20

DE-OHIO EXHIBIT ___

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke Energy Ohio for an Increase in Electric Distribution Rates	)	Case No. 08-709-EL-AIR
In the Matter of the Application of Duke Energy Ohio for Tariff Approval	)	Case No. 08-710-EL-ATA
In the Matter of the Application of Duke Energy Ohio for Approval to Change Accounting Methods	)	Case No. 08-711-EL-AAM

DIRECT TESTIMONY OF

DONALD L. STORCK

ON BEHALF OF

DUKE ENERGY OHIO

_____ Management policies, practices, and organization

_____ Operating income

_____ Rate Base

_____ Allocations

_____ Rate of return

_____ Rates and tariffs

__X__ Other: Cost-of-Service Study

August 8, 2008

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke Energy Ohio for an Increase in Electric Distribution Rates	)	Case No. 08-709-EL-AIR
In the Matter of the Application of Duke Energy Ohio for Tariff Approval	)	Case No. 08-710-EL-ATA
In the Matter of the Application of Duke Energy Ohio for Approval to Change Accounting Methods	)	Case No. 08-711-EL-AAM

DIRECT TESTIMONY OF

DONALD L. STORCK

ON BEHALF OF

DUKE ENERGY OHIO

INDEX

Testimony supporting cost-of-service studies and changes in pole attachment conduit occupancy tariff.

TABLE OF CONTENTS

Attachments:

DLS-1: Summary of Cost-of-Service Study

DLS-2: Pole Attachment Calculation

I. INTRODUCTION AND PURPOSE

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Donald L. Storck, and my business address is 139 East Fourth Street, Cincinnati, Ohio 45202.

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

A. I am employed by the Duke Energy Corporation (Duke Energy) affiliated companies as Director, Rates Services.

Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL QUALIFICATIONS.

A. I have a Bachelor of Science Degree in Accounting from Ball State University. I completed an executive education program at the University of Michigan in 1999.

Q. PLEASE SUMMARIZE YOUR WORK EXPERIENCE.

A. I began my employment with Public Service Company of Indiana, Inc. (PSI), in 1976 as a Staff Accountant in the Corporate Accounting Department. From 1976 through 1994, I held several financial positions at PSI and at various times was responsible for Corporate Accounting, Cash Management, Corporate Budgeting and auditing of long-term fuel supply contracts. Following the 1994 merger between PSI and The Cincinnati Gas & Electric Company to form Cinergy Corp. (Cinergy), I held positions with the Cinergy-affiliated companies, supporting the Gas Business Unit and Cinergy Resources, Inc., a non-regulated retail gas marketing company.

I was the Financial Reporting Manager for Cinergy's Regulated Business Unit from 1999 until April 2006. I was promoted to my current position in April 2006.

Q. PLEASE DESCRIBE YOUR DUTIES AS DIRECTOR, RATE SERVICES.

A. My responsibilities include developing cost-of-service studies, management policies and practices, and organization documents. I am also responsible for tariff administration.

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

A. Yes. Most recently, I provided testimony in support of Duke Energy Ohio (DE-Ohio or Company) gas rate case application in case number 07-589-GA-AIR.

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

A. I sponsor the cost-of-service studies, which are identified as Schedules E-3.2 and E-3.2a through E-3.2h. I also support the changes to DE-Ohio's Pole Attachment and Conduit Occupancy Tariff.

II. SCHEDULES SPONSORED BY WITNESS

Q. PLEASE DESCRIBE SCHEDULE E-3.2, INCLUDING E-3.2a THROUGH E-3.2h, THE COST-OF-SERVICE STUDIES.

A. The cost-of-service study contained in Schedule E-3.2 is an embedded, fully allocated cost-of-service study by rate class for the twelve-month test period ending December 31, 2008, as adjusted. I prepared the cost-of-service study using information provided by other DE-Ohio witnesses on Schedules B-1 through B-7,

C-1 through C-13 and D-1. The cost-of-service study allocates distribution-related cost items such as plant investment, operating expenses, and taxes to the various customer classes and calculates the revenue responsibility of each class. These costs are then classified as customer- or demand-related. Finally, the cost-of-service study calculates the revenue responsibility of each class required to generate the recommended rate of return. Schedules E-3.2a through E-3.2h are cost-of-service studies for each rate group that fully allocate costs by function.

Q. PLEASE DESCRIBE HOW THE COST-OF-SERVICE STUDY IN SCHEDULE E-3.2 IS ORGANIZED.

A. Schedule E-3.2, page 1 of the cost-of-service study contains a summary of the cost of service. Pages 2 through 20 show the complete detail of all of the elements of the cost-of-service study. Pages 21 through 25 list the allocation factors, tax rates, and rate of return data that were utilized in the cost-of-service study. The detailed calculation and derivation of the allocation factors utilized in the cost-of-service study are included in the work papers filed in this case.

Q. WHAT JURISDICTIONAL CUSTOMER CLASSES WERE USED IN THE COST-OF-SERVICE STUDY?

A. The jurisdictional classes used in the cost-of-service study are as follows:

Residential - Rates RS, ORH, RS3P, TD, and CUR

Secondary Distribution Large - Rate DS

Secondary Distribution Large - Rate EH

Secondary Distribution Small - Rate DM

Secondary Distribution - Rates GS-FL and SFL-ADPL

Primary Distribution - Rate DP

Transmission - Rate TS

Lighting - Rates OL, UOLS, NSU, NSP, TL, SC, SE, and SL.

Q. WHAT ARE THE ELEMENTS OF A COST-OF-SERVICE STUDY?

A. The elements of a cost-of-service study consist of the following elements, which are allocated to each rate class:

Operating and Maintenance (O&M) Expense

\+ Depreciation

\+ Other Taxes

\+ Federal and State Income Taxes

\+ Return (Rate Base x Rate of Return (ROR))

\- Revenue Credits

= Class Revenue Requirement or Cost-of-Service.

Q. WHAT GENERAL METHODOLOGY DID YOU USE FOR THE COST-OF-SERVICE STUDIES?

A. First, I functionalized costs into the specific utility functions, *i.e.*, production, transmission, and distribution. I then classified the distribution and common functional costs as customer- or demand-related, or a combination of each in some instances. Transformer costs, for example, were split into customer and demand components using the minimum size method, as explained in greater detail below. Otherwise demand costs were allocated to customer class based on the maximum non-coincident peak or average class group peak methodologies, as appropriate. Customer-related costs are allocated to rate classes based upon the appropriate

customer-related allocator. Lastly, I allocated the demand and customer costs to rate classes based on the cost causation guidelines published in the NARUC "Electric Utility Cost Allocation Manual" and based upon my experience with cost-of-service studies.

Q. HOW DID YOU DERIVE THE CUSTOMER AND DEMAND ALLOCATORS?

A. The customer and demand allocators were developed by summarizing data contained in work papers WPE-3.2a through WPE-3.2h. Specifically, the load research data is contained in work paper WPE-3.2b.

Q. HOW WERE THE MAXIMUM NON-COINCIDENT PEAK AND AVERAGE CLASS GROUP PEAK kW DEMAND VALUES DEVELOPED FROM DE-OHIO CUSTOMER LOAD RESEARCH DATA?

A. Load research data and kWh sales levels for the twelve months ending December 31, 2006, were used to determine monthly peak day demand data. Load research data and kWh sales information for the twelve months ending December 31, 2006, were used because complete data for the twelve months ending December 31, 2007, was not available when I prepared the cost-of-service study. The monthly demand information is included on pages 1 through 8 of work paper WPE-3.2b. The following is an example of how the class group peak kW demand was calculated for Rate RS for the month of January.

- Step 1 – Determine average demand by dividing the total kWh by the number of hours in the month.
  - 664,045,708 kWh ÷ 744 hours = 892,535 kW

- Step 2 – Determine the group peak demand by dividing average demand from Step 1 by the class group peak load factor (from load research data).
    - 892,535 ÷ 64.290% load factor = 1,388,295 kW
- Step 3 – Add line losses by multiplying by the loss factor.
    - 1,388,295 kW x 1.05887 loss factor = 1,470,024 kW including losses

This process was followed for each rate class for each month to determine each rate class's monthly group peak. The average was calculated for the year to get average class group peak by rate class. A similar procedure was used to develop each class' maximum (single) non-coincident peak.

Q. PLEASE DESCRIBE THE METHODOLOGY USED TO ALLOCATE DISTRIBUTION PLANT TO THE VARIOUS CLASSES OF CUSTOMERS.

A. Several different allocation factors were used to allocate distribution plant to the customer classes. First, distribution plant was grouped by the type of plant such as substations, poles, conductors, etc., as shown on page 2 of Schedule E-3.2. Then it was determined whether each type is customer- or demand- related factor. Then each customer or demand related cost was allocated to rate class.

Substations are considered 100% demand-related and were allocated using the average class group coincident peak demand ratios for the twelve months ending December 31, 2006. This factor takes into consideration the load diversity by rate group at the distribution substation level.

Poles and conductors are also 100% demand. They were first spilt into primary and secondary voltages based on circuit-miles. The primary portion was then allocated using the class group peak demand ratios for all distribution customers and the secondary portion using the class group peak demand ratios for only secondary distribution customers. The development of this allocator is shown on Page 3 of work paper WPE-3.2a.

I allocated transformers between customer and demand using the minimum size method, explained in further detail below. I allocated the demand-portion of transformers among the customer classes using the maximum non-coincident peak load ratios. The maximum non-coincident peak demand allocator is appropriate because transformers are sized to meet the maximum demand and are close to the customer so there is little or no load diversity. I then allocated the customer-portion of transformers among the customer classes based on the total number of customers.

Services are considered 100% customer-related and were allocated based on a weighted-average number of customers. The weighting is based on an engineering analysis that prices various service drop costs based on demands. For example, it is twice as costly for a service drop at 100 kVA versus a service drop at 25 kVA. Customers with an average demand of 100 kVA are weighted at twice the cost of customers with an average demand of 25 kVA.

Meters, also 100% customer-related, were allocated based on a weighting similar to services.

Q. PLEASE DESCRIBE THE MINIMUM SIZE METHOD USED TO ALLOCATE TRANSFORMER COSTS BETWEEN CUSTOMER- AND DEMAND-RELATED COSTS.

A. The minimum size study is shown on work paper WPE-3.2d, pages 7 and 8. The minimum size method assumes that a minimum size distribution system can be built to serve the minimum loading requirements of the customer. For transformers, the study involved determining the minimum size transformer currently installed by DE-Ohio. In this case, it is a 15 kVa transformer. DE-Ohio's 2007 average cost of a 15 kVa transformer was $1,027.

I used asset accounting records to determine the number of overhead and pad-mounted transformers installed each year from 1910 to 2007. I then used the Handy-Whitman Index for Utility Plant Materials (specifically line transformers) to calculate the cost per transformer for each of the years 1910 to 2006, beginning with a 2007 Handy-Whitman index of 401 and 2007 cost of $1,027. For each year, I multiplied the number of transformers by the cost per transformer to get the minimum size cost per year. I summarized each of the years 1910 to 2007 to arrive at the minimum size transformer cost of approximately $89 million. This was classified as customer-related costs. The difference between this customer-related cost and the balance in FERC Line Transformer account 368 is the demand component, resulting in allocation factors of 27.923% to customer, 72.077% to demand. I allocated all transformer-related cost (plant, accumulated depreciation, O&M, and depreciation expense) to customer and demand using these factors.

Q. PLEASE DESCRIBE THE METHODOLOGY USED TO ALLOCATE COMMON AND GENERAL PLANT.

A. I functionalized common and general plant based on the functionalization of salaries and wages presented on page 354 of DE-Ohio's 2007 FERC Form 1. The allocation of Administrative and General Expense (A&G) is discussed below. DE-Ohio used this method to unbundle electric rates in Case No. 99-1658-EL-ETP, which was filed with, and accepted by, the Commission.

Q. PLEASE EXPLAIN HOW YOU ALLOCATED A&G EXPENSES USING THIS METHODOLOGY.

A. I functionalized A&G expenses based on the same functionalization of salaries and wages used for general and common plant. After I functionalized the expenses, I allocated the expenses to rate classes based on the allocation of direct O&M for that function. For example, A&G expenses functionalized as distribution were allocated to rate classes based on each rate class's allocation of direct distribution O&M.

Q. DID YOU USE ANY OTHER ALLOCATION FACTORS IN THE COST OF SERVICE STUDY?

A. Yes, there are many plant and expense ratios that were developed internally in the cost-of-service study. The cost-of-service study lists each item's allocation factor under the column identified as "ALLOC." These allocation ratios are presented on Pages 23-25 of Schedule E-3.2 of the cost-of-service study.

Q. PLEASE INDICATE WHERE THE VARIOUS ELEMENTS OF COST OF SERVICE CAN BE FOUND IN THE COMPANY'S COST OF SERVICE STUDY IN SCHEDULE E-3.2.

A. A summary of each item is listed on page 1 of the cost-of-service study. Pages 2-9 contain detailed information on Rate Base; Pages 10-12, Operating and Maintenance expenses; Page 13, Depreciation; Page 14, Other Taxes; Pages 15-19 and 22, Federal and State Income Tax; Page 20, the cost of service computation; Page 21, ROR, tax rates and special factors; and Pages 23-25, Allocation Factors.

Q. AFTER YOU DETERMINED THE COST OF SERVICE BY RATE CLASS, DID YOU PREPARE ANY OTHER ANALYSES FOR THIS PROCEEDING?

A. Yes. Utilizing the results of the cost of service by rate class as described above, I prepared a functionalized cost-of-service study for each rate class. The functionalized study takes the allocated column by class and classifies it as either distribution demand or distribution customer. I provided the results of the complete functionalized cost-of-service studies to DE-Ohio witness Mr. James E. Ziolkowski to use in the rate design process. The results of the functionalized cost of service studies for each rate class are included in the filing as Schedules E-3.2a through E-3.2h.

Q. WHAT DO THE RESULTS OF THE PROPOSED COST-OF-SERVICE STUDIES SHOW?

A. Based on the allocation assumptions made and the equity rate of return of 11% requested in this proceeding, the cost of service justifies a distribution revenue

increase of approximately $86 million for the test period ending December 31, 2008, as adjusted for known and measurable charges. Attachment DLS-1 is a summary of the cost-of-service study, which supports the proposed deficiency.

Q. WHAT ARE THE PROPOSED REVENUES BY CUSTOMER CLASS?

A. The proposed revenue levels utilized by Mr. Ziolkowski in this proceeding are shown on Page 1 of Schedule E-3.2. The proposed revenues reflect a total increase in distribution base revenues of approximately $86 million.

III. DISTRIBUTION OF PROPOSED REVENUE INCREASE

Q. WHAT METHODOLOGY DID YOU USE IN THIS PROCEEDING TO DISTRIBUTE THE PROPOSED REVENUE INCREASE?

A. I used a two-step process to distribute the proposed revenue increase. The first step eliminated 100% of the subsidy/excess revenues between customer classes based on present revenues. The second step allocated the rate increase to customer classes based on distribution original cost depreciated (OCD) rate base.

Q. PLEASE EXPLAIN IN GREATER DETAIL THE FIRST STEP THAT ELIMINATES 100% OF THE SUBSIDY/EXCESS REVENUES.

A. This step takes into consideration that the Company is not earning the same rate of return on all customer classes. Although it is unlikely that equal rates of return across all rate classes are achievable, nonetheless, large variances among the customer classes should be eliminated. A comparison of revenues under present rates and at the retail average rate of return is made and then 100% of that amount is added to, or subtracted from, the rate increase to determine the proposed revenues in this proceeding.

Q. *WHY DID YOU PROPOSE A 100% REDUCTION IN THE SUBSIDY/EXCESS IN THIS PROCEEDING?*

A. In reviewing the present rate of returns by class shown on Page 1 of work paper WPE-3.2g, there is a significant difference in those returns. A significant difference requires a 100% reduction in order to move the classes to the average rate of return. A 100% reduction means that each class pays the cost to serve that class, no more and no less.

IV. POLE ATTACHMENTS

Q. PLEASE EXPLAIN DE-OHIO'S PROPOSED CHANGE TO ITS POLE ATTACHMENT TARIFF.

A. DE-Ohio is proposing an increased pole attachment rate and adding provisions in the tariff to clarify existing attachment and occupancy terms and address unauthorized attachments and safety violations. The current pole attachment rate is $4.25 per pole attachment per year and the proposed rate is $14.42 per pole attachment per year.

Q. PLEASE EXPLAIN WHY THE COMPANY IS PROPOSING TO INCLUDE PROVISIONS ADDRESSING UNAUTHORIZED ATTACHMENTS AND SAFETY VIOLATIONS?

A. During a recent pole attachment audit, DE-Ohio found a number of unauthorized attachments. These unauthorized attachments are problematic for a number of reasons. First, unauthorized attachers are not paying their fair share and are in violation of DE-Ohio's tariffs. Second, as the recent audit has shown, many unauthorized attachments are in violation of the National Electric Safety Code

(NESC). Among other things, safety violations may compromise system reliability for customers. Third, unauthorized attachments increase DE-Ohio's pole maintenance expense. When DE-Ohio discovers an unauthorized attachment or safety violation, it must incur time and expense in identifying the unauthorized attacher or initiating efforts to have the safety violation corrected. The penalty provisions are intended to deter unauthorized or improper attachments and, as a result, protect the Company and other entities with authorized attachments.

Q. WHAT ARE THE SAFETY CONCERNS WITH UNAUTHORIZED ATTACHMENTS?

A. Attachments need to be installed and maintained to comply with requirements of the NESC, other governmental authorities, and the Company. Unauthorized attachments or those that do not comply with applicable codes and regulations can interfere with the operation of the Company's equipment. Furthermore, DE-Ohio maintains an inventory of who has attached to its poles and what equipment is on the poles. This information is very important to DE-Ohio's employees who may have to climb the poles when responding to a trouble call. Unauthorized attachments, especially those that are improperly installed, could impact DE-Ohio's ability to respond to outages if there is a safety concern.

Q. HOW MANY POLE ATTACHMENTS ARE CHARGED THE CURRENT RATE?

A. There are 118,624 documented pole attachments that are being charged $4.25 per pole attachment per year, which equals approximately $504,151 annually. With the proposed annual pole attachment charge of $14.42, the annual collected amount is

$1,710,558, an increase of $1,206,407.

Q. WHY IS A NEW POLE ATTACHMENT RATE NECESSARY?

A. The current pole attachment rate was established in Case No. 92-1464-EL-AIR and, consequently, has been in effect for 16 years. The current rate does not reflect DE-Ohio's current costs of maintaining, inspecting, and inventorying the pole attachments. The proposed rate reflects the current cost of pole attachments and prevents electric utility ratepayers from subsidizing pole attachments.

Q. PLEASE EXPLAIN HOW THE NEW POLE ATTACHMENT RATE WAS DETERMINED?

A. The current pole attachment rate is $4.25. Section 224 of the Communications Act (Pole Attachment Act) provides for the determination of maximum rates for CATV by applying the Cable Formula based on FERC Form 1 numbers. Using the current 2007 FERC Form 1 numbers, DE-Ohio has determined that the maximum allowed rate for CATV pole attachments is $14.42. The new calculation is included as Attachment DLS-2.

Q. WHAT IMPACT DOES THIS CHANGE HAVE ON DE-OHIO'S RETAIL DISTRIBUTION REVENUE REQUIREMENT?

A. Because the proposed change will generate $1,206,407 additional revenue over the current test year amount, it will reduce the revenue requirement for retail distribution service by a like amount. As shown in the workpaper, WPC-3.1, for Schedule C-3.1, Other Revenue for the Test Year is adjusted to reflect the proposed change in pole attachment charges. Of course, to the extent the Commission disallows the proposed change or approves a rate lower than the

$14.42 annual charge I am proposing herein, the impact will be to increase the revenue increase required from distribution service as shown in Schedule A-1.

V. CONCLUSION

Q. HOW WERE THE RESULTS OF YOUR COST-OF-SERVICE STUDIES AND THE DISTRIBUTION OF THE RATE INCREASE UTILIZED IN THIS PROCEEDING?

A. The results of the fully allocated and functionalized cost-of-service studies, which include the proposed revenues discussed above, were supplied to Mr. Ziolkowski for use in designing the proposed distribution rates for each rate class.

Q. WERE THE SCHEDULES AND ATTACHMENTS YOU SPONSOR PREPARED BY YOU OR UNDER YOUR DIRECTION AND SUPERVISION?

A. Yes.

Q. IS THE INFORMATION CONTAINED IN THOSE SCHEDULES AND ATTACHMENTS TRUE AND ACCURATE TO THE BEST OF YOUR KNOWLEDGE AND BELIEF?

A. Yes.

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

A. Yes.

DUKE ENERGY OHIO, INC.
COST OF SERVICE STUDY
TWELVE MONTHS ENDING DECEMBER 31, 2008
ELECTRIC CASE NOS: 08-709-EL-AIR, 08-710-EL-ATA, 08-711-EL-AAM
DATA: 3 MONTHS ACTUAL & 9 MONTHS ESTIMATE
TYPE OF FILING: "X" ORIGINAL UPDATED REVISED

Case No. 08-709-EL-AIR
Case No. 08-710-EL-ATA
Case No. 08-711-EL-AAM
Attachment DLS-1
Page 1 of 1

LINE NO.	SUMMARY OF RESULTS	ITEM	REF	TOTAL DISTRIBUTION	rs,orh td,cur,rs3p RESIDENTIAL	ds, ws SECONDARY DIST LARGE	eh SECONDARY DIST LARGE EH	dm SECONDARY DIST SMALL DM	gs-fl sfl-adpl SECONDARY DIST SMALL GSFL	dp PRIMARY DISTRIBUTION	ts TRANSMISSION	sl,se sc nsu,nsp,t fuols, ol LIGHTING	TOTAL DISTRIBUTION
				2	3	4	5	6	7	8	9	10	11
1	NET INCOME COMPUTATION												
2	GROSS ELECTRIC PLANT IN SERVICE	GP11	E-3.2, P. 2	$1,763,363,488	$930,499,359	$560,560,047	$7,846,850	$67,525,679	$2,770,613	$149,394,148	$315,903	$44,440,989	$1,763,363,488
3	TOTAL DEPRECIATION RESERVE	DR11	E-3.2, P. 3	(617,982,999)	(334,868,875)	(185,253,535)	(2,620,139)	(23,621,952)	(938,997)	(47,905,755)	(90,086)	(22,783,859)	(617,982,998)
4	TOTAL RATE BASE ADJUSTMENTS	RB71	E-3.2, P. 9	(165,879,900)	(83,394,099)	(56,667,630)	(797,830)	(6,266,164)	(275,585)	(15,079,098)	(36,523)	(3,171,980)	(165,879,900)
5	TOTAL RATE BASE	RB91		979,490,589	512,236,585	318,638,882	4,428,881	37,737,473	1,556,031	86,418,294	189,294	18,486,150	979,490,590
6													
7	OPERATING EXPENSES												
8	TOTAL O&M EXPENSE	OM31	E-3.2, P. 12	166,945,124	98,656,460	43,244,735	577,271	7,383,640	224,144	12,628,532	71,962	2,958,380	166,945,124
9	TOTAL DEPRECIATION EXPENSE	DE41	E-3.2, P. 13	49,881,474	26,256,775	16,053,612	222,841	1,942,984	78,563	4,372,798	11,045	942,966	49,881,474
10	TOTAL OTHER TAX & MISC EXPENSE	L591	E-3.2, P. 14	62,969,377	33,440,489	20,113,080	279,392	2,437,303	98,583	5,396,356	21,717	1,182,457	62,969,377
11	TOTAL OP EXP EXC INC & R TAX	OP61		278,795,975	158,353,724	79,411,327	1,079,504	11,763,927	401,280	22,397,686	104,724	5,083,803	278,795,975
12	NET FED INCOME TAX ALLOWABLE	I879	E-3.2, P. 17	34,994,898	18,392,454	11,294,768	156,846	1,354,160	55,291	3,074,616	6,828	659,935	34,994,898
13	NET STATE INCOME TAX ALLOWABLE	J979	E-3.2, P. 19	392,174	209,666	123,313	1,703	15,477	607	33,926	68	7,394	392,174
14	TOTAL REVENUE TAX	L033	E-3.2, P. 20	0	0	0	0	0	0	0	0	0	0
15	TOTAL OPERATING EXPENSE	OPEX		314,183,047	177,165,844	90,829,408	1,238,053	13,133,564	457,178	25,506,228	111,640	5,751,132	314,183,047
16													
17	RETURN ON RATE BASE	R751	E-3.2, P. 9	89,133,644	46,613,529	28,977,938	403,028	3,434,110	141,589	7,864,065	17,226	1,682,149	89,133,644
18	TOTAL OTHER OPERATING REVENUES		E-3.2, P. 20	(6,783,906)	(3,894,849)	(1,928,772)	(26,659)	(306,509)	(9,978)	(480,567)	(7,921)	(126,661)	(6,783,906)
19	TOTAL ELECTRIC COST OF SERVICE	CS05		396,532,785	219,874,524	117,878,574	1,614,422	16,259,165	588,799	32,889,736	120,945	7,306,620	396,532,785
20	ADJUSTMENT FOR INTERCLASS SUBSIDIZATION		0%	0	0	0	0	0	0	0	0	0	0
21	REQUESTED REVENUES		Line19+Line20	396,532,785	219,874,524	117,878,574	1,614,422	16,259,165	588,799	32,889,736	120,945	7,306,620	396,532,785
22	PROPOSED REVENUES	R602	E-3.2, P. 21	396,531,866	219,874,558	117,878,702	1,614,420	16,259,178	588,784	32,889,792	119,800	7,306,632	396,531,866
23	DIFFERENCE (REQUESTED LESS PROPOSED)	XREV	Line21-Line22	919	(34)	(128)	2	(13)	15	(56)	1,145	(12)	919
24													
25	TOTAL RETURN EARNED	RETE	E-3.2, P. 20 + Line 17	89,133,049	46,613,551	28,978,021	403,027	3,434,118	141,589	7,864,101	16,485	1,682,157	89,133,049
26	RATE OF RETURN EARNED	RORE		0.090999393	0.091000042	0.091000260	0.090999736	0.091000211	0.090993688	0.091000419	0.087086754	0.091000452	0.090999393
27	TOTAL RATE OF RETURN ALLOWABLE	RORA											0.09100
28	RETURN EARNED ON COMMON EQUITY	REOE		0.10998	0.10999	0.10999	0.10999	0.10999	0.10997	0.10999	0.10327	0.10999	0.10998
29	ALLOWED RETURN ON COMMON EQUITY	AROE			0.10999	0.10999	0.10999	0.10999	0.10999	0.10999	0.10999	0.10999	
30													
31	PRESENT REVENUES												
32	PRESENT REVENUES	R600	E-3.2, P. 21	310,927,416	183,980,582	82,512,029	1,063,549	18,263,896	463,026	16,417,391	1,186,721	7,140,221	310,927,416
33	REVENUE INCREASE JUSTIFIED	RIJD	Line 19 - Line 32	85,605,370	35,993,942	35,366,545	550,873	(2,004,731)	125,773	16,472,345	(1,065,776)	166,399	85,605,370
34	REVENUE INCREASE REQUESTED	RIRD	Line 22 - Line 32	85,604,451	35,993,976	35,366,673	550,871	(2,004,718)	125,758	16,472,401	(1,066,921)	166,411	85,604,451

Duke Energy Ohio

Pole Attachment Formula For
Electric Utility Owners Using FERC Part 101 Accounts (excluding telecomm carriers)
BASED UPON 2007 FERC FORM 1 DATA

A. Components

1 Rate of Return = 8.24%

2 Depreciation

Depreciation Rate = Gross Pole Investment / Net Pole Investment

$$2.44\% \times \frac{\$284,535,121}{\$284,535,121 - \$100,036,816 - (\$483,056)} = 3.75\%$$

3 Tax Expense

$$\frac{\text{FERC Accounts 408.1+409.1(a)+409.1(b)+410.1-411.1+411.4}}{\text{Gross Electric Plant Investment - Electric Plant Depreciation Reserve - ADIT (Acct. 190)}}$$

$$\frac{179,680,697 + 124,555,273 + 16,291,377 + 44,371,772 - 38,639,145 + -1,318,357}{7,118,468,388 - 2,469,655,355 - -12,076,399} = \frac{324,954,617}{4,660,889,432} = 6.97\%$$

4 Maintenance Expense

$$\frac{\text{FERC Account 593}}{\text{(Investment in Accounts 364 + 365 + 369) - (Depreciation in 364 + 365 +369) - (ADIT in 364 + 365 + 367)}}$$

$$\frac{26,170,919}{284,535,121 + 283,463,254 + 49,635,936 - 100,036,816 - 89,824,712 - 34,674,167 - -483,056 - -460,641 - -84,535} = \frac{26,170,919}{394,146,848} = 6.64\%$$

5 Administrative Expense

$$\frac{\text{Total Administrative and General Expense}}{\text{Gross Electric Plant Investment - Electric Plant Depreciation Reserve - ADIT (Acct 190)}} = \frac{243,356,685}{7,118,468,388 - 2,469,655,355 - -12,076,399} = 5.22\%$$

B. Distribution Pole Carrying Charge Rate — % of Net Bare Pole Cost per Year

Rate of Return	8.24%
Depreciation Expense	3.75%
Federal, State, and Other Taxes	6.97%
Maintenance Expense	6.64%
Administrative Expense	5.22%
Total Annual Carrying Charge Rate	30.83%

C. Net Investment Per Bare Pole

$$\frac{85.0\% \text{ (Gross Pole Investment - Pole Depreciation Reserve) - ADIT for Poles}}{\text{Number of Poles in Service}}$$

$$\frac{0.85 \times (284,535,121 - 100,036,816 - (483,056))}{248,901} = \$631.71$$

D. Rate Calculation

1 Net Investment per Bare Pole x Annual Carrying Charge = Annual Pole Cost

$631.71 x 30.83% = $194.73

2 Annual Pole Cost x Attachment Percentage of Usable Pole Space = Attachment Rate for CATV

$194.73 x 7.41% = $14.42