

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Duke)
Energy Ohio, Inc., for Authority to Issue)
Not in Excess of \$750,000,000 at Any) Case No. 13-1031-GE-AIS
One Time of Short-term Unsecured Notes)
and Other Evidences of Indebtedness.)

APPLICATION AND STATEMENT OF DUKE ENERGY OHIO, INC.

Duke Energy Ohio, Inc. (Duke Energy Ohio or the Company), a public utility as defined in Section 4905.02, Revised Code, represents the following:

1. Under provisions of Section 4905.401, Revised Code, Duke Energy Ohio, without action by the Public Utilities Commission of Ohio (Commission), could issue, renew or assume liability on notes and other evidences of indebtedness maturing not more than twelve months after the date of such issuance, renewal or assumption of liability (collectively, Short-Term Notes) equal to 5% of the par value of the other outstanding stocks, bonds, notes and other evidences of indebtedness of Duke Energy Ohio (the Statutory Exemption). Thus, consistent with the Statutory Exemption, as of December 31, 2012, Duke Energy Ohio could have borrowed a total of \$107,950,000 of notes or other evidences of indebtedness payable at periods of not more than twelve months. The Statutory Exemption is calculated as follows:

Par Values of the outstanding securities of Duke Energy Ohio (as of December 31, 2012):

Long-term Bonds and Notes	\$1,397,000,000
Common Stock \$8.50 Par Value	<u>762,000,000</u>

Total Par Value	<u>\$2,159,000,000</u>
5% of <u>\$2,159,000,000</u>	<u>\$ 107,950,000</u>

As of December 31, 2012, Duke Energy Ohio had outstanding money pool borrowings of \$167 million with maturities not more than twelve months from the date of issuance, and \$259 million of long-term debt subject to redemption within one year.

2. Presently, Duke Energy Ohio has, in accordance with Section 4905.401, Revised Code, the necessary consent and authority of the Commission to issue and/or renew its short-term promissory notes and other evidences of indebtedness, including commercial paper, in excess of the Statutory Exemption in an aggregate principal amount such that its total outstanding short-term indebtedness does not exceed \$600,000,000 at any one time through June 30, 2013.¹ Through the present Application, Duke Energy Ohio requests an order granting the necessary consent and authority of this Commission, supplementing and replacing such existing authority, to continue to issue and/or renew unsecured short-term notes or other evidences of indebtedness in an aggregate principal amount not exceeding \$750,000,000 at any one time between the date of an order entered herein and June 30, 2014, consistent with Duke Energy Ohio's maximum borrowing limit under the Master Credit Agreement dated November 18, 2011 (the "Credit Agreement"). The Credit Agreement is further described in Duke Energy Ohio's Form 8-K filed with the Securities and Exchange Commission on November 25, 2011.

Additionally, Duke Energy Ohio represents that each financing transaction described in this Application shall be considered in the determination of its required

¹ *In the Matter of the Application of Duke Energy Ohio for Authority to Issue Not in Excess of \$600,000,000 at Any One Time of Short-Term Unsecured Notes and Other Evidences of Indebtedness, Case No. 12-1249-GE-AIS, Finding and Order (June 13, 2012).*

revenue in rate proceedings in which all factors affecting rates will be taken into account according to Ohio law.

3. By order entered May 4, 1995, the Commission granted Duke Energy Ohio authority to enter into the Cinergy Corp. Utility Money Pool Agreement and to file said agreement with the Securities and Exchange Commission.² The purpose of the money pool (Money Pool) that was structured through such agreement was to assist Cinergy Corp.'s utility subsidiaries in least-cost financing of their interim capital requirements. Pursuant to the merger between Cinergy Corp. and Duke Energy Corporation, the ultimate parent of Duke Energy Ohio, a new Utility Money Pool Agreement (Money Pool Agreement) was entered into among Duke Energy Corporation entities, including Duke Energy Ohio, effective April 3, 2006³, and as most recently amended July 2, 2012.⁴

4. Duke Energy Ohio requests authority to issue notes or otherwise incur short-term indebtedness in excess of its Statutory Exemption, but not to exceed the aggregate amount of \$750,000,000, for the following purposes: the discharge or lawful refunding of its obligations including debt; acquisitions of property; construction, completion, extension, renewal and improvement of its facilities; the improvement and maintenance of its service; the reimbursement of monies actually expended for the foregoing purposes

² *In the Matter of the Application of The Cincinnati Gas & Electric company for Authority to Issue Not in Excess of \$600,000,000 at Any One Time of Short-Term Unsecured Notes and Other Evidences of Indebtedness*, Case No. 95-275-GE-AIS, Finding and Order (May 4, 1995).

³ The current parties are Duke Energy Corporation, Cinergy Corp., Duke Energy Carolinas LLC, Duke Energy Indiana, Inc., Duke Energy Ohio, Inc., Duke Energy Kentucky, Inc., Miami Power Corporation, KO Transmission Company, , Progress Energy, Inc., Duke Energy Progress, Inc., Duke Energy Florida, Inc., Progress Energy Service Company, LLC and Duke Energy Business Services, LLC.

⁴ The Commission has authorized further revision to the Money Pool Agreement for the limited purpose of including Progress entities subsequent to the merger between Progress Energy and Duke Energy Corp. *In the Matter of the Joint Application of Duke Energy Corporation, Cinergy Corp., Duke Energy Ohio, Inc., Duke Energy Kentucky, Inc., Diamond Acquisition Corporation, and Progress Energy, Inc., for Approval of the Indirect Transfer of Control of Duke Energy Kentucky, Inc.* Case No. 2011-00124, Order (October 28, 2011).

from its income or from any other monies in its treasury not secured or obtained from the issue of its stocks, bonds, notes or other evidences of indebtedness; loans to other participants in the Money Pool consistent with the Money Pool Agreement; and working capital and other general corporate purposes.

5. Duke Energy Ohio may borrow under the herein requested authority from banks or other financial institutions through the Credit Agreement, and other evidences of short-term indebtedness (including through participation in the Money Pool referred to above), to afford more latitude in obtaining short-term financing as required. No maturity will be more than twelve months from the date of issuance. Unsecured bank notes and other evidences of indebtedness - including participation in the Money Pool - will bear interest at the best available rate.

6. Duke Energy Ohio is requesting an increase to \$750,000,000 since the Company has an allocated sublimit of \$650,000,000 and a maximum sublimit of \$750,000,000 under the Credit Agreement. Increasing the authority to \$750,000,000 will allow Duke Energy Ohio to maximize its ability to maintain liquidity and fully access its borrowing capacity under the Credit Agreement, if necessary.

7. Duke Energy Ohio has attached hereto and submits the following exhibits as a part of this Application:

Exhibit A: Duke Energy Ohio Consolidated - Balance Sheet as of December 31, 2012.

Exhibit B: Duke Energy Ohio Consolidated - Income Statement for the twelve Months Ended December 31, 2012.

WHEREFORE, Duke Energy Ohio respectfully requests that the Commission issue an order finding that:

- (1) This Application was filed under the provisions of Section 4905.401, Revised Code.
- (2) Pursuant to Section 4905.401, Revised Code, the Company was permitted to have outstanding notes and other evidences of short-term indebtedness issuable without authority of this Commission (Statutory Exemption) in the amount of \$107,950,000 as of December 31, 2012.
- (3) The Company has existing authority to issue not in excess of \$600,000,000 at any one time of unsecured notes and other evidences of indebtedness (including commercial paper) through June 30, 2013.
- (4) The Company is requesting consent and authority to issue, reissue and/or renew through June 30, 2014, unsecured notes and other evidences of indebtedness (including through participation in the Money Pool) payable at periods of less than 12 months, in an aggregate amount of up to \$750,000,000 at any one time. Such aggregate amount of short-term indebtedness is to be in addition to any other financing that may be undertaken during the period with the approval of this Commission.
- (5) The proceeds derived by the Company from the issuance and renewal of the short-term indebtedness in excess of its Statutory Exemption will be applied by the Company for the purposes set forth in Section 4905.40, Revised Code and in accordance with the uses of funds set forth in finding 4, above. Such purposes and application of proceeds are reasonably required by the Company to meet its present and prospective obligations to provide utility service.
- (6) The unsecured notes and other evidences of indebtedness (including through participation in the Money Pool) will bear interest at the best available rate.
- (7) The amount of the issue of such unsecured notes, and other evidences of indebtedness (including through participation in the Money Pool), and the probable cost thereof are just and reasonable, and the effect of the issuance and cost thereof on present and prospective revenue requirements of the Company is dependent upon future interest rates and the extent of utilization of the authority herein requested, neither of which can be accurately predicted at this time.

Further, Duke Energy Ohio respectfully requests that the Commission order that:

- (1) Duke Energy Ohio be, and hereby is, authorized, without further order of this Commission, to issue and/or renew its promissory notes and other evidences of indebtedness maturing at periods of not more than twelve

months (including through participation in the Money Pool) in excess of the Statutory Exemption in an aggregate amount such that Applicant's total outstanding short-term indebtedness does not exceed \$750,000,000 through June 30, 2014. Said amount may be outstanding during such time irrespective of any other financing which the Company may undertake with approval of this Commission;

- (2) The unsecured notes and other evidences of indebtedness (including through participation in the Money Pool) will bear interest at the best available rate;
- (3) The proceeds derived by the Company under the authority herein granted shall be applied pursuant to Finding (5) above;
- (4) Nothing herein contained shall be construed to imply any guaranty or obligation as to said unsecured notes and other evidences of indebtedness (including through participation in the Money Pool) or the interest thereon on the part of the State of Ohio; and,
- (5) The authority herein granted may be exercised from and after the date of an Order.

Respectfully submitted this 2nd day of May, 2013.

DUKE ENERGY OHIO

By: 

James P. Henning, President

By: 

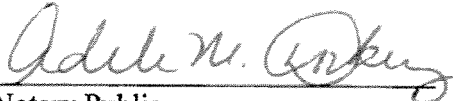
Stephen G. De May, Treasurer

STATE OF OHIO :
 :
COUNTY OF HAMILTON :

Be it known that James P. Henning personally appeared before me, a Notary Public, and being duly sworn says that the facts and allegations contained in the foregoing application and statement are true to the best of his knowledge and belief.

Sworn to and subscribed before me this 2nd day of May, 2013.

ADELE M. DOCKERY
Notary Public, State of Ohio
My Commission Expires 01-05-2014



Notary Public

STATE OF NORTH CAROLINA

:
:
:
:

COUNTY OF MECKLENBURG

Be it known that Stephen G. De May personally appeared before me, a Notary Public, and being duly sworn says that the facts and allegations contained in the foregoing application and statement are true to the best of his knowledge and belief.

Sworn to and subscribed before me this 2 day of May, 2013.

Katie Jamieson
Notary Public



[Signature]

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DUKE ENERGY OHIO, INC.
CONSOLIDATED BALANCE SHEETS

(In millions)	December 31, 2012
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 31
Receivables (net of allowance for doubtful accounts of \$2 at December 31, 2012 and \$16 at December 31, 2011)	108
Receivables from affiliated companies	82
Notes receivable from affiliated companies	1
Inventory	227
Other	267
Total current assets	716
Investments and Other Assets	
Goodwill	921
Intangibles, net	129
Other	75
Total investments and other assets	1,125
Property, Plant and Equipment	
Cost	10,824
Accumulated depreciation and amortization	(2,698)
Net property, plant and equipment	8,126
Regulatory Assets and Deferred Debits	
Regulatory assets	579
Other	14
Total regulatory assets and deferred debits	593
Total Assets	\$ 10,560

DUKE ENERGY OHIO, INC.
CONSOLIDATED BALANCE SHEETS

(In millions)	December 31, 2012
LIABILITIES AND COMMON STOCKHOLDER'S EQUITY	
Current Liabilities	
Accounts payable	\$ 318
Accounts payable to affiliated companies	62
Notes payable to affiliated companies	245
Taxes accrued	159
Interest accrued	14
Current maturities of long-term debt	281
Other	126
Total current liabilities	1,185
Long-term Debt	1,736
Deferred Credits and Other Liabilities	
Deferred income taxes	1,853
Investment tax credits	6
Accrued pension and other post-retirement benefit costs	157
Asset retirement obligations	28
Regulatory liabilities	254
Other	175
Total deferred credits and other liabilities	2,473
Commitments and Contingencies	
Common Stockholder's Equity	
Common stock, \$8.50 par value, 120,000,000 shares authorized; 89,663,086 shares outstanding at D	762
Additional paid-in capital	4,882
Accumulated deficit	(477)
Accumulated other comprehensive loss	(1)
Total common stockholder's equity	5,166
Total Liabilities and Common Stockholder's Equity	\$ 10,560

Exhibit B

DUKE ENERGY OHIO, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

	Year Ended December 31, 2012
(In millions)	
Operating Revenues	
Regulated electric	\$ 1,386
Non-regulated electric and other	1,295
Regulated natural gas	471
Total operating revenues	3,152
Operating Expenses	
Fuel used in electric generation and purchased power - regulated	475
Fuel used in electric generation and purchased power - non-regulated	832
Cost of natural gas	142
Operation, maintenance and other	797
Depreciation and amortization	338
Property and other taxes	224
Goodwill and other impairment charges	2
Total operating expenses	2,810
Gains on Sales of Other Assets and Other, net	7
Operating Income (Loss)	349
Other Income and Expenses, net	13
Interest Expense	89
Income (Loss) Before Income Taxes	273
Income Tax Expense	98
Net Income (Loss)	175
Other Comprehensive Income (Loss), net of tax	
Pension and OPEB adjustments (a)	27
Comprehensive Income (Loss)	\$ 202

(a) Net of \$8 million tax expense.