

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke Energy Ohio, Inc., for an Increase in Gas Rates.	)	Case No. 12-1685-GA-AIR
	)	
In the Matter of the Application of Duke Energy Ohio, Inc., for Tariff Approval.	)	Case No. 12-1686-GA-ATA
	)	
In the Matter of the Application of Duke Energy Ohio, Inc., for Approval of an Alternative Rate Plan for Gas Distribution Service.	)	Case No. 12-1687-GA-ALT
	)	
In the Matter of the Application of Duke Energy Ohio, Inc. for Approval to Change Accounting Methods.	)	Case No. 12-1688-GA-AAM
	)	

DIRECT TESTIMONY OF  
KEITH G. BUTLER  
ON BEHALF OF  
DUKE ENERGY OHIO, INC.

_____	Management policies, practices, and organization
_____	Operating income
_____	Rate Base
_____	Allocations
_____	Rate of return
_____	Rates and tariffs
<u>  X  </u>	Other: Taxes

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**I. INTRODUCTION AND PURPOSE**

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

2   A.   My name is Keith G. Butler, and my business address is 550 South Tryon Street,  
3       Charlotte, North Carolina 28202.

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

5   A.   I am employed by Duke Energy Business Services LLC (DEBS) as Vice  
6       President, Tax. DEBS provides various administrative and other services to Duke  
7       Energy Ohio, Inc., (Duke Energy Ohio or Company) and other affiliated  
8       companies of Duke Energy Corporation (Duke Energy).

9   **Q.   PLEASE BRIEFLY SUMMARIZE YOUR EDUCATIONAL**  
10   **BACKGROUND AND PROFESSIONAL EXPERIENCE.**

11   A.   I have a Bachelor of Science degree in Business Administration, with a  
12       concentration in accounting, from the University of North Carolina at Chapel Hill.  
13       I am a Certified Public Accountant in the state of North Carolina, a member of the  
14       American Institute of Certified Public Accountants, a member of the North  
15       Carolina Association of Certified Public Accountants, a member of the Tax  
16       Executives Institute, and a member of the Edison Electric Institute Tax  
17       Committee.

18       I joined Duke Energy in January 1984, in the Controller's Department,  
19       and have worked in various leadership positions in accounting, finance,  
20       independent power development, and energy services. I was appointed to the  
21       position of Vice President & Corporate Controller in August 2001 and was  
22       responsible for the accounting functions of Duke Energy. In June 2005, I was

1 appointed to the position of Vice President, Corporate Tax. I was appointed  
2 Senior Vice President, Tax in January 1, 2007. My current title is Vice President,  
3 Tax.

4 **Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AS VICE**  
5 **PRESIDENT, TAX.**

6 A. As Vice President, Tax, I have overall responsibility for corporate tax compliance,  
7 planning, and accounting for Duke Energy. The Duke Energy Tax Department  
8 prepares and files federal, state, and local income, sales and use, excise, and  
9 property tax returns for Duke Energy. The department also files tax returns for  
10 various joint ventures if Duke Energy is the designated tax matters partner.

11 The Tax Department maintains and reconciles Duke Energy's tax accounts  
12 and manages audits with the Internal Revenue Service and state and local tax  
13 authorities. Finally, the Tax Department is responsible for the reporting and  
14 disclosure of tax-related matters, to the extent required.

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

17 A. Yes. Most recently, I provided testimony in support of Duke Energy Ohio's request  
18 for an increase in electric distribution rates, filed under Case No. 08-709-EL-AIR, *et*  
19 *al.*

20 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THESE**  
21 **PROCEEDINGS?**

22 A. My testimony addresses Duke Energy Ohio's income tax expense presented in  
23 this filing. I sponsor Schedules C-4 and C-4.1 and Supplemental Filing

1 Requirements (C)(10) and (C)(15). I also cosponsor Schedule B-6 and I have  
2 provided certain tax information to other witnesses for their use in these  
3 proceedings.

**II. SCHEDULES, FILING REQUIREMENTS, AND**  
**INFORMATION SPONSORED BY WITNESS**

4 **Q. PLEASE DESCRIBE SCHEDULE B-6.**

5 A. Schedule B-6 is a summary of date certain balances for Customer Advances for  
6 Construction, Customer Service Deposits, Post Retirement Benefits, Accumulated  
7 Deferred Investment Tax Credits, and Accumulated Deferred Income Taxes.

8 **Q. WHAT INFORMATION ON SCHEDULE B-6 ARE YOU SPONSORING?**

9 A. I am sponsoring the balances shown in the "Total Company" column for  
10 Accumulated Deferred Investment Tax Credits and Accumulated Deferred  
11 Income Taxes. Duke Energy Ohio witness, Peggy A. Laub is responsible for the  
12 remainder of the information and the adjustments provided on Schedule B-6.

13 **Q. PLEASE DESCRIBE SCHEDULE C-4.**

14 A. Schedule C-4 provides the adjusted jurisdictional federal income tax expense for  
15 Duke Energy Ohio.

16 **Q. PLEASE DESCRIBE SCHEDULE C-4.1.**

17 A. Schedule C-4.1 presents the jurisdictional federal income tax expense for Duke  
18 Energy Ohio prior to adjustments.

19 **Q. PLEASE DESCRIBE SUPPLEMENTAL FILING REQUIREMENT**  
20 **(C)(10).**

21 A. Supplemental Filing Requirement (C)(10) is the latest certificate of valuation  
22 from the Ohio Department of Taxation.

1   **Q.   PLEASE DESCRIBE SUPPLEMENTAL FILING REQUIREMENT**  
2       **(C)(15).**

3   A.   Supplemental Filing Requirement (C)(15) provides information relating to the  
4       Company's federal income tax expense. The Company's gas operations are  
5       subject to the Ohio Excise Tax and, therefore, are not subject to state income tax.

6   **Q.   PLEASE DESCRIBE THE TAX INFORMATION YOU PROVIDED TO**  
7       **OTHER WITNESSES FOR THEIR USE IN THESE PROCEEDINGS.**

8   A.   In addition to cosponsoring Schedule B-6, I provided Ms. Laub with the average  
9       Ohio gas property tax rate for 2011 for her use in calculating the annualized  
10      property tax expense on the Company's plant as of March 31, 2012, which is the  
11      date certain in these proceedings as shown in Schedule C-3.8. I also provided  
12      Duke Energy Ohio witness Stephen G. De May with the accumulated deferred  
13      income tax and accumulated deferred investment tax credit balances for use on  
14      Schedules D-1A and D-1B.

### **III.       CONCLUSION**

15   **Q.   WAS THE INFORMATION YOU PROVIDED IN SCHEDULES B-6, C-4,**  
16       **AND C-4.1, SUPPLEMENTAL FILING REQUIREMENTS (C)(10) AND**  
17       **(C)(15), AND THE TAX INFORMATION YOU SUPPLIED TO OTHER**  
18       **WITNESSES PREPARED UNDER YOUR DIRECTION AND**  
19       **SUPERVISION?**

20   A.   Yes.

21   **Q.   IS THE INFORMATION YOU SPONSORED ACCURATE TO THE BEST**  
22       **OF YOUR KNOWLEDGE AND BELIEF?**

1 A. Yes.

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

3 A. Yes.