

BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke Energy Ohio, Inc., for an Increase in Electric Distribution Rates.	)	Case No. 12-1682-EL-AIR
In the Matter of the Application of Duke Energy Ohio, Inc., for Tariff Approval.	)	Case No. 12-1683-EL-ATA
In the Matter of the Application of Duke Energy Ohio, Inc., for Approval to Change Accounting Methods.	)	Case No. 12-1684-EL-AAM

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

PUCO

2012 JUL 20 PM 3:06  
RECEIVED-SOCKETING DIV

- Management policies, practices, and organization
- Operating income
- Rate Base
- Allocations
- Rate of return
- Rates and tariffs
- ☒ Other: Taxes

July 20, 2012

## TABLE OF CONTENTS

	<u>PAGE</u>
I. INTRODUCTION AND PURPOSE .....	1
II. SCHEDULES, FILING REQUIREMENTS AND INFORMATION SPONSORED BY WITNESS .....	3
III. CONCLUSION .....	4

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

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

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

5 A. As Vice President, Tax, I have overall responsibility for corporate tax  
6 compliance, planning, and accounting for Duke Energy. The Duke Energy Tax  
7 Department prepares and files federal, state, and local income, sales and use,  
8 excise, and property tax returns for Duke Energy. The department also files tax  
9 returns for various joint ventures if Duke Energy is the designated tax matters  
10 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 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 Income  
11 Taxes. Duke Energy Ohio witness Peggy A. Laub is responsible for the remainder  
12 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, state, and municipal  
15 income tax expenses for Duke Energy Ohio.

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

17 A. Schedule C-4.1 presents the jurisdictional federal, state, and municipal income tax  
18 expenses for Duke Energy Ohio prior to adjustments.

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

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

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

2    A.    Supplemental Filing Requirement (C)(15) provides information relating to the  
3           Company's federal and state income tax expense.

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

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

### **III.        CONCLUSION**

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

18   A.    Yes.

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

21   A.    Yes.

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