

**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
	)	

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**DIRECT TESTIMONY OF**

**STEVEN MICHAEL COVINGTON**

**ON BEHALF OF**

**DUKE ENERGY OHIO, INC.**

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

February 19, 2013

## TABLE OF CONTENTS

	<u>PAGE</u>
I. INTRODUCTION AND PURPOSE .....	1
II. ADOPTION OF TESTIMONY .....	3
III. CONCLUSION .....	9

### ATTACHMENT

SMC -1 Sample of 2012 Affiliate Service Request Forms

**I. INTRODUCTION AND PURPOSE**

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

2    A.    My name is Steven Michael Covington, and my business address is 550 South  
3           Tryon Street, 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 Managing  
6           Director, Midwest Accounting. DEBS provides various administrative and other  
7           services to Duke Energy Ohio, Inc., (Duke Energy Ohio or Company) and other  
8           affiliated companies of Duke Energy Corporation (Duke Energy).

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

11   A.    I earned a Bachelor of Science degree with honors in Accounting from the  
12          University of North Carolina at Charlotte in 1981 and a Masters in Ministry from  
13          Southern Wesleyan University in 2006. I am a Certified Public Accountant (CPA)  
14          in the state of North Carolina and am a member of the American Institute of  
15          Certified Public Accountants and the North Carolina Association of Certified  
16          Public Accountants. My professional work experience began in 1981 when I  
17          joined Duke Power Company (a predecessor company to today's Duke Energy) as  
18          an entry level accountant within the Controller's Department. I have held a  
19          variety of management positions beginning in 1990 primarily in Corporate  
20          Financial Planning and Analysis, Catawba (Joint Owner) Accounting, various  
21          other accounting areas including Corporate Accounting, as well as Business Unit  
22          and Corporate Finance within the Treasurer's Department. I was named to my  
23          current role as Managing Director, Midwest Accounting in August 2012

**STEVEN MICHAEL COVINGTON DIRECT**

1 following the merger with Progress Energy from my then most recent position as  
2 Managing Director, Corporate Accounting.

3 **Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AS MANAGING**  
4 **DIRECTOR, MIDWEST ACCOUNTING.**

5 A. I am responsible for reporting the financial results and maintaining the books of  
6 account for Duke Energy's public utility operating companies in Ohio, Indiana  
7 and Kentucky, including Duke Energy Ohio. I am also responsible for the  
8 oversight and analysis of the financial results of these entities and the underlying  
9 accounting methods and policies.

10 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC**  
11 **UTILITIES COMMISSION OF OHIO?**

12 A. No.

13 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THESE**  
14 **PROCEEDINGS?**

15 A. The primary purpose of my testimony is to adopt the Direct Testimony of Daniel  
16 J. Reilly that was filed in these proceedings on July 20, 2012. Mr. Reilly has  
17 assumed a new position with Duke Energy as Director, U.S. Franchised Electric  
18 and Gas Accounting, taking over the responsibilities formerly held by Carl J.  
19 Council. On August 1, 2012, I assumed my current role and responsibilities as  
20 Managing Director, Midwest Accounting. My Direct Testimony will also  
21 describe and support one of the Company's objections to certain findings and  
22 recommendations contained in the Report by the Staff of the Public Utilities  
23 Commission of Ohio (Staff) issued in these proceedings on January 4, 2013 (Staff  
24 Report).

## **II. ADOPTION OF TESTIMONY**

1   **Q.    ARE YOU FAMILIAR WITH THE DIRECT TESTIMONY SUBMITTED**  
2       **BY MR. REILLY IN THESE PROCEEDING AND THE SCHEDULES AND**  
3       **ATTACHMENTS DESCRIBED IN HIS DIRECT TESTIMONY**  
4       **SUPPORTING THE COMPANY'S ALLOCATIONS?**

5   A.   Yes. I have reviewed the various schedules submitted by the Company and  
6       sponsored by Mr. Reilly in his July 20, 2012 Direct Testimony, namely information  
7       relating to Duke Energy Ohio's financial position and the actual results of the  
8       Company's operations as of March 31, 2012, the date certain in these proceedings.  
9       I have reviewed Schedules C-10.1 and C-10.2, pages 2 and 4 of both Schedule D-  
10      5A and Schedule D-5B, and the following Supplemental Filing Requirements:  
11      (C)(1), (C)(2), (C)(4), (C)(5), and (C)(6); the following service agreements: Service  
12      Company/Utility, Operating Company, and Operating Company/Non-Utility  
13      Companies. I am also familiar with certain accounting adjustments to Duke Energy  
14      Ohio's financial position per the accounting books, which were discussed in Mr.  
15      Reilly's Direct Testimony and as shown on work paper WPD-1a.

16   **Q.    ARE YOU FAMILIAR WITH THE ACCOUNTING PROCEDURES AND**  
17       **BOOKS OF ACCOUNT OF DUKE ENERGY OHIO?**

18   A.   Yes.

19   **Q.    AS MANAGING DIRECTOR OF MIDWEST ACCOUNTING, DO YOU**  
20       **HEREBY ADOPT THE DIRECT TESTIMONY OF DANIEL REILLY**  
21       **FILED IN THESE PROCEEDINGS ON JULY 20, 2012 AS YOUR OWN?**

22   A.   Yes. As a result of my assumption of the responsibilities of Managing Director,  
23       Midwest Accounting, and through my thorough review of the aforementioned

1 information submitted in these proceedings, I am very familiar with the Company's  
2 operations and hereby adopt these schedules and the information and support Mr.  
3 Reilly provided in his Direct Testimony as my own Direct Testimony in these  
4 proceedings.

### **III. OBJECTIONS SPONSORED BY WITNESS**

5 **Q. PLEASE DESCRIBE THE COMPANY'S OBJECTION NO. 8.**

6 A. The Company objects to the Staff's proposed adjustments to test year labor  
7 expense. The Company's objection in this regard is more fully addressed in the  
8 Supplemental Direct Testimony of Peggy A. Laub. My Direct Testimony  
9 specifically addresses the Staff's recommended adjustment related to Labor  
10 expense associated with affiliate labor provided to Duke Energy Ohio by its sister  
11 utilities. These affiliate transactions occur in accordance with the Operating  
12 Companies Agreement that was filed in these proceedings as Attachment DJR-2.

13 **Q. ARE YOU FAMILIAR WITH THIS OPERATING COMPANY**  
14 **AGREEMENT?**

15 A. Yes, I am.

16 **Q. PLEASE BRIEFLY DESCRIBE THE OPERATING COMPANIES**  
17 **AGREEMENT.**

18 A. As Mr. Reilly explained in his Direct Testimony, the Operating Companies  
19 Agreement governs cost allocations between or among the operating companies.  
20 The operating companies include the affiliated utilities within the Duke Energy  
21 family of companies. More specifically, the operating companies include Duke  
22 Energy Ohio, Duke Energy Kentucky, Inc., Duke Energy Indiana, Inc., Duke  
23 Energy Carolinas, LLC and, as of the completion of the recent merger between

1 Duke Energy and Progress Energy, the newly acquired Progress Energy utilities  
2 in North and South Carolina and Florida. This agreement defines the terms and  
3 conditions as well as the types of services that may be provided between and  
4 among Duke Energy sister utilities.

5 **Q. IS THE OPERATING COMPANIES AGREEMENT A NEW CONCEPT**  
6 **FOR EITHER DUKE ENERGY OHIO OR THE PUBLIC UTILITIES**  
7 **COMMISSION OF OHIO (COMMISSION)?**

8 A. No. In fact, this agreement between Duke Energy Ohio and its sister utilities has  
9 been in place, in substantially the same form, for many years, even prior to the  
10 Duke Energy/Cinergy Corporation merger in 2006. Duke Energy Ohio, including  
11 its former identity as the Cincinnati Gas & Electric Company, has been providing  
12 and receiving services, particularly from Duke Energy Kentucky, on a regular  
13 basis for decades. Duke Energy Ohio is and has always been the parent company  
14 of Duke Energy Kentucky. These two companies have historically shared many  
15 facilities, business functions and personnel as a way to efficiently manage costs  
16 for both operations.

17 **Q. WHAT TYPES OF LABOR SERVICES ARE PROVIDED BETWEEN**  
18 **AND AMONG THE OPERATING COMPANIES UNDER THE**  
19 **AGREEMENT YOU JUST DESCRIBED.**

20 A. The types of Labor services that are included in the agreement include  
21 engineering, construction, operations and maintenance, installation services,  
22 equipment testing, generation technical support, environmental health and safety,  
23 and procurement services. By way of a more explicit example, Duke Energy  
24 Ohio and Kentucky share meter testing facilities. Meter testing personnel may be

1 employees of either utility but typically provide services for both. The labor is  
2 directly assigned in accordance with the terms and conditions of the Operating  
3 Companies Agreement.

4 **Q. ARE THE SERVICES PROVIDED BETWEEN AND AMONG THE**  
5 **OPERATING COMPANIES LIMITED SOLELY TO EMERGENCY**  
6 **SITUATIONS SUCH AS STORM RESTORATION?**

7 A. Not at all. In fact, the agreement does not even specifically mention storm  
8 restoration. The agreement contemplates the provision of services irrespective as  
9 to whether or not the need arises out of an emergency situation. There are  
10 numerous other services that occur on a daily basis. The agreement is designed to  
11 allow for the effective and efficient utilization of resources between and among  
12 jurisdictions as such resources are available.

13 **Q. DOES THE COMPANY HAVE ANY DATA TO SUPPORT THESE**  
14 **SERVICES UNDER THE OPERATING COMPANIES AGREEMENT?**

15 A. Yes. The agreement contemplates service request forms to be issued and  
16 accepted by the client and service companies. Attachment SMC-1 includes a  
17 sample of the various service request forms depicting the various services  
18 provided to Duke Energy Ohio by its sister utilities during 2012, the test year in  
19 these proceedings, and in accordance with the Operating Companies Agreement.  
20 As you can see, these services include, but are not limited to:

- 21 • Duke Energy Kentucky and Duke Energy Indiana operating company  
22 employees performing various transmission and distribution operational  
23 work (non-STORM related) in Ohio;



- 1           • Use of Duke Energy Indiana helicopter and pilot for areal line patrol
- 2           services;
- 3           • Duke Energy Carolina's employee performing information technology
- 4           work to support Ohio's Smart Grid initiative;
- 5           • Duke Energy Indiana personnel providing service for replacing meter
- 6           reading system and handhelds;
- 7           • Duke Energy Kentucky personnel supporting Duke Energy Ohio grid
- 8           modernization equipment; and
- 9           • Duke Energy Kentucky personnel providing various meter reading
- 10          services.

11   **Q.    IS THE AFORMENTIONED LIST THE EXTENT OF SERVICES**  
12   **PROVIDED TO DUKE ENERGY OHIO DURING THE TEST YEAR?**

13   A.    No. This is just a sample of the services provided to Duke Energy Ohio's  
14   regulated electric distribution business unit. The point is simply to demonstrate  
15   the types of services that are in fact provided throughout the year by Duke Energy  
16   Ohio's sister utilities and to show that these services are not simply limited to  
17   emergency or storm restoration situations.

18   **Q.    THE SERVICE REQUEST FORMS INCLUDE A COST ESTIMATE; IS**  
19   **THAT THE TOTAL COST OF THE SERVICES PROVIDED BY THE**  
20   **AFFILIATE UNDER THE AGREEMENT?**

21   A.    No. That is simply the estimate of costs at the time of the request. The estimate is  
22   for budgeting purposes, and to ensure the person with the appropriate level of  
23   authority is approving the service request and ensuring that the company

1 providing the service is capable of doing so. Actual costs will be charged to the  
2 client company/service receiver, in these cases Duke Energy Ohio.

3 **Q. HAS THE OPERATING COMPANIES AGREEMENT EVER BEEN**  
4 **AUDITED BY THIS COMMISSION?**

5 A. Yes it has. This Commission most recently audited the service agreements,  
6 including the Operating Companies Agreement, as part of the Company's  
7 corporate separation plan in Case No. 09-495-EL-UNC. The result of that case  
8 was the creation of a document entitled "The Final Report Compliance Audit of  
9 Duke Energy Ohio On Behalf of the Public Utilities Commission of Ohio," dated  
10 March 29, 2010 (Audit Report). The Audit Report in that case contained, among  
11 other things, a detailed discussion regarding the types of affiliate transactions that  
12 occur under the various service agreements, including the Operating Companies  
13 Agreement. The Commission's auditor ultimately found that Duke Energy's  
14 method for calculating transfer prices under the agreement was reasonable.<sup>1</sup>

15 In fact, in these proceedings, the Staff selected Finance and Accounting  
16 with a specific emphasis on the development and use of its cost allocation  
17 methodology and factors as one of the areas for its focus during its audit. Again,  
18 the Staff Report did not identify any concerns with the Company's allocations.

19 **Q. IN YOUR OPINION, IS STAFF'S ADJUSTMENT TO ELIMINATE THIS**  
20 **CATEGORY OF LABOR EXPENSE REASONABLE?**

21 A. No. The affiliate labor is a real and knowable expense. Duke Energy Ohio  
22 experienced real labor expense for these services and customers benefitted by

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<sup>1</sup>(In the Matter of the Application for Approval of Duke Energy Ohio's Second Amended Corporate Separation Plan) Case No. 09-495-EL-UNC, (Audit Report at 54)(March 29, 2012).

1       having this additional shared resource available. These transactions have been  
2       occurring for many years and have been audited recently by the Commission. It  
3       is thus unreasonable for the Staff to completely eliminate labor expense related to  
4       affiliate services provided to Duke Energy Ohio, especially without any  
5       justification whatsoever.

#### IV.    CONCLUSION

6    **Q.    WAS ATTACHMENT SMC -1 PREPARED BY YOU AND UNDER YOUR**  
7       **DIRECTION AND CONTROL?**

8    A.    Yes. The Attachment SMC-1 reflects a true and accurate sample of the types of  
9       the service request forms generated in accordance with the Operating Companies  
10       Agreement.

11   **Q.    DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

12   A.    Yes.

Form # efr148v1-001775

Form Status: Approved

**Form Submitter Information:**

Name: Burns, Jennifer L.  
Phone: (317) 8384765

**Service Provider:**

**Service Provider Approver  
Information:**

Name: DUKE ENERGY KENTUCKY, INC.  
Phone: Toebe, Ken C.  
(859) 5344361

The approver should be appropriate according to the Expenditures  
Divestitures & Terminations Category of the Delegation of Authority  
(DOA) matrix.

**Description of Proposed Service  
Please Provide Basis for Estimated Costs:**

Duke Energy Kentucky operating company employees perform various T&D operational work (non-STORM related) in Ohio. The estimated cost included Labor and associated Expenses (estimate is based on 2011 actual spend for related work activity inflated by 5%). Note: The accounting codes vary due to the magnitude of projects and tasks (both Capital and O&M) performed throughout the year. Summary of Related Resp Ctrs: 5818, 5824, 5871, S478 Summary of Op Units: VDOH, V40C, V38H, V493

Confirmation of Service Provider Utility  
Responsibilities by Service Provider  
Approver:

Yes

**Client Company:**

DUKE ENERGY OHIO REGULATED

**Client Company Approver  
Information:**

Name: Harrell, Rich  
Phone: (513) 2873709

The approver should be appropriate according to the Expenditures,  
Divestitures & Terminations Category of the Delegation of Authority  
(DOA) matrix.

Estimated Costs:

\$ 360,000

Scheduled Start Date:

1/1/2012

Scheduled Completion Date:

12/31/2012

**Legal Approval Representative:**

D'Ascenzo, Rocco Orlando

**PeopleSoft Accounting codes for the Services Provided:**

Client Co. Operating Unit:

VDOH

Service Provider Resp. Center:

various

Process:

various

Project:

various

Activity:

various

G/L Account:

Comments:

Form # efr148v1-002038

Form Status: RNA

**Form Submitter Information:**

Name: Burns, Jennifer L.  
Phone: (317) 8384765

**Service Provider:**

Service Provider Approver  
Information:

Name: DUKE ENERGY KENTUCKY, INC.  
Name: Toebe, Ken C  
Phone: (513) 2871296

The approver should be appropriate according to the Expenditures,  
Divestitures & Terminations Category of the Delegation of Authority  
(DOA) matrix

Description of Proposed Service  
Please Provide Basis for Estimated Costs:

Supplemental Service Request for 01775 due to labor costs  
exceeding original service request. Duke Energy Kentucky  
operating company employees perform various T&D operational  
work (non-STORM related) in Ohio. The estimated cost included  
Labor and associated Expenses (estimate is based on 2011 actual  
spend for related work activity inflated by 5%). Note: The  
accounting codes vary due to the magnitude of projects and tasks  
(both Capital and O&M) performed throughout the year. Summary  
of Related Resp Ctrs: 5818, 5824, 5871, 5478 Summary of Op  
Units: VDOH, V40C, V38H, V493

Confirmation of Service Provider Utility  
Responsibilities by Service Provider  
Approver:

Yes

**Client Company:**

DUKE ENERGY OHIO REGULATED

Client Company Approver  
Information:

Name: Hamell, Rich  
Phone: (859) 5344348

The approver should be appropriate according to the Expenditures,  
Divestitures & Terminations Category of the Delegation of Authority  
(DOA) matrix

Estimated Costs:

\$ 725,000

Scheduled Start Date:

1/1/2012

Scheduled Completion Date:

12/31/2012

**Legal Approval Representative:**

D'Ascenzo, Rocco Ormano

**PeopleSoft Accounting codes for the Services Provided:**

Client Co. Operating Unit:

VDOH

Service Provider Resp. Center:

various

Process:

various

Project:

various

Activity:

various

G/L Account:

Comments:

Jan 25 2013 1:27:57 000PM - Burns, Jennifer L. Supplemental Service  
Request for 01775 due to labor costs exceeding original service  
request \$ 725,000 Additional cost \$ 380,000 Original Cost \$ 1,085,000  
Total Cost

Form # sfr148v1-001773

Form Status: Approved

**Form Submitter Information:**

Name: Burns, Jennifer L  
Phone: (317) 8384765

**Service Provider:**

**Service Provider Approver  
Information:**

DUKE ENERGY INDIANA  
Name: Liggett, Brian Todd  
Phone: (812) 3752052

The approver should be appropriate according to the Expenditures  
Divestitures & Terminations Category of the Delegation of Authority  
(DOA) matrix

**Description of Proposed Service  
Please Provide Basis for Estimated Costs:**

Service Request to cover labor and associated expenses for Duke Energy Indiana employees to assist with various T&D operational work in Ohio throughout the year (non storm related). The estimated cost is based on 2011 actual spend inflated by 5%. Please note that the accounting chart field codes vary due to the magnitude of projects and tasks involved throughout the year. The listing of chart fields below is what is known at this time. There may be other DEI Centers, etc, assisting in this effort as the year progresses. Centers: S646, S887, S281, S739, S665 Operating Units: VSOH, WBDC, VFOO, VNCM, VODO

Confirmation of Service Provider Utility  
Responsibilities by Service Provider  
Approver:

Yes

**Client Company:**

DUKE ENERGY OHIO REGULATED

**Client Company Approver  
Information:**

Name: Harrell, Rich  
Phone: (513) 2873709

The approver should be appropriate according to the Expenditures  
Divestitures & Terminations Category of the Delegation of Authority  
(DOA) matrix

Estimated Costs:

\$ 167,000

Scheduled Start Date:

1/1/2012

Scheduled Completion Date:

12/31/2012

**Legal Approval Representative:**

Price, Melanie D

**PeopleSoft Accounting codes for the Services Provided:**

Client Co. Operating Unit:

VSOH

Service Provider Resp. Center:

s646

Process:

various

Project:

various

Activity:

various

G/L Account:

Comments:

Form # efr148v1-001622

Form Status: Approved

**Form Submitter Information:**

Name: Williams, Michelle  
Phone: (704) 3822226

**Service Provider:**

Service Provider Approver  
Information:

Name: DUKE ENERGY INDIANA  
Phone: Esamann, Doug  
(317) 8381268

The approver should be appropriate according to the Expenditures,  
Divestitures & Terminations Category of the Delegation of Authority  
(DOA) matrix

Description of Proposed Service  
Please Provide Basis for Estimated Costs:

This SRF is for the DE Ohio Powery Delivery use of the DE Indiana  
helicopter for aerial patrol services. The estimated flight hours are  
90 hours. Aerial Patrol Operating Units: Aerial Patrol Responsibility  
Centers: 5003 ED01 RR82 VSEO ZPUS 4762 S503 5703 ENLE  
STFS VSIE ZSBS 8001 S508 6592 FPUS STZS VSIN ZSR8 8018  
S729 6603 GBCM V932 VSIW ZTPS 9040 S739 BEFS MTTT  
VNCM VSOH ZTZS 9927 CGEX RBTS VNOE VWOE S388 CGHR  
REPO VOTI WTTT S414

Confirmation of Service Provider Utility  
Responsibilities by Service Provider  
Approver:

Yes

**Client Company:**

DUKE ENERGY OHIO REGULATED

Client Company Approver  
Information:

Name: Harrell, Rich  
Phone: (513) 2873709

The approver should be appropriate according to the Expenditures,  
Divestitures & Terminations Category of the Delegation of Authority  
(DOA) matrix

Estimated Costs:

\$ 150,000

Scheduled Start Date:

1/1/2012

Scheduled Completion Date:

12/31/2012

**Legal Approval Representative:**

Price, Melanie D

**PeopleSoft Accounting codes for the Services Provided:**

Client Co. Operating Unit:

VNCM

Service Provider Resp. Center:

9927

Process:

AERIALT

Project:

AERIALT

Activity:

x

G/L Account:

Comments:

Form # efr148v1-001000

Form Status: Approved

**Form Submitter Information:**

Name: Brown, James M  
Phone: (513) 2873405

**Service Provider:**

Service Provider Approver  
Information:

DUKE ENERGY CAROLINAS  
Name: Litaker, David M  
Phone: (704) 3824951

The approver should be appropriate according to the Expenditures, Divestitures & Terminations Category of the Delegation of Authority (DOA) matrix.

Description of Proposed Service  
Please Provide Basis for Estimated Costs:

Duke Energy Carolinas employee (Michael Johnson) working to extend the use of EGIS and eMax to the additional objects that support the Smart Grid initiative. The estimated cost includes labor and associated expenses.

Confirmation of Service Provider Utility  
Responsibilities by Service Provider  
Approver:

Yes

**Client Company:**

DUKE ENERGY OHIO REGULATED

Client Company Approver  
Information:

Name: Elliott, Karen O  
Phone: (704) 3826062

The approver should be appropriate according to the Expenditures, Divestitures & Terminations Category of the Delegation of Authority (DOA) matrix.

Estimated Costs:

\$ 10,000

Scheduled Start Date:

1/1/2012

Scheduled Completion Date:

12/31/2012

**Legal Approval Representative:**

Franklin, Brian L.

**PeopleSoft Accounting codes for the Services Provided:**

Client Co. Operating Unit:

USGA

Service Provider Resp. Center:

4315

Process:

SGIT

Project:

SGDVINTG

Activity:

Various

G/L Account:

Comments:



Form # efr148v1-001838

Form Status: Approved

**Form Submitter Information:**

Name: Brown, James M  
Phone: (513) 2873405

**Service Provider:**

Service Provider Approver  
Information:

DUKE ENERGY KENTUCKY, INC.  
Name: Toebe, Ken C  
Phone: (859) 5344381

The approver should be appropriate according to the Expenditures  
Divestitures & Terminations Category of the Delegation of Authority  
(DOA) matrix

Description of Proposed Service  
Please Provide Basis for Estimated Costs:

Duke Energy Kentucky personnel to maintain and support various  
Smart Grid equipment (Communication Nodes, Cable, Brackets,  
Wiring, etc.) for the Duke Energy Ohio operating company. The  
estimated cost includes labor and associated expenses (based on  
2011 spend). Additional accounting below: Project: COMBXELEC,  
G0657, AMIMODCHG Activity: 1,R Op Unit: GD10, and other Ohio  
Operating Units Accounts: 107000, 108620

Confirmation of Service Provider Utility  
Responsibilities by Service Provider  
Approver:

Yes

**Client Company:**

DUKE ENERGY OHIO REGULATED

Client Company Approver  
Information:

Name: Harrell, Rich  
Phone: (513) 2873709

The approver should be appropriate according to the Expenditures,  
Divestitures & Terminations Category of the Delegation of Authority  
(DOA) matrix

Estimated Costs:

\$ 185,000

Scheduled Start Date:

1/1/2012

Scheduled Completion Date:

12/31/2012

**Legal Approval Representative:**

D'Ascenzo, Rocco Ormano

**PeopleSoft Accounting codes for the Services Provided:**

Client Co. Operating Unit:

RRB1

Service Provider Resp. Center:

Various

Process:

AMI

Project:

COMBXCHG

Activity:

Various

G/L Account:

Comments:

Form # str148v1-001880

Form Status: Approved

**Form Submitter Information:**

Name: Brown, James M  
Phone: (513) 2873405

**Service Provider:**

**Service Provider Approver  
Information:**

Name: DUKE ENERGY INDIANA  
Session, Chuck  
Phone: (513) 4191641

The approver should be appropriate according to the Expenditures,  
Divestitures & Terminations Category of the Delegation of Authority  
(DOA) matrix

**Description of Proposed Service  
Please Provide Basis for Estimated Costs:**

Duke Energy Indiana personnel providing service to Duke Energy Ohio for FCS project. The FCS project is related to replacing the current PP4 meter reading system and handhelds. The estimated cost for labor and associated expenses includes 2 months of actual spend plus estimated cost for the remainder of the year.

Confirmation of Service Provider Utility  
Responsibilities by Service Provider  
Approver:

Yes

**Client Company:**

DUKE ENERGY OHIO REGULATED

**Client Company Approver  
Information:**

Name: Feld, Karen  
Phone: (704) 3828554

The approver should be appropriate according to the Expenditures,  
Divestitures & Terminations Category of the Delegation of Authority  
(DOA) matrix

Estimated Costs:

\$ 35,000

Scheduled Start Date:

1/1/2012

Scheduled Completion Date:

12/31/2012

**Legal Approval Representative:**

Price, Melanie D

**PeopleSoft Accounting codes for the Services Provided:**

Client Co. Operating Unit:

VITO

Service Provider Resp. Center:

S553

Process:

TDIT

Project:

ITRNFCSOH

Activity:

Various

G/L Account:

Comments:

Form # efr148v1-001718

Form Status: Approved

**Form Submitter Information:**

Name: Brown, James M  
Phone: (513) 2873405

**Service Provider:**

Service Provider Approver  
Information:

DUKE ENERGY KENTUCKY, INC.  
Name: Ries, Robert E  
Phone: (513) 4191512

The approver should be appropriate according to the Expenditures,  
Divestitures & Terminations Category of the Delegation of Authority  
(DOA) matrix

Description of Proposed Service  
Please Provide Basis for Estimated Costs:

Kentucky service delivery and meter reading employees who  
perform Operations and Maintenance work in Ohio. Work includes  
such tasks as NonPay, Customer Premise Work, Meter Orders, and  
Meter Reading. Costs are based on 2011 spend and cover labor  
and associated expenses. Accounting line items vary due to the  
multitude of tasks performed throughout the year.

Confirmation of Service Provider Utility  
Responsibilities by Service Provider  
Approver:

Yes

**Client Company:**

DUKE ENERGY OHIO REGULATED

Client Company Approver  
Information:

Name: Feld, Karen  
Phone: (704) 3828554

The approver should be appropriate according to the Expenditures,  
Divestitures & Terminations Category of the Delegation of Authority  
(DOA) matrix

Estimated Costs:

\$ 200,000

Scheduled Start Date:

1/1/2012

Scheduled Completion Date:

12/31/2012

**Legal Approval Representative:**

D'Ascenzo, Rocco Ormano

**PeopleSoft Accounting codes for the Services Provided:**

Client Co. Operating Unit:

VPOH

Service Provider Resp. Center:

Various

Process:

Various

Project:

METERNCG

Activity:

Various

G/L Account:

Comments:

**This foregoing document was electronically filed with the Public Utilities**

**Commission of Ohio Docketing Information System on**

**2/19/2013 3:18:32 PM**

**in**

**Case No(s). 12-1682-EL-AIR, 12-1683-EL-ATA, 12-1684-EL-AAM**

Summary: Testimony Supplemental Direct Testimony of Steven Michael Covington electronically filed by Ms. Elizabeth H Watts on behalf of Duke Energy Ohio, Inc.