

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

DAVID DOSS

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: Fixed Assets

August 18, 2022

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I. INTRODUCTION

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

2 A. My name is David Doss, and my business address is currently 400 South Tryon
3 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 Director of
6 Asset Accounting. 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 graduated from the University of Texas at Austin with a Bachelor of Business
12 Administration degree and I am a certified public accountant licensed in the state
13 of Texas. I have over 35 years of professional experience with Duke Energy,
14 including over 25 years of management experience in various accounting and
15 finance roles. In June 2019, I was named to my current role as Director of Asset
16 Accounting.

17 **Q. PLEASE DESCRIBE YOUR RESPONSIBILITIES AS DIRECTOR OF**
18 **ASSET ACCOUNTING.**

19 A. As Director of Asset Accounting, I have responsibility for accounting and
20 reporting activities within Duke Energy's electric and gas utilities related to fixed
21 assets, including plant in service, construction work in progress, depreciation,
22 asset retirement obligations, as well as the asset accounting research group.

1 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC**
2 **UTILITIES COMMISSION OF OHIO?**

3 A. Yes. I previously provided testimony in support of Duke Energy Ohio's application
4 in Case No. 17-032-EL-AIR *et al.*

5 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THESE**
6 **PROCEEDINGS?**

7 A. The purpose of my testimony is twofold. First, my testimony adopts the Direct
8 Testimony and Schedules supported by David Raiford as part of the Company's
9 Application in these proceedings. Second, I describe and support the Company's
10 objections to certain findings and recommendations contained in the Report by
11 the Staff of the Public Utilities Commission of Ohio (Staff) issued in these
12 proceedings on May 19, 2022 (Staff Report). The Company filed its Objections to
13 the Staff Report of Investigation and Summary of Major Issues on June 17, 2022.

II. ADOPTION OF TESTIMONY

14 **Q. PLEASE EXPLAIN WHY YOU ARE ADOPTING MR. RAIFORD'S**
15 **TESTIMONY.**

16 A. Since the filing of his testimony, Mr. Raiford has changed positions within Duke
17 Energy and is no longer in a position of having accounting and reporting
18 responsibility for Duke Energy Ohio. Prior to changing positions, Mr. Raiford
19 reported directly to me. I am adopting Mr. Raiford's testimony as we work
20 through the transition of responsibilities associated with Mr. Raiford's prior role.

1 **Q. HAVE YOU REVIEWED THE DIRECT TESTIMONY OF DAVID A.**
2 **RAIFORD AND THE SCHEDULES HE SUPPORTED AS FILED IN**
3 **THESE PROCEEDINGS?**

4 A. Yes.

5 **Q. DO YOU HAVE ANY CHANGES OR CORRECTIONS TO THOSE**
6 **SCHEDULES OR TO THE RELEVANT TESTIMONY SUPPORTING**
7 **THOSE SCHEDULES?**

8 A. No.

9 **Q. DO YOU HEREBY ADOPT THAT TESTIMONY AS YOUR OWN FOR**
10 **THESE PROCEEDINGS?**

11 A. Yes.

III. OBJECTIONS SPONSORED BY WITNESS

12 **Q. PLEASE EXPLAIN THE COMPANY'S OBJECTION NUMBER 2(b).**

13 A. Duke Energy Ohio objects to Staff's recommendation to adjust the Company's
14 base distribution rate base to reflect the removal of approximately \$2 million in
15 capitalized incentives.

16 **Q. PLEASE DESCRIBE STAFF'S RECOMMENDED ADJUSTMENTS**
17 **RELATED TO THE COMPANY'S CAPITALIZED INCENTIVE**
18 **COMPENSATION.**

19 A. Staff's adjustment removes from the base distribution rate base the amount of
20 incentive compensation attributable to the achievement of financial metrics that
21 was capitalized from June 1, 2016, through the date certain.

22 **Q. DID STAFF PROVIDE ANY BASIS OR SUPPORT FOR MAKING THIS**

1 **ADJUSTMENT?**

2 A. Yes. Staff bases its recommended adjustment on part of the Stipulation in the
3 previous electric rate case where the Company agreed, in settlement, to include a
4 credit in the DCI Rider for the estimated revenue requirement impact of
5 capitalizing the portion of employee incentive compensation related to financial
6 metrics. Company witness Ms. Lawler addresses the Rider DCI and the provision
7 in the prior rate case stipulation in her Supplemental Testimony. I address the
8 accounting policies supporting the Company's position that this adjustment
9 should be rejected.

10 **Q. PLEASE EXPLAIN WHY DUKE ENERGY OHIO OBJECTS TO THIS**
11 **ADJUSTMENT.**

12 A. In accordance with Generally Accepted Accounting Principles (GAAP) and
13 FERC guidelines, as further supported by the Company's capitalization
14 guidelines, the incentive costs are appropriately included within capital assets.
15 The general authoritative GAAP guidance regarding the criteria and amounts used
16 to measure an asset is found in Financial Accounting Standards Board (FASB)
17 Accounting Standards Codification (ASC) paragraph 360-10-30-1, which
18 specifies that "the historical cost of acquiring an asset includes the costs
19 necessarily incurred to bring it to the condition and location necessary for its
20 intended use." The FASB provides additional clarification of the types of costs
21 that meet the GAAP definition of "capitalizable cost" in the guidance for Internal-
22 use Software, found in ASC 350-40-30-1, which states that the costs that shall be
23 capitalized include "Payroll and payroll-related costs (for example, costs of

1 employee benefits) for employees who are directly associated with and who
2 devote time to the internal-use computer software project, to the extent of the time
3 spent directly on the project.” Taken together, these passages within the
4 authoritative GAAP literature clearly indicate that the pay and expenses of
5 employees engaged in readying an asset for service should be capitalized as part
6 of the cost of the asset, in accordance with GAAP.

7 Likewise, Electric Plant Instruction 3.A of the FERC Uniform System of
8 Accounts (USoA) provides guidance that is consistent with GAAP. This
9 instruction provides guidance on the “Components of construction cost” and
10 specifies that “the cost of construction properly includible in the electric plant
11 accounts shall include, where applicable, the direct and overhead cost as listed
12 and defined hereunder.” Item 3.A.(2) in this list is Labor, and it states that “Labor
13 includes the pay and expenses of employees of the utility engaged on construction
14 work, and related workmen’s compensation, insurance, payroll taxes and similar
15 items of expense.” It is worth noting that both the GAAP and the FERC guidance
16 outlined above specify that the pay (or payroll costs) associated with employees
17 who work on a capital project “shall” be capitalized, meaning that it is required
18 under both GAAP and FERC. It is also worth noting that neither the GAAP nor
19 the FERC guidance makes a distinction between incentive pay and base pay; there
20 is no guidance in the accounting literature to indicate that they should be treated
21 differently in the determination of capitalizable costs.

22 Moreover, as Company witness Jacob J. Stewart explains in his Direct
23 Testimony and Supplemental Direct Testimony, all incentive compensation

1 should be recoverable in base rates as it is a prudently incurred cost of doing
2 business. The Staff Report did not argue or find the compensation and benefit
3 programs provided to employees are unreasonable or not necessary in their
4 entirety for attracting, engaging, retaining and directing the efforts of employees
5 with the skills and expertise necessary to provide electric service to Duke Energy
6 Ohio's customers.

7 **Q. WHAT IS YOUR RECOMMENDATION REGARDING STAFF'S**
8 **ADJUSTMENT TO CAPITALIZED INCENTIVE COMPENSATION?**

9 A. Based on my testimony above and Mr. Stewart's Direct Testimony and
10 Supplemental Direct Testimony, as well as Ms. Lawler's discussion of the
11 inapplicability of a term in a prior stipulation, the Company's recommendation is
12 to reject Staff's adjustment to remove approximately \$2 million of capitalized
13 incentive from rate base.

IV. CONCLUSION

14 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

15 A. Yes.

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

Summary: Testimony Direct Testimony of David Doss 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 and Akhbari, Elyse Hanson and Vaysman, Larisa and Brama, Elizabeth