FILE

31

DUKE ENERGY OHIO EXHIBIT_____

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke Energy Ohio, Inc., for an Increase in Electric Distribution Rates.	)))	Case No. 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

RICHARD D. HARRELL

ON BEHALF OF

DUKE ENERGY OHIO, INC.

X	Management policies, practices, and organization
_____	Operating income
_____	Rate base
_____	Allocations
_____	Rate of return
_____	Rates and tariffs
_____	Other

July 20, 2012

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I. INTRODUCTION AND PURPOSE

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Richard D. Harrell, and my business address is 139 East Fourth Street, Cincinnati, Ohio 45202.

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

A. I am employed by Duke Energy Business Services LLC (DEBS) as Vice President of Field Operations, Midwest region. DEBS provides various administrative and other services to Duke Energy Ohio, Inc., (Duke Energy Ohio or Company) and other affiliated companies of Duke Energy Corporation (Duke Energy).

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. I have an Associate Degree in Electrical Engineering Technology from Purdue University, a Bachelors Degree in Industrial Technology from Indiana State University, and a Masters Degree from Indiana Wesleyan University.

I have held various positions throughout my 33-year career with Duke Energy, including Electric Field Operations, Gas Construction and Operations, Transmission & Distribution Maintenance and Construction, Industrial and Commercial Customer Services, Vegetation Management, and Customer Engineering.

Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AS VICE PRESIDENT OF FIELD OPERATIONS, MIDWEST REGION.

A. I am responsible for transmission and distribution construction and maintenance, substation construction and maintenance, customer service engineering, and

electric outage response for the Duke Energy Midwest service area, which includes Ohio, Kentucky, and Indiana.

Q. HAVE YOU EVER TESTIFIED BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO?

A. No.

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

A. The purpose of my testimony is to: (1) describe Duke Energy Ohio's electric delivery system; (2) explain the policies relating to the design, construction, operation, and maintenance of Duke Energy Ohio's electric delivery facilities; (3) explain the need for continued investment in the electric delivery system in order to maintain reliability; (4) discuss challenges facing the Company's electric distribution system; and (5) support certain of the new programs and tariffs the Company is proposing in these proceedings. I also provided data to Duke Energy Ohio witness Peggy A. Laub that supports Schedules C-3.21 and C-3.28.

II. DESCRIPTION OF DUKE ENERGY OHIO'S ELECTRIC DELIVERY SYSTEM

Q. PLEASE DESCRIBE THE DUKE ENERGY OHIO ELECTRIC DELIVERY SYSTEM.

A. The Duke Energy Ohio electric delivery system is used, among other things, to provide electric service to approximately 690,000 customers located throughout the Company's service area. Duke Energy Ohio owns and operates all of its electric distribution and local transmission facilities. Effective January 1, 2012, the bulk transmission facilities are subject to the functional control of PJM

Interconnection, LLC (PJM).

Duke Energy Ohio's electric delivery system includes approximately 238 substations, 15 transmission substations (locations with 69 kilovolt (kV) or higher operating voltages) having a combined capacity of approximately 8,923,438 kilovolt-amperes (kVA), 194 distribution substations (locations that supply one or more circuits at 35 kV or lower voltage) having a combined capacity of approximately 6,795,371 kVA, and 29 joint transmission and distribution substations (locations with 69 kV or higher operating voltages that also have 35 kV or lower voltage) having a combined capacity of approximately 7,297,320 kVA. The Duke Energy Ohio electric delivery system includes various other equipment and facilities, such as control rooms, computers, capacitors, street lights, meters and protective relays, and telecommunications equipment and facilities.

Although the Duke Energy Ohio electric delivery system is not in the North American Electric Reliability Corporation (NERC) Balancing Authority Area, Duke Energy Ohio does own transmission facilities that are part of the Duke Energy Balancing Authority Area, which is operated by Duke Energy Midwest Control Area Operation. Duke Energy Ohio's facilities have extensive interconnections with other entities in PJM and direct interconnections with four other Balancing Authority Areas. Duke Energy Ohio's electric delivery system provides considerable flexibility for Duke Energy Ohio to operate in a manner that provides reliable and economic power to its customers.

Q. PLEASE GENERALLY DESCRIBE HOW THE TRANSMISSION AND DISTRIBUTION SYSTEM IS DESIGNED, CONSTRUCTED, AND OPERATED.

A. The electric transmission system is designed to deliver bulk electric power from local generating plants and other resources to regional substations, or to interconnect with other systems in order to enhance system reliability. Duke Energy Ohio's transmission voltages are 69 kV, 138 kV, and 345 kV. The system generally consists of steel tower or wood pole transmission lines and substations with power transformers, switches, circuit breakers, and associated equipment. The system is operated in accordance with standards issued by NERC and Reliability*First* Corporation (RFC). RFC is a Regional Reliability Organization that is the successor organization to the East Central Area Reliability Council (ECAR). The system is under the control of PJM, a regional transmission organization approved by the Federal Energy Regulatory Commission (FERC).

The electric distribution system is designed to receive bulk power at transmission voltages, reduce the voltage to 34.5 kV, 12.5 kV, or 4 kV, and to deliver power to customers' premises. The distribution system generally consists of substation power transformers, switches, circuit breakers, wood pole lines, underground cables, distribution transformers, and associated equipment. The physical design of the distribution system is also generally governed by the National Electrical Safety Code (NESC), which I understand has been adopted by the state of Ohio in Ohio Administrative Code (O.A.C.) 4901:1-10-06.

Duke Energy Ohio operates the transmission and distribution facilities it

owns in accordance with good utility practice. Duke Energy Ohio continuously runs the system with a workforce that provides customer service 24 hours per day, 7 days per week, 365 days per year, and includes trouble response crews. Duke Energy Ohio monitors equipment loading in accordance with good utility practice. The Company monitors outages with various systems, such as Supervisory Control and Data Acquisition (SCADA), Trouble Call Outage Management System (TCOMS), Electric Trouble Data Mart, and Outage Information System.

Customers typically report outages by telephone through Duke Energy's call center. The call center creates an outage report through a telephone software application that interfaces with TCOMS, a state-of-the-art outage management software application that Duke Energy Ohio adopted in 2001 to improve its ability to monitor and respond to outages. TCOMS analyzes the calls and identifies for Duke Energy Ohio's dispatchers the piece of equipment (circuit breaker, recloser, fuse, transformer, etc.) that is the probable location of the outage. The dispatcher contacts the field trouble response person through the radio system to direct them to the probable equipment location to make repairs and restore electric service. Generally, the field trouble response person inspects the circuit or segment of line in question to identify and report the cause of the outage. The dispatcher records the date, time, duration, and cause of the outage in TCOMS.

Dispatchers continuously monitor weather conditions, both in anticipation of and during weather events. When lightning, wind, or ice storms hit Duke Energy Ohio's service territory, line crews are paged, called, or held over to respond. Duke Energy Ohio will call in several hundred employees, as necessary, to respond to

severe storms, including Duke Energy's U.S. Franchised Electric and Gas employees stationed in Kentucky, Indiana, North Carolina, and South Carolina, and Florida. If necessary, Duke Energy Ohio will contact other utilities for additional line crews through a mutual assistance program. These rigorous operating practices have enabled Duke Energy Ohio to provide reliable electric service to its customers.

Q. PLEASE GENERALLY DESCRIBE HOW DUKE ENERGY OHIO'S DISTRIBUTION SYSTEM IS MAINTAINED.

A. Duke Energy Ohio maintains its distribution system in accordance with good utility practice by adhering to several inspections, monitoring, testing, and periodic maintenance programs. Examples of these existing programs include, but are not limited to, the following, among others: (1) substation inspection program; (2) line inspection program; (3) ground-line inspection and treatment program; (4) vegetation management program; (5) underground cable replacement program; (6) capacitor maintenance program; (7) infrared scanning of equipment; and (8) dissolved gas analysis. These programs may be enhanced, as necessary, consistent with good utility practice.

Duke Energy Ohio also uses various reliability indices to measure the effectiveness of its maintenance programs and system reliability. Duke Energy Ohio follows the Public Utilities Commission of Ohio's (Commission) Electric Service and Safety Standards (ESSS), as set forth in O.A.C. Chapter 4901:1-10. The Company also uses various indices to measure the effectiveness of its maintenance programs and system reliability.

Q. PLEASE DESCRIBE HOW DUKE ENERGY OHIO'S ELECTRIC DELIVERY SYSTEM HAS GROWN BETWEEN MARCH 31, 2008, THE DATE CERTAIN IN DUKE ENERGY OHIO'S LAST ELECTRIC DISTRIBUTION RATE CASE, AND THE CURRENT DATE CERTAIN, MARCH 31, 2012.

A. Duke Energy Ohio's electric distribution system has grown significantly. On March 31, 2008, Duke Energy Ohio's original cost of electric distribution system plant in service was approximately $1.64 billion. By March 31, 2012, Duke Energy Ohio's original cost of electric delivery system plant in service had increased by 14.6 percent to approximately $1.88 billion. It is significant to note that this growth excludes the substantial investment made by the Company over those four years in grid modernization. Although grid modernization costs are being recovered in a separate rider and thus not included in these proceedings, this investment represents another nearly $140 million of gross plant that has been added since March 31, 2008.

As examples of this growth, since March 31, 2008, Duke Energy Ohio has installed distribution lines to serve an additional 184,384 kVA of distribution substation transformer capacity and has added four new 13kv and 34.5kv substations.

Q. HAVE THERE BEEN ANY IMPROVEMENTS TO THE MANNER IN WHICH DUKE ENERGY OHIO MAINTAINS ITS ELECTRIC DISTRIBUTION SYSTEM SINCE THE COMPANY'S LAST ELECTRIC DISTRIBUTION RATE CASE?

A. Yes. The Company has implemented a variety of programs and initiatives, which include: (1) an Arc flash mitigation inspection program on the Company's underground network; (2) manhole inspection and locking program; (3) underground vault inspection with repairs; (4) cable injection for life extension; and (5) cable replacement programs. Examples of recent overhead line initiatives include: (1) transformer fusing retrofits; (2) cutout replacement program; (3) grounding improvements; and (4) circuit sectionalization. These programs or initiatives are in addition to the continued ground line inspection and maintenance programs previously instituted.

Q. IN YOUR OPINION, ARE DUKE ENERGY OHIO'S ELECTRIC DELIVERY SYSTEM FACILITIES USED AND USEFUL IN PROVIDING SERVICE TO DUKE ENERGY OHIO'S RETAIL ELECTRIC CUSTOMERS?

A. Yes. Duke Energy Ohio's electric delivery system is used daily to provide safe, reliable, efficient, and reasonably priced electric delivery service to its customers.

III. MEASURING THE RELIABILITY OF DUKE ENERGY OHIO'S ELECTRIC DISTRIBUTION SYSTEM

Q. YOU STATED THAT DUKE ENERGY OHIO USES VARIOUS INDICES TO MEASURE THE EFFECTIVENESS OF ITS MAINTENANCE PROGRAMS AND SYSTEM RELIABILITY. PLEASE EXPLAIN THESE RELIABILITY INDICES.

A. Reliability indices are generally recognized standards for measuring the number, scope, and duration of outages. Ohio requires electric distribution utilities to report annually on these reliability indices. These indices are defined as follows:

- Customer Average Interruption Duration Index (CAIDI) is the average interruption duration or average time to restore service per interrupted customer and is expressed by the sum of the customer interruption durations divided by the total number of customer interruptions.
- System Average Interruption Duration Index (SAIDI) is the average time each customer is interrupted and is expressed by the sum of customer interruption durations divided by the total number of customers served.
- System Average Interruption Frequency Index (SAIFI) is the system average frequency index and represents the average number of interruptions per customer. SAIFI is expressed by the total number of customer interruptions divided by the total number of customers served.

Q. HOW HAS DUKE ENERGY OHIO'S DISTRIBUTION SYSTEM PERFORMED AS MEASURED BY THESE RELIABILITY INDICES?

A. Duke Energy Ohio has performed well. Its reliability scores have always exceeded Duke Energy Ohio's targets established in consultation with Commission Staff pursuant to O.A.C. 4901:1-10-10(B)(2). The latest reliability index scores available are for calendar year 2011 and they are reflected in Attachments RDH-1 (CAIDI), RDH-2 (SAIDI), and RDH-3 (SAIFI).

Q. WHAT IS DUKE ENERGY OHIO'S APPROACH TO DESIGNING, CONSTRUCTING, OPERATING, AND MAINTAINING ITS DISTRIBUTION FACILITIES?

A. Duke Energy Ohio's distribution facilities are designed, constructed, operated,

and maintained with the goal of providing customers with safe, reliable, efficient, and reasonably priced electric service.

Q. PLEASE DESCRIBE SOME OF THE FACTORS THAT THE COMPANY MUST CONSIDER IN ATTEMPTING TO ACHIEVE THIS OBJECTIVE.

A. In supplying electric service to its customers, Duke Energy Ohio must provide safe and reliable service while at the same time prudently and responsibly managing the costs of providing such service. In balancing these considerations, Duke Energy Ohio weighs various factors in selecting the electric delivery system projects in which to invest. By way of example, the Company will give consideration to its planning criteria, any requirements mandated either by regulatory authorities or reliability councils, and government-mandated projects.

Q. HOW DOES DUKE ENERGY OHIO BALANCE ALL OF THESE FACTORS?

A. Electric system studies are performed annually to determine where and when system modifications are needed to ensure load is adequately served. When these needs are identified, multiple solutions are developed, addressing not only the capacity need, but also providing opportunities to maintain or improve reliability and operating flexibility. Recommendations are made and discussed with the operations staff to ensure that a balanced, workable plan has been developed.

In the course of maintaining and operating the electric system, equipment and hardware that requires repair or replacement is identified. Blanket budgets have been established to cover small items, but specific projects are developed for larger expenditure items. These items are triggered as a result of operating issues

or new load growth, or as a result of the various inspections, monitoring, and testing programs I described above.

IV. DUKE ENERGY OHIO'S INVESTMENT IN ITS DISTRIBUTION FACILITIES

Q. PLEASE DESCRIBE DUKE ENERGY OHIO'S INVESTMENT RELATING TO ITS DISTRIBUTION FACILITIES DURING THE PAST FOUR YEARS AND ITS PROJECTED FUTURE INVESTMENT.

A. Attachment RDH-4 summarizes Duke Energy Ohio's capital expenditures for its distribution facilities for the period from March 31, 2008, through March 31, 2012. Duke Energy Ohio anticipates that its projected future investment in its electric distribution system will depend on the same considerations I mentioned above (*e.g.,* planning criteria and third-party mandates). Additionally, this future investment will depend upon decisions related to electric rate riders and grid modernization costs for coming years.

V. MAJOR CHALLENGES FACING DUKE ENERGY OHIO'S ELECTRIC DISTRIBUTION SYSTEM

Q. WHAT ARE THE MAJOR CHALLENGES FACING DUKE ENERGY OHIO'S DISTRIBUTION SYSTEM?

A. There are several challenges to managing Duke Energy Ohio's electric distribution system. Perhaps the biggest challenge relates to aging infrastructure and the need to regularly review the system and its operation for appropriate upgrades or replacements. Changing customer expectations also present challenges for Duke Energy Ohio. I discuss these two challenges in greater detail below.

System replacements, as well as relocations, can also be prompted by

external requests, such as those by public entities associated with public works projects, street widening, and beautification projects. This circumstance creates a challenge for the Company in that these projects are outside its control, and instead dictated by other entities. The inability to plan for municipal projects with any degree of accuracy presents difficulties in terms of budgeting capital and labor, not to mention the timely recovery of costs. As a result, these projects can create another level of complexity when managing customer expectations and balancing the need to provide reliable service at a reasonable cost. And unlike replacements due to age that can be planned for and budgeted over time, municipally driven projects cannot be reasonably predicted such that the necessary work can be coordinated in a manner that mitigates cost.

Q. PLEASE EXPLAIN HOW THE AGE OF THE ELECTRIC DISTRIBUTION SYSTEM AND OBSOLECENECE OF EQUIPMENT PRESENT A CHALLENGE TO THE COMPANY.

A. Aging distribution systems are a major challenge for all utilities. Much of Duke Energy Ohio's electric distribution equipment is over thirty years old and such equipment typically lasts from thirty to fifty years. Duke Energy Ohio expects to continue to incur substantial expenditures to replace this equipment during the next several years in order to maintain and improve customer reliability. Attachment RDH-4 reflects the age distribution for utility poles. Attachment RDH-5 provides the age distribution for distribution circuit breakers. And Attachment RDH-6 shows the age distribution for distribution transformers.

Q. PLEASE EXPLAIN FURTHER HOW CUSTOMERS' EXPECTATIONS PRESENT A CHALLENGE.

A. Customers are now using equipment that is highly sensitive to voltage fluctuations; therefore, customers are demanding highly reliable service that minimizes the number of voltage fluctuations. These changing expectations can present a challenge for Duke Energy Ohio as it attempts to prudently and reasonably balance reliable service with cost.

Q. PLEASE EXPLAIN HOW PUBLIC WORKS, STREET WIDENING, AND BEAUTIFICATION PROJECTS PRESENT A CHALLENGE TO THE COMPANY.

A. Unlike planning for system and facility retirements and replacements due to age, the Company typically is not able to anticipate or predict when it will be required to replace or relocate facilities due to the actions of either the state of Ohio or municipalities within the Company's service territory. Consequently, as I discussed above, the required work is not readily incorporated into the Company's longer term plans relating to system operation. Another important consideration, and potential complication, relates to the Company facilities that potentially may be affected by these projects. Finally, there must be consideration to cost and cost recovery, the latter which is dependent on the circumstance. For example, the type of project at issue and the entity initiating the project are relevant to the determination of whether Duke Energy Ohio recovers costs through the project or from its customers.

Q. PLEASE EXPLAIN HOW THE TYPE OF COMPANY FACILITY AT

RISK FOR RELOCATION CREATES AN ADDITIONAL CONSIDERATION.

A. As explained by Duke Energy Ohio witness Julia S. Janson, much of the Company's distribution system incorporates overhead pole lines and associated equipment. Relocation of these facilities requires, for example, coordination with other entities having attachments on the poles, as well as affected property owners. Consideration must be given to customers served by these pole lines. If, for example, the project requiring the removal and replacement of distribution facilities is a beautification project that involves burying the facilities, customers served by the existing, overhead lines may be required to upgrade their electric panels and incoming wiring, consistent with applicable codes or regulations.

And there is Duke Energy Ohio's underground network in the city of Cincinnati (City) that could be impacted by third-party projects.

Q. PLEASE DESCRIBE DUKE ENERGY OHIO'S UNDERGROUND NETWORK IN THE CITY.

A. There are approximately 6,000 customers served by Duke Energy Ohio's downtown network, which has existed for more than seventy-five years. The system is configured as an N-1 for redundancy to provide maximum reliability. Within the central business district, the underground network system is configured as a secondary network, subdivided into four separate networks serving load from Henry Street to Third Street and from Broadway to Central Avenue. Two networks are fed from Duke Energy Ohio's Westend substation and two are fed from Duke Energy Ohio's Charles substation. There are 28 13KV

feeders and ten radial circuits providing 208/120V service to the customers in the central business district. The underground feeders run through 2,000 manholes, 600 of which are within the secondary networks grid. There are approximately 400 network transformers in 176 transformer vaults. There are also fiber optic communication cables within these manholes that provide Duke Energy Ohio's communication interface with electric utility equipment and that are used by other entities.

A secondary network configuration is the most reliable way to provide electric service to the customers. Department of Energy studies from 2009 specifically state the secondary network system provides superior reliability due to the redundancy. The study also states that these systems do require additional attention to maintenance. Consistent with these studies, Duke Energy Ohio understands the need to properly maintain an underground system and the Company regularly accesses its system for purposes of inspection and needed repair.

Q. YOU TESTIFIED EARLIER AS TO THE CHALLENGES RESULTING FROM AN AGING DISTRIBUTION SYSTEM. DO THOSE SAME CHALLENGES EXIST IN RESPECT OF THE COMPANY'S UNDERGROUND SYSTEM?

A. Not all parts of the distribution system are equal. There are different inspections and different programs applicable to the various system designs that comprise the Duke Energy Ohio distribution system. Thus, although aging equipment cannot be overlooked in respect of the underground network, it does not present the same

challenges for that network as it does for the overhead system.

Q. GIVEN THAT COST RECOVERY FOR FACILITY RELOCATION ASSOCIATED WITH PROJECTS INITIATED BY GOVERNMENTAL ENTITIES IS DEPENDENT UPON THE CIRCUMSTANCES, HOW DOES DUKE ENERGY OHIO APPROACH FACILITY RELOCATION IN SUCH INSTANCES?

A. Regardless of the reason for the relocation (*e.g.*, age, public works project), Duke Energy Ohio approaches all facility relocations with a focus on safety, reliability, and cost. As to the first two items, consideration must be given to the appropriate location of facilities to enable safe working conditions for Company employees and contractors during those instances when they need to access the facilities for maintenance or repair. Additionally, as a prudent operator, Duke Energy Ohio will consider the safety of its customers and the general public when evaluating any facility relocation.

As to the latter, Duke Energy Ohio consistently evaluates cost when undertaking any facility relocation, realizing that costs may be borne by its customers. In this regard, the Company will ascertain whether there are, for example, applicable service regulations or tariffs that identify the entity responsible for the costs associated with a particular project. Additionally, Duke Energy Ohio will ascertain whether the project is one that involves billable work, meaning work that can be billed to the project and for which customers are not financially responsible.

Q. HOW DOES THE CITY'S PROPOSAL TO CONSTRUCT A STREETCAR IMPACT THE COMPANY'S UNDERGROUND NETWORK?

A. Duke Energy Ohio has developed one of the most reliable downtown electrical networks in the country. This network provides electrical redundancies to many high rise buildings and corporate customers. And given its configuration, Duke Energy Ohio was not intending to relocate these facilities in connection with the ongoing operation of its system. However, because of the City's decision to construct a streetcar within downtown, these underground facilities will need to be relocated.

The relocation is necessary because of the streetcar route, as unilaterally determined by the City. The route conflicts with approximately 175 manholes that are used to provide access to the underground system. These manholes cannot remain under the track bed or in such close proximity that Company employees or contractors would be denied safe access to perform their duties as necessary to operate a reliable system. Similarly, the underground vault boxes, conduits, conductors, and related facilities will need to be relocated to enable the continued safe operation of the underground network and in an effort to provide a safe environment for future streetcar passengers and the general public. This relocation work will be complex and expensive. Further, those customers – both residential and commercial – served via the underground system will experience sustained customer outages as the network is relocated to accommodate the streetcar.

Q. WHAT IS THE COST IMPACT OF FACITILITY RELOCATION?

A. Based upon the current route of the streetcar and the inability to implement

permanent procedures that provide Duke Energy Ohio with the discretion it needs to safely access its system for purpose of maintenance, repair, etc., the relocation costs associated only with the underground network approximate $13,000,000.00 The overhead electric system relocations approximate $250,000.00. These estimates do not include contingencies, which would increase costs. A reasonable estimate for the contingencies is 30 percent.

Q. DOES DUKE ENERGY OHIO CONTEMPLATE ADDITIONAL COSTS ASSOCIATED WITH THE CONSTRUCTION OR OPERATION OF THE STREETCAR ROUTE AS PROPOSED BY THE CITY?

A. Yes. Focusing only upon the first phase or route of the streetcar, Duke Energy Ohio will incur additional labor costs as it has agreed to move maintenance activities to overnight shifts and perform as much work as reasonable outside normal streetcar operating hours to provide as little disruption as possible. Of course, if the Company needs to access the underground system during the streetcar's operation because of unforeseen circumstances, it will do so as safety is of paramount concern. The changes in work schedules will result in increased labor and administrative costs, which would not be recovered under the proposed Rider FRT and have not been included in test year expense. Should the City proceed with other routes or phases of the streetcar, additional costs for facility relocation will be incurred.

Q. IS DUKE ENERGY OHIO PROPOSING ANY SPECIFIC TARIFF THAT ADDRESSES FACILITY RELOCATION?

A. Yes. Duke Energy Ohio is proposing a facility relocation – mass transportation

tariff (Rider FRT) that is predicated, in large part, upon its existing, Commission-approved service regulations. Duke Energy Ohio maintains its electric distribution/natural gas system in accordance with all applicable state and federal regulations. Indeed, a safe, reliable, and efficient delivery system in the core of the Company's business. And in maintaining that system, Duke Energy Ohio is mindful of the costs to its customers. Thus, as the Commission has already authorized, where an individual customer is seeking changes to the system that are not usual or customary, Duke Energy Ohio recovers from that individual customer the incremental costs associated with the work. Rider FRT is predicated upon this same philosophy. Thus, where a governmental entity is forcing relocation of facilities as part of a mass transportation project and that relocation was not otherwise contemplated by the Company in its provision of safe, reliable, and efficient service, Duke Energy Ohio believes that the governmental entity (or, at its election pursuant to the tariff, its residents) should assume the costs associated with the facility relocation.

Q. IN YOUR OPINION, IS THIS PROPOSAL REASONABLE AND IN CUSTOMERS' BEST INTERESTS?

A. I believe so. Mass transportation projects within the geographical boundaries of a governmental entity are unlike those projects for which Duke Energy Ohio has not sought recovery via a discreet rider. Further, as I have been informed by counsel, the City's streetcar will function as a public utility and it is customary for a public utility to reimburse another public utility when the former displaces the latter. Finally, these projects, once operational, will most directly benefit those

individuals residing within the jurisdictional limits of the governmental entity and it is thus fair and reasonable to establish a mechanism whereby these individuals contribute to the costs of the project, provided the governmental entity has elected not to fully assume the costs.

Q. WOULD THE COSTS OF FACILITY RELOCATION CAUSED BY THE CITY'S STREETCAR BE RECOVERED UNDER RIDER FRT?

A. Duke Energy Ohio witness William Don Wathen Jr. elaborates on the mechanics of Rider FRT; however, it is my understanding that this rider is intended to allow for recovery of facility relocation necessitated by eligible mass transportation projects. The rider is not limited to the City's streetcar project. However, that project would be subject to the rider, if approved, such that Duke Energy Ohio would recover its relocation costs from the City. The City could then decide whether to collect those costs from it residents.

VI. SCHEDULES TO WHICH WITNESS CONTRIBUTED

Q. PLEASE IDENTIFY THE INFORMATION THAT YOU PROVIDED IN RESPECT OF SCHEDULE C-3.21.

A. Schedule C-3.21 reflects vegetation management costs. The Company is proposing to increase the costs related to vegetation management in order to account for increase labor and materials expense. These additional costs are necessary to enable Duke Energy Ohio's continued adherence to vegetation management mandates imposed by regulatory agencies and the test year expense has been adjusted accordingly.

Q. PLEASE IDENTIFY THE INFORMATION THAT YOU PROVIDED IN RESPECT OF SCHEDULE C-3.28.

A. Schedule C-3-28 relates to street lights and, as reflected on that schedule, Duke Energy Ohio is proposing an adjustment to test year expense to allow for the implementation of a streetlight audit program. This program is intended to ensure that streetlight attachments to Duke Energy Ohio-owned poles are properly accounted for.

VII. CONCLUSION

Q. WERE ATTACHMENTS RDH-1 THROUGH RDH-6 AND THE INFORMATION THAT YOU PROVIDED FOR SCHEDULES C-3.21 AND C-3.28, PREPARED BY YOU OR UNDER YOUR DIRECTION AND SUPERVISION?

A. Yes.

Q. IS THE INFORMATION YOU SPONSOR IN ATTACHMENTS RDH-1 THROUGH RDH-6, AND THE INFORMATION THAT YOU PROVIDED FOR SCHEDULES C-3.21 AND C-3.28, ACCURATE TO THE BEST OF YOUR KNOWLEDGE AND BELIEF?

A. Yes.

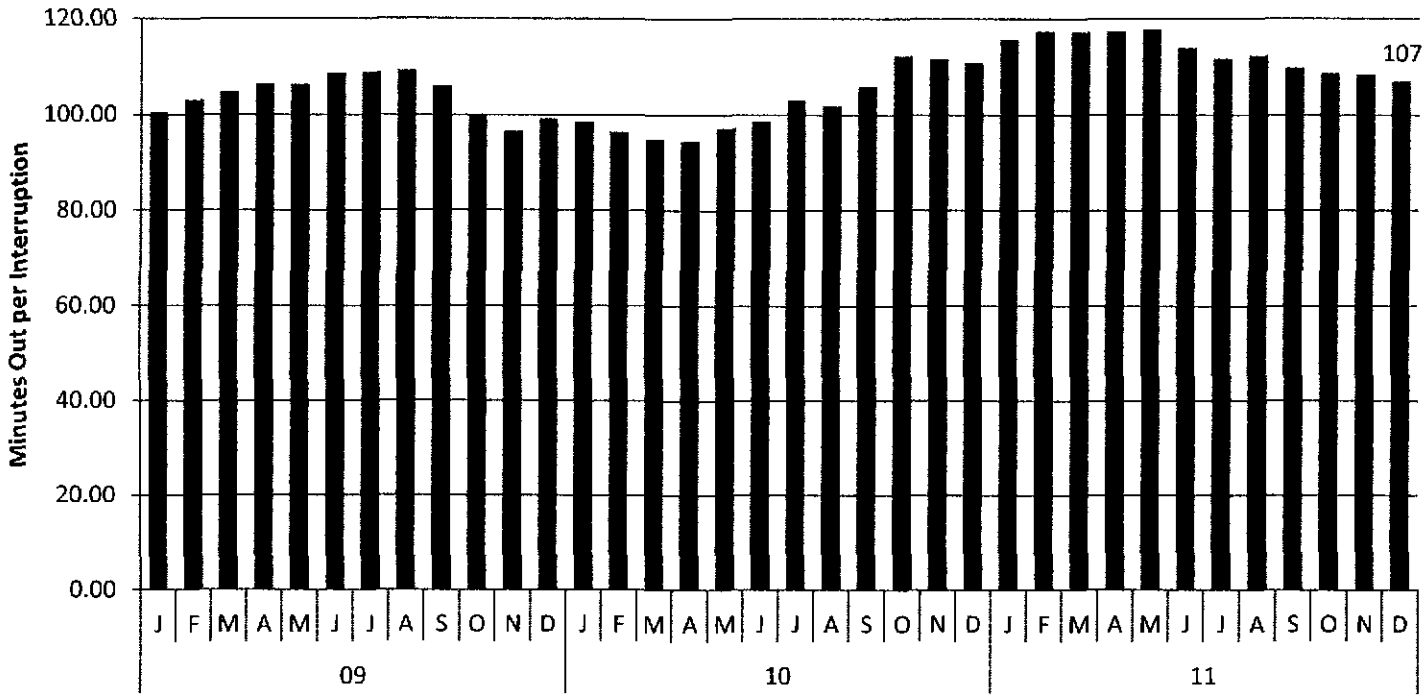
Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?

A. Yes.

Duke Energy

12 Month Rolling Average

CAIDI

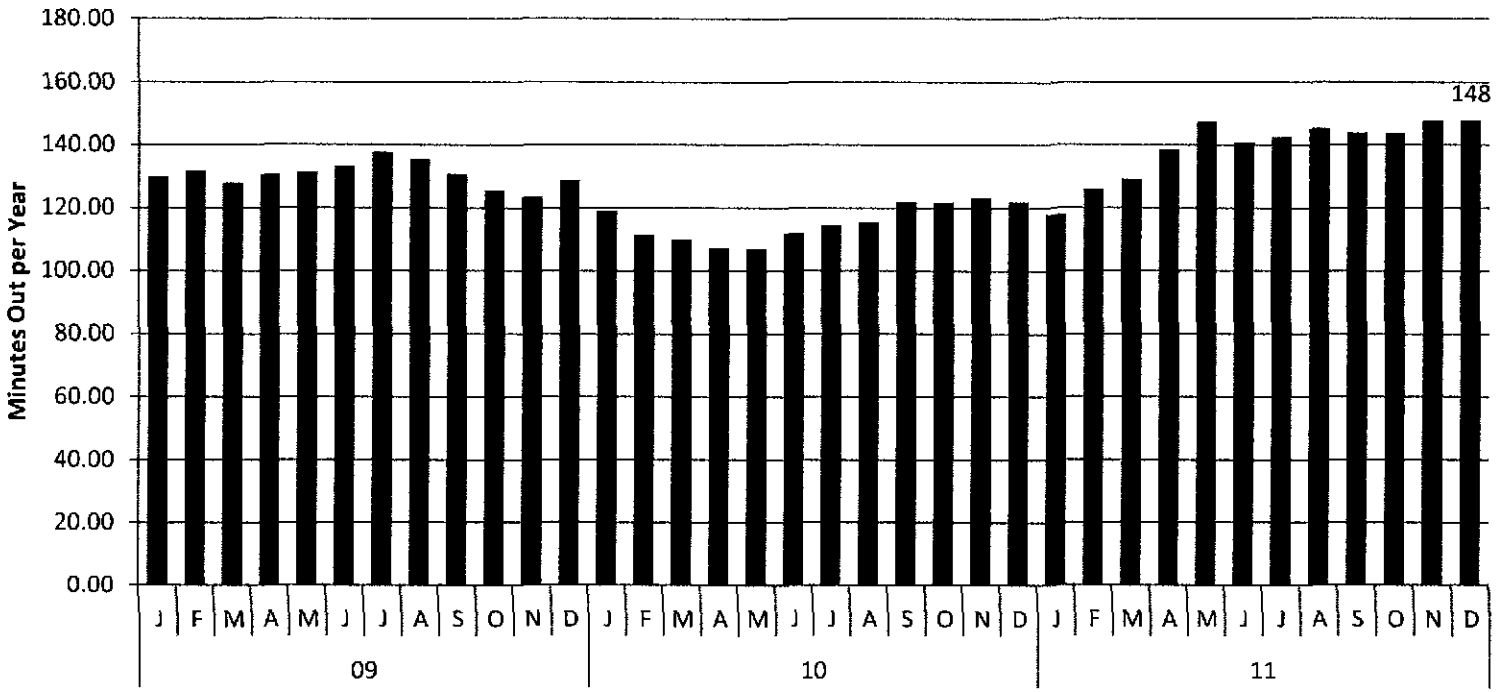


Outage data excluded for storms rated as major event days according to IEEE Std. 1366-2003, 2.5 Beta methodology.

Duke Energy

12 Month Rolling Average

SAIDI

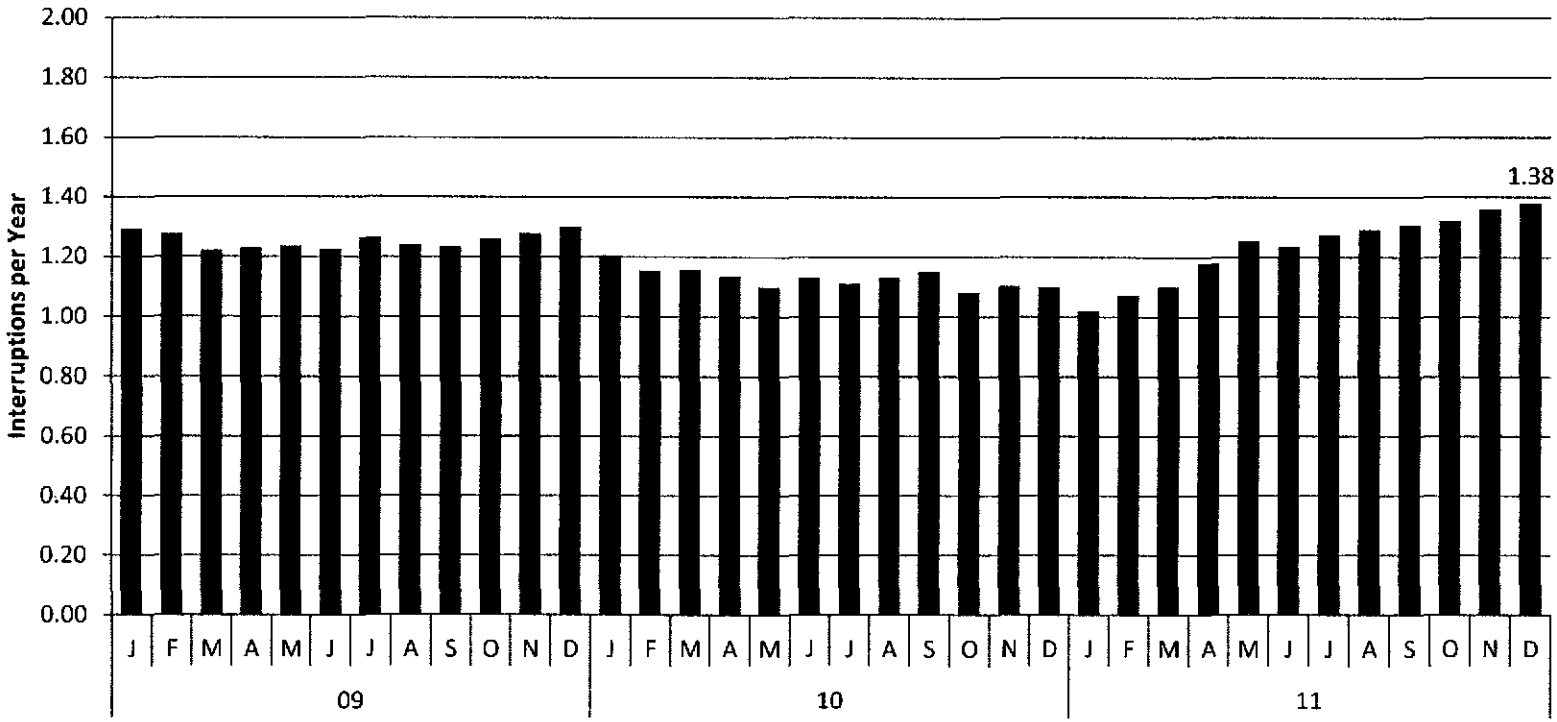


Outage data excluded for storms rated as major event days
according to IEEE Std. 1366-2003, 2.5 Beta methodology

Duke Energy

12 Month Rolling Average

SAIFI



Outage data excluded for storms rated as major event days according to IEEE Std. 1366-2003, 2.5 Beta methodology.

Table 2 – Capital Expenditures March 31, 2008 - March 31, 2012

Function	2008 Q2-Q4	2009	2010	2011	2012-Q1
Elec - Distribution Plant	56,847,481	68,205,332	75,156,277	87,096,946	24,696,727

Figure 1 – Duke Energy Ohio's Distribution

Poles Age Distribution

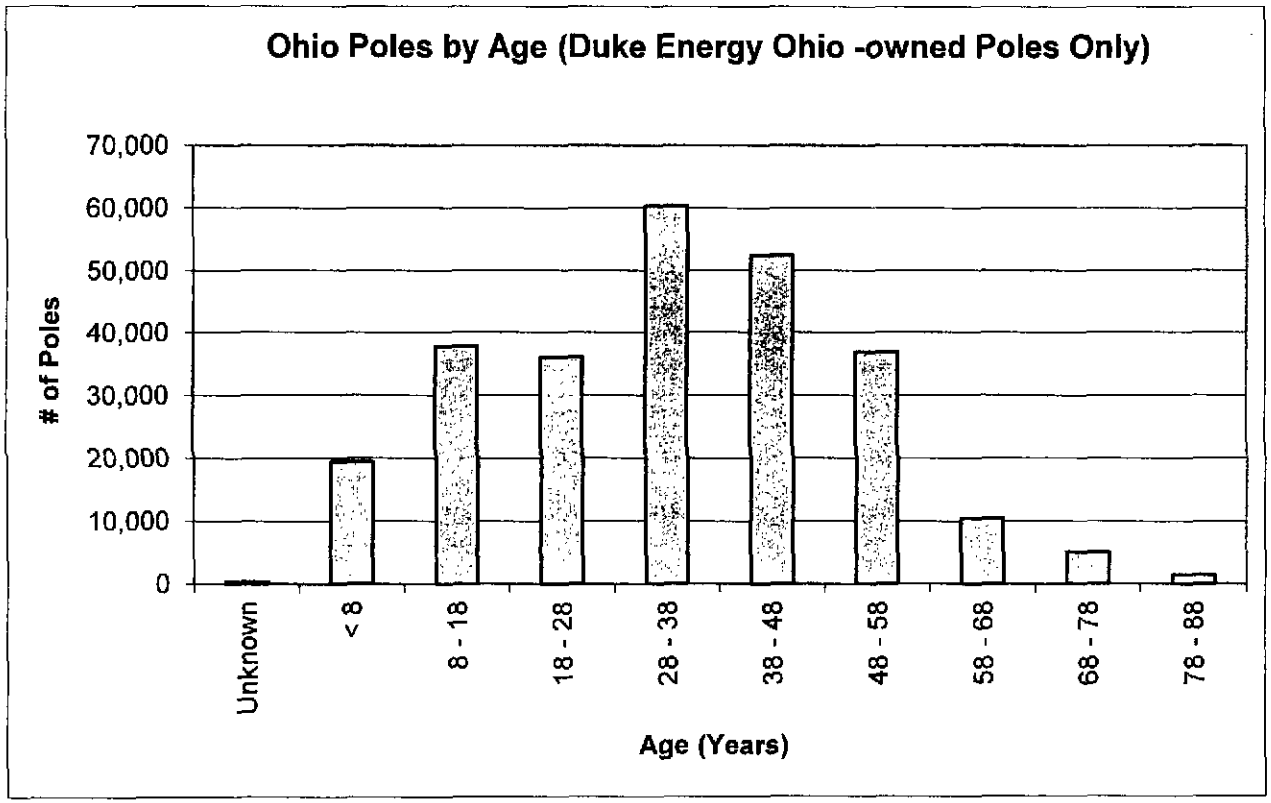
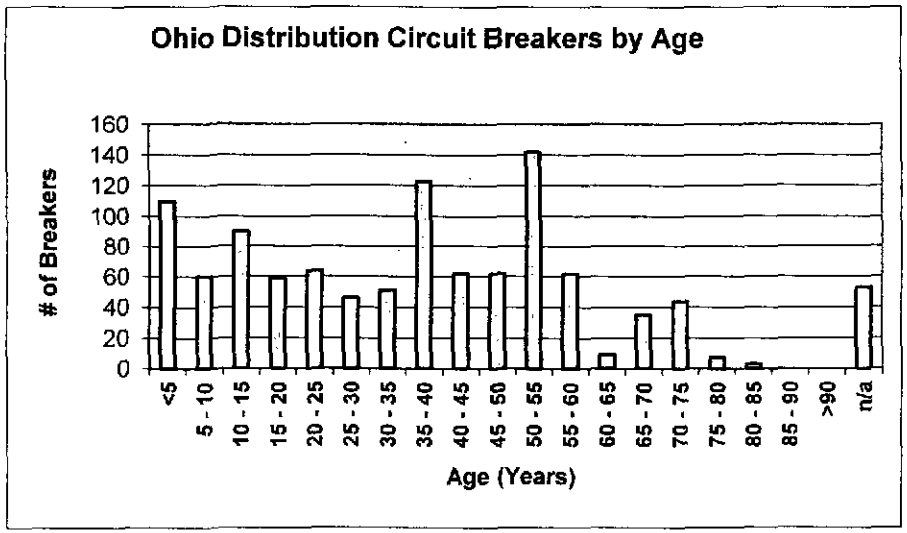


Figure 2 – Duke Energy Ohio's

Distribution Circuit Breakers Age Distribution As of

March 31, 2012



Ohio Distribution Circuit Breakers by Age

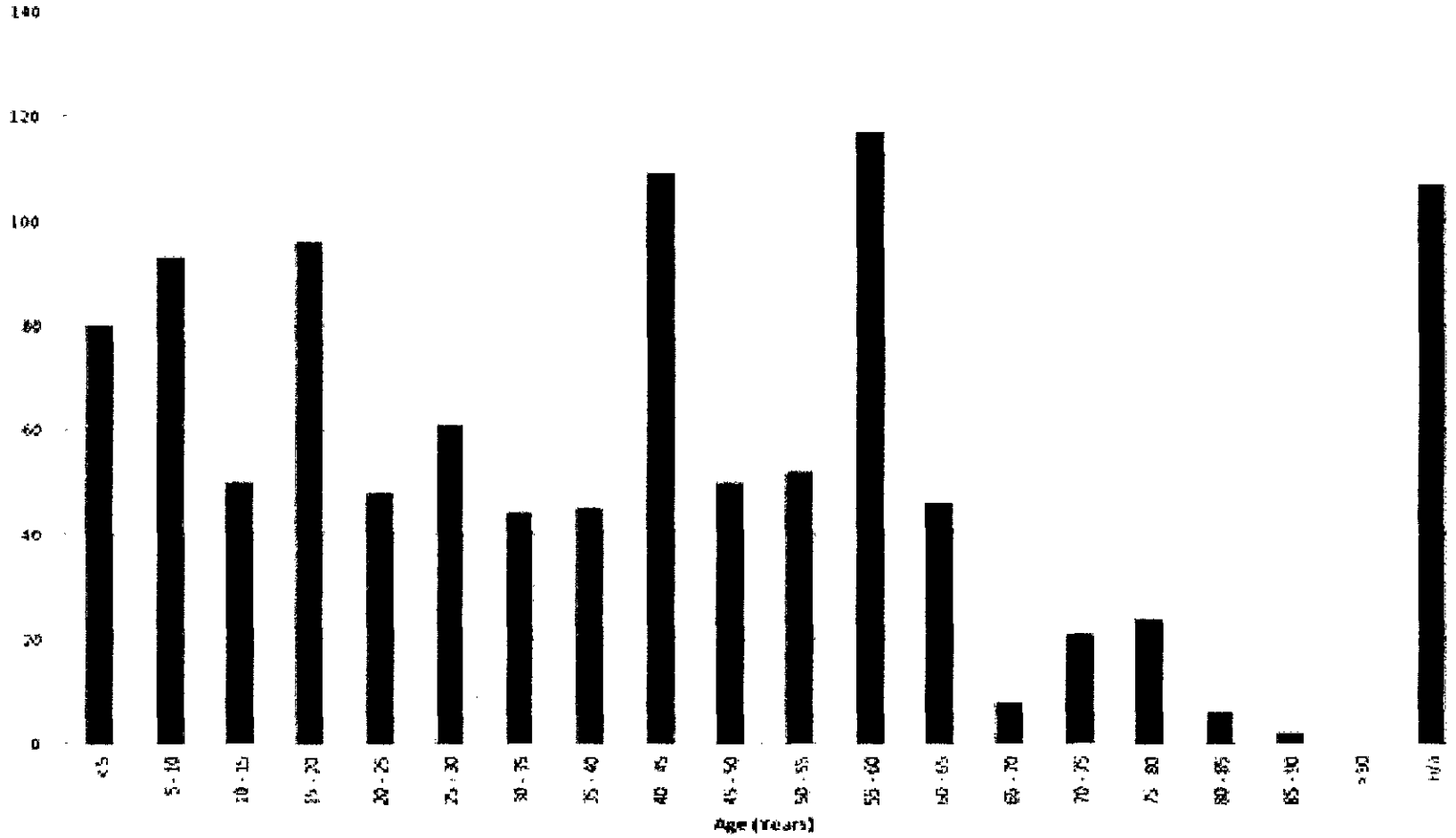


Figure 3 – Duke Energy Ohio's Distribution Transformer Age

Distribution as of March 31, 2012