year operating expense through the adjustment
14 contained in Schedule C-3.3. Schedule C-8 also sets forth the amount of expense
15 currently being amortized in the test period related to the Company’s last electric
16 distribution base rate case.

17 **Q. PLEASE DESCRIBE SCHEDULE C-9.**

18 A. Schedule C-9 contains a summary of all payroll costs and related benefits and taxes
19 included in O&M expense for the test year. The adjustments made to labor expense,
20 pension and benefits expense, FICA taxes, and unemployment taxes from Schedules
21 C-3.14 were also included on this schedule to arrive at the total adjusted payroll cost.

22 **Q. PLEASE DESCRIBE SCHEDULE C-9.1.**

23 A. Schedule C-9.1 is the Total Company Payroll Analysis for the most recent five

1 years. Page 1 summarizes the total Company payroll information, while pages 2
2 through 4 reflect the same information for the union, exempt and non-exempt
3 employee classifications. This schedule includes labor for the Company's gas
4 distribution business.

5 **Q. PLEASE DESCRIBE SCHEDULES C-11.1, C-11.2, C-11.3, AND C-11.4.**

6 A. Schedules C-11.1 through C-11.4 set out the electric sales statistics for the total
7 company and the jurisdictional revenues in these proceedings. The years 2016
8 through 2020 are based on actual data. The test year twelve months ending March
9 31, 2022, reflects three months actual and nine months projected data. Years 2022
10 through 2026 are projected and provide information from the Company's electric
11 sales forecast.

12 **Q. PLEASE DESCRIBE SCHEDULE C-12.**

13 A. Schedule C-12 is an analysis of the reserve for uncollectible accounts for the most
14 recent three calendar years and the test year. Shown on this schedule are the
15 beginning reserve balance, the current year provision, recoveries, charge-offs, and
16 ending balances. The ratio of net write-offs and the ratio of uncollectible expenses
17 are also computed. Beginning in February 2002, Duke Energy Ohio's receivables
18 have been sold to Cinergy Receivables Company LLC. The reserve that existed at
19 that time has been reversed over time and no additional reserves are necessary;
20 therefore, the balance is \$0.

21 **Q. PLEASE DESCRIBE SCHEDULE D-5.**

22 A. Schedule D-5 contains comparative financial data for the years 2011 through 2020
23 and the test year ending June 30, 2021. This information was obtained from various

1 departments throughout the Company.

2 **Q. PLEASE DESCRIBE SUPPLEMENTAL FILING REQUIREMENT (C)(5).**

3 A. Supplemental Filing Requirement (C)(5) requires the filing of working papers
4 supporting the schedules provided in the Application. The electronic worksheet
5 files were uploaded to the PUCO Rates SharePoint site as part of the Application.
6 A list of these electronic files is provided as Supplemental Filing Requirement
7 (C)(5).

8 **Q. PLEASE DESCRIBE SUPPLEMENTAL FILING REQUIREMENT (C)(6).**

9 A. Supplemental Filing Requirement (C)(6) is a worksheet showing, by FERC
10 account, monthly test year data, which agrees with Schedule C-2.1, Column 1.
11 Taxes Other Than Income Taxes are itemized and totaled.

12 **Q. PLEASE DESCRIBE SUPPLEMENTAL FILING REQUIREMENT**
13 **(C)(11).**

14 A. The information provided in response to Supplemental Filing Requirement (C)(11)
15 describes the calculation of the M&S component listed on Schedule B-5.1.
16 Supplemental Filing Requirement (C)(11)(a) asks for the computation of the M&S
17 used for construction, additions, and extensions. Supplemental Filing Requirement
18 (C)(11)(b), page 1, lists the monthly balances of M&S by function, and page 2 lists
19 the balances by account. The percentage of M&S applicable to new construction is
20 developed on Supplemental Filing Requirement (C)(11)(c), which lists monthly
21 withdrawals by function. The Company does not maintain its inventory in such a
22 way that it can list the balances by function. The functional balances were estimated

1 using information from the inventory system and the internal supply chain inventory
2 management reporting system.

3 **Q. PLEASE DESCRIBE SUPPLEMENTAL FILING REQUIREMENT**
4 **(C)(14).**

5 A. Supplemental Filing Requirement (C)(14) requests information regarding other
6 rate base items included in Schedule B-6.

7 **Q. PLEASE DESCRIBE SUPPLEMENTAL FILING REQUIREMENT**
8 **(C)(15).**

9 A. Supplemental Filing Requirement (C)(15) 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 costs of the
12 advertisements that will be included in the budgeted portion of the test year.

13 **Q. PLEASE DESCRIBE SUPPLEMENTAL FILING REQUIREMENT**
14 **(C)(22).**

15 A. Supplemental Filing Requirement (C)(22) requests test year and two most recent
16 calendar years' employee levels by month. The required information is provided
17 on Schedule C-9.1.

18 **Q. WHAT INFORMATION DID YOU RECEIVE FROM OTHER DUKE**
19 **ENERGY OHIO WITNESSES IN THESE PROCEEDINGS?**

20 A. I received test year budgeted revenue and O&M from Duke Energy Ohio witness
21 Grady "Tripp" S. Carpenter. I received test year actual O&M from Duke Energy
22 Ohio witness Danielle L. Weatherston. I received Plant-in-Service data from Mr.
23 Raiford, which is presented on Schedules B-2 through B-3.4, and B-6.2. I

1 received accumulated deferred investment tax credit, EDIT and ADIT balance
2 information from Mr. Panizza, which I used on Schedule B-6. I also received the
3 federal, state, and municipal income tax rates from Mr. Panizza. I received cost-
4 of-capital information from Duke Energy Ohio witness Christopher R. Bauer
5 which he presented on Schedule D-1. This schedule also includes the
6 recommended rate of return on common equity proposed by Duke Energy Ohio
7 witness Dylan W. D'Ascendis.

8 **Q. ARE THE COSTS ASSOCIATED WITH DUKE ENERGY OHIO'S RIDER**
9 **DCI INCLUDED IN THESE PROCEEDINGS?**

10 A. Yes. The net rate base included in Rider DCI, including net capital placed in-
11 service and associated ADIT and EDIT balances as of June 30, 2021, along with
12 related Depreciation Expense and Property Taxes has been "rolled into base rates"
13 and included in this filing.

14 **Q. ARE THE COSTS ASSOCIATED WITH DUKE ENERGY OHIO'S RIDER**
15 **PF INCLUDED IN THESE PROCEEDINGS?**

16 A. Yes. The net rate base, including net capital placed in-service and associated
17 ADIT balances as of June 30, 2021, along with related Depreciation Expense and
18 Property Taxes currently proposed to be included in Rider PF,² is included in this
19 filing.

² *In the Matter of the Application of Duke Energy Ohio, Inc., for Authority to Adjust its Power Forward Rider*, Case No. 19-1750-EL-UNC; *In the Matter of the Application of Duke Energy Ohio, Inc., for Approval to Change Accounting Methods*, Case No. 19-1751-GE-AAM; *In the Matter of the Application of Duke Energy Ohio, Inc. for Authority to Adjust its Power Forward Rider*, Case No. 20-0666-EL-RDR.

1 **Q. WHAT IS THE AMOUNT OF MAJOR STORM COSTS INCLUDED IN**
2 **THE REVENUE REQUIREMENT AND WILL THIS IMPACT THE**
3 **DISTRIBUTION STORM RIDER (RIDER DSR)?**

4 A. The amount is \$4,481,055 based on a five-year average of MED distribution storm
5 costs for 2016 through 2020 adjusted for a consumer price index. This amount is
6 identified on Schedule WPC-3.8a. The Company uses the methodology outlined in
7 the IEEE (Institute of Electrical and Electronics Engineers) Guide for Electric Power
8 Distribution Reliability Indices to determine when a major storm has affected its
9 service territory. This is the amount the Company will include in future Rider DSR
10 annual applications to compare to actual MED distribution storm recovery costs. As
11 part of this application, the Company is proposing to reset Rider DSR for recovery
12 of or refund to customers any incremental O&M associated with major storms above
13 or below this amount included in base rates to ensure that customers pay no more or
14 no less than the actual costs incurred.

15 **Q. WHAT IS THE AMOUNT OF VEGETATION MANAGEMENT**
16 **CONTRACTOR O&M EXPENSES INCLUDED IN THE REVENUE**
17 **REQUIREMENT AND WILL THIS IMPACT RIDER ESRR?**

18 A. The Company has included \$22,505,088 of contractor vegetation management
19 O&M expense in the test year in this filing. This is the amount the Company will
20 include in future Rider ESRR annual applications to compare to actual contractor
21 vegetation management O&M expense costs. As part of this application, the
22 Company has rolled into base rates the O&M currently included in Rider ESRR.
23 The Company also proposes to modify Rider ESRR to include an over-recovery

1 provision in addition to the existing under-recovery provision so that any
2 incremental O&M above or below the amount included in base rates will be
3 refunded to or collected from customers to ensure they pay no more or no less
4 than the actual costs incurred.

IV. CONCLUSION

5 **Q. WERE ALL OF THE SCHEDULES AND SUPPLEMENTAL FILING**
6 **REQUIREMENTS YOU SPONSOR PREPARED BY YOU OR UNDER**
7 **YOUR DIRECT SUPERVISION?**

8 A. Yes.

9 **Q. IS THE INFORMATION YOU SPONSOR IN SCHEDULES A-1, A-2, A-3, B-**
10 **1, B-5, B-5.1, B-5.1, B-6, B-6.1, B-7, B-7.1, B-7.2, C-1, C-2, C-2.1, C-3, C-3.1**
11 **THROUGH C-3.3, C-3.5 THROUGH C-3.19, C-5 THROUGH C-9.1, C-11.1**
12 **THROUGH C-12, AND PAGE 5 OF SCHEDULE D-5A AND SCHEDULE D-**
13 **5B AND SUPPLEMENTAL FILING REQUIREMENTS (C)(5), (C)(6),**
14 **(C)(11), (C)(14), (C)(15) AND (C)(22) ACCURATE TO THE BEST OF YOUR**
15 **KNOWLEDGE AND BELIEF?**

16 A. Yes.

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

18 A. Yes.

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

10/15/2021 11:55:21 AM

in

Case No(s). 21-0887-EL-AIR, 21-0888-EL-ATA, 21-0889-EL-AAM

Summary: Testimony Direct Testimony of Lisa D. Steinkuhl 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