LARGE FILING SEPARATOR SHEET

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This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business rechnician _____ Date Processed ______ 10 2012 firms to supplement internal resources. In addition to ensuring that monthly continuous emission data and discharge data is quality-assured and supplied to government agencies, these groups also perform, arrange, coordinate, and oversee environmental testing services as required to demonstrate compliance with issued permits and applicable laws.

This CEHS Department interfaces with the Environmental Policy and Governmental Affairs organizations, which regularly interact with government agencies, industry committees, vendors, contractors, consultants, and working groups to ensure a good flow of accurate and up-to-date information is both received and supplied by all parties involved with environmental decision making. CEHS maintains programs to help ensure compliance with federal, state, and other requirements, such as air, water, and waste regulations and permits for use by the Non-Nuclear Generation operating and Power Delivery groups.

VI. <u>Decision Making and Control</u>

With few exceptions, personnel at all levels are provided general supervision and granted latitude to make daily decisions, plan activities, coordinate schedules, and travel as required to perform their core functions. Directors and Managers review employee activities regularly, but not continuously, to monitor compliance with Duke Energy policies and standards of conduct. If anomalies are discovered or decision-making seems inappropriate, a higher degree of control and monitoring is initiated and documented. Training and counseling can be provided in an attempt to improve performance. General Managers and Directors review Manager activities at a frequency appropriate for the experience level of the employee. All employees are expected to comply with Duke Energy policies and formally document completion of required training programs.

Control of individual purchasing activities and access to cash reimbursements are strictly controlled by each level of management in accordance with the authorized approvals manual and expenditure authority level. Specific policies are in place within the Supply Chain Department for sourcing of all purchased materials, equipment, and services. Electronic systems provide verification of authorization levels and compliance with procedures before contracts are issued or payments disbursed.

VII. Internal and External Communication

Informal verbal communication may be conducted between individuals directly or by telephone. Telephone calls are normally conducted on an informal basis and are not generally documented.

Formal verbal communications are used in special circumstances involving direct orders, instructions, or reports. Formal verbal communication is used in certain disciplinary actions and is normally confirmed by documents. Verbal communications include conducting of meetings and conference calls. In general, meetings are held regularly to communicate internally within and between the work groups, to receive updates, review department performance, strategy, and progress towards goals, evaluate methods, and discuss changes required to achieve goals.

Each functional area conducts regular staff meetings to exchange information relative to the CEHS department and to pass on information gained from the next level of management. These meetings are generally not documented with meeting minutes. Conference calls are also used for this purpose.

Electronic Mail is used extensively, along with internal departmental websites to exchange both formal and informal communication. It is also used as a method of transmitting reports providing access to the latest up-to date policies and procedures. Most procedures that require the use of specific forms and documents are designed such that the forms are submitted and filed electronically.

CEHS communicates with other shared service entities regularly to exchange information in the normal course of business. A partial listing includes Sourcing, Treasury, Tax, Finance, Business Unit Planning and Analysis, Payroll, Accounting, Fuels, Human Resources, Information Technology, Corporate Communications, and the Office of the General Counsel.

External communications would include contacts with:

- Vendors, suppliers, contractors, and service providers
 - These contacts are in the form of general communication required to receive services or products from outside sources. In addition, employees are included in users groups and process improvement committees that meet regularly;
- Government Agencies
 - Communication with these agencies is both formal and informal.
 - Procedures generally dictate the formal contacts;
- Utilities
 - With co-owned units; and
- Professional Societies and Industry Trade Groups
 - The group also participates in a variety of industry committees and professional societies maintaining membership as well as leadership positions within these groups.

VIII. Goal Attainment Quantification

Meeting or exceeding the annually established goals is the measure of accomplishment of CEHS.

Performance indicators utilized by the organization are measures of goal performance. Examples of performance indicators that relate to specific goal performance are listed below:

- Safety Lost Time Incidents and Rates;
- Safety Contractor safety performance;
- Financial O & M Budget Variance;
- Financial Capital Budget Variance;
- Environmental Compliance; and
- Environmental Planning process for future environmental policies.

Timely collection and reporting of information is essential to providing adequate control of department performance:

- Safety and Environmental statistics are reported at least monthly in accordance with industry standards and internal procedures;
- Corporate data systems provide financial information related to each department's O&M performance and capital budget performance on a monthly basis. Significant variances must be explained and new projections provided each month; and
- Environmental compliance is a function of both electronic data submittals to the state Environmental Protection Agency and testing to demonstrate compliance with permits.

Employees receive semi-annual performance reviews to measure and report progress toward individual goals in support of the department and corporate goals.

DUKE ENERGY CORPORATION MANAGEMENT STRUCTURE



DUKE ENERGY CORPORATION DUKE ENERGY OHIO, INC SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION GAS CUSTOMER ACCOUNTS & PROJECTS DEPARTMENT

I. Policies and Goal Setting

The policies of the Gas Customer Accounts & Projects Department (Department) evolve from and support the objectives of Duke Energy Corporation (Duke Energy or Company). The Manager, Gas Customer Accounts & Project, implements the policies and objectives under the direction of the Senior Vice President, Gas Operations. These include policies for providing gas transportation service for end users. The Department also supports the corporate policies and objectives through department directives, procedures and practices.

The goals of the Department are designed to support the goals of Gas Operations and business plan of the U.S. Franchised Electric & Gas (USFE& G) unit. Determination of the objectives and goals is based on a decision process involving the Vice-President, Gas Operations, the Manager, Gas Customer Account & Projects; and the staff of the Department.

Review of these objectives and policies is continuous and revisions are made at least annually. Some may be revised more frequently based on their sensitivity to changing economic and market conditions.

II. Organizational Structure

A manager who reports directly to the Senior Vice President, Gas Operations heads the Department. Gas Customer Accounts & Projects consists of two Specialists.

An organization chart of Gas Customer Accounts & Projects Department is provided below:



III. <u>Responsibilities</u>

The Department provides customer account management, technical analyses, and marketing functions in order to maximize revenue, facilitate gas operations activities with outside agencies, and help to ensure the viability of large customer gas transportation programs. These responsibilities include such items as managing large customer gas transportation programs, consulting with, educating as necessary and providing the day-to-day liaison with customers on issues such as gas supply and transportation options; gas market fundamentals and technical information; usage requirements; balancing options; contracts; measurement, telemetering and billing setup; and billing for variances from requirements, all in accordance with the Company's approved tariffs. Gas Customer Accounts & Projects also manages the rate Interruptible Transportation (IT) gas curtailment program, which includes management of gas curtailment implementation, if required. Gas Customer Accounts & Projects also performs a quality assurance function with respect to the billing of large volume gas customers, such as resolution of complex billing adjustments involving third- party agreements for the transportation of gas; analyzing metering reports for indications of equipment malfunction; and resolving any issues that may arise.

IV. <u>Practices and Procedures</u>

The practices and procedures of the organization are continually being formulated and refined to provide the necessary guidelines for all personnel in meeting the goals and objectives of the organization and the Company.

Because of the dynamic changes in the gas industry both at the federal and state level, the Department's practices and procedures are reviewed and revised continuously to assure that all functional areas are operating at maximum efficiency and in compliance with all applicable laws and regulations.

Specific duties of the Gas Customer Accounts & Projects Department include, but are not limited to:

- Effectively manage the interruptible transportation program; and
- Develop processes to be implemented in the event of emergencies, such as significant interruptions to the delivery of gas.

V. Decision Making and Control

In making decisions, recommendations and information are received by the Manager, Gas Customer Accounts & Projects from the direct reports. The Manager initiates action after discussion with and approval from the Senior Vice-President, Gas Operations. The Group Executive & President of USFE&G is consulted as deemed appropriate.

The individual direct reports of the Manager, Gas Customer Accounts & Projects make day-to-day operational decisions that are within the framework of existing policies, strategies, and procedures.

VI. Internal and External Communication

As a means of assisting in the decision-making process, both internal and external communications are maintained. Internal communications are accomplished within the Department by the preparation of weekly status reports, informal meetings, periodic staff meetings, and daily discussions. Also, internally, discussions and input are obtained as needed from the Gas Construction and Maintenance, Gas Engineering, Gas Performance Support, Rates and Legal Departments.

VII. Goal Attainment and Qualification

Department employees are evaluated annually on the attainment of the annual individual key performance measures, which are established in support of department key performance goals.

Schedule S-4.2

DUKE ENERGY CORPORATION DUKE ENERGY OHIO, INC SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION GAS ENGINEERING

I. Policy and Goal Setting

Gas Engineering supports the Duke Energy Corporate (Duke Energy) policies and objectives through department directives, procedures and practices.

The goals of Gas Engineering are designed to support the business plans of Gas Operations and the U.S. Franchised Electric & Gas (USFE&G).

Annually, the Director of Gas Engineering meets with the supervisory staff of Gas Engineering to develop a work plan to support the business plans of Gas Operations and USFE&G. Through a participative process, individual and team goals are developed. These goals are provided to the Vice President of Gas Operations for incorporation into the USFE&G business plan.

Gas Engineering goals are published to make all employees aware of the department expectations. To assure continuous attention to the team and individual goals, departmental goals become part of the annual key performance appraisal process for department employees.

The Director and supervisors of Gas Engineering periodically review goals. Staff meetings are held regularly to review the progress of work plans. When problems are identified, corrective actions are established and target deadlines are set.

Gas Engineering, in conjunction with the other operating areas of Gas Operations, is responsible for the development of practices, policies and procedures for the installation, operation, and maintenance of gas facilities. These practices, policies, and procedures are reported in the Gas Operations Standards Manual for Design, Construction, System Operations, and Maintenance.

Gas Engineering is responsible for maintaining, revising, and updating the Gas Operations Standards Manual for Design, Construction, System Operations, and Maintenance. This includes keeping all employees within Gas Operations informed of all changes in policies, practices, and procedures.

II. <u>Strategic Planning</u>

Strategic planning is accomplished at the officer level and is used to develop the USFE&G business plan. The goal and budgeting processes support strategic direction, as follows:

- A strategic plan has been developed for Gas Operations. Gas Engineering is involved as part of the planning team, as well as during implementation;
- Gas Engineering performs gas system analysis and planning of the physical gas system to maintain reliability and provide capacity to serve future customers and changing gas delivery requirements;
- Gas Engineering assists in the staffing and training of new employees and ongoing development of personnel to provide safe, reliable and economic service to customers and maintain the integrity of the system; and
- Gas Engineering identifies, develops and implements new methods and equipment to perform the job better in the future.

Gas Engineering supports the USFE&G business plan through its goals and budgeting processes, as follows:

Budgeting

Gas Engineering, Gas Performance Support, and Gas Field and System Operations jointly develop a Construction Budget for all of Gas Operations. The budget is reviewed monthly and variances are addressed. Blanket budgets are reviewed monthly and midyear for necessary adjustments. The total Construction Budget may be increased by way of non-contemplated items, if approved by the Vice President of Gas Operations, or decreased by scheduling changes.

An operating and maintenance budget is developed solely for costs incurred by Gas Engineering. This budget is further separated into sub-departments so the expenses of each division within the department may be better analyzed. Also, labor, material and expenses are broken down within each sub-department account. Variance Reports are prepared on a monthly basis for each department.

Maintenance

Gas Engineering's planning and budgeting activities are aimed at keeping the existing gas system in a safe and reliable condition and extending it to meet present and future energy competition. Evaluation programs have been developed to choose the highest priority segments or pipe for replacement on a year-to-year basis.

Development and Training

A strong, continuous effort is maintained to train and develop personnel. The demands on technical expertise and information systems are accelerating. Gas Engineering's personnel must obtain the knowledge and resources to keep pace. Gas Engineering's hiring practices are important as a foundation, but there is a constant focus on development. Training is obtained through attendance at seminars, on t job performance and rotation to other Gas Operating areas.

III. Organizational Structure

The Gas Engineering Department is headed by a Director who reports to the Vice President of Gas Operations. Gas Engineering is organized into five (5) sections:

- Distribution Engineering Pipeline Design, Drafting and Major Projects;
- Systems Engineering; and Planning;
- Mapping and Records;
- Corrosion Engineering and Control; and
- Gas Measurement Center.

An organization chart of Gas Engineering is provided in Exhibit GE-1.

IV. <u>Responsibilities</u>

The primary responsibilities of Gas Engineering are to provide engineering services, map and records for Gas Operations to ensure system reliability and compliance with all federal, state, county, city, and municipal codes, rules, and regulations. In addition, Gas Engineering is responsible for planning, developing, and maintaining long-range planning objectives and goals for the Gas Distribution System as follows:

- Provide the staff support and engineering input for Gas Operations in connection with the delivery of gas to new customers. In addition, Gas Engineering provides support and input to the Gas Field and System Operations in connection with the installation of gas pipelines and other associated gas facilities necessary to serve new customers and expand the distribution of gas to new areas;
- Responsibility for the inspection and supervision of gas facility installation, replacement, and street improvement projects that are completed by contractor workforces;
- Responsible for the retention of maps, records and other documents relating to the installed gas facilities, with input from various other departments within Duke Energy;
- Responsible for maintaining the records required for the coordination of all federal, state, and local obligatory programs, provides contract administration services for Gas Field and System Operations for pipeline and various maintenance contracts. The majority of contracts are competitively bid on a unit cost basis;

- Responsible for the evaluation, selection, and use of gas construction materials, excluding procurement and storage;
- Provides analysis and design to optimize system consistent with efficient, safe, reliable, economical, and adequate operations;
- Provides expertise and guidance to Gas Operations as requested to achieve and sustain compliance with all applicable regulations, rules, and codes;
- Provides plans, engineering design, and administrative services for the construction, operation, maintenance, and records of the gas system;
- Prepares and maintains maps, drawings, and other records of gas facilities;
- Develops and coordinates construction standards and procedures for Gas Operations, including standardization of materials;
- Determines and preserves the physical condition of the gas system and develops control programs to mitigate or reduce system deterioration;
- Processes and coordinates, in a timely manner, work orders, special billings, and other procedures necessary to the installation of customer facilities; and
- Provides expertise and administers the cathodic protection program, including the Integrity Management Program and compliance associated with the cathodic protection program for the system.

V. <u>Practices and Procedures</u>

Gas Engineering has direct responsibilities in all areas relating to gas systems design, planning, engineering, and system records activities, including such duties as the following:

- Gas system planning improvements;
- Inspection and supervision of gas facility installation, replacement, and street improvement projects that are completed by contractor workforces;
- Budgeting and cost estimating for decision analysis and construction;
- Protection of facilities and providing documentation for the protection of these facilities;
- Designing and programming Supervisory Control and Data Acquisition Systems (SCADA);
- Analyzing pipe network pressure and flow;
- Engineering the design of distribution regulation and control, customer regulating and measuring facilities;
- Preparing gas operation standards, procedures and guidelines;
- Preparing and administering programs for procuring contractor service and assistance;
- Developing and maintaining computer record systems, and computer assisted drafting and engineering systems;
- Maintaining record storage and retrieval systems and providing access to system records;
- Coordinating construction projects with governmental and private agencies;
- Coordinating cathodic protection activities and design;
- Coordinating the Integrity Management Program;

- Installation and calibration of meter pressure and temperature correctors;
- Sample testing new meters and regulators; and
- Repairing meters and regulators.

Gas Engineering is supported by the Customer Management System (CMS) in connection with service order processing and meter and other customer information. This system also provides valuable information necessary for efficient gas system planning.

Capital Accounting provides original cost records and pipeline inventory records. Legal assistance is provided by the Office of the General Counsel Department on an "as required" basis.

Data processing is provided by the Information Technology Department in connection with the Gas Operations Job Control and Gas Pipeline Condition Reporting programs. These and other ongoing programs, including the Gas Operations Work Management System, provide essential data for main replacement, budgeting, job status reporting, and actual cost information.

Policies and procedures are established by each of the various operating divisions of Gas Engineering with input from Gas Field and System Operations. Day-to-day operations and job control decisions are made by the appropriate job sponsors on a timely basis. Job sponsors are first-line decision makers for engineering and customer problems or questions. Complex problems are referred to the appropriate manager or supervisor and then to the Director of Engineering.

Gas Engineering supports the maintenance of Gas Operations Policies and Procedures essential for the design, maintenance, and operation of the gas distribution system. These policies and procedures provide support to employees engaged in engineering, drafting, and record maintenance activities.

VI. Decision Making and Control

Decisions are made at the lowest level consistent with impact and authority (*i.e.*, if a decision were to impact only a group of clerical personnel, the supervisor of that group would make the decision and communicate with their superior as appropriate). Decisions with broad impact may be made at lower levels after discussion and approval at the overall impact level. The responsibility for compliance rests with the supervisory level that makes the decision. Communications and discussions concerning decisions which have been made are held with higher levels of supervision as needed. Normally this is an advisory process rather than a directive.

Intra-department decisions are made and discussed at levels appropriate to their impact. A decision that impacts only one section would be discussed with the manager if it is long range or a break from past practice.

Any decision that impacts a segment of the Company broader than Gas Engineering is discussed with appropriate management personnel. Depending on the type of decision and the degree of impact, this discussion would range from keeping management informed to getting formal approval.

VII. Internal and External Communication

Internal communication among the staff and management is frequent and convenient during daily activity. Conducive to the communication process is the fact that most personnel are in one location, spending the majority of their time in the same office area.

Internal communications consist of information and problem-solving meetings regularly held for each division of Gas Engineering between the supervisor and staff and between the Director and supervisors. Other internal meetings on a project level are coordinated on an "as required" basis by job sponsors and designers with appropriate departments within Gas Operations and across Duke Energy Corporation.

External communications consist of communicating and attending meetings with other utilities and agencies, such as the following:

- State, city, and county engineers;
- Engineers, architects, and local planners;
- National and state gas utility associations; and
- Professional organizations.

Written communications, including minutes of meetings, memoranda, letters, and specific procedures are a necessary follow-up for both internal and external communications.

VIII. Goal Attainment and Qualification

Engineering performance controlling processes are established by the special needs and engineering details of each project. Project need dates are translated into engineering completion target dates at the time that the project is received by the department. Goal attainment is quantified by establishing standards that meet or exceed or reflect an exceptional performance for each goal/objective within a department, team or for an individual. Each goal is weighed as to its relative importance. Review periods are established between a subordinate and supervisor; this period is established based on the business needs. A large portion of the employee performance management system is goal accomplishment.

Need dates for projects relating to governmental agencies requiring new, relocated, or replaced pipelines are furnished by the appropriate governmental sources.

Need dates for projects relating to internal construction budgets and improvements are established by special departmental sources and are generally targeted for "issue" for construction during or shortly after the first quarter of the year, to ensure completion prior to the next heating season.

Engineering completion target dates are formulated and projects are prioritized so that construction completion meets the requirements of the customers and/or governmental agencies. Where unavoidable delays are identified, the project sponsor will advise the appropriate division and/or the appropriate governmental agency. Progress is continuously monitored by the appropriate supervisor and individual job sponsors using computerized edits and checks.

Work is continuously monitored by the appropriate supervisor using various manual and computerized reviews, edits, and checks. These include processing of work orders for mains and services, permit requests, facility plotting, drafting, mapping, record updates, and issuance of construction projects.

Performance indicator criterions are formulated by the appropriate supervisor to meet the special needs of the division and employees.

Each job sponsor is responsible for evaluating progress, identifying problems, updating customer sources, and scheduling their time to make necessary corrections or revising the target completion dates.

The complexity and special engineering needs of each project do not readily permit establishing standard times or specific performance parameters because most projects are unique. Engineering projects are classified into general categories as follows:

- New main extensions to serve new customers or new areas;
- Pipeline replacements for condition or service improvements;
- Customer meters, regulators, and distribution systems;
- Replacements due to governmental street and roadway improvements;
- System Improvements (Pressure, Meter-Regulator);
- Feeder mains to supply new areas; and
- Gas plants and gas processing equipment.

The required time allocated for the completion of a project within each category varies. Each project is monitored from the date of assignment by a job sponsor to the date of installation completion by the construction force.

DUKE ENERGY CORPORATION MANAGEMENT STRUCTURE



Schedule S-4.2

DUKE ENERGY CORPORATION DUKE ENERGY OHIO, INC SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION GAS COMPLIANCE AND TECHNICAL TRAINING DEPARTMENT

I. Policies and Goal Setting

The policies of the Gas Compliance and Technical Training Department (Department) evolve from and support the objectives of Duke Energy Ohio, Inc (Duke Energy or Company). The Manager of Compliance and Technical Training implements the policies and objectives under the direction of the Vice President, Gas Operations. These include policies regarding development and execution of employee training and safety programs and for regulatory code interpretation. The Department also supports the corporate policies and objectives through departmental directives, procedures, and practices.

The goals of the Department are designed to support the goals and objectives of Gas Operations, which align with the U.S. Franchised Electric & Gas (USFE&G) business plan. Determination of the objectives and goals is based on a decision process involving the Vice President, Gas Operations, the Director of Gas Performance Support, and the staff of the Department for the Gas Operations. A final review is conducted with the President, Duke Energy Ohio and Duke Energy Kentucky, Inc.

Compliance and Technical Training goals are published to make all employees aware of departmental expectations. To assure continuous attention to the team and individual goals, departmental goals become part of the annual key performance appraisal process for department employees.

The Manager of Compliance and Technical Training periodically reviews goals with personnel to assure their support and implementation. Staff meetings are held regularly to review progress of work plans. When problems are identified, corrective actions are established and target deadlines are set.

The Department is responsible for the development and execution of training and safety programs, regulatory code interpretation, process improvement, and providing audit support to all areas of Gas Operations.

II. Strategic Planning

Compliance and Technical Training strategic planning efforts directly support the strategic plan developed for Gas Operations. This business plan is used to develop the USFE&G business plan.

Examples of strategic planning by the Department are:

- Development of training programs around such things as new methods of installation and new equipment and tools;
- Analyzing the business and training impacts of new codes and regulations; and
- Benchmarking to determine ranking within, and performance compared to, the Natural Gas Distribution industry.

The strategic planning efforts of the department are accomplished within the Gas Operations management team and are in support of the corporate and USFE&G policies and goals.

III. Organizational Structure

The Compliance and Technical Training Department is headed by a manager who reports to the Vice President of Gas Operations. Compliance and Technical Training is organized by three functional areas:

- Training;
- Regulatory Compliance; and
- Process Improvement.

An organization chart of Compliance and Technical Training Support is provided below:



IV. <u>Responsibilities</u>

The Department has the responsibility of developing and executing employee training and safety programs. In addition, the Department develops and conducts training and safety programs for Company contractors, public authorities, and police and fire departments. The Department also develops standardized methods and procedures and requires proper and safe use of tools and equipment.

The Department has responsibility for regulatory code interpretation, assisting with the auditing process both internally and externally, and reporting to and follow-up with state and federal commission offices, when appropriate and within the compliance timelines.

The Department is responsible for process improvement activities throughout Gas Operations, as well as benchmarking with other companies within the Natural Gas Distribution industry to determine Duke Energy Ohio's ranking within, and performance compared to other companies.

The practices and procedures of the organization are continually being formulated and refined to provide the necessary guidelines for all personnel in meeting the goals and objectives of the organization and the Company.

V. Practices and Procedures

Specific duties of the Compliance and Technical Training Department include, but are not limited to:

- Developing and executing employee training and safety programs;
- Developing and executing training and safety programs for Company contractors, public authorities, and police and fire departments;
- Providing code and regulation interpretation, and coordinating compliance audits with state and federal regulatory agencies; and
- Coordinating process improvement and benchmarking efforts;

VI. Decision Making and Control

Decisions are made at the lowest appropriate level consistent with impact and authority. In making decisions, recommendations and information are received by the Manager, Compliance and Technical Training from the direct reports. All decision-making is designed to include a participative style of management.

Decisions that impact a segment of the Company broader than Compliance and Technical Training are discussed with the Vice President of Gas Operations. The President, Duke Energy Ohio Duke Energy Kentucky is consulted as deemed appropriate. Depending on the type of decision and the degree of impact, this discussion could range from merely informative to requiring formal approval. The Manager, Compliance and Technical Training and the Vice President, Gas Operations discuss, in general terms, the activity of the Department on a routine basis. Although these discussions are informal in nature, they are ongoing, keeping both parties informed.

VII. Internal and External Communication

As a means of assisting in the decision-making process, both internal and external communications are maintained. Internal communications are accomplished within the Department by the preparation of weekly status reports, informal meetings, periodic staff meetings, and daily discussions. Also, internally, discussions and input are obtained as needed from the Gas Construction and Maintenance, Gas Engineering, Rates, Finance and Accounting, and Legal Departments.

External communications extend to: state and federal regulatory agencies, and other governmental agencies, participating in meetings with other utilities and actively participating on various committees of the American Gas Association, Ohio Gas Association, and Kentucky Gas Association.

VIII. Goal Attainment Quantification

Goals and the corresponding methods of measuring goal attainment are formulated annually by management. Department employees are evaluated annually on the attainment of individual goals. Individual goals are established in support of department goals. Some examples of specific goals are:

- Employee Safety;
- Meet all compliance requirements and continue open and effective relationships with regulators; and
- Offer employee development opportunities.

DUKE ENERGY CORPORATION DUKE ENERGY OHIO, INC. SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION GAS RESOURCES DEPARTMENT

I. Policies and Goal Setting

The policies of the Gas Resources Department (Department) evolve from and support the objectives of Duke Energy Ohio, Inc. (Duke Energy Ohio or Company). The Manager, Gas Resources implements the policies and objectives under the direction of the Vice President, Gas Operations. These include policies regarding purchases of natural gas and upstream capacity. The Department also supports the corporate policies and objectives through department directives, procedures, and practices.

The goals of the Department are designed to support the goals of Gas Operations and business plan of the U.S. Franchised Electric & Gas (USFE&G). Determination of the objectives and goals is based on a decision process involving the Vice President, Gas Operations, the Manager, Gas Resources, and the staff of the Department. The internal criteria used in the decision process include, among others, the USFE&G business plan and the Load Forecasting Department's Gas Load Forecast. External criteria include energy market trends, projected demand for natural gas versus supply availability, availability of interstate pipeline capacity, interstate pipelines' tariffs, federal and state regulatory trends, and input from external consultants, including recommendations from auditors appointed by state regulatory commissions.

Duke Energy Ohio's primary objectives in securing natural gas for its firm sales customers are: (1) to purchase a reliable source of gas; (2) secure firm interstate pipeline capacity in order to transport the gas during extreme weather conditions; and (3) to purchase and transport the gas at an optimal cost, with significant consideration for minimizing price volatility for customers and supply diversity.

Review of these objectives and policies is continuous and revisions are made at least annually. Some may be revised more frequently based on their sensitivity to changing economic and market conditions.

II. <u>Strategic Planning</u>

The Department's plan for securing gas supply and pipeline capacity is discussed in Duke Energy Ohio's 2011 Long-Term Forecast Report for Gas Demand, Gas Supply, and Facility Projections which was filed with the Public Utilities Commission of Ohio (Commission) on June 1, 2011, and includes Duke Energy Ohio's Gas Supply Strategic Plan.

III. Organizational Structure

A manager who reports directly to the Vice President, Gas Operations heads the Department.

The organizational structure is presented on Exhibit GR-1.

IV. <u>Responsibilities</u>

The Department has the responsibilities of ensuring that the Company has a sufficient quantity of natural gas to meet the requirements of customers who continue to purchase gas from the Company rather than from a third-party supplier. In addition, Gas Resources analyzes future gas consumption and supply levels and ensures compliance with regulations that relate to the procurement, transportation, and production of gas supplies.

The Gas Resources Department also has the responsibility of negotiating transportation agreements and storage contracts with interstate pipeline gas transportation companies, North American Energy Standards Board (NAESB) gas supply contracts with producers and marketers, and asset management agreements. It also markets, administers, and complies with the federal regulation of KO Transmission Company, an interstate gas pipeline subsidiary of Duke Energy Ohio. In addition, this Department provides supply forecasting, analysis of gas costs and customer requirements, cash reporting, various statistical reports, and rate case work.

Gas Resources is also responsible for monitoring all federal and state legislative and regulatory actions involving gas supply matters, and intervening when appropriate. This Department also mediates service levels and costs with pipeline suppliers.

V. Practices and Procedures

The practices and procedures of the Department are continually being formulated and refined to provide the necessary guidelines for all personnel in meeting the goals and objectives of the Department and the Company.

Because of the dynamic changes in the gas industry both at the federal and state level, the Gas Resources Department's practices and procedures are reviewed and revised continuously to assure that all functional areas are operating at maximum efficiency and in compliance with all applicable laws and regulations.

Specific duties of the Gas Resources Department include, but are not limited to:

• Effectively manage gas supply portfolio, including propane peaking plants, to meet customer requirements;

- Represent the Company before state and federal regulatory agencies on gas supply, cost, and interstate pipeline matters;
- Prepare and maintain gas operations budgets including gas supply and cost forecasts and operating and maintenance; and
- Purchase natural gas supply and interstate pipeline transportation capacity.

VI. Decision Making and Control

In making decisions, recommendations and information are received by the Manager, Gas Resources from direct reports as well as others within Gas Operations or the Company. The manager initiates action after discussion with and approval from the Vice President, Gas Operations. The Group Executive & President of USFE&G is consulted as deemed appropriate.

The individual direct reports of the Manager, Gas Resources make day-to-day operational decisions that are within the framework of existing policies, strategies, and procedures.

Compliance is monitored internally and externally by state and federal regulatory agencies. In particular, every three years, an outside auditor selected by the PUCO audits the Gas Purchasing Policies and Practices of the Company extensively. The results of these audits are submitted to the Commission.

VII. Internal and External Communication

As a means of assisting in the decision making process, both internal and external communications are maintained. Since the Department is relatively small, internal communications are accomplished through informal meetings and daily discussions. Also, internally, discussions and input are obtained as needed from the Gas Construction and Maintenance, Gas Engineering, Gas Performance Support, Rates and Legal Departments.

External communications are very important in the decision process and consist of close association with outside legal personnel, consultants, and representatives of other pipeline and distribution companies. Also, the Gas Resources Department actively monitors proceedings before state and federal regulatory agencies on gas supply and transportation matters. This activity greatly enhances the decision-making capabilities of the department by making available to the Company knowledge of many gas supply options.

Information that Duke Energy Ohio customers and the general public need to know is passed on using the local media.

VIII. Goal Attainment and Qualification

The Gas Resources Department compares Duke Energy Ohio's Gas Cost Recover (GCR) rate to the Standard Service Offerings of the other three gas Local Distribution Companies in the state of Ohio as a benchmark.

Another measure of success of the Gas Resources Department is the Financial and Management Performance Audits of Duke Energy Ohio's GCR conducted by the Commission on a tri-annual basis.

Department employees are evaluated annually on the attainment of the annual individual key performance measures, which are established in support of department key performance goals.

DUKE ENERGY CORPORATION MANAGEMENT STRUCTURE



DUKE ENERGY CORPORATION DUKE ENERGY OHIO, INC. SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION GAS PERFORMANCE SUPPORT DEPARTMENT

I. Policies and Goal Setting

The policies of the Gas Performance Support Department (Department) evolve from and support the objectives of Duke Energy Ohio, Inc., (Duke Energy Ohio or Company) and the overall Gas Operations department. The Director, Gas Performance Support implements the policies and objectives under the direction of the Vice President, Gas Operations.

The goals of the Department are designed to support the goals of Gas Operations and the business plan of U.S. Franchised Electric & Gas (USFE&G). Determination of the objectives and goals is based on a decision process involving the Vice President, Gas Operations, the Director, Gas Performance Support, and the staff of the department. A final review of the objectives and goals is conducted with the President, Duke Energy Ohio and Duke Energy Kentucky, Inc.

Gas Performance Support goals are published to make all Gas Operations employees aware of the department expectations. To assure continuous attention to the team and individual goals, departmental goals become part of the annual key performance appraisal process for department employees.

The Director of Gas Performance Support periodically reviews departmental goals and individual goals with personnel to assure their support and implementation. Meetings are held, as needed, to review progress of work plans. When problems are identified, corrective actions are established and target deadlines are set.

II. <u>Strategic Planning</u>

Gas Performance Support is responsible for creating the Gas Operations business plan. This business plan is used to develop the USFE&G business plan.

Examples of strategic planning by the Department are:

• Development of the Gas Operations business plan and associated Operations & Maintenance and capital budgets.

- Development of the departmental safety plan providing a vision and a mission for the department in support of the goal to achieve a Zero Injury Zero Work Related Illness culture.
- Benchmarking is utilized to determine ranking within, and performance compared to, the Natural Gas Distribution industry.

The strategic planning efforts of the department are accomplished within the Gas Operations management team and are in support of the corporate and USFE&G policies and goals.

III. Organizational Structure

The Gas Performance Support department is headed by a Director who reports to the Vice President, Gas Operations. Gas Performance Support is organized by three (3) functional areas:

- Financial
- City Gate Operations; and
- Field Work Coordination.

An organization chart of Gas Performance Support is provided below:



IV. Responsibilities

The Department is responsible for the financial leadership of the Gas Operations department. This includes annual budget preparation, creation of the business plan, variance analysis, financial modeling, and support of rate case requests.

The City Gate Operations team provides numerous services to gas transportation customers and suppliers, as necessary. Specific items include nomination confirmations, transporting, balancing, billing, load forecasting, and education regarding gas transportation tariffs and processes utilized to implement the tariffs.

Additional responsibilities include, but are not limited to, field work coordination for the support of the Field and System Operations department, development and administration of the Gas Operations Safety Plan, Gas Operations departmental performance/goal development and tracking, and benchmarking with other companies within the Natural Gas Distribution industry to determine Duke Energy Ohio's ranking within, and performance compared to, other companies.

V. Practices and Procedures

The practices and procedures of the organization are continually being created and refined to provide the necessary guidelines for all personnel in meeting the goals and objectives of the organization and the Company.

Specific duties of the Gas Performance Support Department include, but are not limited to:

- Effectively manage the financial results of the Gas Operations department;
- Effectively manage the distribution and transportation of gas to customers, including management of the interruptible transportation program;
- Reconcile invoices and process accounts payable related to natural gas purchases; and
- Coordinate the transportation programs needed to achieve the delivery of gas between supplier and end user.

VI. Decision Making and Control

Decisions are made at the lowest appropriate level consistent with impact and authority. In making decisions, recommendations and information are received by the Director, Gas Performance Support from the direct reports. All decision-making is designed to include a participative style of management.

Decisions that impact a segment of the company broader than Gas Performance Support are discussed with the Vice President, Gas Operations. The President, Duke Energy Ohio & Duke Energy Kentucky, Inc. is consulted as deemed appropriate. Depending on the type of decision and the degree of impact, this discussion could range from merely informative to requiring formal approval. The Director, Gas Performance Support and the Vice President, Gas Operations discuss, in general terms, the activity of the department on a routine basis. Although these discussions are informal in nature, they are ongoing, keeping both parties informed.

VII. Internal and External Communication

As a means of assisting in the decision-making process, both internal and external communications are maintained. Internal communications are accomplished within the department by the preparation of weekly status reports, informal meetings, and daily discussions. Also, internally, discussions and input are obtained as needed from the other areas of the Gas Operations department as well as the Corporate Finance and Accounting, Rates, and Legal Departments.

External communications extend to state and federal regulatory agencies and, other governmental agencies, participating in meetings with other utilities, and actively participating on various committees of the American Gas Association, Ohio Gas Association, and Kentucky Gas Association.

VIII. Goal Attainment Quantification

Goals and the corresponding methods of measuring goal attainment are formulated annually by management. Department employees are evaluated annually on the attainment of individual goals. Individual goals are established in support of department goals. Some examples of specific goals are:

- Managing O&M and Capital expenditures to within an acceptable tolerance, relative to budget;
- Employee Safety;
- Manage supplier imbalances to within an acceptable tolerance; and
- Offer employee development opportunities.

DUKE ENERGY CORPORATION DUKE ENERGY OHIO, INC. SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION GAS FIELD AND SYSTEM OPERATIONS DEPARTMENT

I. Policy and Goal Setting

Gas Field and System Operations Department (Department) supports corporate policies and objectives through department directives, procedures, and practices.

The goals of Gas Field and System Operations are designed to support the business plans of Gas Operations and the U.S. Franchised Electric & Gas (USFE&G). Annually, the General Manager of Gas Field and System Operations meets with the managers to develop strategies and goals to meet the business plan of Gas Operations. These goals are then submitted to the Vice President, Gas Operations to be included as part of the USFE&G business plan.

Gas Field and System Operations strategies and goals are published and reviewed with supervisors in each division to ensure their support and implementation. To assure continuous attention to team and individual goals, department goals become part of the individual employee performance appraisal process.

The General Manager and Managers of Gas Field and System Operations periodically review goals. Staff meetings are held regularly to review the progress of work plans. When problems are identified, corrective actions are established and target deadlines are set. Additionally, there are staff meetings between managers and their supervisors for the same purpose.

The Department, in conjunction with the other operating areas of Gas Operations, is responsible for the development of practices, policies, and procedures for the installation, operation, and maintenance of gas facilities. These practices, policies, and procedures are reported in the Gas Operations Standards Manual for Design, Construction, System Operations, and Maintenance. This manual provides the policies, practices, and procedures to department employees engaged in the installation and maintenance of gas facilities.

The Department maintains additional manuals to provide training and technical support for employees. These manuals provide information regarding quality assurance and emergency action to be taken when required. The Department also supports the corporate policies and objectives through the department directives, procedures, and practices.

The primary responsibility of the Gas Field and System Operations is to install, operate, measure, monitor, and inspect work completed by contractor workforces, and maintain distribution facilities for the delivery of gas from the supplier and/or Duke Energy Ohio's plants and storage facilities to the customer in a safe, reliable, and economical manner. The Department supports the overall goals of Gas Operations, as well as, the business plan of USFE&G.

II. Strategic Planning

Gas Operations planning directly supports the USFE&G Business Plan. The strategy and goal process supports the strategic directions as follows:

- Develop a Zero Injury, Zero Work Related Illness culture where each employee takes personal responsibility for identifying and mitigating risks that are inherent to their work environment, removing exposures to hazards, and reinforcing safe behaviors to ensure the physics of an accident is never allowed to begin;
- Participate in planning sessions as well as implementation to ensure system integrity is maintained;
- Ensure compliance with all federal and state rules and regulations;
- Measure, monitor, and operate gas feeder/distribution system;
- Maintain pressure regulating facilities;
- Identify, develop, and implement new methods and equipment to improve service and reduce costs;
- Hire, train, and develop Duke Energy Corporation and contractor personnel to perform the job now and to be prepared to do so in the future;
- Maintain a qualified Company and contractor workforce;
- Analysis of workload verses resource availability in order to maintain schedule flexibility and to provide safe, reliable, and economic service to customers and to maintain system integrity;
- Monitor the condition of the gas system to identify areas that warrant replacement, upgrading, etc. to meet existing and future energy consumption; and
- Participative management is essential with employees sharing a common goal. Quality assurance and operator qualification are essential to assuring safe and reliable service. A continuous effort is maintained to train, qualify, and develop personnel.

III. Organizational Structure

Gas Field and System Operations is within the USFE&G and is headed by the General Manager of Gas Field and System Operations within Gas Operations. The Department is organized as follows into four (4) divisions/areas.

- System Operations and Production (Gas Plants);
- Field Operations;
- Contractor Construction Management; and
- Gas Control;

An organizational chart showing the divisions/areas is attached as Exhibit GCM-1.

IV. <u>Responsibilities</u>

The Department has general charge of the facilities and resources necessary for the safe, reliable, and economic installation, operation, and maintenance of facilities and equipment for the delivery of gas from the supplier and/or the Company's gas plants to the customer.

System Operations and Production (Division) has the responsibility of maintaining and ensuring proper operation of all propane plants and propane storage facilities and compliance programs such as regulator/relief valve and transmission/distribution valve inspections. In addition, this Division has the responsibility for installing and maintaining all Supervisory, Control and Data Acquisition field equipment and for the odorization of natural gas. It also maintains and assists in operating all pressure regulating facilities.

The Field Operations Division has responsibility for maintenance and repair of gas facilities, as well as compliance programs such as Leak Surveys and leak repair/evaluation. The specific responsibilities of Field Operations include installing, operating, and maintaining transmission and distribution facilities including mains, services, meters, and regulators; conducting leakage detection surveys and other Department of Transportation compliance programs; responding to gas trouble calls (investigate reports of escaping gas), emergencies and customers' requests for service; setting and removing residential meters; and inspecting residential house piping during new service installation.

Contractor Construction Management has the responsibility for the inspection and supervision of gas facility installation, replacement, and street improvement projects that are completed by contractor workforces.

Gas Control is responsible for the twenty-four hour continuous operation of the gas pipeline system, from transmission pressure delivery at the city gate stations to the distribution pressures throughout the piping network. Control room personnel monitor and take appropriate action to control gas pressures, flows, and odorant injection rates to enable safe, reliable, and continuous delivery of natural gas to customers in a cost effective manner.

V. Practices and Procedures

The Department has direct responsibility for review and revision of practices and procedures used within the Department. The Department's practices and procedures are reviewed and revised continuously to assure that all functional areas are operating at maximum efficiency and in compliance with all applicable laws and regulations. These policies and procedures provide support to employees engaged in the construction and maintenance and compliance activities.

The Department works closely with Gas Engineering, Gas Performance Support, Gas Compliance and Training, Gas Customer Accounts & Projects, Service Delivery, Enterprise Fleet, Distribution Design, Sourcing, and Legal. Engineering provides engineering services, expertise, and guidance for achievement of compliance with all applicable regulatory rules and codes, and for metering and regulating equipment. Gas Compliance and Training provides employee training and code and regulation interpretation. Gas Performance Support provides process improvement and financial Gas Customer Accounts & Projects provides information and guidance support. necessary to serve the large customer base. Service Delivery provides first contact gas emergency response and notifies the Department of emergencies requiring their expertise. Enterprise Fleet provides Gas Operations with maintaining transportation and excavating equipment to support the necessary department operations. Distribution Design assists the department by projecting what new work can be expected, permitting planning for future manpower, material, and equipment needs. The Office of General Counsel provides legal advice for management and/or employees acting on behalf of the Company. Sourcing provides the purchasing and stocking of routine materials used in day-to-day operations of Gas Operating.

Gas Field and System Operations works closely with and receives services from many departments within the Duke Energy Corporation. The Human Resources, Labor Management, Safety & Health Departments and the Staffing & Employee Development Department secure competent employee recruitment, provide employee emergency medical assistance, administer final stages of employee disputes, etc. Facilities Services, Office Services, Government and Regulatory Affairs, Accounting, Information Technology, and the Environmental Resource Management Departments interact with all the divisions/areas within the department in various ways.

VI. Decision Making and Control

Operation, goal, and policy decisions are made at the appropriate level consistent with impact and authority.

Decisions that impact a segment of the Company broader than Gas Field and System Operations are discussed with the Vice President of Gas Operations. The President of Duke Energy Ohio & Duke Energy Kentucky, Inc, is consulted as deemed appropriate. Depending on the type of decision and the degree of impact, this discussion could range from merely informative to requiring formal approval. The General Manager of Gas Field and System Operations and the Vice President, Gas Operations discuss, in general terms, the activity of the Gas Field and System Operations (Department) on a routine basis. Although these discussions are informal in nature, they are ongoing, keeping both parties informed. Individual Managers hold regular meetings with their personnel to discuss Department policies.

The first-line supervisors are the decision makers on day-to-day routine matters. This reinforces the Department policy to allow decisions to be made at the lowest level possible. In the more complex matters, the decision could progress to a higher level, including the executive level, if necessary.

Decisions, such as personnel assignments, are typical of those made by a Field supervisor and a scheduler. Management in each division makes decisions such as job priority, work rules, and manpower assignments. All decision-making is designed to include participative style of management.

VII. Internal and External Communication

The General Manager of Gas Field and System Operations have contact, either by telephone or in person, on an ongoing basis with the Vice President of Gas Operations, the Directors of Engineering and Gas Performance Support, and the Managers of Compliance & Training, Gas Customer Accounts and Projects, and Gas Resources to review and discuss pending issues. The General Manager also meets regularly with the Vice President, Directors, and Managers, of Gas Operations and the Gas Operations Budget Specialists to discuss matters of mutual concern and planning strategies.

Internal department communication among the staff and management is frequent during daily activity. The department is dispersed among some eight different locations. The Managers visit these outlying facilities in an effort to communicate face-to-face with all employees on a regular basis.

Internal communications consisting of informational meetings are held as needed. These meetings are normally held by the Vice President, General Manager, and Managers who relay pertinent information to field personnel. Safety meetings are held with all department personnel at least quarterly and are conducted by Safety & Health personnel with managers present. The Emergency Plan, Department Procedure Manuals, inter-department memos, various letters, etc. are reviewed at least annually or as needed. Additionally, management has daily contact with their staff, which provides for various discussions including assistance in decision-making, progress of various jobs, personnel requirements, and other pertinent Company and/or department business. External communications consist of participating in meetings with other utilities as well as actively participating on various committees of the American Gas Association, Ohio Gas Association, and Kentucky Gas Association. In addition, various personnel are selected to attend appropriate management training programs outside the Company.

Ideas, suggestions, and information about new techniques are received and evaluated from all levels of employees within Gas Operations. In addition, management reviews trade magazines, literature, etc. to determine new ideas and methods of providing improved services while reducing Gas Operating Department costs. Additionally, Gas Operations participates in the American Gas Association's benchmarking program to gain lessons learned from others, determine how department processes compare to those of others in the industry, and learn of better means of providing service to the customers at the lowest possible cost. It is a responsibility of all Department supervisors to constantly seek new and better means of providing safe and reliable service to the customers at the lowest possible cost.

VIII. Goal Attainment and Qualification

Goals and the corresponding methods of measuring goal attainment are formulated by management to meet the special needs of their respective divisions/areas or employees. Some examples of specific goals are:

- Manage Operating Expenses and Capital Expenditures;
- Achieve reliability measures;
- Deliver safe and reliable 24/7 service;
- Encourage employee development and continuous improvement across the processes;
- Meet compliance requirements and continue open and effective relationships with the regulators;
- Improve upon current safety statistics.

DUKE ENERGY CORPORATION MANAGEMENT STRUCTURE


DUKE ENERGY CORPORATION DUKE ENERGY OHIO, INC. SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION COST ALLOCATION METHODOLOGY AND FACTORS IN RESPONSE TO STAFF LETTER DATED JUNE 20, 2012

I. <u>Corporate Governance and Shared Services</u>

Duke Energy affiliates may use joint corporate oversight, governance, corporate support and utility support systems and personnel. These services are provided by Duke Energy Business Services (Service Company) under a Service Company Utility Service Agreement.

Costs must be allocated or charged back on a fully distributed cost basis and are subject to review by state regulators. Charging methods are described below.

Costs for shared services are distributed to affiliates within Duke Energy through direct charges, distribution or allocation. Costs are direct charged to the extent possible. Costs that cannot be direct charged can be distributed to the applicable business units using specific percentages if known. Costs that cannot be direct charged or distributed are allocated to the business units receiving the benefit using reasonable allocation methods. Services are charged to Affiliates on a fully distributed cost basis and include labor and non-labor costs. As part of a fully distributed cost, an overhead component is charged to Affiliates as a percentage of Service Company labor costs, whether direct charged, distributed or allocated. This overhead represents the cost of shared services provided by shared services employees.

The Corporate Accounting group is responsible for developing the allocation factors which serve as the basis for the allocation of costs that have not been direct charged or distributed. Final allocation factors distributing costs to each affiliated sum to 100% for each cost pool, thus clearing out 100% of costs being allocated each month. Interim adjustments to allocation factors are made only for material transactions, such as an acquisition or divestiture of an affiliate, and for major company reorganizations.

Corporate Accounting reviews Service Company allocation factors annually. Typically during the budget process, rates are recalculated (with data 12 months ended June) and implemented for actuals at the beginning of the following year. These rates are reflected in the Service Company allocation rate schedule included in the Cost Allocation Manual.

The following procedure addresses employees' and management's responsibilities:

- A. General Guidelines
 - 1. Hours worked by Service Company employees in direct support of Duke Energy affiliates are charged directly to the affiliates;
 - 2. First-line supervisors should review and approve, when appropriate, source documentation resulting in a charge by Service Company to Duke Energy affiliates (timesheets, employee expenses, etc.);

- 3. First-line supervisors are responsible for reviewing reports that show monthly charges to their responsibility center. These reports would include any charges incurred by the responsibility center to Duke Energy affiliates.
- 4. Service Company to Duke Energy affiliate transactions are covered under the Service Company Utility Agreement.
- B. Time Reporting When a Service Company employee provides direct support to Duke Energy affiliates:
 - 1. Hours worked by Service Company employees in direct support of Duke Energy affiliates are charged directly to the affiliates.
 - 2. Management should review any non-exempt timesheet where a Service Company employee provides support to a Duke Energy affiliate. Management approvals are required for non-exempt employee timesheets, as well as exempt employee timesheets where banked or paid supplemental compensation is involved.
 - 3. The financial system will automatically load time reported to Duke Energy affiliates with labor loads of fringe benefits, payroll taxes, incentive pay and unproductive time, as applicable.

II. Description of Services and Determination of Charges for Services (Excerpt from Operating Companies Service Agreement, dated September 1, 2008, "Appendix A")

- I. The Service Company will maintain an accounting system for accumulating all costs on an activity, process, project, responsibility center, work order, or other appropriate basis. To the extent practicable, time records of hours worked by Service Company employees will be kept by activity, process, project, responsibility center or work order. Charges for salaries will be determined from such time records and will be computed on the basis of employees' labor costs, including the cost of fringe benefits, indirect labor costs and payroll taxes. Records of employee-related expenses and other indirect costs will be maintained for each functional group within the Service Company (hereinafter referred to as "Function"). Where identifiable to a particular activity, process, project, responsibility center or work order, such indirect costs will be directly assigned to such activity, process, project, responsibility center or work order. Where not identifiable to a particular activity, process, project, responsibility center or work order, such indirect costs within a Function will be distributed in relationship to the directly assigned costs of the Function. For purposes of this Appendix A, any costs not directly assigned or distributed by the Service Company will be allocated monthly.
- II. Service Company costs accumulated for each activity, process, project, responsibility center or work order will be directly assigned, distributed, or allocated to the Client Companies or other Functions within the Service Company as follows:
 - 1. Costs accumulated in an activity, process, project, responsibility center or work order for services specifically performed for a single Client Company or Function will be directly assigned and charged to such Client Company or Function.
 - 2. Costs accumulated in an activity, process, project, responsibility center or work order for services specifically performed for two or more Client Companies or Functions will be distributed among and charged to such Client Companies or Functions. The appropriate method of distribution will be determined by the Service Company on a case-by-case basis consistent with the nature of the work performed and will be based on the application of one or more of the methods described in paragraphs IV and V of this Appendix A. The distribution method will be provided to each such affected Client Company or Function.
 - 3. Costs accumulated in an activity, process, project, responsibility center or work order for services of a general nature which are applicable to all Client Companies or Functions or to a class or classes of Client Companies or Functions will be allocated among and charged to such Client Companies or Functions by application of one or more of the methods described in paragraphs IV and V of this Appendix A.
- III. For purposes of this Appendix A, the following definitions or methodologies shall be utilized:

- 1. Where applicable, the following will be utilized to convert gas sales to equivalent electric sales: 1 cubic foot of gas sales equals 0.303048 kilowatt-hour of electric sales (based on electricity at 3412 Btu/kWh and natural gas at 1,034 Btu/cubic foot).
- 2. "Domestic utility" refers to a utility which operates in the contiguous United States of America.
- 3. "Gross margin" refers to revenues as defined by Generally Accepted Accounting Principles, less cost of sales, including but not limited to fuel, purchased power, emission allowances and other cost of sales.
- 4. "Distribution" means electric distribution and local gas distribution as applicable.
- 5. "Distribution Lines" mean electric power lines at distribution voltages measured in circuit miles, and gas mains and lines, as applicable.

The weights utilized in the weighted average ratios in paragraph V of this Appendix A shall represent the percentage relationship of the activities associated with the function for which costs are to be allocated. For example, if an expense item is to be allocated on the weighted average of the Gross Margin Ratio, the Labor Dollars Ratio and the Total Property, Plant and Equipment ("PP&E") Ratio, and the activity to be allocated is one-third gross margin related, one-third labor related and one-third PP&E related, 33 percent of the Gross Margin Ratio would be utilized. To illustrate this application, assuming that the Gross Margin Ratio were 53.75 percent for Company A and 46.25 percent for Company B, the Labor Dollars Ratio were 60 percent for Company A and 40 percent for Company B, the following weighted average ratio would be computed:

		Com	<u>pany A</u>	<u>Comp</u>	<u>any B</u>
Activity	Weight	Ratio	Weighted	Ratio	Weighted
Gross Margin Ratio	33%	53.75%	17.74%	46.25%	15.26%
Labor Dollars Ratio	33%	25.00%	8.25%	75.00%	24.75%
and Equipment Ratio	34%	60.00%	20 40%	40.00%	13.60%
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	100%		46.39%		53.61%

- IV. The following allocation methods will be applied, as specified in paragraph V of this Appendix A, to assign costs for services applicable to two or more clients and/or to allocate costs for services of a general nature.
 - 1. <u>Sales Ratio</u>

A ratio, based on the applicable domestic firm kilowatt-hour electric sales (and/or the equivalent cubic feet of gas sales, where applicable), excluding intra-system sales, for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all utility Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable), This ratio will be determined annually, or at such time as may be required due to a significant change.

2. <u>Electric Peak Load Ratio</u>

A ratio, based on the sum of the applicable monthly domestic firm electric maximum system demands for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all utility Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually, or at such time as may be required due to a significant change.

3. <u>Number of Customers Ratio</u>

A ratio, based on the sum of the applicable domestic firm electric customers (and/or gas customers, where applicable) at the end of a recent month in the preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all domestic utility Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually, or at such time as may be required due to a significant change.

4. <u>Number of Employees Ratio</u>

A ratio, based on the applicable number of employees at the end of a recent month in the preceding twelve consecutive month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and nondomestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually, or at such time as may be required due to a significant change.

5. <u>Construction-Expenditures Ratio</u>

A ratio, based on the applicable projected construction expenditures for the following twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). Separate ratios will be computed for total construction expenditures and appropriate functional plant (i.e., production, transmission, Distribution, and general) classifications. This ratio will be determined annually, or at such time as may be required due to a significant change.

6. <u>Miles of Distribution Lines Ratio</u>

In the case of electric Distribution, a ratio, based on the applicable installed circuit miles of domestic electric Distribution Lines, and in the case of gas Distribution, a ratio, based on the applicable installed miles of domestic gas Distribution Lines, in either case at the end of the preceding calendar year, the numerator of which is for a Client Company and the denominator of which is for all domestic utility Client Companies. This ratio will be determined annually, or at such time as may be required due to a significant change.

7. <u>Circuit Miles of Electric Transmission Lines Ratio</u>

A ratio, based on the applicable installed circuit miles of domestic electric transmission lines at the end of the preceding calendar year, the numerator of which is for a Client Company and the denominator of which is for all domestic utility Client Companies. This ratio will be determined annually, or at such time as may be required due to a significant change.

8. Number of Central Processing Unit Seconds Ratio

A ratio, based on the sum of the applicable number of central processing unit seconds expended to execute mainframe computer software applications for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company or Service Company Function, and the denominator of which is for all Client Companies, (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually, or at such time as may be required due to a significant change.

9. <u>Revenues Ratio</u>

A ratio, based on the total applicable revenues for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually or at such time as may be required due to a significant change.

10. <u>Inventory Ratio</u>

A ratio, based on the total applicable inventory balance for the preceding year, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). Separate ratios will be computed for total inventory and the appropriate functional plant (i.e., production, transmission, Distribution, and general) classifications. This ratio will be determined annually or at such time as may be required due to a significant change.

11. Procurement Spending Ratio

A ratio, based on the total amount of applicable procurement spending for the preceding year, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. Separate ratios will be computed for total procurement spending and appropriate functional plant (i.e., production, transmission, Distribution, and general) classifications. This ratio will be

determined annually or at such time as may be required due to a significant change.

12. <u>Square Footage Ratio</u>

A ratio, based on the total amount of applicable square footage occupied in a recent month in the preceding twelve consecutive month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually or at such time as may be required due to a significant change.

13. <u>Gross Margin Ratio</u>

A ratio, based on the total applicable gross margin for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually or at such time as may be required due to a significant change.

14. Labor Dollars Ratio

A ratio, based on the total applicable labor dollars for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually or at such time as may be required due to a significant change.

15. Number of Personal Computer Work Stations Ratio

A ratio, based on the total number of applicable personal computer work stations at the end of a recent month in the preceding twelve consecutive month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually or at such time as may be required due to a significant change.

16. Number of Information Systems Servers Ratio

A ratio, based on the total number of applicable servers at the end of a recent month in the preceding twelve consecutive month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually or at such time as may be required due to a significant change.

17. <u>Total Property, Plant and Equipment Ratio</u>

A ratio, based on the total applicable Property, Plant and Equipment balance (net of accumulated depreciation and amortization) for the preceding year, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and nondomestic utility affiliates, where applicable). This ratio will be determined annually or at such time as may be required due to a significant change.

18. <u>Generating Unit MW Capability Ratio</u>

A ratio, based on the total applicable installed megawatt capability for the preceding year, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually or at such time as may be required due to a significant change.

19. <u>Number of Meters Ratio</u>

A ratio, based on the number of electric and/or gas meters, as applicable, the numerator of which is for a Client Company and the denominator of which is for all domestic utility Client Companies. Separate ratios will be computed for appropriate meter classifications (*e.g.*, type of metering technology). This ratio will be determined annually, or at such time as may be required due to a significant change.

20. <u>O&M Expenditures Ratio</u>

A ratio, based on the operation and maintenance (O&M) expenditures for a prior twelve month period, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). Separate ratios will be computed for total O&M expenditures and appropriate functional plant (i.e., production, transmission, Distribution, and general) classifications. This ratio will be determined annually.

V. A description of each Function's activities, which may be modified from time to time by the Service Company, is set forth below in paragraph "a" under each Function. As described in paragraph II, "1" and "2" of this Appendix A, where identifiable, costs will be directly assigned or distributed to Client Companies or to other Functions of the Service Company. For costs accumulated in activities, processes, projects, responsibility centers, or work orders which are for services of a general nature that cannot be directly assigned or distributed, as described in paragraph II, "3" of this Appendix A, the method or methods of allocation are set forth below in paragraph "b" under each Function. For any of the functions set forth below other than Information Systems, Transportation, Human Resources or Facilities, costs of a general nature to be allocated pursuant to this Agreement shall exclude costs of a general nature which have been allocated to affiliated companies not a party to this Agreement. Substitution or changes may be made in the

methods of allocation hereinafter specified, as may be appropriate, and will be provided to state regulatory agencies and to each Client Company. Any such substitution or changes shall be in compliance with the requirements of applicable state law, regulations and regulatory conditions.

- 1. Information Systems
 - a. Description of Function

Provides communications and electronic data processing services. The activities of the Function include:

- (1) Development and support of mainframe computer software applications.
- (2) Procurement and support of personal computers and related network and software applications.
- (3) Development and support of distributed computer software applications (e.g., servers).
- (4) Installation and operation of communications systems.
- (5) Information systems management and support services.
- b. Method of Allocation
 - (1) Development and support of mainframe computer software applications allocated between the Client Companies and other Functions of the Service Company based on the number of Central Processing Unit Seconds Ratio, or allocated among the Client Companies on a weighted average of the Gross Margin Ratio, the Labor Dollar Ratio and the PP&E Ratio as appropriate.
 - (2) Procurement and support of personal computers and related network and software applications allocated to the Client Companies and to other Functions of the Service Company based on the Number of Personal Computer Work Stations Ratio.
 - (3) Development and support of distributed computer software applications allocated to the Client Companies and to other Functions of the Service Company based on the Number of Information Systems Servers Ratio.
 - (4) Installation and operation of communications systems allocated to the Client Companies and to other Functions of the Service Company based on the Number of Employees Ratio.
 - (5) Information systems management and support services allocated to the Client Companies and to other Functions of the Service Company based on a weighted average of the Gross Margin Ratio, the Labor Dollar Ratio and the PP&E Ratio.

2. <u>Meters</u>

a. Description of Function

Procures, tests and maintains meters.

- Method of Allocation
 Allocated to the Client Companies based on the Number of Customers Ratio.
- 3. <u>Transportation</u>
 - a. Description of Function
 - (1) Procures and maintains vehicles and equipment.

- (2) Procures and maintains aircraft and equipment.
- b. Method of Allocation
 - (1) The costs of maintaining vehicles and equipment are allocated to the Client Companies and to other Functions of the Service Company based on the Number of Employees Ratio.
 - (2) The costs of maintaining aircraft and equipment are allocated to the Client Companies and to other Functions of the Service Company based on a weighted average of the Gross Margin Ratio, the Labor Dollars Ratio and the PP&E Ratio.
- 4. <u>System Maintenance</u>
 - a. Description of Function

Coordinates maintenance and support of electric transmission systems and Distribution systems.

- b. Method of Allocation
 - (1) Services related to electric transmission systems allocated to the Client Companies based on the Circuit Miles of Electric Transmission Lines Ratio.
 - (2) Services related to electric Distribution systems allocated to the Client Companies based on the Miles of Distribution Lines Ratio.
 - (3) Services related to gas Distribution systems allocated to the Client Companies based on the Labor Dollars Ratio.
- 5. Marketing and Customer Relations
 - a. Description of Function Advises the Client Companies in relations with domestic utility customers. The activities of the Function include:
 - (1) Design and administration of sales and demand-side management programs.
 - (2) Customer meter reading, billing and payment processing.
 - (3) Customer services including the operation of call center.
 - b. Method of Allocation
 - (1) Design and administration of sales and demand-side management programs allocated to the Client Companies based on the Sales Ratio.
 - (2) Customer billing and payment processing allocated to the Client Companies based on the Number of Customers Ratio.
 - (3) Customer Services allocated to the Client Companies based on the Number of Customers Ratio.
- 6. <u>Transmission and Distribution Engineering and Construction</u>
 - a. Description of Function

Designs and monitors construction of electric transmission and Distribution Lines and associated facilities. Prepares cost and schedule estimates, visits construction sites to ensure that construction activities coincide with plans, and administers construction contracts.

- b. Method of Allocation
 - (1) Transmission engineering and construction allocated to the Client Companies based on the Electric Transmission Plant's Construction-Expenditures Ratio.

- (2) Distribution engineering and construction allocated to the Client Companies based on the Distribution plant's Construction-Expenditures Ratio.
- 7. Power Engineering and Construction
 - a. Description of Function

Designs, monitors and supports the construction and retirement of electric generation facilities. Prepares specifications and administers contracts for construction of new electric generating units, improvements to existing electric generating units, and the retirement of existing electric generating equipment, including developing associated operating processes with operations personnel. Prepares cost and schedule estimates and visits construction sites to ensure that construction and retirement activities meet schedules and plans.

- Method of Allocation
 Allocated to the Client Companies based on the Electric Production Plant's Construction-Expenditures Ratio.
- 8. <u>Human Resources</u>
 - a. Description of Function

Establishes and administers policies and supervises compliance with legal requirements in the areas of employment, compensation, benefits and employee health and safety. Processes payroll and employee benefit payments. Supervises contract negotiations and relations with labor unions.

- b. Method of Allocation Allocated to the Client Companies and to other Functions of the Service Company based on the Number of Employees Ratio.
- 9. Materials Management
 - a. Description of Function

Provides services in connection with the procurement of materials and contract services, processes payments to vendors, and provides management of material and supplies inventories.

- b. Method of Allocation
 - Procurement of materials and contract services and vendor payment processing

 allocated to the Client Companies and to other Functions of the Service Company based on the Procurement Spending Ratio.
 - (2) Management of materials and supplies inventory allocated to the Client Companies on the Inventory Ratio.
- 10. <u>Facilities</u>
 - a. Description of Function

Operates and maintains office and service buildings. Provides security and housekeeping services for such buildings and procures office furniture and equipment.

b. Method of Allocation Allocated to the Client Companies and to other Functions of the Service Company based on the Square Footage Ratio.

11. Accounting

a. Description of Function

Maintains the books and records of Duke Energy Corporation and its affiliates, prepares financial and statistical reports, prepares tax filings and supervises compliance with the laws and regulations.

 Method of Allocation
 Allocated to the Client Companies based on a weighted average of the Gross Margin Ratio, the Labor Dollar Ratio and the PP&E Ratio.

12. Power and Gas Planning and Operations

a. Description of Function

Coordinate the planning, management and operation of Duke Energy Corporation's power generation, transmission and Distribution systems. The activities of the Function include:

- (1) System Planning planning of additions and retirements to the electric generation units and transmission and Distribution systems belonging to the regulated utilities owned by Duke Energy Corporation.
- (2) System Operations coordination of the dispatch and operation of the electric generating units and transmission and Distribution systems belonging to the regulated utilities owned by Duke Energy Corporation.
- (3) Power Operations provides management and support services for the electric generation units owned or operated by subsidiaries of Duke Energy Corporation.
- (4) Wholesale Power Operations coordination of Duke Energy Corporation's wholesale power operations.
- b. Method of Allocation
 - (1) System Planning
 - (a) Generation planning allocated to the Client Companies based on the Electric Peak Load Ratio.
 - (b) Transmission planning allocated to the Client Companies based on the Electric Peak Load Ratio.
 - (c) Electric Distribution planning allocated to the Client Companies based on a weighted average of the Miles of Distribution Lines Ratio and the Electric Peak Load Ratio.
 - (d) Gas Distribution planning allocated to the Client Companies based on the Construction-Expenditures Ratio.
 - (2) System Operations
 - (a) Generation Dispatch allocated to the Client Companies based on the Sales Ratio.
 - (b) Transmission Operations allocated to the Client Companies based on a weighted average of the Circuit Miles of Electric Transmission Lines Ratio and the Electric Peak Load Ratio.
 - (c) Electric Distribution Operations allocated to the Client Companies based on a weighted average of the Miles of Distribution Lines Ratio and the Electric Peak Load Ratio.

- (d) Gas Distribution Operations allocated to the Client Companies based on the Construction-Expenditures Ratio.
- (3) Power Operations allocated to the Client Companies based on the Generating Unit MW Capability Ratio.
- (4) Wholesale Power Operations allocated to the Client Companies based on the Sales Ratio.
- 13. Public Affairs
 - a. Description of Function

Prepares and disseminates information to employees, customers, government officials, communities and the media. Provides graphics, reproduction lithography, photography and video services.

- b. Method of Allocation
 - (1) Services related to corporate governance, public policy, management and support services allocated to the Client Companies based on a weighted average of the Gross Margin Ratio, the Labor Dollar Ratio and the PP&E Ratio.
 - (2) Services related to utility specific activities allocated to the Client Companies based on a weighted average of the Number of Customers Ratio and the Number of Employees Ratio.
- 14. <u>Legal</u>
 - a. Description of Function Renders services relating to labor and employment law, litigation, contracts, rates and regulatory affairs, environmental matters, financing, financial reporting, real estate and other legal matters.
 - b. Method of Allocation Allocated to the Client Companies based on a weighted average of the Gross Margin Ratio, the Labor Dollar Ratio and the PP&E Ratio.
- 15. <u>Rates</u>
 - a. Description of Function

Determines the Client Companies' revenue requirements and rates to electric and gas requirements customers. Administers interconnection and joint ownership agreements. Researches and forecasts customers' usage.

 Method of Allocation Allocated to the Client Companies based on the Sales Ratio.

16. Finance

a. Description of Function

Renders services to Client Companies with respect to investments, financing, cash management, risk management, claims and fire prevention. Prepares budgets, financial forecasts and economic analyses.

 Method of Allocation
 Allocated to the Client Companies based on a weighted average of the Gross Margin Ratio, the Labor Dollar Ratio and the PP&E Ratio.

17. Rights of Way

- a. Description of Function Purchases, surveys, records, and sells real estate interests for Client Companies.
- b. Method of Allocation
 - (1) Services related to Distribution system allocated to the Client Companies based on the Miles of Distribution Lines Ratio.
 - (2) Services related to electric generation system- allocated to the Client Companies based on the Electric Peak Load Ratio.
 - (3) Services related to electric transmission system allocated to the Client Companies based on the Circuit Miles of Electric Transmission Lines Ratio.
- 18. Internal Auditing
 - a. Description of Function

Reviews internal controls and procedures to ensure that assets are safeguarded and that transactions are properly authorized and recorded.

- Method of Allocation
 Allocated to the Client Companies based on a weighted average of the Gross Margin Ratio, the Labor Dollar Ratio and the PP&E Ratio.
- 19. Environmental, Health and Safety
 - a. Description of Function

Establishes policies and procedures and governance framework for compliance with environmental, health and safety ("EHS") issues, monitors compliance with EHS requirements and provides EHS compliance support to the Client Companies' personnel.

- b. Method of Allocation
 - (1) Services related to corporate governance, environmental policy, management and support services - allocated to the Client Companies based on a weighted average of the Gross Margin Ratio, the Labor Dollar Ratio and the PP&E Ratio.
 - (2) Services related to utility specific activities allocated to the Client Companies based on the Sales Ratio
- 20. Fuels
 - a. Description of Function

Procures coal, gas and oil for the Client Companies. Ensures compliance with price and quality provisions of fuel contracts and arranges for transportation of the fuel to the generating stations.

- b. Method of Allocation Allocated to the Client Companies based on the Sales Ratio.
- 21. Investor Relations
 - a. Description of Function

Provides communications to investors and the financial community, performs transfer agent and shareholder record keeping functions, administers stock plans and performs stock-related regulatory reporting.

b. Method of Allocation

Allocated to the Client Companies based on a weighted average of the Gross Margin Ratio, the Labor Dollars Ratio and the PP&E Ratio.

22. Planning

- a. Description of Function Facilitates preparation of strategic and operating plans, monitors trends and evaluates business opportunities.
- Method of Allocation
 Allocated to the Client Companies based on a weighted average of the Gross Margin Ratio, the Labor Dollars Ratio and the PP&E Ratio.

23. Executive

a. Description of Function Provides general administrative and executive management services.
b. Method of Allocation Allocated to the Client Companies based on a weighted average of the Gross Margin

Allocated to the Client Companies based on a weighted average of the Gross Margin Ratio, the Labor Dollars Ratio and the PP&E Ratio.

See Service Company Cost Allocation Details (2010 - 2012) that shows each service company with corresponding allocation percentage by jurisdiction (detail Business Units for Regulated Ohio) (Attachment A hereto). This schedule shows each of the functions described previously and each of the different allocations within each function and the percentage allocated to each of the jurisdictions and other Duke businesses.

Also attached is a summary of the three factor allocator for Regulated Ohio for 2010 - 2012 (Attachment B hereto).

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10. Facilities GORE RE Facility Swes CIT GO 532 94.17 - <th></th> <th></th> <th>NITU</th> <th>Matts Mgmt Inventory Util</th> <th>520</th> <th>38.69</th> <th>1</th> <th></th> <th> ·</th> <th> .</th> <th></th> <th>,</th> <th> . </th> <th>40.16</th> <th></th> <th></th> <th></th> <th> -</th> <th>40.16</th>			NITU	Matts Mgmt Inventory Util	520	38.69	1		·	.		,	. 	40.16				-	40.16
CNRE RE Fac Svcs - Cincinnati 550 4.62 - - - 6.35 - - 1.12 7.47 PLRE RE Fac Svcs - Cincinnati 550 4.62 - - - - 1.12 7.47 PLRE RE Fac Svcs - Plainfield 551 - - - - 0.08 0.55 ENRE RE Facility Services Ent 539 68.64 - - - 0.08 0.55	10. Facilitie	5	GORE DPRE	RE Facility Svcs CLT GO RE Fac Svcs DP field Locs	527 526	94.17 94.17 100.001		· ·	1 1			1 :	· ·	1 1			1 1		
PLRE RE Fac Svrs - Painfield S31 -			CNRE	RE Fac Svcs - Cincinnati	S50	4.62	,	,		ı	•	•	\$	6.35	•	ł	,	1.12	7.47
			PLRE	RE Fac Svcs - Plainfield RE Facility Services Ent	685 155	68.64	 + 1	, ,	, ,	• •			, ,	_ 0.47	, ,		<u>ь т</u>	- B0:0	0.55

Attachment A

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SERVICE COMPA COST ALLOCATIO	NY COST AL INS IN SER'	LOCATION DETAILS 2012 VICE AGREEMENTS	Total pPC	DEO 75050 20	DEO 75051 КО	DEO 75090 TriStato	ре с 75091	DEO 75013 DE Ohio	DEO 75014 DE Obio	DEO 75026 DE Olivo	DEO 75025	DEO 75023 DE Ohio	DEO 75024 DE Ohio	DEO 75027 DE Ohio	DEO 75028	DEO Total
# Function	Operating Unit (OU)	Alloc Pool Description	id id	Transmissio n Company	Transmissio n	Improveme nt Company (TriState (Governance	USFRELGO (USFRGSGO V)	Gas Delivery	DE Ohio Other Flec	Power Deliv (Dus Service - Elec	Gas Customer	DE Ohia Other - Gas	
	MWRE	.RE Facility Services MW utility	71	r	3	,			1	11.46	,	18,79	1	i.	ŀ	30.25
			CC 22	and the second	0.01			1 L 2 K	100 AN 201 20				-			7.21
Accounting	S S S	Accounting Gymce VOP - Governance	51 56.30		10'0		0.02	4.62	2.56	- 	• •	•				7,21
	ENAC	Accounting Svcs Ent	03 59.10 67.53	10.0	, ,	0.02			, ,		4.95		• •		3.15	7.71 8.90
	UPAC	Acctg Svcs MW Comm Pwr only 5			,		,	,		i.	· ·		1		•	x
	UMAC	Acctg Sves Ultil MW FE&G only S	53	,	'	1	,	•	1	5	17.00			,	9.62	26,62
	4090 DCTA	SvcCo Depreciation Enterprise 5 GOV3FFDECTA - Depr CTA Gov 60	49 59.10 34 56.30	- 10'0	, 0.01	0.02	0.02	4.62	2.56		4.95		ъ I		2.73	7.21
	DPDC	Governance CTA Depreciation	56.30	•	0.01	'	0.02	4.62	2,56			,	· <u> </u>	1	1	7.21
	CCTA	ENT3FFCTA - CTA Capital	el 56.30	3	0.01	,	0.02	4.62	2.56		· ·	t		-		7.21
12. Power Planning and Operations																
		ham Diank One Can Dind Like	65 76	, 	3							,			· · · ·	ļ,
	5															
	4TTU	Pwr Pling&Ops Trans Ping Util S	63.07	, 	,						,	12.89	1	,		12,89
	UTDP	Pwr Ping&Ops Dist Ping Util	41 65.10	•	,		,		ı	۰.	,	12.07	5		•	12.07
Power Planning and Operations										1						
	UTGD	Pwr Ping&Ops Gen Dsptch Util S	42 53.86		,	,	1	- 1				·				,
		Pwr Ping&Ops Trans Ops Util	62.86	,	'		,		, , , , , , , , , , , , , , , , , , ,			12.05	•			12.05
	UTDO	Pwr Ping & Ops Dist Ops Util	22 65.10	 	1	,					1	12.07		,		12.07
	REPO	Pwr Pling & Ops Pwr Ops Reg	54.37		,						,	'		,		
	NRPO	Pwr Pl&Ops Pwr Ops Non Reg	-	•	4			,	'		,					ı
	HWLU	Pwr Ping&Ops Whisle Ops Util S	43 36.08	,	,							- ,				
18. Public Affairs	CGPA	Pub Affrs Gvmce Public Policy Gvmce	61 56.30 61 56.30 61 56.30		0.01		0.02	4.62	2.56					1	* •	7.21 7.21

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COST ALLOCATI	IONS IN SER	VICE AGREEMENTS			260	¢ a c		() EV	012	DEO.	n eO	UEU.	UEU	NE Ø	DEO	DFO	DEO Total
				lotal DPC	75050 KO	75051 KO	75090 75090 TriState	75091	DEO 75013 DE Ohio	75014 DE Ohio	75026 75026 DE Ohio	75025	75023 DE Ohio	75024 DE Ohio	75027 DE Chio	75028	
≴ S Function	Operating Unit (OU)	Alloc Pool Description	පි		i ransmissio 1 Company	ransmissio n	Improveme At Company 4	Irristate Governance	(USFRELGU V)	(USFRICSEO V)	Gelivery	UE Unio Other Elec	Power pelv - Elec	Lus Service Elec	customer	other - Gas	
	ENPA	Public Affairs Services Ent	S03	59,10	10.0	,	0.02		•	1	,	4.95		(1	E7.2	7.71
	UTPA	Public Affairs Services Utilit	524	65,49		,	1	.		 	1	198.2			1	£0:S	14.89
1. Legal	CULE	Legal Governance Legal Services Utility	CG1 509	56.30 57.53	0.01	- 10.0	0.02	0.02	4.62	2.56 -	1 1	5.72	1 1			3.15	7,21 8.90
15. Rates	UTRA LIORA	Rates Utility Rates Sves Util DEO DEK only	544 555 555	49,84								12.34		. ,		13.29	36,44
16. Finance	CGFI	Financiał Svcs Gvrnce	CG1	56.30	-	0.01	-	0.02	4.62	2.56		•	1		-		7.21
	ENFI	Financial Svos Enterprise Financial Services Utility	503 509	59.10 67.53	10.0	. ,	0.02					4.95 5.72		, ,	1 +	2.73	7.71 8.90
	UMFI	Financial Svc Util MW FEG only	553	,	,	•	,	•	¢		,	17.00	,	,	ı	9.62	26.62
	UPFI	Financial Syc NW Comm Pwr only	5 54	,				,	L	1	,		,	r	ł	'	
tz. Rights of Way					2 var del 1												
										њ. 1917 - 19							
	UTRW	Right of Way ET Sys Util	S45	62,65	،	'	•	,	i.	1	ı	•	11.22	,	1	1	11.22
18. Internal Auditing	CGIA	Internal Audit Gymce Intrin Audit Syrs Ublity	CG1 509	56.30 67.53	D.D1	-	0.02	0.02	4.62	2.56		5.72	· ·			3.15	7.21 8.90
19. Environmental, Health and Safety	CGEA ENEA	Envir Affrs Gvrnce Enviro Affairs Svcs Ent	CG1 S46	59.10	0.01	-	0.02	0.02	4.62	2.56						2.73	7.71
	UTEA	Enviro Affairs Svcs Utility	547	49.84			,			1	13,29		12.34	·	· · · · ·	·	25.63
20. Fuels	UTEU	Fuels Utility	248 248	53.86	,	т Т	-	-	r The second se	•	, ,	-	, ,	5 5 7 7		1	,

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SERVICE COMPA COST ALLOCATIC	NY COST AL ONS IN SERV OPERATING	LLOCATTON DETAILS 2012 VICE AGREEMENTS	5 5	Total DPC	DEO 75050 KO Fransmissio	DEO 75051 KO Transmissio 1	DEO 75050 TriState mproveme	DEO 75091 TriState (DEO 75013 DE Ohio USFRELGO (DEO 75014 DE Onio USFRGSCO MA	DEO 75026 DE Chio Gas	DEO 75025 DE Ohio F	DEO 75023 DE Ohio Power Deliv C	DEO 75024 DE Ohio Lus Service - Flac	DEO 75027 DE Ohio Gas	DEC 75028 DE Olho Other - Cas	DEO Total
			3		Company												
. Investor Relations	CGIR	Investor Rel Gvince	CG1	56.30		10:0	, ,	0.02	4.62	2.56		1					7.21
										Call 1 - 2 - 1 - 1 - 100 - 22/27 - Call 200-	2 47	The Angle of States, and States	Educate Statutes which we	e of her southes in each est.	11111111111111111111111111111111111111	1.500 U. 4000 J. 2000 M24	فالمتحمد والمستكر والمستكر والمستكر
Planning	Sep Sep Sep Sep Sep Sep Sep Sep Sep Sep	Planning Svcs Gvrnce Com Dalamot Games		56.30		10.0		0.02	4.62	2.56	a b		1 1			• •	7.21
	595	CTA Gvince Enterprise	55	56.30		0.01	r	0.02	4.62	2.56	1	1	ı	•	•	,	7.21
	667	CTA Governance	CG1	56.30	,	0.01	,	D.02	4.62	2.56		,	•	•	•	•	7.21
	CGFD	Governance CTA Fuel & Dispatch	CG1	56.30		10.0		0.02	4.62	2.56		'		1	,	1	7.21
																Î	ł
	ENPS	Planning Svcs Enterprise	S03	59.10	0.01	'	0.02	•	,		,	4.95	,		•	5./3	V
	Satu	Planning Svcs Utility	509	67.53	0.01	,	0.02	,		L	ı	5.72	۲		•	3.15	8.90
Executive	CGEX	Exec Governance Exec Services Enternrise	CG1 503	56.30 59.10	- 10.0	0.01	0.02	0.02	4.62	2.56		- 4.95			-		7.21 7.71
	UTEX	Exec Services Utility	509 509	67.53	0.01	ı	0.02			r 1	1 1	5.72				3.15	8.90 26.62
	UPEX -	Executive SvC 0W Comin Pur cally	S54								,	,		,	•		1
	NOEX	Exec Svcs Utility DEO DEK only	536	1	,	1	•		•	•	r	23.87	1	ł	1	13.70	37.57
Facilities Rate of Return Allocation	CGRR	Facilities ROR Gvince	CG1	56.30		0.01		0.02	4.62	2.56	,	•	 '	, ,			7.21
			ļ												-		

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Attachment	Page 7 of 48

SERVICE COMPAN COST ALLOCATIO	VT LUSI AL	LUCATION DE LAILS 2012 VICE AGREEMENTS		DEK Total	DEI Total	mm Pwr To	Int'i Total	Other Total	
	Operating	: - - -	St						i otal
Information	Unit (OU)	alioc yool uescription Mainframe Svos Ent	505	2'10	17.33	•	•		100.00
Systems	UTMF	Mainframe Svcs Utility	115	5.10	17.33	I	1		100.00
	ENWS	Worksta Svcs Enterprise Worksta Svcs Utility	506 512	0.99 1.07	6.17 12.8	6.19	0.29	1.76	100.00 100.00
	ENSS UTSS	Server Svcs Enterprise Server Svcs Utility	507 S13	4.54 5.79	16.42 20.94	21.54	1 1	1.72	100.00
	ENTS	Telecom Svcs Enterprise Telecom Svcs Utility	533 534	2.06	13.44 14.68	8,40	0.21	0.88 0.96	100.001 100.001
	ENHD	Helpdesk Services	533	1.88	13.44	8.40	12.0	0.88	100.00
	ENMA UTMA	ITS Mgt & Apps Svcs Ent ITS Mgt & Apps Utility	535 536	2.58	17.73	12.50	0.18	0.67 1,7,0	100.001 100.001
Meters	UTMS UMMS	Meter Svos Utility Meter Svos Util MWonly Elec/Gas	514 560	5.10 10.89	17.33 36.97	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	1	AND THE REAL PROPERTY OF	100.00
	UEMS	Meter Svos Uti; MW Elec	S58	8.45	48.80		ı		100.00
			X	2 21 - 21 - 22 - 24 - 25 - 25 - 25 - 25 - 25 - 25	1. 1.1 1.2 A 1.1 A 1.4	A Star Star Street Star	10000000000000000000000000000000000000		
I ransportation	UMVE	Transp Vehicles Util MW only	565	9.31	66.70		ı	,	100.00
	CGAV ENAV	Transp Avlation Gvmce Transp Avlation Svcs Ent	CG1 503	2.46	16.82 17.85	11.75	5.39 0.18	0.07	100.00 100.00
Electric System Maintenance						1 1			
	UTTR	ESS Elec Tran Utility	515	0.50	25.63			· · · ·	100.00
	UTDI UMDI	ESS Elec Dist Utility ESS Elec Dist Utility MW only	516 557	1.91 5.82	19.70 59.93		a 4		100.00 100.00
Marketing and Customer Pelations					. K. 10. Farbourd 1.		1. S. Markan M. Mark 73 (S. 18	eren a calanti a	a a de la calendar de
	UTSD	M&CR Sales & Demand Utif Customer Strategy P&S	517 575	4.92 2.90	19.61 23.28	1 1		· ·	100.00 100.00
	als	Standard Services	517	4.92	19.61	,	,		100.00
	UMSD	M&CR Standard Prod Util MWonly	568	9.80	01.9E		ſ	•	100.00
	_			-	_	_		_	-

	Company Cost Alocation Dough (2010 – 2012) and
gmeening as instruction	C (Documents and SetingsluaPakiMy Documents)SharePoint DurisiService 2012

SERVICE COMPA COST ALLOCATIO	NY COST AL ONS IN SERV	LOCATTON DETAILS 2012 /ICE AGREEMENTS		DEK Total	DEI Total	mm Pwr To	Int'l Total	Other Total	Total
Function	Operating Unit (OU)	Altoc Pool Description M&CR Net Product Util MW only	st Cd S68	9.80	39.10		a	•	100.00
	UESD	M&CR SIS&Drind Util MWElec only	566	7.09	57.01	ı	ſ	,	100.00
	ngso	M&CRSale&Demand Ub MWGas only	267	15.70	I	I		,	100.00
	UTNT	Energy Effienciency Net Uti	5/2	2.90	23.28	1	,	•	100.00
	UTMR UMMR	M&CR Mtr Rdg&Pmt Proc Util N&CR MtrRdg&PmtProc Util MWonly	537 560	5.10	17.33 36.97	J 1 (1 1	100.00
	UOMR	M&CR MurkdgPmthrc DEO DEK only	559	17.28	4	1	1	3	100.00
	UEMR	M&CR M±Rdg&Pmbfc Uni MWElec M&CR Uni MW PD	558 569	8.45	48.80 36.97	у (. ,	100.00 100.00
	QWND	M&CR PD DEO/DEK E/G	570	17.28	,	ı	,		100.00
-	NSGA	M&CR Smart Grid	576	5.10	17.33		•		100.00
	USGE	M&CR Smart Grid - Electric	577	3.39	19.56	·	'	•	100.00
	MDSU	M&CR Smart Grid to Midwest	S78	10.89	36.97	,	'	,	100.00
	USME	SG Midwest electric	645	8.45	48.80	'	r	,	100.00
	UTSG.	M&CR Customer System Util	584	5.10	17.33	'	,	•	100.00
	NSGA	M&CR Smart Grid	580	5.10	17.33	'	,	,	100.00
	USGE	M&CR Smart Grid - Electric	581	3.39	19.56	1	'	,	100.00
	MSGM	M&CR Smart Grid to Midwest	582	10.89	36.97	,	,		100.00
	nrsg	M&CR Customer System Util	585	5.10	17.33		,	•	100.00
	USME	SG Midwest electric	583	8.45	48.80	F	ı		100.00
Content contraction Electric Transmission & Distribution Engineering & Construction			 						

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SERVICE COMPA COST ALLOCATIO	INT CUST AL	LUCATION DETAILS 2012 VICE AGREEMENTS							
				DEK Total	DEI Total	mm Pwr To	Int'i Total	Other Total	Total
Eurction	Operating) Alloc Dod Description	St						
			;						
	UTET UEET	Eng & Constr ET Utility Eng & Constr ET Util MW only	518 562	0.88 2.43	25,20 69.92	1.1		1 ,	100.00 100.00
Electric Transmission & Distribution Engineering &	uted Uted	Eng & Constr ED Utility Eng & Constr ED Util MW only	561 561	2.25	16.99 41.53	1 12	r 1		100.00
Construction						, , ,			
Power Engineering & Construction		Eng & Constr Pwr Prod Util Eng&Constr Pwr Prod Util MWonly	525 563	7.22	28.36 62.42	9.84 21.69			100.00
	NGEG	Éng & Constr Gas Utit MW only	564	10.71	ı		1	ı	100.00
						 (1 1			
				- <u>-</u>					
Human Resources	CGHR	HR Svcs Gvmce HR Services Enterprise	CG2 S04	1.69	12.11 13.50	7.37 8.22	10.52		100.00
	UTHR	HR Services Utility	538	2.06	14.75	1	1	•	100.00
					- 16 6 18 25 25 10 10 10 10 10 10 10 10 10 10 10 10 10	1 1			
Materials Management									
						, , ,	<u> </u>		
	UTSC ENSC	Matts Mgmt Sply Chn Util Matts Mgmt Sply Chain Ent	519 508	2.93 2.77	28.04 26.47	6.45 11.39	0.08	021	100.00
	UPPD	MW ELEC/GAS DELIVRY STOREROOM	572	4.86	E	I		Ţ	100.00
	NIIN	Matts Mgmt Inventory Util	520	0.16	56:0Z				100.00
) Facilities	GORE DPRE	RE Facility Svcs CLT 60 RE Fac Svcs DP Field Locs	527 526	0.18	0.25	- 1			100.00
	CNRE	RE Fac Svcs - Cincinnati	S50	1.15	1.15	85.61	'	,	100.001
	PLRE	RE Fac Svcs - Plainfield RE Facility Services Ent	55 1 539	0.21	97.71 19.96	2.29	1 1	· .	100.00

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SERVICE COMPAN COST ALLOCATIO	VY COST ALI NS IN SERV	LOCATION DETAILS 2012 /ICE AGREEMENTS		AEK Total	ner Total	or Tan	letoT l'tal	Other Totat	
									Total
* A Function	Operating Unit (OU)	Alloc Pool Description	ಕರ	-					
	MWRE	RE Facility Services MW Utility	571	7,43	62.32	1 7 1	-		100.00
Accounting	CGAC CGVP CGVP UTAC UPAC	Accounting Gymce VOP - Governance Accounting Sycs Ent Acctig Sycs MW Comm Pwr only	CG1 509 554	2.46 2.46 2.61 3.01	16.82 16.82 17.85 20.56	11.75 11.75 12.50 12.50	5.39 5.39 0.18	0.07 0.07 -	100.00 100.00 100.00 100.00
	UMAC	Acctg Svcs Litil MW FE&G only	553	95.9	64.00	1	1		100.00
	4090 DCTA	SvcCo Depreciation Enterprise GOV3FFDECTA - Depr CTA Gov	549 CG4	2.61	17.85 16.82	12.50	0.18 5.39	0.05	100.00
	DPDC	Governance CTA Depreciation	CG4	2,46	16.82	11.75	5.39	0.07	100.00
	CCTA	ENT3FFCTA - CTA Capital	061	2.46	16.82	11.75	5.39	0.07	100.00
2. Power Planning and Operations			[
	UTGE	Pwr Plng&Ops Gen Plng Util	\$21	3.16	22.91	8.17].	'	100.00
	UTTP	Pwr Ping&Ops Trans Ping Util	ZES	2.44	21.60		,		100.00
	qaru	Pwr Plng&Ops Dist Plng Util	. S41	2.18	20.65				100.00
Power Planning and Operations						1 9 4 5 			
	UTGD	Pwr Pling&Ops Gen Dsptch Util	542	5.42	40.72),	•	100.00
	UTTO	Pwr Plng&Ops Trans Ops Util	531	1.47	23.62	(I I)	,		100.00
	UTDO	Pwr Ping & Ops Dist Ops Util	522	2.18	20.65	4 7 4 4	, ,	1	100.00
	REPO	Pwr Plng & Ops Pwr Ops Reg	528	6.18	39.45	Ŧ	,		00.001
	NRPO	Pwr PI&Ops Pwr Ops Non Reg	529	E	ı	100.00		,	100.00
	UTWH	Pwr Ping&Ops Writsle Ops Util	S43	15.34	48.58	, , , , , , ,		-	100.00
3. Public Affairs	CGPA CGPP	Pub Affrs Gwrace Public Policy Gwrace	261 CG1	2.46	16.82 16.82	11.75 11.75	5.39	0.07	100.00

C Occuments and S #trop\$1.4PaN(N) Occuments(SheePhantOrabis(Sarves Company Cost Alsonation Densis (2010 – 2012) data 2012

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	100.00	
	0.05	
	0.18	
	12.50	
5	7.85 0.56	

Function	Unit (OU)	Alloc Pool Description	5 B						
	ENPA	Public Attairs Services Ent	203	2,61	58./1	12.50	0.18	50.0	100.001
	UTPA	Public Affairs Services Utilit	524	3.58	16.04		1		100.00
Legal	ENLE	Legal Governance Legal Services Utility	CG1 509	3.01	16.82 20.56	11.75	5.39	0.07 -	100.00
Rates	UORA	Rates Swes Util DEO DEK only Rates Swes Util DEO DEK only	544 555	4.92 16.09	19.61 -	47.47			100.00 100.00
Finance	CGFI	Financial Svcs Gvmce	CG1	2.46	16.82	11.75	66.3	0.07	100.00
	ENFI	Financial Svcs Enterprise Financial Services Utility	503 509	2.61 3.01	17.85 20.56	12.50	0.18	.05 20.0	100.00 100.00
	UMFI	Financial Svc Util MW FEG only	553	86.6	64.00	I	'	ı	100.00
	UPFI	Financial Svc MW Comm Pwr only	S54	ı	ı	100.00	,	•	100.00
Rights of Way			101				শহুই হৈ প্ৰথম স্কল্পি এই এই প্ৰ	a na mana na ma	
				260					
	UTRW	Right of Way ET Sys Util	545	0.50	25.63	, , ,		1	100.00
Internal Auditing	CGIA	Internal Audit Gyrnce Intrn Audit Sycs Utility	CG1 509	2.46 3.01	16.82 20.56	11.75 - -	- 5.39	- 0.07 -	100.00
Environmental, Health and Safety	CGEA	Envir Affrs Gyrnce Enviro Affairs Sycs Ent	CG1 546	2.61	16.82 17.85	11.75 12.50 12.50	5.39 0.18	0.05	100.00
	145	Fruino Affaire Sure (Hillty	\$47	4 0.7	19.61	1 1 1		· '	100.00
	5	Anna stat should be	ţ		toret	33 Sec. 14. 1993 Sec. 14.			
Fuels	UTEU	Truets Utility	S48	5.42	40.72		,	•	100.00

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Total

DEK Total DEI Total mm Pwr To Int'l Total Other Total

SERVICE COMPANY COST ALLOCATION DETAILS 2012 COST ALLOCATIONS IN SERVICE AGREEMENTS

Value(2010 - 2012) shared C:/Documents and Switings/LaP. 2012

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Fuels Utility

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Fuels 20. 11 of 12 7/2/2012/2/47 PM

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SERVICE COMPAR COST ALLOCATIO	NY COST ALI NS IN SERV	LOCATTON DETAILS 2012 /ICE AGREEMENTS							
				OEK Total	DEI Total	mm Pwr To	Int' Total	Other Total	Total
t Function	Operating Unit (OU)	Allac Pool Description	Ct Ct						
Relations	CGIR	Investor Rel Gvince	cg1	2.46	16.82	11.75	5.39	0.07	100.00
2. Planning	CGPS CGCA CGCA CGCA	Planning Svcs Gvrnce Corp Dvipmint Gvrnce CTA Gvrnce Enterprise CTA Governance	59999	2,46 2,45 2,45 2,45	16.82 16.82 16.82 16.82	11.75 11.75 11.75 11.75 11.75	5.39 5.39 5.39 5.39 5.39	0.07 0.07 0.07 0.07	100.00 100.00 100.00 100.00
	CGFD	Governance CTA Fuel & Dispatch	CG1	2.46	16.82	11.75	5.39	0.07	100.00
	ENPS	Planning Svcs Enterprise	503	2.61	17.85	12.50	0.18	0.05	100.00
	UTPS	Planning Svcs Utility	605	10.E	20.56		•	,	100.00
Executive	CGEX ENEX	Exec Governance Exec Services Enterprise	503 503	2.46 2.61	16.82 17.85	11.75 12.50	5.39 0.18	0.07	100.00 100.00
	UTEX UMEX	Exec Services Utility Executive Svc Util MW FEG only	503	3.01 9.38	20.56 64.00				100.001
	UPEX	Executive Svc MW Comm Pwr only	554	,	t	00.001	,	'	100.00
	NOEX	Exec Svcs Utility DEO DEK only	556	13,43	4	49.00	,	,	100.00
and a standard and the standard and a standard standard standard standard standard standard standard standard s			R	1. S. S.	1979 - 2021 - 1887 - 1878 - 1878 - 1878 - 1878 - 1878 - 1878 - 1878 - 1878 - 1878 - 1878 - 1878 - 1878 - 1878 -	-	18 19 19 19 19 19 19 19 19 19 19 19 19 19		and see the second
Facilities Rate of Return Allocation	CGRR	Facilities ROR Gymce	CG1	2.46	16.82	11.75	5.39	0.07	100.00
A CALIFORNIA SA CA	CALAT	A T-barret Dur Enhanden	2E C13	4 71	NUMBER OF STREET	2 2 2 C	111		100 001
Interest	ENAL	Acctg Interest Svc Enterprise	764	1/.4	40.02	ac.7	1111	01.0	MUNUT

												Page 13	i of 48
S C	SERVICE COMPA	NY COST AL	LOCATION DETAILS 2011			-							
			TC- SCAFFYEN C		Total DPC	DEO 75050 KO	DEO 75051 KO	DEO 75090 TriState	DEO 75091	DEO 75013 DE Ohio	DEO 75014 DE Ohio	DEO 75026	DEO 75025
# ¥S	Function	Operating Unit (OU)	Alloc Pool Description	st Cd		Transmissio n Company	Transmissio	Improveme nt Company	TriState Governance	(USFRELGO V)	(USFRGSGO V)	DE Ohio Gas Delivery	DE Ohio Other Elec
	Information Systems	ENMF UTMF	Mainframe Svcs Ent Mainframe Svcs Utility	505 511	53,06 53,06	e 5	· ·			1 T	• •	. ,	
		ENWS UTWS	Worksta Svcs Enterprise Worksta Svcs Uttility	506 512	80.01 86.77	F 1			· ·	• •		1.43 1.55	0.67 0.73
		ENSS UTSS	Server Svcs Enterprise Server Svcs Utility	S07 S13	36.94 46.50	1 1		1 1		1 /	a t	3.00 3.77	1.75 2.20
		ENTS UTTS	Telecom Svcs Enterprise Telecom Svcs Utility	S34 S34	70.11 76.74	1 I						2.71 2.97	1.28 1.40
		ENHD	Helpdesk Services	S33	70.11	1	I	I	1			2.71	1.28
		ENMA UTMA	ITS Mgt & Apps Svcs Ent ITS Mgt & Apps Utility	535 536	57.95 67.30	0.01	' ', 	0.04	• ,	1 (0.72	3.15 3.69
<u>م</u>	Meters	UTMS UMMS UEMS	Meter Svos Utility Meter Svos Util MWonly Elec/Gas Meter Svos Util MW Elec	S14 560 558	53.06			1 1 1				- -	
ei -	fransportation	UTVE UMVE	Transp Vehicles Utility Transp Vehicles Util MW only	S10 S65	77.51					1	· · ·		4.81 21.36

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	CGAV ENAV	Transp Aviation Gvrnce Transp Aviation Svcs Ent	CG1 503	55.65 58.36	0.01	0.01	, , 0.0	0.04	4.83	2.52	1 1	5.16
A State of the second sec		يان - موسيقا مارين در دور المارين مارين ماري مارين			1000 - 1000 - 1000 - 1000 - 1000 - 1000 - 1000 - 1000 - 1000 - 1000 - 1000 - 1000 - 1000 - 1000 - 1000 - 1000 -	1000 - 1000 \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$		242258273622972024		And the second secon		1.2.4 (16.4%) "To Gan Gan
Electric System Maintenance												
	UTTR	ESS Elec Tran Utility	S15	61.41		ı	,	•	1		1	
	Idmu	ESS Elec Dist Utility ESS Elec Dist Utility MW only	516 5 5 7	67.17	1 1		1 1	1 r	1.		1 1	
Marketing and Customer Relations	1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 -											
	UTSD NET	M&CR Sales & Demand Util Customer Strategy P&S	S17 S75	49.41 58.93	1 1	1 1	1 1	1 1	1 7	1 1	1 1	1 1
	STD	Standard Services	S17	49.41	1	I	1	1	r	•	1	I
	С W2D	M&CR Standard Prod Util MWonly	568			1	,		,	I		•
	UMNT	M&CR Net Product Util MW only	568	· · · ·	ı	ι	•	r	•	1	1	•
	nesd	M&CR SIs&Drind Util MWElec only	566	•	1	1	1	 I		ı	r	I
	ngsd	M&CRSale&Demand Utl MWGas only	567	 t	1	,		1	,		84.27	ı

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575		537 560	559	558 569	270	9/5	577	578	579	584	S80	S81
Energy Effienciency Net Utl		M&CR Mir Rdg&Pmt Proc Util M&CR MirRdg&PmtPrc Util MWonly	M&CR MtrRdgPmtPrc DEO DEK only	M&CR Mtr.Rdg&PmtPrc Util MWElec M&CR Util MW PD	M&CR PD DEO/DEK E/G	M&CR Smart Grid	M&CR Smart Grid - Electric	M&CR Smart Grid to Midwest	SG Midwest electric	M&CR Customer System Util	M&CR Smart Grid	M&CR Smart Grid - Electric
UTNT		UTMR UMMR	UOMR	UEMR	CIAWN	USGA	USGE	MOSU	USME	UTSG	USGA	USGE

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	USGM	M&CR Smart Grid to Midwest St	32	r	·	ł		•		19,84	1
	UTSG	M&CR Customer System Util St	53.0	، و	1		1	1	I	ı	,
	USME	SG Midwest electric St	-	•		1	ı	I	,	•	r
 Electric ITransmission & Distribution Engineering & Construction 											
	UTET	Eng & Constr ET Utility Eng & Constr ET Util MW only So	64,8 52	1 1	P	1)					· · ·
Electric Transmission & Distribution Engineering & Construction		Eng & Constr ED Utility Eng & Constr ED Utility and WW and Y	55.8	r .	1 I	1.1	• •	1 1	1 1	1 7	
Power Engineering & Construction		Eng & Constr Pwr Prod Util Eng&Constr Pwr Prod Util SG	51.0								

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			Erig & Constr Gas Util MW only	S64	1	1	1	1	,		'	90.67	
ŝ	Human Resources	CGHR	HR Svcs Gvince HR Services Enterprise	CG2 504	63.68 70.82	1		r 1	, ,	3.94	0.61		- 4.39
		UTHR	HR Services Utility	538	77,51	1	ı	,	1	•	1	1	4.81
											<u> </u>		
6	Materials Management												
		UTSC ENSC	Matis Mgmt Sply Chn Util Matis Mgmt Sply Chain Ent	519 S08	50.92 45.05		r t	1 1				1 1	1.74 1.54
		QPPD	MW ELEC/GAS DELIVRY STOREROOM	572	ı	1	,	1	I		•	22.49	ı
		UTIN	Matts Mgmt Inventory Util	\$20	47.23	,	'			. 			28.93
10.	Facilities	GORE DPRE	RE Facility Svcs CLT GO RE Fac Svcs DP Field Locs	527 526	98.10 100.00					1 I			
		CNRE	RE Fac Svcs - Cincinnati	S50	9,48	'	'	1	,	'	'	,	10.34
		PLRE	RE Fac Svcs - Plainfield RE Facility Services Ent	551 539	0.73 63.75	1 1	• •	, ,			1 6	1 1	- 1.05

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	UTRE	RE Facility Services Utility							<u></u>		-	
	MWRE	RE Facility Services MW Utility	S71		ſ	3	1	1	J	1	11.61	r
					NOTAN NAVA	0.01			<u>⊿ 83 1</u>	5 57]	- -	-
Accounting	CGAL	Accounting GVInce	າຄາ	50.00	- -			5.0				
	CGVP	VOP - Governance	CG1	55.65		10.0	1 (0.04	4.03	1 76'7	1	9 F 9
	ENAC	Accounting Svcs Ent	S03	58.36	0.01	,	0.04	1	I	ı	•	or o
	UTAC	Acctg Svcs Utility	S09	67.77	0.01	r	0.04	ı	I	•		1 0'0
	, UPAC	Acctg Svcs MW Comm Pwr only	S54	,	1	1	ı	,		,	•	,
		Accto Svcs 11til MW FF&G only	543		•			,		1	1	18.14
	4090	SvcCo Depreciation Enterprise	S49	58.36	0.01	;	0.04	,	,	1	,	5.16
	DCTA	GOV3FFDECTA -Depr CTA Gov	CG4	55.65	1	0.01	,	0.04	4.83	2.52	•	ı
	DPDC	Governance CTA Depreciation	CG4	55.65	1	0.01	ł	0.04	4.83	2.52	,	ł
		ENT3FF(TA - (TA Canital	LG1	55.65		0.01	,	0.04	4,83	2.52	•	•
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2. Power Planning and Operations						<u> </u>						
	UTGE	Pwr Plng&Ops Gen Plng Util	S21	61.64	 . 	 . 	,	 	,	•	1	I
	UTTP	Pwr Ping&Ops Trans Ping Util	532	64.40	.	. . 	1		 	- -	-	1
	UTDP	Pwr Plng&Ops Dist Plng Util	S41	65.78	I.	1		•	,	1	ı	r
	_			<u>.</u>		~						
Power Planning and Operations										, ,		
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		UTGD	Pwr Plng&Ops Gen Dsptch Util	542	53.12		,		,	<u> </u> .	<u></u> ' 		
		UTTO	Pwr Ping&Ops Trans Ops Util	S31	62.90				 		 ' 	1	.
		UTDO	Pwr Ping & Ops Dist Ops Util	S22	65.78		•		,	τ.	3 	•	
		UTPO REPO	Pwr Plng & Ops Pwr Ops Util Pwr Ping & Ops Pwr Ops Reg	523 528	40.71 55.78	 · ·			а <i>г</i>	• •	1 1	1 1	1 1
		NRPO	Pwr Pl&Ops Pwr Ops Non Reg	529	r	1	,	ı	1	1	,	1	
		HWTU	Pwr Ping&Ops Whisle Ops Util	543	40.93	1	, ,	, ,		,	'	1	,
13.	Public Affairs	CGPA CGPP	Pub Affrs Gvmce Public Policy Gvmce	19 19 CG 1	55.65		0.01		0.04	4.83	2.52	, ,	
		ENPA	Public Affairs Services Ent	503	58.36	0.01		0.04	,	,		•	5.16
		UTPA	Public Affairs Services Utilit	S24	65.28					,	<u></u>	1	10.00
14.	Legal		Legal Governance Legal Services Utility	CG1 509	55.65 57.77	0.01	- 10:0	0.04	0.04	4.83	2.52	3 (6.04
15.	Rates	UTRA	Rates Utility	544	49,41	-				-			12.39

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	UORA -	Rates Svcs Util DEO DEK only		-	1	1	-	1	1	ı	16.38
o. Finance	CGFI	Providence and the second s	CG1 55.6	<u>888 888 888 888 888 888 89888</u>	0.01	-	0.04	4.83	2.52	-	
	ENFI	Financial Svcs Enterprise Financial Services Utility	503 58.30 509 67.7	6 0.01 7 0.01		0.04	1 1		£ \$.,	5.16 6.04
	UMFI	Financial Syc Util MW FEG only Financial Syc MW Comm Pwr only	553 - 554 -	Б I				1 1	• •		18.14 -
7. Rights of Way							1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1				
	UTRW	Right of Way ET Sys Util	S45 61.41	-	1		1				
Tribution of Alight	VIU VIU			≂ I	100	1.01712314 FEB	40 0	20 F	252	C. REPORT OF THE	SAN SAN SAN SAN SAN
Ancernal Auditing		Introl Audit Svos Utility	20.cc 10.2	0.01	- -	0.04	to -	η ο - τ	, ,		6.04
9. Environmental,	CGEA	Envir Afris Gyrnce	CG1 55.6		0.01		0.04	4.83	2.52	-	
Hearth and Safety			0450	10:0			•		,	1	07.0

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		UTEA	Enviro Affairs Svcs Utility	S47	49.41	,	 			-	-	13.62	
20.	fuels	UTFU	Fuels Utility	548	53.12								
21.	Investor Relations	CGIR	Investor Rel Gymce		55.65		2.01		SPERAME AND A CONTRACT OF CONTRACT.	0.03 4.83	2.52		
22.	Planning	85 85 85 85 85 85 85 85 85 85 85 85 85 8	Planning Sves Gymce Corp Dylpmnt Gymce CTA Gyrnce Enterprise	55 55 55 55	55.65 55.65 55.65		0.01 0.01 0.01	- , , , , , , , , , , , , , , , , , , ,	0.04	4, 4, 4, 8, 8, 8, 9, 8, 9, 9, 9, 9, 9, 9, 9, 9, 9, 9, 9, 9, 9,	2.52 2.52 2.52	· · ·	
		CGFD	CTA Governance Governance CTA Fuel & Dispatch	CG1 CG1	55.65 55.65	• 2	10.0	J 1	0.0 40	4.83 4.83	2.52	۰ ۱	ι ι
		UCTA	CTA Gvrnce Utility	CG3	67.77	ų	0.01	ı	0.04	6.04	3.14	1	•
		ENPS	Planning Svcs Enterprise	S03	58.36	0.01	•	0.04	,		1	1	5.16
		UTPS	Planning Svcs Utility	605	67.77	0.01	1	0.04	•	r	,	1	6.04
23.	Executive	CGEX	Exec Governance Exec Services Enterprise	CG1 S03	55.65 58.36 58.36	10.0	- 10 ^{.0}	-0.04	0.04	4.83	2.52	, , ,	5.16
		UTEX UMEX	Exec Services Utility Executive Svc Util MW FEG anly	509 553	-	10.0 _		0.04		1 1	, ,	1 1	6.04 18.14
		UPEX	Executive Svc MW Comm Pwr only	S54	 1	'		,	1	'	1	,	ı

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Julity DEO DEK only see 256	OR Gvince CGI 55.65 - 0.01	test Svc Enterprise 552 49.52 - 0.01	
La UOEX Exec Svos Utility I	Rate of CGRR Facilities ROR Gv	ENAL Acctg Interest Sv	

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Total	100.00	100.00 100.00	100.00 100.00	100.00 100.00	100.00	100.00 100.00	100.00 100.00	100.00	100.00
Other Total	1 1	1.60	1.67 1.87	0.78 0.85	0.78	1.18 0.69	а 1	1	
Int'l Total	1 1	0.39		0.18	0.18	0.18 -	r 3	I	
imm Pwr To	1 ,	6,63	20.38		8.44	13.29	1 1	1 1	
DEI Total	17.33	7.65 8.29	19.97 25.13	13.42 14.68	13.42	16.93 19.78	17.33 36.91	48.78	14.72 65.48
DEK Total	5.11	1.07	5.23 6.60	2.03	2.03	2.63 3.06	5.11 10.88	8,45	2.22 9.85
DEO Total	24.50 24.50	2.65 2.88	15.81 19.90	5.51	5.04	7.84 9.17	24.50 52.21	42.77	24.67
DEO 75028 DE Ohio Other - Gas	1 1	0.02	0.25	0.04	0.04	0.94 1.10	1 1	I	0.74
DEO 75027 DE Ohio Gas Customer	9.31 9.31	r 4	1.75 2.20	1 1	J	1.02 1.20	- 19.84	r	
DEO 75024 DE Ohio Cus Service	15.19 15.19	0.14	2.66 3.35	0.27 0.29	0.27	0.70	32.37	42.77	
DEO 75023 DE Ohio Pawer Deliv - Elec	4 E	0.39	6.40 8.07	0.74 0.81	0.74	1.26	15.19	" "	

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7.40 7.90	11.03	11.23 34.20	26.01 14.78	26.01	51.40	51.40	35.98	84.27
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2.89	5.11 10.88	17.24	8.45	17.24	5.11	3.39	10.88	8.45	5.11	5.11	3.39
14.78	24.50 52.21	82.76	42.77 52.21	82.76	24.50	17.15	52.21	42.77	24.50	24.50	17.15
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		1	32.37	51.31	15.19	17.15	32.37	42.77	'	15.19	17.15

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36.91	17.33	48.78	23.98 68.15 68.15	18.23	40.38 82.52
10.88	5.11	8.45	3.53	5.20	0.76
52.21	24.50	42.77	9.97 28.32	23.59	
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,	15.19	L.	1 1		
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•	12.09 13.45	14.72	29.71 26.27	I	23.63		0.84	97.56 25.45
9:33	1.81 2.03	2.22	3.21 2.84	11.54	0.21		1.76	0.18
90.67	4.55 5.07	5.55	10.37 9.18	88.46	28.93		11.95	_ 1.21
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1 1 1	12.50 12.50 13.28 13.28 10.00	- 13.28 12.50	12.50	13.34	9 1 5	, , , , , , , , , ,
61.97	16.06 16.06 17.04 19.91	62.42 17.04 16.06	16.06 16.06	21.98	20.92	15.02
7,48	2.50 2.50 3.09 -	9.79 2.66 2.50	2.50 2.50	3.04	2.38	2.14
30.55	7.40 7.40 7.90 9.23 -	27.79 7.90 7.40	7.40		12.30	
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4.97	6.01	2.50	2.50	2,50	2.50	2.50	2.50	3.09	2.66	3.09	2.50	2.66	3.09	9'.79	1
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					Tot	al DP(DEO 75050 KO
# Ğ Function	Function Description	Allocation Method	Operating Unit (OU)	Alloc Pool Description	St Cd	μc	ransmissio Company
1. Information Systems	Development and support of mainframe computer software applications.	Number of Central Processing Unit Seconds Ratio	ENMF UTMF	Mainframe Svcs Ent Mainframe Svcs Utility	S05 S11	52.90 52.90	JI
-*	Procurement and support of personal computers and related network and software applications.	No. of Personal Computer Workstations Ratio	ENWS	Worksta Svcs Enterprise Worksta Svcs Utility	506 512	34.32 93.71	1 1
	Development and support of distributed computer software applications (e.g., servers).	Number of Info Systems Servers Ratio	ENSS UTSS	Server Svcs Enterprise Server Svcs Utility	507 513	38.83 49.19	
	Installation and operation of communications systems.	Number of Employees Ratio	ENTS UTTS	Telecom Svcs Enterprise Telecom Svcs Utility	533 534	71.31 76.43	1 1
			ENHD	Helpdesk Services	233 233	71.31	1
	Information systems management and support services.	Three Factor Formula	ENMA UTMA	ITS Mgt & Apps Svcs Ent ITS Mgt & Apps Utility	535 536	58.37 56.51	0.01
2. Meters	Procures, tests and maintains meters.	Number of Customers Ratio	UTMS UMMS	Meter Svcs Utility Meter Svcs Uti MWonly Elec/Gas	S60	52.90	• •
			UEMS	Meter Svcs Util MW Elec	558	1	F
3. Transportatio	Procures and maintains vehicles and equipment.	Number of Employees Ratio	UTVE UMVE	Transp Vehicles Utility Transp Vehicles Util MW only	510 565	76.40	
	Procures and maintains aircraft and equipment.	Three Factor Formula	CGAV ENAV	Transp Aviation Gvrnce Transp Aviation Svcs Ent	CG1 503	55.85 58.37	- 0.01
4. Electric Syste Maintenance	 Coordinates maintenance and support of electric transmission and distribution systems. 						

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	Services related to transmission system:	Circuit Miles of Electric Transm Lines Ratio	UTTR	ESS Elec Tran Utility	S15	62.52	1
	Services related to distribution system:	Circuit Miles of Electric Dist. Lines Ratio	UTDI UMDI	ESS Elec Dist Utility ESS Elec Dist Utility MW only	516 S57	67.18	· ·
5. Marketing and Customer	Advises the Client Companies in relations with domestic utility customers.						
Relations	Design and administration of sales and demand- side management programs.	Sales Ratio	utsd Net	M&CR Sales & Demand Util Customer Strategy P&S	\$17 \$75	48.79 57.96	1 7
			STD	Standard Services	S17	48.79	ı
			UMSD	M&CR Standard Prod Util MWonly	568	1	I
			UMNT	M&CR Net Product Util MW only	568	·	ı
			UESD	M&CR SIS&Dmnd Util MWElec only	\$66	1	I
			UGSD	M&CRSale&Demand Utl MWGas only	567	1	ı
			UTNT	Energy Effienciency Net Utl	S75	57.96	
	Customer meter reading, billing and payment processing.	Number of Customers Ratio	UTMR UMMR	M&CR Mtr Rdg&Pmt Proc Util M&CR MtrRdg&PmtPrc Util MWonly	537 560	52.90	
			UOMR	M&CR MtrRdgPmtPrc DEO DEK only	S59	1	I
	Customer services including the operation of call center.		UEMR UMPD	M&CR MtrRdg&PmtPrc Util MWElec M&CR Util MW PD	558 569	• •	1 1
			DWPD	M&CR PD DEO/DEK E/G	S70	1	I

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	Costs associated with Smart Grid activities	Number of Customers Ratio	NSGA	M&CR Smart Grid	S76	52.90	.
			USGE	M&CR Smart Grid - Electric	S77	59.80	
			NSGM	M&CR Smart Grid to Midwest	578	1	ı
			USME	SG Midwest electric	579	1	ı
			USGA	M&CR Smart Grid	S80		1
			USGE	M&CR Smart Grid - Electric	581	1	I
			MSSU	M&CR Smart Grid to Midwest	582	I	I
			USME	SG Midwest electric	583	1	,
Electric Transmission & Distribution Engineering & Construction	Designs and monitors construction of electric transmission and distribution lines and substations. Prepares cost and schedule estimates, visits construction sites to ensure that construction activities coincide with plans, and administers construction contracts.						
	Transmission engineering and construction:	(Electric Transmission Plant's) Construction - Expenditures Ratio	UTET	Eng & Constr ET Util MW only Eng & Constr ET Util MW only	518 562	47.59	· ·
Electric Transmission & Distribution Engineering & Construction	Distribution engineering and construction:	(Electric Distribution Plant's) Construction - Expenditures Ratio	UTED UEED	Eng & Constr ED Util MW only Eng & Constr ED Util MW only	530 561	57.39	
			1. Y. AMOUNT		<u>,</u>	いまたものです。この	NUL HAND TO THE PARTY

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7. Power Engineering & Construction	Designs, monitors and supports the construction of electric generation facilities. Prepares specifications and administers contracts for construction of new electric generating units or improvements to existing electric generating units. Prepares cost and schedule estimates and visits construction sites to ensure that construction activities coincide with plans.	(Electric Production Plant's) Construction - Expenditures Ratio	UTEC UEEC UGEG	Eng & Constr Pwr Prod Util Eng&Constr Pwr Prod Uti MWonly Eng & Constr Gas Util MW only	525 563 564	48.46	1 1
s. Human Resources	Establishes and administers policies and supervises compliance with legal requirements in the areas of employment, compensation, benefits and employee health and safety. Processes payroll and employee benefit payments. Supervises contract negotiations and relations with labor unions.	Number of Employees Ratio	CGHR CGHR UTHR	HR Services Utility	504 \$38 \$38	64.22 71.31 76.40	
9. Materials Management	Provides services in connection with the procurement of materials and contract services, processes payments to vendors, and provides management of material and supplies inventories.						
	Procurement of materials and contract services and vendor payment processing:	Procurement Spending Ratio	UTSC ENSC	Matls Mgmt Sply Chn Util Matls Mgmt Sply Chain Ent	519 508	51.87 47.40	0.01 0.01
			QPPD	MW ELEC/GAS DELIVRY STOREROOM	572	1	•
	Management of materials and supplies inventory:	Inventory Ratio	NITU	Matls Mgmt Inventory Util	520	51.50	ı
lo. Facilities	Operates and maintains office and service buildings. Provides security and housekeeping	esta altra Pentranarata marta da Antonio Seria da Seria d Square Footage Ratio	GORE DPRE	REFERENCESSION STATES AND A ST A STATES AND A STATES AND	s27 526	<u>99.58</u> 100.00	10000000000000000000000000000000000000
	services for such buildings and procures office furniture and equipment.		CNRE	RE Fac Svcs - Cincinnati	S50	17.31	r
			PLRE ENRE UTRE	RE Fac Svcs - Plainfield RE Facility Services Ent RE Facility Services Utility	S51 S39	2.27 64.50	
			MWRE	RE Facility Services MW Utility	S71	1	ł

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				MWHR	RE Facility Services Plainfield (exclude	573	42.86	ı
				MWHC	RE Facility Services Cincinnati (excludes CGE)	574	31.03	ı
11.	Accounting	Maintains the books and records of Duke Energy	Three Factor Earnida	CGAC	Accounting Gymce VOP - Governance	ថីខ្ល	55.85 55.85	.
		curpuration and its antimates, prepares menutation and statistical reports, prepares tax filings and	1 or 111ard	ENAC	Accounting Svcs Ent	503 503	58.37	0.01
		supervises compliance with the laws and regulations.		UTAC	Acctg Svcs Utility Acctg Svcs MW Comm Pwr only	509 554 -	66.52 -	0.01
				UMAC	Acctg Svcs Util MW FE&G only	553	ı	1
				4090 DCTA	SvcCo Depreciation Enterprise GOV3FFDECTA - Depr CTA Gov	549 CG4	58.37 55.85	0.01 -
				CCTA	ENT3FFCTA - CTA Capital	190	55.85	1
12.	Power Planning and Operations	Coordinates the planning, management and operation of Duke Energy Corporation's electric				Ű.		
		power systems. The activities of the Function						
		System Planning - planning of additions and retirements to Duke Energy Corporation's electric generation, transmission and distribution systems.						
		Generation planning:	Elec Peak Load Ratio	UTGE	Pwr Plng&Ops Gen Plng Util	S21	60.90	•
		Transmission planning:	Elec Peak Load Ratio	UTTP	Pwr Plng&Ops Trans Plng Util	532	64,18	
		Distribution planning:	Weighted Avg of the <i>Circ Miles of</i> <i>ED Lines Ratio</i> and the <i>Elec Peak</i> <i>Load Ratio</i>	UTDP	Pwr Ping&Ops Dist Ping Util	S41	65.68	
	Power Planning and Operations	System Operations - coordination of the energy dispatch and operation of Duke Energy Corporation's electric generating units and transmission and distribution systems.						
		Generation Dispatch:	Sales Ratio	UTGD	Pwr Plng&Ops Gen Dsptch Util	S42	54.32	.
		Transmission Operations:	Weighted Average of the <i>Circ</i> Miles of Elec Transm Lines Ratio and the Elec Peak Load Ratio	UTTO	Pwr Ping&Ops Trans Ops Util	231 231	63.35	
		Distribution Operations:	Weighted Avg of the <i>Circ Miles of</i> <i>ED Lines Ratio</i> and the <i>Elec Peak</i> <i>Load Ratio</i>	ИТРО	Pwr Plng & Ops Dist Ops Util	\$22	65.68	

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		Power Operations – provides management and support services for Duke Energy Corporation's	Generating Unit MW Capability Ratio	UTPO REPO	Pwr Plng & Ops Pwr Ops Util Pwr Plng & Ops Pwr Ops Reg	523 528	40.71 55.78	
		electric generation system.		NRPO	Pwr Pl&Ops Pwr Ops Non Reg	S29	 ,	
		Wholesale Power Operations – coordination of Duke Energy Corporation's wholesale power operations.	Sales Ratio	НМТИ	Pwr Plng&Ops Whisle Ops Util	S43	54.36	1
13.	Public Affairs	Prepares and disseminates information to employees, customers, government officials,	Three Factor Formula	CGPA CGPP	Pub Afris Gvince Public Policy Gvince	cgi CGi	55.85 55.85 55.85	
		communities and the media. Provides graphics, reproduction lithography, photography and video services.		ENPA	Public Affairs Services Ent	S 03	58.37	0.01
		Utility Specific Activities	Weighted Average of # of Customers Ratio and # of Employees Ratio	UTPA	Public Affairs Services Utilit	524	64.65	1
14.	Legal	Renders services relating to labor and employment law, litigation, contracts, rates and regulatory affairs, environmental matters, financing, financial reporting, real estate and other lenal matters	Three Factor Formula	UTLE	Legal Services Utility	CG1 S09	55.85 66.52	0.01
15.	Rates	Determines the Client Companies' revenue requirements and rates to electric and gas requirements customers. Administers interconnection and joint ownership agreements.	Sales Ratio	UTRA UORA	Rates Utility Rates Svcs Util DEO DEK only	S44 S55 S55	48.79	
E		Researches and forecasts customers' usage.	en andre en					
16.	Finance	Renders services to Client Companies with respect to investments, financing, cash management, risk	Three Factor Formula	CGFI	Financial Svcs Gvrnce	CG1	55.85	· 6
		management, claims and nire prevenuon. Prepares budgets, financial forecasts and		EN1	rinancial svcs cherprise Financial Services Utility	509 509	66.52	10.0
		economic analyses.		UMFI	Financial Svc Util MW FEG only	5 53		F
				IHAN	Financial Svc MW Comm Pwr only	5 54	,	ı
17.	Rights of Way	Purchases, surveys, records, and sells real estate interests for Client Companies.					-	

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		Services related to electric distribution system:	Circuit Miles of Electric Dist. Lines Ratio				
		Services related to electric generation system:					
		Services related to electric transmission system:	Circuit Miles of Electric Transm Lines Ratio	UTRW	Right of Way ET Sys Util	62.52 62.52	1
18.	Internal Auditing	Reviews internal controls and procedures to ensure that assets are safeguarded & that transactions are properly authorized & recorded.	Three Factor Formula	CGIA UTTA	Internal Audit Gvrnce Intrni Audit Svcs Utility	CG1 55.85 509 66.52	- 0.01
19.	Environmental, Health and Safety	Establishes policies and procedures and governance framework for compliance with environmental, health and safety ("EHS") issues, monitors compliance with EHS requirements and provides EHS compliance support to the Client Companies' personnel.	Three Factor Formula	CGEA	Envir Affrs Gymce Enviro Affairs Sycs Ent	56.1 55.85 546 58.37	- 0.01
		Utility Specific Activities	Sales Ratio	UTEA	Enviro Affairs Svcs Utility	547 48.79	
20.	Fuels	Procures coal, gas and oil for the Client Companies. Ensures compliance with price and quality provisions of fuel contracts and arranges for transportation of the fuel to the generating stations.	Sales Ratio	UTFU	Fuels Utility	54.32	
21.	Investor Relations	Provides communications to investors and the financial community, performs transfer agent and shareholder record keeping functions, administers stock plans and performs stock-related regulatory reporting.	Three Factor Formula	CGIR	Investor Rei Gvince	CG1 55.85	
22.	Planting	Facilitates preparation of strategic and operating plans, monitors trends and evaluates business opportunities.	Three Factor Formula	CGPS CGCA CGCA CGCA CGCA CGCA CGCA CGCA CGC	Planning Svcs Gvrnce Corp Dvlpmnt Gvrnce CTA Gvrnce Enterprise CTA Gvrnce Utility Planning Svcs Enterprise	GG1 55.85 GG1 55.85 GG1 55.85 GG3 66.52 GG3 56.52 50.37 58.37	0.01
				STU	Planning Svcs Utility	509 66.52 	0.01

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Executive	Provides general administrative and executive management services.	Three Factor Formula	CGEX	Exec Governance Exec Services Enterprise	CG1 \$03	55.85 58.37	0.01
			UTEX UMEX	Exec Services Utility Executive Svc Util MW FEG only	S09 S53	66.52	0.01 -
			UPEX	Executive Svc MW Comm Pwr only	554	,	·
			NOEX	Exec Svcs Utility DEO DEK only	556	ı	•
			1			10 Co. 23	1
Facilities Rate o Return Allocation	f Allocates the Service Company's portion of the utilities chargeback for affiliate use of space.	Formula	CGRR	Facilities ROR Gvmce	CG1	55.85	
Interest	<u>ಸರ್ಕತೆ ಕ್ರಮ ಸಾಮಾನಿ ಸಂಕಾರಣಗಳು ಸರ್ಕಾರಿಗಳು ಕರ್ಷಕ್ರಿಗಳು ಕರ್ಗಿಸಿಗಳು ಕರ್ಷಕ್ರಿಸಿದೆ.</u> Allocates Interest		ENAL	Acctg Interest Svc Enterprise	S52	47.40	8.2.1.1925.2022.2023.2023.2

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n Pwr ⁷	1 1	8.78	20.64	6.50 -	6.50 -	11.60 - -	τ ι	1 1		10.97 11.60 -	1 1 1
IEI Tota	17.28 17.28	3.69 4.10	18.98 24.05	13.75 14.73	13.75	17.18 19.78	17.28 36.70	48.60	14.73 62.45	16.24 17.17	
EK Tot)	5.12 5.12	1.21 1.35	4.41 5.59	2.22 2.37	2.22	2.73 3.16	5.12 ###	8.44	2.39 ###	2.60 2.74	
iEO Tota	24.70 24.70	0.78 0.84	16.71 21.17	6.0 4 6.47	6.04	9.22 10.55	24.70 52.43	42.96	6. 4 8 27.43	8.72 9.22	
DEO 7 75028 DE Ohio Other - Gas	1 1	0.06 0.06	0.48 0.61	0.48 0.51	0.48	1.13		I	0.92 3.89	2.95	
DEO 75027 DE Ohio Gas Customer	9.42 9.42	0.06 0.06	2.54	0.48 0.51	0.48	1.14 1.31	- 19.99	F		1 1 1	
DEO 75024 DE Ohio Cus Service - Elec	15.28 15.28	0.11 0.12	3.67 4.65	0.87 0.94	0.87	1.08 1.23	- 32.44	42,96			
DEO 75023 DE Ohio Power Deliv - Elec	1 1	0.13 0.14	5.37 6.80	1.03 1.10	1.03	1.27 1.45	15.28 -	ż	1 I		
DEO 75025 DE Ohio Other Elec		0.39 0.42	3.16 4.00	2.94 3. 15	2.94	3.86 4.41		I	5.56 23.54	- 6.21	
DEO 75026 DE Ohio Gas Delivery	1 1	0.03	2.03	0.24 0.26	0.24	0.68 0.78	9.42	I			
DEO 75014 DE Ohio (USFRGSGO V)	1 1	1 1	t I	1 1	1	1 1		3		2.78	
DEO 75013 DE Ohio (USFRELGO V)		1 1	1 1	1 1	I	3 1		ı		5.88	
DEO 75091 TriState Governance		ı ı	1 1	1 1	ı	1 1		I		0.05	
DEO 75090 TriState Improveme nt Company		š 1	7 (1 9	e	0.05		1		0.05	
DEO 75051 KO Transmissio n	1 1	1 7	1 1			1 1	• •	l		0.01	

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11.21	11.19 34.09		25.98 15.08	25.98	50.74	50.74	35.87	84.02	15.08		24.70 52.43	82.82	42.96 52.43	82.82
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Attachment B Page 1 of 2

2010 - 2012 Three Factor Allocation for DE Ohio

Sum of Statistics Amount JD	Column Labels	н 	•
Row Labels	2010	2011	2012
DE Ohio Other - Gas	2.95	2.69	2.73
DE Ohio Other Elec	6.21	5.16	4.95
KO Transmission Company	0.01	0.01	0.01
TriState Improvement Company	0.05	0.04	0.02
Grand Total	9.22	7.9	7.71

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R909	75025 DE Ohio Ot	2010 \$03	6.21
R909	75025 DE Ohio Ot	2011	5.16
GDOH	75028 DE Ohio Ot	2010	2.95
GDOH	75028 DE Ohio Ot	2011	2.69
GDKO	75050 KO Transm	2010	0.01
GDKO	75050 KO Transm	2011	0.01
RTRI	75090 TriState Im	2010	0.05
RTRI	75090 TriState Im	2011	0.04
R909	75025 DE Ohio Ot	2012 S03	4.95
GDOH	75028 DE Ohio Ot	2012	2.73
GDKO	75050 KO Transm	2012	0.01
RTRI	75090 TriState Im	2012	0.02
RTRI R909 GDOH GDKO RTRI	75090 TriState Im 75025 DE Ohio Ot 75028 DE Ohio Ot 75050 KO Transm 75090 TriState Im	2011 2012 S03 2012 2012 2012 2012	0.04 4.95 2.73 0.01 0.02

DUKE ENERGY CORPORATION DUKE ENERGY OHIO, INC. SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION ACCOUNTING DEPARTMENT

I. <u>Policy and Goal Setting</u>

The Corporate Controller's Department sets policies, as necessary, to comply with Financial Accounting Standards Board (FASB), Security Exchange Commission (SEC), Public Company Accounting Oversight Board (PCAOB), and Federal Energy Regulatory Commission (FERC) requirements. These policies are generally developed within the department, taking into account department and enterprise practices, industry standards and requirements, and processes developed through past experience. Policies and practices documents employed by management are available to the general employee population through department websites on Duke Energy Corporation's (Duke Energy) intranet.

The U.S. Franchised Electric & Gas (USFE&G) Planning and Finance Group is primarily responsible for the books and records of Duke Energy's regulated utility operations, including the regulated portion of Duke Energy Ohio, Inc. (Duke Energy Ohio). The Non-Regulated Accounting Group is primarily responsible for the books and records of Duke Energy's Commercial Power Business Unit, including the nonregulated portion of Duke Energy Ohio. These groups support the corporate policies developed by the Corporate Controller's Department through department directives, procedures and practices. The groups that report to the Corporate Controller, including USFE&G Planning and Finance and the Non-Regulated Accounting Group, set goals designed to support the financial and administrative goals of the Corporate Controller's Department, which are aligned to support Duke Energy's strategic and business plans. The goal setting process is a joint effort of the Senior Vice President & Controller (Corporate Controller), other members of executive management, and other members of management of the Department. Progress toward achieving the established goals is reviewed as required.

II. Strategic Planning

Senior Management has the primary responsibility for establishing Duke Energy's strategic plan. As mentioned in Section I, Policy and Goal Setting, the Corporate Controller's Department goals are designed to align with Duke Energy's strategic and business plans.

The Corporate Controller's Department participates in the corporate planning process through input and suggestions given to the Group Executive & Chief Financial Officer, and through Corporate Controller Department participation on corporate teams established for this purpose.

III. Organizational Structure

Duke Energy's accounting operations are centralized and led by the Corporate Controller. Reporting directly to the Corporate Controller are the General Manager, USFE&G Accounting; General Manager, Non-Regulated Accounting; Managing Director, Duke Energy International Accounting; Managing Director, Corporate Accounting; Managing Director, Internal & External Reporting; Managing Director, Accounting Research; and Managing Director, Project Accounting.

The USFE&G Planning and Finance Group is under the direction of the General Manager-USFE&G Accounting; who reports to the Corporate Controller. Reporting to the General Manager-USFE&G Accounting are the Director of FE&G General Accounting, Director of Fixed Asset Accounting, Director of Derivative and Revenue Analysis, and the Director of Wholesale Accounting.

The Non-Regulated Accounting Group is under the direction of the General Manager – Non-Regulated Accounting who reports to the Corporate Controller. Functions that relate to Duke Energy Ohio activity that report to the General Manager –Non-Regulated Accounting are: Director of Accounting Commercial Power Reporting, Manager Accounting Commercial Power and Gas Accounting, Manager Accounting Commercial Power Emission Allowances and Fuel Accounting and Manager Accounting Commercial Power Business Support.

The organizational chart for the Corporate Controller's Department is attached as Exhibit CO-1.

IV. <u>Responsibilities</u>

The USFE&G Planning and Finance Group is responsible for ensuring the integrity of the regulated businesses' accounting books and records; providing accounting-related information to support Duke Energy's regulatory initiatives and assure that the organization's reporting documents are in compliance with generally accepted accounting principles and practices and established governmental standards set by regulators, such as the SEC, the FERC and the utility regulatory commissions of Ohio, Indiana, Kentucky, North Carolina, and South Carolina.

The duties of the USFE&G General Accounting group include:

- Closing the books on a monthly basis and analyze financial results;
- Preparing information for filings with regulators including FERC Form1, FERC Form 2 and FERC Form 3Q or others as required;
- Supporting Duke Energy's regulatory activities including assistance in preparing accounting-related testimony, exhibits and discovery requests and coordination of regulatory audits;
- Assisting in preparing accounting-related data in support of corporate initiatives and activities;
- Establishing financial controls and test for compliance with Sarbanes-Oxley 404 requirements;
- Consolidating Carolinas and Midwest financial data to report results for USFE&G;
- Coordinating data gathering for 10Q/10K filings for Duke Energy; and
- Coordinating updates of key financial messages for Investor Relations.

The duties of the Fixed Asset Accounting group include:

- Maintaining property, fuel, materials and supplies inventory, and emission allowance records (Asset valuation, depreciation, AFUDC, capital recovery, etc.);
- Establishing asset accounting policies;
- Providing guidance on capital versus expense accounting;
- Performing construction and retirement work order accounting;
- Determining appropriate strategies for book depreciation, nuclear decommissioning funding and AFUDC;
- Establishing financial controls and test for compliance with Sarbanes-Oxley requirements;
- Preparing and analyze capital expenditure, fuel, materials and supplies inventory and emission allowance reports for management use; and
- Preparing rate case exhibits and testimony and respond to recovery requests.

The duties of the Derivative and Revenue Analysis group include:

- Recording revenues, primarily utility related, for the business units;
- Performing accounting control functions for the utilities revenue processes to ensure data integrity;
- Providing internal management reporting and analysis for revenue results; and
- Providing billing and collection services for miscellaneous utility and certain non-utility services.

The specific duties of the Wholesale Accounting group include:

• Providing accounting and settlement function for power and gas transactions;

- Providing accounting and invoicing for jointly owned facilities and network point to point transmission;
- Performing Post Analysis Cost Evaluation (PACE) modeling;
- Reporting and analyzing product line profitability;
- Assisting with fuel clause, revenue sharing and other regulatory calculations; and
- Supporting regulatory fuel clause and revenue sharing audits.

The Non-Regulated Accounting group is responsible for ensuring the integrity of the commercial power businesses' accounting books and records; providing accountingrelated information to support Duke Energy's non-regulated initiatives and assure that the organization's reporting documents are in compliance with generally accepted accounting principles and practices and established governmental standards set by regulators, such as the SEC, the FERC and the Public Utilities Commission of Ohio.

The duties of the Commercial Power Reporting group include:

- Close the books on a monthly basis and analyze financial results;
- Coordinate and prepare filings with regulators including FERC Form 1, as required;
- Assist in preparing accounting-related data in support of corporate initiatives and activities;
- Initiate and monitor quarterly due diligence reviews to ensure adequate external financial disclosures;
- Establish financial controls and test for compliance with Sarbanes-Oxley 404 requirements;
- Consolidate various non-regulated businesses financial data to report results for Commercial Power;
- Coordinate data gathering for 10Q/10K filings for Duke Energy; and
- Coordinate updates of key financial messages for Investor Relations.

The duties of the Commercial Power and Gas Accounting group include:

- Provide accounting and settlement for power and gas transactions;
- Coordinate and prepare filings with regulators including FERC Form 1 and Form EQR, as required;
- Assist in preparing accounting-related data in support of corporate initiatives and activities;
- Initiate and monitor quarterly due diligence reviews to ensure adequate external financial disclosures;
- Establish financial controls and test for compliance with Sarbanes-Oxley 404 requirements; and
- Coordinate data gathering for 10Q/10K filings for Duke Energy.

The duties of the Commercial Power Emission Allowance and Fuel Accounting group include:

- Provide accounting and settlement for emission allowances, coal and renewable energy credits;
- Coordinate and prepare filings with regulators including FERC Form 1 and Form EQR, as required;
- Assist in preparing accounting-related data in support of corporate initiatives and activities;
- Initiate and monitor quarterly due diligence reviews to ensure adequate external financial disclosures;
- Establish financial controls and test for compliance with Sarbanes-Oxley 404 requirements; and
- Coordinate data gathering for 10Q/10K filings for Duke Energy.

The duties of the Commercial Power Business Support group include:

- Confirming commodity transactions;
- Providing contract support for all commodity contracts;
- Perform end of day and end of month processing;
- System administrator of Commodities XL;
- Support the commercial asset management organization in the use and administration of Commodities XL;
- Establish financial controls and test for compliance with Sarbanes-Oxley 404 requirements; and
- Coordinate data gathering for 10Q/10K filings for Duke Energy Corp.

The International Accounting group is responsible for the books and records, financial reporting, and all other accounting-related aspects of non-U.S. operations.

The Corporate Accounting group is responsible for corporate level benefits accounting, service company allocations, governance accounting and reporting, labor loading factors, labor distribution (excluding international), and stock based compensation accounting. Additionally, the group is responsible for captive insurance accounting, derivative accounting, parent company and joint venture accounting, reserves and accruals, incentive accruals, quarterly cash flow roll forwards, various quarterly schedules and analysis to support SEC disclosures (*e.g.* 10-Q and 10-K, income and balance sheet variance analysis and reporting for the Duke Other segment and other special projects of a corporate nature as needed

The Internal & External Reporting group is responsible for:

• Supporting the enterprise-wide consolidation of balance sheets and income statements, facilitating intercompany transactions reconciliation and elimination processes;

- Managing the monthly close and reporting tasks, and manage non-routine transactions and non-routine SEC reporting that involve multiple business units and/or corporate areas;
- Preparing and filing all SEC periodic reports and financial statements (Form 10-K, 10-Q, etc);
- Preparing certain monthly financial reports to executive management and the Board of Directors of Duke Energy and financial statement analysis;
- Coordinating and making filings with regulators including FERC Form 1, FERC Form 2 and Form 3Q or others as required; and
- Leading enterprise efforts to enhance internal controls, including the development and enhancement of corporate control policies and compliance with sections of the Sarbanes-Oxley Act of 2002 related to internal controls and disclosure controls.

Detailed responsibilities are separately documented.

The Accounting Research group is responsible for providing assistance to the corporate and business unit personnel on resolution of accounting and reporting issues related to generally accepted accounting principles (GAAP), SEC reporting, and other regulatory matters. This group also provides implementation assistance and periodic training to corporate and business unit personnel on new accounting pronouncements and reporting matters and reviews significant accounting conclusions developed by the business units.

The Project Accounting group is responsible for providing accounting and budget support for USFE&G's Retail Customer Products and Services (RCPS) organization. This group also provides accounting and invoicing support for the stimulus grants that have been awarded to Duke Energy by the Federal government under the American Recovery and Reinvestment Act of 2009 (ARRA).

The duties of the Project Accounting group include:

- Ensuring that the accounting for USFE&G's Energy Efficiency (EE), Smart Grid (SG) and non-regulated activities, and for Duke Energy's stimulus grants, is in compliance with generally accepted accounting principles and established governmental standards set by regulators, such as the SEC, the FERC, the Department of Energy and the utility regulatory commissions of Ohio, Indiana, Kentucky, North Carolina, and South Carolina;
- Supporting Duke Energy's EE, SG and base-rates regulatory filings and reporting, including assistance in preparing accounting-related testimony, exhibits, discovery requests and other reports;
- Tracking and monitoring revenues, costs and rider collections associated with EE and SG programs and ensure proper recording in the general ledger;
- Tracking and reporting the profitability of all EE and other products versus budget;

- Preparing invoices and supporting documentation for submission to the federal government in order to receive stimulus funds. Also track and report cumulative spend and jobs created for each stimulus grant/project;
- Coordinating the government mandated annual independent audits of stimulus grants;
- Establishing financial controls and test for compliance with Sarbanes-Oxley 404 requirements; and
- Coordinating budgets and forecast updates for the RCPS organization.

V. <u>Practices and Procedures</u>

The Corporate Controller's Department's practices and procedures comply with Duke Energy policies and procedures located on Duke Energy's intranet. These policies including those established by the Corporate Controller's Department as noted in Section I, Policy and Goal Setting of this document, help ensure consistency across the enterprise. Policies and procedures are reviewed and updated as necessary to reflect new or modified accounting pronouncements and regulatory requirements, and to provide additional clarity. A list of these key Internal Controls and Financial Controls policies are attached as Exhibit CO-2.

As part of Duke Energy's due diligence process with respect to its SEC filed financial statements, senior management and certain key management employees are required to sign a quarterly certification representing that there are no material weaknesses in internal controls or any material misstatements in the financial statements of the company.

VI. Decision Making and Control

Overall direction on the broad concepts for reflecting accounting and financial information is provided by the Corporate Controller. With few exceptions, personnel at all levels are provided general supervision and granted latitude to make daily decisions, plan activities, coordinate personal schedules, and travel as required to perform their core functions.

The decision making process for the Corporate Controller's Department revolves primarily around the proper disclosure of accounting and financial data to satisfy external regulations and requirements. Department personnel research accounting issues as needed and formulate preliminary decisions that are communicated through the management hierarchy, as appropriate, for concurrence.

Control of individual purchasing activities and access to cash disbursements and reimbursements are strictly controlled in accordance with the Duke Energy Approval of Business Transactions policy and resulting delegations of authority (DOA) approval
levels. For most transactions, DOA approval levels are captured in the various procurement and payable systems and are electronically verified to ensure compliance with established limits.

To provide greater controls and review of financial documents to be filed externally, the Corporate Controller's Department circulates drafts of each filing for comments from internally affected departments and externally from Duke Energy's independent auditors. In addition, a due diligence process is performed each quarter to ensure that the financial statements include the most current and appropriate financial disclosures.

In addition to the internal reviews and controls associated with making accounting changes, compliance with certain accounting policies and procedures is monitored by the Audit Services Department, independent auditors, and/or regulators.

VII. Internal and External Communication

Periodic staff meetings are held by the Corporate Controller and each group that reports to the Corporate Controller to provide a sharing of events that have transpired and/or are planned that affect accounting operations, to provide updates on the progress of projects at various stages of completion and to discuss personnel, policies and practices. Those items and events affecting the operations of the department are communicated to employees as appropriate. Electronic mail is used extensively, along with internal departmentally shared network drives to exchange both formal and informal communication.

Frequent communication is also required with other departments within Duke Energy including, Legal, Rates, Tax, Human Resources, Risk Management, Budgets & Forecasts and Treasury in the form of oral or written requests to gain information/knowledge on certain issues to be considered when preparing external documents. These departments frequently request information from the Corporate Controller's Department as well.

The Corporate Controller and staff communicate with other utilities on accounting issues which may impact the utility industry. As needed, contact with other utilities is made by phone or email to obtain these companies' external reports such as Annual Reports or Form 10-Ks and also to discuss accounting methods or procedures. In addition, the Corporate Controller's Department periodically responds in written format to regulatory agencies' and authoritative accounting bodies' proposed accounting changes.

Frequent contact is maintained with independent auditors during their testing of financial statements and documents. Occasional contacts are also made with outside

legal and actuarial experts, as well as state and federal regulatory agencies, concerning audits for prescribed accounting and records supporting rate case issues.

VIII. Goal Attainment and Qualification

Performance measures are established annually and approved by the Duke Energy Compensation Committee. These performance measures include items that are critical to the enterprise as well as departmental items that support and align with enterprise measures. Enterprise measures may include earnings per share, operations and maintenances expense levels, reliability metrics, safety, etc. Departmental measures may include items such as timely and accurately closing the books and reporting financial results, and timely response to data requests. Actual performance against these measures is tracked and reported to all employees.

In addition, employees receive annual performance reviews to measure and report progress toward individual goals and performance against expectations.



Tracking Sheet - List of Internal Controls and Financial Controls Policies					
This list was last updated on 4-2-2012.	Current Revision Date *	Original Effective Date			
Accounting and Financial Reporting					
Account Analysis and Reconciliation	3/31/2008	4/30/2001			
Accounting for Cash Overdrafts	6/10/2010	3/31/2006			
Accounting for Claims between Captive Insurer and Affiliates	2/11/2010	12/16/2004			
Accounting for Defined Benefit Pension Plans and Other Post-Retirement Benefit Plans	12/31/2010	12/1/2004			
Accounting for Derivative Instruments and Hødging Activities	12/31/2009	12/1/2004			
Accounting for Goodwill	12/31/2010	12/1/2004			
Accounting for Intercompany Transactions	2/10/2011	7/31/2004			
Accounting for Loss Contingencies	12/31/2010	12/18/2007			
Accounting for Regulated Operations	12/31/2010	12/1/2004			
Accrual Guidelines	5/15/2009	3/31/2003			
Asset Impairments Reviews for Long-lived Assets (excluding Goodwill) and Equity Method Investments, Assets Held for Sale and Discontinued Operations	12/31/2010	12/1/2004			
Duke Energy International (DEI) Capitalization Policy	6/15/2009	5/31/2009			
Fair Value Measurements Used in Accounting	12/31/2009	1/1/2008			
Financial Statement Disclosure of Related Party Transactions	2/11/2010	12/15/2004			
Form 8-K Requirements and Filing Procedure	6/3/2010	8/23/2004			
Journal Entry Creation and Approval Requirements for Non-System Generated Journals	3/1/2008	9/30/2003			
Other Comprehensive Income Accounting Procedures	5/15/2009	12/31/2003			
Preparing & Reviewing Financial Schedules, Statements, or Reports	2/1/2008	3/31/2004			
Property/Business Interruption Reserve Eliminations in Consolidation	2/11/2010	12/31/2004			
Reclassification of Realized Income Statement Activity in Consolidation - Net vs. Gross	2/10/2011	9/30/2003			
Revenue and Accounts Receivable		8/31/2000			
Revenue Recognition	12/31/2010	12/1/2004			
Holes and Responsibilities for the Consultation on and Documentation of Significant Accounting or Reporting	10/04/0000	10/15/000			
IVIS GAAR Compliance Checklist	12/31/2009	12/15/2004			
	12/31/2009	12/1/2004			
Entity Level Controls	*,				
Duke Energy Entity Level Controls	5/21/2010	6/1/2008			
Finance Entity Level Controls	5/31/2010	0102000			
HR Entity Level Controls	11/30/2010				
IT Entity Level Controls	8/2/2010				
	L. 0.52010	.			
Expenditures		-			
Accounts Payable and Imprest Petty Cash	4/1/2012	7/19/2006			
Approval of Annual Budget	1/14/2010	8/31/2000			
Approval of Business Transactions	7/2/2009	7/1/2000			
Check Signing	4/1/2012	8/31/2000			
Contract Administration Policy	4/1/2012	7/1/2008			
Delegation of Authority	4/1/2012	8/31/2000			
Delegation of Authority - International Employees	12/16/2009	8/31/2000			
Employee Expense Reimbursement Policy	4/20/2009	8/31/2000			
Purchasing Authority Policy	4/1/2012	1/1/2008			
Purchasing Controls Policy	4/1/2008	3/31/2004			
U.S. Government Funded Project Policy	4/1/2012	7/31/2009			
External Auditor and Other Major Accounting Firms					
Engaging Major Accounting Firms for All Services	· · · · · · · · · · · · · · · · · · ·	4/30/3000			
Engaging the Independent Auditor for Services	12/9/2040	4/30/2009			
Hiring Policy for Employees and Former Employees of the External Auditor	12/8/2010	4/4/2006			
rinnig i olicy tor Employdes and rommer Employees or the External Auditor	12/31/2009	4/24/2003			
Other Internal Controls		L			
Creation Dissolution or Restructuring of Legal Entities and Subsidiarion	2/10/2014	2/25/0004			
Disclosure Committee Charter	2/10/2011	3/23/2004			
Disclosure Controls and Procedures Overview	3/1/2010	1/1/0000			
Sarbanes-Oxley Change Control	7/1/2008	1/1/2008			
	[/10/2010	10/4/2004			

Payroll	1 N.S. 1.	·· · ·	•
Payroll Policy		 	8/31/2000

Tracking Sheet - List of Internal Controls and Financial Controls Policies					
This list was last updated on 4-2-2012.	Current Revision Date *	Original Effective Date			
Risk Management		<u>.</u> '			
Commodity Risk Policy	11/28/2011	5/24/2004			
Credit Policy	11/28/2011	7/15/2003			
Loan Policy	1/19/2011	1/7/2002			
Property and Liability Insurance	1/18/2011	1/1/2009			
Surety Bonds	1/25/2011	9/26/2000			
Summary of Internal Controls and Financial Controls Policies					
Summary of Internal Controls and Financial Controls Policies	12/31/2009	12/16/2004			
Тахез					
Accounting for Income Taxes	12/31/2010	6/30/2004			
Property Tax	12/31/2010	8/31/2000			
Relations with Tax Authorities	3/31/2009	8/31/2000			
Sales/Use and Excise Tax	12/31/2010	8/31/2000			
Tax Reserves Policy	12/31/2010	12/31/2004			

Treasury	and the second	
Bank Account and Check Disbursement Policy	1/31/2010	8/31/2000
Corporate Cash Management Policy	1/31/2010	3/10/2000
Financing Activity and Financial Risk Management P	Policy 7/20/2010	4/1/2006
Intercompany Funding Policy	1/31/2010	11/1/2004
Wire Transfer Policy	1/31/2010	8/31/2000

* If no Revision Date is indicated, it is the same as the Effective Date and/or there have been no revisions.

DUKE ENERGY CORPORATION DUKE ENERGY OHIO, INC SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION INTERNAL CONTROLS GROUP

I. <u>Policy and Goal Setting</u>

The Internal Controls Group is responsible for various internal control matters within the Corporate Controller's function, including governance and oversight activities related to execution of Sections 302 and 404 of the Sarbanes-Oxley Act, ensuring activities associated with documenting, testing, and evaluating the effectiveness of Duke Energy Corporation (Duke Energy) internal controls over financial reporting are successfully performed by the organization, and supporting executives of the company who are responsible for internal controls by obtaining quarterly and annual assertions regarding the effectiveness of such internal controls. The Internal Controls Group is responsible for coordinating the external management representation letters and for maintaining specific finance and accounting policies.

II. Strategic Planning

Preparation of the corporate closing calendar and applicable quarterly/annual due dates for specific regulatory filings are the responsibility of the Corporate Controller's Department. The Internal Controls Group adheres to these due dates as it establishes its applicable quarterly work plans relative to achievement of Sarbanes-Oxley, Section 302 quarterly compliance activities and applicable accounting policy updates.

Planning activities as they relate specifically to achievement of implementation of annual Sarbanes-Oxley, Section 404 compliance requirements are the direct responsibility of the Director, Internal Controls. Work plans are developed and communicated to affected business areas. Critical due dates are established and closely monitored; periodic status reports are provided to both executive management and the Audit Committee of the Board of Directors.

III. Organizational Structure

The Internal Controls Group is under the direction of the Director, Internal Controls, who reports to the Managing Director, Internal and External Reporting. Business process owners for each applicable affected business area (*e.g.*, Human Resources, Business Units, etc.) are also actively engaged in the various compliance activities, as it relates to both Section 302 and Section 404 efforts.

The organizational chart for the Corporate Financial Controls Department is attached as Exhibit CFC-1.

IV. <u>Responsibilities</u>

Primary responsibilities of the Internal Controls Group include providing general oversight, guidance, and monitoring to ensure that quarterly activities associated with the Section 302 and Section 404 internal representation letter process are executed by the applicable business process areas and maintaining the Corporate Financial/Accounting policies and procedures. Specific duties of the Internal Controls Group include:

- Maintaining Corporate Financial/Accounting policies and procedures;
- Coordinating Section 302 and Section 404 internal representation letter process, including disclosure controls and procedures;
- Coordinating management representation letters with external auditors;
- Providing support for the Approval of Business Transactions policy;
- Training applicable business process owners on Section 404 related requirements and responsibilities;
- Developing and monitoring detailed project plans and timelines;
- Performing risk assessments of the financial statements and footnotes to determine scope of Section 404 activities;
- Developing consistent standards for documentation and testing;
- Identifying, for each transaction cycle, the control objectives and risks and developing control activity guidance for the business process owners;
- Reviewing business process owner's identification and documentation of control activities and assessment of control design;
- Developing testing criteria and templates for use by business process owners for their effectiveness testing;
- Reviewing, as necessary, business process owner effectiveness testing and associated documentation;
- Coordinating the documentation of the Duke Energy's entity level controls and development of entity level test templates to facilitate business process owners certification of those controls;
- Coordinating re-testing of business process owner's transaction level testing;
- Coordinating overlap testing with Corporate Audit Services;
- Maintaining remediation database and monitoring remediation activities and status;
- Providing counsel and direction to business process owners in the completion of transaction level remediation activities, as necessary;
- Participating with business process owners responsible for the implementation of new company's initiatives to ensure the appropriate

internal controls over financial reporting are being designed, implemented, and are working effectively;

- Monitoring the activities of the Securities and Exchange Commission and the Public Company Accounting Oversight Board in order to ensure Section 404 activities are in accordance with applicable authoritative guidance;
- Coordinating the Management Section 404 assertion process;
- Interfacing with the Duke Energy's external auditors regarding their attestation work; and
- Communicating project status and other related information (*e.g.*, remediation activities status) to key stakeholders.

V. <u>Practices and Procedures</u>

As stated earlier, the Internal Controls Group adheres to corporate practices and procedures as it relates to overall compliance with applicable due dates for both Section 302 and Section 404 regulatory requirements. The Internal Controls Group develops and directly manages to an overall program work plan and day-to-day work activities are closely monitored to ensure the timely completion of all Section 302 and Section 404 related requirements. Various monthly and/or quarterly meetings and/or communications are held with specific process owners, executive management, and the Audit Committee of the Board of Directors to discuss current work activities, program status, and any applicable issues. The Internal Controls Group monitors activities of the Securities and Exchange Commission and the Public Company Accounting Oversight Board as it relates to the issuance of authoritative guidance associated with Section 302 and Section 302 and Section 404, to ensure compliance.

VI. Decision Making and Control

The Director, Internal Controls and Managing Director, Internal and External Reporting have responsibility for the general oversight, governance, and monitoring of Section 302 and Section 404 activities, reporting directly to the Corporate Controller. In addition, ad hoc meetings of applicable business process owners occur, as necessary, to address areas of specific or immediate concern. Applicable business process areas have designated an area Sarbanes Oxley Representative to aid in the execution of Section 302 and Section 404 activities, and to provide business process owners necessary guidance and assistance in order for them to provide their annual assertions as to the effectiveness of internal controls over financial reporting related specifically to their affected business areas. The Corporate Controller is ultimately responsible for providing periodic presentations on program status to the Audit Committee of the Board of Directors. In addition the Director, Internal Controls and/or Corporate Controller is (are) responsible for reporting status on a periodic basis to executive management, including the Chief Financial Officer and the Chairman, President, and Chief Executive Officer.

VII. Internal and External Communication

The Internal Controls Group, in the performance of its duties and responsibilities, interfaces frequently with personnel from outside and within Duke Energy. These interfaces are accomplished by written communications (*e.g.*, e-mails, reports, memorandum, etc.), telephone conversations, and personal meetings.

External interfaces include Duke Energy's external auditors and other utility companies. Periodic meetings are held between the Internal Controls Group and Duke Energy's external auditors to discuss the status of the external auditor's attestation activities, including any potential issues or areas of concern.

Internally, there are frequent interfaces with business process owners and other key stakeholders.

The Internal Controls Group holds routine staff meetings. The purpose of these meetings is to communicate current work activities, status, and timelines and to provide a forum to discuss problems, concerns, and suggestions.

Quarterly meetings are held with the Corporate Disclosure Committee, made up of key executive financial officers and financial management, and of which the Corporate Controller serves as Chairperson. The purpose of the Corporate Disclosure Committee is to assist Duke Energy's Chief Executive Officer and Chief Financial Officer in fulfilling their responsibilities for oversight of the accuracy and timeliness of disclosures made by Duke Energy. The Corporate Disclosure Committee is responsible for considering the materiality of information and assisting in determining disclosure obligations pursuant to applicable securities laws and regulations and stock exchange requirements.

Periodic program status update meetings are held with executive management and the Audit Committee of the Board of Directors. Attendees of these meetings include the Corporate Controller, Managing Director, Internal and External Reporting (as necessary), Director, Internal Controls (as necessary), and Duke Energy's internal and/or external audit engagement partners (as necessary).

VIII. Goal Attainment and Qualification

The achievement of the Company's financial compliance efforts are measured by the successful and timely execution of the department's established work plans, goals, and objectives. In addition, periodic meetings are held with executive management and the Audit Committee of the Board of Directors to report overall program status.



DUKE ENERGY CORPORATION DUKE ENERGY OHIO, INC SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION TREASURY DEPARTMENT

I. Policy and Goal Setting

The financial policies of Duke Energy Corporation (Duke Energy) are the responsibility of the Chief Financial Officer, who is principally responsible for the development and protection of Duke Energy's financial resources.

The Treasury Department supports the corporate financial policies and the corporate policies embodied in the Duke Energy Code of Business Ethics, which establishes the guidelines by which Duke Energy employees are expected to conduct business.

In addition, the Corporate Treasury Policy and Guideline Manual and Investment Policy Statements provide further policy and guideline parameters under which Treasury operates. Examples of specific Treasury Department policies include but are not limited to:

- Intercompany funding;
- Wire Transfers;
- Check signing and disbursements;
- Short-term investments;
- Financing Activity and Financial Risk Management Policy; and
- Delegation of authority and approval of business transactions.

The annual goals and objectives of the Treasury Department are designed to support the achievement of the Duke Energy business plan. These goals and objectives are developed by all levels of departmental personnel and are approved by the Treasurer. The focus of treasury-related goals routinely encompasses items such as minimizing or reducing costs related to financing related transactions, increasing returns on cash investments, providing superior support to other corporate areas such as regulatory affairs and corporate accounting, and maintaining excellent credit rating agency support to encourage appropriate credit ratings.

II. Strategic Planning

Financial planning in the Treasury Department (*i.e.*, Corporate Finance, Cash Management, and Long-Term Investments) centers on the cash forecast, which is prepared primarily from Duke Energy's Annual Financial Plan. The cash forecast is updated monthly to reflect variations between actual results and budget, as well as to reflect revised estimates of cash needs obtained from the major operating subsidiaries. The forecast identifies the magnitude, timing, and tenor of external financing needs. This information, as well as corporate policy, market information, and other

Company specific information, is used to determine the amount of short-term liquidity resources needed and to plan the type of external long-term financings needed. These financial plans are reviewed by the Treasurer and the Chief Financial Officer. Short-term financing requirements and all long-term financings are reviewed and approved by the Board of Directors.

Long-Term Investments provides management oversight of the assets in Duke Energy's pension benefit trusts, 401(k) plans (Plans), and nuclear decommissioning trusts. In providing these services, Long-Term Investments partners with Human Resources and external service providers to effectively meet the goals and objectives of the Plans.

III. Organizational Structure

The Treasury Department is divided into four principal sections: Corporate Finance; Project & International Finance; Cash Management; and Long-Term Investments. The leaders of these functions all report directly to the Treasurer, who reports to the Chief Financial Officer.

The organization chart of the Treasury Department is attached as Exhibit TR-l.

IV. <u>Responsibilities</u>

The Treasury Department, under the direction of the Treasurer, provides various financial services to Duke Energy under four areas of responsibility:

- Corporate Finance;
- Project & International Finance;
- Cash Management; and
- Long-Term Investments.

Through various short and long-term financing options, the Treasury Department provides, in a cost-effective manner, the funding necessary to support working capital outlays, capital expenditures, and the cost of expansion into energy-related markets for Duke Energy and affiliate companies. This includes developing alternative financing strategies that optimize benefits for both shareholders and ratepayers.

The Treasury Department has responsibility for all corporate funds of Duke Energy, including cash funds management, wire transfer disbursements, and borrowing and/or investing of funds. Treasury also has responsibility for money pool administration, asset and liability management, leasing, indenture administration, pension fund and 401(k) asset management oversight, and cost of capital studies. The Treasury Department is also responsible for maintaining relationships with the banking community, fixed income investors, credit rating agencies, trust custodians, investment managers, and investment consultants.

V. <u>Practices and Procedures</u>

Cash Management

Daily money movement decisions (including borrowing and/or investing corporate funds) are the responsibility of the Assistant Treasurer, Cash Management. Cash Management personnel assist in executing this responsibility with oversight from the Assistant Treasurer. The Cash Management group obtains interest rates from banks, brokers, and dealers, and evaluates the most advantageous actions to be taken by Duke Energy. Various financial analyses and reports are prepared that reflect daily cash activity. These reports are distributed to the Treasurer and other financial employees as necessary.

Corporate Finance

Corporate Finance provides the resource that converts the Duke Energy Annual Financial Plan to actionable items. In doing so, it regularly maintains active dialogues with relationship banks to analyze and investigate various financing alternatives in order to raise needed capital in a cost efficient manner. Individual financing transactions are coordinated with appropriate parties including banks, legal advisors, credit rating agencies, and others to facilitate the transaction. These actions support Duke Energy's balance sheet strength in accordance with its credit ratings objectives and support other financial objectives such as exposure to floating rate interest rates, shareholder dividend policy, and short-term liquidity needs. All financing transactions are approved by the Treasurer and the Chief Financial Officer under the delegation of authority set forth in the corporate Approval of Business Transaction Policy. In addition, other activities include economic overview and analysis support for large capital expenditure recommendations, accounting and regulatory support for "finance oriented" projects, and periodic interaction with credit rating agencies to respond to needed data requests.

Project & International Finance

The Project & International Finance team provides support to Duke Energy's commercial businesses, specifically Duke Energy International and Duke Energy Renewables. In this role, the team supports non-recourse project financings and international transactions.

Long-Term Investments

Long-Term Investments manages the ongoing trust cash flows including contributions to various plans, funding benefit payments, and paying management consultants and trustee fees and expenses. Activities also include re-balancing asset investment positions consistent with established benchmarks and objectives and monitoring manager and fund performances compared to performance benchmarks, making manager changes as necessary. Performance is periodically reported to the Investment Committee of the Board of Directors and annually to the Board of Directors.

VI. Decision Making and Control

The level at which decisions are made within Treasury and the amount of control exercised by individual department personnel are in many cases specified in resolutions approved by the Board of Directors (or subcommittees thereof). In addition, a formal Corporate Treasury Policy and Guideline Manual and Investment Policy Statements have been approved which further delineate, among other matters, decision making authority within Treasury. All employees are apprised of their responsibilities and authority and are expected to make decisions within the parameters of that authority and report their results to the next level of supervision as appropriate.

Many of the major decisions in the area of Corporate Finance are made pursuant to resolutions approved by the Board of Directors. These resolutions delegate authority to the Chief Financial Officer, Treasurer, other Treasury management, or other designated persons (employees, agents, etc.).

VII. Internal and External Communication

Departmental groups hold periodic staff meetings for all employees of the group. The purpose of these staff meetings is to communicate policies and decisions of management, discuss work assignments and work schedules, and to provide an informal forum to discuss problems, concerns, and suggestions of the employees. The Treasurer holds periodic staff meetings with all of his management team.

Daily interaction is maintained between the Treasurer, Managers, and other employees. Frequent informal communication lines are also maintained with other departments within Duke Energy. In addition, department personnel are made available for presentations to other departments within Duke Energy.

External communications are maintained with commercial and investment banks, credit rating agencies, pension fund managers, trust custodians, and consultants.

VIII. Goal Attainment and Qualification

Cash Management

- Performance is measured by a number of factors, most of which relate to the following:
- Ability to concentrate funds for optimizing cash flow strategies;

- Ability to complete short-term borrowing requirements at costs comparable to equivalent or higher-rated companies;
- Ability of obtain favorable rates of return on cash investments;
- Ability to secure bank pricing that is below published national averages;
- Support of Company initiatives that impact cash receipts and disbursements; and Timely inputs into the monthly closing process

Corporate Finance

Performance is measured by the success of meeting time schedules for financing, obtaining long-term funds on the most favorable terms possible, and the accuracy of related documents. Performance for preparation of financial and disclosure documents is measured by timely and accurate preparation, distribution and filings with various agencies.

Other indicators which are part of the financial planning process and performance attainment comparisons include:

- Ability to complete financing requirements at costs comparable to or better than equivalent rated companies;
- Capital structure ratios;
- Interest coverage ratios;
- Levels of restrictive financial covenants contained in indentures or bank credit agreements;
- Implicit interest rates on leases; and
- Timely completion of disclosure reporting requirements.

Long-Term Investments

Performance is largely evaluated by comparing the total funds investment performance with the total fund composite benchmark. Further performance comparisons are made for total equity, total fixed income, and individual managers with their respective benchmarks.

Performance goals are specified in the approved Investment Policy Statement. Although investment performance is monitored and evaluated on a continuous basis, the attainment of performance goals have a longer term focus (*e.g.* generally rolling three year and five year periods) and are evaluated on such a basis.



DUKE ENERGY DUKE ENERGY OHIO SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION FINANCIAL PLANNING AND ANALYSIS

I. Policy and Goal Setting

The financial policies of the Company are the responsibility of the Company's Group Executive, Chief Financial Officer, who is principally responsible for the development and protection of the Company's financial resources.

The Financial Planning and Analysis function supports the overall corporate financial policies and the corporate policies embodied in the Duke Energy Code of Business Ethics, which establishes the guidelines by which Duke Energy employees are expected to conduct business.

The annual goals and objectives of Financial Planning and Analysis are designed to support the achievement of Duke Energy's business plan. These goals and objectives are developed by all levels of departmental personnel and are approved by the Senior Vice-President Financial Planning & Analysis.

II. <u>Strategic Planning</u>

Duke Energy's strategic direction is established by senior management. The Financial Planning and Analysis function addresses the needs of senior management generally by providing financial analyses of various strategic and financial direction options prior to decisions being made. Once a strategic direction is identified, communication and coordination among many departments occurs to produce Duke Energy's Annual Financial Plan and various updates to this plan.

III. Organizational Structure

The Financial Planning and Analysis function consists of three separate teams led by Directors who report to the Senior Vice-President Financial Planning & Analysis who then reports to the Group Executive, Chief Financial Officer. The three teams are 1) Forecasting 2) Consolidations, Budgeting, and Corporate Support 3) Power Delivery, Nuclear, and Fossil/Hydro Financial Support.

An organizational chart is provided in Exhibit FPA-1.

IV. Responsibilities

Financial Planning and Analysis is primarily responsible for the preparation of Duke Energy's Annual Financial Plan, which includes short- and long-term operating and cash forecasts. It also assists Corporate Accounting in monitoring corporate budget variances and providing explanations to senior management. The forecasts are used to assist in the development of Duke Energy and its subsidiaries' (including Duke Energy Ohio, Inc.) strategy for regulatory and competitive issues.

V. Practices and Procedures

The principle practices and procedures used by Financial Planning and Analysis, in addition to the above responsibilities, include the following:

- Rating agencies presentations/support;
- Regulatory planning & testimony support;
- Short-and long-term financial analysis;
- Strategic and corporate planning support;
- Short-and long-term financial target setting;
- Economic and financial decision-making support; and
- Support senior management review process.

VI. Decision Making and Control

Decision making involves applying financial and economic evaluation methods, along with independent judgment, to the many financial and operating issues that impact Duke Energy. Most decisions are made on the reasonableness of data, comparing it to previous years, trend data, expected results based on analysis and forecasts of changes in the industry environment, and other operating or financial considerations.

There is not one defined criterion utilized for decision-making purposes but rather criteria are driven by the issue being addressed. Financial Planning and Analysis staff members have a multi-functional background and expertise they bring to each issue being analyzed.

Much of the decision making in Financial Planning and Analysis is iterative in that results of one analysis imply another analysis is necessary to validate assumptions or conclusions. These subsequent analyses are often provided to senior management for their review process.

Assumptions and analyses are reviewed by the Directors and the Senior Vice President, Financial Planning and Analysis for reasonableness and consistency in theory application.

VII. Internal and External Communication

Communication within the department is achieved through regular staff meetings, conference calls, and e-mail. Types of information shared within the department include directions and/or assumptions for a particular analysis; brainstorming for problem resolution; relaying information communicated from another meeting that involves assignments; and communication of corporate direction from senior management.

VIII. Goal Attainment and Qualification

The goals are primarily subjective in nature and are based on quality of performance. The quantification is based on feedback from peers and project leaders.

Financial Planning and Analysis provides supporting data utilized by the Rates Department for cost of service data for filing by jurisdictions, develops testimony for witnesses, and responds to Commission staff or intervener data requests.

The group also provides timely and accurate executive management support for financial and strategic functions, scenario analysis, PRC and TRC processes.

Financial Planning and Analysis provides lead business support transformation and consolidation to position the Finance Department to deliver quality and consistent business support services at a more effective cost.



DUKE ENERGY CORPORATION DUKE ENERGY OHIO, INC. SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION STRATEGY AND PLANNING

I. <u>Policy and Goal Setting</u>

The Strategy and Planning Department provides senior management with corporate intelligence designed to enhance organizational resilience to anticipate threats and take advantage of financial opportunities, develop robust business plans, and formulate Duke Energy Corporation (Duke Energy) strategy. The key functions of this group include market monitoring through the continuous tracking of changes in the industry, facilitating the development and communication of corporate strategy, coordinating business planning, and providing research and analytical support as needed for senior management.

The Strategy and Planning Department is also responsible for load forecasting and market fundamentals.

The Department Executive, in consultation with their staff, coordinates goal setting for the group. Goals for the group reflect the financial and administrative goals established in the business plan of the Corporate Strategy and Policy Group.

II. <u>Strategic Planning</u>

Planning for the Strategy and Planning Department is the responsibility of the Department Executive in consultation with their staff. Departmental planning decisions are made annually for the next five years. These planning decisions are tailored to support corporate goals.

III. Organizational Structure

The Strategy and Planning Department is under the direction of the Department Executive and is a part of the Finance Group. There are three direct reports to the Department Executive, including the heads of Corporate Strategic Initiatives, Market Fundamentals, and Load Forecasting.

The organizational chart of the Strategy and Planning Department is attached as Exhibit SP-1.

IV. <u>Responsibilities</u>

An important function of the Strategy and Planning Department is to monitor emerging trends within the industry, assess their impact, and alert the organization on emerging threats and opportunities. In addition to facilitating the development and communication of corporate strategy, the group is responsible for coordinating the strategic planning cycle and ensuring that business plans are well aligned on a corporate basis. The department also supports Duke Energy's executive team by providing research and analytical support for special projects.

The Strategy and Planning Department also has input into the development, support, and facilitation of long-term planning efforts at Duke Energy. This includes responsibility for load forecasting and projecting market fundamentals.

V. Practices and Procedures

The Strategy and Planning Department monitors key changes in the industry on a continuous basis and communicates the impact of these to the executive team. The group facilitates the discussion of critical strategic issues to develop clear articulation of Duke Energy's point of view regarding these issues. Strategy and Planning facilitates the development of Duke Energy's strategy and communicates it to employees and other stakeholders through image maps and other regularly held information sessions.

VI. Decision Making and Control

The Strategy and Planning Department holds regular staff meetings to discuss issues. All important decisions are subject to the review of the Department Executive.

VII. Internal and External Communication

A large part of internal communication results from daily informal interaction among department personnel. This is augmented by regular meetings, as well as written communications such as memos, e-mail, etc. The group communicates on a regular basis with the business units as well as with other corporate center departments such as Financial Planning, Mergers and Acquisitions, Treasury and Administrative Areas. External communication includes publications, conferences, personal communication, and industry forums.

VIII. Goal Attainment and Qualification

Performance of the Strategy and Planning Department is usually measured by feedback from its customers. These include members of the executive management team as well as employees from other departments that interact with the Strategy and Planning Department. The group solicits feedback through surveys and direct interviews.



DUKE ENERGY CORPORATION DUKE ENERGY OHIO, INC. SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION INSURANCE AND CLAIMS DEPARTMENT

I. <u>Policy and Goal Setting</u>

Departmental practices and procedures are conducted within the guidelines established by Duke Energy Corporation (Duke Energy) policies.

Goal setting is performed annually during the budgeting and incentive development processes. The Insurance and Claims budget is part of the overall Finance group budget, which is approved by the Group Executive, Chief Financial Officer. Departmental objectives are also included in employee incentive targets and are evaluated annually.

II. Strategic Planning

The Insurance group's strategic plan is determined annually by assessing industry trends regarding the limits and coverage available in insurance markets, benchmarking with industry peers, and examining the development of claims against Duke Energy. Insurance coverage limits are purchased based upon current market conditions and risk assessments of Duke Energy.

For claims development, Duke Energy sends its claim history (cost and number of claims) to an independent, third party actuary. The actuary analyzes the data and provides an estimated loss forecast of the annual claim costs by coverage type (i.e. workers' compensation, property, liability). The loss reserves and premiums are based on this actuarial forecast.

Analysis of the insurance strategy is performed during the annual renewal of insurance policies, which generally takes place mid-year for major lines of insurance such as property and general liability. Significant changes to the insurance program are communicated to the Vice President, Global Risk Management & Insurance and Chief Risk Officer (CRO) and the Group Executive, Chief Financial Officer. An overview of the insurance program is provided to the Duke Energy Board of Directors on an annual basis.

III. Organizational Structure

The Insurance and Claims Department is led by a Director, Insurance and Claims, who reports to the Vice President Global Risk Management & Insurance, and CRO. The Vice President Global Risk Management & Insurance and CRO reports to the Group Executive, Chief Financial Officer.

The organizational chart for the Insurance and Claims Department is provided in TR-1.

IV. <u>Responsibilities</u>

The Insurance and Claims Department is responsible for assessing insurance risks, negotiating and renewing insurance policies for Duke Energy, and managing claims against Duke Energy and insurance carriers as described below:

Insurance

The insurance program is structured such that Duke Energy's subsidiaries (including Duke Energy Ohio, Inc.) self-insure low-level losses. Duke Energy provides limited insurance above the subsidiaries' self-insured retentions through its captive insurance companies. The captive companies then reinsure with A. M. Best "A-", Standard and Poor's "BBB+" or better rated insurers against losses above captive companies' retentions. The insurance program is designed to capture the business portfolio effect and save costs in the procurement of insurance.

<u>Claims</u>

The Claims department has responsibility for managing Duke Energy's risk to financial loss through claims management for all claims made against the Duke Energy. This includes establishing appropriate loss reserve levels, reviewing and adjusting loss estimates as necessary, and negotiating the settlement of claims in conjunction with the Office of General Counsel.

V. Practices and Procedures

The Insurance group executes the placement of insurance policies, determines internal insurance premiums, and processes transactions related to the insurance policies, including the payment of premiums. For transactions of the captive insurance companies, procedures have been developed within the guidelines of corporate policies for transactions such as disbursements and investments. Compliance with procedures is monitored through the review of quarterly captive insurance company financial statements and the testing of internal controls.

Claims personnel collect data regarding claims, establish reserves, update the claims management system for changes in claims, and manage the resolution of individual claims. The Claims group also handles day-to-day operations for the collection, processing, and filing of data for claims.

VI. Decision Making and Control

Decisions regarding the Insurance and Claims Department are subject to the Duke Energy Approval of Business Transactions Policy, which regulates the delegation of authority. In addition, Insurance and Claims maintains documentation of the internal controls observed in accordance with Sarbanes-Oxley requirements.

Duke Energy's captive insurance companies are governed by individual boards of directors that are comprised of Duke Energy Insurance and Tax group personnel as well as third-party directors in accordance with local treasury regulations.

VII. Internal and External Communication

The Insurance and Claims Department works with an external rating agency to obtain a credit rating for Duke Energy's captive insurance companies.

When a potentially significant claim is reported, the third-party insurance carrier is notified. Claims personnel then maintain ongoing periodic contact with insurance carriers as additional information becomes available.

Within Duke Energy, the Insurance and Claims Department works with various groups such as Corporate Accounting and the Office of General Counsel to ensure that departmental activities support the overall corporate objectives.

VIII. Goal Attainment and Qualification

The achievement of Insurance and Claims Department objectives is monitored primarily through periodic budget-to-actual comparisons and annual incentive evaluations. Departmental financial performance relative to budget is examined by the Insurance and Claims Group Manager at least quarterly. In addition, the Insurance and Claims Department has incentive goals regarding the timely and accurate submission of monthly financial supporting schedules to corporate accounting and reporting groups.



DUKE ENERGY CORPORATION DUKE ENERGY OHIO, INC SUMMARY OF MANAGEMENT POLICIES, PRACTICES & ORGANIZATION FINANCE PROGRAM OFFICE

I. Policy and Goal Setting

The Finance Program Office Department (Department) does not issue policy statements per se, but supports the Duke Energy Policies through directives, procedures, and practices. The annual goals and objectives of the Department are designed to support the achievement of the strategic and operating initiatives of the Company.

II. Strategic Planning

Improving the finance and accounting processes involves close coordination with the strategic directions of the company. The Department has continuously maintained an overall work plan from the original inception of the Financial ReEngineering Program in 2005, and regularly monitors actual performance against that work plan. Where necessary, the Department's work plan is modified based on changes in the Company's strategic directions.

Direction of the Department organization is provided by the Group Executive and Chief Financial Officer (CFO) and her direct reports when they meet to review progress and provide feedback.

III. Organizational Structure

The Department directly reports to the CFO. It is a dynamic organization that changes as improvement initiatives change. Currently, in addition to two project-based organizations, the department includes two support functions. A varying number of functional and technical employees have been assigned full time. These are supplemented by contractors and consultants, as necessary.

An organization chart is attached as Exhibit FA-1.

IV. <u>Responsibilities</u>

This organization is responsible for developing the Finance Roadmap and directing the accomplishment of Finance system projects and process improvement efforts. Also, the Functional User Support organization provides day-to-day business support for enterprise financial systems (*e.g.* PeopleSoft General Ledger, Hyperion Financial Manager, PowerPlant, etc.). The Project Management Office (PMO) organization

supports the project organizations in terms of providing project reporting, standards/methodologies, budgeting, and change management services.

IV. Practices and Procedures

Weekly control meetings are held at the project and program levels and the program level to ensure Department projects and activities are on schedule and have the necessary resources to achieve the objectives. Such meetings are conducted in order to discuss the prior week's progress, assignments for the upcoming weeks, any communication that needs to be made to other employees, and to ensure the various teams are integrating issues which may affect more than one team.

V. Decision Making and Control

Day-to-day decisions regarding the conduct of team activities are the responsibility of the Department management team. Key directional decisions are made as part of periodic review sessions with the CFO and her direct reports.

VI. Internal and External Communication

The Department has recurring meetings with various management constituencies throughout the Company on the progress of Department activities. Depending on the stakeholder group involved, the meetings may be bi-weekly, monthly, quarterly, or asneeded.

A large part of internal communication results from daily interaction among department personnel, as well as regular, formal team meetings. Communication outside and inside the Department can be in the form of telephone calls, letters, meetings, e-mails, faxes, etc. With regard to communication outside the Department, Corporate Communications assists to disseminate formal communications to affected constituencies. A Finance Portal has been established to facilitate communications throughout the Finance organization.

VII. Goal Attainment and Qualification

Performance is measured by the success of meeting specific objectives that have been set for the Department. Performance is evaluated periodically so that corrective action can be taken as needed. There are five objectives: (1) supporting the achievement of Duke Energy's earnings per share, Operation & Maintenance, Safety & Reliability targets; (2) completing the projects either at or below the authorized budget; (3) meeting or beating the deliverable dates for key milestones established for Department projects (4) delivering quality results while balancing the cost and schedule requirements; and (5) maintaining open communications and cooperation with key stakeholders.



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DUKE ENERGY CORPORATION DUKE ENERGY OHIO, INC SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION TAX DEPARTMENT

I. <u>Policy and Goal Setting</u>

The Tax Department (Department) follows Duke Energy Corporation (Duke Energy) Policies and Procedures. Each employee of the department is knowledgeable of these policies and procedures by having access to Duke Energy portal where the Corporate Policies and Procedures are available, as well as being made aware of them through employee orientation, discussions in corporate meetings and corporate training.

The goal setting process for the Tax Department is a joint effort between the Senior Vice President, Tax and the Group Executive, Chief Financial Officer (CFO). The objectives and annual goals of each department within Corporate Finance are designed to support the financial and administrative policies and the stated goals of Corporate Finance. Progress toward achieving the annual goals of the Tax Department is reviewed as required.

II. <u>Strategic Planning</u>

Senior Management has the primary responsibility for establishing Duke Energy's business plan. As mentioned in Section I, Policy and Goal Setting, the Tax Department sets general and specific goals to support the business plan established by Senior Management.

The Department participates in the corporate planning process through input and suggestions given to the Senior Vice President, Tax and the Group Executive, CFO and through corporate teams established for this purpose.

III. <u>Organizational Structure</u>

The Tax Department is headed by the Senior Vice President, Tax who reports to the Group Executive, CFO. The Tax Department is currently divided into nine areas, Federal Income Tax; State & Local Tax; Income Tax Accounting; International Tax; Property Tax; Tax Administration & Support; Mergers and Acquisitions Support; Income Tax Controls & Special Projects and Tax Systems; and Process & Controls. All of these areas report directly to the Senior Vice President, Tax. An organization chart is attached as Exhibit TX-1.

IV. Responsibilities

It is the Tax Department's responsibility to assemble, review, and prepare certain tax returns and reports for filing along with forecasting, verifying, and remitting payments of such taxes. The Tax Department establishes and records all accounting entries necessary for the proper determination of tax liabilities and expenses in accordance with regulatory requirements.

Tax planning, budgeting, and research are also the responsibility of this Department.

The specific duties of the Tax Department are as follows:

- Prepare and file, on a timely basis, appropriate federal, state, and local annual, quarterly, and monthly income and non-income tax returns;
- Forecast, verify, request, and remit payments of taxes;
- Develop and maintain necessary work papers as supporting documentation for tax returns and computations;
- Conduct tax research, including the review of current federal, state and local tax decisions, rulings, regulations and analyses of proposed legislation to determine their effect Duke Energy operations;
- Communicate tax research findings to appropriate levels of the organization and assist in formulating appropriate tax strategies;
- Provide Duke Energy responses to inquiries made by various taxing authorities during audit;
- Defend the Duke Energy's tax positions by filing appeals and protests, as necessary;
- Prepare tax accounting journal entries; and
- Establish and maintain proper and necessary contacts with taxing authorities and various other government agencies.

The goals of the Tax Department are established to support the Department's basic objectives, which are:

- To comply with all applicable federal, state, and local tax laws;
- To ensure filing of all returns and payments on a timely basis;
- To assure that the Duke Energy's tax accounting practices are in accordance with the respective regulatory agencies' requirements;
- To support the Duke Energy's position in regulatory initiatives;
- To participate in the development of tax legislation; and
- To provide tax assistance as may be requested by others in the organization.

V. Practices and Procedures

In order for the Tax Department to meet its desired objectives, clear communication and understanding of the business units and functional areas is required. The Tax Department's compliance deadlines are dictated by federal, state, and local statutes, which govern due dates and filing requirements for various returns and payments. The Tax Department utilizes a computerized tax calendar to assist in managing this responsibility.

Tax strategies and planning opportunities and issues are reviewed and approved at the appropriate level.

VI. Decision Making and Control

Decisions made in the Tax Department concern the proper measurement, timing, and reporting of tax data in returns, as well as in the books of record.

Accounting research is required as a result of changes in accounting required by the Financial Accounting Standards Board, federal or state regulatory commissions, or new financial circumstances. In addition, new legislation, court decisions, and changes in regulations require tax research.

General guidance for dealing with tax law, accounting reporting requirements, and rate case exhibits is identified by appropriate tax personnel and coordinated with the Senior Vice President, Tax. Detailed direction is provided by each area's leader who assigns responsibility to the appropriate staff employee. The respective leader monitors progress on the completion of the various tasks arising from the above mentioned items.

In addition to the internal reviews and controls covering tax and accounting changes, compliance related to accounting is monitored by the internal auditors, external auditors, and/or regulators. Also, compliance with tax changes is assured through periodic audits conducted by representatives of the various taxing authorities.

VII. Internal and External Communication

Periodic staff meetings are held by the Senior Vice President, Tax. These meetings provide a forum for sharing events that affect Tax operations, project report updates and for discussions involving personnel policies and practices.

The Senior Vice President, Tax attends quarterly CFO staff meetings. In addition, the Managing Director of Federal Income Tax and Managing Director of State & Local Tax are members of several Transaction Review Committee Scrub Teams, which provide the forum for the exchange of information about Duke Energy on a broad basis. The Senior Vice President, Tax and the Managing Director of Tax Accounting regularly attend meetings with the Senior Vice President, Controller, in which specific issues regarding accounting matters impacting Duke Energy are discussed. This information is disseminated within the leadership of the Tax Department by the Senior Vice President, Tax and the Managing Director of Tax Accounting. These meetings allow for the communication and identification of tax-related issues.

Regular communication occurs among the Senior Vice President, Tax, Managing Directors, Directors, Managers, and other employees within the Tax Department regarding the status of routine and special projects.

Regular communication also occurs with the employees in business units and corporate functional areas in order to provide assistance in tax- related matters and to stay informed of business activities.

Outside contacts are made regularly, both in writing and orally, between Tax Department personnel and employees of the various tax agencies with which Duke Energy files tax returns. The Senior Vice President, Tax communicates with other utilities, members of utility industry organizations, tax leaders outside the industry, and tax and legal experts in the profession on tax and accounting issues, which may impact the Duke Energy.

Frequent contact is required with external auditors during their review of financial statements and regulatory reports. Contacts are also made with outside legal and tax experts, as well as state and federal regulatory agencies.

VIII. Goal Attainment and Qualification

The primary measurement for timely and accurate accomplishment of Tax Department goals is based on the following:

- All tax returns and tax payments are correct and filed on a timely basis;
- Data for financial statement closing is supplied to the Corporate Controller's Department on a timely basis;
- Data for the Annual Budget is supplied to Budgets and Forecasts Department on a timely basis; and
- Information requested by other departments is correct and timely.

Assessments of the accuracy and timeliness of tax data and tax returns include the following:

- Tax Department monthly calendar of returns and payments due;
- Independent verification and review of returns, work papers and payment calculations; and
- On-going education and training of tax personnel.

Additional assurance of the accuracy of financial statements and accounting files and reports is provided by the regular reviews conducted by internal and external auditors. Measurement of the accuracy of tax returns is provided by annual or periodic audits by agents of the various taxing agencies.

Specific projects, studies, or actions, which have been identified as key areas of focus for the Tax Department, are monitored at regular intervals for progress. These are designed to meet the Tax Department's specific performance objectives. A key area of focus for the Tax Department is providing support for rate cases and regulatory proceedings.

Goals for attainment, which have been identified for individual employees' are also reviewed during the annual evaluation of these employees.


DUKE ENERGY CORPORATION DUKE ENERGY OHIO, INC. SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION INVESTOR RELATIONS DEPARTMENT

I. <u>Policy and Goal Setting</u>

The Investor Relations Department (Department) does not issue formal policy statements, but supports Duke Energy Corporation's (Duke Energy) corporate policies and objectives through Department practices.

All members of the Department are familiar with significant corporate policies and procedures impacting their daily work (*e.g.*, Regulation FD policy). Investor Relations' goals and objectives are designed to support the achievement of the strategic and financial initiatives of Duke Energy. These goals and objectives are developed under the direction of the Senior Vice President of Investor Relations & Treasurer (Senior Vice President) and approved by the Chief Financial Officer.

The Investor Relations Department's goals and objectives are to:

- Communicate timely, accurate, and relevant information to shareholders and the investment community;
- Build marketplace recognition and confidence in Duke Energy as a valuable equity and fixed income investment opportunity;
- Maintain a satisfied, balanced investor base (equity and fixed-income);
- Educate employees, executive management, and the Board of Directors about Duke Energy stock performance, investor perceptions on Duke Energy, and financial terminology utilized by the investment community; and
- Ensure appropriate disclosure compliance and shareholder services and recordkeeping compliance.

II. <u>Strategic Planning</u>

Departmental planning is focused on developing the specific tactics necessary to meet the Department's goals and objectives. On an annual basis, an investor relations calendar is developed detailing planned interaction with the investment community for the upcoming year (*e.g.*, attendance at a targeted number of bank-sponsored and industry conferences, completing a certain number of one-on-one meetings with analysts and investors, annual meeting of shareholders, etc). Additionally, the Department is involved in the drafting and review of the Annual Report and proxy materials as well as assuring compliance with rules and regulations of the Securities and Exchange Commission and New York Stock Exchange.

III. Organizational Structure

The Senior Vice President reports directly to the Chief Financial Officer of Duke Energy. The Department is responsible for two key functions: institutional investor relations activities, and retail shareholder services. Reporting to the Senior Vice President is a Managing Director who, along with another Director, works primarily with institutional investors and analysts. Two Managers of Investor Relations and Communications also report to the Managing Director, with primary responsibility for shareholder services and retail shareholder communications.

An organization chart is attached as Exhibit IR-1.

IV. <u>Responsibilities</u>

Investor Relations, under the direction of the Managing Director, has general charge of all investor relations activities, including shareholder services. The Department is responsible for all communications with retail and institutional shareholders and the financial and investment community, including Wall Street analysts.

Specifically, the Department:

- Coordinates earnings releases and conference call presentation materials related to Duke Energy's financial results on a quarterly basis;
- Develops responses for frequently asked questions;
- Prepares and coordinates presentations made at bank-sponsored and industry conferences;
- Coordinates one-on-one meetings with analysts and investors and senior executives of Duke Energy;
- Performs investor targeting and monitoring based upon trends seen in the broad markets as well as the utility industry;
- Monitors trends and developments with peer group utilities;
- Educates employees, executive management, and the Board of Directors about Duke Energy stock performance, investor perceptions on Duke Energy, and financial terminology utilized by the investment community; and
- Responds to investor inquiries.

In addition, from a retail investor perspective the Department is responsible for answering inquiries from retail investors, shareholder recordkeeping, stock transfer, dividend disbursement, dividend reinvestment plan administration, and assisting in preparations relating to the annual meeting of shareholders, including overseeing the distribution, solicitation, and tabulation of proxies.

V. Practices and Procedures

The Department's activities are reviewed and approved by the Senior Vice President and the Chief Financial Officer. The appropriate members of senior management review information and disclosures prior to external distribution.

Departmental personnel maintain close working relationships with nearly all areas of the organization in order to develop appropriate disclosures.

From a Shareholder Services perspective, the Department acts as Duke Energy's transfer agent to ensure that stock transfers and shareholder recordkeeping are maintained in accordance with the rules and regulations of the Securities and Exchange Commission, the Internal Revenue Service, and the New York Stock Exchange. Audits are periodically performed by Duke Energy's internal audit group, the Securities and Exchange Commission, as well as external auditors, Deloitte & Touche.

VI. Decision-Making and Control

The Department is involved in both proactive and reactive issues and consults frequently with senior management and expert technical personnel from other departments to determine appropriate responses and disclosures. Primary disclosures are reviewed with senior management for input and concurrence.

Decision-making and control responsibilities performed by Investor Relations include:

- Authorizing the issuance of common stock for Plan purchases; and
- Approving the calculation of dividend payments to shareholders.

VII. Internal and External Communication

The Department is responsible for external communications to shareholders and the investment community. Communications are conveyed through a combination of methods, including press releases, presentations delivered at conferences, one-on-one meetings with investors, formal written communications such as the Annual Report to Shareholders, a comprehensive internet website, teleconferences, and other communications by telephone, e-mail, or face-to-face.

The Department holds periodic staff meetings to communicate policies and decisions of management, discuss work assignments and work schedules, and provide an informal forum to discuss problems, concerns, and suggestions of the employees.

Frequent informal communication lines are also maintained with other departments within Duke Energy.

VIII. Goal Attainment and Qualification

Department performance is measured by numerous factors, which include:

- Achieving effective communications through, but not limited to, conferences and meetings with investors;
- Obtaining or maintaining an appropriate mix of institutional and retail investors; and
- Delivering shareholder returns and realizing credit spreads that represent fair valuations of Duke Energy's securities.

Performance in Investor Relations is also measured by the timely and accurate preparation and distribution of shareholder communications and dividend payments and meeting the rules and regulations of the Securities and Exchange Commission, the Internal Revenue Service, and the New York Stock Exchange. Comments received from analysts and shareholders are also used as an indication of performance.

DUKE ENERGY CORPORATION MANAGEMENT STRUCTURE

