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The Public Utilities
Commission of Ohio

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A report by the Staff of the
Public Utilities Commission of Ohio

Duke Energy Ohio, Inc.

Case No. 08-709-EL-AIR, et al.

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**STAFF'S REPORT
OF
INVESTIGATION**

In the Matter of the Application of Duke
Energy Ohio, Inc. for an Increase in
Electric Distribution Rates.

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Case No. 08-709-EL-AIR

In the Matter of the Application of Duke
Energy Ohio, Inc. for Tariff Approval.

)
)
)

Case No. 08-710-EL-ATA

In the Matter of the Application of Duke
Energy Ohio, Inc. for Approval to
Change Accounting Methods.

)
)
)

Case No. 08-711-EL-AAM

Submitted
to
The Public Utilities Commission of Ohio

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

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

Alan R. Schriber, Chairman
Paul A. Centolella, Commissioner
Ronda Hartman Fergus, Commissioner
Valerie A. Lemmie, Commissioner
Cheryl L. Roberto, Commissioner

To The Honorable Commission:

In accordance with the provisions of R.C. Section 4909.19, the Commission's Staff has conducted its investigation in the above matter and hereby submits its findings in the within Staff Report.

The Staff Report has been jointly prepared by the Commission's Utilities Department and Service Monitoring and Enforcement Department.

In accordance with R.C. Section 4909.19, copies of the Staff Report have been filed with the Docketing Division of the Commission and served by certified mail upon the mayors of all affected municipalities and other public officials deemed representative of the service area affected by the application. A copy of said report has also been served upon the utility or its authorized representative. Interested parties are advised that written objections to any portion of the Staff Report must be filed within thirty (30) days of the date of the filing of said report after which time the Commission will promptly set this matter for public hearing. Written notice of the time, place, and date of such hearing will be served upon all parties to the proceeding.

The Staff Report is intended to present for the Commission's consideration the results of the Staff's investigation. It does not purport to reflect the views of the Commission nor

should any party to said proceeding consider the Commission as bound in any manner by the representations or recommendations set forth therein. The Staff Report, however, is legally cognizable evidence upon which the Commission may rely in reaching its decision in this matter. (See *Lindsey v. Pub. Util. Comm.*, 111 Ohio St. 6 (1924)).

Respectfully submitted,

Utilities Department


Jodi Bair
Director

Service Monitoring and Enforcement Department


Doris McCarter
Director

STAFF ACKNOWLEDGEMENTS

The Staff Report components reflect the results of investigations conducted by the Staff of the Applicant's rate application. The Staff person responsible for each component is shown below:

Utilities Department

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Rate of Return	Steve Chaney
Rates and Tariffs	Don Howard

Service Monitoring and Enforcement Department

Reliability and Service Analysis Division	Peter Baker
Investigations and Audits Division	Mary Vance
Facilities and Operation Division	Lowell Miller

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BACKGROUND

The Applicant, Duke Energy Ohio, Inc. was incorporated in Ohio on April 3, 1837, as Cincinnati Gas, Light and Coke Company, and became the Cincinnati Gas & Electric Company in 1901. Growth, acquisitions and mergers throughout the years have resulted in the present operation in which the Applicant renders electric or gas service, or both, in nine counties in southwestern Ohio. The Applicant is a public utility engaged in the business of production, transmission, distribution, and sale of electricity to approximately 690,000 consumers.

On October 24, 1994, the Applicant, then known as the Cincinnati Gas & Electric Company, merged with PSI Resources, Inc. to form Cinergy Corporation. Cinergy was the parent company to both PSI Energy, Inc. (PSI Resources' utility subsidiary) and Cincinnati Gas & Electric Company, and provided various services to both companies through its Cinergy Services, Inc. subsidiary. On April 3, 2006, the Applicant's parent, Cinergy Corporation became a wholly owned subsidiary of Duke Energy Corporation.

On June 25, 2008, the Applicant filed a notice of intent to file an application for an increase in its distribution rates to be charged for electric service in its entire service area subject to the jurisdiction of the Commission. The Applicant also noticed its intent to file an application for tariff approval for its electric distribution service (08-710-EL-ATA), as well as noticing its intent to file an application for approval of a change in accounting methods (08-711-EL-AAM).

The application for tariff approval is to establish a Distribution Rider and Development Incentive Rider, whereby the application for approval of a change in accounting methods involves the approval of accounting treatment to defer costs associated with the Applicant's future electric distribution investments until such costs are reflected in its Distribution Rider.

Regarding the distribution rate application, the Applicant requested that its test period begin January 1, 2008, and end December 31, 2008, and that the date certain be March 31, 2008. By its Entry of July 23, 2008, the Commission approved the requested date certain and test period.

On July 25, 2008, the Applicant filed its application to increase rates. By entry dated September 10, 2008, the Commission ordered that the application be accepted as of July 25, 2008.

The rates proposed by the Applicant for increase, when applied to test year sales volumes, would generate approximately \$85,604,451 of additional retail base rate revenues. This amount is exclusive of Applicant's proposed \$1,206,407 increase in

pole attachment revenue. The total revenue increase, including the pole attachment revenue increase, over test year operating revenues is 27.43%.

OPERATING INCOME AND RATE BASE

SCOPE OF INVESTIGATION

The scope of the investigation was designed to determine if the Applicant's filed exhibits concerning operating income, rate base and other data are reasonable for ratemaking purposes, and if the financial and statistical records supporting the data can be relied upon. The Staff interviewed Applicant's key management personnel and reviewed both internal and published financial reports to assure understanding of the Applicant's operation and organization. The Staff's investigation of test year operating income and date certain rate base included a review of the Applicant's budget and forecasting techniques, verification of the operating revenue computation, and an examination of the Applicant's continuing property records. In addition, the existence and the used and useful nature of the assets were verified through physical inspections. Other independent analyses were performed as the Staff considered necessary under the circumstances.

The Staff reviewed and analyzed the Applicant's proposed adjustments to operating income and rate base and traced them to supporting workpapers and to source data. As a result of its review and analysis, the Staff accepted some of the proposed adjustments as appropriate, changed some proposed adjustments using alternative approaches, and/or proposed new adjustments as required to make the test year operating income and date certain rate base consistent with sound regulatory accounting practices, more representative of normal operations and appropriate for ratemaking purposes.

The purpose of the Staff's investigation was to develop financial data for ratemaking purposes; it was not intended to provide a basis for expressing an opinion on the financial statements of the company as a whole. The following sections of this report summarize the results of the Staff investigation which it believes are relevant to the determination of test year operating income and rate base.

REVENUE REQUIREMENTS

The Staff's recommended revenue increase range is between \$53,944,677 and \$62,043,973. This amount is exclusive of Staff's recommended increase in pole attachment revenue. The total revenue increase, including pole attachment revenue increase, over test year operating revenues is between 17.12% and 19.68%.

RATE BASE

The rate base represents the Applicant's net investment in plant and other assets as of the date certain, March 31, 2008, which were used and useful in providing electric utility service to its customers and upon which its investors are entitled to the opportunity to receive a fair and reasonable rate of return.

The Staff's analysis of the rate base is divided into Plant In Service, Depreciation, Construction Work in Progress, Working Capital and Other Rate Base Items. A comparison of rate base submitted by the Applicant and that which is recommended by the Staff is shown on Schedule B-1. Schedules B-2 through B-7, provide additional support for the Staff's amount.

Plant In Service

As a result of the Staff's investigation and review of the application, the Staff recommends that an adjustment be made to the Applicant's date certain plant investment for ratemaking purposes. This adjustment is identified below, summarized on Schedule B-2.2, and reflected in the calculation of jurisdictional plant in service figures on Schedule B-2.1.

Hartwell Recreation Facility Exclusion

Both the Applicant and the Staff proposed an adjustment to exclude the entire date certain investment in the Hartwell recreation facility. This facility is used primarily for recreational purposes and contracted for use by outside parties. The Staff's jurisdictional adjustment incorporates the use of the composite, common plant allocation factor.

The Staff's adjustment is shown on Schedule B-2.2.

Poles, Towers and Fixtures – Account 364

During its investigation, the Staff discovered that the Applicant's additions to account 364 for the year 2007 appeared to be overstated. Applicant subsequently revised the appropriate plant accounts and associated depreciation reserve. The Staff's adjustments are shown on Schedules B-2.2 and B-3.1.

Depreciation

Depreciation is the process which distributes the original cost of depreciable assets, adjusted for net salvage, over the normal life of the property in a systematic and rational manner. The Staff's investigation of depreciation is segregated into two areas: Depreciation Reserve and Depreciation Accrual rates and the corresponding Depreciation Expense. Each of these is discussed in detail in the following sections.

Depreciation Reserve

The Applicant maintains depreciation reserve, by account, on a total company basis. The Staff adjusted the Applicant's reserve to exclude reserve associated with the adjustments discussed in the Plant in Service section. These adjustments are summarized on Schedule B-3.1.

In order to determine if the Applicant's booked reserve for depreciation is proper and adequate, the Staff compared the Applicant's book reserve with a calculated theoretical reserve, as a guide to whether past accrual rate calculations have been appropriate. The Staff compared the Applicant's booked reserve level with a calculated theoretical reserve, based on the Staff's proposed accrual rates and March 31, 2008 plant balances. The Staff determined that the overall booked reserve is in close agreement with the theoretical reserve calculation. Therefore it is the Staff's opinion that the actual jurisdictional reserve for depreciation, as adjusted by the Staff on Schedule B-3, is proper and adequate and should be used for purposes of this proceeding.

Depreciation Accrual Rates and Depreciation Expense

The Applicant's current depreciation accrual rates were prescribed by this Commission in Case No. 05-0059-EL-AIR for the electric distribution plant and Case No. 07-589-GA-AIR for the common plant. The Applicant filed a depreciation study for its electric plant performed by its consultant, Gannett Fleming Valuation and Rate Consultants, Inc. The Applicant's accrual rates, for most electric accounts, were developed using the straight line whole life method. For certain General Plant account, the annual depreciation was based on amortization accounting. For Structures and Improvements – Major Structures and Improvements – Leaseholds, a lifespan analysis was used. A lifespan analysis was also used for Meters and Leased Meters accounts with the plan that all embedded meters will be retired by the year end 2012, based on SmartGrid deployment of smart meters.

The Staff conducted an independent analysis of the depreciation study provided by the Applicant. With the exception of the meters account, the Staff agrees with the service life, projected retirement dispersion and net salvage parameters. The staff recommends that the Meters and Leased Meters accounts be treated as dying accounts, and that the unrecovered investment be amortized over a 10 year period. If at any time the applicant discontinues the replacement of existing meters to smart meters, the staff recommends that the Applicant stop the amortization and resume using the current authorized accrual rate of 2.86%, and submit a new depreciation study for these accounts. The Staff's recommended accrual rates are shown on Schedule B-3.2a.

The Staff has long maintained that accrual rates should be thoroughly reviewed every three to five years. The Staff, therefore, recommends that in five years the Applicant submit a depreciation study for all electric distribution accounts.

The Staff recommends that the Applicant be ordered to use the accrual rates shown on Schedule B-3.2a for book depreciation purposes, effective concurrently with customer rates from this proceeding.

The Staff's calculation of depreciation expense based on the adjusted jurisdictional plant in service balances at date certain and the accrual rates discussed above, is shown on Schedule B-3.2.

Construction Work In Progress (CWIP)

The Applicant did not request an allowance for CWIP in its filing and the Staff, as shown on Schedule B-4, did not recommend an allowance.

Working Capital

Working capital has been generally defined as the average amount of capital provided by investors in the company, over and above the investments in plant and other specifically identified rate base items, to bridge the gap between the time that expenditures are required to provide service and the time collections are received for the service.

The Applicant requested a \$1,606,271 working capital allowance based on a thirteen-month average balance for materials and supplies, minus a thirteen-month balance of customers' deposits.

The Applicant did not prepare a lead lag study for this case, and the Staff does not recommend a working capital allowance.

Other Rate Base Items

The rate base has been reduced for the date certain balances of recovered but unfunded post retirement benefits, investment tax credits, and deferred taxes. The rate base has also been reduced by a 13-month average balance of customer deposits. The Staff's summary of other rate base items is presented on Schedule B-6.

ALLOCATIONS

Plant in Service Allocations

Common Plant (Gas and Electric) Allocation

Applicant used an 81.71% factor to allocate common plant to electric operations in this rate proceeding. This is the reciprocal of the 18.29% factor approved to allocate common plant to gas operations in the Applicant's most recent gas rate proceeding, Case No. 07-589-GA-AIR.

In Applicant's gas rate application, the company used a factor of 18.68% to allocate common gas and electric plant to gas operations. This was based on a calculation of net plant in-service as of December 31, 2004, adjusted for production assets that were transferred from Applicant to Duke Energy Kentucky in January 2006. Blue Ridge Consulting, the financial auditors for the PUCO for that case, updated the calculation to December 31, 2006, resulting in a gas allocation factor of 13.50%. This allocation factor was recommended by Blue Ridge in their report to the Staff.

During settlement proceedings in the gas case, the parties agreed to a common plant allocator that reflected the exclusion of the Duke Energy North America (DENA) generating assets from the calculation (item 5, page 6 of the Stipulation and Recommendation dated February 28, 2008). The resulting gas allocation factor was 18.29%. The Commission adopted the Stipulation in its Opinion and Order dated May 28, 2008. The Applicant and the Staff used the compliment of that rate, 81.71%, in the current electric rate case to allocate common plant to electric operations. The Applicant and the Staff applied a jurisdictional factor of 39.323% to allocate the residual electric plant to distribution operations.

General Plant (Electric) Allocation

In this electric distribution case, Applicant used a general plant jurisdictional allocation factor of 86.552% to allocate electric plant to distribution operations. In its prior electric distribution rate proceeding, Case No. 05-59-EL-AIR, the Applicant used a general plant allocation factor of 35.233%. The Applicant stated to Staff that the 35.233% used in the prior case was incorrect. The Applicant indicated that it transferred all general plant related to production plant to non-regulated accounts in mid-2001. In the prior electric proceeding, the Applicant included production plant in the calculation which resulted in an incorrect, lower allocation factor.

General Plant balances on Schedule B-2.1 in this proceeding represent plant related only to electric transmission and distribution operations. The 86.552% jurisdictional allocation factor was based on the ratio of distribution labor as a percentage of transmission and distribution labor.

Depreciation Reserve Allocations

The Applicant allocated its reserve for accumulated depreciation on the same basis as it allocated distribution, administrative and general, and common plant in service. This method has been accepted in prior cases and is recommended by the Staff for purposes of this proceeding.

Operating Income Allocations

The Staff used the Applicant's allocation ratios for the determination of jurisdictional operating revenues and expenses. Staff's discussion of its review of the Applicant's operating income allocation methods and accounting system is presented in the Management and Operations Review section of this report.

OPERATING INCOME

The Applicant's test year operating income combined three months of actual data for the period January 1, 2008, through March 31, 2008, with nine months of forecast data for the period April 1, 2008, through December 31, 2008. The Applicant included its proposed increase for pole attachment revenue in current adjusted operating income. The Staff also included the pole attachment increase in current operating income, and further adjusted the Applicant's test year operating income as required to render it appropriate as a basis for setting rates.

The Staff's proforma operating income is the Staff's adjusted test year operating income modified to reflect the Applicant's proposed increase in revenues and the associated increases in uncollectible accounts expense, city franchise taxes, commercial activities taxes, state and municipal taxes, and federal income taxes. The Staff's proforma operating income also includes a Staff proposed increase in other revenues related to bad check and reconnection charges. These later items were included by the Applicant as part of its Schedule C-3 adjustments.

Schedules C-1 and C-2 present the Staff's determination of operating income. The calculations, methodologies, and rationale used to develop the Staff's adjusted proforma operating income are detailed on Schedules A-1.1, C-1.1, C-3.1 through C-3.22, and C-4.

Proforma Adjustments

Schedule C-1.1 sets forth the Applicant's proposed increase in operating revenues and affected expenses. The increase in revenues is the combined result of the increase in base revenues created by the Applicant's proposed tariffs, and an increase for bad check and reconnection charges. Further discussion of the Applicant's proposed

revenue increases can be found in various other sections of this report. Associated increases in uncollectible accounts expense, city franchise taxes, commercial activities taxes, state and municipal taxes, and federal income taxes are also summarized on this schedule.

Current Adjustments

Base Revenue

Both the Staff and the Applicant adjusted base revenues to eliminate unbilled revenue and transmission cost recovery rider revenue as well as to adjust test year base revenues to the amounts calculated on Schedule E-4.

In addition, the Staff and the Applicant adjusted other operating revenue to account for special projects and pole attachment revenue. The pole attachment adjustment reflects the Applicant's proposal for increasing the pole attachment rate as part of this case. This has the effect of increasing net operating income and earned rate of return.

The Staff's adjustment is presented on Schedule C-3.1.

DSM / EE Revenue

Both the Staff and the Applicant adjusted base revenues and the corresponding expenses for the DSM/Energy Efficiency Rider. The Staff's adjustment is shown on Schedule C-3.2.

Rate Case Expense

The Staff adjusted test year expense to reflect only the cost of the current case proceeding. The Staff excluded \$310,475 which is associated with the Applicant's previous rate case, Case No. 05-0059-EL-AIR. The Staff believes that an estimate of \$660,000 is reasonable and recommends a three-year amortization period. The Staff's adjustment is shown in Schedule C-3.3.

The Staff recommends that the Commission review the Applicant's revised estimate of rate case expense which should be submitted as a late filed exhibit before making a final determination of the appropriate level of rate case expense for use in this proceeding.

Wage Annualization

Both the Applicant and the Staff adjusted operating income to reflect the annualization of payroll costs based on the annual average number of full-time, part-time and temporary employees for the year ended November 30, 2008. The Staff based its adjustment on average rates of pay for November 2008. The

Staff included overtime pay based on overtime percentages developed using actual data for the year ended December 31, 2007. The Staff also included expenses for incentive pay, bonus pay and severance pay based on a three-year average of the years 2005 through 2007. Both the labor expense allocations from the service company to Duke Ohio as well as the O&M expense allocations are based on actual data for the year ended December 31, 2007.

Applicant's O&M labor expenses included an additional category described as labor allocated from Shared Services/HR/Governance Cost Pools. Staff did not include this in its labor adjustment. The Staff's adjustment can be found on Schedule C-3.4.

Depreciation Expense

Depreciation expense was adjusted to reflect the Staff's recommended depreciable plant in service as of the date certain. This adjustment is presented on Schedule C-3.5 with the supporting calculations shown on Schedule B-3.2.

Further discussion on depreciation can be found in the Rate Base Section of this report.

Reclassification of Interest on Customers' Deposits

Consistent with the treatment of customers' deposits as an offset to the Applicant's rate base, the Staff reclassified the associated interest expense to operating expenses. The Staff's adjustment is on Schedule C-3.6

Distribution Reliability Rider

Both the Staff and the Applicant adjusted base revenues and the corresponding expenses for the Distribution Reliability Rider. The Staff's adjustment is shown on Schedule C-3.7.

Property Taxes

The Staff adjusted property tax expense to reflect the change in expense if property taxes were calculated in accordance with S.B. 287 and based on plant in service as of March 31, 2008. The Staff's adjustment is presented on Schedule C-3.8.

Service Company Allocations

The Applicant eliminated non-jurisdictional costs allocated to the Applicant from Duke Energy Shared Services, Inc. The Staff agrees with this adjustment. The Staff's adjustment is shown on C-3.9.

Edison Electric Institute Expense (EEI)

The Staff excluded a portion of the Applicant's EEI expenses. The Staff's recommendation of allowable EEI dues was based on a review of Applicant's supporting document WPC-3.11c. The Staff's adjustment is shown on Schedule C-3.10.

Ohio Excise Tax Rider

Both the Staff and the Applicant adjusted base revenues and the corresponding expenses for the Ohio Excise Tax Rider. The Staff's adjustment is shown on Schedule C-3.11.

Hartwell Expenses

Both the Applicant and the Staff excluded the expenses associated with the Hartwell Recreation Facility from test year operating expenses. This adjustment is consistent with the Staff's exclusion of the Hartwell plant investment from rate base. The Staff's adjustment is shown on Schedule C-3.12.

Non-Jurisdictional Expenses

Both the Staff and the Applicant eliminated non-jurisdictional operating expenses from test year operating expenses. The Staff's adjustment is presented on Schedule C-3.13.

PUCO and OCC Assessments

The Staff adjusted operating expenses to reflect PUCO and OCC assessments to the latest known level. The Staff's adjustment is shown on Schedule C-3.14.

Uncollectible Expense

The Staff adjusted test year uncollectible accounts expense to reflect the Staff's adjustments to operating revenues utilizing a three-year average ratio of the uncollectible provision to total revenue. The Staff's adjustment is shown on Schedule C-3.15.

Pension and Benefits Expense

The Applicant and Staff annualized pension and benefits expense based on test year wages and a budgeted loading rate. The Staff's adjustment can be found on Schedule C-3.16.

Regulatory Asset Amortization

Both the Applicant and the Staff adjusted test year operating expense to eliminate the amortization of disconnect moratorium expenses that end in 2008, as well as adjust the amortization of the remainder of the gain on the sale of the Lattice Towers that is being credited to customers over a three year period. The Staff adjusted tower space rental expense in order to be consistent with the Commission's Order in Case No. 99-29-EL-AEC. The Staff's adjustment is shown on Schedule C-3.17.

Commercial Activity Tax (CAT)

The Staff adjusted the Applicant's Commercial Activity Tax (CAT) test year expense using the H.B. 66, 2009 rate. The Staff's adjustment is shown on Schedule C-3.18.

FICA Tax Expense

Both the Applicant and Staff annualized test year FICA tax expense based on O&M labor expense amounts and the latest known OASDI tax and Medicare tax rates. The Staff's adjustment is presented on Schedule C-3.19.

FUTA / SUTA Tax Expenses

Both the Applicant and the Staff calculated the federal unemployment tax and the state unemployment tax based on updated employee counts. The latest known federal and state unemployment tax bases for Ohio and Kentucky were used in determining taxable wages. The Staff's adjustment is shown on Schedule C-3.20.

Cincinnati Franchise Tax

The Staff annualized Cincinnati franchise taxes to reflect tax law changes and adjustments to operating revenue. The Staff's adjustment is shown on Schedule C-3.21.

Income Taxes

The Staff computed test year federal, state, and municipal income taxes to reflect the recommended adjustments to operating income and rate base. The Staff's federal income tax computation reflects inter-period interest allocation and normalization of tax accelerated depreciation and other tax-to-book timing differences. Staff's federal income tax calculation is presented on Schedule C-4.

The Staff's state and municipal income tax calculation reflects federal taxable income adjusted for unallowable bonus depreciation. The Staff's federal, state, and municipal income tax adjustment is presented on Schedule C-3.22.

Merger Savings

As a result of an agreement in connection with Case No. 05-732-EL-MER, Applicant stated that it has already satisfied a merger savings sharing commitment by crediting its electric distribution customers with an agreed amount of 42% of projected five-year net savings. Applicant asserts that it would be inappropriate to also build the same merger savings into base rates during the same five-year period. Applicant claims that merger savings are reflected in its test year O&M expenses in this proceeding. Applicant included a \$6,836,400 merger savings amortization adjustment.

The Staff could not verify any merger savings included in the Applicant's filing. Therefore, Staff did not accept this adjustment.

RATE OF RETURN

The Staff recommends a rate of return in the range of 8.34% to 8.87%. The recommended rate of return was developed using a cost of capital approach which reflects a market-derived cost of equity, the Applicant's embedded cost of long-term debt, and an industry-derived capital structure.¹

Capital Structure

The Applicant is a wholly-owned subsidiary of Duke Energy Corporation, which is a publicly traded public utility holding company. Given that the rates established in this case are for electric distribution services, the Staff is using a capital structure for rate of return determination that is commensurate with the risk associated with operating electric distribution services. A comparable group of publically traded companies primarily engaged in electric utility service was developed to provide an average capital structure.² This group consists of publically traded companies in the standard industrial code 4911. AES Corporation, having an 84% debt ratio, and two other companies, having 0% debt, were deleted. The capital structure arrived at in this manner is 48.41% long-term debt and 51.59% common equity.

Cost of Long Term Debt

The Staff employed the embedded cost of long term debt of Applicant, as of March 31, 2008, from Applicant's Schedule D-3A. The embedded cost of long term debt is 6.45%.

Cost of Common Equity

The Staff considered a group of utilities which are representative of the Applicant for purposes of cost of equity estimation. This group consists of companies publicly traded on the New York Stock Exchange, and are categorized as electric utility companies (Standard Industrial Code = 4911) in Ventyx's Energy Velocity Suite. These companies have total capitalizations greater than \$10 billion. These companies have not had dividend cuts in the past four years, nor have dividends been flat over that period. These companies have Standard & Poor's bond ratings of A, A-, or BBB+. Based on these criteria, the Staff selected the following comparable group of seven companies:

¹ See Schedule D-1

² See Schedule D-1.12

<u>Company Name</u>	<u>Ticker</u>
Dominion Resources, Inc.	D
Duke Energy Corporation	DUK
FPL Group, Inc.	FPL
PPL Corporation	PPL
Progress Energy	PGN
Southern Company	SO
Xcel Energy, Inc.	XEL

The Staff employed a cost of equity estimate for the comparable group companies that is the average of their capital asset pricing model (CAPM) and discounted cash flow (DCF) derived estimates. In calculating its CAPM cost of common equity estimate, the Staff employed the average of the Value Line betas, being .6857 and the Ibbotson* derived spread of arithmetic mean total returns between large company stocks and long term government bonds (i.e., "risk free return"; 6.5%). These were used in the CAPM formulation with the weighted average of 10 year and 30 year daily closing Treasury yields for the period from October 1, 2008 through December 2, 2008. This period coincides with the recent period of profound disruption in the financial markets. The averaged 10 year yield is 3.62%. The averaged 30 year yield is 4.06%. These average to 3.84%. This was added to the product of the beta and the 6.5% spread, and resulted in a CAPM cost of equity estimate of 8.30%.³

In calculating its DCF cost of common equity estimate, for each comparable company, the Staff employed the annual average stock price, the last quarterly dividend annualized, estimates of the expected rate of growth of earnings, and generic issuance costs related to the external equity financing. The stock price employed is the average daily closing price for the period from October 1, 2008 through December 2, 2008.

The DCF model assumes that earnings growth and dividends growth are the same. The Staff averaged earnings per share estimates from Yahoo, MSN, and Value Line to get DCF growth estimates for each company.⁴ The Value Line average incorporates both the explicit long-range earnings estimate shown in the "box" and the implicit continuous growth rate calculated from the estimates of earnings per share.

For the Staff's determination of DCF cost of equity, a non-constant DCF growth rate was assumed. Dividends were assumed to grow at a rate derived from financial analysts' growth estimates for the first five years (i.e., long term growth rate). The Staff's DCF growth estimates were used for the first five years, as they are averages of estimates from various investor news services. From the twenty-fifth year on, the growth rate was assumed to equal the long-term growth rate in GNP. For the sixth

³ See Schedule D-1.2.

⁴ See Schedule D-1.3

through twenty-fourth years, dividends vary between the two rates in a linear fashion.⁵ The long-term growth rate in GNP was the average annual change in GNP from the U.S. Department of Commerce for 1929 through 2007.⁶

Based on long-term GNP growth, the respective Company DCF growth estimate and dividend, a stream of annual dividends was calculated. The internal rate of return derived from the dividend stream and the stock price was used for Staff's non-constant growth DCF cost of equity estimate.

The comparable group non-constant DCF cost of equity estimates average 12.56%. When averaged with the 8.30% CAPM estimate, the result is 10.43%. Using a one-hundred basis point range of uncertainty, the cost of equity estimate becomes 9.93% to 10.93%.⁷ To provide for this return, allowance must be made for issuance and other costs, as shown on Schedule D-1.1, resulting in an adjustment factor of 1.01904. Applying this factor to the baseline cost of common equity range results in a recommendation of 10.12% to 11.14%.

* Ibbotson Associates 2007 Yearbook: Stocks, Bonds, Bills and Inflation; Valuation Edition

⁵ See Schedules D-1.4 through D-1.10.

⁶ See Schedule D-1.11.

⁷ See Schedule D-1.1.

PROPOSED ACCOUNTING MODIFICATION AND DISTRIBUTION RIDER

On July 25, 2008, Applicant filed its application to increase electric distribution rates in this proceeding. Applicant also filed two other applications on the same date. Applicant requested authority to change accounting methods and defer costs associated with its future electric distribution investments under Case No. 08-711-EL-AAM, and, for authority to implement a new tariff rider called Distribution Rider (Rider DR) to recover these investments under Case No. 08-710-EL-ATA.

On July 30, 2008, Applicant filed its Electric Security Plan (ESP), Case No. 08-920-EL-SSO. Within the context of the ESP case, Applicant filed similar applications, Case No. 08-921-EL-AAM, seeking authority to defer the same costs associated with its future electric distribution investments that were requested in the distribution rate case discussed above, and, Case No. 08-923-EL-ATA, for a new Distribution Rider Infrastructure Modernization (Rider DR-IM) similar to the mechanism requested in 08-710-EL-ATA.

On October 28, 2008, a Stipulation and Recommendation was filed in Case No. 08-920-EL-SSO which, among other things, agreed to a January 1, 2009 implementation of distribution rider DR-IM, limited to electric SmartGrid investments, Applicant's Gas Furnace Program and, if subsequently approved by the Commission, the Electronic Bulletin Board (EBB). The Commission approved the Stipulation and Recommendation in an Opinion and Order dated December 17, 2008. Rider DR-IM was subsequently implemented on January 1, 2009.

On December 22, 2008, Applicant filed a Motion to amend Case No. 08-711-EL-AAM and Case No. 08-710-EL-ATA. Applicant requested Commission authority to change accounting methods to defer and create a regulatory asset for actual O&M storm restoration costs incurred and carrying charges resulting from the September 14, 2008, Hurricane Ike wind storm. Applicant also requested approval to narrow the scope of the Rider DR to just those incremental O&M expenses and carrying charges related to storm damage. Applicant proposes to change the name of Rider DR to Rider "DR-Ike" to avoid confusion with other riders. The initial level of Rider DR-Ike would be set at zero. Applicant proposes to file Rider DR-Ike sometime in 2009 for potential recovery of deferred storm damage costs.

By Commission Order in Case Nos. 08-709-EL-AIR, 08-710-EL-ATA, and 08-711-EL-AAM dated January 14, 2009, Applicant was authorized to defer storm damage restoration costs. The Commission's Order specified that the determination of the Applicant's original request for authority to change accounting methods and defer costs associated with its future electric distribution investments as filed on July 25, 2008, will be addressed within the context of the combined proceeding in Case Nos. 08-709-EL-

AIR, 08-710-EL-ATA, and 08-711-EL-AAM. The Commission's Order further ruled that the determination of the reasonableness of the deferred storm damage restoration amounts and the recovery thereof, if any, will be examined and addressed in a future proceeding before the Commission.

Consistent with the Staff's position in the Stipulation and Recommendation approved in Case No. 08-920-EL-SSO, the Staff does not support the Applicant's original request for authority to change accounting methods and defer costs associated with any future electric distribution investments as filed on July 25, 2008 other than electronic SmartGrid investments, Applicant's Gas Furnace Program and, if subsequently approved by the Commission, the EBB. With respect to Rider DR-lke, Staff recommends that Applicant's proposed Rider DR-lke is an appropriate mechanism to evaluate deferred storm damage costs and any recovery thereof, and that the Commission should establish a procedural schedule to afford interested parties the opportunity to participate in implementation of Rider DR-lke.

RATES AND TARIFFS

By its application in Case 08-709-EL-AIR, the Applicant requests authority to modify its electric distribution rates and charges.

The Commission Staff has investigated the rate and tariff matters proposed by the Applicant. The results of the investigation by the Staff are herein reported. It is the intent of the Staff to provide analysis with regard to the acceptability and reasonableness of the changes in revenue recovery mechanisms contained in the proposed tariffs. Typical bills are presented at the end of the Report (Schedule E-5). The proposals made by the Staff may require adjustments based on the revenue authorized by the Commission.

TARIFF ANALYSIS

The Applicant is proposing several changes, additions and deletions to its tariffs. The Staff divided the proposals into three categories:

- a. Changes to Electric Service Regulations;
- b. Tariff additions, deletions and combinations;
- c. Changes specific to individual rate schedules.

Changes to Electric Service Regulations

The Applicant is proposing various textual changes to its tariffs. Unless noted, Staff recommends approval of these changes as proposed by the Applicant.

Section I – Service Agreements

Sheet No. 20.1 – Company's Right to Refuse or to Disconnect Service: Sub-section 3 (f) concerns the disconnection of service when a customer or applicant refuses to provide reasonable access. Staff believes the Applicant should add language that references Rule 4901:1-18-02 of the Ohio Administrative Code (O.A.C.), which allows the Applicant to disconnect service when access is denied. Staff therefore recommends sub-section 3 (f) read as follows: "When a customer or applicant refuses to provide

reasonable access to the premises or ignores repeated request for access pursuant to Rule 4901:1-18-02 (G) of the Ohio Administrative Code.”

Sub-section 3 (k) concerns disconnection of service for nonpayment of bills for non-residential customers. Staff believes this section should include a reference to Rule 4901:1-10-17 (O.A.C.), which governs such disconnection procedures. Staff recommends that sub-section 3 (k) read as follows: “Nonpayment of bills when due, for non-residential customers only, pursuant to Rule 4901:1-10-17 of the Ohio Administrative Code.”

Section VI – Billing and Payment

Sheet No. 25.1 – Billing Periods – Time and Place for Payment of Bills: Paragraph 4 of this section concerns rendering of a final bill. Staff believes this paragraph should include the O.A.C. cite which instructs electric companies when an actual readings is required for a final reading. Staff recommends the following language that is in bold be inserted into this paragraph.

“When the Company is requested by the customer to terminate service, or when the Company discovers a customer has terminated service by moving from the premises served, or when the Company disconnects service due to nonpayment of the account or for other reasons, the Company will render a final bill addressed to the customer’s forwarding address, if known, or to the last known address, for the entire balance of the account, including a bill calculation from the last read date, pursuant to Rule 4901:1-10-05 (I) of the Ohio Administrative Code, with special meter readings taken for combination gas and electric and gas only accounts and identified estimated meter readings being used for non-heating electric only accounts. Unpaid balances of previously rendered final bills may be transferred to the new account and included on initial or subsequent bills.”

Sheet No. 25.1 – Billing Periods – Time and Place for Payment of Bills: The last paragraph section concerns the application of partial payments. Staff believes language should be included which advises how partial payments are applied to regulated and non-regulated charges. Staff therefore recommends that the Applicant include the following language to the end of the last sentence, “starting with regulated charges followed by non-regulated charges, pursuant to Rule 4901:1-10-33 (H) of the Ohio Administrative Code.”

Sheet No. 25.4 – Temporary Discontinuance of Service: The Company has proposed to change language from \$15.00 to reference Sheet 92 – Charge for Reconnection of Service which was approved in Case No. 06-407-GE-ATA. Staff recommends approval of this change as proposed.

Sheet No. 25.4 – Net Metering: The first paragraph of this section describes the availability of net-metering arrangements, and states that such availability is capped at

one percent of the Applicant's aggregate customer peak demand. SB 221 repealed this one-percent cap by revision to Section 4928.67(A)(1) of the Ohio Revised Code. To make this tariff provision consistent with the statute, Staff recommends that the Applicant delete the third sentence of this paragraph.

Backup Delivery Point Capacity Rider

The Applicant is proposing to introduce a new, optional service that provides an additional access link from the customer's location to the company's distribution and/or transmission networks. The service is available to non-residential customers and provides a redundant source of power to a customer in the event the customer's primary source experiences interruption. The Backup Delivery Point Capacity Rider service does not guarantee uninterrupted service, but seeks to increase reliability. The service is independent of electric generation supplier; thus, a customer who shops could purchase this service.

Fees for this service consist of a Connection Fee (if an additional metering point is required), unbundled distribution and/or transmission rates, and acceleration of costs, if applicable. In addition, a customer would be responsible for the cost of any dedicated facilities required to connect the distribution and/or transmission network(s) to their own facilities.

Staff has reviewed the Applicant's proposal and generally believes the tariff sets forth a reasonable basis for the pricing of this service. Staff believes the tariff should be revised to specify, for the calculation of acceleration of costs, that the annual charge shall be equal to the product of the capital investment which has been advanced, and the levelized fixed charge rate. In addition, the tariff should specify that the acceleration of costs only applies to the extent that the revenue requirement for such costs exceeds the monthly unbundled distribution and/or transmission charges. The peculiarities of any one customer's load requirements relative to their location and to the state of the then-existing capacity of the Applicant's distribution and transmission networks precludes a more precise rate design.

Finally, Staff is aware that some customers have been provided, and are currently receiving, a predecessor service to Backup Delivery for no additional charge. Staff believes it appropriate for those customers to now be charged for the service they are receiving. However, these customers should be given the opportunity to revise the amount of reserve capacity they desire, prior to the effective date of the rate increase in this case. In addition, inasmuch as these are existing customers, Staff would recommend no acceleration of charges apply.

The Applicant is proposing to delete certain schedules or riders including:

Rate HEC- Home Energy Check-up Service Program – This Program is being eliminated as the Company is no longer providing this service.

Rider RSS – Rate Stabilization Surcredit Rider- The program ended March 31, 2007. The Applicant is requesting to withdraw and cancel the rider.

Rider RGR- Residential Generation Rider – This rider was terminated on December 31, 2005. The Applicant is requesting to withdraw and cancel the rider.

Rider SC-Shopping Credit Rider - This rider was terminated on December 31, 2005. The Applicant is requesting to withdraw and cancel the rider.

Rider AG-Optional Alternative Generation Rider – The Rider has been rendered obsolete by various Commission orders. The Applicant is requesting to withdraw and cancel the rider.

Rider MSR-E – Merger Savings Credit Rider - This Rider was terminated on March 27, 2007. The Applicant is requesting to withdraw and cancel the rider.

The Staff supports the Applicant's proposal to withdraw and cancel the above Riders.

The Applicant is proposing to combine three of its current Riders into one Rider. The current Riders are the Brownfield Redevelopment Rider (BR), the Economic Development Rider (ED) and the Urban Redevelopment Rider (UR). The new rider will be called the Development Incentive Rider (DIR). Rider DIR will include elements of all three of the current development riders while making the offerings of each incentive consistent. Under the Economic Development Program, the Applicant proposes to change the term of agreement from one year to two years to enhance the customer benefits of the program. Under the Urban Redevelopment Program, the Applicant proposes to change the minimum size building requirement from 25,000 square feet to 50,000 square feet. The Applicant has indicated this change in the program is an attempt to target the "hardest to move" buildings, indicating that the smaller buildings sell and lease on their own without any incentive. The Applicant proposes to change the term of the agreement for this program from one year to two years, consistent with the other two programs, as proposed. Under the Brownfield Redevelopment program, the Applicant has proposed to add a provision requiring that an eligible customer must have a qualifying minimum load of 250 kW. The Applicant is also proposing that to qualify under this program the qualified Brownfield site must receive direct "economic assistance" from either the State of Ohio or one of its political jurisdictions. In addition, the Applicant proposes that the amount of the incentive cannot exceed the amount of public participation. The term of this program has been shortened from five years to two years, consistent with the proposed provisions of the other two development programs.

Currently, there are no customers being served under the Economic Development or Urban Redevelopment Rider and only one customer being served under the Brownfield Rider. As a result, Staff is concerned about the Applicant's proposals to limit eligibility of these programs. Staff recommends the Applicant not include the proposed language regarding the 250kW minimum load requirement, the language which indicates the Brownfield site must receive direct economic assistance from either the State of Ohio or one of its political jurisdictions, and finally, the language which limits the amount of the discount to that received from public participation. Staff finds the program as outlined in the current language is already limited to customers locating in a qualified "Brownfield" redevelopment area so designated by the Ohio Environmental Protection Agency and therefore, additional limitation is not necessary. The Staff also finds that the amount of incentive is limited to 50% of distribution charges for a two-year period and; therefore, the additional limitation is not necessary. Staff supports the remaining Applicant proposed changes to the programs.

Changes specific to individual rate schedules

Pole Attachments

The Applicant proposed a number of changes to its Pole Attachment/Conduit Occupancy Tariff (pole attachment tariff), including the rates, terms and conditions governing attachments. Specifically, the Applicant revised the Applicability, Attachment Charges, Payments, and Terms and Conditions sections of its pole attachment tariff; in addition, Applicant added both an Agreement section and, a Force Majeure paragraph to its Terms and Conditions section. Staff will address the Applicant's proposals in two sections of this Staff Report. Proposals related to technical specifications or safety issues (excepting rate issues) will be addressed in the Service Monitoring and Enforcement section of the report; the remainder of the issues will be discussed here.

In its Applicability paragraph, the Applicant proposes to exclude non-wireline attachments and occupancies from the tariff, and further proposes that such attachments/occupancies be at the sole discretion of the Company. Staff believes such a proposal is unreasonable, and vests too much discretion with the Company. Staff recommends the proposed second paragraph under Applicability be deleted.

The Applicant proposed to increase the annual pole attachment rental fee from \$4.25 per pole to \$14.42 per wireline attachment. A wireline attachment is defined as including 1 foot of vertical space on a Company distribution pole. As an initial matter, Staff believes the change from "per pole" to "per wireline attachment" is reasonable. The pole attachment rate is calculated based on 1 foot of space, and stating the rate on the same basis is reasonable. Regarding the proposed rate, the Applicant used the FCC Cable Formula and, for inputs, used 2007 Form 1 data where possible. Staff believes the formula the applicant has used is reasonable with two exceptions; in addition, the Staff has used different inputs in several instances. Staff would first amend the Applicant's formula by allocating a portion of Accounts 281, 282, and 283 (Accumulated Deferred Income Taxes (liability accounts)) to the pole

investment. The FCC's May 25, 2001 *Consolidated Partial Order On Reconsideration* in CS Docket No. 97-98 supports such inclusion. Secondly, Staff would use adjusted test year data where possible. In addition, Staff has used Staff's recommended depreciation accrual rate of 2.23% (see Staff's Schedule B-3.2a) for Account 364 (Poles, Towers, and Fixtures) and the mid-point of Staff's recommended rate of return of 8.61% (see Staff's Schedule D-1) in the formula. Finally, there are a number of instances where Staff adjusted plant or expense accounts differ from those used by the Applicant in its revenue requirement calculation; in those instances, Staff's figures were used in the development of the pole attachment rental fee. With these revisions, Staff's calculated maximum pole attachment rate is \$9.25. Staff, however, believes an increase from \$4.25 to \$9.25, or a 118% increase is too significant to impose in a single increase. Staff recommends the rate be increased 50%, rounded up, to \$6.40. A \$6.40 rate would be the highest tariffed electric company rate in the State but would be reasonable, in Staff's opinion, for purposes of this case. Based on the pole count and current revenues provided by Applicant's witness Storck in his direct testimony, a \$6.40 attachment rate will yield an additional \$255,043 $((\$6.40 \times 118,624) - \$504,151)$ per year for the Applicant.

Relative to the Terms and Conditions section of the tariff, there are several paragraphs containing proposed revisions. Regarding Paragraph 1, Application, under Terms and Conditions, the proposed language reads: "Within forty-five (45) days after receipt of such written application, the Company shall notify Licensee (attacher) in writing whether or not it is willing to permit the wireline attachment or occupancy and, if so, under what conditions." (Sheet No. 1.6, page 2 of 9) The current Pole Attachment/Occupancy Tariff (Effective April 3, 2006) reads: "Within 30 days after receipt of such application, the Company shall notify licensee (attacher) in writing whether or not it is willing to permit the attachments/occupancies and, if so, under what conditions." During a November 17, 2008 interview with the Applicant, the Company representative stated that the "vast majority" of applications will continue to be processed in 30 days or less. However, in cases where the application calls for the attachment of special equipment beyond a simple straightforward cable attachment, the Company needs additional time to possibly field investigate the pole to ensure the pole can safely carry the attachment. Staff recommends the Commission order the proposed language to read: "Within thirty (30) days after receipt of such written application, the Company shall notify Licensee in writing whether or not it is willing to permit the wireline attachment or occupancy. For applications involving special equipment beyond a cable attachment, the Company shall notify Licensee in writing within forty-five (45) days whether it is willing to permit the attachment or occupancy".

In addition, the Application paragraph contains the following sentence: "The Company shall have the sole right to determine the availability of such pole or conduit for joint use and shall be under no obligation to grant permission for its use by Licensee." While this provision is largely unchanged from the current tariff, and Staff is unaware of any abuses of the discretion afforded the Applicant by such a provision, Staff nonetheless believes an attacher would have no recourse should the Applicant discriminatorily exercise this provision. Accordingly, Staff recommends this sentence be removed from the tariff.

The Inspections paragraph contains a new provision wherein unauthorized attachments or occupancies will be assessed a sanction, per unauthorized attachment, of either \$100 plus 5 years annual rental (if Licensee does not participate in a required audit), or \$50 plus 5 years annual rental (if Licensee does participate in a required audit). This provision is intended to discourage parties from attaching to the Applicant's poles without first having obtained the required permit. While Staff agrees with the Applicant's objective of discouraging unauthorized attachments, Staff does not recommend the Applicant's proposed \$100 or \$50 charge be approved. It is Staff's understanding that the Applicant has never performed a complete, systematic, system-wide audit of its pole attachments. Staff believes a system-wide baseline should first be established where all attachments have first been audited before such a punitive proposal could be entertained.

Lastly, the Safety Violations paragraph contains a proposed sanction of \$200 for any attachment or occupancy that violates codes, regulations or technical specifications required by the Applicant. Once again, Staff agrees with the Applicant's objective of discouraging improper attachments, but we do not recommend the charge be considered until after a complete audit of the system is performed and any violations are cured.

RATE AND REVENUE ANALYSIS

General guidelines or objectives are followed in Staff's review of rate schedules and design. The applicable schedules should provide the utility the opportunity of recovering an authorized revenue. The various schedules should represent a reasonable distribution of revenue between and among various customer groups. The particular schedules should be equitable and reasonable, should provide for customer understanding and continuity of rates, and should cause minimal customer impact.

Rate design criteria are to be viewed as a package, in that they are interrelated. Although each item can be separately identified and applied to rate schedule determinations, no single standard is overriding in determining proper rate design. The rate schedules which comprise a particular utility's tariff should provide for recovery of expenses found proper in the course of a regulatory proceeding. If the rate schedule is designed on the basis of cost causation, it will provide for expense recovery in the long term, given changes in customer consumption characteristics. Normally, and to the extent sufficient information is available, cost of service studies and related expense analyses are necessary to determine the appropriate level of revenue to be generated and the appropriate recovery of such revenue.

The rate schedules should be designed to be equitable and reasonable to the customers served pursuant to their applicability. This criterion involves several considerations. The rate schedules should, to the extent practicable, be predicated upon the cost associated with a particular service rendered. Customers receiving like

services should be facing the same charges and provisions. Also, differences in applicable charges should be representative of differences in costs.

From a practicable rate design standpoint, absolute equality between costs and revenues may be difficult to achieve in the short term. While it may be viewed as equitable to set rates at costs, if there is a substantial divergence in the current rates, the resulting impact on individual customers may be viewed as unreasonable. While desiring cost supported charges, Staff considers such items as resulting typical customer billings and resulting revenue increases which would necessarily occur. While it is the Staff's position that rate schedules reflect costs, it is also important to consider the continuity associated with current and proposed pricing structures. This may result in movement more closely aligning revenue with costs rather than an absolute match at a particular time period.

When employing these standards to develop and design rates, the results should be understandable to all the customers billed under the tariff.

Cost of Service Analysis

Cost of service studies approximate the costs incurred by a utility in providing service and identifies the cause of the costs. These are determined by assigning the costs to the customer class relative to what each class imposes on the system. There are several steps involved, as listed below:

- **Functionalization:** The separation of costs according to production, transmission or distribution function.
- **Classification:** The separation of costs as being customer, demand or energy related. Customer costs are independent of customer usage characteristics and are costs which are associated with customer service connections to the system and vary with the number of customers served. Demand and capacity costs are those expenses which vary with the rate in which the service is used, such as the cost of meeting peak demand. Energy costs are the costs which vary according to the volume of energy consumed, or the customer's kilowatt-hour consumption.
- **Allocation:** The last step is the allocation of costs to each customer class. This is determined by a combination of the number of customers, class demands, and energy usage.

The Cost of Service Study (COSS) filed by the Applicant is an embedded fully allocated cost of service study by rate class for the test period ended December 31, 2008, as adjusted. The COSS allocates distribution-related items such as plant investment, operating expenses and taxes to the various customer classes. These costs are then classified as customer-related or demand-related. Finally the cost of service study calculates the revenue responsibility of each class required to generate the applicant's recommended rate of return.

The Applicant used the non-coincident peak and average class group peak methodologies for the COSS for determining the major allocation factors. The allocation factors were developed based on customer, energy and demand statistics from the Applicant's 2006 load research studies and 2007 customer usage data. The Applicant based its allocations on the cost causation guidelines established in the NARUC "Electric Utility Cost Allocation Manual." COSS results are presented on Tables 1 and 2.

Table 1 provides the Current, Applicant-proposed and Staff-proposed distribution related Rates of Return and Indexes for the customer classes.

Table 1

**COST OF SERVICE RESULTS
RATES OF RETURN**

	CURRENT		APPLICANT PROPOSED		STAFF PROPOSED	
	%	Index	%	Index	%	Index
RS - Residential	4.55	1.32	9.10	1.00	9.83	1.08
DS - Sec. Dist. Large	1.91	0.56	9.10	1.00	8.09	0.89
EH - Sec. Dist. Large (Elec Heating)	1.05	0.31	9.10	1.00	7.52	0.83
DM - Sec. Dist. Small	12.54	3.65	9.10	1.00	15.12	1.66
GS-FL - Sec. Dist. Small	3.87	1.13	9.10	1.00	9.38	1.03
DP - Primary Dist.	-3.24	-0.94	9.10	1.00	4.68	0.51
TS- Transmission	373.71	108.64	9.10	1.00	9.10	1.00
Lighting	8.52	2.48	9.10	1.00	12.46	1.37
Total Distribution	3.44	1.00	9.10	1.00	9.10	1.00

Table 2 provides the Current, Applicant-proposed and Staff-proposed distribution of total distribution related revenue based on the current total distribution revenue and Applicant's proposed increase in total distribution revenue.

Table 2

**COST OF SERVICE RESULTS
REVENUE DISTRIBUTION PERCENTAGE**

	CURRENT REVENUE	APPLICANT PROPOSED REVENUE	STAFF PROPOSED REVENUE
	%	%	%
RS - Residential	59.14	55.45	57.00
DS - Sec. Dist. Large	26.54	29.73	28.53
EH - Sec. Dist. Lge (Elec Heating)	0.34	0.41	0.38
DM - Sec. Dist. Small	5.87	4.10	4.99
GS-FL - Sec. Dist. Small	0.15	0.15	0.15
DP - Primary Dist.	5.28	8.29	6.83
TS- Transmission	0.38	0.03	0.03
Lighting	2.30	1.84	2.09
Total Distribution	100.00	100.00	100.00

Distribution of Proposed Revenue Increase

The Applicant is proposing a total increase in distribution base revenues of approximately \$86 million. The proposed increase is being distributed such that all customer classes will be paying one-hundred percent of their electric distribution cost of service. All current subsidies would be eliminated under the Applicant's proposal based on its COSS results.

The Staff has analyzed the COSS utilized by the Applicant and finds that it is a reasonable indicator of costs and cost responsibility. However, as seen in Table 1, the current Rate of Return and Index for the customer classes varies significantly. As a result, moving all classes to equal rates of return at this time as proposed by the Applicant results in significant rate increase for certain classes. The Staff recommends a more gradual path towards equal rates of return than that proposed by the Applicant. The Staff recommends that the customer classes be moved seventy-five percent of the way towards equal rates of return in this case. In the last distribution rate case the customer classes were moved fifty percent of the way towards equal rate of returns. As shown in Table 1, "Current" column, the 50% move towards equal rate of returns approved in the last rate case did not significantly move the customer classes towards equal rates of return. As a result, Staff recommends a 75% move towards equal rates of return in this case. Tables 3 and 4 provide Applicant's and Staff's proposed distribution of revenue and revenue increase for each class of customer as well as each class's percentage of total revenues to be received. Tables 5 and 6 provide the Applicant's and Staff's proposed distribution revenue increase based on total Company revenues.

In addition, the Staff supports the Applicant's proposal to eliminate distribution charges to transmission customers who receive service at the transmission system level. Staff's proposed distribution of the revenue increase on Table 7 reflects this.

Staff's total increase amounts in Tables 4 & 6 reflect the Applicant proposed increase and not the Staff proposed increase discussed elsewhere in this report. Table 7 should be utilized to allocate the final Commission authorized increase, except for the transmission class which should not be subject to distribution charges except for certain customer charge costs. In addition, Staff recommends that the residential customer charge be maintained at Staff's proposed level of \$5.71 (See Table 8), and necessary adjustments based upon the Commission's final authorized increase shall be reflected in the residential energy rates.

Table 3

**REVENUE DISTRIBUTION & INCREASE
APPLICANT PROPOSED**

	CURRENT		APPLICANT PROPOSED		INCREASE	
	\$	% of Total	\$	% of Total	\$	%
RS - Residential	183,880,582	59.14%	219,874,558	55.45%	35,993,976	19.57
DS - Sec. Dist. Large	82,512,029	26.54%	117,878,702	29.73%	35,366,673	42.86
EH - Sec. Dist. Large (Elec Heating)	1,063,549	0.34%	1,614,420	0.41%	550,871	51.80
DM - Sec. Dist. Small	18,263,896	5.87%	16,259,178	4.10%	-2,004,718	-10.98
GSFL -Sec. Dist. Sm.	463,026	0.15%	588,784	0.15%	125,758	27.16
DP - Primary Dist.	16,417,391	5.28%	32,889,792	8.29%	16,472,401	100.34
TS- Transmission	1,186,721	0.38%	119,800	0.03%	-1,066,921	-89.90
Lighting	7,140,221	2.30%	7,306,632	1.84%	166,411	2.33
Total Distribution	310,927,415	100%	396,531,866	100%	85,604,451	27.53

Table 4

**REVENUE DISTRIBUTION & INCREASE
STAFF PROPOSED**

	CURRENT		STAFF PROPOSED		INCREASE	
	\$	% of Total	\$	% of Total	\$	%
RS - Residential	183,880,582	59.14%	226,025,232	57.00%	42,144,650	22.92%
DS - Sec. Dist. Lge	82,512,029	26.54%	113,148,331	28.53%	30,636,302	37.13%
EH - Sec. Dist. Large (Elec Heat)	1,063,549	0.34%	1,509,803	0.38%	446,254	41.96%
DM - Sec. Dist. Sm	18,263,896	5.87%	19,778,576	4.99%	1,514,680	8.29%
GS-FL - Sec. Dist. Sm	463,026	0.15%	596,667	0.15%	133,641	28.86%
DP - Primary Dist.	16,417,391	5.28%	27,079,610	6.83%	10,662,219	64.94%
TS- Transmission	1,186,721	0.38%	119,800	0.03%	-1,066,921	-89.90%
Lighting	7,140,221	2.30%	8,273,847	2.09%	1,133,626	15.88%
Total Distribution	310,927,415	100%	396,531,866	100%	85,604,451	27.53%

Table 5

**REVENUE DISTRIBUTION & INCREASE
APPLICANT PROPOSED
TOTAL COMPANY REVENUE**

	CURRENT*		APPLICANT PROPOSED		INCREASE	
	\$	% of Total	\$	% of Total	\$	%
RS - Residential	753,471,036	41.68%	789,465,012	41.70%	35,993,976	4.78%
DS - Sec. Dist. Large	610,341,046	33.77%	645,707,719	34.11%	35,366,673	5.79%
EH - Sec. Dist. Lge (Elec Heat)	6,293,128	0.35%	6,843,999	0.36%	550,871	8.75%
DM - Sec. Dist. Small	63,614,684	3.52%	61,609,966	3.25%	-2,004,718	-3.15%
GS-FL - Sec. Dist. Small	3,504,566	0.19%	3,630,324	0.19%	125,758	3.59%
DP - Primary Dist.	180,169,779	9.97%	196,642,180	10.39%	16,472,401	9.14%
TS- Transmission	177,217,516	9.80%	176,150,595	9.30%	-1,066,921	-0.60%
Lighting	12,958,294	0.72%	13,124,705	0.69%	166,411	1.28%
Total Distribution	1,807,570,049	100.00%	1,893,174,500	100.00%	85,604,451	4.74%

* Based on rates and riders in effect June 2008.

Table 6

**REVENUE DISTRIBUTION & INCREASE
STAFF PROPOSED
TOTAL COMPANY REVENUE**

	CURRENT*		STAFF PROPOSED		INCREASE	
	\$	% of Total	\$	% of Total	\$	%
RS - Residential	753,471,036	41.68%	795,615,686	42.03%	42,144,650	5.59%
DS - Sec. Dist. Large	610,341,046	33.77%	640,977,348	33.86%	30,636,302	5.02%
EH - Sec. Dist. Lge (Elec Heat)	6,293,128	0.35%	6,739,382	0.36%	446,254	7.09%
DM - Sec. Dist. Sm	63,614,684	3.52%	65,129,364	3.44%	1,514,680	2.38%
GS-FL - Sec. Dist. Sm	3,504,566	0.19%	3,638,207	0.19%	133,641	3.81%
DP - Primary Dist.	180,169,779	9.97%	190,831,998	10.08%	10,662,219	5.92%
TS- Transmission	177,217,516	9.80%	176,150,595	9.30%	-1,066,921	-0.60%
Lighting	12,958,294	0.72%	14,091,920	0.74%	1,133,626	8.75%
Total Distribution	1,807,570,049	100.00%	1,893,174,500	100.00%	85,604,451	4.74%

* Based on rates and riders in effect June 2008.

Table 7

DISTRIBUTION OF PROPOSED REVENUE INCREASE

	APPLICANT PROPOSED		STAFF PROPOSED	
	\$	% of Total	\$	% of Total
RS - Residential	35,993,976	42.05%	42,144,650	49.23%
DS - Sec. Dist. Large	35,366,673	41.31%	30,636,302	35.79%
EH - Sec. Dist. Large (Elec Heating)	550,871	0.64%	446,254	0.52%
DM - Sec. Dist. Small	-2,004,718	-2.34%	1,514,680	1.77%
GS-FL - Sec. Dist. Small	125,758	0.15%	133,641	0.16%
DP - Primary Dist.	16,472,401	19.24%	10,662,219	12.46%
TS- Transmission	-1,066,921	-1.25%	-1,066,921	-1.25%
Lighting	166,411	0.19%	1,133,626	1.32%
Total Distribution	85,604,451	100.00%	85,604,451	100.00%

Residential Customer Charge Determination

Staff has utilized a method for determining customer charges that is considered minimally compensatory and includes only those costs such as meters and service drops that are necessary for each customer to be served. In this case, the Applicant has proposed to include a portion of transformer costs in its proposed customer charge. The transformer cost portion which has been classified as customer related was determined based on minimum-size transformers as outlined in the Applicant's testimony. Staff does not find it unreasonable to include costs related to minimum size transformers in a customer charge, recognizing that a minimum size distribution system is required to serve any one customer.

In its calculation the Applicant includes other plant and expense items in addition to the minimum size transformer costs, as detailed in its filing of Schedule E-3.2a. The Applicant's calculation generates a \$10.83 customer charge, but the Applicant is proposing a \$10.00 customer charge for standard residential customers. Staff has included the minimum size transformer cost in its standard calculation methodology, but all other accounts will remain the same. Utilizing Staff's methodology for calculating customer charges and including the costs of minimum size transformers, Staff calculates a customer charge of \$5.71 (See Table 8 below). As a result, Staff recommends a customer charge of \$5.71 for standard residential customers.

Table 8

**RESIDENTIAL
CUSTOMER CHARGE**

Acct. No.	Account Title	Account Balance
	Plant Accounts	
368	Transformers (Minimum Size)	\$ 48,136,460
369	Services	\$ 13,106,712
370	Meters	\$ 32,136,112
	Total Customer Related Distribution Plant	\$ 93,379,284
	Expense Accounts	
586/597	Meter Expense/Maintenance	\$ 1,168,373
587	Customer Installation Expense	\$ 1,047,352
901-903	Cust. accts supervision/meter read/records	\$ 19,810,653
908	Customer Assistance	\$ 2,159,287
909	Customer Information and Instruction	\$ 3,080
	Total Customer Related Expenses	\$ 24,188,745
	Customer Related Distribution Plant Carrying Cost (93,379,284 *20.23%)	\$ 18,386,381
	Total Carrying Cost and Expenses	\$ 42,575,126
	Number of Customer Bills/Year	7,545,060
	Customer Cost/Bill (Unweighted)	\$ 5.71

Rate Design

Rate RS – Residential Service

This service is available for private residences, single occupancy apartments and separately metered common use areas of multi-occupancy buildings. The Applicant is maintaining the same block structure (customer charge and two energy blocks) for both summer and winter rates. The Applicant is proposing to increase the Customer Charge from \$4.50 to \$10.00 and reduce all energy block rates. As discussed above, Staff recommends increasing the customer charge to \$5.71 and increasing the energy charges. In addition, since the energy block rates are identical and the summer and

winter rates are identical, Staff recommends that the tariff only include one energy block for the entire year:

	<u>Current</u>	<u>Applicant</u>		<u>Staff</u>	
	<u>\$</u>	<u>Proposed</u>	<u>Increase</u>	<u>Proposed</u>	<u>Increase</u>
		<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
Customer Charge:	\$ 4.50	\$ 10.00	122.0 %	\$ 5.71	26.9 %
Energy Charge:					
<u>Summer</u>					
First 1000 kWh	0.019949	.019217	(3.8 %)		
Additional kWh	0.019949	.019217	(3.8 %)		
<u>Winter</u>					
First 1000 kWh	0.019949	.019217	(3.8 %)		
Additional kWh	0.019949	.019217	(3.8 %)		
Energy Charge:					
All kWh				.024343	22.0 %

Rate ORH – Optional Residential Service with Electric Space Heating

This service is available to customers in private residences and single occupancy apartments where electric heating is used as the primary source of heating. The Applicant is proposing to increase the customer charge from \$4.50 to 10.00 and reduce the energy charges, similar to rate RS. The Staff recommends a \$5.71 customer charge with an increase to the energy block rates as provided below:

	<u>Current</u>	<u>Applicant</u>		<u>Staff</u>	
	<u>\$</u>	<u>Proposed</u>	<u>% Increase</u>	<u>Proposed</u>	<u>% Increase</u>
		<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
Customer Charge:	4.50	\$ 10.00	122.0 %	\$5.71	26.9 %
Energy Charge:					
<u>Summer</u>					
First 1000 kWh	0.023426	0.022115	(5.6 %)	0.028073	19.8 %
Additional kWh	0.027749	0.026196	(5.6 %)	0.033254	19.8 %
Excess of 150 * Demand	0.027749	0.026196	(5.6 %)	0.033254	19.8 %
<u>Winter</u>					
First 1000 kWh	0.023426	0.022115	(5.6 %)	0.028073	19.8 %
Additional kWh	0.012939	0.012215	(5.6 %)	0.015506	19.8 %
Excess of 150 * Demand	0.008723	0.008235	(5.6 %)	0.010453	19.8 %

Rate TD – Optional Time-Of-Day Rate for Residential Service

This service is available to customers in private residences and single occupancy apartments that have programmable time-of-day meters. The Applicant is proposing to increase the customer charge from \$13.00 to \$18.50 per month and reduce On-Peak and Off-Peak energy charges. The Staff recommends the customer charge be increased to \$16 per month and the energy charges be increased as provided below:

	<u>Current</u>	<u>Applicant</u>		<u>Staff</u>	
	<u>\$</u>	<u>Proposed</u>	<u>Increase</u>	<u>Proposed</u>	<u>Increase</u>
		<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
Customer Charge:	13.00	\$18.50	42.3 %	\$16.00	23.0 %
Energy Charge:					
<u>Summer</u>					
On Peak kWh	0.037141	0.035777	(3.7 %)	0.044528	19.9 %
Off Peak kWh	0.006479	0.006241	(3.7 %)	0.007768	19.9 %
<u>Winter</u>					
On Peak kWh	0.029514	0.028430	(3.7 %)	0.035384	19.9 %
Off Peak kWh	0.006474	0.006236	(3.7 %)	0.007762	19.9 %

Rate CUR – Common Use Residential Service

This rate schedule is applicable to electric service other than three phase service for separately metered common use areas of multi-occupancy buildings. The distribution rates are currently identical to Rate RS rates. Applicant is proposing the same increases to the customer charge and energy blocks as it proposed for Rate RS. Staff is recommending the same customer charge and energy rates as it proposed for Rate RS.

Rate RS3P – Residential Three-Phase Service

This rate is available for private residences and single occupancy apartments and separately metered common use areas of multi-occupancy buildings where three-phase service is required. The distribution rates are similar to Rates RS except a higher customer charge is necessary to reflect the required three-phase meter. The Applicant is proposing to increase the customer charge from \$6.50 to \$12.00 and recommends the same energy rates as proposed for Rate RS. The Staff recommends a customer charge of \$8.00 and recommends the same energy charges as Staff proposed for Rate RS.

Rate DS - Service at Distribution Secondary

This rate schedule is applicable to customers who have load requirements at the secondary system voltage level and the average monthly demand is greater than 15 kW. The Applicant is proposing to increase the customer charge from \$7.50 to \$20.00 for single phase service and from \$15.00 to \$40.00 for single phase service and/or three phase service. The Applicant is also recommending an increase to the distribution demand charge. The Staff recommends a \$12.00 customer charge for single phase service and a \$24.00 customer charge for single phase service and/or three phase service. The Staff also recommends an increase to the distribution demand charge as provided below:

	<u>Current</u>	<u>Applicant</u>		<u>Staff</u>	
	\$	<u>Proposed</u>	<u>Increase</u>	<u>Proposed</u>	<u>Increase</u>
		\$	%	\$	%
Customer Charge:					
Single Phase	7.50	20.00	167.0%	12.00	60.0 %
Single/Three Phase	15.00	40.00	167.0	24.00	60.0
Demand Charge:					
All kilowatts	3.7908/kW	5.2145/kW	37.5%	5.1600/kW	36.1 %

Rate GS-FL – Optional Unmetered General Service Rate for Small Fixed Loads

This rate schedule is available to customers where secondary distribution lines exist for any fixed load that can be served by standard service drop from the Company's existing distribution system. The Applicant proposes to increase the distribution charges for this schedule. Although this schedule does not have a customer charge, it does have a minimum charge of \$5.00 per month per fixed load location. The Applicant is not proposing to increase this charge. The Staff recommends that the distribution charges be increased as provided below:

	<u>Current</u>	<u>Applicant</u>		<u>Staff</u>	
	<u>\$/kWh</u>	<u>Proposed</u>	<u>Increase</u>	<u>Proposed</u>	<u>Increase</u>
		<u>\$/kWh</u>	%	<u>\$/kWh</u>	%
Distribution charges					
(a) For loads based on a range					
Of 540 to 720 hours use per					
Month of the rated capacity					
Of the connected equipment	0.015329	0.019649	28.2 %	0.019920	29.9 %
(b) For loads of less than 540					
Hours use per month of the					
Rated capacity of the					
Connected equipment	0.017587	0.022543	28.2 %	0.022854	29.9%

Rate EH- Optional Rate for Electric Space Heating

The Optional Electric Space Heating schedule is available to any public school, parochial school, private school, or church whose primary source of heating is electric energy and such energy can be furnished at one point of delivery and can be metered separately. The Applicant has proposed to increase the customer charge for single phase service from \$7.50 to \$15.00, three phase service from \$15.00 to \$40.00 and primary service from \$150.00 to 200.00. The Applicant also proposes an increase to energy charge. The Staff recommends customer charges of \$12.00, \$24.00 and \$200.00, respectively, as well as an increase to the energy charge, as provided below:

	<u>Current</u>	<u>Applicant</u>		<u>Staff</u>	
	<u>\$/kWh</u>	<u>Proposed</u>	<u>Increase</u>	<u>Proposed</u>	<u>Increase</u>
		<u>\$/kWh</u>	<u>%</u>	<u>\$/kWh</u>	<u>%</u>
Customer Charge:					
Single Phase	7.50	20.00	167.0%	12.00	60.0%
Three Phase	15.00	40.00	167.0	24.00	60.0
Primary	150.00	200.00	33.0	200.00	33.0
Energy Charge:					
All kilowatt-hours	0.011356	0.016465	45.0%	0.015999	40.9%

Rate DM – Secondary Distribution- Small

This service is available to customers who have loads of 15 kW or less and is also available for recreation facilities which are promoted, operated and maintained by non-profit organizations where such service is separately metered. The Applicant is proposing to maintain the customer charges for Single and three phase service at \$7.50 and \$15.00 respectively. The Applicant proposes to decrease the energy charges by 14.9%. The Staff proposes to increase the customer charge to \$8.00 for single service and \$16.00 for three phase service as well as proposing an increase of 11.0% for the distribution energy charges as provided below:

	<u>Current</u>	<u>Applicant</u>	<u>Staff</u>
	<u>\$</u>	<u>Proposed</u>	<u>Increase</u>
		<u>\$</u>	<u>%</u>
Customer Charge:			
Single Phase	7.50	7.50	0.0%
Three Phase	15.00	15.00	0.0
Energy Charge:			
<u>Summer</u>			
First 2,800 kWh	0.035471	0.030185	(14.9%)
Next 3,200 kWh	0.002951	0.002511	(14.9%)
Additional kWh	0.001252	0.001065	(14.9%)
<u>Winter</u>			
First 2,800 kWh	0.025462	0.021668	(14.9%)
Next 3,200 kWh	0.002951	0.002511	(14.9%)
Additional kWh	0.001252	0.001065	(14.9%)

Rate DP – Service at Primary Distribution Voltage

This service is available to customers who have load requirements at nominal primary distribution system voltages of 12,500 volts or 34,500 volts. The Applicant is proposing to increase the customer charge from \$150.00 to \$200.00 as well as increasing the demand charge. The Staff supports the customer charge increase to \$200.00 and also proposes to increase the distribution demand charges as provided below:

	<u>Current</u>	<u>Applicant</u>	<u>Staff</u>
	<u>\$</u>	<u>Proposed</u>	<u>Increase</u>
		<u>\$</u>	<u>%</u>
Customer Charge:			
Pri Voltage Service	150.00	200.00	33.3%
Demand Charge:			
All kilowatts	2.937/kW	5.6495/kW	92.3%

Rate TS - Service at Transmission Voltage

This service is available to customers with load requirements at a nominal transmission system voltage of 69,000 volts or higher. The Applicant is proposing to increase the customer charge from \$150.00 to \$200.00 to better reflect the fixed costs of serving transmission customers. The Applicant proposes to eliminate the demand charges for this service since Transmission voltage customers do not utilize the distribution system below 69,000 volts, except for those fixed costs being recovered through the customer charge. The Staff agrees with the Applicant and recommends both the increase in the customer charge and the elimination of the demand charges for this schedule as provided below.

	<u>Current</u>	<u>Applicant</u>	<u>Staff</u>
	<u>\$</u>	<u>Proposed</u>	<u>Proposed</u>
		<u>Increase</u>	<u>Increase</u>
		<u>\$</u>	<u>%</u>
Customer Charge:	150.00	200.00	33.3%
Demand Charge:			
All kilowatts	0.196/kVa	0.000/kVa	(100.0%)
			0.000/kVa (100.0%)

Street Lighting, Traffic Lighting, Outdoor Lighting Services

The Applicant proposes an increase of 2.3% for all lighting schedules to reflect the cost of service results of all lighting classes combined. The Staff recommends an across the board increase of 15.9%, which is a result of Staff's recommendation of moving the customer classes only 75% of the way towards achieving equal rates of return as opposed to the Applicant's proposal of moving all classes 100% of the way to achieve equal rate of return. Staff's recommended 15.9% increase is well below the average total increase of 27.53%, recognizing that this class is currently earning above the average rate of return.

Typical Customer Bill Tables

See Schedule E-5 for typical bills of various customer classes and customer usages. The tables provide current typical bills, Applicant proposed and Staff proposed typical bills on a total customer bill basis which includes and Riders in effect as of June 1, 2008.

RELIABILITY AND SERVICE QUALITY REVIEW

Plant Maintenance Review

The Service Monitoring and Enforcement Department (SMED), Facilities & Operations Field Division (FOFD), is charged with inspecting utility facilities and reviewing plant operating practices to ensure regulated utility service providers deliver safe, reliable and quality service. Staff routinely conducts various investigations (corporate office audits and PUCO field staff site inspections) of the Applicant's distribution system, administrative operations, and specific physical facilities. The purpose of the audits was to assess the compliance of the Applicant's programs to maintain system safety and service reliability with Rule 4901:1-10-27, Ohio Administrative Code (O.A.C.), [Inspection, Maintenance, Repair, and Replacement of Transmission and Distribution Facilities (Circuits and Equipment)], and others. Rule 4901:1-10-27(E)(2)(a), O.A.C. requires each electric utility to submit a plan for the inspection, maintenance, repair, and replacement of circuits and equipment, as stated in paragraph (E)(1) of the rule, for review and acceptance by SMED. This report also addresses compliance with rules 4901:1-10-04 (Voltage), 05(Metering), 06(National Electric Safety Code), and 11(Distribution Circuit Performance). The following reflects the Staff's activity and findings relative to the Applicant from June 2005 through October 2008.

O.A.C. 4901:1-10-27(D)(1) Scheduled Inspections: Circuits & Equipment

Rule 4901:1-10-27(D)(1), O.A.C. lists inspection requirements for distribution facilities (circuits and equipment) to maintain safe and reliable service on the following scheduled basis:

(D)(1) Distribution – at least one-fifth of all distribution circuits and equipment shall be inspected annually. All distribution circuits and equipment shall be inspected at least once every five years.

Staff conducted a baseline audit in 2005 and follow-up audits in 2006, and 2008 to determine how the Applicant implements Rule 27(D)(1). Specifically, Staff audited the Applicant's overhead distribution circuits and equipment inspection programs to review various components of the distribution system.

Findings

The audits and field inspections confirmed the Applicant's compliance with its inspection programs and with its requirement to annually inspect at least one fifth of all distribution circuits and equipment.

Recommendations

No recommendations are being made at this time with respect to circuit inspections.

O.A.C. 4901:1-10-27(D)(3) Scheduled Inspections: Substations

Rule 4901:1-10-27(D)(3), O. A. C., specifies the inspection frequency requirement for substations and equipment to maintain safe and reliable service:

(D)(3) Substations – all transmission and distribution substation and equipment shall be inspected at least once each month.

Staff conducted a baseline audit in 2004 and follow-up audits in 2005, and 2007 of the Applicant's substation monthly inspection programs. Staff has conducted 20 field verification audits for monthly substations inspections from June 2005 through October 2008.

Findings

The audits and field inspections confirmed the Applicant's compliance with its requirement to conduct monthly transmission and distribution substation and equipment inspections.

Recommendations

No recommendations are requested at this time with respect to substations.

O.A.C. 4901:1-10-27(E)(1)(a)(b)(c)(d)(e)(f)(g) Distribution Inspection, Maintenance, Repair, and Replacement Programs

Rule 4901:1-10-27(E)(1)(a), O. A. C. requires each electric utility to:

(D)(1) Establish and maintain written programs, procedures and schedules for the inspection, maintenance, repair, and replacement of its transmission and distribution circuits and equipment. These programs shall establish preventative requirements for the electric utility to maintain safe and reliable service. Programs shall include, but are not limited to, the following facilities:

(a) Poles and towers;

Staff conducted initial baseline audits of the Applicant's program for distribution wood pole inspection & maintenance in 2004 and 2005 with limited success, resulting in the

creation of a stand alone Poles and Towers program in 2006. Follow-up office audits were conducted in 2006 and 2008.

Staff conducted twelve (12) routine field inspections of Poles and Towers from program inception, November, 2006 to November, 2008.

Findings

As part of the Applicant's (CG&E) filing Case No. 05-0059-EL-AIR, Staff recommended the Applicant file a stand alone pole maintenance and inspection plan as required by OAC 4901:1-10-27(E)(1)(a). The Stipulation stated, "All recommendations set forth in the staff report, unless otherwise set forth in the stipulation, including the stipulation attachments, shall be implemented by the Applicant." As a result of the stipulation agreement, the Applicant created a stand alone distribution pole inspection program.

Beginning in 2006, 10% of distribution poles were to be inspected annually pursuant to the program's ten year cycle. In November 2006, Staff conducted an office audit to verify that the Applicant was conducting distribution pole inspections in accordance with the Staff accepted company plan. The audit revealed the Applicant had deviated from the accepted distribution pole inspection program. As a result, the Applicant agreed to inspect 20% of its distribution poles in 2007 to make up for the first year (2006). In March 2007, Staff found that the work completed during the first two months of 2007 was not in compliance with the accepted Poles and Towers program, specifically, the Applicant was not boring all poles 13 years or older. As a result, Staff required the Applicant to re-inspect (i.e. bore) these poles that had been erroneously inspected in 2007. Staff's March 2008 audit confirmed that the Applicant re-inspected the involved poles. The audit also showed that the Applicant's personnel performed quality control inspections for all 460 poles.

In the fall of 2007, the Applicant submitted a revision to their Poles and Towers program in accordance with 4901:1-10-27(E)(2)(c). The Applicant's request was a result of consulting with other Ohio electric utilities concerning their pole inspection programs and reviewing the data collected from their own 2007 Poles and Towers results. The Applicant found that boring all poles 13 years and older had negligible benefit and was not in line with other Ohio electric utilities pole inspection programs. The Applicant's submitted revision called for partial excavation and boring one evaluation hole just below ground level on all poles 20 years and older. Staff reviewed and accepted Applicant's Pole and Tower program revision on January 4, 2008 to be effective for the 2008 pole inspection cycle.

From March to December 2007, Staff conducted monthly Poles and Towers audits to ensure the Applicant was conducting inspections in accordance with their written program. Staff also gathered data on the number of inspections occurring. The Applicant performed 53,250 (20.3%) distribution pole inspections during the year. Staff commended the Applicant for having all necessary records and documentation readily available for review during this office audit.

Staff requested and received a progress update for the 2008 Poles and Towers inspection schedule. As of August 31, 2008, the Applicant had inspected 20,953 of 26,427 (79%) distribution poles scheduled for 2008.

Recommendations

No recommendations are being made at this time with respect to Poles and Towers.

O.A.C. 4901:1-10-27(E)(1)(a)(b)(c)(d)(e)(f)(g) Inspection, Maintenance, Repair, and Replacement: Conductors

The O.A.C. requires each electric utility to:

(E)(1) Establish and maintain written programs, procedures and schedules for the inspection, maintenance, repair, and replacement of its transmission and distribution circuits and equipment. These programs shall establish preventative requirements for the electric utility to maintain safe and reliable service. Programs shall include, but are not limited to, the following facilities:

(b) Conductors:

Staff conducted initial baseline audits in 2005 and follow-up audits in 2006 and 2008 to determine how the Applicant implements the requirements of Rule 4901:1-10-27 (E)(1)(b), O.A.C., for conductors. The audits showed that the Applicant has existing programs and procedures in accordance with the rule.

Staff conducted seventeen (17) routine field inspections for this requirement from June 2005 to November 2008.

Findings

The audits and field inspections confirmed the Applicant's compliance with its inspection program and with its requirement to annually inspect at least one fifth of all distribution circuits and equipment. Examples of equipment visually inspected during conductor inspections include; cross arms, lightning arresters, insulators, conductors, poles, guys, pad-mount transformers, pedestals, grounds, risers, bushings, gang operated air brakes, vegetation encroachment, pole tags and conductor sag.

Recommendations

No recommendations are being made at this time with respect to conductor inspections.

O.A.C. 4901:1-10-27(E)(1)(a)(b)(c)(d)(e)(f)(g)
Inspection, Maintenance, Repair, and Replacement: Pad-Mounted Transformers]

The O.A.C. requires each electric utility to:

(E)(1) Establish and maintain written programs, procedures and schedules for the inspection, maintenance, repair, and replacement of its transmission and distribution circuits and equipment. These programs shall establish preventative requirements for the electric utility to maintain safe and reliable service. Programs shall include, but are not limited to, the following facilities:

(c) Pad-mounted transformers:

Staff conducted baseline and follow-up audits in 2006 and 2008 to determine how the Applicant implements the requirements of Rule 4901:1-10-27(E)(1)(c), O.A.C., for pad-mounted transformers. Staff's baseline audit disclosed that the Applicant's circuit inspections include pad-mounted transformers as well. In a verification audit conducted in 2006 and 2008, Staff confirmed that the Applicant was conducting pad-mounted transformer inspections on the circuits being inspected. The Applicant's personnel inspect pad-mounted transformers for the following: pad-mount identification; locking mechanism; bolt type; cabinet condition (rust); door hinges (condition); pad foundation; tank leakage; accessibility; and physical damage. The Applicant also maintains a maintenance program in which identified pad-mounted transformers are painted in an attempt to extend the life of the cabinet housing.

Staff conducted four (4) inspections for this requirement from June 2005 to November 2008.

Findings

As determined by field and office audits, the Applicant conducts and documents pad-mounted transformer inspections in conjunction with circuit inspections.

Recommendations

No recommendations are being made at this time with respect to pad-mounted transformer.

O.A.C. 4901:1-10-27(E)(1)(a)(b)(c)(d)(e)(f)(g)
Inspection, Maintenance, Repair, and Replacement: Line Reclosers/Capacitors

The O.A.C. requires each electric utility to:

(E)(1) Establish and maintain written programs, procedures and schedules for the inspection, maintenance, repair, and replacement of its trans-

mission and distribution circuits and equipment. These programs shall establish preventative requirements for the electric utility to maintain safe and reliable service. Programs shall include, but are not limited to, the following facilities:

(d) Line reclosers;

(e) Line capacitors;

Staff conducted statistical sample audits of the Applicant's line recloser and line capacitor inspection programs. Line reclosers are visually inspected annually along with the counter reading on each device recorded. Line capacitors are inspected annually and divided into two primary parts; a visual inspection (for both fixed and switched banks) and an operational test (for switched banks only). Staff conducted baseline audits in the fall 2005 and early 2006 to determine the specific details of both programs. Office verification audits of the Applicant's line reclosers and line capacitors were conducted in 2007 and 2008.

Staff conducted eight (8) inspections for this requirement from June 2005 to November 2008.

Findings

The 2007 audit identified that the Applicant was conducting annual operational tests on approximately 75% of their switched line capacitors instead of 100% of their switched capacitors and conducting visual inspections on 75% of their fixed capacitor banks instead of 100% annual visual inspection of fixed capacitor banks. Staff asked the Applicant to explain the change from 100% capacitor inspections to 75% annually. The Applicant responded that it will maintain 100% annual inspections for capacitors and made formal written confirmation to that effect on May 01, 2007. The 2008 office audit found that the Applicant performed visual and operational testing of 100% fixed and switched capacitors for the 2007 cycle. Staff will continue to verify inspection results through future office audits. During the 2007 and 2008 office audits for line reclosers, staff made minor recommendations related to record keeping and the tracking of recloser repairs. The Applicant has implemented the recommendations and Staff will continue to audit the program with both field and corporate office audits.

Recommendations

No recommendations are being made at this time with respect to line reclosers and line capacitors.

O.A.C. 4901:1-10-27 (E)(1)(a)(b)(c)(d)(e)(f)(g) Inspection, Maintenance, Repair, and Replacement: Right-of-Way Vegetation

The O.A.C. requires each electric utility to:

(E)(1) Establish and maintain written programs, procedures and schedules for the inspection, maintenance, repair, and replacement of its transmission and distribution circuits and equipment. These programs shall establish preventative requirements for the electric utility to maintain safe and reliable service. Programs shall include, but are not limited to, the following facilities:

(f) Right-of-way vegetation control:

Staff conducted a baseline audit in 2004 and follow-up office audits in 2005 and 2007 to determine the Applicant's Right-of-Way Vegetation Control program practices. The purpose of the audits was to check documentation of circuit work and that the chosen circuits had indeed been trimmed pursuant to the Applicant's stated (4-year cycle) program.

Staff conducted twenty-six (26) routine inspections for this requirement from June 2005 to November 2008.

Findings

Upon reviewing the Applicant's 2006 Rule 26 filing, Staff discovered the Applicant had changed its full vegetation line clearing from a four year cycle to a five year cycle in 2005. The Applicant made this change to the vegetation program without submitting for a program revision as required by O.A.C. 4901:1-10-27(E)(2)(c) in accordance with 4901:1-10-27(E)(2)(a). Staff asked the Applicant to explain the change from a four year to a five year cycle. The Applicant responded that it will maintain the vegetation management program on a four year cycle and provided written confirmation to staff of its intention. Staff's 2007 office audit found 19.65% of the Applicant's 692 distribution circuits exceeded the four year cycle for full vegetation line clearing. Staff gave the Applicant until December 31, 2008 to come into full compliance with the four year full vegetation line clearing program. Staff requested and received a progress update for the 2008 full vegetation line clearance schedule.

As of August 31, 2008, the Applicant had completed 161 of 226 scheduled circuits (71% complete) and 2,055 circuit miles of 2,720 circuit miles scheduled (75.5% complete). Staff will schedule an office audit in early 2009 to review documentation and records for verification of compliance with the four year cycle.

Recommendations

No recommendations are being made at this time with respect to Right-of-Way Vegetation Control.

**O.A.C. 4901:1-10-27 (E)(1)(a)(b)(c)(d)(e)(f)(g)
Inspection, Maintenance, Repair, and Replacement**

The O.A.C. requires each electric utility to:

(E)(1) *Establish and maintain written programs, procedures and schedules for the inspection, maintenance, repair, and replacement of its transmission and distribution circuits and equipment. These programs shall establish preventative requirements for the electric utility to maintain safe and reliable service. Programs shall include, but are not limited to, the following facilities:*

(g) *Substations*

Staff conducted a baseline audit in 2004 and follow-up audits in 2005, and 2007 of the Applicant's substation monthly inspection activities.

Staff has conducted twenty (20) field verification audits for monthly substation inspections from June 2005 through October 2008.

Findings

The Applicant's substation maintenance manual contains the Applicant's procedures for performing monthly substation inspections and maintenance. Staff conducted a random sample survey of the Applicant's substation monthly inspections which are performed by qualified Applicant inspectors and recorded electronically with a focus on major substation equipment. Staff visually verified the Applicant's substation monthly inspections by viewing an Applicant displayed database program and work papers. Staff also verified maintenance practices for transformers, including frequency, types, methodology, and personnel. Staff found that the Applicant's records in this area were in order, that there were no discrepancies evident for the samples audited, and that the work had been performed by qualified electrician grade personnel.

The August 8, 2007 audit focused on four major components in the substation; circuit breakers, transformers, relays, and voltage regulators. During this particular audit, Staff discovered six of the seven circuit breaker records sampled were missing inspection records. As a result, Staff issued a Letter of Probable Non-compliance to the Applicant recommending the applicant amend their 'instructional language' to include requirements for thorough tracking of equipment inspections and more accurate record retention of these events. The Applicant amended and Staff accepted its revised substation maintenance program (dated 11/1/2007) to include language addressing retention of maintenance records. Staff will review records and documentation for compliance, related to substation asset maintenance records during the 2009 regularly scheduled substation office audit.

The December 5, 2007 substation audit focused on substation security, including fence fabric integrity and gaps at bottom of fence and gates. While Staff found no non-

compliances, Staff recommended the Applicant add substation perimeter and security checklists to its software in the electronic handheld units utilized to record substation data. Staff also recommended the Applicant conduct training with all substation personnel related to fence/gate integrity and vegetation encroachment as it relates to the Applicant's substation standards and policies. The Applicant's written response to the recommendations was that technology is not yet available with existing software to include perimeter checks but they plan to build substation perimeter checks into its impending release of software, currently scheduled for the fourth quarter of 2009. The Applicant stated substation perimeter fence and gate integrity training was conducted on 1/14 and 1/15/08 for all substation personnel. Staff will follow-up in late 2009 to verify software upgrades include substation perimeter condition as part of the overall substation inspection process.

Recommendations

No recommendations are being made at this time with respect to substations.

O.A.C. 4901:1-10-04 Equipment for Voltage Measurements

These portions of the O.A.C. require that:

Portable indicating instruments (e.g., electro-mechanical indicating, electronic indicating, and electronic indicating and recording) used to test or record service voltage at the customer's premises in response to a customer inquiry or complaint shall be checked for accuracy against a recognized standard. Accuracy checks shall be conducted as recommended by the manufacturer or annually if no period is specified. The most recent accuracy test record shall be kept with each such instrument, or at a central location for the electric industry.

Staff verified that the Applicant has a methodology (calibration program) for assuring that its equipment used for voltage measurement was checked for accuracy against a recognized standard with accuracy checks conducted as recommended by the manufacturer or annually if no period is specified, with test records kept.

Staff performed an office review at the Applicant's Queensgate testing facility in 2005, 2006, 2007, and 2008.

Findings

Staff found that the calibration of the voltage measuring equipment is compared to laboratory standards. Laboratory standard instrument/calibrators used in calibrating the voltage measuring equipment is returned to the equipment manufacturer on a scheduled basis to ensure compliance with the National Institute of Standards and Technology (NIST). No discrepancies were noted.

Recommendations

No recommendations are being made in this area at this time.

O.A.C. 4901:1-10-05 Metering

This rule requires that:

A customer's electric usage shall be metered by commercially acceptable measuring devices that comply with "American National Standards Institute" (ANSI) standards. Meter accuracy shall comply with the 2001 ANSI C12.1 standards. No metering device shall be placed in service or knowingly allowed to remain in service if it violates these standards.

Staff performed office and field metering testing reviews at the Applicant's Queensgate testing facility in 2006, 2007, and 2008.

Findings

Staff found that the meters and other equipment examined had been calibrated with laboratory standard instruments/calibrators in compliance with the National Institute of Standards and Technology (NIST). The laboratory not only performs the calibration process for meters used to report customer electric usage, but supplies the calibration process for the Applicant as well. No discrepancies were noted.

Recommendations

No recommendations are being made in this area at this time.

O.A.C. 4901:1-10-06 National Electrical Safety Code

This rule requires that:

Each electric utility shall comply with the 2002 edition of the American National Standard Institute's, "National Electrical Safety Code".

Staff conducted various inspections of the Applicant's facilities for compliance with the National Electrical Safety Code (NESC) requirements from June 2005 to November 2008. A total of 141 inspections evaluated compliance with rule 4901:1-10-06 O.A.C. requirements for substations; pad-mounted transformers; switch gear; and, overhead/other (pole or vegetation Issue) topics.

For example, substation requirements include height and grounding requirements for metal fence enclosures; supply conductors and cable rising requirements; switchgear, and other equipment mounting specifications. Pad-mounted equipment shall have an enclosure that is either locked or otherwise secured against unauthorized entry.

Findings

The following is a list of the routine field inspections Staff conducted by NESC topic and the number of violations of the NESC that it found.

<u>Topic</u>	<u>Inspections</u>	<u>Total units inspected</u>	<u>Exceptions</u>
Substations	44	105	7
Pad-Mount Transformers	85	4,553	100
Switch Gear	1	36	0
Overhead/Other	11	134	9
Total	141	4,827	116

Recommendations

The above Staff identified violations were resolved and or timely corrected and no further action is recommended.

O.A.C. 4901:1-10-11 Distribution Circuit Performance

Rule portions 11(B)(1) and 11(C) require, among other things, that each EDU:

Set forth a method for determining the performance of each EDU's (Electric Distribution Utility) distribution circuits. Each EDU shall submit, no later than ninety days after each reporting period ending on December thirty-first, a report to the director of the consumer services department now the Service Monitoring & Enforcement Department or the director's designee that identifies the lowest performing eight percent (8%) of the EDU's distribution circuits for the previous twelve-month reporting period.

Staff reviews the Applicant's annual reports which identify the lowest performing eight percent (8%) of distribution circuits for the previous twelve-month reporting period. Circuits were selected and inspected by field Staff in order to verify that the Applicant had met its corrective and/or preventative actions commitments.

Staff conducted 49 inspections to confirm remediation activity during the period June 2005 to November 2008.

Findings

No discrepancies were noted during these inspections.

Recommendations

No recommendations relating to carrying out designated remedial activity are necessary at this time.

Two-Pole Conditions

As a result of staff inspections revealing an increase in the number of two-pole situations, Staff surveyed the regulated electric and telephone companies (and CATV in a voluntary role) in an attempt to determine what was causing or attributing to the problem. (Two-pole is the situation where electric service has been removed from one pole and placed on a new pole, yet the old pole remains in place for several months to several years after the transfer of the electric service.) The survey revealed that the communication processes used by Ohio's utility companies varied and that the joint service agreement requirements also varied.

Staff then sought to identify the reason(s) for protracted pole transfer activity and old pole removal, develop measurements for such activity, facilitate solution(s) for the root cause(s), eliminate old (pre 2006) two-pole conditions by 2010, and resolve all future two-pole conditions within 12 months of their creation.

The Applicant has relatively few two-pole conditions. Since 1996, the Applicant, Cincinnati Bell Telephone (CBT), Time Warner and the local municipalities utilize an electronic notification process to track and manage two-pole conditions. In situations where the Applicant and CBT are jointly on the same pole, regardless of pole ownership, the Applicant erects the new pole and CBT removes the old pole unless the pole in question is set in a hard surface such as concrete or asphalt. Any pole not removed by CBT is reported to the applicant through a joint use request for expedited removal. The owner of the pole is responsible for maintaining the pole. Staff has confirmed that the Applicant does not have any two-pole conditions that were created prior to January 1, 2006.

Recommendations

No recommendations are being made in this area at this time.

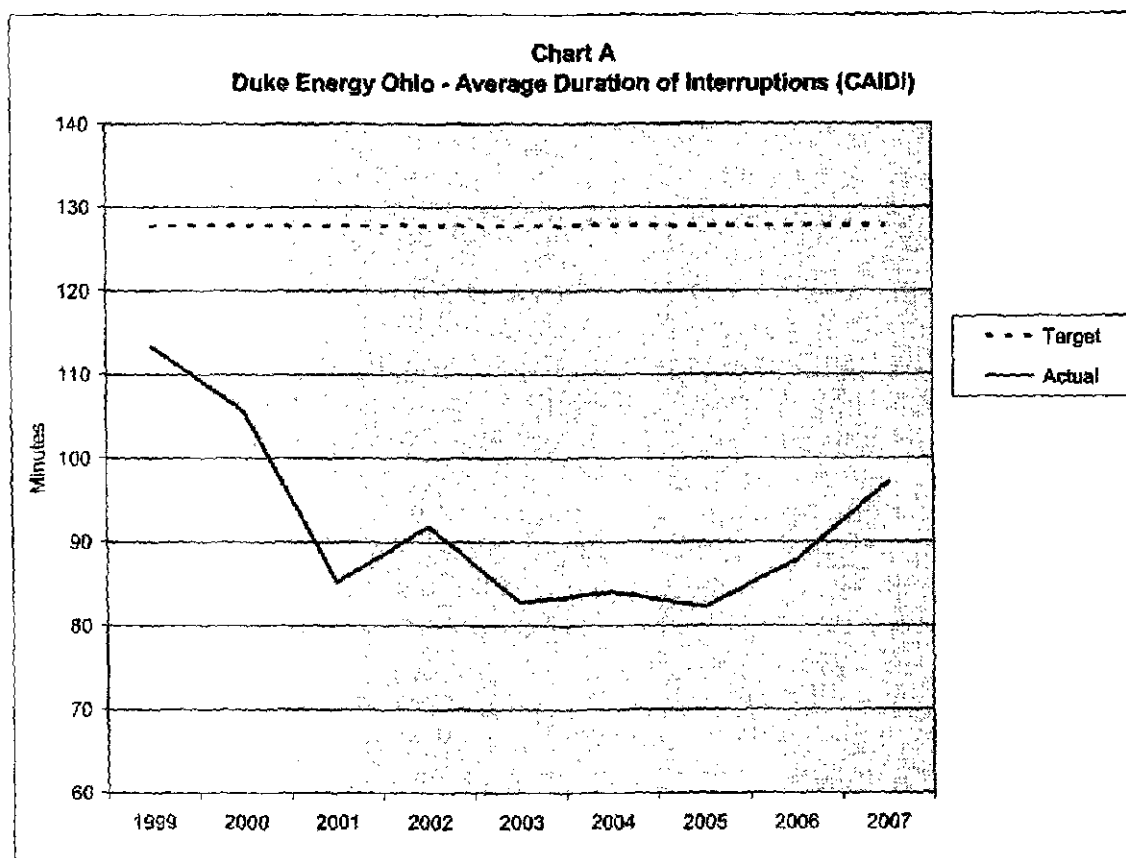
Electric Reliability Performance Review

As part of its investigation in this case, Staff reviewed the Applicant's performance against its reliability targets, its response to Staff's reliability recommendations in the last rate case, and its compliance with the reliability commitment agreed to in its merger case. These topics are addressed in the paragraphs below.

Rule 4901:1-10-10 of the Ohio Administrative Code requires each electric distribution utility (EDU) to provide the Staff an annual report of its system-wide performance against a set of reliability targets.¹

Findings

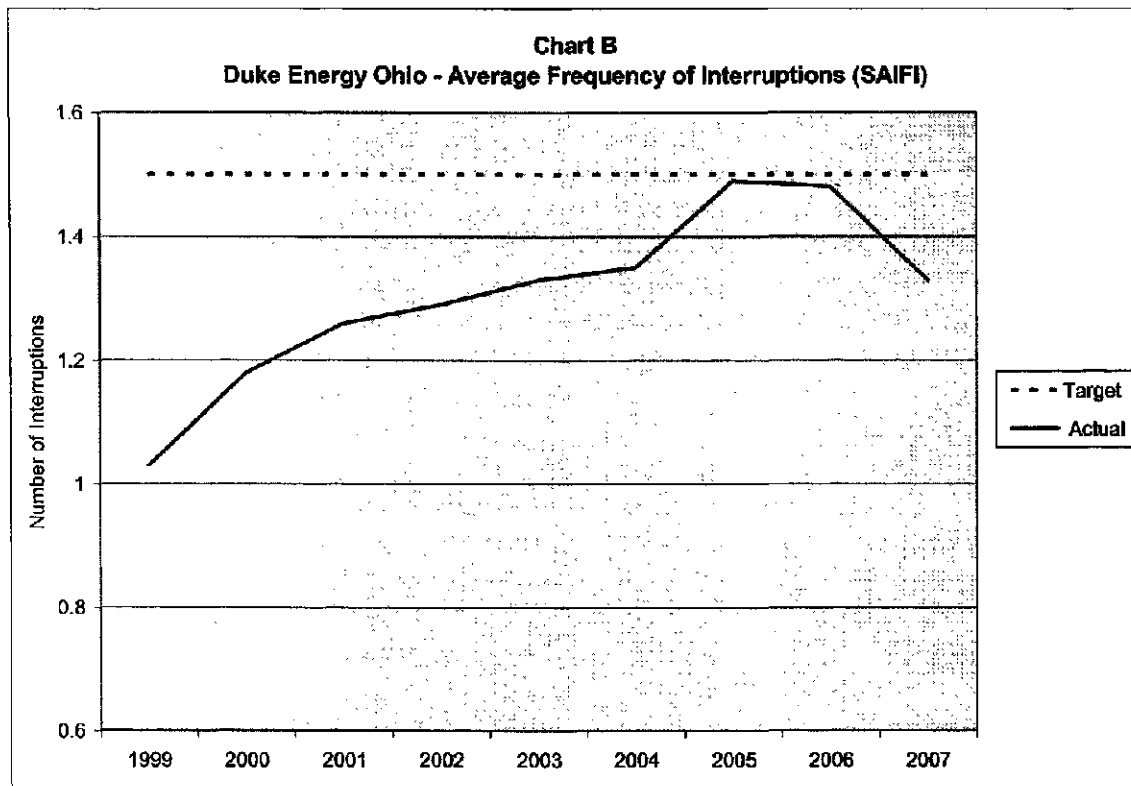
Charts A and B track the Applicant's historical performance against its CAIDI² and SAIFI³ targets for interruption duration and frequency respectively. As the charts indicate, the Applicant has never missed either of these targets.



¹ The Applicant's targets are based on its average reliability performance over the five-year period 1994 through 1998, and are set at one standard deviation above the respective average for each of four reliability indices.

² CAIDI, or the customer average interruption duration index, measures the average service restoration time for customers that experience one or more sustained interruptions during the year. A higher CAIDI number indicates worse performance.

³ SAIFI, or the system average interruption frequency index, measures the average number of electric service interruptions for all customers served, regardless of whether they experienced an interruption. A higher SAIFI number indicates worse performance.



Staff did note in 2005, however, that the Applicant's SAIFI performance had exhibited a five-year adverse trend.⁴ Staff therefore recommended that the Applicant investigate this situation and provide its plans for stopping or reversing that trend. In response, the Applicant informed Staff of aggressive plans to improve performance on eight worst-performing circuits⁵ and other improvement initiatives focused on 53 distribution circuits that serve many customers or that have higher SAIFI performance. The Applicant has now completed most of those worst-performing circuit improvements (removing these circuits from the worst-performing list) and nearly all of the initiatives for the selected 53 distribution circuits.⁶ Staff credits these actions for reversing the adverse SAIFI trend, which ended in 2005.

On March 21, 2007, the Commission approved a stipulation resolving issues relating to the joint application of Cinergy Corp. and Deer Holding Corp. for consent and approval of a change of control of Cincinnati Gas and Electric Company. One of the terms of that stipulation requires the Applicant to make \$1.5 million in additional annual expenditures on action plans to improve reliability performance if two out of four reliability measures

⁴ See Pages 81-83 of the Staff Report in Case No. 05-0059-EL-AIR.

⁵ Rule 4901:1-10-11 (C) requires each EDU to provide Staff a list of its eight-percent worst-performing distribution circuits.

⁶ See the Applicant's response to Staff Data Request 33.

indicated a degradation of 20 percent or more compared to a 2005 baseline year.⁷ During the subsequent years 2006 and 2007, the Applicant did not experience such degradation on any of the four reliability performance measures.

Recommendations

Based on the Applicant's meeting its reliability targets, reversing its adverse SAIFI trend, and avoiding significant performance degradation, Staff is satisfied with the Applicant's reliability and makes no recommendations at this time.

Customer Service Review

Staff performs audits of regulated utility companies in order to ensure compliance with current rules and regulations. After observing customer calls to the Applicant and reviewing Applicant's policies and various data request responses, Staff found that the overall customer service practices and policies of the Applicant comply with the applicable rules and regulations set forth by the Commission.

Customer Contacts

Staff reviewed the contacts made by the Applicants' customers to the PUCO Hotline for the period of November 15, 2007 through November 14, 2008. Overall, 2,804 contacts were made during this period.

Contacts about disconnection issues or payment arrangements prompted the largest number of contacts, with 1,052 for the period. The next category was billing issues with 595 contacts. Before calling the company, 329 customers called the customer call center. Most of these customers were seeking account information and were directed back to the Applicant to give the Applicant the first opportunity to respond to its customers.

Outage contacts were the next largest category, with 234 (of which 184 were in the third quarter of 2008.) Other service issues, including new service, comprised the next category with 200 contacts, including 25 customers who voiced concerns about the quality of the Applicant's customer service. One hundred thirty-five contacts were questions or concerns about the Applicant's tariffs. Sixty three customers had difficulty reaching the Applicant. Issues relating to competition accounted for 51 contacts. Fifty-one customers had comments on the commission, while 34 had comments on the Applicant's policies. Thirty-eight customer contacts were to protest the Applicant's rate case. The remaining 22 were miscellaneous contacts, such as questions about utility easements.

⁷ See Article II, Paragraph 2.6 (on pages 6 and 7) of the stipulation filed December 15, 2005 in Case No. 05-732-EL-MER.

MANAGEMENT AND OPERATIONS REVIEW

Section 4909.154 of the Ohio Revised Code states that the Public Utilities Commission shall consider the management policies, practices, and organization of public utilities in fixing the just, reasonable, and compensatory rates, joint rates, tolls, classification, charges or rentals to be observed and charged for service of any public utility.

In 1985, the Commission approved an amendment to the Standard Filing Requirements. This amendment (4901-7-01) requires medium and large utilities to include in their rate filings a concisely written summary of their management policies, practices, and organization. Among other things, the summary is to include a discussion of policy and goal setting, strategic and long range planning, organization structure, decision making and controlling, and communications for the company's executive management process (Schedule S-4.1) as well as for numerous functional areas common to most large utility companies (Schedule S-4.2).

Staff routinely reviews the S-4.1 and S-4.2 schedules, applicant performance, and various events relating to the applicant's management. As a result of these review activities, Staff selects certain management topics for rate case reporting. In the current rate case, Staff reports on Applicant's Cost Allocation methodology and recent changes in the corporate accounting systems.

Cost Allocation Methodology

Applicant is required to maintain a "Cost Allocation Manual" (CAM) which includes the agreements between the various Duke Energy Corporation entities and outlines the methods for which these entities transact business. While this manual describes in general terms Applicant's allocation policies, it does not provide the details from an accounting perspective how these policies are actually implemented.

Cost allocations must be in accord with regulatory requirements and organizational guidelines to ensure that the regulated distribution company and its ratepayers are only charged with expenses that reflect the actual cost of the services provided by an affiliate organization. As part of this rate case, Applicant provided testimony on how costs are allocated depending upon jurisdictional, organizational and/or business unit, functional, and cost of service considerations.

Company testimony outlined 18 different allocation methodologies such as sales ratio, number of employees ratio, square footage ratio, etc. For example, the costs related to the function of procuring, testing, and maintaining meters is allocated to the client companies based on the number of customers ratio. The costs related to Human Resources are allocated based on the number of employees ratio. Other functions' allocations are more complicated such as the legal, finance, planning, etc. functions which are based on a weighted average of gross margin ratio, labor dollars ratio, and the total property & plant & equipment ratio.

The weighting of allocation factors are reviewed annually by the Company in order to align actual costs to the functions or business units as certain variables involved in the ratio calculations may change from time to time (e.g., a change in the number of customers or number of employees). Absent any major corporate realignment, year to year changes in allocation percentages would likely remain small and the ratios would generally be close enough that a business unit or functional manager could budget and plan their operational needs. Similarly, an auditor could be relatively confident in reviewing year over year changes in costs or spending that the allocation methodology would not usually be a significant cause for dramatic swings in costs or expenses to the entity being audited.

Nevertheless, initial Staff review of Applicant's rate case filing appeared to reflect dramatic changes in certain allocation percentages of costs to the distribution company. In response to Staff inquiries, the Company responded that much of the change in the allocation of cost percentages were not actually a significant change, but changes due to a new accounting system where the calculations were done upstream at the corporate level with the resulting output already a completed ratio ascribed to the distribution company.

Accounting System Changes

Applicant reported significant accounting system changes in recent years, due mostly to the mergers of The Cincinnati Gas & Electric Company into Cinergy Corporation and then Cinergy Corporation into Duke Energy Corporation. These changes, in fact, were greatly responsible for the allocation percentage changes in recent years as the allocations were updated and recalculated to reflect both the new corporate entity and the new cost structure. These corporate structural changes also included changes to the corporate accounting systems which included new algorithms for deriving cost allocations.

In response to a Staff information request, the Company described the changes to its accounting systems as it relates to the allocation of costs to the distribution company for ratemaking purposes. In 1996, The Cincinnati Gas & Electric Company (now Duke Energy Ohio, Inc.) implemented a new mainframe accounting system, Business Data Management System (BDMS 1.0) in conjunction with the formation of Cinergy Corporation. Unique accounts within this accounting system allowed costs to be identified as related to either the gas or electric business. For ratemaking purposes the total electric rate base and expenses were allocated to the electric distribution function by means of a cost of service study - a study designed to allocate company costs between the electric and natural gas sides of the business, then assigned to the residential, commercial, and industrial customer classes. In addition, the Company's cost of service study included an unbundling of electric costs for allocation to functional units within the Company's electric operations.

In 1998 BDMS 1.0 was upgraded to BDMS 2.0. New code block elements such as legal entity allocator (LEA), business unit allocator (BUA) and business segment were

added to assist in the process of allocating service company costs among various client companies. The accounting records contained a cost type field which allowed costs to be identified as related to either the gas or electric business. For ratemaking purposes the total electric rate base and expenses were allocated to the electric distribution function by means of a cost of service study.

In April of 2005, Applicant implemented changes to improve its existing accounting systems as a result of the Finance and Accounting Improvement Initiative (F&AI). The resulting BDMS 3.0 combined several elements of the BDMS 2.0 code block into a new required field called line of business (LOB) which replaced the LEA, BUA and business segment. The LOB field is a three digit alpha-numeric field which is the primary driver for most allocation processes. The field derives the legal entity and is used to allocate or directly assign values to specific business segments such as electric distribution, gas distribution or a specific generating station. For ratemaking purposes, certain LOB's were identified as 100% electric distribution while others were allocated to the distribution function.

Typically on an annual basis in conjunction with the budget process, the Cost Accounting Department reviews the amounts to be charged to gas and electric operations for the allocable LOB's and updates as needed. A variety of drivers or allocation methods are used to determine the appropriate split between gas and electric operations. The allocation methods include number of customers, number of meters, labor dollars, revenue and PP&E (Property Plant & Equipment).

In July 2008, Applicant converted to a PeopleSoft general ledger system which had been used by the legacy Duke Energy Corporation companies. A combination of the business unit and operating unit fields are used to determine the functional split within the Applicant. In the current structure the electric distribution and electric transmission costs are combined in various operating units. The new system has not yet been used to gather information for a rate case but it is anticipated that some sort of allocation process will be required to split transmission and distribution costs.

Findings and Recommendation

The absence of publicly disseminated financial results on a PUCO jurisdictional line-of-business basis makes historical comparison and cost tracking difficult. The lack of independently audited financials for distribution only operations makes it important to document the company's accounting system and cost allocation methods. Staff endeavored to identify and review documentation that would explain the company's accounting system, allocation policies and procedures, as well as any changes thereto that had been implemented since the last electric rate proceeding. No central or single source by the Applicant documented the accounting system and allocation procedure changes. The Staff expended considerable effort through interviews and document reviews to verify the methods used to produce financial data for the current electric filing. Staff also reviewed the Service Company allocations audit by Blue Ridge from the most recent gas distribution rate case.

The Staff compared the Applicant's costs from the last electric rate case, Case No. 05-59-EL-AIR, to the current rate case filing. Staff immediately noted dramatic changes in the allocation percentages of certain corporate costs to the distribution company. In addition, Staff noted significant changes in costs for certain corporate affiliate related accounts helping drive the distribution company to request a rate increase. Staff attempted a verification process of the Company's expenses and allocation cost methodology for these flagged accounts in order to understand the changes taking place at the Company and to validate the accuracy of the calculations.

For example, in account 923 "Outside Services Employed", the Company reported an expense of \$17.056 million in the 2005 case, which was allocated to the distribution company at 35.236% for \$6.006 million. In this rate filing, account 923 is reported to be \$16.196 million and was allocated at 100% for \$16.196 million. Similarly, in account 931 "Rents" the Company reported an expense of \$9.544 million, which was allocated at 35.236% for \$3.363 million in the 2005 rate case. In this rate case, account 931 is reported to be \$8.720 million and was allocated at 100% for \$8.720 million.

At first glance, the increased costs sampled above appeared to be a function of the allocation methodology. However, Staff could not verify this to necessarily be the case. Another possible explanation is that the expenses related to affiliate services are rapidly increasing. For example, the total "Administrative and General" series of accounts (i.e., accounts 920 through 935) allocated to the distribution company were \$60.627 million in the 2005 case. In the current filing, this expense has grown to \$88.143 million, which is a \$27.516 million, or approximately 45%, increase in total Administrative & General expenses.

The degree of cost changes in certain accounts, combined with either a change in the allocation percentage or an allocation calculation being performed upstream with the result being 100% allocated to the distribution company, raises warning flags as potential areas for abuse (i.e., "black box" cost allocation calculations or spiraling costs that appear inconsistent with merger saving expectations). Based upon its experience with this filing, the Staff recommends that a focused audit of Applicant's allocation methods and factors be performed.

In Applicant's Electric Security Plan proceeding, Case No. 08-920-EL-SSO et al, a Stipulation and Recommendation was entered into among the parties to the case. Paragraph 33 of the Stipulation provides for an annual audit review of compliance with Applicant's Corporate Separation Plan, including, but not limited to a review of its Cost Allocation Manual. Staff recommends that the scope of this audit include the documentation, examination, and testing of all allocation methods and factors that are used to assign costs to PUCO regulated operations.

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
OVERALL FINANCIAL SUMMARY
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008

SCHEDULE A-1
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): SEE BELOW

LINE NO.	DESCRIPTION	SUPPORTING SCHEDULE REFERENCE	APPLICANT	STAFF	
				LOWER BOUND	UPPER BOUND
1	Rate Base	B-1	\$ 979,490,589	\$ 973,342,332	\$ 973,342,332
2	Current Operating Income	C-1	\$ 34,900,166	\$ 46,817,567	\$ 46,817,567
3	Earned Rate of Return (Line 2 / Line 1)		3.56%	4.81%	4.81%
4	Requested Rate of Return		9.10%	8.34%	8.87%
5	Required Operating Income (Line 1 x Line 4)		\$ 89,133,644	\$ 81,176,750	\$ 86,335,465
6	Operating Income Deficiency (Line 5 - Line 2)		\$ 54,233,478	\$ 34,359,183	\$ 39,517,898
7	Gross Revenue Conversion Factor	C-10 / A-1.1	1.5784603	1.5700221	1.5700221
8	Revenue Deficiency (Line 6 x Line 7)		\$ 85,605,392	\$ 53,944,677	\$ 62,043,973
9	Revenue Increase Requested / Recommended	C-1	\$ 85,604,451 (a)	\$ 53,944,677	\$ 62,043,973
10	Adjusted Operating Revenues (b)	C-1	\$ 317,711,321	\$ 317,711,321	\$ 317,711,321
11	Pole Attachment Revenue Increase Requested / Recommended	Rates & Tariffs Text	\$ 1,206,407	\$ 255,043	\$ 255,043
12	Revenue Requirements (Line 9 - 1,206,407 + Line 10 + Line 11)		\$ 403,315,772	\$ 370,704,634	\$ 378,803,930
13	Percent Increase (Line 9 + Line 11) / (Line 10 - 1,206,407)		27.43%	17.12%	19.68%
(a)	Difference between Line 8 and Line 9 is due to rounding.				
(b)	Reflects \$1,206,407 pole attachment revenue increase				

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
COMPUTATION OF GROSS REVENUE CONVERSION FACTOR
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008

SCHEDULE A-1.1
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): APPLICANT'S SCHEDULE C-10, and STAFF'S
SCHEDULES WPC-3.15b, WPC-3.18a, and WPC-3.21b

LINE NO.	DESCRIPTION	PERCENT OF INCREMENTAL GROSS
1	Operating Revenues	100.000%
2		
3	Less:	
4	Uncollectible Accounts Expenses (a)	1.276%
5	City of Cincinnati Franchise Tax (b)	0.110%
6	Commercial Activities Tax (c)	0.260%
7		
8	Income before Income Tax (Line 1 - Line 6)	98.354%
9		
10	State and Municipal Income Tax (0.370% x 98.354%)	0.364%
11		
12	Income before Federal Income Tax (Line 8 - Line 10)	97.990%
13		
14	Federal Income Tax (35% x 97.99%)	34.296%
15		
16	Operating Income Percentage (Line 12 - Line 14)	63.693%
17		
18	Gross Revenue Conversion Factor (100% / 63.693%)	1.5700221

- (a) Staff's Schedule WPC-3.15b
(b) Staff's Schedule WPC-3.21b
(c) Staff's Schedule WPC-3.18a

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
JURISDICTIONAL RATE BASE SUMMARY
AS OF MARCH 31, 2008

SCHEDULE B-1
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): SEE BELOW

LINE NO.	RATE BASE COMPONENT	SUPPORTING SCHEDULE REFERENCE	APPLICANT AMOUNT	STAFF
1	Plant In Service			
2	Production	B-2	\$ 0	\$ 0
3	Transmission	B-2	0	0
4	Distribution	B-2	1,644,636,777	1,644,616,547
5	General	B-2	47,033,785	47,033,785
6	Common	B-2	71,682,925	71,682,925
7	Total Plant In Service		<u>1,763,353,487</u>	<u>1,763,333,257</u>
8	Reserve for Accumulated Depreciation			
9	Production	B-3	0	0
10	Transmission	B-3	0	0
11	Distribution	B-3	(559,545,652)	(559,206,553)
12	General	B-3	(25,279,944)	(25,279,944)
13	Common	B-3	(33,157,402)	(33,157,402)
14	Total Reserve for Accumulated Depreciation		<u>(617,982,998)</u>	<u>(617,643,899)</u>
15	Net Plant In Service (Line 7 + Line 14)		1,145,370,489	1,145,689,358
16	Construction Work in Progress	B-4	0	0
17	Cash Working Capital Allowance	B-5	0	0
18	Other Working Capital Allowance	B-5	1,606,271	0
19	Other Items:			
20	Customers' Deposits	B-6		(3,551,807)
21	Contributions in Aid of Construction	B-6	0	0
22	Postretirement Benefits	B-6	8,277,974	6,968,926
23	Investment Tax Credits	B-8	(182,083)	(182,083)
24	Deferred Income Taxes	B-6	(175,562,062)	(175,562,062)
25	Other Rate Base Adjustments	B-6	<u>0</u>	<u>0</u>
26	Rate Base (Line 15 through Line 25)		<u>\$ 979,490,589</u>	<u>\$ 973,342,332</u>

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
PLANT IN SERVICE SUMMARY BY MAJOR PROPERTY GROUPINGS
AS OF MARCH 31, 2008

SCHEDULE B-2
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): STAFF'S SCHEDULE B-2.1

LINE NO.	MAJOR PROPERTY GROUPINGS	TOTAL COMPANY	ADJUSTMENTS	ADJUSTED		ALLOCATION %	ALLOCATED JURISDICTION
				TOTAL COMPANY	ADJUSTED TOTAL COMPANY		
1	Production	\$ 3,125,445,895	\$ 0	\$ 3,125,445,895		0.000%	\$ 0
2	Transmission	541,512,904	0	541,512,904		0.000%	0
3	Distribution	1,644,636,777	(20,230)	1,644,616,547		100.000%	1,644,616,547
4	General	54,341,651	0	54,341,651		86.552%	47,033,785
5	Common (Allocated to Electric)	183,825,882	(1,532,977)	182,292,905		39.323%	71,682,925
6	Completed Construction Not Classified (1)	0	0	0		0.000%	0
7	Other (specify) - DENA Plant	1,767,206,684	0	1,767,206,684		0.000%	0
8	Total	\$ 7,316,968,793	\$ (1,553,207)	\$ 7,315,416,586			\$ 1,763,333,257

(1) Included in each function on Schedule B-2.1

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
PLANT IN SERVICE BY ACCOUNTS AND SUBACCOUNTS
AS OF MARCH 31, 2008

NON-JURISDICTIONAL ELECTRIC PLANT

SCHEDULE B-2.1
PAGE 1 OF 4

WORK PAPER REFERENCE NO(S): APPLICANT'S SCHEDULE B-2.1 & STAFF'S SCHEDULE B-2.2

LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY		ADJUSTMENTS		ADJUSTED TOTAL COMPANY		ALLOCATION %	ALLOCATED JURISDICTION
1	Various	Various	Electric Production - Steam					\$ 3,055,721,525		0.000%	\$ 0
2	Various	Various	Electric Production - Other					69,724,370		0.000%	0
3	Various	Various	Electric Transmission Plant					541,512,904		0.000%	0
4	Various	Various	Electric Production/Transmission Plant - DENA Plants					1,767,206,684		0.000%	0
5			Total Non-Jurisdictional Electric Plant					\$ 5,434,165,483		\$	0

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
PLANT IN SERVICE BY ACCOUNTS AND SUBACCOUNTS
AS OF MARCH 31, 2008

DISTRIBUTION PLANT

SCHEDULE B-2.1
PAGE 2 OF 4

WORK PAPER REFERENCE NO(S): APPLICANT'S SCHEDULE B-2.1 & STAFF'S SCHEDULE B-2.2

LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY		ADJUSTMENTS	ADJUSTED TOTAL COMPANY		ALLOCATION %	ALLOCATED JURISDICTION
1	360	3600	Land and Land Rights	\$	7,357,843		\$	7,357,843	100.000%	7,357,843
2	360	3601	Rights of Way		26,615,889			26,615,889	100.000%	26,615,889
3	361	3610	Structures and Improvements		6,434,309	115,515		6,549,824	100.000%	6,549,824
4	362	3620	Station Equipment		141,741,439			141,741,439	100.000%	141,741,439
5	362	3622	Major Equipment		89,943,898			89,943,898	100.000%	89,943,898
6	362	3635	Station Equipment Electronic		3,192,964			3,192,964	100.000%	3,192,964
7	364	3640	Poles, Towers & Fixtures		291,748,818	(66,421,180)		225,327,638	100.000%	225,327,638
8	365	3650	Overhead Conductors and Devices		284,432,593	10,287,297		294,779,890	100.000%	294,779,890
9	366	3660	Underground Conduit		95,798,651	1,775,034		97,573,685	100.000%	97,573,685
10	367	3670	Underground Conductors and Devices		220,809,934	50,986,794		271,796,728	100.000%	271,796,728
11	368	3680	Line Transformers		314,590,686	(3,935,927)		310,624,759	100.000%	310,624,759
12	368	3682	Customer Transformer Installations		4,669,193			4,669,193	100.000%	4,669,193
13	369	3691	Services - Underground		2,126,612	6,197,579		8,324,191	100.000%	8,324,191
14	369	3692	Services - Overhead		47,684,728	(3,238,480)		44,445,248	100.000%	44,445,248
15	370	3700	Meters		54,161,209			54,161,209	100.000%	54,161,209
16	370	3701	Leased Meters		23,527,697			23,527,697	100.000%	23,527,697
17	371	3710	Installations on Customers' Premises		32,968			32,968	100.000%	32,968
18	372	3720	Leased Property on Customers' Premises		102,503			102,503	100.000%	102,503
19	373	3731	Street Lighting - Overhead		7,839,582			7,839,582	100.000%	7,839,582
20	373	3732	Street Lighting - Boulevard		14,878,096	4,214,138		19,092,234	100.000%	19,092,234
21	373	3733	Light Security OL POL Flood		6,917,165			6,917,165	100.000%	6,917,165
22			Total Electric Distribution Plant		\$ 1,644,636,777	\$ (20,230)		\$ 1,644,616,547		\$ 1,644,616,547

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
PLANT IN SERVICE BY ACCOUNTS AND SUBACCOUNTS
AS OF MARCH 31, 2008

GENERAL PLANT

SCHEDULE B-2.1
PAGE 3 OF 4

WORK PAPER REFERENCE NO(S): APPLICANT'S SCHEDULE B-2.1 & STAFF'S SCHEDULE B-2.2

LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY	ADJUSTMENTS	ADJUSTED TOTAL COMPANY	ALLOCATION %	ALLOCATED JURISDICTION
1	303	3030	Miscellaneous Intangible Plant	\$ 18,594,459		\$ 18,594,459	86.552%	\$ 16,093,876
2	389	3890	Land and Land Rights	949,212		949,212	86.552%	821,562
3	390	3900	Structures and Improvements	15,698,345		15,698,345	86.552%	13,587,232
4	391	3910	Office Furniture and Equipment	379,451		379,451	86.552%	328,422
5	391	3911	Electronic Data Processing Equipment	403,117		403,117	86.552%	348,908
6	391	3920	Transportation Equipment	1,218,529		1,218,529	86.552%	1,054,661
7	391	3921	Trailers	2,811,828		2,811,828	86.552%	2,433,693
8	393	3930	Stores Equipment	0		0	86.552%	0
9	392	3940	Tools, Shop & Garage Equipment	9,081,223		9,081,223	86.552%	7,859,980
10	392	3950	Laboratory Equipment	759,561		759,561	86.552%	657,415
11	393	3960	Power Operated Equipment	1,088,310		1,088,310	86.552%	941,954
12	393	3970	Communication Equipment	3,283,401		3,283,401	86.552%	2,841,849
13	394	3980	Miscellaneous Equipment	74,215		74,215	86.552%	64,235
14			Total Electric General Plant	54,341,651		54,341,651		47,033,785
15			Total Electric Plant	\$ 7,133,143,911	\$ (20,230)	\$ 7,133,123,681		\$ 1,691,650,332

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
PLANT IN SERVICE BY ACCOUNTS AND SUBACCOUNTS
AS OF MARCH 31, 2008

COMMON PLANT

SCHEDULE B-2.1
PAGE 4 OF 4

WORK PAPER REFERENCE NO(S): APPLICANT'S SCHEDULE B-2.1 & STAFF'S SCHEDULE B-2.2

LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY	ADJUSTMENTS	ADJUSTED TOTAL COMPANY	ALLOCATION %	ALLOCATED JURISDICTION
1	1030		Miscellaneous Intangible Plant	\$ 97,613,897	\$	97,613,897	39.323%	\$ 38,384,652
2	1890		Land and Land Rights	2,121,648		2,121,648	39.323%	834,294
3	1891		Rights of Way	37,969		37,969	39.323%	14,931
4	1900		Structures & Improvements	92,535,462	\$ (1,765,343)	90,770,119	39.323%	35,893,478
5	1910		Office Furniture & Equipment	14,757,605	(38,681)	14,718,924	39.323%	5,787,913
6	1920		Transportation Equipment	85,312		85,312	39.323%	33,547
7	1921		Trailers	389,753		389,753	39.323%	153,262
8	1930		Stores Equipment	532,487		532,487	39.323%	209,350
9	1940		Tools, Shop & Garage Equipment	1,216,971	(56,930)	1,160,041	39.323%	456,162
10	1950		Laboratory Equipment	9,888		9,888	39.323%	3,888
11	1960		Power Operated Equipment	42,047		42,047	39.323%	16,534
12	1970		Communication Equipment	15,313,973		15,313,973	39.323%	6,021,904
13	1980		Miscellaneous Equipment	317,531	(16,165)	301,366	39.323%	118,508
14			Total Common Plant	224,973,543	(1,876,119)	223,097,424	39.323%	87,728,461
15	81.71%		Common Plant Allocated to Electric	183,825,882	(1,532,977)	182,292,905	39.323%	71,682,925
16			Total Electric Plant Including Allocated Common	\$ 7,316,969,793	\$ (1,553,207)	\$ 7,315,416,586		\$ 1,763,333,257

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
ADJUSTMENTS TO PLANT IN SERVICE
AS OF MARCH 31, 2008

SCHEDULE B-2.2
PAGE 1 OF 2

WORK PAPER REFERENCE NO(S): STAFF'S SCHEDULE WPB-2.2a and APPLICANT'S SCHEDULE B-2.2

LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY ADJUSTMENT	ALLOCATION %	JURISDICTIONAL ADJUSTMENT
1	361	3610	Station Equipment	\$ 115,515	100.000%	\$ 115,515
2	364	3640	Poles, Towers, & Fixtures	(66,421,180)	100.000%	(66,421,180)
3	365	3650	Overhead Conductors and Devices	10,287,297	100.000%	10,287,297
4	366	3660	Underground Conduit	1,775,034	100.000%	1,775,034
5	367	3670	Underground Conductors and Devices	50,986,794	100.000%	50,986,794
6	368	3680	Line Transformers	(3,935,927)	100.000%	(3,935,927)
7	369	3691	Services-Underground	6,197,579	100.000%	6,197,579
8	369	3692	Services-Overhead	(3,239,480)	100.000%	(3,239,480)
9	373	3732	Street Lighting-Boulevard	4,214,138	100.000%	4,214,138
Total				\$ (20,230)		\$ (20,230)

PURPOSE AND DESCRIPTION: To reflect Applicant's corrections and updates to plant accounts 361-373.

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
ADJUSTMENTS TO PLANT IN SERVICE
AS OF MARCH 31, 2008

SCHEDULE B-2.2
PAGE 2 OF 2

WORK PAPER REFERENCE NO(S): STAFF'S SCHEDULE WPB-2.2a and APPLICANT'S SCHEDULE B-2.2

LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY ADJUSTMENT	ALLOCATION %	JURISDICTIONAL ADJUSTMENT
1	COMMON PLANT					
2		1900	Structures & Improvements	\$ (1,765,343)	39.323%	\$ (694,185)
3		1910	Office Furniture & Equipment	(38,681)	39.323%	(15,211)
4		1940	Tools, Shop & Garage Equipment	(55,930)	39.323%	(21,993)
5		1980	Miscellaneous Equipment	(16,165)	39.323%	(6,357)
6			Total Common Plant	(1,876,119)		(737,746)
7		81.71%	Common Allocated to Electric	\$ (1,532,977)	39.323%	\$ (602,812)

PURPOSE AND DESCRIPTION: To eliminate from rate base the Hartwell Recreation Facilities allocated to uses other than for specified company purposes. (See Applicant's Schedule B-2.5)

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
ACCUMULATED DEPRECIATION AND AMORTIZATION
AS OF MARCH 31, 2008

NON-JURISDICTIONAL ELECTRIC PLANT

SCHEDULE B-3
PAGE 1 OF 4

WORK PAPER REFERENCE NO(S): Applicant's Schedule B-3, Staff's Schedule B-2 & B-3.1

LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY		ADJUSTMENTS	ADJUSTED TOTAL COMPANY		ALLOCATION %	ALLOCATED JURISDICTION
				PLANT INVESTMENT	COMPANY		COMPANY			
1	Various	Various	Electric Production - Steam	\$3,055,721,525	\$1,352,275,838		\$1,352,275,838		0.000%	\$ 0
2	Various	Various	Electric Production - Other	69,724,370	54,846,321		54,846,321		0.000%	0
3	Various	Various	Electric Transmission Plant	541,512,904	189,978,875		189,978,875		0.000%	0
4	Various	Various	Electric Production/Transmission Plant - DENA Plants	1,767,206,684	320,563,487		320,563,487		0.000%	0
5			Total Non-Jurisdictional Electric Plant	\$5,434,165,483	\$1,817,684,521	0	\$1,917,684,521		\$	0

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
ACCUMULATED DEPRECIATION AND AMORTIZATION
AS OF MARCH 31, 2008

DISTRIBUTION PLANT

SCHEDULE B-3
PAGE 2 OF 4

WORK PAPER REFERENCE NO(S): Applicant's Schedule B-3, Staff's Schedule B-2 & B-3.1

LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY PLANT INVESTMENT		TOTAL COMPANY	ADJUSTMENTS	ADJUSTED TOTAL COMPANY	ALLOCATION %	ALLOCATED JURISDICTION
				\$	\$	\$		\$		\$
1	360	3600	Land and Land Rights	\$ 7,357,843	\$ 0	\$ 0		\$ 0	100.000%	\$ 0
2	360	3601	Rights of Way	26,815,889	1,091,710	1,091,710		1,091,710	100.000%	1,091,710
3	361	3610	Structures and Improvements	6,434,309	3,563,772	3,563,772	10,131	3,673,903	100.000%	3,673,903
4	362	3620	Station Equipment	141,741,439	57,816,646	57,816,646		57,816,646	100.000%	57,816,646
5	362	3622	Major Equipment	89,943,896	30,247,249	30,247,249		30,247,249	100.000%	30,247,249
6	363	3635	Dist. Station Equip Elec	3,192,964	281,694	281,694		281,694	100.000%	281,694
7	364	3640	Poles, Towers & Fixtures	291,746,518	101,390,209	101,390,209	(2,320,746)	99,069,463	100.000%	99,069,463
8	365	3650	Overhead Conductors and Devices	284,482,593	91,100,325	91,100,325	447,895	91,548,320	100.000%	91,548,320
9	366	3660	Underground Conduit	95,798,661	29,364,179	29,364,179	39,079	29,403,258	100.000%	29,403,258
10	367	3670	Underground Conductors and Devices	220,809,934	56,588,191	56,588,191	1,458,615	60,056,806	100.000%	60,056,806
11	368	3680	Line Transformers	314,990,866	127,398,076	127,398,076	(187,011)	127,171,065	100.000%	127,171,065
12	368	3682	Customer Transformer Installations	4,669,193	2,124,839	2,124,839		2,124,839	100.000%	2,124,839
13	369	3691	Services - Underground	2,126,612	1,521,305	1,521,305	178,294	1,699,599	100.000%	1,699,599
14	369	3692	Services - Overhead	47,684,726	33,426,963	33,426,963	(169,477)	33,257,476	100.000%	33,257,476
15	370	3700	Meters	54,161,209	19,092,951	19,092,951		19,092,951	100.000%	19,092,951
16	370	3701	Leased Meters	23,527,697	715,997	715,997		715,997	100.000%	715,997
17	371	3710	Installations on Customers' Premises	32,968	0	0		0	100.000%	0
18	372	3720	Leased Property on Customers' Premises	102,503	(92,485)	(92,485)		(92,485)	100.000%	(92,485)
19	373	3731	Street Lighting - Overhead	7,839,582	9,042,149	9,042,149		9,042,149	100.000%	9,042,149
20	373	3732	Street Lighting - Boulevard	14,878,086	4,589,861	4,589,861	184,021	4,773,882	100.000%	4,773,882
21	373	3733	Light Security OL POL Flood	6,917,166	4,222,101	4,222,101		4,222,101	100.000%	4,222,101
22		108	Retirement Work in Progress		(15,890,072)	(15,890,072)		(15,890,072)	100.000%	(15,890,072)
23			Total Electric Distribution Plant	\$ 1,644,636,777	\$ 559,545,662	\$ 559,545,662	\$ (339,069)	\$ 669,206,553		\$ 559,206,553

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
ACCUMULATED DEPRECIATION AND AMORTIZATION
AS OF MARCH 31, 2008

GENERAL PLANT

SCHEDULE B-3
PAGE 3 OF 4

WORK PAPER REFERENCE NO(S): Applicant's Schedule B-3, Staff's Schedule B-2 & B-3.1

LINE NO.	F.E.R.C. COMPANY		ACCOUNT TITLE	TOTAL COMPANY		ADJUSTMENTS	ADJUSTED TOTAL COMPANY	ALLOCATION %	ALLOCATED JURISDICTION
	ACCT. NO.	ACCT. NO.		PLANT INVESTMENT	COMPANY				
1	303	3030	Miscellaneous Intangible Plant	\$ 18,594,459	\$ 12,685,376	\$	\$ 12,685,376	86.552%	\$ 10,978,447
2	389	3930	Land and Land Rights	949,212	0		0	86.552%	0
3	390	3900	Structures and Improvements	15,688,345	8,654,029		8,654,029	86.552%	7,490,235
4	391	3910	Office Furniture and Equipment	376,461	135,465		135,465	86.552%	117,248
5	391	3911	Electronic Data Processing Equipment	403,117	181,883		181,883	86.552%	157,423
6	391	3920	Transportation Equipment	1,216,529	1,240,112		1,240,112	86.552%	1,073,342
7	391	3921	Trailers	2,811,828	985,230		985,230	86.552%	852,736
8	391	3930	Stores Equipment	0	(597)		(597)	86.552%	(517)
9	392	3940	Tools, Shop & Garage Equipment	9,081,223	2,427,046		2,427,046	86.552%	2,100,657
10	392	3950	Laboratory Equipment	788,561	(663,817)		(663,817)	86.552%	(478,428)
11	393	3960	Power Operated Equipment	1,088,310	1,067,249		1,067,249	86.552%	923,725
12	393	3970	Communication Equipment	3,263,401	1,037,982		1,037,982	86.552%	898,394
13	394	3980	Miscellaneous Equipment	74,215	8,359		8,359	86.552%	7,235
14	395	108	Retirement Work in Progress	0	1,339,594		1,339,594	86.552%	1,159,445
15			Total Electric General Plant	54,341,651	29,207,811	0	29,207,811		25,278,944
16			Total Electric Plant	\$ 7,133,143,911	\$ 2,506,417,984	\$ (339,099)	\$ 2,506,078,885		\$ 584,486,497

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
ACCUMULATED DEPRECIATION AND AMORTIZATION
AS OF MARCH 31, 2008

COMMON PLANT

SCHEDULE B-3
PAGE 4 OF 4

WORK PAPER REFERENCE NO(S): Applicant's Schedule B-3, Staff's Schedule B-2 & B-3.1

LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY				ADJUSTED TOTAL COMPANY	ALLOCATION %	ALLOCATED JURISDICTION
				PLANT INVESTMENT	TOTAL COMPANY	ADJUSTMENTS				
1	1030		Miscellaneous Intangible Plant	\$ 97,613,897	\$ 70,662,033		\$	70,662,033	39.323%	\$ 27,786,387
2	1890		Land and Land Rights	2,121,648	106,907			106,907	39.323%	42,039
3	1891		Rights of Way	37,969	0			0	39.323%	0
4	1900		Structures & Improvements	92,535,462	18,220,641	\$ (372,869)		17,847,772	39.323%	7,018,268
5	1910		Office Furniture & Equipment	14,757,605	7,987,549	(20,711)		7,966,838	39.323%	3,132,795
6	1920		Transportation Equipment	85,312	85,282			85,282	39.323%	33,535
7	1921		Trailers	398,763	128,633			128,633	39.323%	50,582
8	1930		Stores Equipment	532,487	204,184			204,184	39.323%	80,291
9	1940		Tools, Shop & Garage Equipment	1,216,971	404,380	(28,281)		376,099	39.323%	147,893
10	1950		Laboratory Equipment	9,886	7,926			7,926	39.323%	3,117
11	1960		Power Operated Equipment	42,047	42,047			42,047	39.323%	16,534
12	1970		Communication Equipment	15,313,973	5,973,471			5,973,471	39.323%	2,348,944
13	1980		Miscellaneous Equipment	317,531	103,227	(14,061)		89,166	39.323%	35,063
14	108		Retirement Work in Progress		(295,198)			(295,198)	39.323%	(116,081)
15			Total Common Plant	224,973,543	103,831,082	(435,922)		103,195,160		40,579,367
16	81.71%		Common Plant Allocated to Electric							
17	81.71%		Original Cost	183,825,882						
			Reserve		84,676,957	(356,192)		84,320,765	39.323%	33,157,402
18			Total Electric Plant including Allocated Common	\$ 7,318,989,793	\$ 2,591,094,941	\$ (895,291)		\$ 2,590,399,650		\$ 617,643,899

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
ADJUSTMENTS TO ACCUMULATED DEPRECIATION AND AMORTIZATION
AS OF MARCH 31, 2008

SCHEDULE B-3.1
PAGE 1 OF 2

WORK PAPER REFERENCE NO(S): STAFF'S SCHEDULE WPB-3.1a AND APPLICANT'S SCHEDULE B-3.1

LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY ADJUSTMENT	ALLOCATION %	JURISDICTIONAL ADJUSTMENT
1	361	3610	Station Equipment	\$ 10,131	100.000%	\$ 10,131
2	364	3640	Poles, Towers, & Fixtures	(2,320,746)	100.000%	(2,320,746)
3	365	3650	Overhead Conductors and Devices	447,995	100.000%	447,995
4	366	3660	Underground Conduit	38,079	100.000%	38,079
5	367	3670	Underground Conductors and Devices	1,458,615	100.000%	1,458,615
6	368	3680	Line Transformers	(167,011)	100.000%	(167,011)
7	369	3691	Services-Underground	178,294	100.000%	178,294
8	369	3692	Services-Overhead	(169,477)	100.000%	(169,477)
9	373	3732	Street Lighting-Boulevard	184,021	100.000%	184,021
Total				\$ (339,099)		\$ (339,099)

PURPOSE AND DESCRIPTION: To reflect Applicant's corrections and updates to plant accounts 361-373.

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
ADJUSTMENTS TO ACCUMULATED DEPRECIATION AND AMORTIZATION
AS OF MARCH 31, 2008

SCHEDULE B-3.1
PAGE 2 OF 2

WORK PAPER REFERENCE NO(S): STAFF'S SCHEDULE WPB-3.1a AND APPLICANT'S SCHEDULE B-3.1

LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY ADJUSTMENT	ALLOCATION %	JURISDICTIONAL ADJUSTMENT
Common Plant						
1		1900	Structures & Improvements	\$ 372,869	39.323%	\$ 146,623
2		1910	Office Furniture & Equipment	20,711	39.323%	8,144
3		1940	Tools, Shop & Garage Equipment	28,281	39.323%	11,121
4		1980	Miscellaneous Equipment	14,061	39.323%	5,529
5			Total	435,922		171,417
6			81.71% Common Allocated to Electric	\$ 356,192		\$ 140,065

PURPOSE AND DESCRIPTION: To eliminate from rate base the Hartwell Recreation Facilities allocated to uses other than for specified company purposes. (See Applicant's Schedule B-2.5)

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
DEPRECIATION ACCRUAL RATES, DEPRECIATION EXPENSE, AND
ACCUMULATED BALANCES BY ACCOUNTS, FUNCTIONAL CLASS OR MAJOR PROPERTY GROUP
AS OF MARCH 31, 2008

NON-JURISDICTIONAL ELECTRIC PLANT

SCHEDULE B-3.2
PAGE 1 OF 4

WORK PAPER REFERENCE NO(S): Staff's Schedule B-2.1, B-3, & B-3.2a

LINE NO. (A)	F.E.C. ACCT. NO. (B-1)	COMPANY ACCT. NO. (B-3)	ACCOUNT TITLE OR MAJOR PROPERTY GROUPING (C)	ADJUSTED JURISDICTION		ACCUMULATED BALANCE (E)	ACCRUAL RATE (F)	CALCULATED DEPR. EXPENSE (G=DxF)	DESCRIPTION (H)
				PLANT INVESTMENT (D)					
1	Various	Various	Electric Production - Steam	-		-			
2	Various	Various	Electric Production - Other	-		-			
3	Various	Various	Electric Transmission Plant	-		-			
4			Total Non-Jurisdictional Electric Plant	-		-			

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
DEPRECIATION ACCRUAL RATES, DEPRECIATION EXPENSE, AND
ACCUMULATED BALANCES BY ACCOUNTS, FUNCTIONAL CLASS OR MAJOR PROPERTY GROUP
AS OF MARCH 31, 2008

DISTRIBUTION PLANT

SCHEDULE B-3.2
PAGE 2 OF 4

WORK PAPER REFERENCE NO(S): Staff's Schedule B-2.1, B-3, & B-3.2a

LINE NO. (A)	F.E.R.C. ACCT. NO. (B-1)	COMPANY ACCT. NO. (B-3)	ACCOUNT TITLE OR MAJOR PROPERTY GROUPING (C)	ADJUSTED JURISDICTION		ACCRUAL RATE (F)	CALCULATED DEPR. EXPENSE (G-DxF)	DESCRIPTION (H)
				PLANT INVESTMENT (D)	ACCUMULATED BALANCE (E)			
1	360	3600	Land and Land Rights	\$ 7,357,843	\$ -	1.33	\$ 353,891	
2	360	3601	Rights of Way	26,615,889	1,091,710	1.63	119,862	
3	361	3610	Structures and Improvements	6,949,624	3,673,903	2.00	2,834,829	
4	362	3620	Station Equipment	141,741,439	57,816,648	2.18	1,980,777	
5	362	3622	Major Equipment	89,943,898	30,247,249	5.00	159,648	
6	362	3635	Station Equipment Electronic	3,192,984	281,884	2.23	5,024,806	
7	364	3640	Poles, Towers & Fixtures	225,327,538	99,068,463	1.85	1,805,113	
8	365	3650	Overhead Conductors and Devices	97,573,585	29,403,258	1.90	5,164,138	
9	366	3660	Underground Conduit	294,779,880	91,548,320	2.63	8,189,431	
10	367	3670	Underground Conductors and Devices	271,795,728	50,055,866	2.60	116,780	
11	368	3680	Line Transformers	310,624,759	127,171,065	2.00	165,484	
12	368	3682	Customer Transformer Installations	4,669,183	2,124,839	3.07	1,364,469	
13	369	3691	Services - Underground	8,324,161	1,699,589	Amort	3,508,828	
14	369	3692	Services - Overhead	44,445,248	33,257,476	Amort	2,291,170	
15	370	3700	Meters	54,161,209	19,092,851	6.67	2,199	
16	370	3701	Leased Meters	23,927,897	715,997	4.00	4,100	
17	371	3710	Installations on Customers' Premises	32,968	-	3.89	304,960	
18	372	3720	Leased Property on Customers' Premises	102,503	(92,485)	2.50	477,306	
19	373	3731	Street Lighting - Overhead	7,839,582	9,042,149	3.75	259,384	
20	373	3732	Street Lighting - Boulevard	19,092,234	4,773,882			
21	373	3733	Light Security OL POL Flood	6,917,165	4,222,101			
22		108	Retirement Work in progress		(16,860,072)			
23			Total Electric Distribution	\$ 1,844,616,547	\$ 559,208,553		\$ 41,445,730	

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
DEPRECIATION ACCRUAL RATES, DEPRECIATION EXPENSE, AND
ACCUMULATED BALANCES BY ACCOUNTS, FUNCTIONAL CLASS OR MAJOR PROPERTY GROUP
AS OF MARCH 31, 2008

GENERAL PLANT

SCHEDULE B-3.2
PAGE 3 OF 4

WORK PAPER REFERENCE NO(S) : Staff's Schedule B-2.1, B-3, & B-3.2a

LINE NO. (A)	F.E.R.C. ACCT. NO. (B-1)	COMPANY ACCT. NO. (B-3)	ACCOUNT TITLE OR MAJOR PROPERTY GROUPING (C)	ADJUSTED JURISDICTION		ACCRUAL RATE (F)	CALCULATED DEPR. EXPENSE (G=DxF)	DESCRIPTION (H)
				PLANT INVESTMENT (D)	ACCUMULATED BALANCE (E)			
1	303	3030	Miscellaneous Intangible Plant	\$ 16,053,576	\$ 10,979,447	Various	\$ 2,081,538	
2	369	3690	Land and Land Rights	821,562	-			
3	390	3900	Structures and Improvements	13,567,232	7,480,235	2.50	339,881	
4	391	3910	Office Furniture and Equipment	328,422	117,248	5.00	16,421	
5	391	3911	Electronic Data Processing Equipment	348,906	157,423	20.00	69,781	
6	392	3920	Transportation Equipment	1,054,951	1,073,342			Depr. Charged to Transp. Expense
7	392	3921	Trailers	2,433,693	852,736			Depr. Charged to Transp. Expense
8	393	3930	Stores Equipment	-	(517)	0.00	0	
9	394	3940	Tools, Shop & Garage Equipment	7,859,980	2,100,657	4.00	314,399	
10	395	3950	Laboratory Equipment	657,415	(479,426)	6.67	43,890	
11	396	3960	Power Operated Equipment	941,954	923,725			Depr. Charged to Transp. Expense
12	397	3970	Communication Equipment	2,841,849	898,394	6.67	189,551	
13	398	3980	Miscellaneous Equipment	64,235	7,235	5.00	3,212	
14		108	Retirement Work in progress		1,169,446			
15			Total Electric General	47,033,785	25,279,944		3,058,433	
16			Total Electric Distribution and General Plant	\$ 1,991,650,332	\$ 584,486,497		\$ 44,304,163	

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
DEPRECIATION ACCRUAL RATES, DEPRECIATION EXPENSE, AND
ACCUMULATED BALANCES BY ACCOUNTS, FUNCTIONAL CLASS OR MAJOR PROPERTY GROUP
AS OF MARCH 31, 2008

COMMON PLANT

SCHEDULE B-3.2
PAGE 4 OF 4

WORK PAPER REFERENCE NO(S): Staff's Schedule B-2.1, B-3, & B-3.2a

LINE NO. (A)	F.E.C. ACCT. NO. (B-1)	COMPANY ACCT. NO. (B-3)	ACCOUNT TITLE OR MAJOR PROPERTY GROUPING (C)	ADJUSTED JURISDICTION		ACCRUAL RATE (F)	CALCULATED DEPR. EXPENSE (G=DxF)	DESCRIPTION (H)
				PLANT INVESTMENT (D)	ACCUMULATED BALANCE (E)			
1		1030	Miscellaneous Intangible Plant	\$ 38,384,852	\$ 27,786,387	Various	\$ 3,854,991	
2		1850	Land and Land Rights	834,284	42,039			
3		1891	Rights of Way	14,931	0			
4		1900	Structures & Improvements	33,750,601	5,038,120	3.05	1,029,393	
5		1900	Structures & Improvements - Atrium II	101,434	69,725	7.84	7,952	Amortized Over Life of Lease
6		1900	Structures & Improvements - Clopay 4th 6th 8th Floor	288,799	288,799	0.00 (1)	0	
7		1900	Structures & Improvements - Clopay Bldg	1,544,644	1,613,624	0.00 (1)	0	
8		1910	Office Furniture & Equipment	5,767,913	3,132,785	5.00	269,396	
9		1920	Transportation Equipment	33,547	33,535			Depr. Charged to Transp. Expense
10		1921	Trailers	153,262	50,582			Depr. Charged to Transp. Expense
11		1930	Stores Equipment	209,390	60,291	5.00	10,470	
12		1940	Tools, Shop & Garage Equipment	468,162	147,893	4.00	18,246	
13		1950	Laboratory Equipment	3,888	3,117	6.67	259	
14		1960	Power Operated Equipment	16,534	16,534			Depr. Charged to Transp. Expense
15		1970	Communication Equipment	6,021,904	2,348,944	6.67	401,661	
16		1980	Miscellaneous Equipment	118,506	36,063	5.00	5,925	
17		108	Retirement Work in progress		(116,081)			
18			Total Common	87,728,461	40,579,367		5,418,293	
19			Common Plant Allocated to Electric					
20			Original Cost (2)	71,682,925				
21			Reserve (3)		33,157,402		4,427,287	
		81.71% Annual Provision						
22			Total Electric Plant Including Allocated Common	\$ 1,759,393,257	\$ 617,643,899		\$ 48,331,450	

(1) Fully Amortized

(2) Total Common Allocated at 81.71% Less adjustment for Hartwell Recreation Facilities per Schedule B-2.1

(3) Total Common Allocated at 81.71% Less adjustment for Hartwell Recreation Facilities per Schedule B-3.1

DUKE ENERGY OHIO, INC.
CASE NO. 08-708-EL-AIR
ACCURAL RATE COMPARISON
AS OF MARCH 31, 2008

NON-JURISDICTIONAL ELECTRIC PLANT

12/16/08 SCHEDULE B-3.2a
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WORK PAPER REFERENCE NO(S): APPLICANT'S SCHEDULE B-3.2 and SEE BELOW

LINE NO. (A)	F.E.R.C. ACCT. NO. (B-1)	COMPANY ACCT. NO. (B-3)	ACCOUNT TITLE OR MAJOR PROPERTY GROUPING (C)	CURRENT			STAFF PROPOSED		
				Average Service Life (D)	% Net Salvage (E)	ACCURAL RATE (F)	Average Service Life (G)	% Net Salvage (H)	ACCURAL RATE (I)
				\$	\$	%			%
1	Various	Various	Electric Production - Steam						
2	Various	Various	Electric Production - Other						
3	Various	Various	Electric Transmission Plant						
4			Total Non-Jurisdictional Electric Plant						

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
ACCURUAL RATE COMPARISON
AS OF MARCH 31, 2008

DISTRIBUTION PLANT

12/16/08 SCHEDULE B-3.2a
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WORK PAPER REFERENCE NO(S): APPLICANT'S SCHEDULE B-3.2 and SEE BELOW

LINE NO. (A)	F.E.R.C. ACCT. NO. (B-1)	COMPANY ACCT. NO. (B-3)	ACCOUNT TITLE OR MAJOR PROPERTY GROUPING (C)	CURRENT			STAFF PROPOSED		
				Average Service Life (D)	% Net Salvage (E)	ACCURUAL RATE (F)	Average Service Life (G)	% Net Salvage (H)	ACCURUAL RATE (I)
						%			%
1	360	3600	Land and Land Rights	Perpetual Life			Perpetual Life		
2	360	3601	Rights of Way	70	0	1.43	75	0	1.33
3	361	3610	Structures and Improvements	60	(10)	1.83	60	(10)	1.83
4	362	3620	Station Equipment	50	(10)	2.20	55	(10)	2.00
5	362	3622	Major Equipment	55	(5)	1.91	55	(20)	2.18
6	362	3635	Station Equipment Electronic			6.37	20	0	5.00
7	364	3640	Poles, Towers & Fixtures	45	(10)	2.44	47	(5)	2.23
8	365	3650	Overhead Conductors and Devices	48	(30)	2.71	50	(25)	2.50
9	366	3660	Underground Conduit	65	(20)	1.86	65	(20)	1.85
10	367	3670	Underground Conductors and Devices	55	(10)	2.00	58	(10)	1.90
11	368	3680	Line Transformers	37	(5)	2.84	40	(5)	2.63
12	368	3682	Customer Transformer Installations	40	0	2.50	40	0	2.50
13	369	3691	Services - Underground	60	(20)	2.00	60	(20)	2.00
14	369	3692	Services - Overhead	44	(50)	3.41	44	(35)	3.07
15	370	3700	Meters	35	0	2.66			Amort (3)
16	370	3701	Leased Meters	35	0	2.29			Amort (3)
17	371	3710	Smart Meters				20	(2)	5.10
18	372	3720	Installations on Customers' Premises				15	0	6.67
19	373	3731	Leased Property on Customers' Premises	25	0	4.00	25	0	4.00
20	373	3732	Street Lighting - Overhead	26	(5)	4.04	27	(5)	3.89
21	373	3733	Street Lighting - Boulevard	40	(5)	2.63	40	0	2.50
22	373	108	Light Security OL POL Flood Retirement Work in progress	28	(10)	3.93	28	(5)	3.75
23			Total Electric Distribution						

DUKE ENERGY OHIO, INC.
CASE NO. 08-708-EL-AIR
ACCURAL RATE COMPARISON
AS OF MARCH 31, 2008

GENERAL PLANT

12/16/08 SCHEDULE B-3 2a
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WORK PAPER REFERENCE NO(S): APPLICANT'S SCHEDULE B-3 2 and SEE BELOW

LINE NO. (A)	F.E.R.C. ACCT. NO. (B-1)	COMPANY ACCT. NO. (B-3)	ACCOUNT TITLE OR MAJOR PROPERTY GROUPING (C)	CURRENT			STAFF PROPOSED		
				Average Service Life (D)	% Net Salvage (E)	ACCURAL RATE (F)	Average Service Life (G)	% Net Salvage (H)	ACCURAL RATE (I)
						%			%
1	303	3030	Miscellaneous Intangible Plant			Various	Perpetual Life		Various (4)
2	389	3890	Land and Land Rights			2.20			2.50 (1)
3	390	3900	Structures and Improvements	20	0	5.00	20	0	5.00
4	391	3910	Office Furniture and Equipment	5	0	20.00	5	0	20.00
5	391	3911	Electronic Data Processing Equipment	12	0	8.33	12	0	8.33
6	392	3920	Transportation Equipment	20	15	4.25	20	15	4.25
7	392	3921	Trailers	20		5.00			
8	393	3930	Stores Equipment	20	0	4.00	25	0	4.00
9	394	3940	Tools, Shop & Garage Equipment	25	0	6.67	15	0	6.67
10	395	3950	Laboratory Equipment	15	0	5.88	17	0	5.88
11	395	3950	Power Operated Equipment	15	0	6.67	15	0	6.67
12	397	3970	Communication Equipment	20	0	5.00	20	0	5.00
13	398	3980	Miscellaneous Equipment						
14		108	Retirement Work in progress						
15			Total Electric General						

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
ACCURUAL RATE COMPARISON
AS OF MARCH 31, 2008

COMMON PLANT

DRAFT

12/16/08 SCHEDULE B-3.2a
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WORK PAPER REFERENCE NO(S): APPLICANT'S SCHEDULE B-3.2 and SEE BELOW

LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE OR MAJOR PROPERTY GROUPING	CURRENT		STAFF PROPOSED	
				Average Service Life (D)	% Net Salvage (E)	Average Service Life (G)	% Net Salvage (H)
(A)	(B-1)	(B-3)	(C)	(D)	(E)	(G)	(H)

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
ALLOWANCE FOR WORKING CAPITAL
AS OF MARCH 31, 2008

SCHEDULE B-5
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): STAFF REPORT TEXT

LINE NO.	WORKING CAPITAL COMPONENT	DESCRIPTION of METHODOLOGY	APPLICANT'S WORK PAPER REFERENCE NUMBER	JURISDICTION
1	Working Capital Allowance			\$ 0

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
OTHER RATE BASE ITEMS SUMMARY
AS OF MARCH 31, 2008

SCHEDULE B-6
PAGE 1 OF 3

WORK PAPER REFERENCE NO(S): APPLICANT'S SCHEDULES B-6.1 & WPB-6.1d,
B-6.1, and CCC-INT-04-086

LINE NO.	ACCOUNT NUMBER	DESCRIPTION	TOTAL COMPANY	ADJUSTMENTS	ADJUSTED TOTAL COMPANY	ALLOCATION CODE	PERCENT	ALLOCATED TOTAL
252		Customer Advances for Construction	\$	0	\$	0		\$
235		Customer's Service Deposits - Retail (a)	(12,151,240)	0	(12,151,240)		29.23%	(3,551,807)
253		Post Retirement Benefits (b)	0	\$ 6,968,926	6,968,926	DALL	100.000%	\$ 6,968,926
255040		Investment Tax Credits:						
255140		Pre-1971 3% Credit	(182,083)	0	(182,083)	DALL	100.000%	\$ 0
		1971 4% Credit	(259,410)	259,410	0	DALL	100.000%	(182,083)
		1975 6% Credit	(4,498,732)	4,498,732	0	DNON	0.000%	0
		1981 10% Credit	(4,498,732)	4,498,732	0	DNON	0.000%	0
		Total Investment Tax Credits	(4,840,225)	\$ 4,758,142	\$ (182,083)			\$ (182,083)
12		Deferred Income Taxes:						
13	190050	Cost to Achieve Merger Savings	\$ (32,865)	\$ (669)	\$ (33,464)	DALL	100.000%	\$ (33,464)
14	190050	Duke Merger Costs - Timing	424,289	7,206	431,505	DALL	100.000%	431,505
15	190050	RSP Costs Capitalized	(5,682,767)	(113,487)	(5,796,254)	DALL	100.000%	(5,796,254)
16	190050	Regulatory Asset Benefits	(14,684,866)	(249,402)	(14,934,268)	DALL	100.000%	(14,934,268)
17	190050	Unamortized Debt Premiums	800,888	13,602	814,490	DALL	100.000%	814,490
18	190050	401K Incentive Plan	10,266	174	10,440	DALL	100.000%	10,440
19	190050	Executive Life Insurance	(220,263)	(3,741)	(224,004)	DALL	100.000%	(224,004)
20	190050	Incentive Plan	(253,144)	(4,289)	(257,443)	DALL	100.000%	(257,443)
21	190050	Injuries and Damages	(3,676)	(62)	(3,738)	DALL	100.000%	(3,738)
22	190050	Hospital & Medical Expense	118,648	2,016	120,664	DALL	100.000%	120,664
23	190050	LTIP	119,965	2,037	122,002	DALL	100.000%	122,002
24	190050	Pension Expense	19,517,370	331,476	19,848,846	DALL	100.000%	19,848,846
25	190050	Post Emp Benefits - FAS 112	174,755	2,868	177,703	DALL	100.000%	177,703
26	190050	Post Retirement Health Care	16,958,556	288,035	17,247,591	DALL	100.000%	17,247,591
27	190050	Post Retirement Life Insurance	1,700,709	28,884	1,729,593	DALL	100.000%	1,729,593
28	190050	Supplemental Pension Plan	816,372	13,865	830,237	DALL	100.000%	830,237
29	190050	Vacation Pay Accrual	1,008,042	17,086	1,025,128	DALL	100.000%	1,025,128
30	190050	Vacation Pay Accrual - Reg Asset	1,946,963	33,061	1,979,724	DALL	100.000%	1,979,724
31	190050	Miscellaneous	(2,468,472)	(41,824)	(2,510,396)	DALL	100.000%	(2,510,396)
32	190050	Partnership	(2,726)	(46)	(2,772)	DALL	100.000%	(2,772)
33	190050	Rate Case Expense	(68,410)	(1,162)	(69,572)	DALL	100.000%	(69,572)
34	190050	Rate Order Litigation	139,298	2,368	141,664	DALL	100.000%	141,664
35	190050	Uncollectible Accounts	1,887,176	28,854	1,916,030	DALL	100.000%	1,916,030
36	190050	Tax Interest Accrual	3,625,013	64,963	3,689,976	DALL	100.000%	3,689,976
37	190050	Property Tax	2,084,781	35,407	2,120,188	DALL	100.000%	2,120,188
38	190050	State Income Tax Accrual	(280,606)	(4,426)	(285,034)	DALL	100.000%	(285,034)
39	190050	Section 481(a) Adjustment	(66,371)	(957)	(67,328)	DALL	100.000%	(67,328)
40	190150	Percentage Repair Allowance	33,803	(33,803)	0	DNON	0.000%	0
41	190150	Cost to Achieve Merger Savings	(31,321)	31,321	0	DNON	0.000%	0
42	190150	Duke Merger Costs - Timing	(134,833)	(134,833)	0	DNON	0.000%	0
43	190150	RSP Costs Capitalized	(324,278)	324,278	0	DNON	0.000%	0
44	190150	Regulatory Asset Benefits	(167,865)	167,865	0	DNON	0.000%	0
45	190150	Unamortized Debt Premiums	20,863	(20,863)	0	DNON	0.000%	0
46	190150	401K Incentive Plan	(3,545)	5,939	0	DNON	0.000%	0
47	190150	Executive Life Insurance	(5,939)	5,939	0	DNON	0.000%	0
48	190150	Incentive Plan	(20,068)	20,068	0	DNON	0.000%	0
49	190150	Injuries and Damages	(16,130)	16,130	\$	DNON	0.000%	\$

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
OTHER RATE BASE ITEMS SUMMARY
AS OF MARCH 31, 2008

SCHEDULE B-6
PAGE 2 OF 3

WORK PAPER REFERENCE NO(S): APPLICANT'S SCHEDULES B-6.1 & WPB-6.1.d,
B-6.1, and OCC-INT-04-086

LINE NO.	ACCOUNT NO.	DESCRIPTION	TOTAL COMPANY	ADJUSTMENTS	ADJUSTED TOTAL COMPANY	ALLOCATION CODE PERCENT	ALLOCATED TOTAL
1	190150&160	Deferred Income Taxes: (Continued)					
2	190150	Hospital & Medical Expense	\$	(85)	\$	DNON 0.000%	\$ 0
3	190150	LTIIP	4,409	(4,409)	\$	DNON 0.000%	\$ 0
4	190150	Pension Expense	621,353	(621,353)		DNON 0.000%	\$ 0
5	190150	Post Emp Benefits - FAS 112	(41,354)	41,354		DNON 0.000%	\$ 0
6	190150	Post Retirement Health Care	193,303	(193,303)		DNON 0.000%	\$ 0
7	190150	Post Retirement Life Insurance	26,036	(26,036)		DNON 0.000%	\$ 0
8	190150	Supplemental Pension Plan	(1,531)	1,531		DNON 0.000%	\$ 0
9	190150&160	Vacation Pay Accrual	56,273	(56,273)		DNON 0.000%	\$ 0
10	190150	Vacation Pay Accrual - Reg Asset	183,756	(183,756)		DNON 0.000%	\$ 0
11	190150	Miscellaneous	(323,139)	323,139		DNON 0.000%	\$ 0
12	190150	Partnership	(887)	887		DNON 0.000%	\$ 0
13	190150	Rate Case Expense	(9,181)	9,181		DNON 0.000%	\$ 0
14	190150	Rate Order Litigce	126,569	(126,569)		DNON 0.000%	\$ 0
15	190150	Uncollectible Accounts	250,291	(250,291)		DNON 0.000%	\$ 0
16	190150&160	Tax Interest Accrual	93,453	(93,453)		DNON 0.000%	\$ 0
17	190160	Property Tax	606,890	(606,890)		DNON 0.000%	\$ 0
18	190160	State Income Tax Accrual	(12,401)	12,401		DNON 0.000%	\$ 0
19		Total Account 190	\$ 27,893,776	\$ (644,476)	\$ 27,049,300		\$ 27,049,300
20							
21	282050	CIAC	\$ 12,981,904	\$ 54,590	\$ 13,036,494	DALL 100.000%	\$ 13,036,494
22	282050	AFUDC	(3,196,000)	131,496	(3,064,502)	DALL 100.000%	\$ (3,064,502)
23	282050	Electric Meters & Transformers	(378,294)	(6,425)	(384,709)	DALL 100.000%	\$ (384,709)
24	282050	Loss on ACRS	(484,630)	(8,231)	(492,861)	DALL 100.000%	\$ (492,861)
25	282050	Miscellaneous Plant	(4,900,041)	(83,220)	(4,983,261)	DALL 100.000%	\$ (4,983,261)
26	282050	Non-Cash Overheads	(2,238,040)	(38,010)	(2,276,050)	DALL 100.000%	\$ (2,276,050)
27	282050	Sec 174 Expense	(3,246,489)	(55,137)	(3,301,626)	DNON 0.000%	\$ 0
28	282050	Tax Depreciation	(153,487,286)	(2,640,908)	(156,128,194)	DALL 100.000%	\$ (156,128,194)
29	282050	Tax Interest Capitalized	4,004,532	(425,764)	3,578,738	DALL 100.000%	\$ 3,578,738
30	282050	Sec 263A Adjustment	(42,669,642)	(725,025)	(43,414,667)	DALL 100.000%	\$ (43,414,667)
31	282050	Percentage Repair Allowance	(2,059,625)	(34,980)	(2,094,605)	DALL 100.000%	\$ (2,094,605)
32	282050	AFUDC in CWP - FAS 109	(804,537)	(15,362)	(819,899)	DNON 0.000%	\$ 0
33	282050	Plant FAS 109	(63,618,873)	(1,078,781)	(64,597,654)	DNON 0.000%	\$ 0
34	282050	Miscellaneous	\$ 349,060	\$ 5,928	\$ 354,988	DALL 100.000%	\$ 354,988

DUKE ENERGY OHIO, INC.
CASE NO. 06-709-EL-AIR
OTHER RATE BASE ITEMS SUMMARY
AS OF MARCH 31, 2008

SCHEDULE B-5
PAGE 3 OF 3

WORK PAPER REFERENCE NO(S): APPLICANT'S SCHEDULES B-6.1 & WPB-6.1d,
B-5.1, and OCC-INT-04-085

LINE NO.	ACCOUNT NO.	DESCRIPTION	TOTAL COMPANY	ADJUSTMENTS	ADJUSTED TOTAL COMPANY	ALLOCATION CODE PERCENT	ALLOCATED TOTAL
1		Deferred Income Taxes: (Continued)					
2	282150	CIAC	\$ 1,264,441	\$ (1,264,441)	\$	0	\$ 0
3	282150	AFUDC	(294,223)	294,223	0	0	0
4	282150	Electric Meters & Transformers	(11,848)	11,848	0	0	0
5	282150	Loss on ACRS	(5,239)	5,239	0	0	0
6	282150	Miscellaneous Plant	(153,146)	153,146	0	0	0
7	282150	Non-Cash Overheads	1,283,730	(1,283,730)	0	0	0
8	282150	Sec 174 Expense	(583,572)	583,572	0	0	0
9	282150	Tax Depreciation	(12,886,424)	12,886,424	0	0	0
10	282150	Tax Interest Capitalized	358,931	(358,931)	0	0	0
11	282150	Sec 263A Adjustment	(2,241,415)	2,241,415	0	0	0
12	282150	Percentage Repair Allowance	(217,252)	217,252	0	0	0
13	282150	Plant FAS 109	13,834,117	(13,834,117)	0	0	0
14	282150	Miscellaneous	(3,411)	3,411	0	0	0
15		Total Account 282	<u>\$ (287,433,282)</u>	<u>\$ (5,284,555)</u>	<u>\$ (286,887,818)</u>		<u>\$ (197,873,639)</u>
16							
17	283050	Accrued Pension & Post Retirement - FAS 158	579,172	11,535	690,707	DALL 100,000%	690,707
18	283050	Loss on Recquired Debt	(4,171,450)	(70,846)	(4,242,296)	DALL 100,000%	(4,242,296)
19	283050	Property Tax	168,844	2,868	171,712	DALL 100,000%	171,712
20	283050	Deferred Ohio Gross Receipts	210,287	3,572	213,859	DALL 100,000%	213,859
21	283050	Inventory and Contract Write-Up	(506,475)	(8,602)	(515,077)	DALL 100,000%	(515,077)
22	283050	Base Production Payments	(37,973)	(630)	(37,703)	DALL 100,000%	0
23	283050	Miscellaneous	(1,321,042)	(22,436)	(1,343,478)	DALL 100,000%	(1,343,478)
24	283050	Audit Carryover	267,300	4,340	271,640	DALL 100,000%	271,640
25	283150	Accrued Pension & Post Retirement - FAS 158	(63,961)	63,961	0	DALL 100,000%	0
26	283150	Loss on Recquired Debt	(215,104)	215,104	0	DALL 100,000%	0
27	283150	Property Tax	(271,773)	271,773	0	DALL 100,000%	0
28	283150	Deferred Ohio Gross Receipts	(642,502)	642,502	0	DALL 100,000%	0
29	283150	Inventory and Contract Write-Up	1,257,462	(1,257,462)	0	DALL 100,000%	0
30	283150	Base Production Payments	(607)	607	0	DALL 100,000%	0
31	283150	Miscellaneous	(304,785)	304,785	0	DALL 100,000%	0
32	283150	Property Tax	(218,221)	218,221	0	DALL 100,000%	0
33		Total Account 283	<u>\$ (5,169,916)</u>	<u>\$ 379,492</u>	<u>\$ (4,790,428)</u>		<u>\$ (4,752,723)</u>
34							
35		Total Deferred Income Taxes	<u>\$ (238,809,404)</u>	<u>\$ (5,823,540)</u>	<u>\$ (244,438,944)</u>		<u>\$ (178,582,062)</u>
36							
37		Total Other Rate Base Items	<u>\$ (255,700,850)</u>	<u>\$ 5,897,528</u>	<u>\$ (249,803,341)</u>		<u>\$ (172,347,026)</u>

(a) Applicant's Schedule B-5.1
(b) OCC-INT-04-085

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
JURISDICTIONAL ALLOCATION FACTORS
RATE BASE AND OPERATING INCOME

SCHEDULE B-7
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): APPLICANT'S SCHEDULE WPB-7a

LINE NO.	ACCOUNT NUMBER	ACCOUNT TITLE	JURISDICTIONAL ALLOCATION FACTOR CODE	%	DESCRIPTION OF FACTORS AND/OR METHOD OF ALLOCATION
1		Most accounts are 100% jurisdictional. Certain accounts are specifically coded as non-jurisdictional or have been allocated to Distribution. The following accounts have been allocated:			
2					
3					
4					
5	Various	General Plant	G229	86.552%	Distribution of Salaries and Wages (T&D Only)
5					
6	Various	Common Plant	C229	39.323%	Distribution of Salaries and Wages
7					
8	Various	Materials and Supplies	N/A	14.560%	See Supplemental (C)(14)(c)
9					
9	Various	Customer Service Deposits - Retail	D595	29.230%	Total Retail Revenue
10					
11	408380	Cincinnati Franchise Tax	D595	29.230%	Total Retail Revenue

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
JURISDICTIONAL PROFORMA INCOME STATEMENT
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008

SCHEDULE C-1
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): STAFF'S SCHEDULE C-2, C-1.1

LINE NO.	DESCRIPTION	(A)		(B)	
		ADJUSTED REVENUE & EXPENSES		PROPOSED INCREASE	
		PROFORMA REVENUE & EXPENSES			
1	Operating Revenues	\$	317,711,321	\$	85,604,451
2					\$ 403,315,772
3	Operating Expenses				
4	Operation & Maintenance	152,223,801		1,092,398	153,316,199
5	Depreciation	48,931,450		0	48,931,450
6	Taxes - Other	59,641,946		316,903	59,958,849
7	Operating Expenses before Income Taxes	260,797,197		1,409,301	262,206,498
8					
9	Income Taxes	10,096,557		29,670,792	39,767,349
10					
11	Total Operating Expenses	270,893,754		31,080,093	301,973,847
12					
13	Net Operating Income	\$ 46,817,567		\$ 54,524,358	\$ 101,341,925
14					
15	Rate Base	\$ 973,342,332			\$ 973,342,332
16					
17	Rate of Return		4.81%		10.41%

DUKE ENERGY OHIO, INC.
ELECTRIC DEPARTMENT
CASE NO. 08-709-EL-AIR

TO REFLECT AMOUNT OF REQUESTED INCREASE

SCHEDULE C-1.1
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): SEE BELOW

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>SCHEDULE/ WORK PAPER REFERENCE</u>	<u>PROPOSED INCREASE</u>
1	Operating Revenues	APPLICANT'S SCH. E-4	\$ 85,604,451
2			
3	Operating Expenses:		
4			
5	Uncollectible Accounts @ 1.2761%	SCHEDULE WPC-3.15b	1,092,398
6	City of Cincinnati Franchise Tax @ 0.1102%	SCHEDULE WPC-3.21b	94,331
7	Commercial Activities Tax @ 0.2600%	SCHEDULE WPC-3.18a	222,572
8			
9	Operating Expenses Before Income Taxes (5) + (6) + (7)		<u>1,409,301</u>
10			
11	Operating Income Before Income Taxes (1) - (9)		84,195,150
12		SCHEDULE C-4	311,522
13	State & Municipal Income Taxes - .370% X (11)		
14		SCHEDULE C-4	29,359,270
15	Federal Income Taxes - 35% X [(11) - (13)]		
16			
17	Total Operating Expenses (9) + (13) + (15)		<u>31,080,093</u>
18			
19	Increase in Net Operating Income (1) - (17)		<u>\$ 54,524,358</u>

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
ADJUSTED TEST YEAR OPERATING INCOME
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008

SCHEDULE C-2
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): APPLICANT'S SCH. C-2.1, STAFF'S SCH. C-3, & APPLICANT'S
SCHEDULE WPC-2a

LINE NO.	DESCRIPTION	UNADJUSTED REVENUE & EXPENSES	ADJUSTMENTS	ADJUSTED REVENUE & EXPENSES
1	OPERATING REVENUES			
2	Base Revenue and Riders	\$ 422,595,021	\$ (111,667,606)	\$ 310,927,415
3	Fuel Cost Revenue	0	0	0
4	Other Operating Revenue	5,565,499	1,218,407	6,783,906
5	Total Operating Revenues	428,160,520	(110,449,199)	317,711,321
6				
7	OPERATING EXPENSES			
8	Operation and Maintenance Expenses	209,077,132	(56,853,331)	152,223,801
9				
10	Depreciation Expense	41,902,054	7,029,396	48,931,450
11				
12	Taxes Other Than Income Taxes	135,680,325	(76,038,379)	59,641,946
13				
14	Income Taxes	6,988,388	3,108,169	10,096,557
15				
16	Total Operating Expenses and Taxes	393,647,899	(122,754,145)	270,893,754
17				
18	Net Operating Income	\$ 34,512,621	\$ 12,304,946	\$ 46,817,567

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
SUMMARY OF JURISDICTIONAL ADJUSTMENTS
TO OPERATING INCOME
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008

SCHEDULE C-3

WORK PAPER REFERENCE NO(S): SEE BELOW

LINE NO.	SCHEDULE REFERENCE	TITLE OF ADJUSTMENT	STAFF	APPLICANT	VARIANCE
OPERATING REVENUE					
1	C-3.1	Revenue Annualization	\$ (12,182,993)	\$ (12,182,993)	\$ -
2	C-3.2	DSM/EE Elimination	(19,238,882)	(19,238,882)	0
3	C-3.7	DRI Rider	(7,072,470)	(7,072,470)	0
4	C-3.1	Other	1,218,407	1,218,407	0
5	C-3.11	Ohio Excise Tax Rider	(73,173,261)	(73,173,261)	0
6		Total Operating Revenue	(110,449,199)	(110,449,199)	0
OPERATING EXPENSES					
Operation and Maintenance Expenses					
7	C-3.2	DSM/EE Elimination	(10,552,012)	(10,552,012)	0
8	C-3.3	Rate Case	(90,475)	(90,475)	0
9	C-3.4	Wages	(9,545,700)	(5,409,871)	(4,135,829)
10	C-3.6	Interest on Customers' Deposits	177,590	177,590	0
11	C-3.7	DRI Rider	(7,072,470)	(7,072,470)	0
12	C-3.9	Service Company Allocations	(81,616)	(81,616)	0
13	C-3.10	EEI	(177,462)	(80,108)	(97,354)
14	C-3.12	Hartwell Recreation Center	(32,901)	(32,901)	0
15	C-3.13	Non-Jurisdictional	(95,962)	(95,962)	0
16	C-3.14	PUCO and OCC Assessments	(129,794)	(124,473)	(5,321)
17	C-3.15	Uncollectibles	(24,117,838)	(22,958,114)	(1,159,724)
18	C-3.16	Pensions and Benefits	(5,276,183)	(3,849,322)	(1,426,861)
19	C-3.17	Regulatory Asset Amortization	141,492	201,326	(59,834)
20		Merger Savings	0	6,836,400	(6,836,400)
21		Total Operation and Maintenance Expenses	(56,853,331)	(43,132,008)	(13,721,323)
22	C-3.5	Depreciation Expense	7,029,396	7,979,420	(950,024)
Taxes Other Than Income Taxes					
23	C-3.9	Service Company Allocations FICA	(3,254)	(3,254)	0
24	C-3.8	Property	(1,337,074)	(567,398)	(769,676)
25	C-3.11	Ohio Excise Tax Rider	(73,128,969)	(73,128,969)	0
26	C-3.12	Hartwell Recreation Center Property	(10)	(10)	0
27	C-3.18	Commercial Activity Tax	(225,355)	0	(225,355)
28	C-3.19	FICA	(1,048,263)	(842,513)	(205,750)
29	C-3.20	Unemployment	(33,359)	(28,193)	(5,166)
30	C-3.21	Cincinnati Franchise	(262,095)	0	(262,095)
31		Total Taxes Other Than Income Taxes	(76,038,379)	(74,570,337)	(1,468,042)
32	C-3.22	Income Taxes	3,108,169	(1,113,819)	4,221,988
33		Total Operating Expenses	(122,754,145)	(110,836,744)	(11,917,401)
34		Net Operating Income	\$ 12,304,946	\$ 387,545	\$ 11,917,401

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
ANNUALIZED REVENUE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008

SCHEDULE C-3.1
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): APPLICANT'S SCHEDULE WPC-3.1a

PURPOSE and DESCRIPTION	TOTAL AMOUNT	ALLOCATION CODE	PERCENT	JURISDICTIONAL AMOUNT
PURPOSE and DESCRIPTION: To eliminate unbilled revenue and Rider TCR revenue and to adjust test year base and other revenues to the amounts calculated on Schedule E-4.				
Rider TCR	\$ (187,959)	DALL	100.000%	\$ (187,959)
Retail Revenue Adjustments	(9,792,676)	DALL	100.000%	(9,792,676)
Unbilled Revenue	(2,202,358)	DALL	100.000%	(2,202,358)
Total Base Revenue	<u>\$ (12,182,993)</u>			<u>\$ (12,182,993)</u>
Special Projects	\$ 12,000	DALL	100.000%	\$ 12,000
Pole Attachment Revenue	1,206,407	DALL	100.000%	1,206,407
Other Revenue	<u>\$ 1,218,407</u>			<u>\$ 1,218,407</u>

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
ELIMINATE DSM / EE REVENUE & EXPENSE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008

SCHEDULE C-3.2
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): APPLICANT'S SCHEDULES WPC-2a
AND C-2.1

PURPOSE and DESCRIPTION	TOTAL		ALLOCATION		JURISDICTIONAL	
	AMOUNT		CODE	PERCENT	AMOUNT	
PURPOSE and DESCRIPTION: To eliminate DSM / Energy Efficiency revenue and expense.						
Revenue	<u>\$ (19,238,882)</u>		DALL	100.000%	<u>\$ (19,238,882)</u>	
Expense - Account 407907	<u>\$ (10,552,012)</u>		DALL	100.000%	<u>\$ (10,552,012)</u>	
Total Expense	<u>\$ (10,552,012)</u>				<u>\$ (10,552,012)</u>	

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
RATE CASE EXPENSE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008

SCHEDULE C-3.3
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): APPLICANT'S SCHEDULES C-8
AND WPC-3.3a

PURPOSE and DESCRIPTION	TOTAL AMOUNT	ALLOCATION		JURISDICTIONAL	
		CODE	PERCENT	AMOUNT	AMOUNT

PURPOSE and DESCRIPTION: To reflect the estimated cost of presenting this case as reflected on Schedule C-8 and to eliminate the amortization of rate case expense included in the test year for Case No. 05-59-EL-AIR which will end in 2008.

Total	\$	(90,475)	DALL	100.000%	\$	(90,475)
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DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
ANNUALIZE TEST YEAR WAGES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008

SCHEDULE C-3.4
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): SCHEDULE WPC-3.4a

PURPOSE and DESCRIPTION	TOTAL AMOUNT	ALLOCATION PERCENT	JURISDICTIONAL AMOUNT

PURPOSE and DESCRIPTION: To reflect base payroll costs for full-time, part-time and temporary employees as of November 30, 2008 using wage rates in effect at November 30, 2008.

Total	\$ (9,545,700)	DALL	100.000%	\$ (9,545,700)
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DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
ANNUALIZED DEPRECIATION EXPENSE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008

SCHEDULE C-3.5

WORK PAPER REFERENCE NO(S): STAFF'S SCHEDULE WPC-3.5

PURPOSE and DESCRIPTION	TOTAL AMOUNT	ALLOCATION		JURISDICTIONAL AMOUNT
		CODE	PERCENT	
PURPOSE and DESCRIPTION: To reflect the adjustment to annualized depreciation expense as shown on Schedule B-3.2 based on plant at March 31, 2008.	\$	4,419,243	DALL	100.000% \$ 4,419,243
		1,094,272	DALL	100.000% 1,094,272
		1,515,881	DALL	100.000% 1,515,881
	<u>\$ 7,029,396</u>			<u>\$ 7,029,396</u>
Distribution				
General				
Common				
Total				

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
INTEREST ON CUSTOMER SERVICE DEPOSITS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008

SCHEDULE C-3.6
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): STAFF'S WPC-3.6a

PURPOSE and DESCRIPTION	TOTAL		ALLOCATION		JURISDICTIONAL	
	AMOUNT		CODE PERCENT		AMOUNT	
PURPOSE and DESCRIPTION: To reflect the interest on Customer Service Deposits as an operating expense as calculated on WPB-5.1d.						
Customer Service Deposits - Retail	\$	607,562	D595	29.230%	\$	177,590
Customer Service Deposits - Transmission Service		37,231	DNON	0.000%		0
Total	\$	644,793			\$	177,590

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
ELIMINATE RIDER DRI

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008

SCHEDULE C-3.7
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): APPLICANT'S SCHEDULES
WPC-3.7A AND WPC-2a

PURPOSE and DESCRIPTION	TOTAL	ALLOCATION	JURISDICTIONAL
	AMOUNT	CODE PERCENT	AMOUNT
PURPOSE and DESCRIPTION: To eliminate revenue and expense related to the Distribution Reliability Investment Rider.			
Revenue	<u>\$ (7,072,470)</u>	DALL 100.000%	<u>\$ (7,072,470)</u>
Expense	<u>\$ (7,072,470)</u>	DALL 100.000%	<u>\$ (7,072,470)</u>
Total Expense	<u>\$ (7,072,470)</u>		<u>\$ (7,072,470)</u>

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
PROPERTY TAX ADJUSTMENT
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008

SCHEDULE C-3.8
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): STAFF'S SCHEDULES WPC-3.8a and
WPC-3.8b

PURPOSE and DESCRIPTION	TOTAL AMOUNT	ALLOCATION		JURISDICTIONAL AMOUNT
		CODE	PERCENT	
PURPOSE and DESCRIPTION: To reflect the change in expense if property taxes were calculated in accordance with S.B. 287 and based on plant in service as of March 31, 2008.				
Adjusted Ohio Personal Property Taxes	\$ 54,392,267	DALL	100.000%	\$ 54,392,267
Adjusted Ohio Real Property Taxes	<u>656,205</u>	DALL	100.000%	<u>656,205</u>
Total	\$ 55,048,472			55,048,472
Test Year Property Taxes				<u>56,385,546</u>
Adjustment				\$ (1,337,074)

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
SERVICE COMPANY ALLOCATIONS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008

SCHEDULE C-3.9
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): APPLICANT'S SCHEDULE WPC-3.9a

PURPOSE and DESCRIPTION	TOTAL		ALLOCATION		JURISDICTIONAL	
	AMOUNT	CODE	PERCENT	AMOUNT	AMOUNT	AMOUNT
PURPOSE and DESCRIPTION: To eliminate non jurisdictional costs allocated to DE-Ohio, Inc. from Duke Energy Shared Services, Inc.						
Distribution	\$	(13,693)	DALL	100.000%	\$	(13,693)
Customer Service & Information Expense		(4,124)	DALL	100.000%		(4,124)
Administrative & General Expense		(63,799)	DALL	100.000%		(63,799)
Taxes Other Than Income Taxes		(3,254)	DALL	100.000%		(3,254)
Total	\$	(84,870)			\$	(84,870)

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
EEI EXPENSE ADJUSTMENT
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008

SCHEDULE C-3.10
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): STAFF'S SCHEDULE WPC-3.10a

PURPOSE and DESCRIPTION	TOTAL		ALLOCATION		JURISDICTIONAL	
	AMOUNT		CODE	PERCENT	AMOUNT	
PURPOSE and DESCRIPTION: To eliminate a portion of Edison Electric Institute dues not recoverable in rates per Commission precedent.						
Elimination of Non-Jurisdictional EEI Dues	\$ (177,462)		DALL	100.000%	\$ (177,462)	

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
OHIO EXCISE TAX RIDER

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008

SCHEDULE C-3.11
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): APPLICANT'S SCHEDULES WPC-3.12a
AND WPC-2a

PURPOSE and DESCRIPTION	TOTAL AMOUNT	ALLOCATION CODE	PERCENT	JURISDICTIONAL AMOUNT
PURPOSE and DESCRIPTION: To adjust revenue and expense for the annualized Ohio Excise Tax revenue and expense.				
Revenue	\$ (73,173,261)	DALL	100.000%	\$ (73,173,261)
Taxes Other Than Income Taxes	\$ (73,128,969)	DALL	100.000%	\$ (73,128,969)
Total Expense	\$ (73,128,969)			\$ (73,128,969)

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
ELIMINATION OF HARTWELL EXPENSES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008

SCHEDULE C-3.12
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): APPLICANT'S SCHEDULES WPC-3.13a
AND B-2.5

PURPOSE and DESCRIPTION	TOTAL		ALLOCATION		JURISDICTIONAL	
	AMOUNT	CODE	PERCENT	AMOUNT	AMOUNT	AMOUNT
PURPOSE and DESCRIPTION: To reflect the elimination of non-business expenses related to Hartwell Recreation Center.						
Taxes Other Than Income Taxes	\$ (10)	DALL	100.000%	\$	(10)	
Administrative & General Expenses	\$ (32,901)	DALL	100.000%	\$	(32,901)	

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
ELIMINATE NON-JURISDICTIONAL EXPENSES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008

SCHEDULE C-3.13
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): APPLICANT'S SCHEDULE WPC-3.14a

PURPOSE and DESCRIPTION	TOTAL AMOUNT	ALLOCATION CODE	PERCENT	JURISDICTIONAL AMOUNT
PURPOSE and DESCRIPTION: To eliminate non-jurisdictional operating expenses.				
Customer Service and Information Expense	\$ (46,954)	DALL	100.000%	\$ (46,954)
Wholesale Merger Amortization	(49,008)	DALL	100.000%	(49,008)
Total Operating Expense Adjustment	<u>\$ (95,962)</u>			<u>\$ (95,962)</u>

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
ANNUALIZE PUCO AND OCC ASSESSMENTS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008

SCHEDULE C-3.14
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): STAFF'S SCHEDULE WPC-3.14a

PURPOSE and DESCRIPTION	TOTAL		ALLOCATION		JURISDICTIONAL	
	AMOUNT	CODE	PERCENT	AMOUNT	PERCENT	AMOUNT
PURPOSE and DESCRIPTION: To annualize the level of PUCO and OCC assessments to the latest known level.						
Total	\$ (129,794)	DALL	100.000%	\$	(129,794)	

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
ADJUST UNCOLLECTIBLE EXPENSE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008

SCHEDULE C-3.15
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): STAFF'S SCHEDULE WPC-3.15a

PURPOSE and DESCRIPTION	TOTAL AMOUNT	ALLOCATION		JURISDICTIONAL AMOUNT
		CODE	PERCENT	
PURPOSE AND DESCRIPTION: To annualize uncollectible expense.				
Uncollectible Accounts Expense	\$ (24,117,838)	DALL	100.000%	\$ (24,117,838)

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
ANNUALIZE PENSION AND BENEFITS EXPENSE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008

SCHEDULE C-3.16
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): STAFF'S SCHEDULE WPC-3.16a

PURPOSE and DESCRIPTION	TOTAL AMOUNT	ALLOCATION CODE PERCENT	JURISDICTIONAL AMOUNT
PURPOSE and DESCRIPTION: To annualize pension and benefits expense based on test year salaries and wages and budgeted loading rate.			
Pension and Benefits Adjustment	\$ (5,276,183)	DALL	100.000% \$ (5,276,183)

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
ADJUST REGULATORY ASSET AMORTIZATION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008

SCHEDULE C-3.17
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): APPLICANT'S SCHEDULE WPC-3.18a,
O&O WORKING PAPERS, CASE NO. 05-0059-EL-AIR. (A) Staff Data Request 55

PURPOSE and DESCRIPTION	TOTAL AMOUNT	ALLOCATION CODE PERCENT	JURISDICTIONAL AMOUNT
PURPOSE and DESCRIPTION: To adjust the test year operating expenses to eliminate amortization of regulatory assets that expire in 2008 and to adjust the amortization on the remaining gain to be credited to customers.			
Disconnection Moratorium Amortization	\$ (291,387)	DALL 100.000%	\$ (291,387)
Lattice Towers - Gain Amortization	1,478,124	DALL 100.000%	1,478,124
Lattice Towers - Adjust Amortization on Remaining Gain	(985,411)	DALL 100.000%	(985,411)
Tower Lease Expense Adjustment	(A) (59,834)	DALL 100.000%	(59,834)
Total	\$ 141,492		\$ 141,492

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
ANNUALIZE COMMERCIAL ACTIVITY TAX (CAT)
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008

SCHEDULE C-3.18
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): STAFF'S SCHEDULE WPC-3.18a

PURPOSE and DESCRIPTION	TOTAL		ALLOCATION		JURISDICTIONAL	
	AMOUNT	CODE	PERCENT	AMOUNT		
PURPOSE and DESCRIPTION: To annualize commercial activity tax expenses to reflect tax law rate changes and adjustments to gross revenue.						
Commercial Activity Tax Adjustment	\$	(225,355)	DALL	100.000%	\$	(225,355)

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
ANNUALIZE FICA TAXES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008

SCHEDULE C-3.19
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): STAFF'S SCHEDULE WPC-3.19a

PURPOSE and DESCRIPTION	TOTAL		ALLOCATION		JURISDICTIONAL	
	AMOUNT	CODE	PERCENT	AMOUNT	PERCENT	AMOUNT
PURPOSE and DESCRIPTION: To annualize payroll taxes based on annualized wages as of November 30, 2008.						
Total	\$ (1,048,263)	DALL	100.000%	\$	(1,048,263)	

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
ANNUALIZE UNEMPLOYMENT TAXES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008

SCHEDULE C-3.20
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): STAFF'S SCHEDULE WPC-3.20a

PURPOSE and DESCRIPTION	TOTAL AMOUNT	ALLOCATION CODE PERCENT	JURISDICTIONAL AMOUNT
PURPOSE and DESCRIPTION: To annualize unemployment taxes based on annualized wages as of November 30, 2008.			
Total	\$ (33,359)	DALL 100.000%	\$ (33,359)

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
ANNUALIZE CINCINNATI FRANCHISE TAXES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008

SCHEDULE C-3.21
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): STAFF'S SCHEDULES WPC-3.21a &b

PURPOSE and DESCRIPTION	TOTAL AMOUNT	ALLOCATION CODE PERCENT	JURISDICTIONAL AMOUNT
PURPOSE and DESCRIPTION: To annualize Cincinnati franchise tax expenses to reflect tax law rate changes and adjustments to gross revenue.			
Total	\$ (262,095)	DALL 100.000%	\$ (262,095)

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
ADJUST INCOME TAXES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008

SCHEDULE C-3.22
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): STAFF'S SCHEDULE C-4 & C-2

PURPOSE and DESCRIPTION	TOTAL AMOUNT	ALLOCATION CODE PERCENT	JURISDICTIONAL AMOUNT
PURPOSE and DESCRIPTION: To adjust federal, state, and municipal income taxes to reflect changes to revenues and expenses.			
Staff's Adjusted Income Tax Expense	\$ 10,096,557	DALL 100.000%	\$ 10,096,557
Test Year Income Tax Expense			<u>6,988,388</u>
Adjustment			<u>\$ 3,108,169</u>

DUKE ENERGY OHIO, INC.
CASE NO. 06-709-EL-AIR
ADJUSTED JURISDICTIONAL FEDERAL AND STATE INCOME TAXES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008

SCHEDULE C-4
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): SCHEDULE C-4.1, WPC-4.1a

LINE NO.	DESCRIPTION	AT CURRENT RATES			AT PROPOSED RATES	
		UNADJUSTED	SCHEDULE C-3	ADJUSTED	PROFORMA	PROFORMA
		DISTRIBUTION	ADJUSTMENTS	DISTRIBUTION	ADJUSTMENTS	PROFORMA
		(1)	(2)	(3)	(4)	(5)
		(\$)	(\$)	(\$)	(\$)	(\$)
1	Operating Income before Federal					
2	and State Income Taxes	\$ 41,501,009	\$ 15,413,115	\$ 56,914,124	\$ 84,195,150	\$ 141,109,274
3						
4	Reconciling Items:					
5	Interest Charges	(24,383,997)	(5,984,284)	(30,368,281) (a)	0	(30,368,281)
6	Net Interest Charges	(24,383,997)	(5,984,284)	(30,368,281)	0	(30,368,281)
7						
8	Tax Depreciation	(53,653,942)		(53,653,942)	0	(53,653,942)
9	Book Depreciation	42,034,479	6,895,971 (b)	48,931,450	0	48,931,450
10	Excess of Tax over Book Depreciation	(11,619,463)	6,895,971	(4,722,492)	0	(4,722,492)
11						
12	Other Reconciling Items:					
13	Temporary Differences	4,907,801	10,195,508	15,103,307	0	15,103,307
14	Permanent Differences	193,588	0	193,588	0	193,588
15	Total Other Reconciling Items	5,101,389	10,195,508	15,298,895	0	15,298,895
16	Total Reconciling Items	(30,902,071)	11,108,193	(19,793,878)	0	(19,793,878)
17	Federal Taxable Income	10,598,938	26,521,308	37,120,246	84,195,150	121,315,396
18						
19	State Income Tax Adjustments:					
20	Unallowable Depreciation	(3,011,694)	0	(3,011,694)	0	(3,011,694)
21	Ohio Taxable Income Adj - OH Franchise	(824,337)	0	(824,337)	0	(824,337)
22	Total State Income Tax Adjustments	(3,836,031)	0	(3,836,031)	0	(3,836,031)
23						
24	State Taxable Income	8,762,907	26,521,308	33,284,215	84,195,150	117,479,365
25						
26	State Income Tax @ 1.67%	112,941	(112,941)	0	0	0
27	Municipal Income Tax @ 0.37%	25,023	98,129	123,152	311,522	434,674
28	State Income Tax	137,964	(14,812)	123,152	311,522	434,674
29						
30	Provision for Deferred State Income Taxes:					
31	Deferred Income Taxes (Deferrals)	176,146	(176,146)	0	0	0
32	Deferred Income Taxes (Writebacks)	0	0	0	0	0
33	Total State & Municipal Income Tax Expense	314,110	(190,058)	123,152	311,522	434,674
34						
35	Federal Taxable Income (Line 17)	10,598,938	26,521,308	37,120,246	84,195,150	121,315,396
36						
37	State Income Tax Deductible (Line 26)	112,941	(112,941)	0	0	0
38	Municipal Income Tax Deductible (Line 27)	25,023	98,129	123,152	311,522	434,674
39						
40	Federal Taxable Income	10,480,974	26,536,120	36,997,094	83,883,628	120,890,722
41						
42	Federal Income Taxes @ 35%	3,661,341	9,287,641	12,948,982	29,359,270	42,308,252
43	Federal Income Taxes - Current	3,661,341	9,287,641	12,948,982	29,359,270	42,308,252
44						
45	Provision Deferred Federal Income Taxes - Net					
46	Deferred Income Tax on Depreciation	4,075,005	(2,391,622)	1,683,383	0	1,683,383
47	Other Deferred Income Taxes - Net	(1,689,265)	(3,596,892)	(5,286,157)	0	(5,286,157)
48	Deferred Income Tax Adjustment - ARAM	(640,861)	0	(640,861)	0	(640,861)
49	Deferred Income Tax Adjustment - Flow-Through	2,063,958	0	2,063,958	0	2,063,958
50	Amortization of Investment Tax Credit	(795,900)	0	(795,900)	0	(795,900)
51	Total Deferred Income Taxes	3,012,937	(5,988,514)	(2,975,577)	0	(2,975,577)
52						
53	Total Income Taxes	\$ 6,988,388	\$ 3,108,169	\$ 10,096,557	\$ 29,670,792	\$ 39,767,349

(a) Rate Base of \$973,342,332 x Weighted Cost of Debt of 3.12%

(b) Book Depreciation Adjustment of \$7,029,396 Less \$132,425 of Book Depreciation - Trans. Equipment Subject to ADR

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
RATE OF RETURN SUMMARY

Schedule D-1

	% of Total	% Cost	Weighted Cost %
Long Term Debt	48.41%	6.45%	3.12%
Preferred Stock	0.00%	0.00%	0.00%
Common Equity	<u>51.59%</u>	10.12% -11.14%	<u>5.22% -5.75%</u>
Total Capital	100.00%		8.34% -8.87%

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
EQUITY ISSUANCE COST ADJUSTMENT
March 31, 2008

Schedule D-1.1

(1) Retained Earnings ¹	\$1,186,641,118
(2) Total Common Equity ¹	\$2,497,378,912
(3) Ratio of (1) to (2)	0.68833
(4) Generic Issuance Cost, f	3.50%
(5) External Equity Ratio, w [1.0 - (3)]	0.52485
(6) Net Adjustment Factor, $(w/(1 - f)) + (1 - w)$	1.01904
(7) Low End Equity Cost [9.93% x (6)]	10.12%
(8) High End Equity Cost [10.93% x (6)]	11.14%

Sources:

1 Applicant's Workpaper WPD-1a; Adjusted Balance as of March 31, 2008

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
CAPM COST OF EQUITY ESTIMATE

Schedule D-1.2
Page 1 of 2

Date:	<u>Closing 10Yr Yld (%)</u>	<u>Closing 30Yr Yld (%)</u>
1-Oct-08	3.77	4.25
2-Oct-08	3.65	4.15
3-Oct-08	3.64	4.12
6-Oct-08	3.43	3.94
7-Oct-08	3.51	4.03
8-Oct-08	3.71	4.06
9-Oct-08	3.83	4.12
10-Oct-08	3.86	4.14
13-Oct-08	3.86	4.14
14-Oct-08	4.02	4.26
15-Oct-08	4.01	4.25
16-Oct-08	3.94	4.23
17-Oct-08	3.94	4.31
20-Oct-08	3.89	4.28
21-Oct-08	3.70	4.19
22-Oct-08	3.62	4.09
23-Oct-08	3.53	3.97
24-Oct-08	3.70	4.09
27-Oct-08	3.73	4.11
28-Oct-08	3.82	4.17
29-Oct-08	3.87	4.24
30-Oct-08	3.94	4.28
31-Oct-08	3.97	4.37
3-Nov-08	3.90	4.32
4-Nov-08	3.77	4.22
5-Nov-08	3.69	4.15
6-Nov-08	3.71	4.20
7-Nov-08	3.78	4.26
10-Nov-08	3.76	4.21
11-Nov-08	3.76	4.21
12-Nov-08	3.66	4.19
13-Nov-08	3.82	4.33
14-Nov-08	3.75	4.23
17-Nov-08	3.68	4.21

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
CAPM COST OF EQUITY ESTIMATE

Schedule D-1.2
Page 2 of 2

Date:	<u>Closing 10Yr Yld (%)</u>	<u>Closing 30Yr Yld (%)</u>
18-Nov-08	3.54	4.14
19-Nov-08	3.39	3.97
20-Nov-08	3.14	3.70
21-Nov-08	3.17	3.66
24-Nov-08	3.34	3.76
25-Nov-08	3.09	3.63
26-Nov-08	3.00	3.56
28-Nov-08	2.96	3.49
1-Dec-08	2.72	3.24
2-Dec-08	2.69	3.20

Averages:		
Last 64days	3.6195	4.0607

Average of 10 and 30 Year Yields	3.8401
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CAPM Cost of Equity Estimate	8.2973
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Source: Yahoo.com

$$\begin{aligned}\text{CAPM} &= \text{risk free return} + \beta(\text{large company total return} - \text{risk free return}) \\ &= 3.84\% + .685714(6.5\%)\end{aligned}$$

Value Line Betas:

0.7 D
0.6 DUK
0.8 FPL
0.8 PPL
0.6 PGN
0.55 SO
0.75 XEL
0.685714286 ave

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
DCF COST OF EQUITY ESTIMATE

Schedule D-1.3
Page 1 of 2

Stock Prices¹ (\$):

	<u>D</u>	<u>DUK</u>	<u>FPL</u>	<u>PPL</u>	<u>PGN</u>	<u>SQ</u>	<u>XEL</u>
10/01/08	43.6400	17.8100	50.1900	37.8400	43.8000	37.7800	20.0700
10/02/08	42.0900	17.5400	48.3400	36.1100	44.0000	37.4800	19.6600
10/03/08	41.8800	17.3600	48.4000	35.9000	44.4800	37.1500	19.3500
10/05/08	40.0800	17.1100	44.9000	33.6100	44.2000	36.1200	18.7100
10/07/08	38.3200	16.9700	43.4800	32.3500	43.0500	35.6800	18.6400
10/08/08	37.5500	16.9300	41.2500	31.4600	41.4600	35.4100	18.9500
10/09/08	35.0500	15.1500	39.1000	31.2900	38.0000	33.5200	17.6100
10/10/08	33.6700	14.4300	37.0800	30.0000	35.4200	32.2600	16.7300
10/13/08	37.2100	16.3500	42.2500	34.4400	39.2000	35.8300	18.0200
10/14/08	37.1100	15.7200	42.4800	33.7900	38.6900	34.4400	17.7000
10/15/08	34.3100	14.8100	37.4800	29.6900	35.9600	32.5900	16.5000
10/16/08	36.0700	15.5300	40.5700	30.3400	36.4000	33.7400	16.8300
10/17/08	35.9500	15.1500	41.8200	30.7000	36.0700	33.4900	16.6400
10/20/08	37.9600	16.6800	46.5300	32.9500	39.1500	35.7700	17.9000
10/21/08	36.0300	15.7000	43.6700	31.5300	37.8200	35.0600	17.5000
10/22/08	33.8600	15.4500	41.2800	29.2300	35.9000	33.5800	16.4400
10/23/08	35.7000	16.4000	44.9000	30.3800	38.4000	36.2300	17.0000
10/24/08	35.1400	15.6300	43.2000	29.3300	37.0300	34.6100	16.7100
10/27/08	33.9800	15.7200	40.6800	28.6900	36.5100	32.9400	16.2900
10/28/08	37.1200	16.6800	45.1400	32.1000	40.3000	35.9200	17.3200
10/29/08	35.2100	16.2400	45.2000	30.3500	39.3500	34.7900	16.6900
10/30/08	36.2700	16.8300	47.3000	32.2800	40.8800	35.2600	17.5600
10/31/08	36.2800	16.3800	47.2400	32.8300	39.3700	34.3400	17.4200
11/03/08	36.4600	16.6700	46.5800	32.4600	39.8700	34.8000	17.8200
11/04/08	36.6700	16.9200	47.3300	30.0000	40.5300	35.1800	18.2400
11/05/08	35.2300	15.6200	45.9800	30.0000	39.1100	34.6200	17.7300
11/06/08	34.3000	15.6600	43.6400	30.1600	37.4600	33.7700	17.0100
11/07/08	35.8300	16.2500	46.9200	32.2400	39.5500	34.8300	17.7700
11/10/08	35.1900	15.9200	45.4900	30.6200	39.0500	34.6100	17.4000
11/11/08	35.0200	15.8400	44.3800	30.9900	38.6200	34.7400	17.3000
11/12/08	34.3200	15.3000	43.2900	29.6500	37.5300	34.2000	17.0300
11/13/08	36.2900	16.1100	48.0400	32.0400	39.7200	35.1800	18.2800
11/14/08	36.3900	15.6400	47.3000	32.6200	38.8400	35.2100	17.9800
11/17/08	35.9800	15.3900	45.6300	32.7500	38.6600	35.4800	18.1500
11/18/08	36.0800	15.6800	46.6300	32.6700	38.7600	35.0000	17.9500
11/19/08	34.9500	14.9100	44.6700	31.5400	37.7900	34.4700	17.5300
11/20/08	33.5800	14.6300	43.0000	29.6500	35.9100	33.8200	16.7600
11/21/08	36.9300	15.0400	48.3700	31.9900	38.4400	35.5900	18.0400
11/24/08	37.2500	15.4500	48.3600	32.3700	38.5500	35.5000	18.5500
11/25/08	37.1000	15.3300	47.9700	33.5900	38.6500	35.7700	18.4600
11/26/08	36.3500	15.1400	48.4600	33.2500	38.2200	36.1100	18.3300
11/28/08	36.8200	15.5600	48.7600	33.8900	39.6900	36.3200	18.8100
12/01/08	34.8400	14.7400	45.3000	30.5500	37.7300	35.1700	17.6900
12/02/08	35.6000	14.5000	45.7900	31.3800	38.4800	35.3200	17.7700
AVERAGE (\$)	36.4014	15.8834	44.8723	31.8545	39.0136	34.9827	17.7464
LAST QUARTERLY DIV. ² (\$)	0.3950	0.2300	0.4450	0.3350	0.6150	0.4200	0.2375
ANNUAL DIVIDEND (\$)	1.5800	0.9200	1.7800	1.3400	2.4600	1.6800	0.9500
YIELD	4.34%	5.79%	3.97%	4.21%	6.31%	4.80%	5.35%
EARNINGS GROWTH ESTIMATES:							
MSN ³	7.80%	4.60%	9.80%	16.30%	4.80%	0.00%	0.00%

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
DCF COST OF EQUITY ESTIMATE

Schedule D-1.3
Page 2 of 2

YAHOO ⁴	8.63%	4.39%	9.77%	12.33%	6.18%	0.00%	0.00%
VALUE LINE ⁵ :							
'08 EARNINGS (\$)	3.10	1.05	3.95	2.15	2.95	0.00	0.00
'12 EARNINGS (\$)	4.00	1.45	5.00	4.50	3.40	2.27	1.45
VALUE LINE CALCULATED	6.37%	8.07%	5.89%	18.47%	3.55%	6.97%	8.04%
VALUE LINE, "BOXED"	12.00%	4.00%	9.50%	12.00%	5.00%	5.50%	7.50%
VALUE LINE (AVERAGE)	9.19%	6.03%	7.70%	15.23%	4.27%	6.24%	7.77%
DCF GROWTH ESTIMATE	8.54%	5.01%	9.09%	14.62%	5.08%	5.58%	6.56%
DCF COST OF EQUITY ESTIMATE	12.24%	11.98%	12.06%	15.49%	12.51%	11.30%	12.35%
DCF AVERAGE				12.56%			
CAPM COST OF EQUITY ESTIMATE				8.30%			
COST OF EQUITY ESTIMATE				10.43%			

Sources:

- 1 MSN Investor
- 2 MSN Investor & Value Line Investment Guide
- 3 moneycentral.msn.com
- 4 finance.yahoo.com
- 5 Value Line Investment Guide

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
D NON-CONSTANT DCF CALCULATION

Schedule D-1.4

g=	8.54%	non const dcf=	12.24%	const dcf=	13.25%
D=	\$1.58			g(e)=	4.93%
		P=	\$36.40		

GROWTH		
<u>YEAR</u>	<u>RATE</u>	<u>DIVIDEND</u>
1	8.54%	\$1.71
2	8.54%	\$1.86
3	8.54%	\$2.02
4	8.54%	\$2.19
5	8.54%	\$2.38
6	8.45%	\$2.58
7	8.36%	\$2.80
8	8.27%	\$3.03
9	8.18%	\$3.28
10	8.09%	\$3.54
11	8.00%	\$3.82
12	7.91%	\$4.13
13	7.82%	\$4.45
14	7.73%	\$4.79
15	7.64%	\$5.16
16	7.55%	\$5.55
17	7.46%	\$5.96
18	7.37%	\$6.40
19	7.27%	\$6.87
20	7.18%	\$7.36
21	7.09%	\$7.88
22	7.00%	\$8.43
23	6.91%	\$9.02
24	6.82%	\$9.63
25	6.73%	\$10.28
26	6.73%	\$10.97
27	6.73%	\$11.71
28	6.73%	\$12.50
29	6.73%	\$13.34
30	6.73%	\$14.24

This schedule is truncated; the calculation extends to 400 years to ensure the stability of the calculation.

g, D, P are from Schedule D-1.3
g(e) is from Schedule D-1.11

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
DUK NON-CONSTANT DCF CALCULATION

Schedule D-1.5

		non const		const	
g=	5.01%	dcf=	11.98%	dcf=	11.09%
D=	\$0.92			g(e)=	4.93%
		P=	\$15.88		

GROWTH		
<u>YEAR</u>	<u>RATE</u>	<u>DIVIDEND</u>
1	5.01%	\$0.97
2	5.01%	\$1.01
3	5.01%	\$1.07
4	5.01%	\$1.12
5	5.01%	\$1.17
6	5.09%	\$1.23
7	5.18%	\$1.30
8	5.27%	\$1.37
9	5.35%	\$1.44
10	5.44%	\$1.52
11	5.53%	\$1.60
12	5.61%	\$1.69
13	5.70%	\$1.79
14	5.78%	\$1.89
15	5.87%	\$2.00
16	5.96%	\$2.12
17	6.04%	\$2.25
18	6.13%	\$2.39
19	6.22%	\$2.54
20	6.30%	\$2.70
21	6.39%	\$2.87
22	6.47%	\$3.06
23	6.56%	\$3.26
24	6.65%	\$3.47
25	6.73%	\$3.71
26	6.73%	\$3.96
27	6.73%	\$4.22
28	6.73%	\$4.51
29	6.73%	\$4.81
30	6.73%	\$5.13

This schedule is truncated; the calculation extends to 400 years to ensure the stability of the calculation.

g, D, P are from Schedule D-1.3
g(e) is from Schedule D-1.11

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
FPL NON-CONSTANT DCF CALCULATION

Schedule D-1.6

		non const		const	
g=	9.09%	dcf=	12.06%	dcf=	13.42%
D=	\$1.78			g(e)=	4.93%
		P=	\$44.87		

GROWTH		
<u>YEAR</u>	<u>RATE</u>	<u>DIVIDEND</u>
1	9.09%	\$1.94
2	9.09%	\$2.12
3	9.09%	\$2.31
4	9.09%	\$2.52
5	9.09%	\$2.75
6	8.97%	\$3.00
7	8.85%	\$3.26
8	8.74%	\$3.55
9	8.62%	\$3.85
10	8.50%	\$4.18
11	8.38%	\$4.53
12	8.26%	\$4.90
13	8.15%	\$5.30
14	8.03%	\$5.73
15	7.91%	\$6.18
16	7.79%	\$6.67
17	7.68%	\$7.18
18	7.56%	\$7.72
19	7.44%	\$8.29
20	7.32%	\$8.90
21	7.20%	\$9.54
22	7.09%	\$10.22
23	6.97%	\$10.93
24	6.85%	\$11.68
25	6.73%	\$12.47
26	6.73%	\$13.31
27	6.73%	\$14.20
28	6.73%	\$15.16
29	6.73%	\$16.18
30	6.73%	\$17.27

This schedule is truncated; the calculation extends to 400 years to ensure the stability of the calculation.

g, D, P are from Schedule D-1.3
g(e) is from Schedule D-1.11

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
PPL NON-CONSTANT DCF CALCULATION

Schedule D-1.7

		non const		const	
g=	14.62%	dcf=	15.49%	dcf=	19.44%
D=	\$1.34			g(e)=	4.93%
		P=	\$31.85		

<u>YEAR</u>	<u>GROWTH</u>	<u>DIVIDEND</u>
	<u>RATE</u>	
1	14.62%	1.54
2	14.62%	1.76
3	14.62%	2.02
4	14.62%	2.31
5	14.62%	2.65
6	14.23%	3.03
7	13.83%	3.45
8	13.44%	3.91
9	13.04%	4.42
10	12.65%	4.98
11	12.25%	5.59
12	11.86%	6.25
13	11.47%	6.97
14	11.07%	7.74
15	10.68%	8.57
16	10.28%	9.45
17	9.89%	10.38
18	9.49%	11.37
19	9.10%	12.40
20	8.71%	13.48
21	8.31%	14.60
22	7.92%	15.76
23	7.52%	16.95
24	7.13%	18.15
25	6.73%	19.38
26	6.73%	20.68
27	6.73%	22.07
28	6.73%	23.56
29	6.73%	25.14
30	6.73%	26.84

This schedule is truncated; the calculation extends to 400 years to ensure the stability of the calculation.

g, D, P are from Schedule D-1.3
g(e) is from Schedule D-1.11

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
PGN NON-CONSTANT DCF CALCULATION

Schedule D-1.8

		non const		const	
g=	5.08%	dcf=	12.51%	dcf=	11.71%
D=	\$2.46			g(e)=	4.93%
		P=	\$39.01		

GROWTH		
<u>YEAR</u>	<u>RATE</u>	<u>DIVIDEND</u>
1	5.08%	\$2.59
2	5.08%	\$2.72
3	5.08%	\$2.85
4	5.08%	\$3.00
5	5.08%	\$3.15
6	5.17%	\$3.32
7	5.25%	\$3.49
8	5.33%	\$3.68
9	5.41%	\$3.87
10	5.50%	\$4.09
11	5.58%	\$4.32
12	5.66%	\$4.56
13	5.74%	\$4.82
14	5.83%	\$5.10
15	5.91%	\$5.40
16	5.99%	\$5.73
17	6.07%	\$6.08
18	6.16%	\$6.45
19	6.24%	\$6.85
20	6.32%	\$7.29
21	6.40%	\$7.75
22	6.49%	\$8.25
23	6.57%	\$8.80
24	6.65%	\$9.38
25	6.73%	\$10.01
26	6.73%	\$10.69
27	6.73%	\$11.41
28	6.73%	\$12.18
29	6.73%	\$13.00
30	6.73%	\$13.87

This schedule is truncated; the calculation extends to 400 years to ensure the stability of the calculation.

g, D, P are from Schedule D-1.3
g(e) is from Schedule D-1.11

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
SO NON-CONSTANT DCF CALCULATION

Schedule D-1.9

		non const		const	
g=	5.58%	dcf=	11.30%	dcf=	10.65%
D=	\$1.68			g(e)=	6.73%
		P=	-\$34.99		

<u>YEAR</u>	<u>GROWTH</u>		<u>DIVIDEND</u>
	<u>RATE</u>		
1	5.58%		\$1.77
2	5.58%		\$1.87
3	5.58%		\$1.98
4	5.58%		\$2.09
5	5.58%		\$2.20
6	5.64%		\$2.33
7	5.69%		\$2.46
8	5.75%		\$2.60
9	5.81%		\$2.75
10	5.87%		\$2.91
11	5.92%		\$3.09
12	5.98%		\$3.27
13	6.04%		\$3.47
14	6.10%		\$3.68
15	6.16%		\$3.91
16	6.21%		\$4.15
17	6.27%		\$4.41
18	6.33%		\$4.69
19	6.39%		\$4.99
20	6.44%		\$5.31
21	6.50%		\$5.66
22	6.56%		\$6.03
23	6.62%		\$6.43
24	6.68%		\$6.86
25	6.73%		\$7.32
26	6.73%		\$7.81
27	6.73%		\$8.34
28	6.73%		\$8.90
29	6.73%		\$9.50
30	6.73%		\$10.14

This schedule is truncated; the calculation extends to 400 years to ensure the stability of the calculation.

g, D, P are from Schedule D-1.3
g(e) is from Schedule D-1.11

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
XEL NON-CONSTANT DCF CALCULATION

Schedule D-1.10

	non const	const
g= 0.065566	dcf= 0.1235258	dcf= 0.12261
D= 0.95		g(e)= 0.06733
	P= -17.74636	

GROWTH		
<u>YEAR</u>	<u>RATE</u>	<u>DIVIDEND</u>
1	0.065566	1.0122877
2	0.065566	1.0786593
3	0.065566	1.1493827
4	0.065566	1.2247431
5	0.065566	1.3050446
6	0.065654	1.3907264
7	0.065743	1.4821565
8	0.065831	1.5797283
9	0.065919	1.683863
10	0.066008	1.795011
11	0.066096	1.9136541
12	0.066184	2.0403082
13	0.066273	2.175525
14	0.066361	2.3198952
15	0.066449	2.4740509
16	0.066538	2.6386688
17	0.066626	2.814473
18	0.066714	3.0022391
19	0.066803	3.2027971
20	0.066891	3.4170359
21	0.066980	3.6459073
22	0.067068	3.8904304
23	0.067156	4.1516969
24	0.067245	4.4308759
25	0.067333	4.7292195
26	0.067333	5.0476515
27	0.067333	5.3875244
28	0.067333	5.7502819
29	0.067333	6.137465
30	0.067333	6.5507182

This schedule is truncated; the calculation extends to 400 years to ensure the stability of the calculation.

g, D, P are from Schedule D-1.3
g(e) is from Schedule D-1.11

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
GROWTH IN U.S. GROSS NATIONAL PRODUCT, 1929 TO 2005

Schedule D-1.11
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Year	GNP (\$billion)	Change (\$billion)	Growth%
1929	104.4		
1930	91.90	-12.70	-12.32%
1931	77.00	-14.60	-16.15%
1932	59.10	-17.80	-23.48%
1933	56.70	-2.40	-4.14%
1934	66.30	9.50	17.09%
1935	73.60	7.10	10.91%
1936	84.00	10.30	14.27%
1937	92.20	7.90	9.58%
1938	86.50	-5.70	-6.31%
1939	92.50	6.60	7.79%
1940	101.70	9.10	9.97%
1941	127.20	25.10	25.00%
1942	162.30	33.50	26.69%
1943	198.90	33.70	21.19%
1944	220.10	18.70	9.70%
1945	223.40	2.00	0.95%
1946	222.90	-1.00	-0.47%
1947	245.30	22.80	10.73%
1948	270.60	26.40	11.22%
1949	268.60	-1.20	-0.46%
1950	295.20	27.90	10.71%
1951	341.20	45.10	15.64%
1952	360.30	18.20	5.46%
1953	381.30	20.00	5.69%
1954	382.50	0.90	0.24%
1955	417.20	33.40	8.97%
1956	440.30	22.30	5.49%
1957	464.10	22.80	5.32%
1958	469.80	5.80	1.29%
1959	509.30	53.50	11.71%
1960	529.50	20.30	3.98%
1961	548.20	18.70	3.52%
1962	589.70	41.40	7.54%
1963	622.20	32.50	5.50%
1964	668.50	46.20	7.41%

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
GROWTH IN U.S. GROSS NATIONAL PRODUCT, 1929 TO 2005

Schedule D-1.11
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Year	GNP (\$billion)	Change (\$billion)	Growth%
1965	724.40	56.10	8.38%
1966	792.90	69.00	9.51%
1967	838.00	45.00	5.66%
1968	916.10	78.10	9.30%
1969	990.70	73.90	8.05%
1970	1,044.90	54.60	5.51%
1971	1,134.70	90.10	8.61%
1972	1,246.80	112.90	9.94%
1973	1,395.30	149.10	11.94%
1974	1,515.50	118.50	8.48%
1975	1,651.30	131.70	8.68%
1976	1,842.10	192.60	11.68%
1977	2,051.20	211.10	11.47%
1978	2,316.30	265.90	12.96%
1979	2,595.30	281.30	12.14%
1980	2,823.70	231.50	8.91%
1981	3,161.40	335.30	11.84%
1982	3,291.50	129.60	4.09%
1983	3,573.80	276.10	8.38%
1984	3,969.50	396.30	11.10%
1985	4,246.80	270.30	6.81%
1986	4,480.60	229.90	5.42%
1987	4,757.40	287.90	6.44%
1988	5,127.40	370.60	7.79%
1989	5,510.60	382.60	7.46%
1990	5,837.90	322.80	5.86%
1991	6,026.30	178.70	3.06%
1992	6,367.40	331.40	5.51%
1993	6,689.30	324.40	5.11%
1994	7,098.40	404.40	6.07%
1995	7,433.40	349.80	4.95%
1996	7,851.90	410.30	5.53%
1997	8,337.30	473.80	6.05%
1998	8,768.30	445.00	5.36%
1999	9,302.20	486.20	5.56%
2000	9,855.90	553.70	5.95%

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
GROWTH IN U.S. GROSS NATIONAL PRODUCT, 1929 TO 2005

Schedule D-1.11
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Year	GNP (\$billion)	Change (\$billion)	Growth%
2001	10,171.60	315.70	3.20%
2002	10,500.20	328.60	3.23%
2003	11,017.60	517.40	4.93%
2004	11,762.10	744.50	6.76%
2005	12,514.90	752.80	6.40%
2006	13,256.60	741.70	5.93%
2007	13,910.00	653.40	4.93%
Average			6.73%

Sources: (1) National Income and Product Accounts (NIPA) from the U. S. Bureau of Economic Analysis and Econostats; BEA Data; NIPA Index; Section 1. Domestic Product and Income Table
1.7.5 Relation of Gross Domestic Product, Gross National Product, Ne

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
CAPITAL STRUCTURES FOR ELECTRIC UTILITIES, 2007

Schedule D-1.12

Primary SIC Code	Fiscal Year	Stock Symbol	Entity Abbrev	Holding Company Name	% LTD	% Equity	Long Term Debt \$	Total Equity \$	Total Capitalization \$
4911	2007	HTM	HTM	US Geothermal Inc	0.00%	100.00%	0	18,683,020	18,683,020
4911	2007	MMCE	MMCE	MMC Energy Inc	3.89%	96.31%	1,962,936	51,293,196	53,256,132
4911	2007	MAM	MAM	Maine & Maritimes Corp	38.98%	61.02%	27,427,000	42,941,000	70,368,000
4911	2007	EGR	EGR	Commerce Energy Group	0.00%	100.00%	0	70,520,000	70,520,000
4911	2007	CESI	CESI	Catalytica Energy Systems Inc	66.22%	33.78%	50,942,000	25,988,000	76,930,000
4911	2007	EPG	EPG	Environmental Power Corp	64.61%	35.39%	60,453,983	33,115,440	93,569,423
4911	2007	EEE	EEE	Evergreen Energy Inc	67.72%	32.28%	97,971,000	46,699,000	144,670,000
4911	2007	CV	CV	Central Vermont Public Service	37.41%	62.59%	118,839,000	198,861,000	317,700,000
4911	2007	MGEE	MGEE	MGE Energy Inc	35.20%	64.80%	232,346,000	427,726,000	660,072,000
4911	2007	OTTR	OTTR	Otter Tail Corp	38.91%	61.09%	342,694,000	538,147,000	880,841,000
4911	2007	ORA	ORA	Omat Technologies Inc	33.73%	66.27%	314,530,000	618,083,000	932,613,000
4911	2007	UIL	UIL	UIL Holdings Corp	50.80%	49.20%	479,317,000	464,291,000	943,608,000
4911	2007	EDE	EDE	Empire District Electric Co (The	50.13%	49.87%	541,880,000	539,176,000	1,081,056,000
4911	2007	EE	EE	El Paso Electric Co	49.57%	50.43%	655,111,000	666,459,000	1,321,570,000
4911	2007	BKH	BKH	Black Hills Corp	36.79%	63.21%	564,372,000	969,855,000	1,534,227,000
4911	2007	UNS	UNS	UniSource Energy Corp	59.02%	40.98%	993,870,000	690,075,000	1,683,945,000
4911	2007	CNL	CNL	Cleco Corp	43.20%	56.80%	769,103,000	1,011,369,000	1,780,472,000
4911	2007	IDA	IDA	IDACORP Inc	48.93%	51.07%	1,156,880,000	1,207,315,000	2,364,195,000
4911	2007	ILA	ILA	Aquila Inc	43.30%	56.70%	1,035,400,000	1,355,700,000	2,391,100,000
4911	2007	HE	HE	Hawaiian Electric Industries Inc	49.34%	50.66%	1,242,099,000	1,275,427,000	2,517,526,000
4911	2007	GXP	GXP	Great Plains Energy Inc	40.70%	59.30%	1,102,900,000	1,606,900,000	2,709,800,000
4911	2007	PNM	PNM	PNM Resources Inc	42.13%	57.87%	1,231,859,000	1,692,411,000	2,924,270,000
4911	2007	OGE	OGE	OGE Energy Corp	44.44%	55.56%	1,344,600,000	1,680,900,000	3,025,500,000
4911	2007	TAC	TAC	TransAlta Corp	42.60%	57.40%	1,718,000,000	2,315,000,000	4,033,000,000
4911	2007	NST	NST	NSTAR	59.48%	40.52%	2,501,400,000	1,703,815,000	4,205,215,000
4911	2007	TE	TE	TECO Energy Inc	61.03%	38.97%	3,158,400,000	2,017,000,000	5,175,400,000
4911	2007	PSD	PSD	Puget Energy Inc	51.49%	48.51%	2,678,860,000	2,523,843,000	5,202,703,000
4911	2007	AYE	AYE	Allegheny Energy Inc	60.87%	39.13%	3,943,947,000	2,535,352,000	6,479,299,000
4911	2007	PNW	PNW	Pinnacle West Capital Corp	46.96%	53.04%	3,127,125,000	3,531,611,000	6,658,736,000
4911	2007	RRI	RRI	Reliant Energy Inc	39.33%	60.67%	2,802,346,000	4,477,034,000	7,379,380,000
4911	2007	POM	POM	Pepco Holdings Inc	50.95%	49.05%	4,174,800,000	4,018,400,000	8,193,200,000
4911	2007	MIR	MIR	Mirant Corp	35.74%	64.26%	2,953,000,000	5,310,000,000	8,263,000,000
4911	2007	DYN	DYN	Dynegy Inc	56.02%	43.98%	5,739,000,000	4,506,000,000	10,245,000,000
4911	2007	PPL	PPL	PPL Corp	55.36%	44.64%	6,890,000,000	5,556,000,000	12,446,000,000
4911	2007	XEL	XEL	Xcel Energy Inc	49.75%	50.25%	6,342,160,000	6,405,982,000	12,748,142,000
4911	2007	DTE	DTE	DTE Energy Co	54.21%	45.79%	6,930,000,000	5,853,000,000	12,783,000,000
4911	2007	NRG	NRG	NRG Energy Inc	58.92%	41.08%	7,895,000,000	5,504,000,000	13,399,000,000
4911	2007	PEG	PEG	Public Service Enterprise Grou	54.27%	45.73%	8,662,000,000	7,299,000,000	15,961,000,000
4911	2007	PGN	PGN	Progress Energy Inc	50.92%	49.08%	8,737,000,000	8,422,000,000	17,159,000,000
4911	2007	FE	FE	FirstEnergy Corp	49.70%	50.30%	8,869,000,000	8,977,000,000	17,846,000,000
4911	2007	ETR	ETR	Entergy Corp	54.34%	45.66%	9,728,135,000	8,173,833,000	17,901,968,000
4911	2007	EIX	EIX	Edison International	49.07%	50.93%	9,016,000,000	9,359,000,000	18,375,000,000
4911	2007	AES	AES	AES Corp (The)	84.01%	15.99%	16,629,000,000	3,164,000,000	19,793,000,000
4911	2007	FPL	FPL	FPL Group	51.24%	48.76%	11,280,000,000	10,735,000,000	22,015,000,000
4911	2007	D	D	Dominion Resources Inc	58.46%	41.54%	13,235,000,000	9,406,000,000	22,641,000,000
4911	2007	AEP	AEP	American Electric Power Co In	58.49%	41.51%	14,202,000,000	10,079,000,000	24,281,000,000
4911	2007	SO	SO	Southern Co	53.31%	46.69%	14,143,000,000	12,385,000,000	26,528,000,000
4911	2007	DUK	DUK	Duke Energy Corp	30.94%	69.06%	9,498,000,000	21,199,000,000	30,697,000,000
Average excluding HTM, EGR,					48.41%	51.59%			

Source: Global Energy's Energy Velocity Suite, Fuels Dataset, SEC 10K, S.I.C. 4911; 2007

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Rate RS – Residential Service

	<u>Current</u>	<u>Applicant</u> <u>Proposed</u>	<u>Increase</u>	<u>Staff</u> <u>Proposed</u>	<u>Increase</u>
	\$	\$	%	\$	%
Customer Charge:	\$4.50	\$10.00	122.0%	\$5.71	26.9 %

Energy Charge:

Summer

First 1000 kWh	0.019949	.019217	(3.8%)
Additional kWh	0.019949	.019217	(3.8%)

Winter

First 1000 kWh	0.019949	.019217	(3.8%)
Additional kWh	0.019949	.019217	(3.8%)

Energy Charge:

All kWh	.024343	22.0%
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	<u>Level</u> <u>of</u> <u>Demand</u> <u>(kW)</u>	<u>Level</u> <u>of</u> <u>Use</u> <u>(kWh)</u>	<u>Current</u> <u>Bill</u> <u>(\$)</u>	<u>Applicant</u> <u>Proposed</u> <u>Bill</u> <u>(\$)</u>	<u>Staff</u> <u>Proposed</u> <u>Bill</u> <u>(\$)</u>	<u>Dollar</u> <u>Increase</u> <u>Applicant</u> <u>(\$)</u>	<u>Dollar</u> <u>Increase</u> <u>Staff</u> <u>(\$)</u>	<u>Percent</u> <u>Increase</u> <u>Applicant</u> <u>(%)</u>	<u>Percent</u> <u>Increase</u> <u>Staff</u> <u>(%)</u>
RS	<u>Summer</u>								
	NA	300	34.76	40.05	37.29	5.29	2.53	15.2	7.3
	NA	400	44.86	50.07	47.83	5.21	2.97	11.6	6.6
	NA	500	54.95	60.09	58.36	5.14	3.41	9.4	6.2
	NA	800	85.22	90.13	89.94	4.91	4.72	5.8	5.5
	NA	1000	105.39	110.17	110.99	4.78	5.60	4.5	5.3
	NA	1500	163.52	167.93	171.32	4.41	7.80	2.7	4.8
	NA	2000	221.65	225.70	231.64	4.05	9.99	1.8	4.5
	<u>WINTER</u>								
	NA	300	34.76	40.05	37.29	5.29	2.53	15.2	7.3
	NA	400	44.86	50.07	47.83	5.21	2.97	11.6	6.6
	NA	500	54.95	60.09	58.36	5.14	3.41	9.4	6.2
	NA	800	85.22	90.13	89.94	4.91	4.72	5.8	5.5
	NA	1000	105.39	110.17	110.99	4.78	5.60	4.5	5.3
	NA	1500	137.88	142.29	145.68	4.41	7.80	3.2	5.7
	NA	3000	235.34	238.65	249.73	3.31	14.39	1.4	6.1
	NA	6000	430.26	431.38	457.83	1.12	27.57	0.3	6.4

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Rate ORH – Optional Residential Service with Electric Space Heating

	<u>Current</u>	<u>Applicant</u> <u>Proposed</u>	<u>Increase</u>	<u>Staff</u> <u>Proposed</u>	<u>Increase</u>
	\$	\$	%	\$	%
Customer Charge:	4.50	\$10.00	122.0%	\$5.71	26.9%
Energy Charge:					
<u>Summer</u>					
First 1000 kWh	0.023426	0.022115	(5.6%)	0.028073	19.8 %
Additional kWh	0.027749	0.026196	(5.6%)	0.033254	19.8 %
Excess of 150 * Demand	0.027749	0.026196	(5.6%)	0.033254	19.8 %
<u>Winter</u>					
First 1000 kWh	0.023426	0.022115	(5.6%)	0.028073	19.8 %
Additional kWh	0.012939	0.012215	(5.6%)	0.015506	19.8 %
Excess of 150 * Demand	0.008723	0.008235	(5.6%)	0.010453	19.8 %

LEVEL of <u>DEMAND</u> (kW)	LEVEL of <u>USE</u> (kWh)	Current Bill (\$)	Applicant Proposed Bill (\$)	Staff Proposed Bill (\$)	Dollar Increase Applicant (\$)	Dollar Increase Staff (\$)	Percent Increase Applicant (%)	Percent Increase Staff (%)
<u>Summer</u>								
NA	1000	104.41	108.61	110.26	4.20	5.85	4.0	5.6
NA	1500	161.91	165.33	170.55	3.42	8.64	2.1	5.3
NA	2000	219.41	222.05	230.84	2.64	11.43	1.2	5.2
NA	3000	334.40	335.49	351.40	1.09	17.00	0.3	5.1
<u>Winter</u>								
NA	1000	104.41	108.6	110.26	4.19	5.85	4.0	5.6
NA	2000	167.68	171.15	176.10	3.47	8.42	2.1	5.0
NA	3000	230.94	233.68	241.92	2.74	10.98	1.2	4.8
NA	6000	376.54	377.83	392.72	1.29	16.17	0.3	4.3

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Rate TD – Optional Time-Of-Day Residential Service with Electric Space Heating

	<u>Current</u>	<u>Applicant</u> <u>Proposed</u>	<u>Increase</u>	<u>Staff</u> <u>Proposed</u>	<u>Increase</u>
	\$	\$	%	\$	%
Customer Charge:	13.00	\$18.50	42.3%	\$16.00	23.0%
Energy Charge:					
<u>Summer</u>					
On Peak kWh	0.037141	0.035777	(3.7%)	0.044528	19.9%
Off Peak kWh	0.006479	0.006241	(3.7%)	0.007768	19.9%
<u>Winter</u>					
On Peak kWh	0.029514	0.028430	(3.7%)	0.035384	19.9%
Off Peak kWh	0.006474	0.006236	(3.7%)	0.007762	19.9%

Rate TD - Residential Service

Level Off- Peak Use (kW)	Level On- Peak Use (kWh)	Current Bill (\$)	Applicant Proposed Bill (\$)	Staff Proposed Bill (\$)	Dollar Increase Applicant (\$)	Dollar Increase Staff (\$)	Percent Increase Applicant (%)	Percent Increase Staff (%)
<u>Summer</u>								
1,000	400	133.43	138.13	140.67	4.70	7.24	3.5	5.4
1,500	500	175.26	179.72	183.88	4.46	8.62	2.5	4.9
1,460	540	180.74	185.15	189.61	4.41	8.87	2.4	4.9
2,500	500	222.21	226.43	232.12	4.22	9.91	1.9	4.5
2,700	600	249.96	254.01	260.88	4.05	10.92	1.6	4.4
2,700	700	268.34	272.24	279.99	3.90	11.65	1.5	4.3
2,800	700	273.04	276.91	284.82	3.87	11.78	1.4	4.3
3,700	800	333.65	337.18	347.33	3.53	13.68	1.1	4.1
4,500	1,000	407.95	411.01	424.14	3.06	16.19	0.8	4.0
<u>Winter</u>								
1,000	400	119.74	124.57	126.37	4.83	6.63	4.0	5.5
1,500	500	158.18	162.77	166.04	4.59	7.86	2.9	5.0
1,460	540	162.27	166.84	170.32	4.57	8.05	2.8	5.0
2,500	500	205.13	209.49	214.28	4.36	9.15	2.1	4.5
2,700	600	229.46	233.67	239.46	4.21	10.00	1.8	4.4
2,700	700	244.41	248.51	255.00	4.10	10.59	1.7	4.3
2,800	700	249.11	253.18	259.82	4.07	10.71	1.6	4.3
3,700	800	306.30	310.05	318.77	3.75	12.47	1.2	4.1
4,500	1,000	373.76	377.12	388.43	3.36	14.67	0.9	3.9

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Rate DS – Service at Distribution Secondary

	<u>Current</u>	<u>Applicant</u> <u>Proposed</u>	<u>Increase</u>	<u>Staff</u> <u>Proposed</u>	<u>Increase</u>
	\$	\$	%	\$	%
Customer Charge:					
Single Phase	7.50	20.00	167.0%	12.00	60.0%
Single/Three Phase	15.00	40.00	167.0	24.00	60.0
Demand Charge:					
All kilowatts	3.7908/kW	5.2145/kW	37.5 %	5.1600/kW	36.1%

<u>LEVEL</u> <u>of</u> <u>Demand</u> (kW)	<u>LEVEL</u> <u>of</u> <u>Use</u> (kWh)	<u>Current</u> <u>Bill</u> (\$)	<u>Applicant</u> <u>Proposed</u> <u>Bill</u> (\$)	<u>Staff</u> <u>Proposed</u> <u>Bill</u> (\$)	<u>Dollar</u> <u>Increase</u> <u>Applicant</u> (\$)	<u>Dollar</u> <u>Increase</u> <u>Staff</u> (\$)	<u>Percent</u> <u>Increase</u> <u>Applicant</u> (%)	<u>Percent</u> <u>Increase</u> <u>Staff</u> (%)
30	6000	743.52	811.24	793.70	67.72	50.18	9.1	6.7
30	9000	881.63	949.35	931.81	67.72	50.18	7.7	5.7
30	12000	980.78	1,048.50	1,030.96	67.72	50.18	6.9	5.1
50	10000	1,229.22	1,325.41	1,306.85	96.19	77.63	7.8	6.3
50	15000	1,459.39	1,555.59	1,537.02	96.20	77.63	6.6	5.3
50	20000	1,624.65	1,720.85	1,702.28	96.20	77.63	5.9	4.8
75	15000	1,836.32	1,968.11	1,948.27	131.79	111.95	7.2	6.1
75	20000	2,066.49	2,198.27	2,178.44	131.78	111.95	6.4	5.4
75	30000	2,429.47	2,561.24	2,541.42	131.77	111.95	5.4	4.6
100	20000	2,443.43	2,610.80	2,589.69	167.37	146.26	6.8	6.0
100	30000	2,903.77	3,071.14	3,050.03	167.37	146.26	5.8	5.0
100	40000	3,234.29	3,401.66	3,380.55	167.37	146.26	5.2	4.5
300	60000	7,300.29	7,752.40	7,721.07	452.11	420.78	6.2	5.8
300	90000	8,681.31	9,133.42	9,102.09	452.11	420.78	5.2	4.8
300	120000	9,672.87	10,124.98	10,093.65	452.11	420.78	4.7	4.4
500	100000	12,157.15	12,894.00	12,852.45	736.85	695.30	6.1	5.7
500	200000	16,111.45	16,848.30	16,806.75	736.85	695.30	4.6	4.3
500	300000	19,416.65	20,153.50	20,111.95	736.85	695.30	3.8	3.6

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Rate EH – Optional Rate for Electric Space Heating

	<u>Current</u>	<u>Applicant</u> <u>Proposed</u>	<u>Increase</u>	<u>Staff</u> <u>Proposed</u>	<u>Increase</u>
	\$	\$	%	\$	%
Customer Charge:					
Single Phase	7.50	20.00	167.0%	12.00	60.0%
Three Phase	15.00	40.00	167.0	24.00	60.0
Primary	150.00	200.00	33.0	200.00	33.0
Energy Charge:					
All kilowatt-hours	0.011356	0.016465	45.0%	0.015999	40.9%

<u>LEVEL</u> <u>of</u> <u>Demand</u> (kW)	<u>LEVEL</u> <u>of</u> <u>Use</u> (kWh)	<u>Current</u> <u>Bill</u> (\$)	<u>Applicant</u> <u>Proposed</u> <u>Bill</u> (\$)	<u>Staff</u> <u>Proposed</u> <u>Bill</u> (\$)	<u>Dollar</u> <u>Increase</u> <u>Applicant</u> (\$)	<u>Dollar</u> <u>Increase</u> <u>Staff</u> (\$)	<u>Percent</u> <u>Increase</u> <u>Applicant</u> (%)	<u>Percent</u> <u>Increase</u> <u>Staff</u> (%)
<u>Winter</u>								
NA	9400	677.74	750.76	730.38	73.02	52.64	10.8	7.8
NA	23600	1,678.87	1,824.44	1,797.45	145.57	118.58	8.7	7.1
NA	37800	2,680.02	2,898.14	2,864.52	218.12	184.50	8.1	6.9

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Rate DM – Secondary Distribution- Small

	<u>Current</u>	<u>Applicant</u>	<u>Increase</u>	<u>Staff</u>	<u>Increase</u>
	<u>\$</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
Customer Charge:					
Single Phase	7.50	7.50	0.0%	8.00	6.7 %
Three Phase	15.00	15.00	0.0	16.00	6.7
Energy Charge:					
<u>Summer</u>					
First 2,800 kWh	0.035471	0.030185	(14.9%)	0.039372	11.0%
Next 3,200 kWh	0.002951	0.002511	(14.9%)	0.003275	11.0%
Additional kWh	0.001252	0.001065	(14.9%)	0.001389	11.0%
<u>Winter</u>					
First 2,800 kWh	0.025462	0.021668	(14.9%)	0.027328	11.0%
Next 3,200 kWh	0.002951	0.002511	(14.9%)	0.003275	11.0%
Additional kWh	0.001252	0.001065	(14.9%)	0.001389	11.0%

<u>LEVEL</u>	<u>LEVEL</u>	<u>Current</u>	<u>Applicant</u>	<u>Staff</u>	<u>Dollar</u>	<u>Dollar</u>	<u>Percent</u>	<u>Percent</u>
<u>of</u>	<u>of</u>	<u>Bill</u>	<u>Proposed</u>	<u>Proposed</u>	<u>Increase</u>	<u>Increase</u>	<u>Increase</u>	<u>Increase</u>
<u>Demand</u>	<u>Use</u>		<u>Bill</u>	<u>Bill</u>	<u>Applicant</u>	<u>Staff</u>	<u>Applicant</u>	<u>Staff</u>
(kW)	(kWh)	(\$)	(\$)	(\$)	(\$)	(\$)	(%)	(%)
<u>Summer</u>								
1	72	17.42	17.05	18.20	(0.37)	0.78	(2.12)	4.5
1	144	27.37	26.6	28.43	(0.77)	1.06	(2.81)	3.9
1	288	47.22	45.69	48.84	(1.53)	1.62	(3.24)	3.4
5	360	57.15	55.25	59.05	(1.90)	1.90	(3.32)	3.3
5	720	106.80	102.99	110.11	(3.81)	3.31	(3.57)	3.1
5	1,440	206.10	198.49	212.22	(7.61)	6.12	(3.69)	3.0
10	720	106.80	102.99	110.11	(3.81)	3.31	(3.57)	3.1
10	1,440	206.10	198.49	212.22	(7.61)	6.12	(3.69)	3.0
10	2,880	397.21	382.37	408.65	(14.84)	11.44	(3.74)	2.9
15	1,080	156.46	150.75	161.17	(5.71)	4.71	(3.65)	3.0
15	2,160	305.40	293.98	314.32	(11.42)	8.92	(3.74)	2.9
15	4,320	460.94	445.47	472.85	(15.47)	11.91	(3.36)	2.6
15	6,480	550.49	534.20	563.02	(16.29)	12.53	(2.96)	2.3
<u>Winter</u>								
1	72	15.49	15.23	16.13	(0.26)	0.64	(1.68)	4.1
1	144	23.50	22.95	24.27	(0.55)	0.77	(2.34)	3.3
1	288	39.49	38.4	40.53	(1.09)	1.04	(2.76)	2.6
5	360	47.50	46.13	48.67	(1.37)	1.17	(2.88)	2.5
5	720	87.48	84.76	89.33	(2.72)	1.85	(3.11)	2.1
5	1,440	167.49	162.02	170.67	(5.47)	3.18	(3.27)	1.9
10	720	87.48	84.76	89.33	(2.72)	1.85	(3.11)	2.1
10	1,440	167.49	162.02	170.67	(5.47)	3.18	(3.27)	1.9
10	2,880	322.12	311.46	327.87	(10.66)	5.75	(3.31)	1.8
15	1,080	127.50	123.4	130.01	(4.10)	2.51	(3.22)	2.0
15	2,160	247.47	239.28	252.00	(8.19)	4.53	(3.31)	1.8
15	4,320	385.85	374.57	392.07	(11.28)	6.22	(2.92)	1.6
15	6,480	475.20	463.09	482.04	(12.11)	6.84	(2.55)	1.4

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Rate DP – Service at Primary Distribution Voltage

	<u>Current</u>	<u>Applicant</u> <u>Proposed</u>	<u>Increase</u>	<u>Staff</u> <u>Proposed</u>	<u>Increase</u>
	\$	\$	%	\$	%
Customer Charge:					
Pri Voltage Service	150.00	200.00	33.3%	200.00	33.3%
Demand Charge:					
All kilowatts	2.937/kW	5.6495/kW	92.3%	4.8828/kW	66.2%

LEVEL of Demand (kW)	LEVEL of Use (kWh)	Current Bill (\$)	Applicant Proposed Bill (\$)	Staff Proposed Bill (\$)	Dollar Increase Applicant (\$)	Dollar Increase Staff (\$)	Percent Increase Applicant (%)	Percent Increase Staff (%)
100	14,400	2,204.10	2,525.35	2,448.69	321.25	244.59	14.58	11.1
100	28,800	2,877.44	3,198.69	3,122.03	321.25	244.59	11.16	8.5
100	43,200	3,390.58	3,711.83	3,635.17	321.25	244.59	9.47	7.2
200	28,800	4,258.19	4,850.69	4,697.37	592.50	439.18	13.91	10.3
200	57,600	5,604.87	6,197.37	6,044.05	592.50	439.18	10.57	7.8
200	86,400	6,631.15	7,223.65	7,070.33	592.50	439.18	8.94	6.6
300	43,200	6,312.28	7,176.04	6,946.04	863.76	633.76	13.68	10.0
300	86,400	8,332.32	9,196.07	8,966.08	863.75	633.76	10.37	7.6
300	129,600	9,871.72	10,735.47	10,505.48	863.75	633.76	8.75	6.4
500	72,000	10,420.47	11,826.72	11,443.41	1406.25	1,022.94	13.50	9.8
500	144,000	13,787.19	15,193.44	14,810.13	1406.25	1,022.94	10.20	7.4
500	216,000	16,352.87	17,759.12	17,375.81	1406.25	1,022.94	8.60	6.3
800	115,200	16,582.75	18,802.75	18,189.45	2220.00	1,606.70	13.39	9.7
800	230,400	21,969.51	24,189.50	23,576.21	2219.99	1,606.70	10.10	7.3
800	345,600	26,074.58	28,294.59	27,681.28	2220.01	1,606.70	8.51	6.2
1000	144,000	20,690.94	23,453.44	22,686.82	2762.50	1,995.88	13.35	9.6
1000	288,000	27,424.38	30,186.88	29,420.26	2762.50	1,995.88	10.07	7.3
1000	432,000	32,555.74	35,318.23	34,551.62	2762.49	1,995.88	8.49	6.1
1500	216,000	30,057.71	34,176.46	33,026.53	4118.75	2,968.82	13.70	9.9
1500	432,000	40,157.87	44,276.62	43,126.69	4118.75	2,968.82	10.26	7.4
1500	648,000	47,854.90	51,973.66	50,823.72	4118.76	2,968.82	8.61	6.2
3000	432,000	58,158.02	66,345.52	64,045.66	8187.50	5,887.64	14.08	10.1
3000	864,000	78,358.34	86,545.84	84,245.98	8187.50	5,887.64	10.45	7.5
3000	1,296,000	93,752.41	101,939.91	99,640.05	8187.50	5,887.64	8.73	6.3

DUKE ENERGY OHIO, INC
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TYPICAL BILL COMPARISON

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Rate TS – Service at Transmission Voltage

	<u>Current</u>	<u>Applicant</u> <u>Proposed</u>	<u>Increase</u>	<u>Staff</u> <u>Proposed</u>	<u>Increase</u>
	\$	\$	%	\$	%
Customer Charge:	150.00	200.00	33.3%	200.00	33.3%
Demand Charge:					
All kilowatts	0.196/kVa	0.000/kVa	(100.0%)	0.000/kVa	(100.0%)

<u>LEVEL</u> <u>of</u> <u>Demand</u> (kW)	<u>LEVEL</u> <u>of</u> <u>Use</u> (kWh)	<u>Current</u> <u>Bill</u> (<u>\$</u>)	<u>Applicant</u> <u>Proposed</u> <u>Bill</u> (<u>\$</u>)	<u>Staff</u> <u>Proposed</u> <u>Bill</u> (<u>\$</u>)	<u>Dollar</u> <u>Increase</u> <u>Applicant</u> (<u>\$</u>)	<u>Dollar</u> <u>Increase</u> <u>Staff</u> (<u>\$</u>)	<u>Percent</u> <u>Increase</u> <u>Applicant</u> (<u>%</u>)	<u>Percent</u> <u>Increase</u> <u>Staff</u> (<u>%</u>)
1,000	200,000	20,055	19,909	19,909	(146.00)	(146.00)	(0.7)	(0.7)
1,000	400,000	26,746	26,600	26,600	(146.00)	(146.00)	(0.5)	(0.5)
2,500	500,000	49,911	49,471	49,471	(440.00)	(440.00)	(0.9)	(0.9)
2,500	1,000,000	66,640	66,200	66,200	(440.00)	(440.00)	(0.7)	(0.7)
5,000	1,000,000	99,673	98,743	98,743	(930.00)	(930.00)	(0.9)	(0.9)
5,000	2,000,000	133,130	132,200	132,200	(930.00)	(930.00)	(0.7)	(0.7)
10,000	2,000,000	199,195	197,285	197,285	(1,910.00)	(1,910.00)	(1.0)	(1.0)
10,000	4,000,000	266,110	264,200	264,200	(1,910.00)	(1,910.00)	(0.7)	(0.7)
10,000	6,000,000	329,966	328,056	328,056	(1,910.00)	(1,910.00)	(0.6)	(0.6)
20,000	4,000,000	398,240	394,370	394,370	(3,870.00)	(3,870.00)	(1.0)	(1.0)
20,000	8,000,000	532,070	528,200	528,200	(3,870.00)	(3,870.00)	(0.7)	(0.7)
20,000	12,000,000	659,782	655,912	655,912	(3,870.00)	(3,870.00)	(0.6)	(0.6)
40,000	16,000,000	1,063,990	1,056,200	1,056,200	(7,790.00)	(7,790.00)	(0.7)	(0.7)
40,000	24,000,000	1,319,414	1,311,624	1,311,624	(7,790.00)	(7,790.00)	(0.6)	(0.6)
80,000	32,000,000	2,041,472	2,025,842	2,025,842	(15,630.00)	(15,630.00)	(0.8)	(0.8)
80,000	48,000,000	2,552,320	2,536,690	2,536,690	(15,630.00)	(15,630.00)	(0.6)	(0.6)
160,000	64,000,000	3,938,864	3,907,554	3,907,554	(31,310.00)	(31,310.00)	(0.8)	(0.8)
160,000	96,000,000	4,960,560	4,929,250	4,929,250	(31,310.00)	(31,310.00)	(0.6)	(0.6)

