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FILE

OCC EXHIBIT ______

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

DIRECT TESTIMONY
of
DAVID J. EFFRON

ON BEHALF OF THE
OFFICE OF THE OHIO CONSUMERS' COUNSEL
10 West Broad St., Suite 1800
Columbus, OH 43215

FEBRUARY 26, 2009

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I. INTRODUCTION

Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A1. My name is David J. Effron. My address is 12 Pond Path, North Hampton, New Hampshire, 03862.

Q2. WHAT IS YOUR PRESENT OCCUPATION?

A2. I am a consultant specializing in utility regulation.

Q3. PLEASE SUMMARIZE YOUR PROFESSIONAL EXPERIENCE.

A3. My professional career includes over thirty years as a regulatory consultant, two years as a supervisor of capital investment analysis and controls at Gulf & Western Industries and two years at Touche Ross & Co. as a consultant and staff auditor. I am a Certified Public Accountant and I have served as an instructor in the business program at Western Connecticut State College.

Q4. WHAT EXPERIENCE DO YOU HAVE IN THE AREA OF UTILITY RATE SETTING PROCEEDINGS AND OTHER UTILITY MATTERS?

A4. I have analyzed numerous electric, gas, telephone, and water filings in different jurisdictions. Pursuant to those analyses I have prepared testimony, assisted attorneys in case preparation, and provided assistance during settlement negotiations with various utility companies.

I have testified in over two hundred cases before regulatory commissions in Alabama, Colorado, Connecticut, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Maine, Maryland, Massachusetts, Missouri, Nevada, New Jersey, New York, North Dakota, Ohio, Pennsylvania, Rhode Island, South Carolina, Texas, Vermont, Virginia, and Washington.

Q5. PLEASE DESCRIBE YOUR OTHER WORK EXPERIENCE.

A5. As a supervisor of capital investment analysis at Gulf & Western Industries, I was responsible for reports and analyses concerning capital spending programs, including project analysis, formulation of capital budgets, establishment of accounting procedures, monitoring capital spending and administration of the leasing program. At Touche Ross & Co., I was an associate consultant in management services for one year and a staff auditor for one year.

Q6. HAVE YOU EARNED ANY DISTINCTIONS AS A CERTIFIED PUBLIC ACCOUNTANT?

A6. Yes. I received the Gold Charles Waldo Haskins Memorial Award for the highest scores in the May 1974 certified public accounting examination in New York State.

Q7. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.

A7. I have a Bachelor's degree in Economics (with distinction) from Dartmouth College and a Masters of Business Administration Degree from Columbia University.

Q8. ON WHOSE BEHALF ARE YOU TESTIFYING?

A8. I am testifying on behalf of the Office of the Ohio Consumers' Counsel ("OCC").

Q9. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A9. I am addressing certain revenue requirement issues that affect the revenue deficiency of Duke Energy Ohio, Inc. ("DE-Ohio" or "the Company"). In particular, I address issues affecting the determination of rate base and adjusted operating income under present rates, based on the test year consisting of the twelve months ending December 31, 2008. My testimony also supports certain objections to the Staff Report raised by the OCC. I have incorporated the rate of return recommendation of OCC Witness Parcell into the calculation of the Company's revenue deficiency.

Q10. WHAT REVENUE DEFICIENCY HAVE YOU CALCULATED?

A10. I have calculated a revenue deficiency of $39,259,000 for the Company (Schedule DJE-A).

II. REVENUE REQUIREMENT ISSUES

A. POST RETIREMENT BENEFITS

Q11. DOES THE STAFF REPORT INCLUDE BALANCES RELATED TO POST RETIREMENT BENEFITS IN RATE BASE?

A11. Yes. Schedule B-6 of the Staff Report includes a balance of $6,969,000 of "Post Retirement Benefits" (Account 253) in the "Other Rate Base" elements that go into the total rate base.

Q12. WHAT DOES THIS BALANCE REPRESENT?

A12. The Post Retirement Benefit balance included in the Company's rate base represents the cumulative difference between what the Company deemed to be the post retirement benefits recovered in rates from 1993 through the end of 2007 and the post retirement benefits paid during the same period. Staff accepted the Company's calculation of the Post Retirement Benefit balance, as modified in the response to OCC Interrogatory 04-86.

Q13. HAS THE COMPANY ESTABLISHED THAT THE POST RETIREMENT BENEFITS PAID HAVE ACTUALLY EXCEEDED THE POST RETIREMENT BENEFITS RECOVERED IN RATES?

A13. No. The Company's calculation of the post retirement benefit expense included in rates is based on the test year expenses in Case Nos. 92-1464-EL-AIR and 05-59-EL-AIR. Given the changes that have occurred in the Company's operations and rates since 1993, I am not sure that there is any accurate way to determine the post retirement benefit expense included in rates in each of those years. Therefore, the Company has not established with any reasonable degree of certainty that the postretirement benefits recovered in rates have been less than the actual expenditures.

Q14. SHOULD THE POST RETIREMENT BENEFIT BALANCE BE INCLUDED IN THE COMPANY'S RATE BASE?

A14. No. In addition to the uncertainty regarding the appropriate quantification of any such balance, the Company has not cited any explicit authorization by the Commission to defer the difference between the postretirement benefits recovered in rates (assuming that amount could be accurately determined) and the benefits paid and to then include that difference in rate base. Absent any such explicit authorization, the deferred balance of post retirement benefits should not be included in rate base. Removal of this balance reduces the Company's rate base by $6,969,000 (Schedule DJE-B).

B. DEFERRED TAX DEBIT BALANCES

Q15. HAVE YOU ANALYZED THE BALANCE OF ACCUMULATED DEFERRED INCOME TAXES ("ADIT") REFLECTED BY STAFF IN ITS DETERMINATION OF THE COMPANY'S DATE CERTAIN RATE BASE?

A15. Yes. The details of the balance of ADIT are shown on Schedule B-6 of the Staff Report. The ADIT balances consist of both credit balances that reduce the rate base and debit balances that increase rate base. These ADIT balances are components of the "Other Rate Base Items" included by both the Company and Staff in the determination of rate base.

Q16. ARE YOU PROPOSING ANY ADJUSTMENTS TO THE BALANCES OF ADIT THAT STAFF INCLUDES IN THE BALANCE OF "OTHER RATE BASE ITEMS"?

A16. Yes. Account 190 includes certain deferred tax debit balances that are related to accrued liabilities or reserves that are not deducted from rate base. I have listed these items on Schedule DJE-B-1. As the accrued liabilities or reserves giving rise to the deferred tax debit balances are not deducted from rate base, the deferred taxes related to those accrued reserves should not be added to rate base.

Q17. WHAT ARE THE LARGEST OF THE DEFERRED TAX DEBIT BALANCES RELATED TO THE ACCRUED LIABILITIES OR RESERVES?

A17. The largest of the deferred tax debit balances on Schedule DJE-B-1 are "Pension Expenses" and "Postretirement Health Care." These items relate to the accrual of pensions pursuant to Statement of Financial Accounting Standards ("FAS") 87 and the accrual of postretirement benefits pursuant to FAS 106. The Company accrues these liabilities for financial reporting purposes, but as a general rule can only deduct pension or postretirement benefits costs for income tax purposes based on actual cash disbursements. These book-tax timing differences give rise to the deferred tax debit balances. Since the accrued liabilities related to pensions and postretirement health care are not deducted from rate base, the deferred tax debit balances related to those accruals should not be added to rate base.

Q18. WHAT IS THE SOURCE OF THE DEFERRED TAX DEBIT BALANCES ON SCHEDULE B-6 OF THE STAFF REPORT?

A18. The Staff Report took the deferred tax debit balances from Schedule B-6 of the Company's Standard Filing Requirements ("SFR").

Q19. HAS THE COMPANY EXPLAINED WHY IT BELIEVES THAT THE LARGER ELEMENTS OF THE DEFERRED TAX DEBIT BALANCES SHOULD BE INCLUDED IN ITS RATE BASE?

A19. Yes. In the response to OCC Interrogatory 04-84, the Company stated that these items "represent future tax liabilities or benefits for the Company in which the Company is incurring a carrying cost."

Q20. SHOULD THE DEFERRED TAX DEBIT BALANCES ON SCHEDULE DJE-B-1, BE INCLUDED IN RATE BASE BASED ON THE COMPANY'S EXPLANATION?

A20. No. Items on the Company's balance sheet should not be included in rate base unless those items represent actual disbursements of investor supplied funds. The deferred tax debit balances do not represent actual cash disbursements. Rather, they represent accounting entries that were booked as offsets to accruals for non-cash expenses. Since the deferred tax debit balances are not actual cash disbursements, the Company is not incurring a carrying cost on these deferred tax debit balances. The treatment of the deferred tax balances should follow the treatment of the items giving rise to the deferred taxes and should also be excluded from the determination of the Company's rate base.

With regard to the accrued liabilities for pensions and postretirement benefits, these items represent the cumulative balances of expenses that the Company has accrued in excess of actual cash disbursements in payment of those expenses. Since the accruals in excess of cash disbursements are not deducted from rate base as non-investor supplied funds, the deferred tax debit balances that are recorded as a direct result of those accruals should not be added to rate base.

Q21. WHAT IS THE EFFECT OF ELIMINATING THESE DEFERRED TAX BALANCES FROM THE COMPANY'S RATE BASE?

A21. In addition to the deferred tax debit balances, Account 190 also includes certain credit balances related to deferred charges or debit balances that are not included in rate base. I have also listed these items on Schedule DJE-B-1. The treatment of these credit balances should be symmetrical to the deferred tax debit balances related to accruals that are not deducted from rate base. That is, those credit balances should also be eliminated from the ADIT reflected in the determination of rate base. The effect of eliminating the deferred tax debit balances, net of the elimination of the credit balances, is to increase the net balance of accumulated deferred income taxes by $27,844,000, and to reduce the Company's rate base by the same amount (Schedule DJE-B-1). This adjustment includes the elimination of smaller ADIT balances that I believe should be excluded from the determination of rate base as well as the elimination of the larger ADIT balances addressed above.

C. SALES

Q22. HAVE YOU REVIEWED THE COMPANY'S FORECAST OF TEST YEAR SALES AND PRO FORMA REVENUES UNDER PRESENT RATES?

A22. Yes. The Company's forecast of test year customers and sales is shown on SFR Schedule C-12.3. This schedule also shows the actual sales and customers for calendar years 2003 – 2007. The Staff Report makes no modification to the Company's forecast of test year sales or base rate revenues in its determination of adjusted operating income under present rates.

Q23. BASED ON YOUR REVIEW AND ANALYSIS, ARE YOU PROPOSING ANY ADJUSTMENTS TO TEST YEAR SALES AND REVENUES UNDER PRESENT RATES?

A23. Yes. The Company is forecasting a decrease of approximately 3% in commercial sales from 2007 to the 2008 test year. Although factors such as weather and conservation can affect the trend in sales from year to year, I do not believe that the 3% sales volume decrease from 2007 to the 2008 test year reflected by the Company in its forecast of test year commercial sales is reasonable, especially given the trend in actual commercial sales from 2003 to 2007.

Q24. HOW DO YOU PROPOSE TO ADJUST THE COMPANY'S TEST YEAR COMMERCIAL SALES?

A24. In response to OCC Interrogatory 06-133, the Company provided weather normalized sales to commercial customers in 2007. I recommend that weather normalized sales per commercial customer in 2007 be used to determine the test year sales to commercial customers. As can be seen on my Schedule DJE-C-1, the weather normalized sales per commercial customer in 2007 were 94.758 mWh. Based on 68,748 average commercial customers in the test year (response to OCC Interrogatory 06-132), the projected sales to commercial customers in the 2008 test year are 6,514,398 mWh. This is 130,252 mWh greater than the 6,384,146 mWh test year sales to commercial customers reflected by the Company.

Q25. WHAT IS THE EFFECT OF YOUR PROPOSED MODIFICATION TO THE TEST YEAR SALES TO COMMERCIAL CUSTOMER REFLECTED BY THE COMPANY?

A25. My proposed adjustment increases adjusted test year revenues under present rates by $1,806,000 (Schedule DJE-C-1). This adjustment to commercial sales should be included in the determination of adjusted test year operating income under present rates and in the determination of the rates necessary to produce the Company's required revenues.

D. INCENTIVE COMPENSATION

Q26. DOES STAFF INCLUDE INCENTIVE COMPENSATION IN PRO FORMA TEST YEAR LABOR EXPENSE?

A26. Yes. The workpapers supporting Schedule C-3.4 of the Staff Report include what is labeled Bonus Pay and Incentive Pay in annualized test year wages. As described by the Company in its response to Staff Data Request 40-001, both of these programs reward employees based on the achievement of designated goals and therefore are forms of incentive compensation.

Q27. IS ALL INCENTIVE COMPENSATION PROPERLY INCLUDABLE IN THE REVENUE REQUIREMENTS OF REGULATED UTILITIES?

A27. No. I would consider incentives to achieve goals such as quality of service, reliability, public safety, reducing absenteeism, and cost containment to be in the interest of ratepayers and includable in the cost of service. However, I consider incentive compensation based on the attainment of financial goals such as maximizing profitability and growth, increasing earnings per share, or increasing return on equity to be beneficial only to shareholders, and not properly recoverable from ratepayers. For example, if all else is equal, higher rates will result in higher revenues, which in turn will result in higher earnings and return on equity. Thus, including incentive compensation related to such goals in the revenue requirement would, in effect, require customers to reward company management on a contingency basis for getting them to pay higher rates. If the incentive compensation program is successful in increasing earnings, the shareholders should be happy to reward management accordingly and absorb the cost of the program. As shareholders are the primary beneficiaries of the attainment of financial goals such as increases to earnings and return on equity, it should be those shareholders, not customers, who bear the cost of the incentive compensation related to the achievement of such financial goals.

Q28. IS ANY OF THE INCENTIVE COMPENSATION EXPENSE IN THIS CASE RELATED TO THE ATTAINMENT OF FINANCIAL GOALS THAT BENEFIT ONLY SHAREHOLDERS?

A28. Yes. The Company was not able to state the precise amount of incentive compensation related to the achievement of specific goals included in test year operation and maintenance expenses (response to OCC Interrogatory 01-44). However, there are four incentive compensation programs included in the bonus and incentive pay categories. At least a portion of the compensation incentives in each of these programs is related to the achievement of financial goals.

Q29. WHAT ARE THE PROGRAMS, AND WHAT PORTION OF EACH PROGRAM IS RELATED TO THE ACHIEVEMENT OF FINANCIAL GOALS?

A29. As described by the Company in its response to Staff Data Request 57 (parts 001 through 004), the four incentive compensation programs and the percentages of each program that are based on the achievement of financial goals are as follow:

Annual Incentive Plan ("STI") - 50%-80%

Executive Short-Term Incentive Plan ("Executive STI") – 80%

Union Employees' Incentive Plans ("UEIP") – 50%

Long-Term Incentive Plan ("LTIP") – 100%

The percentage of each program based on the achievement of financial goals, except the UEIP, is explicitly stated in the response. The average percentage of the UEIP compensation based on the achievement of financial goals appears to be about 50% based on the Company's description of those programs.

Q30. BASED ON THESE PERCENTAGES, ARE YOU ABLE TO ESTIMATE THE AMOUNTS OF INCENTIVE COMPENSATION RELATED TO THE ACHIEVEMENT OF FINANCIAL GOALS THAT ARE INCLUDED BY STAFF IN ANNUALIZED TEST YEAR WAGES?

A30. Yes. There are three categories of employees included in Staff's calculation of adjusted test year wages – union, exempt, and non-exempt. Based on the Company's description of its incentive compensation programs, the incentive compensation for union employees consists of UEIP, the incentive compensation for non-exempt employees consists of STI, and the incentive compensation for exempt employees consists of Executive STI, LTIP, and STI. My calculations of the incentive compensation related to financial goals for each category of employees are shown on Schedule DJE-C-2.1. In making these calculations, I applied the above percentages and assumed that 65% of the STI is related to the achievement of financial goals (the mid-point of the range for that program). As can be seen on Schedule DJE-C-2.1, $4,447,000 of the Staff's annualized wages included in distribution operation and maintenance expense is incentive compensation related to the achievement of financial goals.

Q31. WHAT DO YOU RECOMMEND?

A31. As the Commission stated in its Opinion and Order in Case No. 07-551-EL-AIR, "to the extent that financial incentives are awarded for achieving financial goals, the primary benefit of such financial incentives accrues to shareholders and that portion of incentive compensation should not be recovered from ratepayers." (Opinion and Order, Page 17). Accordingly, incentive compensation of $4,447,000 should be eliminated from the Staff's calculation of annualized test year wages.

On Schedule DJE-C-2, I have also adjusted pensions and benefits to reflect the elimination of incentive compensation, and on Schedule DJE-C-4, I have adjusted payroll taxes to reflect the elimination of incentive compensation

E. SEVERANCE PAY

Q32. DOES STAFF INCLUDE SEVERANCE PAY IN PRO FORMA TEST YEAR LABOR EXPENSE?

A32. Yes. The workpapers supporting Schedule C-3.4 of the Staff Report include severance pay in the annualized wages of various employee categories. The severance pay included in annualized wages by Staff is based on the average severance pay incurred in the years 2005 – 2007. As described by the Company, employees are eligible for severance pay under two arrangements: 1) Change in Control Agreements, which is limited to 11 senior executives in the event of a change in control and termination of employment, and 2) Integrated Severance Plan, which is designed to provide benefits to employees who depart pursuant to an offered voluntary window or whose positions are eliminated (response to Staff Data Request 40-001).

Q33. SHOULD THE SEVERANCE PAY BE INCLUDED IN THE COMPANY'S ADJUSTED TEST YEAR OPERATION AND MAINTENANCE EXPENSES?

A33. No. Typically such expenses are incurred in conjunction with a specific event, such as a merger or a restructuring plan that includes a reduction to the employee complement as one of its elements. Although the Company incurred severance pay in 2005, 2006, and 2007, it must be noted that this is the three year period surrounding the merger between Cinergy Corp. and Duke Energy Corporation. It has not been established that the Company can be expected to incur significant annual severance pay expense on an ongoing, normal basis prospectively. Therefore, severance pay of $1,677,000 should be eliminated from the Staff's calculation of annualize test year wages (Schedule DJE-C-2.2).

On Schedule DJE-C-2, I have also adjusted pensions and benefits to reflect the elimination of severance pay, and on Schedule DJE-C-4, I have adjusted payroll taxes to reflect the elimination of severance pay.

Q34. IF IT COULD BE ESTABLISHED THAT SEVERANCE PAY IS AN ONGOING, NORMAL EXPENSE THAT THE COMPANY CAN REASONABLY BE EXPECTED TO INCUR ANNUALLY, SHOULD THE FULL AMOUNT OF SEVERANCE PAY CALCULATED BY STAFF BE INCLUDED IN THE COMPANY'S REVENUE REQUIREMENT?

A34. No. If it could be established that severance pay is a normal expense incurred annually by the Company, there should be two adjustments to the severance pay calculated by Staff. First, severance pay related to Change in Control Agreements should be eliminated. As it is described the Company in the response to Staff Data Request 40-001, severance pay related to Change in Control Agreements is simply a "golden parachute" that benefits only the top executives of the corporation. The awarding of golden parachutes is a matter between shareholders and executives, but such compensation is not related to the cost of providing distribution service, and it should not be recovered from ratepayers.

Second, any severance pay related to the departure of employees resulting from the merger between Cinergy Corp. and Duke Energy Corporation should be eliminated. Such transactions are obviously unusual and will not take place on a regular basis. Therefore, the costs associated with this transaction are non-recurring expenses that should be removed from the annualized wages included in the Company's revenue requirement. In addition, in Case No. 05-732-EL-MER, the Company agreed to share certain anticipated merger savings, net of costs, with customers. To the extent that the severance costs were attributed to the merger, including such costs in the revenue requirement in this case would constitute a double recovery – first as an offset to the customer credits established in Case No. 05-732-EL-MER and again in the rates established in this case.

F. DEPRECIATION EXPENSE

Q35. HAVE YOU REVIEWED THE PRO FORMA DEPRECIATION EXPENSE INCLUDED IN THE COMPANY'S REVENUE REQUIREMENT BY STAFF?

A35. Yes. The details of the annual test year depreciation expense by plant account are shown on Schedule B-3.2 of the Staff Report.

Q36. BASED ON YOUR REVIEW SHOULD THE TEST YEAR DEPRECIATION EXPENSE CALCULATED BY STAFF BE MODIFIED?

A36. Yes. Both General Plant and Common Plant include balances of Miscellaneous Intangible Plant. The Miscellaneous Intangible Plant consists mainly of capitalized software costs being depreciated over periods of five years and ten years. The annual depreciation expense on General Miscellaneous Intangible Plant is $2,082,000, and the annual depreciation expense on Common Miscellaneous Intangible Plant is $3,655,000. A number of the software systems in these accounts became fully depreciated in the test year in this case. Therefore, depreciation of these systems had ceased as of the end of the test year. However, Staff did not eliminate the depreciation expense on the fully depreciated systems in its calculation of adjusted test year operating income. As this depreciation expense will not be incurred prospectively, it should be removed from test year expenses.

Q37. WHAT IS THE EFFECT OF ELIMINATING THE DEPRECIATION EXPENSE ON THE SOFTWARE SYSTEMS THAT BECAME FULLY DEPRECIATED IN THE TEST YEAR?

A37. On Schedule DJE-C-3, I show the monthly depreciation expense on the software systems that became fully depreciated during the test year. The annual depreciation on the General Miscellaneous Intangible Plant that became fully depreciated in the test year is $173,211. The annual depreciation on the Common Miscellaneous Intangible Plant that became fully depreciated in the test year is $1,101,036. Elimination of the depreciation expense on this fully depreciated plant reduces the jurisdictional pro forma test year depreciation expense by $527,000.

G. COMMERCIAL ACTIVITY TAX

Q38. HAVE YOU REVIEWED STAFF'S CALCULATION OF THE ADJUSTED TEST YEAR COMMERCIAL ACTIVITY TAX?

A38. Yes. Staff's adjustment to the Commercial Activity Tax ("CAT") is shown on Schedule C-3.18 of the Staff Report. Based on the workpapers supporting this schedule, it appears to be the intent of Staff to reflect the Commercial Activity Tax based on its effective rate in the 2008 test year.

Q39. DOES STAFF'S ADJUSTMENT CORRECTLY REFLECT THE EFFECTIVE COMMERCIAL ACTIVITY TAX RATE IN 2008?

A39. No. Based in the documentation supporting Schedule C-3.18 of the Staff Report, the Commercial Activity Tax is being phased in to the full 0.26% rate from 2005 to 2010, with the changes taking place on April 1 of each year. Although the workpaper supporting Schedule C-3.18 indicates that the rates being used are for 2008, the supporting documentation relied on by Staff indicates the rates used by Staff are actually those for 2009.

Q40. WHAT IS THE EFFECT OF MODIFYING STAFF'S CALCULATION TO REFLECT THE ACTUAL COMMERCIAL ACTIVITY TAX RATE IN EFFECT DURING 2008?

A40. The effect is to reduce the adjusted test year Commercial Activity Tax by $165,000 (Schedule DJE-C-4). I have reduced adjusted test year taxes other than income taxes accordingly in my calculation of adjusted test year operating income.

H. MERGER SAVINGS

Q41. DID THE COMPANY PROPOSE TO ADJUST TEST YEAR OPERATION AND MAINTENANCE EXPENSE SO AS TO REFLECT WHAT IT BELIEVES TO BE THE PROPER ONGOING LEVEL OF MERGER SAVINGS THAT SHOULD ACCRUE TO RATEPAYERS?

A41. Yes. In April 2006, Cinergy, the parent of DE-Ohio (then Cincinnati Gas & Electric Company), merged with Duke Energy. Certain expected merger benefits, including forecasted reductions to operating expenses were presented as justification for the merger in Case No. 05-732-EL-MER. DE-Ohio agreed to share the forecasted savings with customers by means of bill credits in 2006 for the customers' share of the first five years of anticipated merger savings. The share of the savings credited to customers was not dependent on the Company's actually achieving those anticipated savings.

The test year in the present case, calendar year 2008, approximately matches Year 3 of the five year time frame on which the customer credits agreed to in Case No. 05-732-EL-MER were based. To the extent that the anticipated savings in Case No. 05-732-EL-MER have actually been achieved, such savings are presumably reflected in the test year expenses in the present case. It is the Company's position that it would be inappropriate to reflect the same merger benefits that have already been credited to customers by means of the bill credits in 2006 in the establishment of base rates in this case and that to do so would result in a duplication of benefits to customers in Years 4 and 5 of the five year period used to quantify the merger benefits. The Company therefore adjusted test year expenses to avoid the supposed duplication of benefits to ratepayers.

Q42. HOW DID THE COMPANY CALCULATE THIS ADJUSTMENT TO TEST YEAR EXPENSES?

A42. The Company assumed that the Year 3 savings forecasted in Case No. 05-732-EL-MER - $10,254,000 - were actually achieved and implicitly reflected in the 2008 test year expense in the present case. The Company then assumed that, absent any adjustment, these savings would be reflected in rates for Year 4 and Year 5 of the five year period used in Case No. 05-732-EL-MER, resulting in a total duplication of approximately $20.5 million. To eliminate the presumed duplication, the Company proposes to amortize the $20.5 million amount over three years, the assumed period the rates in this case will be in effect. The proposed amortization results in an adjustment to increase test year expenses by approximately $6.8 million (Application, Schedule C-3.19).

Q43. HAS THE COMPANY ESTABLISHED THAT THE EXPENSE SAVINGS ANTICIPATED IN CASE NO. 05-732-EL-MER HAVE ACTUALLY BEEN ACHIEVED AND ARE REFLECTED IN TEST YEAR OPERATING EXPENSES?

A43. No. In response to OCC Request for Production of Documents 04-34, the Company stated that it had not performed any study or analysis addressing the extent to which merger savings forecasted in Case No. 05-0732-EL-MER have actually been achieved in 2008. As noted above, the $10,254,000 annual savings supposedly reflected in test year expenses is based on the forecast of expected savings in Case No. 05-0732-EL-MER, not on any measure of savings actually achieved as a result of the merger.

Q44. HOW DID STAFF TREAT THE COMPANY'S PROPOSED ADJUSTMENT TO ELIMINATE THE DUPLICATION OF MERGER SAVINGS?

A44. Staff did not accept this adjustment because it "could not verify any merger savings included in the Applicant's filing" (Staff Report, Page 13).

Q45. DO YOU AGREE WITH STAFF'S ELIMINATION OF THE COMPANY'S PROPOSED MERGER SAVINGS ADJUSTMENT?

A45. I agree with the end result. However, I believe that there are reasons to eliminate this adjustment in addition to Staff's inability to verify any merger savings included in the Applicant's filing (which is understandable, as there is no evidence of any such savings). Beyond the absence of any verifiable merger savings, the available evidence indicates that the 2008 test year operation and maintenance ("O&M") expenses are significantly higher than would reasonably be expected in the absence of the merger.

Q46. WHAT IS THE EVIDENCE THAT INDICATES O&M EXPENSES IN THIS CASE ARE HIGHER THAN THEY WOULD BE IN THE ABSENCE OF THE MERGER?

A46. The test year in Case No.05-059-EL-AIR was the twelve months ended June 30, 2005, which was slightly before the Cinergy-Duke Energy merger. Therefore, a comparison of the test year O&M expenses in that case to the O&M expenses in the present case is a good way to measure the actual effect of the merger on the costs incurred by the Company and the extent to which anticipated expense savings have actually been achieved.

The response to OCC Request for Production of Documents 01-22 includes a comparison of the O&M expenses in Case No.05-059-EL-AIR to the O&M expenses in the present case. Total O&M expenses increased by $34.3 million, or 27.3%, from the test year ended June 30, 2005 to the 2008 test year in this case. This is substantially greater than the increase in expenses than could be expected to occur from inflation and normal system growth.

Typically savings from economies of scale as the result of a merger would be concentrated in the area of administrative and general ("A&G") expenses. Total A&G expenses increased by $31.6 million, or 67.4%, from the twelve months ended June 30, 2005 to the 2008 test year in this case. Again, this is substantially greater then the increase expenses than could be expected to occur from inflation and normal system growth.

Within the A&G expense accounts, the majority of merger savings (if any) would likely take place in Accounts 920 – 923 (comprising A&G salaries, office supplies and expenses, and outside services). The expenses charged to these A&G accounts increased by $20.8 million, or 86.1%, from the twelve months ended June 30, 2005 to the 2008 test year in this case.

Thus, the available evidence indicates that O&M expenses have actually increased since the merger, and the amounts of such increases significantly exceed the normal escalation that could be accounted for by inflation or system growth. The merger has not resulted in any discernible benefits to customers in the form of actual expense savings.

Q47. PLEASE SUMMARIZE YOUR POSITION ON THE APPROPRIATE TREATMENT OF THE COMPANY'S PROPOSED ADJUSTMENT FOR MERGER SAVINGS IN THIS CASE.

A47. I agree with Staff's elimination of this adjustment - not only is there no evidence to support the Company's assumption of merger savings being reflected in test year O&M expenses in this proceeding; but the evidence that is available indicates that there have been no such merger savings.

III. SUMMARY

Q48. PLEASE SUMMARIZE YOUR TESTIMONY.

A48. Based on the test year consisting of the 12 months ended December 31, 2008 and adjustments to the Staff Report that I have identified, I have calculated a March 31, 2008 rate base of $938,529,000 and adjusted operating income under present rates of $52,213,000. Based on the mid-point of the rate of return range recommended by Mr. Parcell, 8.23%, the Company presently has an operating income deficiency of $25,005,000, which translates into a revenue deficiency of $39,259,000 under present rates. This compares to the revenue deficiency of $58,017,000 in the Staff Report (at the mid-point of Staff's rate of return range) and the revenue deficiency of $85,605,000 calculated by the Company. My calculation of the Company's revenue deficiency is summarized on Schedule DJE-A.

Q49. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A49. Yes, it does. However, I reserve the right to incorporate any new information that may subsequently become available. I also reserve the right to supplement my testimony in the event that the PUCO Staff fails to support any recommendations made in the Staff Report, and/or changes in any positions in the Staff Report.

Schedule DJE-A

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
REVENUE DEFICIENCY
($000)

	(A) Staff Position	Adjustments		OCC Position
Rate Base	$ 973,342	$ (34,813)	(B)	$ 938,529
Rate of Return on Rate Base	8.61%	-0.38%	(C)	8.23%
Operating Income Requirement	83,770	(6,552)		77,218
Adjusted Operating Income	46,818	5,395	(D)	52,213
Income Deficiency (Excess)	36,953	(11,947)		25,005
Gross Revenue Conversion Factor	1.5700	-		1.5700
Revenue Deficiency (Excess)	$ 58,017	$ (18,758)		$ 39,259

Sources:
- (A) Staff Report, Schedule A-1
- (B) Schedule DJE-B
- (C) Schedule DJE-D
- (D) Schedule DJE-C

Schedule DJE-B

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
RATE BASE
($000)

	(A) Staff Position	Adjustments		OCC Position
Plant in Service	$1,763,333	$ -		$1,763,333
Reserve for Accumulated Depreciation	(617,644)	-		$ (617,644)
Net Plant In Service	1,145,689	-		1,145,689
Working Capital Allowance	-			-
Customers' Deposits	(3,552)			(3,552)
Postretirement Benefits	6,969	(6,969)		-
Investment Tax Credits	(182)	-		(182)
Deferred Income Taxes	(175,582)	(27,844)	(B)	(203,426)
Net Rate Base	$ 973,342	$ (34,813)		$ 938,529

Sources:
(A) Staff Report, Schedule B-1
(B) Schedule DJE-B-1

Schedule DJE-B-1

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
ACCUMULATED DEFERRED INCOME TAXES
($000)

Pension Expense	19,849
Post Retirement Health Care	17,248
Tax Interest Accrual	3,890
Property Tax	2,120
Vacation Pay Accrual - Reg Asset	1,980
Post Retirement Life Insurance	1,730
Vacation Pay Accrual	1,023
Supplemental Pension Plan	830
Unamortized Debt Premiums	814
Duke Merger Costs - Timing	432
Post Emp Benefits - FAS 112	178
Rate Order Lattice	142
LTIP	122
Hospital & Medical Expense	121
401K Incentive Plan	10
Partnership	(3)
Injuries and Damages	(4)
Cost to Achieve Merger Savings	(33)
Section 481a Adjustment	(57)
Rate Case Expense	(70)
Executive Life Insurance	(224)
Incentive Plan	(257)
State Income Tax Accrual	(265)
RSP Costs Capitalized	(6,796)
Regulatory Asset Benefits	(14,934)
Total	27,844

Source: Staff Report, Schedule B-6

Schedule DJE-C

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
OPERATING INCOME
($000)

	(A) Staff Position	Adjustments		OCC Position
Operating Revenue	$ 317,711	$ 1,806	(B)	$ 319,517
Operation and Maintenance	152,224	(8,237)	(C)	143,987
Depreciation and Amortization	48,931	(527)	(D)	48,404
Taxes other than Income Taxes	59,642	(544)	(E)	59,098
Income Taxes	10,097	5,718	(F)	15,815
Total Operating Expenses	270,894	(3,590)		267,304
Net Adjusted Operating Income	$ 46,818	$ 5,395		$ 52,213

Sources:

(A) Staff Report Schedule C-2
(B) Schedule DJE-C-1
(C) Schedule DJE-C-2
(D) Schedule DJE-C-3
(E) Schedule DJE-C-4
(F) Schedule DJE-C-5

Schedule DJE-C-1

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
BASE RATE REVENUE
($000 Except per KWH)

Weather Normalized Commercial Sales - 2007 (MWH)	(A)	6,405,711
Commercial Customers - 2007	(B)	67,601
Sales per Commercial Customer (MWH)		94.758
Commercial Customers - 2008	(C)	68,748
Projected Test Year Sales to Commercial Customers		6,514,398
Test Year Sales to Commercial Customers, per Staff	(D)	6,384,146
Adjustment to Test Year Commercial Sales		130,252
Commercial Revenue per KWH	(E)	$ 0.01386
Adjustment to Test Year Revenues Under Present Rates		$ 1,806

Sources:

(A) Response to OCC Interrogatory 06-133
(B) SFR Schedule C-12.3, Page 2
(C) Response to OCC Interrogatory 06-132
(D) SFR Schedule C-12.3, Page 1
(E) SFR Schedule E-4, Page 1
All DM Rate sales, Remainder DS Rate Sales

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
OPERATION AND MAINTENANCE EXPENSE
($000)

Incentive Compensation	(A)	$ (4,447)
Severance Pay	(B)	(1,677)
Pensions and Benefits		(2,113)
Total Adjustment to Operation and Maintenance Expense		$ (8,237)

Sources:

(A)	Schedule DJE-C-2.1		
(B)	Schedule DJE-C-2.2		
(C)	Adjustment to Test Year Labor	(6,124)	
	Loading Rate	34.5%	Staff WPC-3.16a
	Adjustment to Pensions and Benefits	(2,113)	

Schedule DJE-C-2.1
Page 1

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
INCENTIVE COMPENSATION
($000)

Incentive Compensation Based on Financial Goals

		Non-Exempt	Exempt	Union	Total
Duke Energy Ohio					
Bonus and Incentive Dollars	(A)	69	880	829	
Electric Distribution O&M %	(B)	1.79%	29.10%	21.86%	
Adjustment to Distribution O&M		1	256	181	$ 439
Duke Energy Shared Services					
Bonus and Incentive Dollars	(A)	4,343	71,520	229	
Allocated to DE-Ohio	(C)	34.30%	34.90%	52.64%	
Adjustment to DE-Ohio		1,490	24,960	120	
Electric Distribution O&M %	(C)	36.95%	13.73%	25.40%	
Adjustment to Distribution O&M		550	3,427	31	$ 4,008
Total Adjustment to Distribution O&M Expense					$ 4,447

Sources:
- (A) Workpaper DJE-WPC-2.1
- (B) Staff Workpaper WPC-3.4b
- (C) Staff Workpaper WPC-3.4d

Schedule DJE-C-2.2

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
SEVERANCE PAY
($000)

		Non-Exempt	Exempt	Union	Total
Duke Energy Ohio					
Severance Dollars	(A)	18	205	1,466	
Electric Distribution O&M %	(A)	1.79%	29.10%	30.46%	
Adjustment to Distribution O&M		0	60	447	$ 507
Duke Energy Shared Services					
Severance Dollars	(B)	1,330	18,263	696	
Allocated to DE-Ohio	(B)	34.30%	34.90%	63.00%	
Adjustment to DE-Ohio		456	6,374	438	
Electric Distribution O&M %	(B)	36.95%	13.73%	29.00%	
Adjustment to Distribution O&M		169	875	127	$ 1,171
Total Adjustment to Distribution O&M Expense					$ 1,677

Sources:
- (A) Staff Workpaper WPC-3.4b
- (B) Staff Workpaper WPC-3.4d

Schedule DJE-C-3

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
DEPRECIATION EXPENSE

General Miscellaneous Intangible Plant			
TCOMS Upgrade		(A)	$ 15,808
EDSIP Data Planning		(A)	869
Monthly Depreciation Expiring During Test Year			16,677
Annual Depreciation			200,124
Allocation to Electric Distribution	86.552%	(B)	$ 173,211
Common Miscellaneous Intangible Plant			
Aspect Switch Upgrade		(A)	919
DBR3 Software		(A)	1,130
Mitsui GUI System for CMS		(A)	7,181
MVSC Enterprise		(A)	7,139
Revenue Recovery System		(A)	40,379
Self Serve IDR Upgrade		(A)	2,405
EDSIP Work Mgmt System		(A)	32,600
Monthly Depreciation Expiring During Test Year			91,753
Annual Depreciation			1,101,036
Allocation to Distribution	39.323%	(B)	432,960
Common Plant Allocation to Electric	81.710%	(B)	$ 353,771
Total Adjustment to Depreciation Expense ($000)			$ 527

Sources:

(A) Response to Staff Data Request 13

(B) Staff Report, Schedule B-2.1

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
TAXES OTHER THAN INCOME TAXES
($000)

				DEO	DESS	Total
FICA Tax						
Adjustment to Labor Expense			(A)	$ (945)	(5,179)	(6,124)
FICA Tax Rate			(B)	7.56%	5.93%	
Adjustment to Payroll Taxes				$ (71)	$ (307)	$ (379)
Commercial Activity Tax						
Gross Revenue for 1/1/2008 thru 3/31/2008					(C)	$ 79,428
CAT for 1/1/08 Thru 3/31/08	60%	0.26%			(D)	124
Gross Revenue for 4/1/2008 thru 12/31/2008					(C)	238,283
CAT for 4/1/08 Thru 12/31/08	80%	0.26%			(D)	496
Total Commercial Activity Tax						620
Total Commercial Activity Tax, per Staff					(C)	785
Adjustment to Staff Position						$ (165)
Total Adjustment to Taxes other than Income Taxes						$ (544)

Sources:

(A) Schedules DJE-C-2.1, DJE C-2.2

(B) Staff Workpaper WPC-3.19a

	DEO	DESS
FICA Taxes	2,099	1,225
Labor Expense	27,777	20,657
Effective Tax Rate	7.56%	5.93%

(C) Staff Workpaper WPC-3.18a

(D) Per Staff Documentation - "Tax Law Rate Changes under H.B. 66"

DESS = Duke Energy Shared Services

Schedule DJE-C-5

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
INCOME TAXES
($000)

Adjustments to Taxable Income:

Revenue	(A)	$ 1,806
Operation and Maintenance Expense	(A)	(8,237)
Depreciation and Amortization	(A)	(527)
Taxes other than Income Taxes	(A)	(544)
Interest	(B)	(5,113)
Adjustment to Expenses		(14,420)
Adjustment to Municipal Taxable Income		16,226
Municipal Income Tax Rate		0.37%
Adjustment to Municipal Income Tax Expense		60
Adjustment to Federal Taxable Income		16,166
Federal Income Tax Rate		35%
Adjustment to Federal Income Tax Expense		5,658
Total Adjustment to Income Tax Expense		$ 5,718

Sources:

(A)	Schedule DJE-C		
(B)	Rate Base	938,529	Schedule DJE-B
	Weighted Debt Cost	2.69%	Schedule DJE-D
	Interest Deduction	25,255	
	Staff Interest Deduction	30,368	Staff Report, Sch C-4, p. 1
	Adjustment	(5,113)	

Schedule DJE-D

DUKE ENERGY OHIO, INC.
CASE NO. 08-709-EL-AIR
RATE OF RETURN
($000)

Staff Position (Mid-point)

	Percent of Total	Cost Rate	Weighted Cost
Long Term Debt	48.41%	6.45%	3.12%
Common Equity	51.59%	10.63%	5.48%
Total Capital	100.00%		8.61%

OCC Position

	Percent of Total	Cost Rate	Weighted Cost
Long Term Debt	41.72%	6.45%	2.69%
Common Equity	58.28%	9.50%	5.54%
Total Capital	100.00%		8.23%

Sources: Staff Report, Schedule D-1
Testimony of OCC Witness Parcell

INCENTIVE COMPENSATION

CGE	2005	2006	2007		
STI	598	1,135	1,090	941	Staff Data Request 58-001
LTIP	51	357	-	136	Staff Data Request 58-001
Other	364	811	79	418	Staff Data Request 58-001
				1,495	

	Non-Exempt	Financial %	Financial $	
Bonus	24			Staff WPC-3.4b
Incentive	82			Staff WPC-3.4b
Total	106	65%	69	Staff Data Request 57-001
	STI			

	Exempt			
Bonus	270			Staff WPC-3.4b
Incentive	914			Staff WPC-3.4b
Total	1,184			
LTIP	136	100%	136	Staff Data Request 57-004
Other	418	80%	334	Staff Data Request 57-002
STI	630	65%	410	Staff Data Request 57-001
	1,184		880	

	Union			
Bonus	1,641			Staff WPC-3.4b
Incentive	17			Staff WPC-3.4b
Total	1,658	50%	829	Staff Data Request 57-003
DEO %	100%			
Dist O&M %	21.86%			Staff WPC-3.4b

INCENTIVE COMPENSATION

CSC	2005	2006	2007		
STI	89,187	41,628	25,506	52,107	Staff Data Request 58-001
LTIP	13,638	58,194	1,623	24,485	Staff Data Request 58-001
Other	14,472	33,811	18,182	22,155	Staff Data Request 58-001
				98,747	

	Non-Exempt	Financial %	Financial $	
Bonus	1,482			Staff WPC-3.4d
Incentive	5,200			Staff WPC-3.4d
Total	6,682	65%	4,343	Staff Data Request 57-001
	STI			
	Exempt			
Bonus	20,343			Staff WPC-3.4d
Incentive	71,390			Staff WPC-3.4d
Total	91,733			
LTIP	24,485	100%	24,485	Staff Data Request 57-004
Other	22,155	80%	17,724	Staff Data Request 57-002
STI	45,093	65%	29,311	Staff Data Request 57-001
	91,733		71,520	
	Union			
Bonus	396			Staff WPC-3.4d
Incentive	62			Staff WPC-3.4d
Total	458	50%	229	Staff Data Request 57-003
DEO %	52.64%			Staff WPC-3.4d
Dist O&M %	25.40%			Staff WPC-3.4d

Duke Energy Ohio, Inc.
Case No. 08-709-EL-AIR
OCC Fourth Set Interrogatories
Date Received: November 4, 2008

OCC-INT-04-086

REQUEST:

Referring to WPB-6.1b and WPB-6.1c, why is there no allocation of the FAS 106 expense and contributions between electric distribution and other functions?

RESPONSE:

The Company agrees that the electric amounts on WPB-6.1b and WPB-6.1c should have been allocated to electric distribution. See Attachment OCC-INT-04-086 for a revised version of WPB-6.1b and WPB-6.1c. The total electric amounts for each year were allocated to electric distribution based on factors developed using labor data from FERC Form 1, Distribution of Salaries and Wages, pages 354 and 355. The allocation factors for each year were developed by dividing distribution labor by the sum of production, transmission and distribution labor.

Allocating the total electric amounts to electric distribution would reduce rate base by $1,309,048 and reduce the overall revenue requirement by $168,444.

PERSON RESPONSIBLE: William Don Wathen Jr.

DUKE ENERGY OHIO, INC.
ELECTRIC DEPARTMENT
CASE NO. 08-709-EL-AIR
INCREMENTAL FASB106 EXPENSE RECOVERED IN RATES

WPB-6.1b
WITNESS RESPONSIBLE:
W. D. WATHEN
11/05/08

	Recovered in Electric Rates				
Year	Rate Case No.	Eff. Date	Work Paper Reference	Full Month (Rounded)	Distribution Amount
Life Insurance					$
1988	-	-	-	-	-
1989	-	-	-	-	-
1990	-	-	-	-	-
1992				12	0
1992				12	0
1993 (Through 8/93)				8	0
1993 (9/93 - 12/93)	92-1464-EL-AIR	8/26/93	WPC-3.18	4	36,065
1994	92-1464-EL-AIR	8/26/93	WPC-3.18	12	105,475
1995	92-1464-EL-AIR	8/26/93	WPC-3.18	12	90,319
1996	92-1464-EL-AIR	8/26/93	WPC-3.18	12	88,696
1997	92-1464-EL-AIR	8/26/93	WPC-3.18	12	96,490
1998	92-1464-EL-AIR	8/26/93	WPC-3.18	12	91,375
1999	92-1464-EL-AIR	8/26/93	WPC-3.18	12	94,524
2000	92-1464-EL-AIR	8/26/93	WPC-3.18	12	94,435
2001	92-1464-EL-AIR	8/26/93	WPC-3.18	12	93,961
2002	92-1464-EL-AIR	8/26/93	WPC-3.18	12	104,187
2003	92-1464-EL-AIR	8/26/93	WPC-3.18	12	105,015
2004	92-1464-EL-AIR	8/26/93	WPC-3.18	12	151,688
2005	92-1464-EL-AIR	8/26/93	WPC-3.18	12	121,526
2006	05-59-EL-AIR	1/01/06	WPC-3.17a	12	519,429
2007	05-59-EL-AIR	1/01/06	WPC-3.17a	12	519,429
Total Life Insurance					2,312,614
Health Care					
1993 (Through 8/93)					
1993 (9/93 - 12/93)	92-1464-EL-AIR	8/26/93	WPC-3.18	4	254,290
1994	92-1464-EL-AIR	8/26/93	WPC-3.18	12	762,870
1995	92-1464-EL-AIR	8/26/93	WPC-3.18	12	743,681
1996	92-1464-EL-AIR	8/26/93	WPC-3.18	12	636,819
1997	92-1464-EL-AIR	8/26/93	WPC-3.18	12	625,376
1998	92-1464-EL-AIR	8/26/93	WPC-3.18	12	680,328
1999	92-1464-EL-AIR	8/26/93	WPC-3.18	12	644,263
2000	92-1464-EL-AIR	8/26/93	WPC-3.18	12	666,471
2001	92-1464-EL-AIR	8/26/93	WPC-3.18	12	665,842
2002	92-1464-EL-AIR	8/26/93	WPC-3.18	12	662,497
2003	92-1464-EL-AIR	8/26/93	WPC-3.18	12	734,602
2004	92-1464-EL-AIR	8/26/93	WPC-3.18	12	740,436
2005	92-1464-EL-AIR	8/26/93	WPC-3.18	12	1,069,522
2006	05-59-EL-AIR	1/01/06	WPC-3.17a	12	2,796,926
2007	05-59-EL-AIR	1/01/06	WPC-3.17a	12	2,796,926
Total Health Care					14,480,849
Total Incremental Post Retirement Benefits Expense (FAS 106) recovered in Rates					16,793,463
Total DE-Ohio Electric O&M FAS 106 Payments (WPB-6.1c)					23,762,389
Net Post Retirement Balance Funded by Customers					(6,968,926)

DUKE ENERGY OHIO, INC.
ELECTRIC DEPARTMENT
CASE NO. 08-709-EL-AIR
ESTIMATED RETIREE BENEFITS PAID *
YEARS 1993 - 2007

REVISED WPB-6.1c
WITNESS RESPONSIBLE:
W. D. WATHEN
11/05/08

Line No.	Year		Health	Life	Total	O & M Elec. Distr.	O & M Elec-Other	O & M Gas	Total O & M	Total Capital	Total O & M and Capital
1	2007	(A)	5,374,000	1,655,000	7,029,000	2,131,896	1,648,300	1,511,938	5,292,134	1,736,866	7,029,000
2	2006	(A)	4,624,000	1,766,000	6,390,000	1,889,523	1,939,365	876,069	4,704,957	1,685,043	6,390,000
3	2005	(A)	5,026,000	1,838,000	6,864,000	1,737,965	2,517,715	890,261	5,145,941	1,718,059	6,864,000
4	2004	(A)	5,108,250	2,065,000	7,173,250	1,783,987	2,418,103	947,586	5,149,676	2,023,574	7,173,250
5	2003	(A)	4,867,000	2,095,000	6,962,000	1,883,221	2,109,486	898,098	4,890,805	2,071,195	6,962,000
6	2002	(A)	3,691,000	2,127,000	5,818,000	1,490,572	2,352,799	840,701	4,684,072	1,133,928	5,818,000
7	2001	(A)	4,267,000	2,256,000	6,523,000	1,728,595	1,941,245	842,119	4,511,959	2,011,041	6,523,000
8	2000	(A)	2,900,000	2,000,000	4,900,000	1,297,520	1,589,070	646,310	3,532,900	1,367,100	4,900,000
9	1999	(A)	2,700,000	1,900,000	4,600,000	1,211,640	1,552,500	654,120	3,418,260	1,181,740	4,600,000
10	1998	(A)	3,730,000	1,800,000	5,530,000	1,615,313	1,608,124	921,298	4,144,735	1,385,265	5,530,000
11	1997	(A)	3,657,000	1,675,000	5,332,000	1,569,741	1,450,304	1,026,410	4,046,455	1,285,545	5,332,000
12	1996	(A)	2,215,000	1,640,000	3,855,000	1,639,531	915,562	978,785	3,533,878	321,122	3,855,000
13	1995	(A)	2,703,000	1,591,000	4,294,000	1,462,966	971,732	728,262	3,162,960	1,131,040	4,294,000
14	1994	(A)	1,985,000	1,518,000	3,503,000	1,246,718	712,510	597,612	2,556,840	946,160	3,503,000
15	1993	(A)	1,730,000	1,288,000	3,018,000	1,073,201	587,000	521,209	2,181,410	836,590	3,018,000
16											
17	Total DE-Ohio Electric O&M FAS 106 Payments					$23,762,389					

* Expected benefit payments provided by Company

(A) FAS106 % were developed using information from Form 1, Distribution of Salaries and Wages, pages 354-355.

Case No. 08-709-EL-AIR
Attach. OCC-INT-04-08
Page 2 of

Duke Energy Ohio, Inc.
Case No. 08-709-EL-AIR
OCC Fourth Set Interrogatories
Date Received: November 4, 2008

OCC-INT-04-084

REQUEST:

Referring to Schedule B-6, Page 1, what do the following items represent, and why is it appropriate to include the deferred tax balances in rate base if the accruals or reserves to which the deferred taxes relate are not deducted from rate base: Pension Expense, Post Retirement Health Care, Post Retirement Life Insurance, Vacation Pay Accrual, Vacation Pay Accrual – Reg Asset, Uncollectible Accounts, Tax Interest Accrual, and Property Tax?

RESPONSE:

The Schedule M for each of the items listed (other than Vacation Pay Accrual – Reg Asset and Property Tax) are described in Supplemental (C)(16)b and the deferred tax balance is the accumulated tax amount on these temporary differences. The two items not on that document are described as follows:

> **Vacation Pay Accrual – Reg Asset** – The Company changed its method of accruing vacation pay several years ago and part of the book expense recognized with that method change was deferred to a Regulatory Asset for subsequent recovery request in a future rate case. Both the Vacation Pay Accrual and Vacation Pay Accrual – Regulatory Asset are book/tax timing differences. The tax deduction for Vacation Pay is described in Supplemental (C)(16)b.
>
> **Property Tax** – Property tax expense is accrued on the books but is deductible for tax under the IRS Economic Performance rules. The difference in the timing of this expense creates a Schedule M.

The accumulated deferred tax balances relate directly to items in book expense for which the Company is requesting recovery from customer in this rate case. It is appropriate to include these accumulated deferred tax balances in rate base, as these items represent future tax liabilities or benefits for the Company in which the Company is incurring a carrying cost.

WITNESS RESPONSIBLE: Keith G. Butler

Duke Energy Ohio, Inc.
Case No. 08-709-EL-AIR
OCC Sixth Set Interrogatories
Date Received: December 2, 2008

OCC-INT-06-133

REQUEST:

Referring to the response to OCC Interrogatory 4-99, what were the weather normalized sales and distribution revenues in 2007 for the residential and commercial classes?

RESPONSE:

See below for 2007 weather normalized kWh sales. The Company has not calculated the 2007 weather normalized distribution revenues.

	Weather Normalized kWh Sales	
Month	Residential	Commercial
January 2007	796,348,808	557,267,910
February	696,145,468	502,875,598
March	617,766,166	489,983,519
April	521,122,233	503,243,585
May	428,050,259	487,109,191
June	544,098,957	550,177,374
July	696,217,365	600,862,324
August	692,519,656	591,746,087
September	655,470,000	577,699,497
October	534,340,909	517,385,416
November	467,624,361	496,426,317
December	642,010,542	530,933,980
Total	7,291,714,724	6,405,710,798

WITNESS RESPONSIBLE: William Don Wathen Jr.

Duke Energy Ohio, Inc.
Case No. 08-709-EL-AIR
OCC Sixth Set Interrogatories
Date Received: December 2, 2008

OCC-INT-06-132

REQUEST:

Referring to the response to OCC Interrogatory 4-98, given that the request should refer to the average number of customers shown on Schedule C-12.3, Page 2, why is the growth in the number of residential customers from 2007 to the test year forecasted to be less than the growth in any of the prior years?

RESPONSE:

The average number of customers on Schedule C-12.3 was inadvertently calculated using the 2007 forecast. The correct average number of residential customers for the test year is 616,825 which equates to a 1.02% increase over 2007.

The correct average number of customers for the test year should have been as follows:

Customer Class	Test Year
Residential	616,825
Commercial	68,748
Industrial	2,416
Other	6,046

WITNESS RESPONSIBLE: William Don Wathen Jr.

Duke Energy Ohio, Inc.
Case No. 08-709-EL-AIR
PUCO Fortieth Staff Data Requests
Date Received: November 22, 2008

STAFF-DR-40-001

REQUEST:

Please provide the Staff with the following:

Corporate policies regarding the following employee wages, (please include which employee classifications are eligible for each):
Bonus Pay
Incentive Pay
Severance Pay

For each of the following:
Duke Energy employees
Duke Energy Shared Services employees
Other (NC) Shared Services Employees

RESPONSE:

Bonus Pay

Duke Energy provides bonus pay under the following plans and to the following groups of employees:

Union & Non-Union

- Duke Energy Corporation Annual Incentive Plan (the "STI Plan"). The STI Plan provides eligible employees with the opportunity to earn cash payments if pre-determined performance goals are attained during the relevant calendar year. The STI Plan is available to exempt and non-exempt union and non-union employees throughout the organization who do not participate in another incentive plan. The STI Plan is not available for executive officers. At the beginning of each calendar year, corporate, business unit and individual performance goals are established, and at the end of each calendar year a thorough review is performed to determine the extent to which each goal was achieved. The Compensation Committee of the Duke Energy Board of Directors ("Compensation Committee") approves the corporate performance goal at the beginning of each year and certifies the achievement of that goal at the end of the calendar year. The corporate performance goal is an objective measure of the corporation's performance, efficiency or profitability and typically amounts to between 40% and 80% of the overall incentive goal. Business unit goals relate to specific operational objectives such as safety, reliability and cost of service. Individual goals relate to an individual employee's performance. The achievement of each goal is measured over a range from minimum to maximum, with a possible range from 0% to 200% for corporate goals and 0% to 150% for other goals. Once an achievement level is determined, the achievement level is multiplied by the weighting assigned to each respective goal to determine an overall payout level.

Non Union

- Duke Energy Corporation Executive Short-Term Incentive Plan ("Executive STI Plan"). The Executive STI Plan is substantially similar to the STI Plan described above, except that it only provides benefits to executive officers of the Corporation. Currently, Duke Energy has ten executive officers

Union

- Duke Energy Corporation Union Employees' Incentive Plan ("UEIP"). The UEIP is available to certain union employees through out the organization who do not participate in another incentive plan. The UEIP is a short-term incentive plan that allows union employees to receive cash payments if the Company, or their business group, attains certain corporate performance goals during a calendar year. The UEIP award levels consist of a percentage of the employee's base and overtime earnings, based on the following corporate and business unit achievement levels:

Measures (Vary based on which union employee is in)	**Total Incentive Opportunity (Varies based on pension election and union employee is in)**
EPS	0-5%
Safety	0-2%
Customer Satisfaction	0-.5%
Peak Equivalent Availability	0-.5%

As with the STI Plan, each year the Compensation Committee establishes the corporate performance goal, and after the close of each year the Compensation Committee certifies the achievement of that goal. The corporate performance goal is an objective measure of Duke Energy's performance, efficiency or profitability.

Incentive Pay

In addition to the short-term incentive pay (i.e., bonus pay) described above, Duke Energy also provides long-term incentives in the following manner:

No Union incentive

- Duke Energy Corporation 2006 Long-Term Incentive Plan (the "LTIP"). Long-term incentive awards under the LTIP are generally provided only to "leadership employees". In 2008, there were 537 leadership employees in the LTIP, none of which were in a union. The LTIP provides long-term incentives in order to align the interests of participants with the long-term interests of Duke Energy and its affiliates. During 2008, 30% of the value of each participant's award was granted in the form of phantom shares that vest in annual installments over three years, and the remaining 70% of the value was granted in the form of performance shares that are based 100% on corporate performance over a three-year performance period.

Severance Pay

Employees of Duke Energy are eligible for severance pay under the following arrangements:

- Change in Control ("CIC") Agreements. Duke Energy currently provides limited severance protection to 11 senior executives. Mr. James E. Rogers, the Chief Executive Officer, is not covered by a CIC Agreement, but is provided with limited severance protection through his employment agreement. Under the CIC Agreements, each executive is entitled to 200% of his or her annual compensation, but only if there is both a change in control and a qualifying termination of employment. The Compensation Committee of the Board of Directors approved the CIC Agreements only after consulting with its advisors and reviewing the severance protection provided by peer companies to ensure that such agreements were appropriate in the event of a qualifying termination of employment in a change in control context. The Compensation Committee believes that the protection provided through these severance arrangements is appropriate in order to diminish the potential distraction of the executives by virtue of the uncertainty and risk to their roles in the context of a potential change in control.
- Severance Plan. Duke Energy also maintains the Duke Energy Corporation Integrated Severance Plan. The Plan is designed to provide severance benefits to active non-union employees of Duke Energy and its affiliates, but only if Duke Energy, in its sole discretion, designates such an employee as eligible to exit under the severance plan (i) with respect to a voluntary window offered thereunder or (ii) due to the elimination of his or her position. The plan provides severance benefits equal to one week of annual base pay increased by one week of target incentive amount for each year of service from 1-9 (full and partial years), and two weeks of annual base pay increased by two weeks of target incentive amount for each year of service in excess of 9 (full and partial years); plus one week of annual base pay increased by one week of target incentive amount for each $10,000 of pay and target incentive amount, including full and partial increments of $10,000. The plan also provides six months of COBRA/ retiree medical premiums, up to $2,600 of educational reimbursement, outplacement assistance, and, in certain circumstances, provides a bridge to early retirement under the pension plan. The benefits provided under the severance plan are reduced to the extent employees elect to remain employed in an assignment to the transition pool, but not below eight weeks of base pay. Duke Energy also maintains several other similar severance plans for union employees pursuant to negotiations with union leadership.
- Severance Policy. In order to ensure that Duke Energy provides reasonable severance benefits only, the Compensation Committee has established a policy pursuant to which it generally will seek shareholder approval for any future agreement with certain individuals (e.g., a named executive officer) that provides severance benefits in excess of 2.99 times the sum of the executive's base salary and annual bonus, plus the value of continued participation in welfare, retirement and equity compensation plans determined as if the executive remained employed for 2.99 additional years. Under the policy, Duke

Energy also will seek shareholder approval of any such agreement that provides for the payment of any tax gross-ups by reason of the executive's termination of employment, including reimbursement of golden parachute excise taxes.

PERSON RESPONSIBLE: N/A

Duke Energy Ohio, Inc.
Case No. 08-709-EL-AIR
OCC First Set Interrogatories
Date Received: September 18, 2008

OCC-INT-01-044

REQUEST:

With regard to the Company's incentive compensation program:

a. What are the specific goals that determine if, and how much, incentive compensation is paid to employees?

b. What are the amounts, by account, in unadjusted and adjusted test year expenses related to achievement of each specific goal?

RESPONSE:

a. Objection. This request is overbroad and unduly burdensome and not calculated to lead to admissible evidence. Without waiving said objection, employee incentive compensation is based upon some measure of individual performance and Company performance. Goals are determined by business unit, management level, section and even individual performance level and vary throughout the Company.

b. The amount of incentive compensation included in the unadjusted and adjusted test year are the same. Amounts related to the achievement of specific goals are not available.

INCENTIVE PLAN	ACCOUNT	AMOUNT
Union	920	$1,235
Duke Target	920	1,691,067
Origination Pool	920	96,313
Payroll Taxes	408	107,826
Corporate Executive STI	920	314,592
Executive LTI	926	1,541,482
Total Incentive Compensation		$3,752,515

WITNESS RESPONSIBLE: William Don Wathen Jr.

Duke Energy Ohio, Inc.
Case No. 08-709-EL-AIR
PUCO Fifty-Seventh Set Staff Data Requests
Date Received: December 24, 2008

STAFF-DR-57-001

REQUEST:

Please provide the Staff with the following information:

For both the corporate goals and the other goals referred to under "STI" Plan:

a) the percentage of bonus pay applicable to the obtainment of financial performance goals

b) the percentage of bonus pay applicable to the obtainment of operational performance goals

RESPONSE:

a) Depending on the employee's department of employment 50%-80% of the target STI payment is based on attainment of financial performance goals.

b) Depending on the employee's department of employment 20%-50% of the target STI payment for each employee is based on achievement of their individual goals which may include such factors as operational, safety, customer satisfaction, etc.

PERSON RESPONSIBLE: N/A

STAFF-DR-57-002

REQUEST:

For the goals referred to under "Executive STI" Plan:

a) the percentage of incentive pay applicable to the obtainment of financial performance goals

b) the percentage of incentive pay applicable to the obtainment of operational performance goals

RESPONSE:

a) 80% of the target STI payment is based on attainment of financial performance goals.

b) 20% of the target STI payment for each employee is based on achievement of their individual goals which may include such factors as operational, safety, customer satisfaction, etc.

PERSON RESPONSIBLE: N/A

Duke Energy Ohio, Inc.
Case No. 08-709-EL-AIR
PUCO Fifty-Seventh Set Staff Data Requests
Date Received: December 24, 2008

STAFF-DR-57-003

REQUEST:

For the goals referred to under "UEIP" Plan:

a) the percentage of incentive pay applicable to the obtainment of financial performance goals

b) the percentage of incentive pay applicable to the obtainment of operational performance goals

c) Are all of the plans referenced in STAFF-DR-57-001 thru STAFF-DR-57-003, included in "bonus pay" in Data Request Response 20?

RESPONSE:

a) USWA – Target level of incentives included in the test year under the Union Employee Incentive Plan is 1% (2% for employees who are cash balance participants). 100% of the incentive pay is attributable to "corporate measure" (i.e., financial performance).

UWUA – Target level of incentives included in the test year under the Union Employee Incentive Plan is 1.625%. 46% of the incentive pay is attributable to "corporate measure" (i.e., financial performance) and 54% is attributable to the achievement of department or individual goals.

IBEW 1393 – Target level of incentives included in the test year under the Union Employee Incentive Plan is 1.75%. 43% of the incentive pay is attributable to "corporate measure" (i.e., financial performance) and 57% is attributable to the achievement of department or individual goals.

IBEW 1347 – Target level of incentives included in the test year under the Union Employee Incentive Plan is 1.5%. 100% of the incentive pay is attributable to the achievement of department or individual goals.

b) See response to item a.

c) No. See response to Staff-DR-01-058. The UEIP plan bonuses are primarily included in the "Bonus" earnings type but STI and Executive STI plan bonuses are primarily included in the "Incentive" earnings type.

PERSON RESPONSIBLE: N/A

STAFF-DR-57-004

REQUEST:

For the goals referred to under "LTIP"

a) the percentage of incentive pay applicable to the obtainment of financial performance goals

b) the percentage of incentive pay applicable to the obtainment of operational performance goals

c) Does the "LTIP" plan correspond with "incentive pay" included in Data Request Response 20?

RESPONSE:

a) Each year Duke Energy Corporation provides incentive compensation under its long-term incentive program ("LTIP"). The Compensation Committee of Duke Energy Corporation's Board of Directors establishes the LTIP for each year to attract, retain and motivate the LTIP participants in a manner that is in the best interests of all of Duke Energy Corporation's stakeholders. When establishing cycles under the LTIP, the Compensation Committee takes into account the relevant benchmark and trend information.

During 2008, there were three outstanding LTIP cycles with a performance share component for which vesting was contingent on the obtainment of financial performance goals. The first is the 2006 LTIP cycle, 50% of which consisted of a grant of phantom stock (vests ratably over a 5-year period generally contingent upon continuous employment rather than financial performance) with the remaining 50% consisting of a grant of performance shares for which vesting is based entirely on the obtainment of a financial performance goal (a relative total shareholder return goal). The second is the 2007 LTIP cycle, 50% of which consisted of a grant of phantom stock (vests ratably over a 3-year period generally contingent upon continuous employment rather than financial performance) with the remaining 50% consisting of a grant of performance shares for which vesting is based entirely on the obtainment of financial performance goals (a relative total shareholder return goal and a goal based on the cumulative annual growth rate in earnings per share). The third is the 2008 LTIP cycle, 30% of which consisted of a grant of phantom stock (vests ratably over a 3-year period generally contingent upon continuous employment rather than financial performance) with the remaining 70% consisting of a grant of performance shares for which vesting is based entirely on the obtainment of financial performance goals (a relative total shareholder return goal and a goal based on the cumulative annual growth rate in earnings per share).

b) The incentive pay provided under the LTIP is contingent upon the attainment of financial, rather than operational goals.

c) No.

PERSON RESPONSIBLE: N/A

Duke Energy Ohio, Inc.
Case No. 08-709-EL-AIR
OCC Fourth Set Production of Documents
Date Received: November 4, 2008

OCC-POD-04-034

REQUEST:

Referring to WPC-3.19, please provide any study or analysis prepared by or for the Company addressing the extent to which merger savings forecasted in Case No. 05-0732-EL-MER have actually been achieved in 2008.

RESPONSE:

The Company has not performed such a study or analysis.

PERSON RESPONSIBLE: Paul G. Smith

Duke Energy Ohio, Inc.
Case No. 08-709-EL-AIR
OCC First Set Production of Documents
Date Received: September 18, 2008

OCC-POD-01-022

REQUEST:

Referring to pages 4 and 5 of the Direct Testimony of Paul G. Smith, please provide the calculations, workpapers and documents supporting the dollar amount of each of the "primary drivers of the proposed $86 million rate increase."

RESPONSE:

See Attachment OCC-RPD-01-022.

WITNESS RESPONSIBLE: Paul G. Smith

Duke Energy Ohio
Summary Revenue Requirements From Current and Prior Electric Distribution Cases

LINE NO.	FERC ACCT		08-709-EL-AIR
1		**Rate Base & Return Related Drivers**	
2		Increase in Net Plant	$18,892,387
3		Increase in Other Rate Base Items	$591,933
4		Higher Return	12,384,709
5		Lower GRCF	(8,898,456)
6		Other Rate Base, Return, and Tax Related Drivers	26,192,829
7		Total Rate Base & Return Related Drivers	$49,163,403
8		**Other Plant-Related Drivers**	
9		Property Taxes	$7,617,836
10		Depreciation	9,552,474
11		Total Other Plant-Related Drivers	$17,170,310
12		**Sum of All Plant-Related Drivers**	**$66,333,713**
13		**O&M Drivers:**	
14	923	Outside Services	$10,620,844
15	920	A&G Salaries	11,926,290
16	931	Rents	5,421,667
17	910	Misc. Customer Service and Information Expense	3,881,791
18	926	Pensions and Benefits	2,401,402
19	904/426520	Uncollectible Accounts - Dist Share	1,607,107
20	908	Customer Assistance	1,883,755
21	580-598	Total Distribution Expenses	(1,191,074)
22	911-916	Total Sales Expense	(2,055,748)
23	930	Miscellaneous General Expenses	2,141,262
24	909	Information and Instructional Advertising	(1,506,675)
25		All Other O&M - Net	(842,569)
26		Total O&M Drivers	$34,288,052
27		**Other Operating Expense Drivers:**	
28		Payroll Taxes	6,836,400
29		CAT Tax	1,010,102
		Adjustment for Merger Savings Make-Whole	1,167,082
30		Misc. Other Operating Expenses - Net	(310,535)
31		Total Other Operating Expense Drivers:	$8,703,049
32		Change in Base Revenue (i.e., load growth)	($6,550,053)
33		Total Accounted For Drivers	$85,604,451
34		Total Increase Requested	$85,604,451

Duke Energy Ohio
Summary Revenue Requirements From Current and Prior Electric Distribution Cases

LINE NO.	RATE BASE COMPONENT	08-709-EL-AIR	05-059-EL-AIR	
1	OPERATING REVENUES			
2	Base Revenue	$310,927,415	$255,610,365	
3	Other Operating Revenue	6,783,906	4,057,838	
4	Total Operating Revenues Before Increase	$317,711,321	$259,668,203	
	Revenue Increase Requested/Approved	85,604,451	51,493,065	
	Total Operating Revenues After Increase	$403,315,772	$311,161,268	($6,550,053)
5	OPERATING EXPENSES			
6	Operation and Maintenance Expenses			
7	Distribution Expense	$47,965,755	$49,156,829	
8	Customer Accounts Expense	26,916,809	25,221,650	
9	Customer Service & Information Expense	6,766,967	2,508,096	
10	Sales Expense	849	2,056,597	
11	Administrative & General Expense	78,443,755	46,862,911	
12	Amortization of Deferred Expense	5,850,989	(794,501)	
13	Total Operation and Maintenance Expense	$165,945,124	$125,011,582	$40,933,542
14	Depreciation Expense	$49,881,474	$40,329,000	$9,552,474
15	Taxes Other Than Income Taxes			
16	Other Federal Taxes	$3,543,916	$2,501,630	
17	State and Other Taxes	57,566,062	48,932,953	
18	Additional Revenue Related Taxes from Increase	1,859,389	448,060	
19	Total Taxes Other Than Income Taxes	$62,969,367	$51,882,643	$11,086,724
20	Income Taxes	35,386,748	25,172,965	10,213,783
21	Total Operating Expenses and Taxes	$314,182,713	$242,396,190	
22	Net Operating Income	$89,133,059	$68,765,078	$20,367,981
23	Return on Rate Base	9.10%	8.19%	

Test the Tax Rates			
Interest Deduction from SFRs	26,348,297	27,768,123	
Operating Income (line 22 + Line 20)	$124,519,807	$93,938,043	
Taxable Income (Operating Income less Interest)	$98,171,510	$66,169,920	
Effective Tax Rate (line 20 ÷ Taxable Income)	36.0%	38.0%	

Duke Energy Ohio
Rate Base and Return Drivers for Current Rate Case

Line No	Rate Base Component	08-709-EL-AIR	05-059-EL-AIR	Difference	Quantity Variance	Price Variance Rate of Return	Price Variance Conversion Factor	Price Variance in Revenue Requirement	Total Change in Rev Req
		(a)	(b)	(c)	(d) = row 1 * row 2 * (c)	(e)	(f)	(g) = (e)+(f)	(h) = (d) + (g)
1	ROE	9.10%	8.24%	0.86%					
2	Gross Revenue Conversion Factor	1.5785	1.6947						
3	Plant in Service								
4	Distribution	$1,644,636,777	$1,448,376,000	$196,260,777	$27,407,280	$19,661,355	($13,878,529)	$5,782,826	$33,190,105
5	General	47,033,785	18,653,000	28,380,785	3,963,299	253,210	(178,735)	74,474	4,037,773
6	Common	71,682,925	60,512,000	11,170,925	1,559,989	821,436	(579,834)	241,602	1,801,591
7	Total Plant In Service	1,763,353,487	1,527,541,000	235,812,487	32,930,568	20,736,000	(14,637,098)	6,098,902	39,029,470
8	Reserve for Accumulated Depreciation								
9	Distribution	($559,545,652)	($486,819,000)	($72,726,652)	($10,156,078)	($6,608,450)	$4,664,764	($1,943,687)	($12,099,765)
10	General	(25,279,944)	(8,276,000)	(17,003,944)	(2,374,554)	(112,345)	79,302	(33,043)	(2,407,597)
11	Common	(33,157,402)	(22,362,000)	(10,795,402)	(1,507,548)	(303,559)	214,276	(89,283)	(1,596,831)
12	Total Reserve for Accumulated Depreciation	(617,982,998)	(517,457,000)	(100,525,998)	(14,038,180)	(7,024,354)	4,958,341	(2,066,013)	(16,104,193)
13	Net Plant In Service (Line 7 + Line 14)	$1,145,370,489	$1,010,084,000	$135,286,489	$18,892,387	$13,711,646	($9,678,757)	$4,032,889	$22,925,277
14	Cash Working Capital Allowance	$0	$0	$0	$0	$0	$0	$0	$0
15	Other Working Capital Allowance	1,606,271	(1,366,588)	2,972,859	415,152	(18,551)	13,095	(5,456)	409,695
16	Other Items.								
17	Postretirement Benefits	8,277,974	(45,409)	8,323,383	1,162,338	(616)	435	(181)	1,162,156
18	Investment Tax Credits	(182,083)	(1,291,157)	1,109,074	154,879	(17,527)	12,372	(5,155)	149,724
19	Deferred Income Taxes	(175,582,062)	(167,409,907)	(8,172,155)	(1,141,219)	(2,272,549)	1,604,144	(668,405)	(1,809,624)
20	Other Rate Base Adjustments	0	(5,611)	5,611	784	(78)	54	(22)	761
21	Rate Base (Line 15 through Line 23)	$979,490,589	$839,965,328	$139,525,261	$19,484,320	$11,402,327	($8,048,658)	$3,353,669	$22,837,989

Duke Energy Ohio
Detail O&M From Current and Prior Electric Distribution Cases

Line #	Account	Operating & Maintenance Expense	08-709-EL-AIR	05-059-EL-AIR	Difference $	Difference %
		Distribution Expense				
		Operation				
1	580	Supervision & Engineering	1,749,151	2,314,668	(565,517)	-24.4%
2	581	Load Dispatching	1,748,837	4,020,698	(2,271,861)	-56.5%
3	582	Station Expenses	1,785,649	212,336	1,573,313	741.0%
4	583	Overhead Lines	1,248,397	1,811,443	(563,046)	-31.1%
5	584	Underground Lines	607,438	1,297,208	(689,770)	53.2%
6	585	Street Lighting & Signal Systems	302,624	4,667	297,957	6122.0%
7	586	Meter Expense	1,331,360	2,713,249	(1,381,889)	-50.9%
8	587	Customer Installations	2,255,765	3,341,912	(1,086,147)	-32.5%
9	588	Miscellaneous Distribution	4,820,504	2,971,171	1,849,333	62.2%
10	589	Rents	0	0	0	
11		Total Operation	15,849,925	18,687,552	(2,837,627)	-15.2%
12		Maintenance				
13	590	Supervision & Engineering	1,773,399	3,308,857	(1,535,458)	-46.4%
14	591	Structures	442,242	299,930	142,312	47.4%
15	592	Station Equipment	2,474,567	2,089,528	385,039	18.4%
16	593	Overhead Lines	21,709,094	20,063,177	1,645,917	8.2%
17	594	Underground Lines	3,188,432	2,823,668	364,764	12.9%
18	595	Line Transformers	819,833	227,955	591,878	259.7%
19	596	Street Lighting & Signal Systems	423,755	831,695	(407,940)	-49.0%
20	597	Meters	772,984	658,137	114,847	17.5%
21	598	Miscellaneous Distribution Plant	511,424	166,330	345,094	207.5%
22		Total Maintenance	32,115,830	30,469,277	1,646,553	5.4%
23		Total Distribution Expense	47,965,755	49,156,829	(1,191,074)	-2.4%
24		Customer Accounts Expense				
25		Operation				
26	901	Supervision and Engineering	63,437	228,289	(164,852)	-72.2%
27	902	Meter Reading Expense	5,394,428	5,573,522	(179,094)	-3.2%
28	903	Customer Records and Collections	16,380,035	15,887,101	492,934	3.1%
29	904/426520	Uncollectible Accounts	5,098,863	3,491,756	1,607,107	46.0%
30	905	Miscellaneous Customer Accounts	46	60,982	(60,936)	-99.9%
31		Total Customer Accounts Expense	26,916,809	25,221,650	1,695,159	6.7%
32		Customer Service and Information Expense				
33		Operation				
34	907	Supervision	0	0	0	
35	908	Customer Assistance	2,377,965	494,210	1,883,755	381.2%
36	909	Information and Instructional Advertising	3,393	1,510,068	(1,506,675)	-99.8%
37	910	Misc. Customer Service and Information Expense	4,385,609	503,818	3,881,791	770.5%
38		Total Customer Service and Information Expense	6,766,967	2,508,096	4,258,871	169.8%
39		Sales Expense				
40		Operation				
41	911	Supervision	849	2,046,793	(2,045,944)	-100.0%
42	912	Demonstrating & Selling	0	325	(325)	-100.0%
43	913	Advertising	0	241	(241)	-100.0%
44	916	Miscellaneous Sales Expense	0	9,238	(9,238)	-100.0%
45		Total Sales Expense	849	2,056,597	(2,055,748)	-100.0%
46		Administrative and General Expenses				
47		Operation				
48	920	Administrative & General Salaries	17,972,148	6,045,858	11,926,290	197.3%
49	921	Office Supplies & Expenses	11,127,307	12,621,193	(1,493,886)	-11.8%
50	922	Administrative Expenses Transferred - Credit	(215,178)	(9,702)	(205,476)	2117.9%
51	923	Outside Services Employed	16,186,146	5,565,302	10,620,844	190.8%
52	924000	Property Insurance	691,335	792,902	(101,567)	-12.8%
53	925	Injuries & Damages	1,706,668	959,503	747,165	77.9%
54	926	Employee Pension & Benefits	18,121,920	15,720,518	2,401,402	15.3%
55	928000	State Regulatory Commission Expense	1,130,456	814,606	315,850	38.8%
56	929	Duplicate Charges-Credit	(805,200)	(85,280)	(719,920)	844.2%
57	930000	General Advertising Expenses	0	420,500	(420,500)	-100.0%
58	930202	Miscellaneous General Expenses	1,994,964	(146,298)	2,141,262	-1463.6%
59	931	Rents	8,719,634	3,297,967	5,421,667	164.4%
60		Total Operation	76,630,200	45,997,069	30,633,131	66.6%
61		Maintenance				
62	935	Maintenance of Equipment	1,813,555	865,842	947,713	109.5%
63		Total Administrative and General Expense	78,443,755	46,862,911	31,580,844	67.4%
64		Various Staff Adjustments	n/a	-	-	#DIV/0!
65		Revised Total Administrative and General Expense	78,443,755	46,862,911	31,580,844	67.4%
66		Total O&M	160,094,135	125,806,083	34,288,052	27.3%

Duke Energy Ohio
Detail O&M From Current and Prior Electric Distribution Cases

Line #	Account	Operating & Maintenance Expense	08-709-EL-AIR	05-059-EL-AIR	Difference $	Difference %
67		Taxes Other Than Income				
68		Federal				
69		Payroll	3,527,038	2,490,300	1,036,738	41.6%
70		Unemployment	16,878	11,330	5,548	49.0%
71		State				
72		Property Taxes (All States)	55,818,138	48,200,302	7,617,836	15.8%
73		State Payroll & Unemployment	44,625	(85,719)	130,344	-152.1%
74		Highway Use Taxes	27,019	(273)	27,292	-9997.1%
75		CAT Tax	1,010,102	-	1,010,102	n/a
76		Cincinnati Franchise	612,188	285,026	327,162	114.8%
77		Misc & Staff Adjustments	53,990	533,817	(479,827)	-89.9%
78		Total Taxes Other Than Income	61,109,978	51,434,583	9,675,395	18.8%
79		Amortization Expenses				
80		Amortization of FSA Expense		573,927	(573,927)	
81		Amortization of FAS 106 Balance		169,827	(169,827)	
82		Amortization of Merger Savings Make-whole amount	6,836,400		6,836,400	
83	407315	Reg Asset Amort - Towers	(985,411)	(1,537,955)	552,544	
84		Total Amortization Expense	5,850,989	(794,501)	6,645,490	
85		Depreciation Expense				
86		Distribution	42,561,724	32,141,203	10,420,521	
87		General	3,003,174	1,517,000	1,486,174	
88		Common (Electric)	4,316,576	4,369,686	(53,110)	
89		Sub-Total Depreciation Expense	49,881,474	38,027,889	11,853,585	
90		Staff Adjustments	-	2,301,111	(2,301,111)	
91		Total Depreciation Expense	49,881,474	40,329,000	9,552,474	

Duke Energy Ohio
Rate Base Detail From Current and Prior Electric Distribution Cases

Line #	Account	Plant in Service	08-709-EL-AIR Gross	08-709-EL-AIR Acc Dep	08-709-EL-AIR Net Plant	05-059-EL-AIR Gross	05-059-EL-AIR Acc Dep	05-059-EL-AIR Net Plant	Difference Gross	Difference Acc Dep	Difference Net Plant
1	3600	Land and Land Rights	$7,357,843	$0	$7,357,843	$6,055,000	$0	$6,055,000	$1,302,843	$0	$1,302,843
2	3601	Rights of Way	26,615,889	1,091,710	25,524,179	27,029,000	238,000	26,791,000	(413,111)	853,710	(1,266,821)
3	3610	Structures and Improvements	6,434,309	3,563,772	2,870,537	5,342,000	3,366,000	1,976,000	1,092,309	197,772	894,537
4	3620	Station Equipment	141,741,439	57,816,648	83,924,791	130,176,000	50,411,000	79,765,000	11,565,439	7,405,648	4,159,791
5	3622	Major Equipment	89,943,898	30,247,249	59,696,649	72,308,000	26,667,000	45,641,000	17,635,898	3,580,249	14,055,649
6	3635	Station Equipment Electronic	3,192,964	281,694	2,911,270	51,000	-	51,000	3,141,964	281,694	2,860,270
7	3640	Poles, Towers & Fixtures	291,748,818	101,390,209	190,358,609	209,673,000	87,386,000	122,287,000	82,075,818	14,004,209	68,071,609
8	3650	Overhead Conductors and Devices	284,492,593	91,100,325	193,392,268	263,656,000	79,369,000	184,287,000	20,836,593	11,731,325	9,105,268
9	3660	Underground Conduit	95,798,651	29,364,179	66,434,472	90,418,000	23,257,000	67,161,000	5,380,651	6,107,179	(726,528)
10	3670	Underground Conductors and Devices	220,809,934	58,598,191	162,211,743	198,705,000	47,006,000	151,699,000	22,104,934	11,592,191	10,512,743
11	3680	Line Transformers	314,560,686	127,338,076	187,222,610	286,607,000	109,222,000	177,385,000	27,953,686	18,116,076	9,837,610
12	3682	Customer Transformer Installations	4,669,193	2,124,839	2,544,354	4,717,000	1,782,000	2,935,000	(47,807)	342,839	(390,646)
13	3691	Services - Underground	2,126,612	1,521,305	605,307	2,073,000	1,374,000	699,000	53,612	147,305	(93,693)
14	3692	Services - Overhead	47,684,728	33,426,953	14,257,775	47,294,000	30,056,000	17,238,000	390,728	3,370,953	(2,980,225)
15	3693	Services - Multiple Occupancy Buildings		19,092,951	(19,092,951)	-	-	-	-	19,092,951	(19,092,951)
16	3700	Meters	54,161,209	715,997	53,445,212	59,268,000	19,686,000	39,582,000	(5,106,791)	(18,970,003)	13,863,212
17	3701	Leased Meters	23,527,697	-	23,527,697	15,056,000	986,000	14,070,000	8,471,697	(986,000)	9,457,697
18	3710	Installations on Customers' Premises	32,968	(219)	33,187	-	-	-	32,968	(219)	33,187
19	3712	Company - owned Outdoor Lights	64,064	(92,485)	156,549	-	-	-	64,064	(92,485)	156,549
20	3720	Leased Property on Customers' Premises	102,503	-	102,503	103,000	(104,000)	207,000	(497)	104,000	(104,497)
21	3730	Street Lighting	145	9,042,149	(9,042,004)	588,000	-	588,000	(587,855)	9,042,149	(9,630,004)
22	3731	Street Lighting - Overhead	7,839,582	4,589,861	3,249,721	8,485,000	8,983,000	(498,000)	(645,418)	(4,393,139)	3,747,721
23	3732	Street Lighting - Boulevard	14,878,096	4,222,101	10,655,995	13,344,000	3,683,000	9,661,000	1,534,096	539,101	994,995
24	3733	Light Security OL POL Flood	6,917,165	-	6,917,165	7,428,000	3,760,000	3,668,000	(510,835)	(3,760,000)	3,249,165
25	3734	Light Choice OLE - Public	44,679	(15,890,072)	15,934,751	-	-	-	44,679	(15,890,072)	15,934,751
26	108	Completed Construction Not Classified	-		-	-		-	-	-	-
27	108	Retirement Work in Progress		-	-		(10,309,000)	10,309,000	-	10,309,000	(10,309,000)
		Total Distribution Plant	$1,844,748,866	$869,645,433	$1,088,200,232	$1,448,376,000	$486,819,000	$961,657,000	$196,369,866	$72,726,433	$123,843,232
28		General Plant									
29	3030	Miscellaneous Intangible Plant	$7,311,887	$4,988,262	$2,323,625	$5,402,000	$2,067,000	$3,335,000	$1,909,887	$2,921,262	($1,011,375)
30	3890	Land and Land Rights	374,297	-	374,297	335,000	-	335,000	39,297	-	39,297
31	3900	Structures and Improvements	6,173,050	3,403,018	2,770,032	5,274,000	2,813,000	2,461,000	899,050	590,018	309,032
32	3910	Office Furniture and Equipment	149,211	53,269	95,942	251,000	138,000	113,000	(101,789)	(84,731)	(17,058)
33	3911	Electronic Data Processing Equipment	245,272	148,676	96,596	382,000	104,000	278,000	(136,728)	44,676	(181,404)
34	3920	Transportation Equipment	521,675	530,500	(8,825)	939,000	936,000	3,000	(417,325)	(405,500)	(11,825)
35	3921	Trailers	1,105,693	387,421	718,272	912,000	230,000	682,000	193,693	157,421	36,272
36	3930	Stores Equipment	-	(235)	235	16,000	13,000	3,000	(16,000)	(13,235)	(2,765)
37	3940	Tools, Shop & Garage Equipment	3,571,004	954,386	2,616,618	2,834,000	888,000	1,946,000	737,004	66,386	670,618
38	3950	Laboratory Equipment	298,682	(217,816)	516,498	957,000	368,000	589,000	(658,318)	(585,816)	(72,502)
39	3960	Power Operated Equipment	427,955	419,674	8,281	555,000	517,000	38,000	(127,045)	(97,326)	(29,719)
40	3970	Communication Equipment	1,291,130	408,165	882,965	778,000	162,000	616,000	513,130	246,165	266,965
41	3980	Miscellaneous Equipment	29,184	3,287	25,897	18,000	7,000	11,000	11,184	(3,713)	14,897
	108	Retirement Work in Progress	-	526,768	(526,768)	-	33,000	(33,000)	-	493,768	(493,768)
		Total General Plant	$21,499,040	$11,805,375	$9,693,665	$18,653,000	$8,276,000	$10,377,000	$2,846,040	$3,329,375	($483,335)
42		Common Plant									
43	1030	Miscellaneous Intangible Plant	$31,364,099	$22,704,257	$8,659,842	$29,915,914	$15,496,554	$14,419,360	$1,448,185	$7,207,703	($5,759,518)
44	1890	Land and Land Rights	681,702	34,350	647,352	589,360	26,938	562,422	92,342	7,412	84,930
45	1891	Rights of Way	12,200	-	12,200	9,577	-	9,577	2,623	-	2,623
46	1900	Structures & Improvements	29,165,141	5,734,627	23,430,514	22,710,251	3,704,003	19,006,248	6,454,890	2,030,624	4,424,266
47	1910	Office Furniture & Equipment	4,729,304	2,559,807	2,169,497	4,406,203	1,925,372	2,480,831	323,101	634,435	(311,334)
48	1920	Transportation Equipment	27,411	27,401	10	37,572	36,154	1,418	(10,161)	(8,753)	(1,408)
49	1921	Trailers	125,230	41,331	83,899	86,194	26,229	59,965	39,036	15,102	23,934
50	1930	Stores Equipment	171,093	65,606	105,487	280,683	157,376	123,307	(109,590)	(91,770)	(17,820)
51	1940	Tools, Shop & Garage Equipment	372,730	120,843	251,887	249,741	116,260	133,481	122,989	4,583	118,406
52	1950	Laboratory Equipment	3,177	2,547	630	3,684	2,836	848	(507)	(289)	(218)
53	1960	Power Operated Equipment	13,510	13,510	(0)	11,787	11,342	445	1,723	2,168	(445)
54	1970	Communication Equipment	4,920,498	1,919,322	3,001,176	2,149,691	849,262	1,300,429	2,770,807	1,070,060	1,700,747
55	1980	Miscellaneous Equipment	96,831	28,650	68,181	61,146	13,469	47,677	35,685	15,181	20,504
56	108	Retirement Work in Progress	-	(94,850)	94,850		(3,545)	3,545	-	(91,305)	91,305
57		Total Common Plant	$71,682,926	$33,187,401	$38,626,524	$60,511,803	$22,362,250	$38,149,653	$11,171,122	$10,796,161	$376,871
58		Total Plant in Service (Gross)	$1,737,927,630	$804,388,209	$1,133,619,421	$1,527,540,803	$517,467,250	$1,010,083,553	$210,386,827	$86,860,959	$123,536,868

Duke Energy Ohio
Detail O&M From Current and Prior Electric Distribution Cases

Line #	Account	Operating & Maintenance Expense	08-709-EL-AIR	05-059-EL-AIR
		Distribution Expense		
		Operation		
1	580	Supervision & Engineering	1,749,151	1,907,468
2		CIN-10 Expense/(Savings)		407,200
3	581	Load Dispatching	1,748,837	4,094,197
4		CIN-10 Expense/(Savings)		(73,499)
5	582	Station Expenses	1,785,649	122,956
6		CIN-10 Expense/(Savings)		89,380
7	583	Overhead Lines	1,248,397	1,874,741
8		CIN-10 Expense/(Savings)		(63,298)
9	584	Underground Lines	607,438	1,297,208
10	585	Street Lighting & Signal Systems	302,824	4,867
11	586	Meter Expense	1,331,360	2,713,249
12	587	Customer Installations	2,255,765	3,341,912
13	588	Miscellaneous Distribution	4,834,197	2,893,837
14		Service Company Allocations	(13,693)	
15		CIN-10 Expense/(Savings)		(22,866)
16	589	Rents	0	0
17		Total Operation	15,849,925	18,687,552
18				
19		Maintenance		
20	590	Supervision & Engineering	1,773,399	3,262,520
21		CIN-10 Expense/(Savings)		46,337
22	591	Structures	442,242	201,434
23		CIN-10 Expense/(Savings)		98,496
24	592	Station Equipment	2,474,567	2,619,645
25		CIN-10 Expense/(Savings)		(530,117)
26	593	Overhead Lines	21,709,094	22,301,012
27		CIN-10 Expense/(Savings)		(2,237,835)
28	594	Underground Lines	3,188,432	2,826,184
29		CIN-10 Expense/(Savings)		(2,616)
30	595	Line Transformers	819,933	227,965
31	596	Street Lighting & Signal Systems	423,755	133,446
32		CIN-10 Expense/(Savings)		698,250
33	597	Meters	772,984	658,137
34	598	Miscellaneous Distribution Plant	511,424	166,330
35		Total Maintenance	32,115,830	30,469,277
36		Total Distribution Expense	47,965,755	49,156,829
37				
38		**Customer Accounts Expense**		
39		Operation		
40	901	Supervision and Engineering	63,437	228,289
41	902	Meter Reading Expense	5,394,428	5,573,522
42	903	Customer Records and Collections	18,380,035	14,777,596
43		Staff Adjustment - West Call Center		1,084,801
44		CIN-10 Expense/(Savings)		4,704
45	904/426520	Uncollectible Accounts	28,170,774	12,891,710
46		Exclude non-D related bad debt	(22,958,114)	(9,503,433)
47		Exlude Uncollectibles for Power Trading	n/a	(31,334)
48		Amortization of Bad Debt Moratorium	(291,387)	291,377
49		Dist Share of Int on Customer Deposits	177,590	68,329
50		Additional due to Rate Incr		448,060
51		Staff Adjustment	n/a	(672,953)
52	905	Miscellaneous Customer Accounts	46	60,982
53		Elimate Reg Asset Amort (Gain on Towers)	n/a	n/a
54		Total Customer Accounts Expense	26,916,809	25,221,650

Duke Energy Ohio
Detail O&M From Current and Prior Electric Distribution Cases

Line #	Account	Operating & Maintenance Expense	08-709-EL-AIR	05-059-EL-AIR
		Customer Service and Information Expense		
		Operation		
55	907	Supervision	0	0
56	908	Customer Assistance	2,377,965	494,210
57	909	Information and Instructional Advertising	3,393	1,510,068
58	910	Misc. Customer Service and Information Expense	4,436,687	498,679
59		Service Company Allocation	(4,124)	n/a
60		Non Jurisdictional Adj	(46,954)	n/a
61		CIN-10 Expense/(Savings)	n/a	5,139
62		Total Customer Service and Information Expense	6,766,967	2,508,096
63		Sales Expense		
64		Operation		
65	911	Supervision	849	2,046,793
66	912	Demonstrating & Selling	0	325
67	913	Advertising	0	8,167
68		CIN-10 Expense/(Savings)		(7,926)
69	916	Miscellaneous Sales Expense	0	9,236
70		Total Sales Expense	849	2,056,597
71				
72		Administrative and General Expenses		
73		Operation		
74	920	Administrative & General Salaries	23,411,831	14,251,972
75		Salaries & Wage Adjustment (annualization)	(5,409,871)	(4,608,773)
76		Staff Adjustment to Bonus Expense		(4,717,720)
77		Service Company Allocation	(29,812)	n/a
78		CIN-10 Expense/(Savings)		1,120,379
79	921	Office Supplies & Expenses	11,140,288	16,587,272
80		Service Company Allocation	(9,690)	n/a
81		Hartwell	(3,281)	(4,964)
82		Various		(3,961,115)
83	922	Administrative Expenses Transferred - Credit	(215,178)	(9,702)
84	923	Outside Services Employed	16,195,668	6,006,159
85		Service Company Allocation	(9,522)	n/a
86		CIN-10 Expense/(Savings)		(440,857)
87	924000	Property Insurance	891,335	792,902
88	925	Injuries & Damages	1,706,688	1,003,753
89		CIN-10 Expense/(Savings)		(44,250)
90	926	Employee Pension & Benefits	21,986,001	16,992,183
91		Related to S&W adjustment and Loading	(3,849,322)	(1,009,747)
92		Service Company Allocation	(14,700)	n/a
93		Hartwell	(59)	(1,340)
94		CIN-10 Expense/(Savings)		(260,578)
95	928000	State Regulatory Commission Expense	1,345,404	727,939
96		Adjust PUCO/OCC Fees	(124,473)	n/a
97		Rate Case Amort Adju	(90,475)	86,667
98	929	Duplicate Charges-Credit	(805,200)	(85,280)
99	930000	General Advertising Expenses	0	438,983
100		Exclude Club Dues & Donations		(18,483)
101	930202	Miscellaneous General Expenses	2,124,080	64,933
102		EEI Exp Adj	(80,108)	(70,435)
103		Wholesale Merger Amortization	(49,008)	(140,796)
104	931	Rents	8,719,709	3,362,923
105		Adj. NJ Expense	(75)	n/a
106		Service Company Allocation	0	n/a
107		CIN-10 Expense/(Savings)	0	(64,956)
108		Total Operation	76,630,200	45,997,069
109		Maintenance		
110	935	Maintenance of Equipment	1,843,106	1,034,389
111		Hartwell	(29,551)	(7,943)
112		CIN-10 Expense/(Savings)		(160,604)
113		Total Administrative and General Expense	78,443,755	46,862,911
114		Various Staff Adjustments	n/a	-
115		Revised Total Administrative and General Expense	78,443,755	46,862,911
116				
117		Total O&M	160,094,135	125,806,083

Duke Energy Ohio
Detail O&M From Current and Prior Electric Distribution Cases

Line #	Account	Operating & Maintenance Expense	08-709-EL-AIR	05-059-EL-AIR
		Federal Taxes Other Than Income		
118	408410	Payroll Taxes	4,372,805	3,182,666
119		Annualize FICA	(842,513)	(407,570)
120		Additional Adj by Staff	n/a	(284,796)
121		Service Company Allocations	(3,254)	n/a
122	408410	Unemployment Taxes	45,071	83,686
123		Annualize Unemployment Taxes	(28,193)	(78,168)
124		Additional Adj by Staff	n/a	5,810
125				
126		State Taxes Other Than Income		
127	408410	Unemployment Compensation	44,625	42,003
128		Additional Adj by Staff		(3,358)
129	408030	Ohio Property Taxes - Distribution	56,232,636	56,544,282
130		Annualize Property Taxes	(567,398)	(7,105,990)
131		Additional Staff Annualization Adjustment	-	(1,286,858)
132		Exclude Hartwell	(10)	(268)
133	408070	KY Property Taxes - Other than Production	33,156	54,521
134	408075	Indiana Property Tax	2,505	(5,492)
135	408095	Misc. States Property Taxes	117,249	97
136	408490	Indiana Highway Use	378	55
137	408510	Federal Highway Use	27,000	19,492
138	408530	Ohio Highway Use	(1,157)	129
139	408550	KY Highway Use	798	256
140		Additional Staff Annualization Adj - Hwy Use		(20,205)
141	408740	Sales and Use Expense	54,000	n/a
142		Gross Receipts Tax	n/a	176
143		Cincinnati Franchise Tax	612,188	528,436
144		Staff Adjustment		(243,410)
145		Payroll Taxes		(124,364)
146		Staff Reclassified OCC/PUCO Fees		533,441
147	408950	CAT Expense	1,010,102	n/a
148				
149		Total Other Taxes	61,109,988	51,434,583
150				
151				
152		Amortization Expenses		
153		Amortization of F&A Expense		573,927
154		Amortization of FAS 106 Balance		169,527
155	407214	Amort Exp-2004 RSP Return on Debt	2,355,416	
156	407215	Rider DRI Depreciation Expense	2,247,885	
157	407216	Rider DRI Property Tax	2,469,169	
158		Eliminate Rider DRI Amortizatin	(7,072,470)	
159	407907	DSM Amortization	10,552,012	
160		Eliminate DSM Amortizatin	(10,552,012)	
161	407315	Reg Asset Amort - Towers	(1,478,124)	(1,537,955)
162		Exclude Towers Amort	492,713	
163		Amortization of Merger Savings Make whole	6,836,400	
164	407904	RTC Electric Retail Amort	-	
165		Total Amortization Expense	5,850,989	(794,501)
166				
167				
168		Depreciation Expense		
169		Distribution	37,026,487	36,363,054
170		Annualize Depreciation	5,535,237	(4,221,851)
171		General	1,964,161	2,371,622
172		Annualize Depreciation	1,039,013	(854,622)
173		Common (Electric)	2,911,406	3,055,642
174		Annualize Depreciation	1,405,170	1,314,044
175		Sub-Total Depreciation Expense	49,881,474	38,027,889
176		Staff Adjustments	-	2,301,111
177		Total Depreciation Expense	49,881,474	40,329,000

CERTIFICATE OF SERVICE

It is hereby certified that a true copy of the foregoing *Direct Testimony of David J. Effron on Behalf of The Ohio Consumers' Counsel* was served via First Class US Mail, postage prepaid, this 26th day of February, 2009.

Ann M. Hotz
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