

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

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

DIRECT TESTIMONY OF
GRADY “TRIPP” S. CARPENTER
ON BEHALF OF
DUKE ENERGY OHIO, INC.

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

July 14, 2022

TABLE OF CONTENTS

	<u>PAGE</u>
I. INTRODUCTION AND PURPOSE	1
II. THE BUDGETING AND FORECASTING PROCESS	3
III. SCHEDULES AND FILING REQUIREMENTS SPONSORED BY WITNESS	5
IV. CONCLUSION	6

I. INTRODUCTION AND PURPOSE

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

2 A. My name is Grady “Tripp” S. Carpenter, and my business address is 400 South
3 Tryon Street, Charlotte, North Carolina 28202.

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

5 A. I am employed by Duke Energy Business Services LLC (DEBS) as Manager
6 Financial Forecasting II. 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 SUMMARIZE YOUR EDUCATIONAL**
10 **BACKGROUND AND PROFESSIONAL EXPERIENCE.**

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

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

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

6 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC**
7 **UTILITIES COMMISSION OF OHIO?**

8 A. Yes. I recently provided testimony in support of Duke Energy Ohio's Application
9 for an increase in electric distribution rates, tariff approval, and change in accounting
10 methods in Case Nos. 21-0887-EL-AIR, *et al.*

11 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THESE**
12 **PROCEEDINGS?**

13 A. I describe the budgeting and forecasting process underlying the projected data for
14 the test year proposed in this Application. I also sponsor Supplemental Filing
15 Requirements S-1, S-2, (C)(6), (D)(11) and (D)(12). Finally, I provided projected
16 revenue, sales, and customer data for the years 2023 through 2027 to Duke
17 Energy Ohio witness Jay P. Brown for the preparation of Schedules C-11.1
18 through C-11.4. The projected sales and customer data that I provided to Duke
19 Energy Ohio witness Jay P. Brown were provided to me by Company witness Dr.
20 Passty.

II. THE BUDGETING AND FORECASTING PROCESS

1 **Q. DESCRIBE THE SOURCE OF THE FORECASTED FINANCIAL DATA**
2 **USED IN THESE PROCEEDINGS.**

3 A. The forecasted data used in these proceedings is based on Duke Energy Ohio's
4 2022 Annual Budget, which includes the projection months within the twelve-
5 month test period for these proceedings. This budget was reviewed and approved
6 by Duke Energy Ohio's executive management and Duke Energy's Board of
7 Directors.

8 **Q. DESCRIBE THE BUDGETING AND FORECASTING PROCESS THAT**
9 **YOU USED TO DEVELOP THE PROJECTED DATA CONTAINED IN**
10 **THE TEST PERIOD IN THESE PROCEEDINGS.**

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

1 **Q. DESCRIBE THE GUIDELINES PROVIDED BY THE FORECAST**
2 **SYSTEMS AND REPORTING ORGANIZATION IN DEVELOPING**
3 **DUKE ENERGY OHIO'S ANNUAL RESPONSIBILITY (OPERATING**
4 **AND MAINTENANCE) CENTER BUDGET.**

5 A. The guidelines provided by the Forecast Systems and Reporting organization are
6 a detailed set of instructions for creating a responsibility center budget. For
7 example, there are detailed instructions for budgeting employee labor data, such
8 as the escalation rates for non-union labor expenses and indirect labor and fringe
9 benefit loading rates, and how to handle staff additions or deletions. Individual
10 employees and certain associated costs of the employees are included or excluded
11 in any given center's budget according to the expected future reporting
12 assignment for that employee. Detailed instructions for non-labor related
13 expenses, such as transportation and facilities expenses, are included. There are
14 also resources provided for determining whether a cost is capital or expense.
15 Budget coordinators are required to use these assumptions and/or instructions in
16 projecting their future departmental expenses. These operating and maintenance
17 budgeting guidelines are reflected in the budgets and forecasts that are submitted
18 to Duke Energy Ohio's executive management and Duke Energy's Board of
19 Directors for approval and are also reflected in the forecasted financial data in
20 these proceedings.

III. SCHEDULES AND FILING REQUIREMENTS
SPONSORED BY WITNESS

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

2 A. Supplemental Filing Requirement S-1 contains a five-year financial forecast for
3 certain capital expenditure information for the five years 2023 through 2027. This
4 supplemental filing requirement demonstrates the substantial capital expenditures
5 that the Company anticipates spending during the next five years. Duke Energy
6 Ohio witness Christopher R. Bauer discusses the importance of having access to
7 the capital markets in order to finance these capital needs on reasonable terms.

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

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

11 **Q. PLEASE DESCRIBE SUPPLEMENTAL FILING REQUIREMENTS**
12 **(C)(6), (D)(11) and (D)(12).**

13 A. Supplemental Filing Requirement (C)(6) is a summary of the forecasting methods
14 used by Duke Energy Ohio for the test period financial data. Supplemental Filing
15 Requirement (D)(11) is the Corporate Budget for the test year, as approved by
16 upper management. Supplemental Filing Requirement (D)(12) is the
17 reconciliation between (D)(11) and the projection used for the test year. I am
18 responsible for the Corporate Budget and Mr. Brown is responsible for any
19 reconciling items.

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

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

5 **IV. CONCLUSION**

6 **Q. WERE SUPPLEMENTAL FILING REQUIREMENTS S-1 AND S-2,**
7 **SUPPLEMENTAL FILING REQUIREMENTS (C)(6), (D)(11), (D)(12) AND**
8 **THE INFORMATION YOU PROVIDED FOR SCHEDULES C-11.1**
9 **THROUGH C-11.4 PREPARED BY YOU OR UNDER YOUR**
10 **SUPERVISION?**

11 A. Yes.

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

15 A. Yes.

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

17 A. Yes.

**This foregoing document was electronically filed with the Public Utilities
Commission of Ohio Docketing Information System on**

7/14/2022 9:13:03 AM

in

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

Summary: Testimony Direct Testimony of Grady "Tripp" S. Carpenter 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