

**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	:	Case No. 12-1688-GA-AAM
Methods.	:	

**PREFILED TESTIMONY
OF
WM. ROSS WILLIS
RATES DIVISION
UTILITIES DEPARTMENT
PUBLIC UTILITIES COMMISSION OF OHIO**

**IN SUPPORT
OF
JOINT STIPULATION AND RECOMMENDATION**

Staff Exhibit _____

April 22, 2013

1 1. Q. Please state your name and your business address.

2 A. My name is Wm. Ross Willis. My business address is 180 East Broad
3 Street, Columbus, Ohio 43215.
4

5 2. Q. By who are you employed?

6 A. I am employed by the Public Utilities Commission of Ohio (PUCO).
7

8 3. Q. What is your current position with the PUCO and what are your duties?

9 A. I am Chief of the Rates Division within the Utilities Department. My
10 duties include developing, organizing, and directing staff during rate case
11 investigations and other financial audits of public utility companies subject
12 to the jurisdiction of the PUCO. The determination of revenue require-
13 ments in connection with rate case investigations is under my purview.
14

15 4. Q. Would you briefly state your educational background?

16 A. I earned a Bachelor of Business Administration Degree that included a
17 Major in Finance and a Minor in Management from Ohio University in
18 December 1983. In November 1986, I attended the Academy of Military
19 Science and received a commission in the Air National Guard. Moreover, I
20 have attended various seminars and rate case training programs sponsored
21 by this Commission.
22

1 5. Q. Please outline your work experience.

2 A. Following graduation from Ohio University, I joined the Public Utilities
3 Commission in February 1984, in the Utilities Department as a Utility
4 Examiner. I have held several technical and managerial positions with the
5 PUCO. They include Utility Examiner, Utility Rate Analyst, Utility Audit
6 Coordinator, Utility Supervisor, Utility Administrator 1, Utility Adminis-
7 trator 2, and my current position, Chief of Rates Division.

8
9 My military career spans 27 honorable years of service with the Ohio
10 National Guard. I earned the rank of Lieutenant Colonel and I am a veteran
11 of the war in Afghanistan. I retired from the Air National Guard in March
12 2006.

13
14 I have previously testified before this Commission.

15
16 6. Q. What is the purpose of your testimony in this proceeding?
17 A. The purpose of my testimony is to support the Joint Stipulation and Recom-
18 mendation (Stipulation) and the proposed revenue requirement schedules,
19 which are attached to my testimony.

20
21 7. Q. Are the results of the Stipulation reasonable?

1 A. Yes. The results are reasonable for three basic reasons: (1) the settlement
2 was a product of serious bargaining among capable, knowledgeable parties;
3 (2) the settlement, as a package, benefits ratepayers and is in the public
4 interest; and (3) the settlement does not violate any regulatory principle or
5 practice.

6
7 8. Q. Is the settlement a product of serious bargaining among capable,
8 knowledgeable parties?

9 A. Yes. The results of the settlement reflect consensus building on the part of
10 the signatories to the settlement. The signatories are represented by experi-
11 enced counsel who regularly participate in regulatory proceedings before
12 the Commission and are familiar with Commission practice and procedure.
13 The agreement is the result of good faith negotiations and serious bargain-
14 ing on the part of the signatories to the Stipulation and Recommendation.

15
16 9. Q. How does the Stipulation, as a package, benefit ratepayers and is in the
17 public interest?

18 A. The signatories to the settlement have examined the case record and repre-
19 sent diverse interests. The stipulated settlement results in a just and reason-
20 able revenue requirement that benefits ratepayers by recognizing some of
21 the objections to the Staff Report of Investigation, rejecting some of the
22 objections, and where appropriate, alternative approaches were considered.

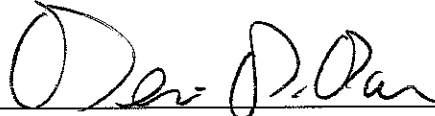
1 The settlement is in the public interest because it:

- 2 • Avoids the added cost of litigation by limiting
3 litigation to the various positions taken associated with
4 the remediation of manufactured gas plants (MGP)
5 sites.
- 6 • Combines Duke's existing base rates with existing
7 riders for SmartGrid and Accelerated Main
8 Replacement Program (AMRP) resulting in a \$0
9 increase in base gas retail rates.
- 10 • The incremental increase to the AMRP for residential
11 customers will be capped at \$1.00 annually on a
12 cumulative basis.
- 13 • The Rider AMRP revenue requirement calculation will
14 include amortization of camera work expense over a
15 five-year period related to the AMRP activity during
16 2001 through 2006.
- 17 • Duke agrees to withdraw its request for approval of an
18 Accelerated Service Replacement Program (ASRP)
19 saving \$317 million in rates over a 9-10 year time
20 frame. If this Rider is proposed again by Duke in the
21 future, and if the Commission approves such Rider,
22 Duke shall ensure that rates for such a program will
23 not go into effect before January 1, 2016.
- 24 • Reconnection charge will remain at the current
25 amount.
- 26 • Recognizes the Staff's recommendation that Rider
27 FRT (Facilities Relocation – Mass Transportation) will
28 not be approved in this proceeding.
- 29 • Establishes a rate of return of 7.73% based on a return
30 on equity of 9.84% and a cost of debt at 5.32%
- 31 • Provides for shareholder-funded low-income
32 weatherization programs and a low income fuel fund.

1 10. Q. Does the settlement violate any regulatory principle or practice?
2
3 A. No. The revenue requirement schedules attached to my testimony are the
4 result of traditional rate setting policies, practices, and procedures followed
5 by the Staff. The recommended revenue requirement is consistent with
6 sound regulatory rate setting practices.
7
8 11. Q. Does this conclude your testimony?
9 A. Yes, it does. However, I reserve the right to submit supplemental testi-
10 mony as described herein, as new information subsequently becomes avail-
 able or in response to positions taken by other parties.

PROOF OF SERVICE

I hereby certify that a true copy of the foregoing Prefiled Testimony of Wm. Ross Willis, submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served via electronic mail, upon the following parties of record, this 22 day of April, 2013.



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DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
OVERALL FINANCIAL SUMMARY
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE A-1
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): SEE BELOW

LINE NO.	DESCRIPTION	Supporting Schedule Reference	Applicant	Stipulation	
				Lower Bound	Upper Bound
1	Rate Base	B-1	891,013,614	882,242,442	882,242,442
2	Current Operating Income	C-1	43,639,349	68,197,341	68,197,341
3	Earned Rate of Return (Line 2 / Line 1)		4.90%	7.73%	7.73%
4	Requested Rate of Return	D-1A	8.13%	7.73%	7.73%
5	Required Operating Income (Line 1 x Line 4)		72,439,407	68,197,341	68,197,341
6	Operating Income Deficiency (Line 5 - Line 2)		28,800,058	(0)	(0)
7	Gross Revenue Conversion Factor	A-2	1.5488809	1.5468532	1.5468532
8	Revenue Deficiency (Line 6 x Line 7)		44,607,860	0	0
9	Revenue Increase Requested / Recommended		44,607,929	0	0
10	Adjusted Operating Revenues	C-1	246,539,382	384,015,062	384,015,062
11	Revenue Requirements (Line 9 + Line 10)		291,147,242	384,015,062	384,015,062
12	Percent Increase (Line 9 / Line 11)		18.09%	0.00%	0.00%

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
JURISDICTIONAL RATE BASE SUMMARY
AS OF MARCH 31, 2012

REVISED SCHEDULE B-1
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): SEE BELOW

LINE NO.	RATE BASE COMPONENT	Supporting Schedule Reference	Applicant Proposed Amount	Stipulated Amount
1	Plant In Service	B-2	\$ 1,629,640,883	\$ 1,623,220,034
2	Reserve for Accumulated Depreciation	B-3	(450,909,840)	(447,052,644)
3	Net Plant In Service (Line 1+ Line 2)		1,178,731,043	1,176,167,390
4	Construction Work in Progress	B-4	0	0
5	Cash Working Capital Allowance	B-5	0	0
6	Material and Supplies	B-5	6,139,137	0
7	Other Items:			
8	Customer Advances for Construction	B-6	(3,597,473)	(3,597,473)
9	Customer Service Deposits	B-6	(8,453,180)	(8,521,562)
10	Contributions in Aid of Construction (a)	B-6	0	0
11	Postretirement Benefits	B-6	(14,645,755)	(14,645,755)
12	Investment Tax Credits	B-6	(6,554)	(6,554)
13	Deferred Income Taxes	B-6	(282,950,314)	(282,950,314)
14	Other Rate Base Adjustments	B-6	15,797,710	15,796,710
15	Jurisdictional Rate Base (Line 3 thru Line 14)		\$ 891,014,614	\$ 882,242,442

(a) Contributions in aid of construction are already netted against gross plant per FPC Order No. 490.

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
PLANT IN SERVICE SUMMARY BY MAJOR PROPERTY GROUPINGS
AS OF MARCH 31, 2012

REVISED SCHEDULE B-2
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): Schedule B-2.1

LINE NO.	MAJOR PROPERTY GROUPINGS	TOTAL COMPANY	ALLOCATION %	ALLOCATED TOTAL	ADJUSTMENTS	ADJUSTED JURISDICTION
		\$		\$	\$	\$
1	Production	11,408,389	100.00	11,408,389	0	11,408,389
2	Distribution	1,506,169,486	100.00	1,506,169,486	(4,745,042)	1,501,424,444
3	General	51,239,806	100.00	51,239,806	(1,153,900)	50,085,906
4	Common (Allocated to Gas)	61,160,507	100.00	61,160,507	(859,212)	60,301,295
5	Other (specify)					
6	TOTAL	1,629,978,188		1,629,978,188	(6,758,154)	1,623,220,034

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
PLANT IN SERVICE BY ACCOUNTS AND SUBACCOUNTS
AS OF MARCH 31, 2012
GENERAL PLANT

SCHEDULE B-2.1
PAGE 3 OF 5

WORK PAPER REFERENCE NO(S): Staff Schedule B-2.2, Applicant Schedule B-2.3

LINE NO.	F.E.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY	ALLOCATION %	ALLOCATED TOTAL	ADJUSTMENTS	ADJUSTED JURISDICTION
				\$		\$	\$	\$
1	000	2030	Miscellaneous Intangible Plant	14,539,717	100.00	14,539,717		14,494,292
2	389	2890	Land	0	100.00	0	(45,425)	0
3	390	2900	Structures & Improvements	2,065,248	100.00	2,065,248		2,065,248
4	391	2910	Office Furniture & Equipment	596,371	100.00	596,371		596,371
5	391	2911	Electronic Data Processing Equipment	1,311,766	100.00	1,311,766		1,311,766
6	392	2920	Transportation Equipment	24,590	100.00	24,590		24,590
7	392	2921	Trailers	644,188	100.00	644,188		644,188
8	394	2940	Tools, Shop & Garage Equipment	8,167,347	100.00	8,167,347		8,167,347
9	395	2950	Laboratory Equipment	234,056	100.00	234,056		234,056
10	396	2960	Power Operated Equipment	219,039	100.00	219,039		219,039
11	397	2970	Communication Equipment	23,437,484	100.00	23,437,484	(1,108,475)	22,329,009
12			Total General Plant	51,239,806		51,239,806	(1,153,900)	50,085,906
13			Total Gas Plant	1,568,817,681		1,568,817,681	(5,898,942)	1,562,918,739

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
PLANT IN SERVICE BY ACCOUNTS AND SUBACCOUNTS
AS OF MARCH 31, 2012
COMMON PLANT - SMARTGRID

SCHEDULE B-2.1
PAGE 5 OF 5

WORK PAPER REFERENCE NO(S): Staff Schedule B-2.2, Applicant Schedule B-2.3

LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY	ALLOCATION %	ADJUSTED ALLOCATED TOTAL	ADJUSTMENTS	ADJUSTED JURISDICTION
				\$				\$
1		1911	Electronic Data Processing - SmartGrid	113,194	100.00	113,194	0	113,194
2		1970	Communication Equipment - SmartGrid	27,261,331	100.00	27,261,331	0	27,261,331
3			Total Common Plant - SmartGrid	27,374,525		27,374,525	0	27,374,525
4		(1)	Common Plant Allocated to Gas - SmartGrid	13,383,405		13,383,405	0	13,383,405
5			Total Common Plant	316,932,720		316,932,720	(5,207,346)	311,725,374
6			Total Common plant allocated to Gas	61,160,507		61,160,507	(859,212)	60,301,295
7			Total Gas Plant Including Allocated Common	1,629,978,188		1,629,978,188	(6,758,154)	1,623,220,034

(1) Allocation of Common Plant / SmartGrid to gas determined by SmartGrid filings

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
ADJUSTMENTS TO PLANT IN SERVICE
AS OF MARCH 31, 2007

REVISED SCHEDULE B-2.2
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): Staff Schedule B-2.5a through B-2.5d

LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL STAFF ADJUSTMENT \$	ALLOCATION %	JURISDICTIONAL ADJUSTMENT \$
1			DISTRIBUTION PLANT			
2		388	Gas ARO	(4,745,042)	100.00	(4,745,042) (a)
3			Total Distribution Plant	<u>(4,745,042)</u>		<u>(4,745,042)</u>
4			GENERAL PLANT			
5		2030	Miscellaneous Intangible Plant	(45,425)	100.00	(45,425) (b)
6		387	Communication Equipment	(1,108,475)	100.00	(1,108,475) (c)
7			Total General Plant	<u>(1,153,900)</u>		<u>(1,153,900)</u>
8			COMMON PLANT			
9		1900	Structures & Improvements	(1,968,452)	100.00	(1,968,452) (d)
10		1900	Structures & Improvements - Golf Course at Hartwell	(171,131)	100.00	(171,131) (e)
11		1900	Structures & Improvements - Envision Center	(1,726,080)	100.00	(1,726,080) (f)
12		1900	Structures & Improvements -Holiday Park	(2,509)	100.00	(2,509) (g)
13		1900	Structures & Improvements -Fourth & Walnut (Clonpay)	(202,197)	100.00	(202,197) (g)
14		1900	Structures & Improvements -Atrium II	(961,419)	100.00	(961,419) (g)
15		1910	Office Furniture & Equipment	(6,594)	100.00	(6,594) (d)
16		1940	Tools, Shop & Garage Equipment	(52,910)	100.00	(52,910) (d)
17		1970	Communication Equipment	(8,238)	100.00	(8,238) (d)
18		1980	Miscellaneous Equipment	(8,081)	100.00	(8,081) (d)
19		1980, 1981	ARO Common General Plant	(99,735)	100.00	(99,735) (h)
20			Total Common Plant	<u>(5,207,346)</u>		<u>(5,207,346)</u>
21		16.50%	Common Allocated to Gas	<u>(859,212)</u>		<u>(859,212)</u>
22			TOTAL PLANT ADJUSTMENTS INCLUDING ALLOCATED COMMON	<u>(6,758,154)</u>		<u>(6,758,154)</u>

- (a) See Staff Data Request 50 - Supplemental
(b) Duke Rider AU - Company Allocation Errors 1 and 2 (See Staff Text)
(c) Duke Rider AU-Adjustment for Stores Loading and Adjustment for Uninstalled Gas Modules (See Staff Text)
(d) Applicant's Exclusion of the Hartwell Recreation Facilities.
(e) See Staff Data Request 129 in Case No. 12-1682-EL-AIR
(f) See Staff Data Request 131 in Case No. 12-1682-EL-AIR
(g) See Staff Data Request 97 in Case No. 12-1682-EL-AIR
(h) See Staff Data Request 78 in Case No. 12-1682-EL-AIR

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
PROPERTY EXCLUDED FROM RATE BASE
(FOR REASONS OTHER THAN RATE AREA ALLOCATION)
AS OF MARCH 31, 2012

REVISED SCHEDULE B-2.5d
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S):

LINE NO.	COMPANY ACCT. NO.	DESCRIPTION OF EXCLUDED PROPERTY	IN-SERVICE DATE	ORIGINAL COST	ACCUM. DEPRE.	NET ORIGINAL COST	TEST YEAR			REASON FOR EXCLUSION
							REVENUE & EXPENSES	ACCT. NO.	DESCRIP.	
1	2030	Miscellaneous Intangible Plant		45,425	22,458	22,967				Rider AU (a)
2		Total		45,425	22,458	22,967				
3	2970	Communication Equipment		1,108,475	22,395	1,086,080				Rider AU (b)
4		Total		1,108,475	22,395	1,086,080				

(a) To eliminate Allocation Errors 1 and 2 (See Text)

(b) To eliminate the Adjustment for Stores Loading and Adjustment for Uninstalled Gas Modules (See Text)

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
ACCUMULATED DEPRECIATION AND AMORTIZATION
AS OF MARCH 31, 2012
GENERAL PLANT

REVISED SCHEDULE B-3
PAGE 3 OF 5

WORK PAPER REFERENCE NO(S): Staff Schedule B-2.1, Applicant Schedule B-3.3, Staff Schedule B-3.1

LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY PLANT INVESTMENT	TOTAL COMPANY	ALLOCATION %	ALLOCATED TOTAL	ADJUSTMENTS	ADJUSTED JURISDICTION
				\$	\$		\$	\$	\$
1	000	2030	Miscellaneous Intangible Plant	14,539,717	8,977,114	100.00	8,977,114	(4,087)	8,973,027
2	389	2890	Land	0	0	100.00	0		0
3	380	2900	Structures & Improvements	2,065,248	670,246	100.00	670,246		670,246
4	391	2910	Office Furniture & Equipment	596,371	256,143	100.00	256,143		256,143
5	391	2911	Electronic Data Processing Equipment	1,311,766	211,602	100.00	211,602		211,602
6	392	2920	Transportation Equipment	24,590	24,590	100.00	24,590		24,590
7	392	2921	Trailers	644,188	445,198	100.00	445,198		445,198
8	394	2940	Tools, Shop & Garage Equipment	8,167,347	3,906,925	100.00	3,906,925		3,906,925
9	395	2950	Laboratory Equipment	234,056	165,130	100.00	165,130		165,130
10	396	2960	Power Operated Equipment	219,039	107,839	100.00	107,839		107,839
11	397	2970	Communication Equipment	219,039	1,095,412	100.00	1,095,412	(22,385)	1,073,017
12		108	Retirement Work in Progress	23,437,484	212,586	100.00	212,586		212,586
13			Total General Plant	51,239,806	16,072,785		16,072,785	(26,482)	16,046,303
14			Total Gas Plant	1,568,817,681	426,002,737		426,002,737	(3,530,873)	422,471,864

DUKE ENERGY OHIO, INC.
CASE NO. 12-1885-GA-AIR
ACCUMULATED DEPRECIATION AND AMORTIZATION
AS OF MARCH 31, 2012
COMMON PLANT - SMARTGRID

REVISED SCHEDULE B-3
PAGE 5 OF 5

WORK PAPER REFERENCE NO(S): Staff Schedule B-2.1, Applicant Schedule B-3.3, Staff Schedule B-3.1

LINE NO	FERC ACCT. NO	COMPANY ACCT. NO	ACCOUNT TITLE	TOTAL COMPANY INVESTMENT	TOTAL COMPANY	ALLOCATION %	ALLOCATED TOTAL	ADJUSTMENTS	ADJUSTED JURISDICTION
				\$	\$		\$	\$	\$
1		1911	Electronic Data Processing - SmartGrid	113,194	34,024	100.00	34,024		34,024
2		1970	Communication Equipment - SmartGrid	27,261,331	1,908,843	100.00	1,908,843		1,908,843
3			Total Common Plant - SmartGrid	27,374,525	1,942,867		1,942,867	0	1,942,867
4		(1)	Common Plant Allocated to Gas (SG)	13,383,405					
5		(1)	Original Cost Reserve		949,868	100.00	949,868	0	949,868
6			Total Common Plant	316,932,720	147,526,959		147,526,959	(2,366,440)	145,160,519
7			Total Common plant allocated to Gas	61,160,507	24,971,243		24,971,243	(390,463)	24,580,780
8			Total Gas Plant Including Allocated Common	1,629,976,186	450,973,980		450,973,980	(3,921,336)	447,052,644

(1) Allocation of Common Plant / SmartGrid to gas determined by SmartGrid filings

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
ADJUSTMENTS TO ACCUMULATED DEPRECIATION AND AMORTIZATION
AS OF MARCH 31, 2012

REVISED SCHEDULE B-3.1
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S):

LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY ADJUSTMENT	ALLOCATION %	JURISDICTIONAL ADJUSTMENT
1			Distribution Plant			
2	388		Gas ARO	3,504,391	100.00	3,504,391 (a)
3			Total Distribution Plant	<u>3,504,391</u>		<u>3,504,391</u>
4			General Plant			
5		2030	Miscellaneous Intangible Plant	4,087	100.00	4,087 (b)
6	397	2970	Communication Equipment	22,395	100.00	22,395 (c)
7			Total General Plant	<u>26,482</u>		<u>26,482</u>
8			Common Plant	\$		\$
9		1900	Structures & Improvements	351,037	100.00	351,037 (d)
10		1900	Structures & Improvements-Hartwell Golf Course	60,252	100.00	60,252 (e)
11		1900	Structures & Improvements-Envision Center	681,977	100.00	681,977 (f)
12		1900	Structures & Improvements-Fourth & Walnut (Clipay)	154,281	100.00	154,281 (h)
13		1900	Structures & Improvements-Holiday Park	2,509	100.00	2,509 (i)
14		1900	Structures & Improvements-Atrium II	961,419	100.00	961,419 (j)
15		1910	Office Furniture & Equipment	(2,038)	100.00	(2,038) (d)
16		1940	Tools, Shop & Garage Equipment	33,208	100.00	33,208 (d)
17		1970	Communication Equipment	1,232	100.00	1,232 (d)
18		1980	Miscellaneous Equipment	5,290	100.00	5,290 (d)
19		1990, 1991	Retirement Work in Progress-ARO	<u>117,273</u>	100.00	<u>117,273 (g)</u>
20			Total	<u>2,366,440</u>		<u>2,366,440</u>
21	16.50%		Common Allocated to Gas	<u>390,463</u>		<u>390,463</u>
22			Total Gas Plant	<u><u>3,921,336</u></u>		<u><u>3,921,336</u></u>

- (a) To eliminate from rate base the Asset Retirement Obligation (See Staff Data Request No. 50 Supplemental)
- (b) To eliminate from rate base Company Allocation Errors 1 and 2 (See Staff's Workpapers WPB-3.1a and WPB-3.1b)
- (c) To eliminate from rate base the Adjustment for Stores Loading and Adjustment for Uninstalled Gas Modules (See Staff's Workpapers WPB-3.1c and WPB-3.1d)
- (d) To eliminate from rate base the Hartwell Recreation Facilities allocated to uses other than for specific company purposes. (See Applicant's Schedule B-2.5)
- (e) To eliminate from rate base the Hartwell Golf Course (See Staff's Data Request No. 133)
- (f) To eliminate from rate base the Envision Center (See Applicant's Schedule B-3.4)
- (g) To eliminate from rate base the Common Plant Retirement Work in Progress-ARO (See Staff Data Request No. 78 in Case No. 12-1682-EL-AIR)
- (h) To eliminate from rate base the Clipay Bldg & Access Ramp (See Staff's Workpaper WPB- 3.1e)
- (i) To eliminate from rate base the Leasehold Improvements that are fully amortized (See Applicant's Schedule B-3.4 & Staff's Schedule B-2.2)

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
DEPRECIATION ACCRUAL RATES AND
JURISDICTIONAL ACCUMULATED BALANCES BY ACCOUNTS, FUNCTIONAL CLASS OR MAJOR PROPERTY GROUP
AS OF MARCH 31, 2012
GENERAL PLANT

REVISED SCHEDULE B-3.2
PAGE 3 OF 5

WORK PAPER REFERENCE NO(S): Staff Schedule B-2.1, Staff Schedule B-3

LINE NO. (A)	F.E.R.C. ACCT. NO. (B-1)	COMPANY ACCT. NO. (B-2)	ACCOUNT TITLE OR MAJOR PROPERTY GROUPING (C)	ADJUSTED JURISDICTION PLANT INVESTMENT (D)	ACCUMULATED BALANCE (E)	PROPOSED ACCRUAL RATE (F)	CALCULATED DEPR. EXPENSE (G=DxF)	% NET SALVAGE (H)	AVERAGE SERVICE LIFE (I)	CURVE FORM (J)
				\$	\$	%	\$			
1	000	2030	Miscellaneous Intangible Plant	14,494,292	8,973,027	Various	1,960,260	(b)	5	
2	389	2890	Land	0	0		0	Perpetual Life		
3	390	2900	Structures & Improvements	2,065,248	670,246	3.33	68,773	0	30	S01
4	391	2910	Office Furniture & Equipment	596,371	236,143	5.00	29,819	0	20	SQ
5	391	2911	Electronic Data Processing Equipment	1,311,766	211,602	20.00	262,353	0	5	SQ
6	392	2920	Transportation Equipment	24,590	24,590	9.00	0	(c)	10	S2
7	392	2921	Trailers	644,188	445,198	5.00	0	(c)	15	S1
8	394	2940	Tools, Shop & Garage Equipment	8,167,347	3,906,925	4.00	326,694	0	25	SQ
9	395	2950	Laboratory Equipment	234,056	165,130	6.67	15,612	0	15	SQ
10	396	2960	Power Operated Power Equipment	219,039	107,839	6.36	0	(c)	30	S1.5
11	397	2970	Communication Equipment	22,329,009	1,073,017	6.67	1,489,345	0	15	SQ
12		108	Retirement Work in Progress		212,586		0			
13			Total General Plant	50,085,906	16,046,303		4,152,856			
14			Total Gas Plant	1,562,918,739	422,471,864		40,955,614			

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
DEPRECIATION ACCRUAL RATES AND
AS OF MARCH 31, 2012
COMMON PLANT - SMARTGRID

REVISED SCHEDULE B-3.2
PAGE 5 OF 5

WORK PAPER REFERENCE NO(S): Staff Schedule B-2.1, Staff Schedule B-3

LINE NO.	FERC ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE OR MAJOR PROPERTY GROUPING	ADJUSTED PLANT INVESTMENT	JURISDICTION ACCUMULATED BALANCE	ACCURUAL RATE	CALCULATED DEPR. EXPENSE	% NET SALVAGE	AVERAGE SERVICE LIFE	CURVE FORM
(A)	(B-1)	(B-2)	(C)	(D)	(E)	(F)	(G=DF)	(H)	(I)	(J)
1		1911	Electronic Data Processing - SmartGrid	113,194	34,024	20.00	22,639	0	5	SQ
2		1970	Communication Equipment - SmartGrid	27,261,331	1,908,843	6.87	1,818,331	0	15	SQ
3			Total Common Plant (SmartGrid)	27,374,525	1,942,867		1,840,970			
4	#	(e)	Common Plant Allocated to Gas - SmartGrid							
5	#	(e)	Original Cost	13,383,405	949,868		890,661			
6	#	(e)	Reserve							
			Annual Provision							
7			Total Common Plant	311,725,374	145,160,519		15,391,022			
8			Common Plant Allocated to Gas							
9			Original Cost	60,301,295	24,580,780		3,126,420			
10			Reserve							
			Annual Provision							
11			Total Gas Plant Including Allocated Common	1,623,220,034	447,052,644		44,082,034			

- (a) Fully Amortized
(b) See Staff Workpaper WPE-3.26
(c) Depreciation Charged to Transportation Expense
(d) These Leasehold Improvements are being amortized over the life of the Lease (Applicant's Schedule B.3.4 and Staff's Data Request No. 122)
(e) Common Plant / SmartGrid Allocated to Gas Determined by SmartGrid Filings

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
OTHER RATE BASE ITEMS SUMMARY
AS OF MARCH 31, 2012

REVISED SCHEDULE B-6

WORK PAPER REFERENCE NO(S): WPB-6.1c through WPB-6.1e

PAGE 1 OF 2

LINE NO.	ACCOUNT NUMBER	DESCRIPTION	TOTAL COMPANY (A)	ADJUSTMENTS	ADJUSTED JURISDICTION
1	252	Customers' Advances for Construction	(3,597,473)	0	(3,597,473)
2					
3	235	Customer Service Deposits/Unclaimed Funds	(8,453,180)	(68,382)	(8,521,562)
4					
5	271	Contributions in Aid of Construction	0	0	0
6					
7		Post Retirement Benefits	0	(14,645,755)	(14,645,755)
8					
9	255	Investment Tax Credits: (B)			
10		Pre-1971 3% Credit	0	0	0
11		1971 4% Credit	(6,554)	0	(6,554)
12		1975 6% Credit	0	0	0
13		1981 10% Credit	(2,845,131)	2,845,131	0
14		Total Investment Tax Credits	(2,851,685)	2,845,131	(6,554)
15					
16		Deferred Income Taxes:			
17		401(k) Incentive Plan	2,918	0	2,918
18	190	ARO Cumulative Effect	5,443,894	0	5,443,894
19	190	Environmental Reserve	8,903,184	0	8,903,184
20	190	FAS 106 OPEB	3,590,411	0	3,590,411
21	190	FAS 87 Non-Qualified Pension	351,343	0	351,343
22	190	FAS 87 Qualified Pension	(4,146,062)	0	(4,146,062)
23	190	Federal Deferred Tax Receivable	12,418,562	0	12,418,562
24	190	Gas Meters	(3,456,610)	0	(3,456,610)
25	190	Gas Supplier Refund	435,728	0	435,728
26	190	Incentive Plan	241,214	0	241,214
27	190	Misc	37,456	0	37,456
28	190	Natural Gas in Transit	96,538	0	96,538
29	190	Offsite Gas Storage	762,972	0	762,972
30	190	Post Retirement Benefits - SFAS 112	530,912	0	530,912
31	190	Property Tax	8,254,533	(8,254,533)	0
32	190	Property Tax on Propane	536,061	0	536,061
33	190	ITC FAS 109	(467,584)	467,584	0
34	190	Unamortized Debt Premium	(1,647,565)	0	(1,647,565)
35	190	Unbilled Revenue - Fuel	1,060,050	(1,060,050)	0
36	190	Uncollectible Accounts	76,777	0	76,777
37	190	Uncollectible Accounts Pip	(1,104,646)	0	(1,104,646)
38	190	Vacation Pay Accruals	1,138,153	0	1,138,153
39	190	Total Account 190	33,058,239	(8,846,999)	24,211,240
40					
41					

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
JURISDICTIONAL PRO FORMA INCOME STATEMENT
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-1
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): Staff's Schedule C-2 & WPC-1a

LINE NO.	DESCRIPTION	ADJUSTED REVENUE & EXPENSES (A)	STIPULATED INCREASE (B)	PROFORMA REVENUE & EXPENSES (C)
1	Operating Revenues	\$ 384,015,062	\$ -	\$ 384,015,062
2				
3	Operating Expenses			
4	Operation & Maintenance	221,071,618	0	221,071,618
5	Depreciation	44,082,034	0	44,082,034
6	Taxes - Other	24,898,498	0	24,898,498
7	Operating Expenses before Income Taxes	290,052,150	0	290,052,150
8				
9	Federal Income Taxes	25,765,571	0	25,765,571
10				
11	Total Operating Expenses	315,817,721	0	315,817,721
12				
13	Net Operating Income	\$ 68,197,341	\$ -	\$ 68,197,341
14				
15	Rate Base	\$ 882,242,442		\$ 882,242,442
16				
17	Rate of Return	7.73%		7.73%

(A) Staff's Schedule C-2
(B) Applicant's WPC-1a
(C) Column (A) + Column (B)

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
OTHER RATE BASE ITEMS SUMMARY
AS OF MARCH 31, 2012

REVISED SCHEDULE B-6
PAGE 2 OF 2

WORK PAPER REFERENCE NO(S): WPB-6.1c through WPB-6.1e

LINE NO.	ACCOUNT NUMBER	DESCRIPTION	TOTAL COMPANY (A)	ADJUSTMENTS	ADJUSTED JURISDICTION
		Deferred Income Taxes (Cont)			
1	282	AFUDC Debt	(1,172,089)		(1,172,089)
2	282	CIAC	715,729		715,729
3	282	Cwip Differences	(461,822)		(461,822)
4	282	FAS109	(15,444,583)	15,444,583	0
5	282	Leased Meters	(19,600,264)		(19,600,264)
6	282	Miscellaneous	(8,683,344)		(8,683,344)
7	282	Non-Cash Overheads	4,970,661		4,970,661
8	282	Tax Depreciation	(234,290,149)		(234,290,149)
9	282	Tax Interest Capitalized	2,730,405		2,730,405
10		Total Account 282	(271,235,455)	15,444,583	(255,790,873)
11					
12	283	ARO Cumulative Effect	(5,007,186)	0	(5,007,186)
13	283	Deferred Fuel	6,585,303	(6,585,303)	0
14	283	Deferred Smart Grid Costs	584,718	0	584,718
15	283	Environmental Reserve	(24,745,199)	(849,819)	(25,595,018)
16	283	FAS 106 OPEB	(1,660,920)	0	(1,660,920)
17	283	FAS 87 Non-Qualified Pension	(19,464)	0	(19,464)
18	283	FAS 87 Qualified Pension	(8,699,583)	0	(8,699,583)
19	283	Loss on Reacquired Debt	(694,232)	0	(694,232)
20	283	Merger Costs	102,753	(102,753)	0
21	283	Post In-Service Carrying Costs	(5,982,648)	0	(5,982,648)
22	283	Rate Case	(50,834)	0	(50,834)
23	283	Smart Grid	(5,264,619)	0	(5,264,619)
24	283	Uncollectible Accounts	1,705,185	0	1,705,185
25	283	Vacation Pay Accruals	(686,080)	0	(686,080)
26		Total Account 283	(43,832,806)	(7,537,875)	(51,370,681)
27					
28		Total Deferred Income Taxes	(282,010,022)	(940,291)	(282,950,314)
29					
30		Other:	0	15,796,710	15,796,710
31		AMRP and Smart Grid Post-In-Service Carrying Costs	0	15,796,710	15,796,710
32		Total Other	0	15,796,710	15,796,710

(A) Total Company is 100% Jurisdictional.

(B) The company elected the immediate flow through option under Section 46(e)(3) in regards to the 1971 election and the ratable flow through option provided under Section 46(f)(2) in regards to the 1975 election.

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
ADJUSTED TEST YEAR OPERATING INCOME
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

WORK PAPER REFERENCE NO(S): Staff's Schedule C-2.1 &
Staff's Schedule C-3

REVISED SCHEDULE C-2
PAGE 1 OF 1

LINE NO.	DESCRIPTION	UNADJUSTED REVENUE & EXPENSES	STAFF'S ADJUSTMENTS	ADJUSTED REVENUE & EXPENSES
1	OPERATING REVENUES			
2	Base Revenue and Riders	\$ 267,343,927	\$ (26,017,157)	\$ 241,326,770
3	Gas Costs Revenue	151,105,778	(13,058,922)	138,046,856
4	Other Operating Revenue	2,733,651	1,907,785	4,641,436
5	Total Operating Revenues	<u>421,183,356</u>	<u>(37,168,294)</u>	<u>384,015,062</u>
6				
7	OPERATING EXPENSES			
8	Operation and Maintenance Expenses			
9	Production Expenses			
10	Liquefied Petroleum Gas	61,954	0	61,954
11	Other	<u>1,214,314</u>	<u>0</u>	<u>1,214,314</u>
12	Total Production Expense	<u>1,276,268</u>	<u>0</u>	<u>1,276,268</u>
13				
14	Other Gas Supply Expenses			
15	Purchased Gas	143,959,346	(5,974,444)	137,984,902
16	Other	<u>1,814,319</u>	<u>0</u>	<u>1,814,319</u>
17	Total Other Gas Supply Expense	<u>145,773,665</u>	<u>(5,974,444)</u>	<u>139,799,221</u>
18				
19	Transmission Expense	0	0	0
20	Distribution Expense	23,114,442	(150,050)	22,964,392
21	Customer Accounts Expense	30,317,499	(13,892,724)	16,424,775
22	Customer Service & Information Expense	8,053,632	0	8,053,632
23	Sales Expense	178,483	(178,452)	31
24	Administrative & General Expense	37,074,246	(7,052,760)	30,021,486
25	Amortization of Deferred Expense	<u>3,136,489</u>	<u>(604,676)</u>	<u>2,531,813</u>
26	Total Operation and Maintenance Expense	<u>248,924,724</u>	<u>(27,853,106)</u>	<u>221,071,618</u>
27				
28	Depreciation Expense	<u>41,322,736</u>	<u>2,759,298</u>	<u>44,082,034</u>
29				
30	Taxes Other Than Income Taxes			
31	Other Federal Taxes	2,484,354	(722,601)	1,761,753
32	State and Other Taxes	<u>50,670,721</u>	<u>(27,533,976)</u>	<u>23,136,745</u>
33	Total Taxes Other Than Income Taxes	<u>53,155,075</u>	<u>(28,256,577)</u>	<u>24,898,498</u>
34				
35	Federal Income Taxes			
36	Normal and Surcharge	(12,554,963)	5,626,874	(6,928,089)
37	Provision for Deferred Income Taxes	<u>33,479,991</u>	<u>(786,331)</u>	<u>32,693,660</u>
38	Total Federal Income Tax Expense	<u>20,925,028</u>	<u>4,840,543</u>	<u>25,765,571</u>
39				
40	Total Operating Expenses and Taxes	<u>364,327,563</u>	<u>(48,509,842)</u>	<u>315,817,721</u>
41				
42	Net Operating Income	<u>\$ 56,855,793</u>	<u>\$ 11,341,548</u>	<u>\$ 68,197,341</u>

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
SUMMARY OF JURISDICTIONAL ADJUSTMENTS
TO OPERATING INCOME
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3

PAGE 1 OF 5

WORK PAPER REFERENCE NO(S): SEE BELOW

LINE NO.	TITLE OF ACCOUNT	TOTAL SCHEDULE C-3	ANNUALIZE/ NORMALIZE REV & EXP C-3.1	INTENTIONALLY LEFT BLANK C-3.2	RATE CASE EXPENSE C-3.3	ANNUALIZED TEST YEAR WAGES C-3.4	ANNUALIZE DEPRECIATION C-3.5
1	ELEMENT of OPERATING INCOME						
2	OPERATING REVENUE						
3	Base	(26,017,157)	6,980,628				
4	Gas Costs	(13,058,922)	(13,058,922)				
5	Other	1,907,785	1,907,785				
6	Total Revenue	(37,168,294)	(4,170,509)	0	0	0	0
7	OPERATING EXPENSES						
8	Operation and Maintenance Expenses						
9	Production Expenses	0					
10	Liquidified Petroleum Gas	0					
11	Other	0	0	0	0	0	0
12	Total Production Expense	0	0	0	0	0	0
13							
14	Other Gas Supply Expenses	(5,974,444)	(5,974,444)				
15	Purchased Gas	0					
16	Other	(5,974,444)	(5,974,444)	0	0	0	0
17	Total Other Gas Supply Expense	(5,974,444)	(5,974,444)	0	0	0	0
18							
19	Transmission Expense	0					
20	Distribution Expense	(150,050)					
21	Customer Accounts Expense	(13,892,724)					
22	Customer Serv & Info Expense	0					
23	Sales Expense	(178,452)			(15,998)	(1,559,495)	
24	Administrative & General Expense	(7,052,760)					
25	Amortization of Deferred Expense	(604,676)			(15,998)	(1,559,495)	0
26	Total Operation and Maintenance Expenses	(27,853,106)	(5,974,444)	0	(15,998)	(1,559,495)	0
27							
28	Depreciation Expense	2,759,298	0	0	0	0	2,759,298
29							
30	Taxes Other Than Income Taxes						
31	Other Federal Taxes	(722,601)					
32	State and Other Taxes	(27,533,976)	0	0	0	0	0
33	Total Taxes Other Than Income Tax	(28,256,577)	0	0	0	0	0
34							
35	Federal Income Taxes	5,626,874	631,376	0	5,599	545,823	0
36	Normal and Surtax	(786,331)					(965,754)
37	Prov Deferred Inc Tax (Deferrals)	0					
38	Prov Deferred Inc Tax (Writebacks)	4,840,543	631,376	0	5,599	545,823	(965,754)
39	Total Federal Inc Tax Expense	(48,509,842)	(5,343,068)	0	(10,399)	(1,013,672)	1,793,544
40							
41	Total Oper. Expenses and Tax	11,341,548	1,172,559	0	10,399	1,013,672	(1,793,544)
42							
43	Net Operating Income						

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
SUMMARY OF JURISDICTIONAL ADJUSTMENTS
TO OPERATING INCOME
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3
PAGE 2 OF 5

WORK PAPER REFERENCE NO(S): SEE BELOW

LINE NO.	TITLE OF ACCOUNT	CUSTOMER SERVICE DEPOSITS C-3.6	OHIO EXCISE TAX C-3.7	ANNUALIZE PROPERTY TAX C-3.8	ELIMINATE PIPP REVENUE AND EXPENSE C-3.9	INTEREST EXPENSE DEDUCTIBLE C-3.10	ELIMINATE SMART GRID O&M AMORTIZATION C-3.11
1	ELEMENT of OPERATING INCOME						
2	OPERATING REVENUE						
3	Base		(16,428,536)		(10,674,058)		
4	Gas Costs						
5	Other	0	(16,428,536)	0	(10,674,058)	0	0
6	Total Revenue						
7	OPERATING EXPENSES						
8	Operation and Maintenance Expenses						
9	Production Expenses						
10	Liquidified Petroleum Gas						
11	Other	0	0	0	0	0	0
12	Total Production Expense						
13	Other Gas Supply Expenses						
14	Purchased Gas						
15	Other	0	0	0	0	0	0
16	Total Other Gas Supply Expense						
17	Transmission Expense						
18	Distribution Expense						
19	Customer Accounts Expense				(10,612,499)		
20	Customer Serv & Info Expense	253,595					
21	Sales Expense						
22	Administrative & General Expense						(2,827,689)
23	Amortization of Deferred Expense	253,595	0	0	(10,612,499)	0	(2,827,689)
24	Total Operation and Maintenance Expenses						
25	Depreciation Expense	0	0	0	0	0	0
26	Taxes Other Than Income Taxes						
27	Other Federal Taxes						
28	State and Other Taxes		(19,992,607)	(124,250)			
29	Total Taxes Other Than Income Tax	0	(19,992,607)	(124,250)	0	0	0
30	Federal Income Taxes						
31	Normal and Surtax	(88,756)	1,247,425	43,488	(21,546)	(1,109,280)	989,691
32	Prov Deferred Inc Tax (Deferrals)					286,091	
33	Prov Deferred Inc Tax (Writebacks)	(88,756)	1,247,425	43,488	(21,546)	(823,189)	989,691
34	Total Federal Inc Tax Expense	164,837	(18,745,182)	(80,762)	(10,634,045)	(823,189)	(1,837,998)
35	Total Oper. Expenses and Tax	(164,837)	2,316,646	80,762	(40,013)	823,189	1,837,998
36	Net Operating Income						

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
SUMMARY OF JURISDICTIONAL ADJUSTMENTS
TO OPERATING INCOME
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3

PAGE 3 OF 5

WORK PAPER REFERENCE NO(S): SEE BELOW

LINE NO.	TITLE OF ACCOUNT	STATE TAX RIDER C-3.12	BUDGET EXPENSES C-3.13	ELIMINATE NON JURIS. EXPENSES C-3.14	ADJUST PUC/OJOCC ASSESSMENTS C-3.15	UNCOLLECTIBLE REVENUE & EXPENSE C-3.16	ANNUALIZE PENSION & BENEFIT EXP C-3.17
1	ELEMENT OF OPERATING INCOME						
2	OPERATING REVENUE						
3	Base	(7,631,139)				1,735,948	
4	Gas Costs						
5	Other	(7,631,139)	0	0	0	1,735,948	0
6	Total Revenue						
7	OPERATING EXPENSES						
8	Operation and Maintenance Expenses						
9	Production Expenses						
10	Liquidified Petroleum Gas						
11	Other	0	0	0	0	0	0
12	Total Production Expense						
13	Other Gas Supply Expenses						
14	Purchased Gas						
15	Other	0	0	0	0	0	0
16	Total Other Gas Supply Expense						
17	Transmission Expense						
18	Distribution Expense			(50)		497,562	
19	Customer Accounts Expense		(759,445)				
20	Customer Serv & Info Expense						
21	Sales Expense			(178,452)	(282,701)		(1,921,322)
22	Administrative & General Expense		(2,853,114)	(251,133)		1,918,247	
23	Amortization of Deferred Expense					2,415,809	(1,921,322)
24	Total Operation and Maintenance Expenses	0	(3,612,559)	(429,635)	(282,701)		
25	Depreciation Expense	0	0	0	0	0	0
26	Taxes Other Than Income Taxes						
27	Other Federal Taxes	(7,417,119)					
28	State and Other Taxes	(7,417,119)	0	0	0	0	0
29	Total Taxes Other Than Income Tax						
30	Federal Income Taxes						
31	Normal and Surtax	(74,907)	1,264,396	150,372	98,945	(237,951)	672,463
32	Prov Deferred Inc Tax (Deferrals)						
33	Prov Deferred Inc Tax (Writebacks)						
34	Total Federal Inc Tax Expense	(74,907)	1,264,396	150,372	98,945	(237,951)	672,463
35	Total Oper. Expenses and Tax	(7,492,026)	(2,348,163)	(279,263)	(183,756)	2,177,858	(1,248,859)
36	Net Operating Income	(139,113)	2,348,163	279,263	183,756	(441,910)	1,248,859

DUKE ENERGY OHIO, INC.
CASE NO. 12-1885-GA-AIR
SUMMARY OF JURISDICTIONAL ADJUSTMENTS
TO OPERATING INCOME
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3

WORK PAPER REFERENCE NO(S): SEE BELOW

PAGE 4 OF 5

LINE NO.	TITLE OF ACCOUNT	ANNUALIZE PAYROLL TAXES C-3.18	INTENTIONALLY LEFT BLANK C-3.19	ANNUALIZE AMORT OF PISCC C-3.20	INTENTIONALLY LEFT BLANK C-3.21	AMORTIZE CAMERA WORK C-3.22	ELIMINATE MERGER COSTS C-3.23
1	OPERATING REVENUE						
2	Base						
3	Gas Costs						
4	Other						
5	Total Revenue	0	0	0	0	0	0
6							
7	OPERATING EXPENSES						
8	Operation and Maintenance Expenses						
9	Production Expenses						
10	Liquidified Petroleum Gas						
11	Other						
12	Total Production Expense	0	0	0	0	0	0
13							
14	Other Gas Supply Expenses						
15	Purchased Gas						
16	Other						
17	Total Other Gas Supply Expense	0	0	0	0	0	0
18							
19	Transmission Expense						
20	Distribution Expense						
21	Customer Accounts Expense						
22	Customer Serv & Info Expense						
23	Sales Expense						
24	Administrative & General Expense						(168,997)
25	Amortization of Deferred Expense						
26	Total Operation and Maintenance Expenses	0	0	304,766	0	0	(168,997)
27							
28	Depreciation Expense	0	0	0	0	0	0
29							
30	Taxes Other Than Income Taxes	(722,601)					
31	Other Federal Taxes						
32	State and Other Taxes						
33	Total Taxes Other Than Income Tax	(722,601)	0	0	0	0	0
34							
35	Federal Income Taxes						
36	Normal and Surtax	252,910	0	0	0	0	59,149
37	Prov Deferred Inc Tax (Deferrals)			(106,668)			
38	Prov Deferred Inc Tax (Writebacks)						
39	Total Federal Inc Tax Expense	252,910	0	(106,668)	0	0	59,149
40							
41	Total Oper. Expenses and Tax	(469,691)	0	198,098	0	0	(109,848)
42							
43	Net Operating Income	469,691	0	(198,098)	0	0	109,848

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
SUMMARY OF JURISDICTIONAL ADJUSTMENTS
TO OPERATING INCOME
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3
PAGE 5 OF 5

WORK PAPER REFERENCE NO(S): SEE BELOW

LINE NO.	TITLE OF ACCOUNT	ADDITIONAL CAMERA WORK EXP C-3.24	INTENTIONALLY LEFT BLANK C-3.25	SMART GRID ADJUSTMENT SAVING C-3.26	MEDICAL COSTS C-3.27	INTENTIONALLY LEFT BLANK C-3.28	INTENTIONALLY LEFT BLANK C-3.29
1	OPERATING REVENUE						
2	Base						
3	Gas Costs						
4	Other						
5	Total Revenue	0	0	0	0	0	0
6							
7	OPERATING EXPENSES						
8	Operation and Maintenance Expenses						
9	Production Expenses						
10	Liquified Petroleum Gas						
11	Other						
12	Total Production Expense	0	0	0	0	0	0
13							
14	Other Gas Supply Expenses						
15	Purchased Gas						
16	Other						
17	Total Other Gas Supply Expense	0	0	0	0	0	0
18							
19	Transmission Expense						
20	Distribution Expense	(150,000)		(3,271,937)			
21	Customer Accounts Expense						
22	Customer Serv & Info Expense						
23	Sales Expense				0		0
24	Administrative & General Expense						
25	Amortization of Deferred Expense						
26	Total Operation and Maintenance Expenses	(150,000)	0	(3,271,937)	0	0	0
27							
28	Depreciation Expense	0	0	0	0	0	0
29							
30	Taxes Other Than Income Taxes						
31	Other Federal Taxes						
32	State and Other Taxes						
33	Total Taxes Other Than Income Tax	0	0	0	0	0	0
34							
35	Federal Income Taxes						
36	Normal and Surplus	52,500	0	1,145,178	0	0	0
37	Prov Deferred Inc Tax (Deferrals)						
38	Prov Deferred Inc Tax (Writebacks)	52,500	0	1,145,178	0	0	0
39	Total Federal Inc Tax Expense	(97,500)	0	(2,126,759)	0	0	0
40							
41	Total Oper. Expenses and Tax	97,500	0	2,126,759	0	0	0
42							
43	Net Operating Income						

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
ANNUALIZED REVENUE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3.1
PAGE 1 OF 2

WORK PAPER REFERENCE NO(S): WPC-3.1a, WPC-3.1b

PURPOSE and DESCRIPTION	AMOUNT
-------------------------	--------

PURPOSE and DESCRIPTION: To reflect adjustments to operating revenues to reclassify and annualize base and gas cost recovery revenue, to eliminate unbilled revenues and to adjust other operating revenues.

Base Revenue	To Sch C-3 Summary <---	\$	6,980,628
Gas Cost Revenue	To Sch C-3 Summary <---		(13,058,922)
Other Revenue	To Sch C-3 Summary <---		1,907,785
Total		\$	(4,170,509)
Jurisdictional allocation percentage			100%
Jurisdictional amount			\$ (4,170,509)

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
ANNUALIZED GAS COST
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3.1
PAGE 2 OF 2

WORK PAPER REFERENCE NO(S): WPC-3.1a, WPC-3.1b

PURPOSE and DESCRIPTION	AMOUNT
-------------------------	--------

PURPOSE and DESCRIPTION: To reflect the change in purchased gas cost which would result from the annualization of purchased gas cost and the elimination of gas costs associated with unbilled revenues.

Gas Cost Expense Adjustment \$ (5,974,444)

Jurisdictional allocation percentage 100%

Jurisdictional amount To Sch C-3 Summary <--- \$ (5,974,444)

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
ANNUALIZED WAGE ADJUSTMENT
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3.4
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): WPC-3.4a through WPC-3.4d

PURPOSE and DESCRIPTION	AMOUNT
PURPOSE and DESCRIPTION: To annualize test year payroll costs using 12 months actual December 2012	
Total	\$ (1,559,495)
Jurisdictional allocation percentage	100%
Jurisdictional amount	To Sch C-3 Summary <--- \$ (1,559,495)

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
ANNUALIZED DEPRECIATION EXPENSE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3.5
PAGE 1 OF 2

WORK PAPER REFERENCE NO(S): WPC-3.5a

PURPOSE and DESCRIPTION	AMOUNT
-------------------------	--------

PURPOSE and DESCRIPTION: To reflect the adjustment to annualize depreciation expense as calculated on Schedule B-3.2 based on plant at March 31, 2012.

Total	\$ 2,759,298
Jurisdictional allocation percentage	<u>100%</u>
Jurisdictional amount	To Sch C-3 Summary <---
	<u>\$ 2,759,298</u>

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
ANNUALIZED DEPRECIATION EXPENSE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3.5
PAGE 2 OF 2

WORK PAPER REFERENCE NO(S): WPC-3.5a

PURPOSE and DESCRIPTION	AMOUNT
PURPOSE and DESCRIPTION: To reflect the adjustment to deferred income taxes as a result of the annualization of book depreciation based on plant at March 31, 2012.	
Total	\$ (965,754)
Jurisdictional allocation percentage	100%
Jurisdictional amount	To Sch C-3 Summary <--- \$ (965,754)

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
PROPERTY TAX ADJUSTMENT
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3.8
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): WPC-3.8a

PURPOSE and DESCRIPTION	AMOUNT
PURPOSE and DESCRIPTION: To reflect the change in expense if property taxes were calculated based on plant in service as of March 31, 2012.	
(1) Personal Property Tax (a)	\$ 23,058,372
(2) Real Property Tax (b)	71,892
(3) Adjusted Property Tax Expense (1) + (2)	23,130,265
(4) Less: Test Year Expense (c)	23,254,515
(5) Adjustment (3) - (4)	\$ (124,250)
Jurisdictional allocation percentage	100%
Jurisdictional amount	\$ (124,250)
To Sch C-3 Summary <---	

- (a) Staff's Schedule WPC-3.8a
- (b) Staff's Schedule C-3.8b
- (c) Applicant's Schedule C-2.1

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
INTEREST EXPENSE DEDUCTIBLE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3.10
PAGE 1 OF 2

WORK PAPER REFERENCE NO(S): WPC-3.10a, SCHEDULE B-1, SCHEDULE D-1

PURPOSE and DESCRIPTION	AMOUNT
<p>PURPOSE and DESCRIPTION: To reflect federal income taxes at 35% due to interest deductible for tax purposes being based on rate base at March 31, 2012 as shown on Schedule B-1 and the weighted cost of debt of 2.48% as shown on Schedule D-1.</p>	
Total	\$ (1,109,280)
Jurisdictional allocation percentage	100%
Jurisdictional amount	To Sch C-3 Summary <--- \$ (1,109,280)

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
BUDGET EXPENSES

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3.13
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): WPC-3.13a

PURPOSE and DESCRIPTION	AMOUNT
-------------------------	--------

PURPOSE and DESCRIPTION: To reduce budgeted accounts to normalized levels

Account	
903 Customer Records and Collections	\$ (759,445)
924 Property Insurance	(927,533)
930.2 Miscellaneous General Expense	(446,512)
931 Rents	(1,479,069)
Total (a)	\$ (3,612,559)

Jurisdictional allocation percentage

100%

Jurisdictional amount

To Sch C-3 Summary <---

\$ (3,612,559)

(a) Derived from Staff Data Request #'s 12, 89, 92
and Staff Workpaper WPC-3.13

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
ELIMINATE NON-JURISDICTIONAL EXPENSE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3.14
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): WPC-3.14a

PURPOSE and DESCRIPTION	AMOUNT
-------------------------	--------

PURPOSE and DESCRIPTION: To eliminate non-jurisdictional operating expenses.

Distribution Expense	\$ (50)
Sales Expense	(178,452)
Administrative & General Expense	(173,782)
Governmental Affairs	(53,230)
Corporate Community Relations	(24,121)
Total Adjustment	(429,635)
Jurisdictional allocation percentage	100%
Jurisdictional amount	\$ (429,635)

To Sch C-3 Summary <---

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
ANNUALIZE PENSION AND BENEFITS EXPENSE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3.17
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): WPC-3.17a

PURPOSE and DESCRIPTION	AMOUNT
PURPOSE and DESCRIPTION: To annualize pension and benefits	
Total	\$ (1,921,322)
Jurisdictional allocation percentage	100%
Jurisdictional amount	\$ (1,921,322)
To Sch C-3 Summary <---	

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
ANNUALIZE PAYROLL TAXES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3.18
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): WPC-3.18a

PURPOSE and DESCRIPTION	AMOUNT
-------------------------	--------

PURPOSE and DESCRIPTION: To annualize payroll taxes.

Total	\$ (722,601)
Jurisdictional allocation percentage	100%
Jurisdictional amount	\$ (722,601)

To Sch C-3 Summary <---

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
AMORTIZE CAMERA WORK
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

SCHEDULE C-3.22
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): WPC-3.22a

PURPOSE and DESCRIPTION	AMOUNT
PURPOSE and DESCRIPTION: To amortize the estimated balance in account 0182385, Camera Costs AMRP-Reg Asset, as of December 31, 2012, over a period of three years.	
Total	\$ -
Jurisdictional allocation percentage	<u>100%</u>
Jurisdictional amount	To Sch C-3 Summary <--- \$ -

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
INCREASED MEDICAL COSTS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3.27
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): WPC-3.27a

PURPOSE and DESCRIPTION	TOTAL AMOUNT
PURPOSE and DESCRIPTION: To adjust expenses for increased medical costs.	
Medical Costs Adjustment	\$ -
Jurisdictional allocation percentage	<u>100%</u>
Jurisdictional amount	To Sch C-3 Summary <--- \$ -

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
ADJUSTED JURISDICTIONAL FEDERAL INCOME TAXES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-4
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): SCHEDULE C-4.1, WPC-4.1a

LINE NO.	DESCRIPTION	AT CURRENT RATES			AT STIPULATED RATES	
		UNADJUSTED	SCHEDULE C-3 ADJUSTMENTS	ADJUSTED	PROFORMA ADJUSTMENTS	PROFORMA
		(1)	(2)	(3)	(4)	(5)
		(\$)	(\$)	(\$)	(\$)	(\$)
1	Operating Income before Federal					
2	Income Taxes	77,780,821	16,182,091	93,962,912	0	93,962,912
3						
4	Reconciling Items:					
5	Interest Charges	(19,527,647)	(2,351,966)	(21,879,613)	0	(21,879,613)
6	Net Interest Charges	(19,527,647)	(2,351,966)	(21,879,613)	0	(21,879,613)
7						
8	Tax Depreciation	(111,690,697)	0	(111,690,697)	0	(111,690,697)
9	Book Depreciation	43,361,828	2,759,298	46,120,926	0	46,120,926
10	Excess of Tax over Book Depreciation	(68,329,069)	2,759,298	(65,569,771)	0	(65,569,771)
11						
12	Other Reconciling Items:					
13	Permanent Differences	99,672	0	99,672	0	99,672
14	Temporary Differences	(25,895,100)	(512,638)	(26,407,738)	0	(26,407,738)
15	Total Other Reconciling Items	(25,795,428)	(512,638)	(26,308,066)	0	(26,308,066)
16	Total Reconciling Items	(113,652,144)	(105,308)	(113,757,450)	0	(113,757,450)
17	Federal Taxable Income	(35,871,323)	16,076,785	(19,794,538)	0	(19,794,538)
18						
19	Federal Income Taxes:					
20	First \$50,000 50,000 @ 15%	7,500		7,500		7,500
21	Next \$25,000 25,000 @ 25%	6,250		6,250		6,250
22	Next \$25,000 25,000 @ 34%	8,500		8,500		8,500
23	Next \$235,000 235,000 @ 39%	91,650		91,650		91,650
24	Next \$9,665,000 9,665,000 @ 34%	3,286,100		3,286,100		3,286,100
25	Next \$5,000,000 5,000,000 @ 35%	1,750,000		1,750,000		1,750,000
26	Next \$3,333,333 3,333,333 @ 38%	1,266,667		1,266,667		1,266,667
27	Over \$18,333,333 (A) (54,204,656) @ 35%	(18,971,630)	5,626,875	(13,344,755)	0	(13,344,755)
28	Federal Income Taxes	(12,554,963)	5,626,875	(6,928,088)	0	(6,928,088)
29						
30	Deferred Income Taxes:					
31	Deferred Income Tax on Depreciation	24,039,299	(965,754)	23,073,545		23,073,545
32	Other Deferred Income Taxes - Net	9,063,285	179,423	9,242,708		9,242,708
33	Deferred Income Tax Adjustment - ARAM	4,128		4,128		4,128
34	Deferred Income Tax Adjustment - Flow-Through	592,325		592,325		592,325
35	Amortization of Investment Tax Credit	(219,046)	0	(219,046)		(219,046)
36	Total Deferred Income Taxes	33,479,991	(786,331)	32,693,660	0	32,693,660
37						
38	Total Federal Income Taxes	20,925,028	4,840,544	25,765,572	0	25,765,572

(A) Calculation may be different due to rounding

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in

Case No(s). 12-1685-GA-AIR, 12-1686-GA-ATA, 12-1687-GA-ALT, 12-1688-GA-AAM

Summary: Testimony Prefiled Testimony of Wm. Ross Willis electronically filed by Mrs. Tonneta Y Scott on behalf of PUCO