

**BEFORE**

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of	)	
Duke Energy Ohio, Inc., for an	)	Case No. 22-507-GA-AIR
Increase in Natural Gas Rates.	)	
In the Matter of the Application of	)	
Duke Energy Ohio, Inc., for Approval	)	Case No. 22-508-GA-ALT
of an Alternative Form of Regulation.	)	
In the Matter of the Application of	)	
Duke Energy Ohio, Inc., for Tariff	)	Case No. 22-509-GA-ATA
Approval.	)	
In the Matter of the Application of	)	
Duke Energy Ohio, Inc., for Approval	)	Case No. 22-510-GA-AAM
to Change Accounting Methods.	)	

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**DIRECT TESTIMONY OF**

**JAY P. BROWN**

**ON BEHALF OF**

**DUKE ENERGY OHIO, INC.**

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

July 14, 2022

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**I. INTRODUCTION AND PURPOSE**

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

2   A.   My name is Jay P. Brown 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 Director of  
6       Rates and Regulatory Planning. DEBS provides various administrative and other  
7       services to Duke Energy Ohio, Inc., (Duke Energy Ohio or Company) and other  
8       affiliated companies of Duke Energy Corporation (Duke Energy).

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

11   A.   I earned a Bachelor of Science degree in Business Administration with a major in  
12       Business: Finance, Investment and Banking from the University of Wisconsin -  
13       Madison. I began my career in January 2002 with The Alexander Companies, a  
14       real estate development company, as an Assistant Project Manager managing and  
15       developing real estate. Subsequently, in December 2003, I began working for Dell  
16       Inc., mainly as a Financial Analyst in Worldwide Procurement Finance,  
17       accounting for and reporting on supplier rebates. In January 2008, I began  
18       working for Bigfoot Networks, a technology start-up. I was in charge of  
19       developing distribution, online, and retail channels for a new networking product.  
20       Beginning in April 2009, I also served as a Financial Advisor for Edward Jones.  
21       In June 2011, I began working as a contractor for Progress Energy and, since  
22       February 2012, I have been employed by, and worked for, companies under what

1 is now Duke Energy. The roles I have held include Senior Business Finance  
2 Analyst and in December 2012, I took the position of Manager, Nuclear Station  
3 Finance. I transitioned to the Rates and Regulatory group as a Lead Rates &  
4 Regulatory Strategy Analyst in August of 2018, was promoted to Manager of  
5 Rates and Regulatory Strategy in January of 2020. I earned a Master of Business  
6 Administration from the University of North Carolina Wilmington in July of 2020  
7 and assumed my current role as Director, Rates and Regulatory Planning, in  
8 October of 2020.

9 **Q. PLEASE DESCRIBE YOUR RESPONSIBILITIES AS DIRECTOR,**  
10 **RATES AND REGULATORY PLANNING.**

11 A. I am responsible for preparing financial and accounting data used in retail rate  
12 filings and various other rate recovery mechanisms for Duke Energy Ohio and  
13 Duke Energy Kentucky, Inc.

14 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC**  
15 **UTILITIES COMMISSION OF OHIO (COMMISSION)?**

16 A. Yes. I have provided written testimony in several proceedings before the  
17 Commission regarding Duke Energy Ohio's various rates and mechanisms. Most  
18 recently, I provided written testimony in Case No. 22-0163-EL-RDR and testified  
19 in the Company's application for approval of an alternative form of regulation,  
20 Case No. 19-0791-GA-ALT. I have also provided written direct and supplemental  
21 testimony in Case No. 22-618-GA-RDR.

1   **Q.   WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**  
2   **PROCEEDING?**

3   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-  
4       7.2, B-8, C-1, C-2, C-2.1, C-3, C-3.1 through C-3.4, C-3.6 through C-3.27, C-5  
5       through C-9.1, C-11.1 through C-11.4, C-12, and page 5 of Schedule D-5A and  
6       D-5B. I also sponsor Supplemental Filing Requirements (C)(1), (C)(2), (C)(7),  
7       (C)(10), (C)(11), (C)(18), (D)(12), (D)(20) and (D)(21). In addition, I address  
8       certain test year operating income and rate base adjustments. I also support Duke  
9       Energy Ohio's Alternative Rate Plan proposal to extend Duke Energy Ohio's  
10      Capital Expenditure Program Rider (Rider CEP) and am, therefore, providing an  
11      overview of Duke Energy Ohio's Capital Expenditure Program (CEP) regulatory  
12      asset deferral (CEP Deferral) and a summary of that Application in these  
13      proceedings. I also address various requirements in the Ohio Revised Code (R.C.)  
14      and Ohio Administrative Code (O.A.C.) provisions that specifically relate to  
15      alternative rate plan filings. Finally, I discuss the Company's proposal to  
16      terminate the Accelerated Mains Replacement Program (Rider AMRP) and roll  
17      those costs into base rates.

## **II. TEST YEAR AND DATE CERTAIN**

18   **Q.   WHAT ARE THE TEST YEAR AND DATE CERTAIN IN THESE**  
19   **PROCEEDINGS?**

20   A.   Pursuant to the Company's Motion to Set Test Period and Date Certain filed in these  
21       proceedings on May 31, 2022, and approved by the Commission on June 29, 2022,

1 the test year consists of the twelve months ending December 31, 2022, and the date  
2 certain is March 31, 2022.

### **III. APPLICATION FOR ALTERNATIVE REGULATION**

3 **Q. PLEASE DESCRIBE THE COMPANY'S EXISTING RIDER CEP.**

4 A. The Commission's orders in Case Nos. 13-2417-GA-UNC and 13-2418-GA-  
5 AAM, authorized Duke Energy Ohio to implement its CEP Deferral to defer the  
6 incremental depreciation expense, property tax expense, and post-in-service  
7 carrying costs associated with certain types of capital investments. The  
8 Commission authorized Duke Energy Ohio to accrue CEP Deferrals until the  
9 accrued deferrals, if included in rates, would cause the rates charged to the  
10 Residential (RS) class to increase by more than \$1.50 per month. Before the cap  
11 was reached, Duke Energy Ohio filed an application in Case No. 19-791-GA-  
12 ALT on May 3, 2019, to, among other things, establish Rider CEP that would  
13 recover the post-in-service carrying costs, incremental depreciation expense, and  
14 property tax expense currently deferred pursuant to Duke Energy Ohio's CEP  
15 Deferral, as well as a return on and of the underlying assets to which these  
16 expenses are directly attributable in the capital expenditure program. On  
17 November 16, 2020, a stipulation executed by Duke Energy Ohio and Staff of the  
18 Public Utilities Commission of Ohio was filed. The Stipulation was intended to  
19 resolve all issues in that case. The stipulation was modified and approved by the  
20 Commission in its Opinion and Order filed on April 21, 2021.

1   **Q.   WHAT TYPES OF CAPITAL INVESTMENTS ARE ELIGIBLE FOR**  
2       **RIDER CEP?**

3   A.   In Case No. 13-2417-GA-UNC, *et al.*, the Commission approved the CEP  
4       Deferral under the terms of R.C. 4909.18, 4929.05, 4929.11, and 4929.111.  
5       The Company's CEP Deferral, as approved by the Commission, includes the  
6       permitted components under R.C. 4929.111, including the following:

7           a.   any infrastructure expansion, infrastructure improvement, or  
8           infrastructure replacement programs;

9           b.   any program to install, upgrade, or replace information technology  
10          systems; or

11          c.   any program reasonably necessary to comply with any rules,  
12          regulations, or orders of the Commission or other governmental entity  
13          having jurisdiction.

14   **Q.   WHY IS DUKE ENERGY PROPOSING TO ROLL THE EXISTING**  
15       **RIDER CEP INTO BASE RATES?**

16   A.   The stipulation approved in Case No. 19-791-GA-ALT required that, provided  
17       Duke Energy Ohio's Central Corridor Pipeline went into service by March 31,  
18       2022, Duke Energy Ohio would file an application for a natural gas base rate case  
19       by June 30, 2022. It also required that the revenue requirement associated with all  
20       investment and related CEP regulatory assets recorded as of the date certain in that  
21       case would be recovered in base rates and Rider CEP would be set to zero once  
22       approved by the Commission. The base rates for which Duke Energy Ohio seeks  
23       approval were required, among other things, to incorporate the Rider CEP revenue

1 requirement to recover the unamortized CEP regulatory assets and a return on and  
2 of the assets underlying the CEP regulatory assets that are used and useful on the  
3 date certain of that case. The Company is also required to file another alternative  
4 rate plan pursuant to R.C. 4909.18, R.C. 4929.05, R.C. 4929.11 and R.C.  
5 4929.111, in that same natural gas base rate case to seek continuation of Rider  
6 CEP after new base rates are put into effect. Rider CEP was required to be reset to  
7 begin tracking investments placed into service and related CEP regulatory assets  
8 recorded after the date certain in that case.

9 **Q. DOES THE APPLICATION PROPOSE TO MODIFY ANY PORTION OF**  
10 **RIDER CEP?**

11 A. Yes. Because Duke Energy Ohio is filing a base rate proceeding to continue the  
12 Rider CEP mechanism, Duke Energy Ohio is proposing to end the rate base  
13 depreciation offset. This offset is no longer needed to offset the depreciation  
14 of Duke Energy Ohio capital expenses because such depreciation is being  
15 recognized in this proceeding. Duke Energy Ohio is also proposing to revise  
16 the rate design on Rate IT to volumetric versus a per month charge. Finally,  
17 Duke Energy Ohio is proposing new caps for the Rider CEP. Aside from these  
18 enumerated revisions, Duke Energy Ohio is requesting to continue the  
19 approved Rider CEP from Case No. 19-791-GA-ALT, and the associated CEP  
20 Deferral, that was approved in Case Nos. 13-2417-GA-UNC, *et al.*



1   **Q.    HOW MUCH OF GROSS PLANT IN-SERVICE IS DUKE ENERGY OHIO**  
2       **ROLLING INTO BASE RATES FROM RIDER CEP?**

3   A.   Duke Energy Ohio is rolling approximately \$716 million in gross plant in-service  
4       from Rider CEP into base rates through December 2021, along with the related  
5       depreciation reserve and retirements associated with the rider.

6   **Q.    DOES THE COMPANY'S APPLICATION FOR NEW NATURAL GAS**  
7       **BASE RATES IMPACT RIDER CEP?**

8   A.   Yes. When new rates are approved and implemented as part of this rate case,  
9       Duke Energy Ohio's base rates will be based on its investment in natural gas  
10      systems through March 31, 2022. Rider CEP will have to be updated to only  
11      include investments after March 31, 2022.

12  **Q.    PLEASE DESCRIBE THE COMPANY'S PROPOSAL TO REVISE RIDER**  
13       **CEP'S RATE IT.**

14  A.   The Company is proposing to change the Rate IT portion of Rider CEP to a per  
15      CCF charge versus a per bill charge.

16  **Q.    WHY IS THE COMPANY MAKING THIS PROPOSAL?**

17  A.   The Company originally proposed a fixed, per-bill, per-month rate design for Rate  
18      IT customers whereas it should have been a volumetric, per-CCF rate design.  
19      Usage in Rate IT varies greatly with a few large users of natural gas making up  
20      over 40 percent of the annual usage within the rate class and many smaller  
21      companies each having very little usage. As a result of the current rate design, the  
22      smaller companies' total bills have been impacted to a much larger degree, with  
23      some seeing an increase of over 20 percent, whereas the larger companies in Rate

1 IT have experienced an increase of less than 1 percent. The Company has  
2 typically avoided this issue by implementing a volumetric rate design to fairly  
3 spread the costs within Rate IT. This proposed revision is also consistent with  
4 previously approved rate designs such as Rider AMRP and the Advanced Utility  
5 rider (Rider AU).

6 **Q. WHAT CAPS FOR RIDER CEP IS THE COMPANY RECOMMENDING**  
7 **IN THESE PROCEEDINGS?**

8 A. Beginning April 1, 2023, or when new base rates are effective, the Company  
9 proposes that the monthly residential Rider CEP rate will be allowed to increase  
10 no more than \$3 per year for the first nine months of investments made in 2022  
11 and no more than \$5 over the prior year's residential Rider CEP's rate for future  
12 years.

13 **Q. DOES THE CAP PROPOSED BY THE COMPANY APPLY TO**  
14 **DEFERRALS?**

15 A. Previously, the residential rate cap also capped Duke Energy Ohio's CEP deferral  
16 authority. This means that deferral of the post in-service carrying costs, property  
17 tax, and depreciation expense into a regulatory asset ceased for any CEP assets  
18 excluded from the annual Rider CEP revenue requirement due to the application  
19 of the residential rate caps. Any adjustments to CEP regulatory assets relating to  
20 such excluded assets resulted in a reversal of the regulatory asset and was  
21 expensed on Duke Energy Ohio's accounting books and records. The Company  
22 would propose similar treatment, assuming the original timeline of the rider  
23 filings (file in end of March, audit the filing April through August, and implement

1 new rates in November) remains consistent with the Opinion and Order in Case  
2 19-791-GA-ALT. However, the Company also proposes that the rider be auto-  
3 approved in November and any unresolved adjustments to the rider be addressed  
4 in a subsequent filing. The Company currently has implemented auto-approval for  
5 its Distribution Capital Investment Rider (Rider DCI). With an annual true-up  
6 process, customers would not pay more than what is approved through the audit  
7 process.

8 **Q. WHY IS THE COMPANY ONLY PROPOSING CAPS FOR THE LAST**  
9 **NINE MONTHS OF 2023?**

10 A. The Company expects new natural gas base rates in these proceedings to be  
11 effective for the first billing cycle in April 2023. At that time, the Company will  
12 amend Rider CEP and begin calculating the rider with a March 31, 2022, baseline,  
13 as previously outlined in my testimony. This is the starting point of when new  
14 caps should be calculated. The Company proposes that, if new base rates are not  
15 effective for the first billing cycle in April 2023, the rider caps would be prorated  
16 monthly for each month that new base rates were delayed. For example, if the  
17 effective date of implementing base rates is delayed by 4 months, then the cap for  
18 that year should be prorated similarly by 7 months versus the original 3 months.

19 **Q. HOW DID YOU CALCULATE THE RIDER CEP CAPS?**

20 A. Mr. Carpenter provided me the capital investments from the five-year forecast. I  
21 then prepared an estimated annual Rider CEP revenue requirement calculation to  
22 come up with an estimated total annual revenue requirement by year.

1    **Q.    WHY IS IT IMPORTANT TO ADJUST THE RIDER CEP CAPS?**

2    A.    Adjusting the Rider CEP caps to allow for the Company's planned level of  
3           required investments will not only support ongoing investments, as previously  
4           described, but also reduce the Company's need to file frequent natural gas base  
5           rate case proceedings. Rider filings are more streamlined and less costly than  
6           base rate case proceedings, while still providing a very robust audit process to  
7           ensure that customers are only paying for prudently incurred capital investments.  
8           All parties have an opportunity to intervene in the annual Rider CEP audits to  
9           ensure that their interests are being considered. Riders also have the ability to  
10          smooth out rate increases to customers over time, with rates being updated  
11          modestly every quarter, and thereby to avoid potential rate shock from larger one-  
12          time increases that could result from base rate case proceedings.

13   **Q.    IS DUKE ENERGY PLANNING TO ADJUST THE RIDER CEP WHILE**  
14   **THIS PROCEEDING IS PENDING?**

15   A.    Yes. The Company will file a Rider CEP application in March 2023 for  
16          calendar year 2022 costs, which will include nine months of actual capital  
17          additions and retirements with associated deferrals for 2022 that are not in base  
18          rates. A supplemental schedule including twelve months of capital additions and  
19          retirements with associated deferrals for 2022 will be filed as well, to account  
20          for the Company not being able to include the January through March 2022  
21          Rider CEP additions and retirements until new base rates go into effect. Duke  
22          Energy Ohio will adjust its Rider CEP down to reflect the updated rate when the  
23          new base rates go into effect.

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

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

2   A.     Schedule A-1 is the overall financial summary of Duke Energy Ohio's natural gas  
3           operations. The data presented on Schedule A-1 shows that the Company will  
4           earn a 5.32 percent overall return on rate base for the test year and that an increase  
5           of \$48.8 million over current natural gas revenue is required to earn a reasonable  
6           rate of return on its natural gas rate base at the Company's current cost of capital  
7           of 7.33 percent.

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

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

12  **Q.     WHAT ITEMS ARE INCLUDED IN THIS REVENUE CONVERSION**  
13  **FACTOR?**

14  A.     The revenue conversion factor includes federal income taxes. The rate used  
15          represents the statutory rate as of the time of the filing. Also included in this factor is  
16          an uncollectible account factor.

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

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

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

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

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

14   A.     Schedule B-5 is a summary of allowance for working capital, which includes cash  
15           working capital and materials and supplies (M&S). Additional detail for all of  
16           these items is shown on Schedule B-5.1, including the average thirteen-month  
17           balance and the actual balance as of March 31, 2022, the date certain in these  
18           proceedings.

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

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

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

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

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

14   **Q.   PLEASE DESCRIBE HOW YOU ESTIMATED THE BALANCE OF**  
15       **MATERIALS AND SUPPLIES (M&S) TO INCLUDE ON SCHEDULES B-**  
16       **5 AND B-5.1.**

17   A.   The process of allocating the Company's investment in M&S to the natural gas  
18       system is described in Supplemental Filing Requirement (C)(7), which is  
19       discussed later in this testimony.

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

4    A.   Yes. The two items are separate components of rate base. Based upon my  
5       experience in Ohio rate making and plain reading of Section 4909.15(A)(1) of the  
6       Ohio Revised Code, there is a distinction between a utility's investment in cash  
7       working capital and its investment in M&S. As this provision states:

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

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



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

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

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

15           I am unaware of any explicit provision in the Commission’s rules or in the  
16      Ohio Revised Code that requires a lead/lag study related to cash working capital  
17      in order to support an allowance for non-cash working capital.

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

21   A.   Yes. M&S are indeed a distinguishable investment from the lead/lag of  
22       receipts/payments. The Company’s shareholders must invest in on-hand inventory  
23       of material and equipment to reasonably maintain and operate the Company’s

1 natural gas system. To conflate the Company's investment in M&S with cash  
2 working capital would be inappropriate. The Company is not asking for a return  
3 on any cash working capital, but is making a reasonable request that shareholders  
4 be compensated for investments made to maintain a safe and reliable natural gas  
5 system.

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

7 A. Schedule B-6 is a summary of other rate base items including any adjustments to  
8 these balances as contained on Schedule B-6.1. The items include customer  
9 deposits, post-retirement benefits, accumulated deferred investment tax credits,  
10 excess deferred income taxes (EDIT), accumulated deferred income taxes  
11 (ADIT), and other rate base adjustments. The investment tax credit balance for the  
12 10 percent credits is non-jurisdictional pursuant to the normalization requirements  
13 of the Internal Revenue Code.

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

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

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

3    A.    The estimate of customer service deposits to be included in Schedule B-6 is the  
4           date certain balance as of March 31, 2022, allocated to natural gas operations  
5           based on the ratio of natural gas customers to total natural gas and electric  
6           residential customers.

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

10   A.    In prior proceedings, the Commission has allowed the Company to internally fund  
11           its post-retirement life insurance and health insurance benefits. Accordingly, the  
12           amount included on Schedule B-6 represents cumulative expense recovery included  
13           in rates, net of benefits paid.

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

15   A.    Schedule B-6.1 summarizes the adjustments to the various other rate base item  
16           balances contained on Schedule B-6. Certain balances are eliminated or adjusted  
17           to reflect the ratemaking treatment of these or related items in this filing. For  
18           example, the Company has removed ADIT balances associated with assets and  
19           liabilities not included in rate base. Because the net deferred taxes associated  
20           with assets and liabilities not included in rate base is a deferred tax asset, the  
21           adjustment to the test period has the effect of increasing ADIT and ultimately  
22           reducing rate base by approximately \$5.3 million.

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

2   A.     Schedule B-7 is a summary of the jurisdictional allocation factors used in the  
3           development of the revenue requirement. There are no jurisdictional allocation  
4           factors.

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

6   A.     Schedule B-7.1 provides statistics used to develop the jurisdictional allocation  
7           factors shown on Schedule B-7. The requirement for Schedule B-7.2 is to provide  
8           an explanation of changes to allocation factors since the prior natural gas base rate  
9           case. In this case and in Case No. 12-1685-GA-AIR, *et al.*, there are no  
10          allocations because it is 100 percent jurisdictional.

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

12  A.     Schedule B-8 is titled “Gas Data” and details the Company’s test year  
13          “unaccounted for” gas losses.

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

15  A.     Schedule C-1 sets forth the Company's jurisdictional *pro forma* income statement  
16          for the twelve months ending December 31, 2022, at both the current and  
17          proposed rates, and assumes that the total amount of the requested increase  
18          calculated on Schedule A-1 is authorized in these proceedings. The current  
19          adjusted operating results for the test year were summarized from Schedule C-2.  
20          Test year revenue at the proposed rates was developed by adding the increase in  
21          revenue as set forth on Schedule E-4 to the adjusted operating revenues. The *pro*  
22          *forma* results (column C) were developed by calculating the operating income  
23          effect of the requested increase (column B) and adding these amounts to the

1 adjusted revenue and expense (column A). If the full increase were to be  
2 authorized, the resulting rate of return would be 7.33 percent, which is the  
3 Company's proposed rate of return.

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

5 A. Schedule C-2 shows the Company's jurisdictional adjusted natural gas operating  
6 income associated with its operations for the test year at current rates. This  
7 schedule includes unadjusted jurisdictional revenue and expense amounts from  
8 Schedule C-2.1, and a summary of the adjustments per Schedule C-3.

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

10 A. Schedule C-2.1 lists the unadjusted test year operating revenue and expenses, by  
11 account. These amounts were derived from the Company's financial records and are  
12 summarized and carried forward to Schedule C-2.

13 **Q. PLEASE DESCRIBE SCHEDULE C-3 AND THE ADJUSTMENTS SHOWN**  
14 **ON SCHEDULES C-3.1 THROUGH C-3.27.**

15 A. Schedule C-3 is a summary of the jurisdictional adjustments to operating revenues  
16 and expenses set forth on Schedules C-3.1 through C-3.27. The effect of each  
17 adjustment on Net Operating Income is shown on Line 44. The cumulative impact  
18 of the adjustments is summarized on Schedule C-3, page 1 of 4, and carried  
19 forward to Schedule C-2.

20 **Q. WHY ARE ADJUSTMENTS TO TEST YEAR ACTUAL AND BUDGET**  
21 **INFORMATION NECESSARY?**

22 A. These adjustments are required to reflect the representative ongoing level of  
23 revenues and expenses that the Company would experience in a normal year. Some

1 adjustments are required to even out or eliminate the impacts of journal entries made  
2 to the actual book accounting data that comprise the first three months in the test  
3 year. Other adjustments are to reflect the level of revenue and expenses that would  
4 have occurred had all known prospective changes been in effect during the test year.

5 The test year adjustments ensure that prevailing revenues and expenses are  
6 properly included in the determination of an ongoing level of rates. Duke Energy  
7 Ohio must reflect a proper level of cost in order to give the Company a reasonable  
8 opportunity to earn its authorized return. Not capturing these adjustments and  
9 reflecting them in the Company's test year would impair the Company's ability to  
10 earn a fair rate of return on its natural gas operations or could result in the  
11 Company over-recovering or under-recovering its costs.

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

13 A. Schedule C-3.1 adjusts test year revenue in order to: (1) annualize revenue; (2)  
14 eliminate "unbilled" revenue; and (3) eliminate various rider revenue. The federal  
15 income tax effects of this adjustment are shown on Schedule C-3.

16 **Q. PLEASE EXPLAIN WHY THE COMPANY ANNUALIZES REVENUE.**

17 A. Because the test year includes three months of actual data, it is necessary to make  
18 certain adjustments to ensure that the revenue included in the test year is  
19 representative of the annual level the Company can expect from its ongoing  
20 operations. Also, the methodology employed by the Company to budget revenue  
21 for the nine months used in the test year is based on averages to simplify the  
22 budgeting process. The revenue by Rate Code, as developed on Schedule E-4,  
23 applying currently approved rates to test year sales, is a more precise method for

1 determining the test year revenue and represents the level of current base revenue  
2 that should be used in these proceedings.

3 **Q. WHY DID THE COMPANY ELIMINATE UNBILLED REVENUE AND**  
4 **EXPENSE?**

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

10 **Q. PLEASE DESCRIBE THE OTHER ADJUSTMENTS TO OPERATING**  
11 **INCOME INCLUDED IN DUKE ENERGY OHIO'S FILING.**

12 A. Schedule C-3.2 is an adjustment to operating expenses to include annualized  
13 amortization of the propane cavern deferral amortized over ten years as per Case  
14 Nos. 21-0986-GA-ABN and 21-1035-GA-AAM. The Company filed a stipulation  
15 signed by all parties to establish a regulatory asset relating to decommissioning costs  
16 for certain propane caverns retired with the implementation of the Central Corridor  
17 Pipeline. Work papers WPC-3.2a and WPC-3.2b detail calculation of the annual  
18 amortization expense.

19 Schedule C-3.3 adjusts operating expenses for the estimated cost of  
20 presenting this case. The Company proposes to defer this expense and amortize it  
21 over a three-year period. The three-year amortization period reflects the approximate  
22 expected time between rate cases. The net jurisdictional adjustment results in an  
23 increase in annual operating expenses of \$399,500.

1           Schedule C-3.4 adjusts operating expenses to reflect annualization of the  
2           Company's payroll costs, pensions and benefits, and payroll taxes based on labor  
3           for the twelve months ended March 31, 2022, adjusted for annual salary increases.  
4           As detailed on work papers WPC-3.4b and WPC-3.4c, annualized labor was  
5           determined by using the most recent twelve months of labor and then applying  
6           any applicable wage increases that were not already reflected in the twelve  
7           months of actual labor. The Company has made an additional adjustment to  
8           reflect the budgeted hiring plans following a period of little to no hiring by the  
9           Company during the recent pandemic. As detailed on work papers WPC-3.4f and  
10          WPC-3.4g the Company supports the adjustment back to budget by comparing its  
11          inflation adjusted actual labor for the previous five years and 12 months ending  
12          March 31, 2022, to the test year. The 5-year average inflation adjusted labor for  
13          years 2017 – 2021 is \$28.4 million. When the 5-year average is compared to the  
14          Company's test year labor of \$28.9 million, the Company's adjustment appears  
15          reasonable. This jurisdictional adjustment to salaries and wages represents no  
16          impact to annualized test year wages. WPC-3.4d is an adjustment to operating  
17          expenses to annualize pension and benefits expense based on annualized salaries  
18          and wages as determined on WPC-3.4a. It shows a jurisdictional adjustment to  
19          pensions and benefits, which is a decrease to O&M expense of \$583,307. WPC-  
20          3.4e is an adjustment to operating expenses to annualize payroll taxes based on  
21          annualized salaries and wages as determined on WPC-3.4a. It shows a  
22          jurisdictional adjustment that decreases taxes other than income taxes by \$63,189.



1 These jurisdictional adjustments are similar to the adjustments performed in prior  
2 cases and adopted by the Commission.

3 Schedule C-3.5, sponsored by Huyen C. Dang, calculates the annualized  
4 depreciation expense adjustment. As detailed in WPC-3.5a, test year depreciation,  
5 calculated using three months of actual depreciation expense and nine months of  
6 projected depreciation expense is subtracted from the annualized depreciation  
7 expense calculated in Schedule B-3.2. Deferred tax on the adjustment is then  
8 calculated by multiplying the adjustment by the federal income tax rate.

9 Schedule C-3.6 adjusts operating expenses to reflect the interest on  
10 Customer Service Deposits. The adjusted jurisdictional amount is an increase to  
11 operating income of \$332,416.

12 Schedule C-3.7 is an adjustment to operating income to eliminate Ohio  
13 Excise Tax revenue and expenses from the test year. This jurisdictional  
14 adjustment results in a decrease in revenue of \$18,698,879 and a decrease in taxes  
15 other than income tax of \$23,156,416.

16 Schedule C-3.8 adjusts operating expenses to annualize property tax  
17 expense based on the Ohio Average Property Tax Rate for 2021 (per \$1,000 of  
18 valuation) and the estimated valuation percentages on date certain plant. This  
19 jurisdictional adjustment to property tax expense results in a decrease in taxes  
20 other than income taxes of \$4,510,966.

21 Schedule C-3.9 is an adjustment to operating income to eliminate  
22 Percentage of Income Payment Plan (PIPP) revenue and expense. This

1 jurisdictional adjustment results in a decrease in revenue of \$1,813,631 and a  
2 decrease in uncollectible expenses of \$1,797,805.

3 Schedule C-3.10 is an adjustment to operating income to reflect interest  
4 expense deductible for federal income tax purposes. The *pro forma* tax deduction  
5 is based on the embedded weighted cost of long-term debt of 1.94 percent as  
6 shown on Schedule D-1A. This adjustment reflects federal income tax at 21  
7 percent on the interest cost included in the cost of capital. The adjustment has  
8 been determined by multiplying the weighted cost of long-term debt and the  
9 jurisdictional rate base, as indicated on Schedule B-1. Also included as a part of  
10 this adjustment is the elimination of interest-related tax Schedule M items.  
11 This jurisdictional adjustment results in a \$1,167,422 decrease in current income  
12 tax expense.

13 Schedule C-3.11 is an adjustment to operating expense to eliminate CEP  
14 deferred depreciation in the test year. The jurisdictional adjustment results in a  
15 \$2,801,046 increase in O&M expense.

16 Schedule C-3.12 is an adjustment to operating income to eliminate the  
17 Ohio State Tax Rider revenue and expense. The jurisdictional adjustment results  
18 in a \$8,203,243 decrease in revenue and a \$8,418,960 decrease in taxes other than  
19 income tax.

20 Schedule C-3.13 reflects an adjustment to annualize the amortization of  
21 CEP deferrals accrued as of March 31, 2022. The jurisdictional adjustment  
22 results in an increase of amortization expense of \$2,117,762.

1           Schedule C-3.14 is an adjustment to operating expenses to eliminate non-  
2           jurisdictional expenses from the test year. Included in unadjusted test year  
3           expense are industry association dues, advertising expenses, and other expenses  
4           that are not recoverable in natural gas rates. The Company proposes to eliminate  
5           these charges through a jurisdictional adjustment that decreases O&M expense by  
6           \$997,985.

7           Schedule C-3.15 is an adjustment to operating expenses to annualize the  
8           level of Commission, OCC, and Division of Forecasting assessments to the latest  
9           known level. The jurisdictional adjustment results in an increase of  
10          administrative general expense of \$15,558.

11          Schedule C-3.16 is an adjustment to operating expenses to annualize  
12          uncollectible expense based on the adjusted base revenue and gas cost revenue  
13          shown on Schedule C-2, less interdepartmental revenue and rents, plus other rider  
14          revenues that are subject to uncollectible expense, times the uncollectible expense  
15          factor shown on WPA-2a. This adjustment is consistent with the methodology  
16          used in prior proceedings and results in a \$4,784,771 decrease in O&M expense.  
17          The adjustment also eliminates \$4,246,968 of revenues collected from the  
18          Company's uncollectible expense rider and the amortization of the regulatory  
19          asset deferral of \$10,963.

20          Schedule C-3.17 is an adjustment to operating income to eliminate  
21          deferred revenue related to the Gas Tax Cuts and Jobs Act Rider (Rider GTCJA)  
22          deferral. This jurisdictional adjustment results in an increase of revenues of  
23          \$3,034,524.

1           Schedule C-3.18 is marked as "Reserved for Future Use", which indicates  
2           that no adjustments have been made on this schedule.

3           Schedule C-3.19 is an adjustment to operating income to eliminate  
4           expenses related to the customer information system, Customer Connect, and to  
5           annualize ongoing production support costs. The project costs are eliminated  
6           because they are not expected ongoing annual expenses the Company will incur  
7           on a regular basis. They include implementation costs as well as elevated  
8           expenses to support the system after it is placed in service. In addition, the  
9           Company has requested authority to defer these O&M expenses and recover them  
10          through Power Future Initiatives Rider (Rider PF) in the pending Case Nos. 19-  
11          1750-EL-UNC and 19-1751-GE-AAM so it would not be appropriate to include  
12          those expenses in the test year. The production support costs are annualized  
13          because the test year does not include a full year of production support expense.  
14          The Company has estimated the expected ongoing costs to support Customer  
15          Connect and subtracted the current test year costs included in the test year for the  
16          legacy system and Customer Connect. These jurisdictional adjustments result in a  
17          decrease in expense of \$1,050,236.

18          Schedule C-3.20 is an adjustment to operating expenses to eliminate  
19          annualized amortization of Post in Service Carrying Costs (PISCC) accrued as of  
20          March 31, 2022. This jurisdictional adjustment results in an increase in expense  
21          of \$741,936.

22          Schedule C-3.21 is marked as "Reserved for Future Use," which indicates  
23          that no adjustments have been made on this schedule.

1           Schedule C-3.22 is an adjustment to operating income to annualize  
2           amortization of the Integrity Management Program deferral accrued as of March  
3           31, 2022, and to normalize the costs of the Integrity Management Program  
4           included in base rates. This jurisdictional adjustment results in an increase to  
5           expense of \$2,229,870 for the amortization expense adjustment and \$4,468,000  
6           for the Integrity Management program ongoing costs. Brian R. Weisker supports  
7           the Integrity Management program costs in his direct testimony. It is reasonable  
8           to include these costs in base rates because they are required, ongoing, annual  
9           costs that the Company incurs to provide safe and reliable natural gas service to  
10          our customers.

11          Schedule C-3.23 is marked as "Reserved for Future Use", which indicates  
12          that no adjustments have been made on this schedule.

13          Schedule C-3.24 is an adjustment to operating income to annualize  
14          amortization of the Customer Connect deferral accrued as of March 31, 2022.  
15          This jurisdictional adjustment results in an increase to expense of \$2,549,825.

16          Schedule C-3.25 is an adjustment to operating income to adjust test year  
17          expenses for the weatherization programs administered by People Working  
18          Cooperatively per Case No. 12-1685-GA-AIR. The jurisdictional adjustment  
19          results in an increase to expense of \$49,603.

20          Schedule C-3.26 is an adjustment to operating income to adjust test year  
21          expenses for the costs of a public informational and customer education campaign  
22          that were not included in the Company's operating budget. This jurisdictional  
23          adjustment results in an increase in expense of \$245,500. See the direct testimony

1 of Duke Energy Ohio witness Amy B Spiller for a discussion of the Company's  
2 proposed campaign.

3 Schedule C-3.27 is an adjustment to operating income to adjust expenses  
4 for the operation and maintenance expenses associated with the retired Propane  
5 facilities and inclusion of expenses related to the Central Corridor Pipeline. This  
6 jurisdictional adjustment results in a decrease in production expense for the  
7 propane facilities of \$1,770,421, a decrease in expense of \$2,219,259 for liquified  
8 petroleum gas, and an increase in expense of \$76,000 for the recently placed in  
9 service Central Corridor Pipeline that were not included in the test year.

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

11 A. Schedule C-5 is titled "Social and Service Club Dues." No costs are reflected in this  
12 case for employee social or service club membership dues. Schedule C-6 titled  
13 "Charitable Contributions" indicates that there are no charitable contributions  
14 charged to jurisdictional natural gas operating expenses. Schedule C-7 provides  
15 detail, by account, of test year Customer Service and Informational Expense, Sales  
16 Expense, and General Advertising Expense.

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

18 A. Schedule C-8 sets forth the estimated expense of presenting this case. The top half  
19 of this schedule compares the expenses estimated to be incurred in these  
20 proceedings to the expenses for the Company's prior rate case. The Company  
21 proposes to defer this expense and amortize it over a three-year period. This  
22 amount is included in test year operating expense through the adjustment  
23 contained in Schedule C-3.3. Schedule C-8 also sets forth the amount of expense

1 currently being amortized in the test period related to the Company's last natural  
2 gas base rate case.

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

4 A. Schedule C-9 contains a summary of all payroll costs and related benefits and  
5 taxes included in O&M expense for the test year. The adjustments made to labor  
6 expense, pension and benefits expense, FICA taxes, and unemployment taxes  
7 from Schedules C-3.4 were also included on this schedule to arrive at the total  
8 adjusted payroll cost.

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

10 A. Schedule C-9.1 is the Total Company Payroll Analysis for the most recent five  
11 years. Page 1 summarizes the total Company payroll information, while pages 2  
12 through 4 reflect the same information for the union, exempt, and non-exempt  
13 employee classifications. This schedule includes labor for the Company's electric  
14 distribution business.

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

16 A. Schedules C-11.1 through C-11.4 set out the natural gas sales statistics for the  
17 total company and the jurisdictional revenues in these proceedings. The years  
18 2017 through 2021 are based on actual data. The test year twelve months ending  
19 December 31, 2022, reflects three months actual and nine months projected data.  
20 Years 2023 through 2027 are projected and provide information from the  
21 Company's natural gas sales forecast.

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

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

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

11  A.     Schedule D-5 contains comparative financial data for the years 2012 through 2021  
12           and the test year ending December 31, 2022. This information was obtained from  
13           various departments throughout the Company.

14  **Q.     WHAT DATA DO YOU SPONSOR IN SCHEDULE D-5?**

15  A.     I sponsor page 5 of Schedule D-5A and D-5B which includes other financial data  
16           including mix of sales and mix of fuel data between natural gas and electric.

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

18  A.     Supplemental Filing Requirement (C)(1) requires the filing of working papers  
19           supporting the schedules provided in the Application. The electronic worksheet  
20           files were uploaded to the Commission Rates SharePoint site as part of the  
21           Application. A list of these electronic files is provided as Supplemental Filing  
22           Requirement (C)(1).



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

2    A.    Supplemental Filing Requirement (C)(2) is a worksheet showing, by FERC  
3           account, monthly test year data, which agrees with Schedule C-2.1, Column 1.  
4           Taxes Other Than Income Taxes are itemized and totaled.

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

6    A.    The information provided in response to Supplemental Filing Requirement (C)(7)  
7           describes the calculation of the M&S component listed on Schedule B-5.1.  
8           Supplemental Filing Requirement (C)(7)(a) asks for the computation of the M&S  
9           used for construction, additions, and extensions. Supplemental Filing Requirement  
10          (C)(7)(b), page 1, lists the monthly balances of M&S by function, and page 2 lists  
11          the balances by account. The percentage of M&S applicable to new construction is  
12          developed on Supplemental Filing Requirement (C)(7)(c), which lists monthly  
13          withdrawals by function. The Company does not maintain its inventory in such a  
14          way that it can list the balances by function. The functional balances were estimated  
15          using information from the inventory system and the internal supply chain inventory  
16          management reporting system.

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

18    A.    Supplemental Filing Requirement (C)(10) requests information regarding other  
19          rate base items included in Schedule B-6.

20   **Q.    PLEASE   DESCRIBE   SUPPLEMENTAL   FILING   REQUIREMENT**  
21          **(C)(11).**

22    A.    Supplemental Filing Requirement (C)(11) is a copy of the advertisements for  
23          which costs were charged to advertising expense during the actual months of the

1 test year financial data. I also sponsor the Company's estimated costs of the  
2 advertisements that will be included in the budgeted portion of the test year.

3 **Q. PLEASE DESCRIBE SUPPLEMENTAL FILING REQUIREMENT (C)(18).**

4 A. Supplemental Filing Requirement (C)(18) requests test year and two most recent  
5 calendar years' employee levels by month. The required information is provided  
6 on Schedule C-9.1.

7 **Q. PLEASE DESCRIBE SUPPLEMENTAL FILING REQUIREMENT (D)(12).**

8 A. Supplemental Filing Requirement (D)(12) requests an explanation of the  
9 Company's reconciling items when comparing the test year data to the corporate  
10 budget. I co-sponsor this requirement with Mr. Carpenter. Mr. Carpenter  
11 sponsors the corporate budget, and I am responsible for any reconciling items and  
12 is explained in this testimony below.

13 **Q. PLEASE DESCRIBE SUPPLEMENTAL FILING REQUIREMENT (D)(20).**

14 A. Supplemental Filing Requirement (D)(20) requests various information regarding  
15 the Company's legal expenses for this proceeding.

16 **Q. PLEASE DESCRIBE SUPPLEMENTAL FILING REQUIREMENT (D)(21).**

17 A. Supplemental Filing Requirement (D)(21) requests an explanation of the  
18 Company's treatment of Rate Case expenses for this proceeding. The required  
19 information is provided on Schedule C-3.3.

1   **Q.   PLEASE DESCRIBE ANY RECONCILING ITEMS IN THE**  
2       **FORECASTED DATA IDENTIFIED IN SUPPLEMENTAL FILING**  
3       **RQUIREMENT (D)(12).**

4   A.   The CEP deferral was removed because Rider CEP has been reset to zero and,  
5       including the budgeted expense deferral, would improperly reflect expenses in the  
6       test year. I also sponsor a related *pro forma* to remove deferred expense for the 3  
7       months of actual data in the test year in Schedule C-3.11.

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

10  A.   I received test year budgeted revenue and O&M from Duke Energy Ohio witness  
11       Grady “Tripp” S. Carpenter. I received test year actual O&M from Duke Energy  
12       Ohio witness Bryan T. Manges. I received Plant-in-Service data from Ms. Dang,  
13       which is presented on Schedules B-2 through B-3.4, and B-6.2. I received  
14       accumulated deferred investment tax credit, EDIT, and ADIT balance information  
15       from Mr. Panizza, which I used on Schedule B-6. I also received the federal, state,  
16       and municipal income tax rates from Mr. Panizza. I received cost-of-capital  
17       information from Duke Energy Ohio witness Mr. Bauer which he presented on  
18       Schedule D-1. This schedule also includes the recommended rate of return on  
19       common equity proposed by Duke Energy Ohio witness James M. Coyne.

20  **Q.   ARE THE COSTS ASSOCIATED WITH DUKE ENERGY OHIO’S**  
21       **ACCELERATED MAIN REPLACEMENT PROGRAM RIDER**  
22       **INCLUDED IN THESE PROCEEDINGS?**

23  A.   Yes. The net rate base included in Rider AMRP, including net capital placed in-

1 service and associated ADIT and EDIT balances as of March 31, 2022, along with  
2 related Depreciation Expense and Property Taxes has been “rolled into base rates”  
3 and included in this filing.

4 **Q. PLEASE EXPLAIN WHAT THE COMPANY IS PROPOSING**  
5 **REGARDING RIDER AMRP IN THESE PROCEEDINGS?**

6 **A.** The Company has concluded the AMRP program and is proposing to terminate  
7 Rider AMRP in these proceedings once the costs I previously described are  
8 "rolled into" base rates. When the new natural gas base rates are effective, the  
9 Company will file a revised tariff that will state “THIS TARIFF IS HEREBY  
10 CANCELLED AND WITHDRAWN.”

11 **Q. ARE THERE ANY CHANGES TO THE GAS COST RECOVERY?**

12 **A.** Yes. Per the order in Case No. 18-218-GA-GCR the Company is proposing to  
13 calculate the storage carrying costs be at pre-tax rate of return. There are no  
14 additional changes to the Gas Cost Recovery rider in this proceeding.

#### **V. CONCLUSION**

15 **Q. WERE ALL OF THE SCHEDULES AND SUPPLEMENTAL FILING**  
16 **REQUIREMENTS YOU SPONSOR PREPARED BY YOU OR UNDER**  
17 **YOUR DIRECT SUPERVISION?**

18 **A.** Yes.

1   **Q.    IS THE INFORMATION YOU SPONSOR IN SCHEDULES A-1, A-2, A-3, B-**  
2       **1, B-5, B-5.1, B-6, B-6.1, B-7, B-7.1, B-7.2, B-8, C-1, C-2, C-2.1, C-3, C-3.1**  
3       **THROUGH C-3.4, C-3.6 THROUGH C-3.27, C-5 THROUGH C-9.1, C-11.1**  
4       **THROUGH C-12, AND PAGE 5 OF SCHEDULE D-5A AND SCHEDULE D-**  
5       **5B AND SUPPLEMENTAL FILING REQUIREMENTS (C)(1), (C)(2), (C)(7),**  
6       **(C)(10), (C)(11), (C)(18), (D)(12), (D)(20) and (D)(21) ACCURATE TO THE**  
7       **BEST OF YOUR KNOWLEDGE AND BELIEF?**

8   **A.    Yes.**

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

10  **A.    Yes.**

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**Case No(s). 22-0507-GA-AIR, 22-0508-GA-ALT, 22-0509-GA-ATA, 22-0510-GA-AAM**

Summary: Testimony Direct Testimony of Jay P. Brown on Behalf of Duke Energy Ohio, Inc. electronically filed by Mrs. Tammy M. Meyer on behalf of Duke Energy Ohio Inc. and D'Ascenzo, Rocco and Kingery, Jeanne W. and Akhbari, Elyse Hanson and Vaysman, Larisa and Elizabeth M. Brama