

Duke Energy Ohio, Inc.  
Significantly Excessive Earnings Test  
Case No. 13-804  
December 31, 2012

Attachment PAL-1  
Page 1 of 1

<u>Description</u>	<u>Source</u>	<u>Amount</u>
<b>Including Non-SSO Sales and ESP Deferrals</b>		
Adjusted Electric Net Income	PAL-2	(60,571,934)
Average Electric Common Equity	PAL-4	2,193,642,807
Return Earned on Average Electric Common Equity		<u>-2.76%</u>

12 Months Ended December 31, 2012											
Eliminations											
Description	Total	Electric	Purchase Accounting	Mark-to-Market	Non-Recurring Gains / Losses	Non-Recurring Rev / Exp	Equity in Earnings of Subsidiaries	Amounts Refunded to Customers	Total Eliminations	Adjusted December 31, 2012	
<b>Utility Operating Income</b>											
Operating Revenues	2,071,281,634	1,689,223,992	0			(16,031,265)			(16,031,265)	1,673,192,727	
Operation Expenses	1,419,716,947	1,219,362,957	(5,662,605)	79,050		(7,739,481)			(13,323,036)	1,206,039,921	
Maintenance Expenses	147,574,255	141,133,823				(811)			(811)	141,133,012	
Depreciation Expense	176,543,867	138,702,981				(80,944)			(80,944)	138,622,037	
Depreciation Expense for Asset Retirement Costs	4,855	4,855							0	4,855	
Amort. & Depl. Of Utility Plant	23,805,122	20,192,099	(7,755,000)						(7,755,000)	12,437,099	
Amort. Of Utility Plant Acquisition Adj.	19,006,130	19,006,130	(19,006,130)						(19,006,130)	0	
Regulatory Debits	32,202,092	24,962,734							0	24,962,734	
Less: Regulatory Credits	(14,427,800)	(6,466,534)							0	(6,466,534)	
Taxes Other Than Income Taxes	202,269,268	154,035,122							0	180,579,798	
Income Taxes - Federal	(26,047,535)	(16,519,919)	11,484,487	(28,000)	0	(12,187,456)		0	(730,969)	(17,250,888)	
Income Taxes - Other	1,689,326	1,155,612				(346,304)			(346,304)	809,308	
Provision For Deferred Income Taxes	419,564,560	324,089,623							0	324,089,623	
Provision For Deferred Income Taxes - Credit	(397,352,642)	(337,719,462)							0	(337,719,462)	
Investment Tax Credit Adj - Net	(935,034)	(715,988)	0						0	(715,988)	
Gains From Disp Of Allow - Credit	(512,551)	(512,551)							0	(512,551)	
Accretion Expense	191,812	191,812							0	191,812	
Total Utility Operating Expenses	2,003,292,672	1,680,903,294	(20,939,248)	51,050	0	6,189,680	0	0	(14,698,518)	1,666,204,776	
Net Utility Operating Income	67,988,962	8,320,698	20,939,248	(51,050)	0	(22,220,945)	0	0	(1,332,747)	6,987,951	
<b>Other Income</b>											
Revenues From Merchandising, Jobbing and Contract Work	732,703	731,480							0	731,480	
Less: Costs & Exp of Merchandising, Jobbing & Contract	864,207	892,114							0	892,114	
Revenues From Nonutility Operations	108,857	25,693							0	25,693	
Less: Expenses of Nonutility Operations	15,621,298	15,540,005							0	15,540,005	
Non-operating Rental Income	(41,852)	(1,716)							0	(1,716)	
Equity in Earnings of Subsidiary Companies	187,803,820	285,381,485					(285,381,485)		(285,381,485)	0	
Interest and Dividend Income	4,671,151	4,547,847							0	4,547,847	
AFUDC	6,016,006	4,870,499							0	4,870,499	
Miscellaneous Non-operating Income	(14,980,928)	(15,433,485)		14,976,363					14,976,363	(457,122)	
Gain on Disposition of Property	30,203	30,027	0	14,976,363	(30,027)	0	(285,381,485)	0	(30,027)	0	
Total Other Income	167,854,455	263,719,711	0	14,976,363	(30,027)	0	(285,381,485)	0	(270,435,149)	(6,715,438)	
<b>Other Income Deductions</b>											
Loss on Disposition of Property	227	227			(227)				(227)	0	
Misc. Amortization	0	0							0	0	
Donations	924,979	697,824							0	697,824	
Life Insurance	0	0							0	0	
Penalties	150,002	150,002							0	150,002	
Civic, Political & Related Activities	2,625,868	1,769,176							0	1,769,176	
Other Deductions	(8,619,127)	(11,224,031)							0	0	
Total Other Income Deductions	(4,918,051)	(8,606,802)	0	15,013,726	0	(13,939)			14,999,787	3,775,756	
Total Taxes On Other Income and Deductions	(7,782,173)	(5,944,861)	8,469	(13,234)	(10,556)	69,307	0	0	14,999,560	6,392,758	
Net Other Income and Deductions	180,554,679	278,271,374	(8,469)	(24,129)	(19,244)	(55,368)	(285,381,485)	0	(285,488,695)	(5,890,875)	
Net Interest Charges	73,860,272	60,548,207	(23,910)	(75,179)	(19,244)	(181,733)			(205,643)	7,217,321	
Net Income	174,683,369	226,043,865	20,954,689				(285,381,485)	0	(286,615,799)	60,342,564	
Extraordinary Items	0	0							0	0	
Net Income	174,683,369	226,043,865	20,954,689	(75,179)	(19,244)	(22,094,580)	(285,381,485)	0	(286,615,799)	(60,571,934)	

<u>Account ID</u>	<u>CB</u>	<u>Account Long Descr</u>	<u>12 months</u> <u>Ended</u> <u>12/31/2012</u>	<u>Elimination</u>	<u>Income</u> <u>Tax Effect</u>	<u>Impact on</u> <u>Net Income</u>
<b><u>Purchase Accounting</u></b>						
447208		Amort Pwr Trdg Intang or Liab	0	0	0	0
405011		Amort of Other Pur Acctg	7,755,000	(7,755,000)		
406505		Amort Exp - Acq Purch Adj	19,006,130	(19,006,130)		
			<u>26,761,130</u>	<u>(26,761,130)</u>	<u>9,478,792</u>	<u>17,282,338</u>
411849		SO2 COS - Purch Acctg	0	0		
411850		Seasonal NOx COS - Purch Acctg	0	0		
			0	0	0	0
501200		Coal Consumed Purch Acctg Adj	182,601	(182,601)		
501998		Fuel Expense-Purch Acctg	2,140,968	(2,140,968)		
509011		SO2 Emission Exp - Purch Acctg	3,339,036	(3,339,036)		
509211		Seas NOx Emiss Exp - Purch Acctg	0	0		
			<u>5,662,605</u>	<u>(5,662,605)</u>	<u>2,005,695</u>	<u>3,656,910</u>
		Above-the-line Impact		<u>32,423,735</u>	<u>11,484,487</u>	<u>20,939,248</u>
428200		Amort_Debt_Disc_Pur_Acctg_Adj	456,162	(456,162)		
429200		Amort_Debt_Prem_Pur_Acctg_Adj	(432,252)	<u>432,252</u>		
			<u>23,910</u>	<u>(23,910)</u>	<u>8,469</u>	<u>15,441</u>
		Total Purchase Accounting Adjustment	<u>(32,447,645)</u>	<u>32,447,645</u>	<u>11,492,956</u>	<u>20,954,689</u>
<b><u>Mark-to-Market</u></b>						
421530		Power Trading MTM Gains	(8,664,464)	8,664,464		
421531		MTM Unrealized Gain - Reserve	312,695	(312,695)		
421532		Power Trading MTM Gains-Reg	0	0		
421541		Gas MTM Gains	(901,961)	901,961		
421542		Electricity - MTM Gain I/C	(5,646,013)	5,646,013		
421543		Non Reg IC MTM Gas Gain	(76,620)	76,620		
421631		MTM Unreal Gains - EA	0	0		
		Other Income	<u>(14,976,363)</u>	<u>14,976,363</u>	<u>5,304,628</u>	<u>9,671,735</u>
426531		MTM Unreal Loss-Reserve	280,358	(280,358)		
426532		Power Trading MTM Loss	0	0		
426533		Power Trading MTM Loss-NonReg	(12,566,866)	12,566,866		
426541		Gas MTM Loss	(76,620)	76,620		
426542		Electricity - MTM Loss I/C	(1,748,637)	1,748,637		
426543		Non Reg IC MTM Gas Loss	(901,961)	901,961		
426631		MTM Unreal Losses - EA's	0	0		
		Other Income Deductions	<u>(15,013,726)</u>	<u>15,013,726</u>	<u>(5,317,862)</u>	<u>(9,695,864)</u>
		Net Other Income and Deductions	<u>37,363</u>	<u>(37,363)</u>	<u>(13,234)</u>	<u>(24,129)</u>
501128		Fuels Unrealized MTM Gain	(400,288)	400,288		
501129		Fuels Unrealized MTM Loss	<u>321,238</u>	<u>(321,238)</u>		
			<u>(79,050)</u>	<u>79,050</u>	<u>(28,000)</u>	<u>(51,050)</u>
		Total Mark-to-Market	<u>116,413</u>	<u>(116,413)</u>	<u>(41,234)</u>	<u>(75,179)</u>
<b><u>Non-Recurring Gains / Losses</u></b>						
421100		Gain On Disposal Of Property	30,027	(30,027)	(10,636)	(19,391)
421200		Loss On Disposal Of Property	227	(227)	80	147
426513		Other Deductions - Impairments	0	0	0	0
426553		PP&E IMPAIRMENT	0	0	0	0
426554		Impairment of Goodwill	0	0	0	0
		Total Non-Recurring Gains / Losses	<u>29,800</u>	<u>(29,800)</u>	<u>(10,556)</u>	<u>(19,244)</u>
<b><u>Non-Recurring Revenue / Expense</u></b>						
456640		Deferred DSM Costs	16,031,265	(16,031,265)	(5,678,274)	(10,352,991)
408121		Taxes Property - Operating	(26,544,676)	26,544,676	(9,402,124)	(17,142,552)
904001		Bad Debt Expense	(14,482,902)	14,482,902	(5,129,844)	(9,353,058)
CTA - Various		Operation Expenses	22,222,383	(22,222,383)	7,871,168	14,351,215
CTA - 935100		Maintenance Expenses	811	(811)	287	524
CTA - 403005		Depreciation Expense	80,944	(80,944)	28,670	52,274
CTA - Various		Income Taxes - Other	346,304	(346,304)	122,661	223,643
CTA - Various		Other Deductions	13,939	(13,939)	4,937	9,002
CTA - 431900		Net Interest Charges	<u>181,733</u>	<u>(181,733)</u>	<u>64,370</u>	<u>117,363</u>
		Total Non-Recurring Revenue / Expense	<u>34,212,729</u>	<u>(34,212,729)</u>	<u>(12,118,149)</u>	<u>(22,094,580)</u>
<b><u>Equity in Earnings of Subsidiary Companies</u></b>						
418.1		Equity in Earnings of Subsidiary Companies	<u>285,381,485</u>	<u>(285,381,485)</u>		<u>(285,381,485)</u>
		Total Eliminations	<u>287,292,782</u>	<u>(287,292,782)</u>	<u>(676,983)</u>	<u>(286,615,799)</u>

Description	December 31, 2011				Adjusted 12-31-11	December 31, 2012				Adjusted 12-31-12
	Balance at 12-31-11	Purchase Accounting	DENA	Other Adjustments		Balance at 12-31-12	Purchase Accounting	DENA	Other Adjustments	
Common Stock Equity										
201000 Common Stock	762,136,231				762,136,231	762,136,231				762,136,231
207000 Premium on capital stock		362,457,437			362,457,437		362,457,437			362,457,437
208000 Donat Recd From SNGH	28,950,000	197,206,819			226,156,819	28,950,000	197,206,819			226,156,819
208001 Donat Recd From Duke	1,462,338,840		(1,462,338,840)		0	1,462,338,840		(1,462,338,840)		0
208010 Donat Recd From SNGH Tax	15,641,578	68,538,328			84,179,906	15,641,578	68,538,328			84,179,906
210020 Gain on Redemption of Capital		147,685			147,685		147,685			147,685
211003 Misc Paid in Capital			(1,171,126,922)		(1,171,126,922)			(868,942,147)		(868,942,147)
211004 Miscellaneous Paid in Capital Purch Acctg	2,879,949,148	(2,879,949,148)			0	2,817,217,085	(2,879,949,148)			(62,732,063)
211005 Miscellaneous Paid in Capital Pre-Merger Equity	557,581,088	(603,514,486)			(45,933,398)	557,581,088	(603,514,486)			(45,933,398)
211007 Misc PIC Premier RE for Div	140,474,493	(625,474,493)			(485,000,000)	0	(625,474,493)			(625,474,493)
211110 PIC - Sharewater		(3,350,836)			(3,350,836)		(3,350,836)			(3,350,836)
214010 Common stock equity inter-company		(21,750,868)			(21,750,868)		(21,750,868)			(21,750,868)
216000 Unappropriated RE Bal	(846,467,235)	984,582,476	1,580,568,348	1,403,452,846 <sup>(a)</sup>	3,102,137,435	(652,135,141)	1,038,149,463	1,403,452,846 <sup>(a)</sup>		3,187,460,128
216100 Unapp Ret Eings-Curr Yr Net Income	194,332,094	74,588,581	(120,940,547)	(51,722,204) <sup>(b)</sup>	96,357,924	174,683,369	20,961,179	(173,481,757)		(353,947,730)
438000 Dividends Declared on Common Stock					0					0
Accum other comprehensive income (loss)	(27,759,807)	(45,455,383)			(73,215,170)	42,448	(45,455,383)			(45,412,915)
Total Common Stock Equity	\$ 5,167,174,440	\$ (2,511,953,863)	\$ (1,173,433,961)	\$ 1,351,730,642	\$ 2,833,538,255	\$ 5,168,453,508	\$ (2,492,034,283)	\$ (804,767,786)	\$ 1,027,342,325	\$ 2,788,685,764
Allocation to Duke Energy Ohio Electric <sup>(a)</sup>										
Average Common Equity Allocated to Duke Energy Ohio Electric										77.92%
										\$ 2,193,642,807

<sup>(a)</sup> Elimination of Mark-to-Market, Non-Recurring Gains & Losses, Equity in Subsidiary Companies and Goodwill Impairment.  
<sup>(b)</sup> Elimination of Goodwill Impairment.  
<sup>(c)</sup> Source: Attachment PAL-5.

Duke Energy Ohio, Inc.  
Significantly Excessive Earnings Test  
Net Plant Allocation Factor  
December 31, 2012

Attachment PAL-5  
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Duke Energy Ohio, Inc.			
<u>Description</u>	<u>Gas</u>	<u>Electric</u>	<u>Total</u>
Gross Plant	1,671,709,907	6,721,916,300	8,393,626,207
Accumulated Depreciation	<u>443,535,557</u>	<u>2,387,287,381</u>	<u>2,830,822,938</u>
Net Plant	<u>1,228,174,350</u>	<u>4,334,628,919</u>	<u>5,562,803,269</u>
Allocation Percentage	22.08%	77.92%	100.00%

Source of Data per Stipulation in Case No. 11-3549-EL-SSO:

- 1 Source of data is actual data from FERC Form 1 for the calendar year at issue.

Adjustments to Net Income per Stipulation in Case No. 11-3549-EL-SSO:

- 2 Eliminate all impacts related to the purchase accounting recorded pursuant to the Duke Energy / Cinergy Corp. Merger.
- 3 Eliminate all impacts of refunds to customers pursuant to R.C. 4928.143(F)
- 4 Eliminate all impacts of mark-to-market accounting.
- 5 Eliminate all impacts of material, non-recurring gains / losses, including, but not limited to, the sale or disposition of assets.
- 6 Eliminate all impacts of material, non-recurring revenue or expenses.
- 7 Eliminate all impacts of parent, affiliated, or subsidiary companies and, to the extent reasonably feasible and prudently justified in the opinion of Duke Energy Ohio, eliminate the impacts of its natural gas distribution business.
- 8 Only Rider ESCC revenue received while the Company directly owns the Legacy Generation Assets will be included in the SEET review. For the SEET review involving the year in which the Legacy Generation Assets are transferred, the Company's net income will be adjusted to exclude the impact of all revenue collected from Rider ESSC after the date of transfer.

Adjustments to Common Equity per Stipulation in Case No. 11-3549-EL-SSO:

- 9 Common Equity used in the calculation will be the beginning and ending average common equity of Duke Energy Ohio on a stand-alone basis (i.e., equity associated with subsidiaries will be excluded and common equity will be allocated between gas and electric service to the extent practicable) except that a thirteen month average common equity balance may be used for a review of the SEET for the year in which the Company completes the transfer of its Legacy Generation assets.
- 10 Eliminate the acquisition premium recorded to equity pursuant to the Duke / Cinergy Corp. merger.
- 11 Eliminate the cumulative effect of the Net Income adjustments.

Duke Energy Corporation  
Performance Benchmark  
Total Shareholder Return vs. Philadelphia Utility Index

Attachment PAL-7

	<u>Duke</u>	<u>Rank</u>	<u>Percentile Rank</u>
From January 2010 to:			
Mar-10	-3.8%	13 (a)	36.8%
Jun-10	-4.3%	9 (a)	57.9%
Sep-10	7.5%	10 (a)	52.6%
Dec-10	9.5%	10 (a)	52.6%
Mar-11	13.2%	9 (a)	57.9%
Jun-11	18.9%	9 (a)	57.9%
Sep-11	28.1%	6 (b)	72.2%
Dec-11	42.7%	6 (b)	72.2%
Mar-12	37.9%	7 (b)	64.7%
Jun-12	53.1%	6 (b)	70.6%
Sep-12	45.0%	9 (b)	52.9%
Dec-12	44.6%	7 (b)	64.7%
From January 2011 to:			
Mar-11	3.3%	9 (a)	57.9%
Jun-11	8.6%	10 (a)	52.6%
Sep-11	16.9%	6 (b)	72.2%
Dec-11	30.3%	4 (b)	83.3%
Mar-12	25.9%	5 (b)	76.5%
Jun-12	39.8%	5 (b)	76.5%
Sep-12	32.4%	6 (b)	70.6%
Dec-12	32.0%	4 (b)	82.4%
From January 2012 to:			
Mar-12	-3.4%	14 (b)	27.8%
Jun-12	7.3%	9 (b)	55.6%
Sep-12	1.7%	14 (b)	27.8%
Dec-12	1.4%	9 (b)	55.6%

Note: (a) Prior to August 25, 2011, components of Philadelphia Utility Index were: Ameren, AEP, AES, Constellation, Centerpoint, Dominion, DTE, Consolidated Edison, Duke, Edison International, Entergy, Exelon, First Energy NextEra, Northeast Utilities, PG&E, PSEG, Progress Energy, Southern Company, Xcel.

Note: (b) On August 25, 2011, Progress Energy was replaced in the Philadelphia Utility Index (UTY) by Covanta. At the completion of the merger with Exelon, Constellation Energy was replaced by El Paso Electric. Per the LTI plan, Duke performance will be measured against the remaining UTI companies (excluding Progress Energy Covanta, Constellation and El Paso).

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**Case No(s). 13-0804-EL-UNC**

Summary: Testimony Attachment PAL-1 to Direct Testimony of Peggy A. Laub electronically filed by Dianne Kuhnell on behalf of Duke Energy Ohio, Inc. and Spiller, Amy B. and Rocco D'Ascenzo