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Date of Hearing: 4-22-13

Case No. 12-2400-EL-UNC

PUCO Case Caption: In the Matter of the Application of Duke Energy Ohio, Inc.

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List of exhibits being filed:

Revised Redacted DEO 12
(Pgs. 13-14 and WDW attachments 1 and 2

Reporter's Signature: Karen Sue Gibson

Date Submitted: 5-24-13

EXHIBIT
Revised Redacted
DEO
12

Pgs. 13-14
WDW
attachments 1-2

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke Energy Ohio, Inc., for the Establishment of a Charge Pursuant to Revised Code Section 4909.18.	))))	Case No. 12-2400-EL-UNC
In the Matter of the Application of Duke Energy Ohio, Inc., for Approval to Change Accounting Methods.	)))	Case No. 12-2401-EL-AAM
In the Matter of the Application of Duke Energy Ohio, Inc., for the Approval of a Tariff for a New Service.	)))	Case No. 12-2402-EL-ATA

DIRECT TESTIMONY OF

WILLIAM DON WATHEN JR.

ON BEHALF OF

DUKE ENERGY OHIO, INC.

_____ Management policies, practices, and organization

__X__ Operating income

__X__ Rate base

_____ Allocations

_____ Rate of return

_____ Rates and tariffs

__X__ Other: Drivers for rate request

March 1, 2013

taxable income. The generation of electricity is an activity that qualifies for this deduction. Generally, a company must have taxable income before this credit can be used and any unused credit does not carry forward to future years. Nevertheless, the Company reduced the amount of tax expense by incorporating this special deduction into its calculation of the income tax rate to be used in the revenue requirement calculation. Here again, the Company's revenue requirement calculation mirrors the methodology already approved by the Commission.

IX. TOTAL FIXED COST OF CAPACITY

Q. WHEN ALL OF THE COMPONENTS OF THE COMPANY'S FIXED COST OF CAPACITY ARE ADDED UP, WHAT IS THE TOTAL REVENUE REQUIREMENT FOR DUKE ENERGY OHIO'S COST OF PROVIDING NON-COMPETITIVE CAPACITY SERVICE AS AN FRR ENTITY?

A. Page 3 of Attachment WDW-1 summarizes the revenue requirement calculation. The total revenue requirement, before recognizing any revenue derived from the legacy generation, is $526,225,032 on an average annualized basis for the period between August 1, 2012, and May 31, 2015. Dividing this figure by the Company's retail demand and then by 365 days, results in a rate of $323.26 per MW-day as the fixed cost of Duke Energy Ohio's FRR capacity obligation.

X. CREDIT FOR REVENUE

Q. IS THE COMPANY EXPECTED TO EARN ANY REVENUE FROM ITS LEGACY GENERATION WHILE IT IS PROVIDING NON-COMPETITIVE CAPACITY SERVICE AS AN FRR ENTITY?

A. Yes. These assets will be available to sell energy and ancillary services into the PJM market. As Duke Energy Ohio witness Ben Zhang, Ph.D., describes in his testimony, the Company's proprietary in-house production cost model was used to estimate the value of the energy and ancillary sales expected for the period August 1, 2012, through May 31, 2015. Based on assumptions about the operating characteristics of the Company's generating units, projected fuel prices, projected prices for energy and ancillary services, and various other inputs, Dr. Zhang projects that the Company's legacy generation will earn $[redacted] on an average annualized basis from the sales of energy and ancillary services during that period.

XI. NET FIXED COST OF CAPACITY TO BE DEFERRED

Q. AFTER REFLECTING THE ENERGY AND ANCILLARY SERVICE MARGINS IN THE REVENUE REQUIREMENT CALCULATION, WHAT IS THE COMPANY'S NET COST OF PROVIDING NONCOMPETITIVE CAPACITY SERVICE AS AN FRR ENTITY?

A. On an average annualized basis, after accounting for energy and ancillary service margins, it costs Duke Energy Ohio $364,876,433 per year to meet its obligation of providing noncompetitive capacity service. On a per MW-day basis, the average rate is $224.15.

Q. WHAT FIGURE IS THE COMPANY USING TO CALCULATE THE AMOUNT OF COST RECOVERY IT IS SEEKING IN ITS CAPACITY OBLIGATION RIDER (RIDER DR-CO)?

A. In any given period, the Company will compare its net fixed cost of providing noncompetitive capacity service against the below-cost market price being recovered from PJM. For example, PJM's final zonal clearing price for the 2012/2013 planning year

DUKE ENERGY OHIO DAILY CAPACITY RATES
Twelve Months Ending December 31, 2011

Line			
1	**Capacity Daily Rates (before credits for margins from sales of capacity, energy, and ancillary services)**		
2	$/MW	=	Annual Production Fixed Cost [A]
3			(5 CP Demand/365)[B]
4	**$323.26**		$526,225,032
5		=	4459.85 / 365
6	**Capacity Daily Rates (After credits for margins from sales of energy and ancillary services)**		
7	$/MW	=	Annual Production Fixed Cost Net of Margins from Energy and Ancillary Services [c]
8			(5 CP Demand/365)[B]
9	**$224.15**		$364,876,433
10		=	4459.85 / 365
11	**Capacity Daily Rates (Net of Existing Sales at FZCP)**		
12	$/MW	=	Annual Production Fixed Cost Net of Existing Sales at FZCP and Margins from Energy and Ancillary Services [c]
13			(5 CP Demand/365)[B]
14	**$158.08**		$257,337,205
15		=	4459.85 / 365
16	Average of demand at time of five highest daily peaks (MW)		4,460

Note: [A] From page 3, line 6 + line 7.
[B] Average of 5 highest monthly peaks (MW)
Form 1, page 400, column (b) less DEK and wholesale demand. (See workpaper)

Generator Step Up Transformer Workpaper
Twelve Months Ending December 31, 2011

Rate Schedule 101
Page 2

Line	Description	Reference	Amount
1	GSU & Associated Investment	(A)	$23,208,297
2	Total Transmission Investment	FF1, P.207, L58, Col.g	$608,828,977
3	Percent (GSU to Total Trans. Investment)	L.1 / L.2	3.81%
4	Transmission Depreciation Expense	FF1, P.336, L.7, Col.b	$11,199,710
5	GSU Related Depreciation Expense	L.3 x L.4	$426,928
6	Station Equipment Acct. 353 Investment	FF1, P.207, L.50, Col.g	$338,926,542
7	Percent (GSU to Acct. 353)	L.1 / L.6	6.85%
8	Transmission O&M (Accts 562 & 570)	FF1,P.321, L. 93, Col.b, and L.107, Col.b	$2,931,899
9	GSU & Associated Investment O&M	L.7 x L.8	$200,764

Note: (A) Same as amount shown in Attachment H-22 Formula rate filed with PJM.

ANNUAL PRODUCTION FIXED COST
Twelve Months Ending December 31, 2011

Rate Schedule 101
Page 3

Line	Description	Reference	Req thru 5/15 [C]	Annualized
1	Return on Rate Base	P.4, L.18	$372,542,287	$131,485,513
2	Operation & Maintenance Expense	P.11, L.12	479,587,228	169,266,081
3	Depreciation Expense	P.13, L.10	223,343,099	78,826,976
4	Taxes Other Than Income Taxes	P.14, L.6	177,971,898	62,813,611
5	Income Tax	P.15, L.7	97,352,081	$34,359,558
6	Total Revenue Requirement	Sum (L.1 thru L.5)	$1,350,796,592	$476,751,738
7	[redacted]	(A)	[redacted]	[redacted]
8	[redacted]	(A)	[redacted]	[redacted]
9	Total Fixed Costs to Collect Over Remainder of FRR	Sum (L. 6 thru L.8)	$1,186,276,446	$418,685,804
10	Less: Margin on Sales of Energy from Legacy Generation	(A)	[redacted]	[redacted]
11	Less: Ancillary Service Revenue from Legacy Generation	(A)	[redacted]	[redacted]
12	Total Revenue to Recover Through End of FRR	Sum (L.9 thru L.11)	725,235,452	255,965,454
13	Plus: Commercial Activities Tax	(B)	3,886,630	1,371,752
14	Net Revenue to Collect		$729,122,082	$257,337,205

Note: (A) Internally calculated based on projected market prices, FRR obligations, and projections of market prices.
(B) Commercial Activities Tax at 0.26% of total revenue.
(C) Reflects the total for the period August 1, 2012, through May 31, 2015, which is the duration of the Company's FRR obligation.

RETURN ON PRODUCTION -RELATED INVESTMENT
Twelve Months Ending December 31, 2011

Rate Schedule 101
Page 4

Line	Description	Reference	Amount (1)	Demand (2)	Energy (3)
1	ELECTRIC PLANT				
2	Gross Plant in Service	P.5, L.5	$3,608,188,601	$3,574,328,638	$33,859,963
3	Less: Accumulated Depreciation	P.5, L.10	1,306,015,709	1,301,540,820	4,474,889
4	Net Plant in Service	L.2 - L.3	$2,302,172,892	$2,272,787,818	$29,385,074
5	Less: Accumulated Deferred Taxes	P.5, L.11	(636,466,948)	(638,956,932)	2,489,984
6	Plant Held for Future Use	Note (A)	-	-	-
7	Construction Work in Progress	Note (A)	-	-	-
8	Subtotal - Electric Plant	L.4 + L.5 + L.6 + L.7	$1,665,705,944	$1,633,830,886	$31,875,058
9	WORKING CAPITAL				
10	Materials & Supplies				
11	Fuel	P.8, L.2	$83,305,297	$0	$83,305,297
12	Nonfuel	P.8, L.7	40,681,661	40,681,661	-
13	Total M & S	L.11 + L.12	$123,986,958	$40,681,661	$83,305,297
14	Prepayments	Note (B)	-	-	-
15	Cash Working Capital	Note (A)	-	-	-
16	Total Rate Base	L.8 + L.13 + L.14 + L.15	$1,789,692,902	$1,674,512,547	$115,180,355
17	Weighted Cost of Capital	P.10, L.4	7.852%	7.852%	7.852%
18	Return on Rate Base	L.16 x L.17	$140,529,667	$131,485,513	$9,044,153

Note (A) None requested.
(B) None requested. Commission approved formula excluded prepayments except for pre-paid pension asset.

PRODUCTION-RELATED
ELECTRIC PLANT IN SERVICE, ACCUMULATED DEPRECIATION AND ADIT
Twelve Months Ending December 31, 2011

		System		Production			
Line	Description	Reference	Amount	Reference	Amount	Demand	Energy
			(1)		(2)	(3)	(4)
1	Gross Plant in Service (Note A)						
2	Plant in Service (Excl. Gen & Intangible) (Note C)	FF1, P.204-207, L.100	$5,913,163,008	FF1, P.205, L.46(g)	$3,379,461,653	$3,379,461,653	$0
3	Allocated General & Intangible Plant	P.6, L.18	168,803,540		86,793,890	54,265,855	32,528,035
4	Common Plant	P.7, L.17	$298,250,155		141,933,058	140,601,130	1,331,928
5	Total	L.2 + L.3 + L.4	$6,380,216,703		$3,608,188,601	$3,574,328,638	$33,859,963
						99%	1%
6	Percent of Total Gross Plant in Service	L.5 ÷ Line 2, Col.(1)			56.55%	56.02%	0.53%
7	Accum Provision for Depreciation (Notes A & D)	FF1, P.219	$2,091,025,475	FF1, P.219, L.20+L.24	$1,226,882,363	$1,226,882,363	$0
8	General Plant	FF1, p. 219, L.28	21,340,622	Note (B)	10,972,730	6,860,443	4,112,287
9	Allocated Common Plant	P.7, L.18	143,816,541		68,160,616	67,798,014	362,602
10	Total	L.7 + L.8 + L.9	$2,256,182,638		$1,306,015,709	$1,301,540,820	$4,474,889
11	Accum Deferred Income Taxes (Note A)	FF1, P.234 (Acct. 190, L.8) P. 272-273 (Acct 281, L.8) P.274-275 (Acct 282, L.8) P.276-277 (Acct. 283, L.9)	($1,485,857,338)	P.5a, P.5b	($636,466,948)	($638,956,932)	$2,489,984

Note: (A) Excludes ARO amounts.
(B) Allocated using factors on P.6, line 15, for General Plant. See P.7 for Common.
(C) Includes Generator Step-Up Transformers and Other Generation related investments previously included in the transmission accounts.
(D) Includes Accumulated Depreciation associated with the Generator Step-Up Transformers and Other Generation investments.

ELECTRIC PLANT IN SERVICE, ACCUMULATED DEPRECIATION AND ADIT
Twelve Months Ending December 31, 2011

Rate Schedule 101
Page 5a WP

Line No.	Account Title	Total Company	Legacy Generation	Other Electric	Gas
	Account 190 (Detailed Accounts)				
1	Accrual NQ Pension ST	211,667	68,326	90,255	53,086
2	Accrual OPEB ST	754,644	243,599	321,780	189,265
3	Accrual Post Retirement ST	263,011	84,900	112,148	65,963
4	Accrued Pension Admin Fees	1,297,854	1,298,479	(625)	-
5	Accrued Vacation	4,101,676	1,468,226	1,492,710	1,140,740
6	Annual Incentive Plan Comp	1,221,256	696,439	133,437	391,380
7	Asset Retirement Obligation	7,429,180	1,821,556	241,057	5,366,567
8	Bad Debts - Tax over Book	538,955	-	481,408	57,547
9	Cash Flow Hedge - Reg Asset/Liab	(660,340)	-	(660,340)	-
10	Demand Side Management (DSM) Defer	-	-	-	-
11	Emission Allowance Expense	36,398,482	36,398,482	-	-
12	Employee Benefits	-	-	-	-
13	Environmental Reserve	(16)	-	-	(16)
14	FAS 106 OPEB OCI	3,612,740	3,612,730	6	4
15	FAS 112 Medical Expenses Accrual	2,389,124	906,861	919,277	562,986
16	FAS 112 Medical Funding Payment	(372,956)	(122,886)	(157,457)	(92,613)
17	FAS 87 Non Qual Plan OCI	42,247	42,247	-	-
18	FAS 87 Qual Plan OCI	(18,880,817)	(18,880,817)	-	-
19	Federal Benefit of State for 190 CY	54,489	-	54,489	-
20	Federal Benefit of State for 190 PY	839,222	-	839,222	-
21	Federal Benefit of State on 190 Gain Contingency PY	390,179	-	390,179	-
22	FERC - FIT Adj Offset to Regulatory Asset (254100)	($2,634,885)	$0	($2,197,337)	($437,548)
23	Gas Supplier Refunds	147,962	-	-	147,962
24	Joint Owner Pension Receivable	(5,034,832)	(5,031,751)	(3,081)	-
25	Joint Owner Pension Receivable-NC	6,482,672	6,482,672	-	-
26	KY 190002 Adjustment to Deferreds	(34,714)	-	(34,714)	-
27	Lease Meters-Current	(4,351,201)	-	1,695,129	(6,046,330)
28	Leased Meters - Elec & Gas	15,607,854	-	12,834,583	2,773,271
29	Mark to Market - LT	(1,365,344)	(1,365,344)	-	-
30	Mark to Market - ST	(783,126)	(783,126)	-	-
31	Meters & Transformers	-	-	-	-
32	MGP Sites	9,776,179	-	(218,438)	9,994,617
33	Miscellaneous	(1,283,890)		(1,283,890)	-
34	Natural Gas In Transit	96,538	-	-	96,538
35	Non-qualified Pension - Payment	(303,570)	(124,585)	(178,985)	-
36	Non-qualified Pension - Accrual	1,419,357	478,194	647,039	294,124
37	OCI - Actuarial GL NQ	(42,247)	(42,247)	-	-
38	OCI - Actuarial GL Qual	18,880,817	18,880,817	-	-
39	OCI - FAS 106 Actuarial Gain/Loss	(3,612,588)	(3,612,588)	-	-
40	Offsite Gas Storage Costs	3,437,449	-	-	3,437,449
41	OPEB Admin Fees	(3,310,616)	(3,309,476)	(1,140)	-
42	OPEB Expense Accrual	16,139,592	5,103,746	7,069,135	3,966,711
43	OPEB Funding Payment	(1,889,025)	(680,698)	(698,433)	(509,894)
44	Other Noncurrent After-tax DTA for EPRI Credit	220,341	172,607	23,867	23,867
45	Payable 401 (K) Match	61,544	20,173	26,049	15,322
46	Property Tax - Propane Inventory	536,061	-	-	536,061
47	Property Tax Reserves	17,258,304	14,450,964	(5,447,194)	8,254,534
48	Retirement Plan Expense - Underfunded	(6,012,992)	(7,977,650)	5,481,004	(3,516,346)
49	Retirement Plan Funding - Underfunded	-	-	-	-

ELECTRIC PLANT IN SERVICE, ACCUMULATED DEPRECIATION AND ADIT
Twelve Months Ending December 31, 2011

Rate Schedule 101
Page 5a WP

Line No.	Account Title	Total Company	Legacy Generation	Other Electric	Gas
50	Save-A-Watt Regulated Deferred Liability	3,824,541	-	3,824,541	-
51	Severance Accrual ST	(19,494)	(487)	(11,847)	(7,160)
52	SIT - Known Reserves - Cur Asset	61,541	76,502	(14,961)	-
53	Surplus Materials Write-Off Asset	862,907	862,907		-
54	Surplus Materials Write-off Liab	4,084	4,084		
55	Tax Int Accrual - Non-cur Liab	1,356,403	(376,601)	1,733,004	-
56	Tax Interest Accrual - Cur Liab		-		-
57	Unamortized Debt Discount	(2,159,580)	(2,330,151)	1,539,206	(1,368,635)
58	Unamortized Debt Premium	579,251	1,276,384	(418,204)	(278,929)
59	Unbilled Revenue - Fuel	4,144,444	-	-	4,144,444
60	Uncollectible Provision PIP ADJ	(1,535,805)	-	-	(1,535,805)
61	Total Account 190	$106,154,529	$49,812,488	$28,622,879	$27,719,162
	Account 281 (Detailed Accounts)				
62	Pollution Control	($41,315,543)	($41,315,543)	$0	$0
	Account 282 (Detailed Accounts)				
63	263A ADJUSTMENT	(6,613,243)	(1,555,714)	(5,057,529)	-
64	481(a) Fixed Asset Retirement	353,687	353,687	-	-
65	AFUDC Interest	(854,247)	182	(652,935)	(201,494)
66	Asset Retirement Costs - ARO	(198,911)	192,413	2,698	(394,022)
67	Book Capital Lease Meters	(19,755,547)		(15,225,028)	(4,530,519)
68	Book Depr On Trans Equip to ADR	310,651	(305)	265,454	45,502
69	Book Depreciation/Amortization	291,610,629	149,441,734	92,829,604	49,339,291
70	Book Gain/Loss on Property	(88,395)	1,434	(89,829)	-
71	Casualty Loss	($3,525,213)	(3,525,213)	-	-
72	Contributions In Aid (CIACs)	4,298,337	486,708	812,158	2,999,471
73	Cost of Removal	(2,685,591)	87,979	(1,644,622)	(1,128,948)
74	Equipment Repairs - Annual Adj	(73,214,162)	(73,214,162)	-	-
75	Excess Salvage	864,620	-	125,782	738,838
76	FAS 34	(5,484,853)	(5,472,458)	(15,757)	3,362
77	FERC - FIT Adj Offset to Regulatory Liability (182320)	22,467,884	-	16,976,628	5,491,256
78	FERC - FIT Plant Adj (Util - 410)	(1,018,036,656)	(389,773,184)	(494,485,251)	(133,778,221)
79	FERC - FIT Plant Adj (Util - 411)	9,420,173	-	9,420,173	-
80	FERC - FIT Plant Adj (Util - 411)	(2,737,895)	(3,424,067)	490,898	195,274
81	FERC - SIT Adj Offset to Regulatory Liability (182320)	(8,792,929)	-	(7,733,802)	(1,059,127)
82	FERC - SIT Plant Adj (Util - 410)	(9,176,360)	(17,062,585)	13,276,898	(5,390,673)
83	FERC - SIT Plant Adj (Util 411)	4,433,793	(1,181,782)	4,951,445	664,130
84	FERC - SIT Plant Adj (Util 411)	287,127	-	287,127	-
85	FIN 48 After Tax NC 282 CY Dec Payable	(1,131,353)	-	(1,131,353)	
86	FIN 48 After Tax NC 282 CY Dec Payable	(126,065)		(126,065)	
87	FIN 48 After Tax NC 282 CY Inc Payable	4,239,389	-	4,239,389	-
88	FIN 48 After Tax NC 282 CY Inc Payable	472,389		472,389	
89	FIN 48 After Tax NC 282 Gain Contingency PY Dec Payable	(21,204,671)		(21,204,671)	
90	FIN 48 After Tax NC 282 Gain Contingency PY Dec Payable	(437,159)		(437,159)	
91	FIN 48 After Tax NC 282 Gain Contingency PY Inc Payable	21,204,668		21,204,668	
92	FIN 48 After Tax NC 282 Gain Contingency PY Inc Payable	437,160		437,160	
93	FIN 48 After Tax NC 282 PY Dec Payable	(15,878,859)		(15,878,859)	

ELECTRIC PLANT IN SERVICE, ACCUMULATED DEPRECIATION AND ADIT
Twelve Months Ending December 31, 2011

Line No.	Account Title	Total Company	Legacy Generation	Other Electric	Gas
94	FIN 48 After Tax NC 282 PY Dec Payable	(1,785,521)	-	(1,785,521)	-
95	FIN 48 After Tax NC 282 PY Inc Payable	33,767,646	-	33,767,646	-
96	FIN 48 After Tax NC 282 PY Inc Payable	3,778,844	-	3,778,844	-
97	Impairment of Plant Assets	57,601,570	57,601,570	-	-
98	KY - Bonus Depreciation Adj	475,392	172,964	140,399	162,029
99	KY 282101 Adjustment to Deferreds	(1,683,642)	-	(1,683,642)	-
100	Loss on ACRS	(13,121,594)	(216,010)	(8,305,308)	(4,600,276)
101	Miscellaneous	(23,336,468)	-	(23,336,468)	-
102	Non-Cash Overhead Basis Adj	38,713,770	3,989,717	34,832,192	(108,139)
103	OH - Bonus Depreciation Adj	158,159	19,737	123,438	14,984
104	OH - Franchise Tax Adj	(64,166)	(14,864)	(33,013)	(16,289)
105	Other Non-Current After-Tax DTL for PP&E	$7,880,939	($63,481,303)	$107,988,105	($36,625,863)
106	Other Non-Current AT ST DTL for PP&E	(3,812,312)	(9,649,738)	7,663,300	(1,825,874)
107	Purchase Accounting Adjustment	-	-	-	-
108	Repairs 481(a) (Pursuant to 3115)	(27,352,656)	(27,352,656)	-	-
109	Repairs Allowed on Post ADR Prop	(746,844)	(270,620)	(252,561)	(223,663)
110	Section 174 R&E Deduction	(956,942)	(590,008)	(366,934)	-
111	Self Developed Software	(7,667,618)	(2,609,750)	(3,405,012)	(1,652,856)
112	T & D Repairs - Annual Adj.	-	-	-	-
113	T & D Repairs 481(a) (pursuant to 3115)	-	-	-	-
114	Tax Depreciation/Amortization	(526,275,801)	(173,344,265)	(221,558,996)	(131,372,540)
115	Tax Gains/Losses	(11,078,329)	89,378	(11,174,271)	6,564
116	Tax Interest Capitalized	9,224,545	6,400,248	1,933,285	891,012
117	Total Account 282	($1,295,822,630)	($553,900,933)	($479,564,906)	($262,356,791)
	Account 283 (Detailed Accounts)				
118	ARO Regulatory Asset	(5,141,980)	(4,828)	(162,998)	(4,974,154)
119	Deferred Fuel Cost Purch Gas Adjustment	2,098,533	-	-	2,098,533
120	Deferred Ohio Smart Grid Costs	1,857,810	-	1,273,283	584,527
121	Deferred Pipeline Installation Costs	-	-	-	-
122	Emission Allowance Trading	(43,641,559)	(43,641,559)	-	-
123	Inventory & Contract Write-up	(1,623,109)	(1,623,109)	-	
124	KY 283101 Adjustment to Deferreds	(17,357)	-	(17,357)	-
125	Loss on Reacquired Debt-Amort	(1,988,719)	-	(1,276,482)	(712,237)
126	Merger Costs	634,496	334,802	196,942	102,752
127	Miscellaneous Current Taxable Inc. Adj - DTL	-	-	-	-
128	Miscellaneous NC Taxable Income Adj - DTL	(26,118,288)	(26,118,288)	-	-
129	Noncurrent Bad Debt Provision	2,190,454	-	308,348	1,882,106
130	Other Deferred State Taxes - After-Tax	(2,338,440)	-	(2,338,440)	-
131	Other Non-Current After-Tax DTL	(13,210,667)	$0	($13,210,667)	$0
132	Partnership Income K-1	73,930	-	73,930	-
133	POST IN SERVICE - CARRYING COSTS	(5,723,324)	-	-	(5,723,324)
134	Rate Case - Deferred Costs	-	-	-	-
135	Reg Asset - Accr Pension FAS158 - FAS87Qual	5,545,067	-	3,896,713	1,648,354
136	Reg Asset - Accr Pension FAS158 - FAS87NQ	(89,861)	-	(119,045)	29,184
137	Reg Asset - Accr Pension FAS158 - FAS87Qual	(35,692,092)	-	(24,763,664)	(10,928,428)
138	Reg Asset - DEO Econ Dev				
139	Reg Asset - Elec Rate Case Expense	(422,108)	-	(373,403)	(48,705)
140	Reg Asset - MGP Costs	(24,490,345)	-	(834,746)	(23,655,599)
141	Reg Asset Hurricane Ike Storm Damage	(4,495,822)	-	(4,495,822)	-
142	Reg Asset Smart Grid Deferred Depr.	(2,818,417)	-	(2,226,548)	(591,869)
143	Reg Asset Smart Grid Dfd Other O&M	(5,578,268)	-	(3,571,389)	(2,006,879)
144	Reg Asset Smart Grid Gas Furnace	(2,448,113)	-	(2,448,113)	-
145	Reg Asset Smart Grid PISCC	(3,543,660)	-	(2,838,737)	(704,923)
146	Reg Asset/Liab Def Revenue	(3,007,946)	(3,007,946)	-	-
147	Reg Asset/Liab Def Revenue NC	78,634	78,634	-	-
148	Reg Asset-Pension Post Retirement PAA-FAS 106 and Oth	(8,981,533)	-	(5,669,590)	(3,311,943)
149	Reg Asset-Pension Post Retirement PAA-FAS87NQ and Oth	(135,944)	-	(84,876)	(51,068)
150	Reg Asset-Pension Post Retirement PAA-FAS87Qual and Oth	(18,118,251)	-	(11,424,050)	(6,694,201)
151	Reg Liab RSU & Other Misc Dfd Costs	57,906	-	57,906	-
152	Retirement Plan Expense - Overfunded	62,281,262	22,063,458	31,682,075	8,535,729
153	Retirement Plan Funding - Overfunded	(28,566,515)	-	(28,566,515)	-
154	Reverse Book Partnership Earnings	-	-	-	-
155	RSP Costs Capitalization	(39,143,238)	(39,143,238)	-	-
156	RTC Amortization	-	-	-	-
157	Sec 481 Adj - State Inc Tax	(886)	(886)	-	-
158	Tax Int Accrual - Non-cur Asset	(502,819)	-	(502,819)	-

ELECTRIC PLANT IN SERVICE, ACCUMULATED DEPRECIATION AND ADIT
Twelve Months Ending December 31, 2011

Rate Schedule 101
Page 5a WP

Line No.	Account Title	Total Company	Legacy Generation	Other Electric	Gas
159	Tax Interest Accrual - Cur Asset	-	-	-	-
160	Vacation Carryover - Reg Asset	(1,852,525)	-	(1,166,445)	(686,080)
161	Total Account 283	($204,873,694)	($91,062,960)	($68,602,509)	($45,208,225)
	Total Account 190	$106,154,529	$49,812,488	$28,622,879	$27,719,162
	Total Account 281	($41,315,543)	($41,315,543)	$0	$0
	Total Account 282	($1,295,822,630)	($553,900,933)	($479,564,906)	($262,356,791)
	Total Account 283	(204,873,694)	(91,062,960)	(68,602,509)	(45,208,225)
		(1,435,857,338)	(636,466,948)	(519,544,536)	(279,845,854)

ELECTRIC PLANT IN SERVICE, ACCUMULATED DEPRECIATION AND ADIT (PRODUCTION)
Twelve Months Ending December 31, 2021

Rate Schedule [illegible]
Page [illegible]

Line No.	Account Title	Legacy Generation	Percent Allocated To Demand	Amount Demand	Amount Energy	Allocation Basis
	Account 190 (Detailed Accounts)					
1	Accrued HQ Pension ST	[illegible]	[illegible]	342,718	[illegible]	12CP
2	Accrued OPEB ST	243,[illegible]	63%	152,[illegible]	91,294	12CP
3	Accrued Post Retirement ST	84,[illegible]	63%	53,[illegible]	31,[illegible]	12CP
4	Accrued Pension Admin Fees	1,[illegible],473	60%	[illegible]	404,[illegible]	12CP
5	Accrued Vacation	1,[illegible],[illegible]	60%	917,974	[illegible]	12CP
6	Accrued Incentive Plan Comp	[illegible]	63%	485,432	252,[illegible]	12CP
7	Asset Retirement Obligation	1,[illegible],[illegible]	0%	-	1,[illegible]	Excluded AROs from Rate Base
8	Bad Debts - Tax over Book		100%	-	-	
9	Cash Flow Hedge - Reg Asset/Liab	-	100%	-	-	
10	Demand Side Management (DSM) Defer	-	100%	-	-	
11	Emission Allowance Expense	[illegible]	0%	-	[illegible]	100% energy
12	Employee Benefits		100%		-	
13	Environmental Reserve	-	100%	-	-	
14	FAS 158 OPEB OCI	3,413,[illegible]	63%	2,150,775	1,[illegible]	12CP
15	FAS 112 Medical Expense Accrual	[illegible]	63%	[illegible]	[illegible]	12CP
16	FAS 112 Medical Funding Payment	([illegible])	63%	([illegible])	([illegible])	12CP
17	FAS 87 Non Qual Plan OCI	42,[illegible]	63%	26,[illegible]	15,[illegible]	12CP
18	FAS 87 Qual Plan OCI	([illegible])	63%	([illegible])	(7,[illegible])	12CP
19	Federal Benefit of State for 190 CY	-	100%		-	
20	Federal Benefit of State for 190 PY	-	100%	-		
21	Federal Benefit of State on 190 Gain Contingency PY	-	100%	-	-	
22	FERC - FIT Adj Offset to Regulatory Asset ([illegible])	-	100%	-	-	
23	Gas Supplier Refunds	-	100%	-	-	
24	Joint Owner Pension Receivable	([illegible])	100%	([illegible])	-	100% demand
25	Joint Owner Pension Receivable-NC	6,[illegible]	100%	6,[illegible]	-	100% demand
26	KY [illegible] Adjustment to Deferrals	-	100%	-	-	
27	Lease Meters-Current	-	100%	-		
28	Leased Meters - Elec & Gas	-	100%	-	-	
29	Mark to Market - LT	([illegible])	100%	([illegible])	-	100% energy
30	Mark to Market - ST	([illegible])	100%	([illegible])	-	100% energy
31	Meters & Transformers	-	100%	-	-	
32	MGP Sites	-	100%	-	-	
33	Miscellaneous	-	100%	-	-	
34	Natural Gas in Transit	-	100%	-	-	
35	Non-qualified Pension - Payment	(124,[illegible])	63%	(77,[illegible])	([illegible])	12CP
36	Non-qualified Pension - Accrual	476,[illegible]	63%	[illegible]	176,[illegible]	12CP
37	OCI - Actuarial GL HQ	(42,[illegible])	63%	([illegible])	(15,[illegible])	12CP
38	OCI - Actuarial GL Qual	19,[illegible]	63%	11,[illegible]	7,[illegible]	12CP
39	OCI - FAS 158 Actuarial Gain/Loss	([illegible])	63%	(2,[illegible])	(1,[illegible])	12CP
40	Offsite Gas Storage Costs	-	100%	-	-	
41	OPEB Admin Fees	([illegible])	63%	(2,[illegible])	(1,[illegible])	12CP
42	OPEB Expense Accrual	5,[illegible]	63%	3,[illegible]	1,912,748	12CP
43	OPEB Funding Payment	([illegible])	63%	([illegible])	([illegible])	12CP
44	Other Noncurrent After-tax DTA for EPRI Credit	172,[illegible]	100%	172,[illegible]	-	100% Demand
45	Payable 401 (k) Match	20,170	63%	12,[illegible]	7,[illegible]	12CP
46	Property Tax - Propane Inventory	-	100%	-	-	
47	Property Tax Accrual	14,[illegible]	100%	14,[illegible]	-	100% Demand
48	Retirement Plan Expense - Underfunded	(7,917,[illegible])	63%	(4,[illegible])	(1,[illegible])	12CP
49	Retirement Plan Funding - Underfunded	-	100%	-	-	
50	Save-A-Watt Regulated Deferred Liability	-	100%	-	-	
51	Severance Accrual ST	([illegible])	63%	([illegible])	([illegible])	12CP
52	SIT - [illegible] Accounts - Cur Asset	76,[illegible]	100%	76,[illegible]	-	
53	Surplus Materials Write-Off Asset	[illegible]	100%	[illegible]	-	100% demand
54	Surplus Materials Write-off Liab	4,[illegible]	100%	4,[illegible]	-	100% demand
55	Tax Int Accrual - Non-cur Liab	([illegible])	100%	([illegible])	-	100% demand
56	Tax Interest Accrual - Cur Liab	-	100%	-	-	
57	Unamortized Debt Discount	(2,[illegible])	100%	([illegible])	-	100% demand
58	Unamortized Debt Premium	1,276,[illegible]	100%	1,276,[illegible]	-	100% demand
59	Unbilled Revenue - Fuel	-	100%	-	-	
60	Uncollectible Provision FIP ADJ	-	100%	-	-	

ELECTRIC PLANT IN SERVICE, ACCUMULATED DEPRECIATION AND ADIT (PRODUCTION)
Twelve Months Ending December 31, 2022

Line No.	Account Title	Legacy Generation	Percent Allocated To Demand	Amount: Demand	Amount: Energy	Allocation Basis
61	Total Account 190	$40,813,[illegible]		$13,784,[illegible]	$27,[illegible]	
	Account 281 (Detailed Amounts)					
62	Pollution Control	($41,[illegible],349)	100%	($41,[illegible],349)	$0	100% demand
	Account 282 (Detailed Amounts)					
63	263A ADJUSTMENT	($1,[illegible],714)	100%	($1,[illegible],714)	$0	100% demand
64	481(a) Fixed Asset Retirement	[illegible]	100%	[illegible]	-	100% demand
65	AFUDC Interest	182	100%	182	-	100% demand
66	Asset Retirement Costs - ARO	[illegible]	100%	[illegible]	-	100% demand
67	Book Capital Lease Meters	-	0%	-	-	
68	Book Dep'r On Trans Equip to ADS	([illegible])	100%	([illegible])	-	100% demand
69	Book Depreciation/Amortization	1[illegible],[illegible],7[illegible]	100%	1[illegible],[illegible],7[illegible]	-	100% demand
70	Book Gain/Loss on Property	1,4[illegible]	100%	1,4[illegible]	-	100% demand
71	Casualty Loss	([illegible])	100%	([illegible])	-	100% demand
72	Contributions in Aid (CIACs)	[illegible]	100%	[illegible]	-	100% demand
73	Cost of Removal	[illegible]	100%	[illegible]	-	100% demand
74	Equipment Repairs - Annual Adj	(7[illegible])	100%	(7[illegible])	-	100% demand
75	[illegible]	-	0%	-	-	
76	FAS 34	([illegible],472,[illegible])	100%	([illegible],472,[illegible])	-	100% demand
77	FERC - FIT Adj Offset to Regulatory Liability ([illegible])	-	0%	-	-	
78	FERC - FIT Plant Adj (UAS - 410)	([illegible],77[illegible])	100%	([illegible],77[illegible])	-	100% demand
79	FERC - FIT Plant Adj (UAS - 411)	-	0%	-	-	
80	FERC - FIT Plant Adj (UAS - 411)	([illegible])	100%	([illegible])	-	100% demand
81	FERC - SIT Adj Offset to Regulatory Liability ([illegible])	-	0%	-	-	
82	FERC - SIT Plant Adj (UAS - 410)	(17,[illegible])	100%	(17,[illegible])	-	100% demand
83	FERC - SIT Plant Adj (UAS 411)	(1,1[illegible])	100%	(1,1[illegible])	-	100% demand
84	FERC - SIT Plant Adj (UAS 411)		0%	-	-	
85	FIN 48 After Tax NC 282 CY Def Payable	-	0%	-	-	
86	FIN 48 After Tax NC 282 CY Def Payable	-	0%	-	-	
87	FIN 48 After Tax NC 282 CY Int Payable	-	0%	-		
88	FIN 48 After Tax NC 282 CY Int Payable	-	0%		-	
89	FIN 48 After Tax NC 282 Gain Contingency PY Def Payable	-	0%	-	-	
90	FIN 48 After Tax NC 282 Gain Contingency PY Def Payable	-	0%		-	
91	FIN 48 After Tax NC 282 Gain Contingency PY Int Payable		0%		-	
92	FIN 48 After Tax NC 282 Gain Contingency PY Int Payable	-	0%	-	-	
93	FIN 48 After Tax NC 282 PY Def Payable	-	0%	-	-	
94	FIN 48 After Tax NC 282 PY Def Payable	-	0%	-		
95	FIN 48 After Tax NC 282 PY Int Payable	-	0%		-	
96	FIN 48 After Tax NC 282 PY Int Payable	-	0%	-		
97	Impairment of Plant Assets	$7,[illegible]	100%	$7,[illegible]	-	100% demand
98	KY - Bonus Depreciation Adj	1[illegible]	100%	1[illegible]	-	100% demand
99	KY [illegible] Adjustment to Deferreds	-	0%	-		
100	Loss on ACRS	(2[illegible])	100%	(2[illegible])	-	100% demand
101	Miscellaneous	-	0%	-		
102	Non-Cash Overhead [illegible] Adj	1,[illegible],717	100%	1,[illegible],717	-	100% demand
103	OH - Bonus Depreciation Adj	[illegible],7[illegible]	100%	[illegible],7[illegible]	-	100% demand
104	OH - Franchise Tax Adj	([illegible])	100%	([illegible])	-	100% demand
105	Other Non-Current After-Tax DTL for PP&E	([illegible])	100%	([illegible])	-	100% demand
106	Other Non-Current AT ST DTL for PP&E	([illegible],7[illegible])	100%	([illegible],7[illegible])	-	100% demand
107	Purchase Accounting Adjustment	-	0%	-	-	
108	Repairs 481(a) (Pursuant to §1.[illegible])	(27,[illegible])	100%	(27,[illegible])	-	100% demand
109	Repairs Allowed on Post ADR Prop	([illegible])	100%	([illegible])	-	100% demand
110	Section 174 R&E Deduction	([illegible])	100%	([illegible])	-	100% demand
111	Self Developed Software	(2,[illegible])	100%	(2,[illegible])	-	100% demand
112	T & D Repairs - Annual Adj.	-	0%	-	-	
113	T & D Repairs 481(a) (pursuant to §115)	-	0%	-	-	
114	Tax Depreciation/Amortization	(17[illegible])	100%	(17[illegible])	-	100% demand
115	Tax Gains/Losses	[illegible]	100%	[illegible]	-	100% demand
116	Tax Interest Capitalized	[illegible]	100%	[illegible]	-	100% demand

ELECTRIC PLANT IN SERVICE, ACCUMULATED DEPRECIATION AND ADIT (PRODUCTION)
Twelve Months Ending December 31, 2013

Line No.	Account Title	Legacy Operation	Percent Allocated To Demand	Amount: Demand	Amount: Energy	Allocation Basis
117	Total Account 282	[illegible]		[illegible]	$0	
	Account 283 (Detailed Accounts)					
118	ARO Regulatory Asset	(4,[illegible])	100%	($4,[illegible])	$0	100% demand
119	Deferred Fuel Cost Purch Gas Adjustment	-	100%	-	-	
120	Deferred Ohio Smart Grid Costs	-	100%	-	-	
121	Deferred Pipeline Installation Costs	-	100%	-	-	
122	Emission Allowance Trading	(43,041,[illegible])	0%	-	(43,041,[illegible])	100% energy
123	Inventory & Contract Write-up	(1,[illegible])	100%	(1,[illegible])	-	100% demand
124	[illegible] Adjustment to Deferreds	-	100%	-	-	
125	Loss on Reacquired Debt [illegible]	-	100%	-	-	
126	Merger Costs	134,[illegible]?	0%	-	134,[illegible]?	Energy?
127	Miscellaneous Current Taxable Inc. Adj - DTL		100%	-	-	
128	Miscellaneous NC Taxable Income Adj - DTL	(26,118,[illegible])?	100%	(26,118,[illegible])?	-	To be conservative, allocate all to Demand
129	[illegible]		100%	-	-	
130	Other Deferred State Taxes - After-Tax	-	100%	-	-	
131	Other Non-Current After-Tax DTL	-	100%	-	-	
132	Partnership Income [illegible]	-	100%	-	-	
133	PORT IN SERVICE - CARRYING COSTS	-	100%	-	-	
134	Rate Case - Deferred Costs		100%	-	-	
135	Reg Asset - Accr Pension FAS[illegible] - FAS[illegible]	-	100%	-	-	
136	Reg Asset - Accr Pension FAS[illegible] - FAS[illegible]		100%	-	-	
137	Reg Asset - Accr Pension FAS[illegible] - FAS[illegible]	-	100%	-	-	
138	Reg Asset - [illegible]	-	100%	-	-	
139	Reg Asset - [illegible] Expense	-	100%	-	-	
140	Reg Asset - MGP Costs		100%	-	-	
141	Reg Asset Hurricane Ike Storm Damage		100%		-	
142	Reg Asset Smart Grid Deferred Depr.	-	100%	-	-	
143	Reg Asset Smart Grid [illegible] O&M	-	100%	-	-	
144	Reg Asset Smart Grid Gas Furnace	-	100%	-	-	
145	Reg Asset Smart Grid [illegible]	-	100%	-	-	
146	Reg Asset/Liab Def Revenue	(3,007,[illegible])	100%	(3,007,[illegible])	-	To be conservative, allocate all to Demand
147	Reg Asset/Liab Def Revenue [illegible]	78,634	100%	78,634	-	
148	Reg Asset-Pension Post Retirement FAS-FAS 106 and Oth	-	100%	-	-	
149	Reg Asset-Pension Post Retirement FAS-FAS[illegible] and Oth	-	100%	-	-	
150	Reg Asset-Pension Post Retirement FAS-FAS[illegible] and Oth	-	100%	-	-	
151	Reg Liab [illegible] & Other Misc O&M Costs	-	100%	-	-	
152	Retirement Plan Expense - Overfunded	27,0[illegible]	45%	18,7[illegible]	[illegible]	S&W
153	Retirement Plan Funding - Overfunded	-	100%	-	-	
154	Revenue [illegible] Partnership Earnings	-	100%	-	-	
155	RSP Costs Capitalization	([illegible])	100%	([illegible])	-	To be conservative, allocate all to Demand
156	RTC Amortization	-	100%	-	-	
157	Sec 481 Adj - State Inc Tax	(404)	100%	([illegible])	-	100% demand
158	Tax [illegible] Accrual - Non-cur Asset	-	100%	-	-	
159	Tax Interest Accrual - Cur Asset	-	100%	-	-	
160	Vacation Carryover - Reg Asset	-	100%	-	-	
161	Total Account 283	([illegible])		([illegible])	([illegible])	
	Total Account 190	$4[illegible]		$1[illegible]	$37,[illegible]	
	Total Account 281	(47,[illegible])		(41,[illegible])	-	
	Total Account 282	([illegible])		([illegible])	-	
	Total Account 283	([illegible])		([illegible])	([illegible])	
		([illegible])		([illegible])	$2,[illegible]	

CONFIDENTIAL & PROPRIETARY TRADE SECRET

PRODUCTION-RELATED GENERAL PLANT ALLOCATION (Gross Plant) — Rate Schedule 101
Twelve Months Ending December 31, 2011 — Page 6

Line	Acct	Description	Total Systems (A)	Allocation Factor	Related to Production	Demand	Energy
			(1)	(2)	(3)=(1)*(2)	(4)	(5)
1		GENERAL PLANT (A)					
2	389	Land	$951,856	(B)	$489,417	$305,997	$183,420
3	390	Structures	24,870,920	(B)	12,787,907	7,995,340	4,792,567
4	391	Office Furniture & Equipment	3,012,092	(B)	1,548,730	968,307	580,423
5	392	Transportation Equipment	4,249,299	(B)	2,184,866	1,366,036	818,830
6	393	Stores Equipment	-	(B)	0	0	0
7	394	Tools, Shop & Garage Equipment	13,977,270	(B)	7,186,707	4,493,321	2,693,386
8	395	Lab Equipment	125,110	(B)	64,328	40,220	24,108
9	396	Power Operated Equipment	1,088,311	(B)	559,578	349,863	209,715
10	397	Communications Equipment	41,923,534	(B)	21,555,867	13,477,303	8,078,564
11	398	Miscellaneous Equipment	71,746	(B)	36,890	23,065	13,825
12	Sum	Subtotal	$90,270,138		$46,414,290	$29,019,452	$17,394,838
13	Calc	Percent			51.417%	32.147%	19.270%
14	303	INTANGIBLE PLANT	$78,533,402	(B)	$40,379,600	$25,246,403	$15,133,197
15	Calc	Percent			51.417%	32.147%	19.270%
16	Sum	TOTAL GENERAL AND INTANGIBLE	$168,803,540		$86,793,890	$54,265,855	$32,528,035

Note: (A) Data from Form 1, pages 204-207.
(B) Allocation factors based on wages and salaries in electric operation and maintenance expenses excluding A&G.

a. Total wages and salaries in electric operation and maintenance expenses excluding administrative and general expense, FF1, P.354, Col.(b), Ln.28 - L.27.	$104,144,423
b. Production wages and salaries in electric operation and maintenance expense, FF1, P.354, Col.(b), L.20.	$53,548,045
c. Production Labor as Percent of All Labor (excl. A&G)	51.42%
d. Percent production labor allocated to demand (Page 12 wp)	62.52%

PRODUCTION-RELATED COMMON PLANT ALLOCATION (Gross Plant)
Twelve Months Ending December 31, 2011

Line	Acct	COMMON PLANT	Total System (A)	Electric (B)	Production Demand	Production Energy
			(1)	(2)	(3)	(4)
		Organization	$60,936	$50,882		
1	1030	Miscellaneous Intangible Plant	121,525,222	101,473,560		
2	1890	Land and Land Rights	2,159,616	1,803,279		
3	1900	Structures & Improvements	114,812,886	95,868,760		
4	1910	Office Furniture & Equipment	3,937,989	3,288,221		
5	1911	Electronic Data Processing - Non SmartGrid	777,724	649,400		
6	1920	Transportation Equipment	85,311	71,235		
7	1921	Trailers	474,273	396,018		
8	1930	Stores Equipment	170,074	142,012		
9	1940	Tools, Shop & Garage Equipment	1,583,528	1,322,246		
10	1950	Laboratory Equipment	23,250	19,414		
11	1960	Power Operated Equipment	153,899	128,506		
12	1970	Communication Equipment - Non SmartGrid	51,956,109	43,383,351		
13	1980	Miscellaneous Equipment	429,603	358,719		
14	1990, 1991	Retirement Work in Process - ARO	99,735	83,279		
15		Total Common Plant (FF1, Pg. 201, L.8, Col.(h))	$298,250,155			
16		Common Plant Allocated to Electric		$249,038,879		
17		Allocated to Production (C)			$140,601,130	$1,331,928
18		Accumulated Depreciation (FF1, Pg. 201, L.14,Col.(h))	$143,816,541	$120,086,812	$67,798,014	$362,602

Note: (A) Form 1, page 356.
(B) 83.5% Common Plant Allocation factor (Form 1, Page 356.2).
(C) Electric share of common plant times allocation plant allocation factors on P.5.

PRODUCTION-RELATED MATERIALS & SUPPLIES
Twelve Months Ending December 31, 2011

		SYSTEM		PRODUCTION			
		Reference	Amount	Reference	Amount	Demand	Energy
			(1)		(2)	(3)	(4)
1	Materials & Supplies (A)						
2	Fuel	FF1, P.227, L.1, Col.(c)	$83,305,297		$83,305,297	[illegible]	$83,305,297
3	Non-Fuel						
4	Production	FF1, P.227, L.7	$40,712,928	(B)	$40,681,661	$40,681,661	$0
5	Transmission	FF1, P.227, L.8	15,567,661		0	0	0
6	Distribution	FF1, P.227, L.9	53,246,189		0	0	0
7	Total Non-Fuel	L.4 + L.5 + L.6	$109,526,778		$40,681,661	$40,681,661	$0

Note: (A) Form 1 includes Gas & Electric.
(B) Allocation to Electric from Internal Accounting Records.

PRODUCTION-RELATED GENERAL PLANT ALLOCATION
ADMINISTRATIVE & GENERAL EXPENSE ALLOCATION
Twelve Months Ending December 31, 2011

			SYSTEM		PRODUCTION			
		Account	Reference	Amount	Reference	Amount	Demand	Energy
				(1)	(2)	(3)	(4)	(5)
1	Administrative & General Expense							
2	Related to Salaries & Wages							
3	A&G Salaries	920	FF1, P.323	$39,458,630				
4	Outside Services	923	FF1, P.323	23,949,569				
5	Employee Pension & Benefits	926	FF1, P.323	39,270,593				
6	Office Supplies	921	FF1, P.323	26,537,635				
7	Injuries & Damages	925	FF1, P.323	5,550,657				
8	Franchise Requirements	927	FF1, P.323	0				
9	Duplicate Charges - Vr.	929	FF1, P.323	(2,177,122)				
10	Total		L 3 thru L 9	$132,589,962	(A)	$68,173,918	$42,624,151	$25,549,766
11	Miscellaneous General Expenses	930.2	FF1, P.323	421,972	(A)	216,966	135,653	81,313
12	Admin Expense Transfer - Credit	922	FF1, P.323	2,489	(A)	1,280	800	480
13	Property Insurance	924	FF1, P.323	5,635,613	(C)	3,187,094	3,157,185	29,908
14	Regulatory Commission Expenses	928	FF1, P.323	0	(B)	0	0	0
15	Rents	931	FF1, P.323	12,240,223	(A)	6,293,568	3,934,907	2,358,661
16	Maintenance of General Plant	935	FF1, P.323	3,338,824	(A)	1,716,727	1,073,343	643,383
17	Total A&G Expense		L 10 thru 16	$154,229,083		$79,589,553	$50,926,039	$28,663,511

Note: All costs associated with plants transferred to DECAM have been removed from Column (1).
(A) Allocation % based on Salaries and Wages from Note B, P.5.
(B) Excludes all regulatory assessments.
(C) Allocation % based on Plant from P.5, L.5.

Duke Energy Ohio (Consolidated) Cost of Capital
Twelve Months Ending December 31, 2011

Rate Schedule 101
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Line	Description	Reference	Total Company Capitalization	Weighted Cost Ratios	Cost of Capital	Weighted Cost of Capital %
			(1)	(2)	(3)	(4) = (2 x 3)
1	Long Term Debt	(A)	$2,542,087,279	46.84%	4.11%	1.925%
2	Preferred Stock	(B)	0	0.00%	0.00%	0.000%
3	Common Stock	(C)	2,885,228,457	53.16%	11.15%	5.927%
4	Total		$5,427,315,736	100.00%		7.85%

Note: (A) Page 10 WP.
(B) Duke Energy Ohio has no preferred equity.
(C) Page 10 WP.
ROE based on approved rate in Case 10-2929-EL-UNC.

ke Energy Ohio Consolidated
apital Structure
ecember 31, 2011
n Dollars)

	Actual 12/31/11		Purchase Accounting		Goodwill Impairments Sep08 and Jun10	Other Asset Impairment Charges		Adjusted 12/31/11	Midwest DENA Equity BU 75002	Midwest DENA Equity BU 75012 (3)	Capital Structure excluding Purchase accounting and Midwest DENA	
urrent Maturities of Long-Term Debt	$ 507,196,082		$ -					$ 507,196,082			$ 507,196,082	
on-Current Liabilities												
ong-Term Debt	$ 2,047,918,408		$ 5,979,144					$ 2,053,[illegible]			$ 2,053,[illegible]	
Deferred Debt Expense	$ (15,678,296)		$ (3,603,474)					$ (19,481,770)			$ (19,481,770)	
257010 Unamortized Gain-Debt	$ 487,437							$ 487,437			$ 487,437	
Total Long-Term Debt (Excl. Current Maturities	$ 2,[illegible]	28%	$ 2,375,670		$ -	$ -		$ 2,034,[illegible],217	$ -	$ -	$ 2,034,[illegible],217	4
otal Long Term Debt	$ 2,539,711,800	33%	$ 2,375,670		$ -	$ -		$ 2,542,087,279	$ -	$ -	$ 2,542,087,279	4
ommon Stock Equity												
201000 Common Stock Issued	$ 762,136,231		$ -					$ 762,136,231	$ -	$	$ 762,136,231	
207001 Premium on capital stock	$ -		$ 362,457,437					$ 362,457,437			$ 362,457,437	
208000 Donations From Stockholder	$ 28,950,000		$ 197,208,919					$ 226,158,919			$ 226,158,919	
208001 Donations From Stockholder-DENA	$ 1,462,330,840		$ -					$ 1,462,330,840	$ (1,462,330,840)		$ -	
208010 Donat Record From Stmt Tax	$ 15,641,578		$ 68,538,328					$ 84,179,906			$ 84,179,906	
210020 Gain on Redemption of Capital	$ -		$ 147,865					$ 147,865			$ 147,865	
211000 Misc Paid In Capital	$ -		$ -					$ -		$ (1,171,128,822)	$ (1,171,128,822)	
211004 Misc Paid In Capital Purch Acctg	$ 1,123,780,149		$ (2,878,940,149)					$ (1,755,160,000)			$ (1,755,160,000)	
211005 Misc PIC Pushdown Adj RE	$ 1,755,160,000		$ -					$ 1,755,160,000			$ 1,755,160,000	
211006 Misc Paid In Capital Premerger Equity	$ 657,591,086		$ (603,514,456)					$ (45,923,368)			$ (45,923,368)	
211007 Misc PIC Premerg RE for DN	$ 140,474,455		$ (628,474,455)					$ (488,000,000)			$ (488,000,000)	
211110 PIC - [illegible] (SCMS account)	$ -		$ (3,350,838)					$ (3,350,838)			$ (3,350,838)	
214010 Common stock equity inter-company	$ -		$ (21,750,000)					$ (21,750,000)			$ (21,750,000)	
216000/0216100 Unappropriated RE/Undistr Subsid Earnings	$ (845,457,235)		$ 887,670,835	(1)	1,409,452,846	88,703,441	(1)	$ 1,521,908,887	$ (118,221,307)		$ 1,403,248,780	
216100 Unappropriated RE/Undistr Subsid Earnings-Equitization	$ -		$ -					$ -	$ 1,500,000,000	$ -	$ 1,500,000,000	
438000 Dividends Declared on Common Stock	$ -							$ -			$	
urrent Year Net Income	$ 194,332,004		$ 23,012,765	(2)	-	51,585,916	(2)	$ 268,930,875	$ (27,830,761)	$ (92,900,769)	$ 148,200,126	
ccum other comprehensive income (loss)	$ (27,758,867)		$ (45,456,303)					$ (73,215,170)	$ -		$ (73,215,170)	
Total Common Stock Equity	$ 5,167,174,449	72%	$ (2,[illegible],129)		$ 1,409,452,846	$ 118,289,357		$ 4,[illegible],418	$ 90,301,747	$ (1,263,738,766)	$ 2,[illegible]	5
% Including Total LTD		67%										5
TOTAL CAPITALIZATION (excluding current maturities)	$ 7,196,[illegible]		$ (2,437,577,459)		$ 1,409,452,846	$ 118,289,357		$ 6,[illegible]	$ 90,301,747	$ (1,263,738,766)	$ 4,[illegible]	
TOTAL CAPITALIZATION	$ 7,706,[illegible]		$ (2,437,577,459)		$ 1,409,452,846	$ 118,289,357		$ 6,[illegible]	$ 90,301,747	$ (1,263,738,766)	$ 6,427,315,738	

otes:
1) Purchase Accounting & Other Asset Impairment Charges income statement impacts are adjusted in prior year retained earnings balances net of tax at an assumed tax rate of 36% - 2006, 33.5% - 2007, 37.4% - 2008, 36.4% - 2009 and 35.4% - 2010.
2) Purchase Accounting & Other Asset Impairment Charges income statement impacts are adjusted in current year retained earnings balances net of tax at an assumed tax rate of 35.4%.
3) Midwest DENA Assets were reclassed from B.U. 75002 to B.U. 75012 in June 2011

ANNUAL FIXED COSTS
PRODUCTION O & M EXPENSE
EXCLUDING FUEL USED IN ELECTRIC GENERATION
Twelve Months Ending December 31, 2011

Line No.	Description	Account Number	Total Company (1)	(Demand) Fixed (2)	(Energy) Variable (3)
1	Fuel and Fuel Related Expenses	501	$493,120,673		$493,120,673
2	Rents	507	509,240	509,240	0
3	Other Production Expenses (C)	557	25,319,519	25,319,519	0
4	System Control of Load Dispatching	556	0	0	0
5	Other Steam Expenses (C)	(A)	199,881,780	92,310,519	105,580,002
6	Combustion Turbine	(A)	0		
7	Purchased Power (D)	555	173,973,216	0	0
8	Total Production Expense Excluding				
9	Fuel Used in Electric Generation above		$892,804,428	$118,139,278	$598,700,675
10	A & G Expense P.10, L.17		79,589,553	50,926,039	28,663,511
11	Generator Step Up related O&M	(B)	2,931,899	200,764	2,731,135
12	Total O & M		$975,325,880	$169,266,081	$630,095,321

NOTE: (A) Amounts recorded in Accounts 500, 502-509, 510-514, 546, 548-550 and 551-554 classified into Fixed and Variable Components in accordance with P.13 and P.13 WP.

(B) FF1, P.321, L.93 & L.107 (ACCTS. 562 & 570) times GSU investment to Account 353 ratio (See P.2)

(C) Excludes costs attributable to the Midwest Gas Assets transferred to DECAM in April 2011.

(D) For purposes of calculating the revenue requirement on page 3, all purchased power expense is forecasted through remainder of FRR. 2011 actual expense is ignored.

CLASSIFICATION OF FIXED AND VARIABLE
PRODUCTION EXPENSES
Twelve Months Ending December 31, 2011

Rate Schedule 101
Page 11

Line No.	Description	FERC Account Number	Demand Related	Energy Related
1	POWER PRODUCTION EXPENSES			
2	Steam Power Generation			
3	Operation supervision and engineering	500	xx	-
4	Fuel	501	-	xx
5	Steam expenses	502	xx	-
6	Steam from other sources	503	-	xx
7	Steam transferred-Cr.	504	-	xx
8	Electric expenses	505	xx	-
9	Miscellaneous steam power expenses	506	xx	-
10	Rents	507	xx	-
11	Allowances	509	-	xx
12	Maintenance supervision and engineering	510	-	xx
13	Maintenance of structures	511	xx	-
14	Maintenance of boiler plant	512	-	xx
15	Maintenance of electric plant	513	-	xx
16	Maintenance of miscellaneous steam plant	514	xx	-
17	Total steam power generation expenses			
18	Hydraulic Power Generation			
19	Operation supervision and engineering	535	xx	-
20	Water for power	536	xx	-
21	Hydraulic expenses	537	xx	-
22	Electric expenses	538	xx	-
23	Misc. hydraulic power generation expenses	539	xx	-
24	Rents	540	xx	-
25	Maintenance supervision and engineering	541	xx	-
26	Maintenance of structures	542	xx	-
27	Maintenance of reservoirs, dams and waterways	543	xx	-
28	Maintenance of electric plant	544	-	xx
29	Maintenance of miscellaneous hydraulic plant	545	xx	-
30	Total hydraulic power generation expenses			
31	Other Power Generation			
32	Operation supervision and engineering	546	xx	-
33	Fuel	547	-	xx
34	Generation expenses	548	xx	-
35	Miscellaneous other power generation expenses	549	xx	-
36	Rents	550	xx	-
37	Maintenance supervision and engineering	551	xx	-
38	Maintenance of structures	552	xx	-
39	Maintenance of generation and electric plant	553	xx	-
40	Maintenance of misc. other power generation plant	554	xx	-
41	Total other power generation expenses			
42	Other Power Supply Expenses			
43	Purchased power	555	-	xx
44	System control and load dispatching	556	xx	-
45	Scheduling, System Control & Dispatch Services	561.4	xx	-
46	Reliability, Planning and Standards Development	561.8	xx	-
47	Other expenses	557	xx	-
48	Station equipment operation expense (A)	562	xx	-
49	Station equipment maintenance expense (A)	570	xx	-
50	Market Facilitation, Monitoring and Compliance Services	575.7	xx	-

Note: (A) Allocable share of Generator Step-Up Charges from page 2.

PRODUCTION-RELATED DEPRECIATION EXPENSE
Twelve Months Ending December 31, 2011

Rate Schedule 101
Page 13

Line	Production Plant	Depreciation Expense	(Demand) Fixed	(Energy) Variable
		(1)	(2)	(3)
1	Steam (A)	$70,962,135	$70,962,135	$0
2	Nuclear	0	0	0
3	Hydro	0	0	0
4	Conventional	0	0	0
5	Pump Storage	0	0	0
6	Other Production (B)	191,607	191,607	0
7	Int. Comb	0	0	0
8	Production Related General, Common & Intangible Plant (C)	14,993,358	4,819,966	2,889,184
9	Common Plant (D)	5,146,873	2,426,340	12,977
10	Generator Step Up Related Depreciation (E)	426,928	426,928	0
11	Total Production	$91,720,901	$78,826,976	$2,902,161

Note: (A) P.336 of the Form 1, L.2(b). Excludes expenses for AROs.
(B) Excludes depreciation associated with assets transferred to DECAM during 2011.
(C) Total General & Intangible Plant (from P.336 of the FF1 adjusted for amortization adjustments) times ratio of Production Related General Plant to Total General Plant, computed on P. 6.
(D) P.336 of Form 1, L.11(b). Allocations based on ratio of plant from P.7.

PRODUCTION-RELATED
TAXES OTHER THAN INCOME TAXES
Twelve Months Ended December 31, 2011

		System		Production Amount	
	Description	Reference	Amount	Allocator	Demand
			(1)		(2)
1	Labor Related	(A)	9,506,466	(B)	$4,887,949
2	Property Related	(A)	100,481,972	(C)	56,292,050
3	Other	(A)	2,916,016	(C)	1,633,612
4	Ohio Excise (kWh) Tax	(A)	71,919,288	(D)	0
5	Commercial Activities Tax	(A)	3,220,328	(E)	0
6	Total Taxes Other Than Income Taxes	Sum	$188,044,070		$62,813,611

Note: (A) Taxes other than Income Taxes will be those reported in FF1, P. 262 & 263. Excludes taxes associated with assets transferred to DECAM.

(B) Total (Col. (1), L.1) allocated on the basis of wages & salaries in Electric O & M Expenses (excl. A & G), P.354, Col.(b) and Services

	Amount	%	
(1) Total W & S (excl. A & G)	104,144,423	100.00%	
(2) Production W & S	53,548,045	51.42%	
(3) Production W&S (Percent Demand)		62.52%	---> (See P.12 workpaper)

(C) Allocated based on gross plant (Page 6). (Excludes taxes on assets transferred to DECAM).

(D) Recovered via separate rider in distribution charges.

(E) Actual amount for 2011 is ignored. Instead, the CAT is incorporated in revenue requirement calculation on P.3.

CONFIDENTIAL & PROPRIETARY TRADE SECRET

PRODUCTION-RELATED INCOME TAX
Twelve Months Ended December 31, 2011

Line	Description	Reference	Amount	(Demand) Fixed	(Energy) Variable
			(1)	(2)	(3)
1	Return on Rate Base	P.4, L.18	$140,529,667	$131,485,513	$9,044,153
2	Interest Expense	P.10,L.1*P.4,L.16	34,446,005	32,229,142	2,216,862
3	Taxable Income	L.1 - L.2	106,083,662	99,256,371	6,827,291
4	Effective Income Tax Rate	P.16, L.2	35.2796%	35.2796%	35.2796%
5	Income Tax Calculated	L.1 x L.2	37,425,927	35,017,284	2,408,643
6	ITC Adjustment	P.16, L.13	(663,957)	(657,726)	(6,231)
7	Income Tax	L.3 + L.4	$36,761,970	$34,359,558	$2,402,412
8	Commercial Activities Tax	ORC 5751	0.26%	0.26%	0.26%

COMPUTATION OF EFFECTIVE INCOME TAX RATE
Twelve Months Ended December 31, 2011

Line	Description	Reference	Amount
1	T=1 - {[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)} * (1 - DPAD) =	(A)	31.8500%
2	EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =		35.2796%
3	where WCLTD and WACC from Exhibit B-11 and FIT, SIT & p as shown below.		
4	GRCF=1 / (1 - T)		1.467351431
5	Federal Income Tax Rate	FIT	35.0000%
6	State Income Tax Rate	SIT	0.0000%
7	Percent of FIT deductible for state purposes	p	0.0000%
8	Weighted Cost of Long Term Debt	WCLTD	1.9247%
9	Weighted Average Cost of Capital	WACC	7.8522%
10	Amortized Investment Tax Credit (enter negative)	FF1, P.114, L.19, Col.g	($800,115)
11	Gross Plant Allocation Factor	L.19	56.55%
12	Production Plant Related ITC Amortization	L.10 x L.11	(452,487)
13	ITC Adjustment	L.12 x L.4	(663,957)
	<u>Gross Plant Allocator Total</u>		
14	Gross Plant	P.6, L.6, Col.2	$6,380,218,703
15	Production Plant Gross	P.6, L.5, Col.2	3,608,188,601
16	Demand Related Production Plant	P.6, L.5, Col.3	3,574,328,638
17	Energy Related Production Plant	P.6, L.5, Col.4	$33,859,963
18	Production Plant Gross Plant Allocator	L.16 / L.15	56.55%
19	Production Plant - Demand Related	L.17 / L. 16	99.06%
20	Production Plant - Energy Related	L.18 / L.16	0.94%

Note: (A) Gross Domestic Production Tax Credit, Section 199, Internal Revenue Code.
Assume 9% of Taxable Income for credit.

CONFIDENTIAL PROPRIETARY TRADE SECRET

Duke Energy Ohio
Revenue Requirement for Capacity Cost Calculation

	Description	Total For Period (a)	Avg Annual	Comment
1	Net Capacity Revenue	[redacted]	[redacted]	[redacted]
2	Net Capacity Cost	[redacted]	[redacted]	[redacted]
3	Net Revenue from Capacity Sales	[redacted]	[redacted]	
4	Energy & ASM Credit	[redacted]	[redacted]	Based on Commercial Business Model
5	Total Revenue (Current Projection)	$625,561	$220,786	Sum Lines 1 thru 4
6	Fixed Costs (excluding return)	880,902	310,907	O&M, Depreciation, Other Taxes Based on 2011 Form 1
7	Earnings Before Interest & Taxes	(255,341)	(90,120)	Line 5 - Line 6
8	Interest Expense	91,316	32,229	Wtd avg cost of debt at 12/31/11 from SEET times Rate Base
9	Taxable Income	(346,656)	(122,349)	Revenue required for 0% ROE (*i.e.*, Break even)
10	Return on Equity at 11.15% ROE	281,225	99,256	Incremental Revenue to go from of 0% ROE to 11.15% ROE
11	Income Taxes on Incremental Return + CAT	97,353	34,360	Reflects adjustment for Gross Domestic Production Tax Credit
12	Commercial Activities Tax	3,887	1,372	0.26% of Total Revenue
13	Total Incremental Revenue Required	$729,122	$257,337	
14	Total Cost of Capacity [redacted]	[redacted]	[redacted]	[redacted]
15	Average Annualized Net Amount	$729,122	$257,337	L.14-L.1
16	Average Capacity Rate ($/MW-Day)			
17	Total Cost of Capacity (Before FZCP Sales)		$224.15	L.14 ÷ 5 CP (4459.85 MW) ÷ 365 days
18	Net Cost of Capacity (After FZCP Sales)		$158.08	L.15 ÷ 5 CP (4459.85 MW) ÷ 365 days
19	Rate Base		$1,674,513	P.4 (Attachment B)
20	Equity Ratio		53.2%	P.10 (Attachment B)
21	Earnings Before Interest & Taxes		($90,120)	Line 7
22	Tax Expense		(43,164)	Line 21 * Tax Rate
23	Earnings After Taxes		($46,956)	Line 21 - Line 22
24	Return on Rate Base		-5.27%	Line 23 ÷ (Line 19 * Line 20)
25	Interest Expense		$32,229	Line 8
26	Net Income		($79,185)	Line 23 - Line 25
27	Return on Equity		-8.90%	Line 26 ÷ (Line 19 * Line 20)