DUKE ENERGY OHIO EXHIBIT_______

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke Energy Ohio, Inc., for Administration of the Significantly Excessive Earnings Test under Section 4928.143(F), Revised Code, and Rule 4901:1-35-10, Ohio Administrative Code.	)))))	Case No. 18-568- EL-UNC

DIRECT TESTIMONY OF

SARAH E. LAWLER

ON BEHALF OF

DUKE ENERGY OHIO, INC.

May 15, 2018

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I. <u>INTRODUCTION AND PURPOSE</u>

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Sarah E Lawler. My business address is 139 East Fourth Street, Cincinnati, Ohio 45202.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by Duke Energy Business Services LLC (DEBS) as Director, Rates and Regulatory Planning for Duke Energy Ohio, Inc., (Duke Energy Ohio or Company) and Duke Energy Kentucky, Inc. DEBS provides various administrative and other services to Duke Energy Ohio and other affiliated companies of Duke Energy Corporation (Duke Energy).

Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL QUALIFICATIONS.

A. I earned a Bachelor of Science in Accountancy from Miami University, Oxford, Ohio in 1993. I am also a Certified Public Accountant. I began my career in September 1993 with Coopers & Lybrand, L.L.P. as an audit associate and progressed to a senior audit associate. In August 1997, I moved to Kendle International Inc., where I held various positions in the accounting department, ultimately being promoted to Corporate Controller. In August 2003, I began working for Cinergy Corp., the parent of Duke Energy Ohio, as External Reporting Manager, where I was responsible for the Company's Securities & Exchange Commission (SEC) filings. In August 2005, I then moved into the role of Manager, Budgets & Forecasts. In June 2006, following the merger between Cinergy Corp. and Duke Energy, I became Manager, Financial Forecasting. In

February 2015, I was promoted to Utility Strategy Director, Midwest where I was responsible for the preparation of business plans and other internal managerial reporting for Duke Energy Ohio and Duke Energy Kentucky, Inc. In December 2017, I began in my current role as Director, Rates and Regulatory Planning.

Q. PLEASE DESCRIBE YOUR DUTIES AS DIRECTOR, RATES AND REGULATORY PLANNING.

A. As Director, I am responsible for the preparation of financial and accounting data used in Duke Energy Ohio and Duke Energy Kentucky, Inc., retail rate filings and changes in various other rate recovery mechanisms.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO (COMMISSION)?

A. Yes. I have provided written testimony in Manufactured Gas Plant (MGP) Rider filings, Case No. 17-596-GA-RDR and Case No 18-283-GA-RDR, the Company's proposed Electric Security Plan IV filing, Case No. 17-1263-EL-SSO and the Company's most recent annual Accelerated Main Replacement Program (AMRP) Rider filing, Case No. 17-2318-GA-RDR.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS PROCEEDING?

A. I will first provide a brief overview of the Significantly Excessive Earnings Test (SEET) and then I will discuss the SEET calculation of Duke Energy Ohio and the attachments supporting the calculation.

II. BACKGROUND

Q. WHY IS IT NECESSARY FOR DUKE ENERGY OHIO TO SHOW THAT IT DOES NOT HAVE SIGNIFICANTLY EXCESSIVE EARNINGS?

A. Pursuant to R.C. 4928.143(F), the Commission is required to evaluate the earnings of each electric distribution utility's approved ESP to determine whether the adjustments in the ESP result in significantly excessive earnings. R.C. 4928.143(E) addresses the issue of significantly excessive earnings in the context of an ESP having a term longer than three years.

Duke Energy Ohio is currently providing a standard service offer (SSO) of competitive retail electric services pursuant to an ESP that was approved by the Commission on April 2, 2015. The terms of the ESP are set forth in the Commission's Opinion and Order in Case No. 14-841-EL-SSO (ESP Order).

Q. DID THE ESP ORDER THAT THE COMMISSION ISSUED ON APRIL 2, 2015, ADDRESS THE ADMINISTRATION OF THE SEET TO DUKE ENERGY OHIO?

A. Yes. With regard to calculation parameters, the ESP Order did not disagree with the methodology proposed by Duke Energy Ohio and used in its prior SEET proceedings. That methodology provides as follows:

- Net income as shown on page 117, column (c), line (78) of the [FERC] Form 1, adjusted for the following, if necessary:
  - Eliminate all impacts related to the purchase accounting recorded pursuant to the Duke Energy/Cinergy merger.
  - Eliminate all impacts of refunds to customers pursuant to R.C. 4928.143(F).
  - Eliminate all impacts of mark-to-market accounting.

- Eliminate all impacts of material, non-recurring gains/losses, including, but not limited to, the sale or disposition of assets.

- Eliminate all impacts of material, non-recurring revenue or expenses.

- Eliminate all impacts of parent, affiliated, or subsidiary companies and, to the extent reasonably feasible and prudently justified in the opinion of Duke Energy Ohio, eliminate the impacts of its natural gas distribution business.

The adjusted net income will be divided by Common Equity to determine the resulting return on equity. Certain adjustments will be made to Common Equity.

- Common Equity used in the calculation will be the beginning and ending average common equity of Duke Energy Ohio on a stand-alone basis.

- Equity will be adjusted to eliminate the acquisition premium recorded to equity pursuant to the Duke Energy/Cinergy merger.

- Eliminate the cumulative effect of the Net Income adjustments.

Q. DOES THE ESP ORDER DEFINE "SIGNIFICANTLY EXCESSIVE EARNINGS"?

A. No. Pursuant to the ESP Order, the threshold for significantly excessive earnings will be determined with the context of this case for calendar year 2017.

III. COMMISSION'S SEET GUIDELINES

Q. WHAT GUIDELINES DID THE COMPANY FOLLOW WHEN PREPARING ITS 2017 SEET FILING?

A. The Company has followed the guidelines found in the relevant provision of the ESP Order. Additionally, the Company has incorporated into its SEET the

Commission's recommendations from Case No. 09-786-EL-UNC (SEET Case).[1]

Q. PLEASE IDENTIFY THE ADDITIONAL RECOMMENDATIONS OF THE COMMISSION IN THE SEET CASE.

A. The Commission's orders in that case generally defer to each company's specific situation.

As I discuss further below, the Commission directed utilities to: (1) base average equity balances on the average of the balances at the beginning and at the end of the year;[2] (2) adjust out all impacts from affiliates and other services (*e.g.*, natural gas distribution);[3] and (3) address deferrals and other certain factors.[4]

Q. DID THE COMPANY HAVE ANY ESP-RELATED DEFERRALS IN 2017 THAT IMPACTED EARNINGS?

A. No.

Q. WILL YOU DESCRIBE THE OTHER INFORMATION THAT THE COMMISSION DIRECTED COMPANIES TO PROVIDE AS PART OF THEIR SEET REVIEWS?

A. On page 29 of its June 30, 2010, Order, the Commission provided a list of factors it identified as worthy of its consideration in any SEET review. The listed factors include the following:

- the electric utility's most recently authorized return on equity,
- the electric utility's risk, including:

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[1] *In the Matter of the Investigation into the Development of the Significantly Excessive Earnings Test Pursuant to Amended Substitute Senate Bill 221 for Electric Utilities,* Case No. 09-786-EL-UNC.
[2] *Id.*, Entry on Rehearing, at pg. 6 (Aug. 25, 2010).
[3] *Id.*, Finding and Order, at pg. 12 (June 30, 2010).
[4] *Id*.

- o whether the electric utility owns generation;
- o whether the ESP includes a fuel and purchased power adjustment or similar adjustments;
- o the rate design and extent to which the electric utility remains subject to weather and economic risk;
- o capital commitments and future capital requirements;
- o indicators of management performance and benchmarks to other utilities;
- o innovation and industry leadership with respect to meeting industry challenges to maintain and improve the competitiveness of Ohio's economy, including research and development expenditures, investments in advanced technology, and innovative practices; and
- o the extent to which the electric utility has advanced state policy.

Q. WHAT IS THE COMPANY'S MOST RECENTLY APPROVED RETURN ON COMMON EQUITY?

A. The Company's most recently approved return on common equity is 9.84 percent for its jurisdictional electric distribution service in Ohio.[5]

Q. DOES THE COMPANY HAVE A MECHANISM FOR RECOVERY OF PURCHASED POWER EXPENSES?

A. Yes. The Company procured 100 percent of the generation services provided to its SSO load in 2017 through an auction process approved in the ESP Order. The Company recovers the cost of this competitively procured power via riders. Duke Energy Ohio makes no profit or loss on power that is procured via the auction process and is ultimately delivered to its SSO customers.

[5] *In the Matter of the Application of Duke Energy Ohio for an Increase in Electric Distribution Rates,* Case No. 12-1682-EL-AIR, *et al.,* Stipulation and Recommndation, at pg. 6 (April 2, 2013), and Opinion and Order, at pg. 6 (May 1, 2013).

Q. DESCRIBE THE COMPANY'S RATE DESIGN.

A. The Company's rate design for noncompetitive service has been essentially the same since its unbundled rates became effective on January 1, 2001. The Stipulation in Case No. 11-3549-EL-SSO eliminated some riders that existed at the end of 2011 and added certain new riders for competitive retail services. As a result, there were new rates for competitive retail services based on allocation methods and rate design processes that were approved by the Commission in that case. The 2014 ESP Order further eliminated some riders for competitive service and modified the design of some riders. Depending on the rate class, some customers may have energy-based rates, demand-based rates, or a combination of both. All customers have some form of a customer charge and some non-residential customers have demand ratchets intended to encourage efficient use of resources. For customers who shop, it is not possible for the Company to know the essentially infinite number of rate design options that may be offered by their competitive retail electric service providers.

Q. DESCRIBE THE EXTENT TO WHICH WEATHER AND ECONOMIC RISKS IMPACT THE COMPANY.

A. As part of the Stipulation in Case No. 11-3549-EL-SSO, Duke Energy Ohio agreed to file an application to implement a decoupling mechanism for its non-demand-metered customers. The Commission approved the Company's subsequent application toward that end in early 2012, and the Company began accruing a deferral related to the decoupling mechanism. The decoupling mechanism excludes all demand-metered sales but mitigates the impact of certain sales losses, particularly due to compliance with Ohio's energy efficiency mandates. I should note that the approved decoupling mechanism is based on weather-normalized sales; consequently, the Company is still exposed to weather-related earnings risks. The administration of the SEET expressly contemplates that the impacts of Duke Energy Ohio's natural gas are to be eliminated. As such, Duke Energy Ohio does not address, in this proceeding, the weather risks relevant to its natural gas operations.

Q. WILL YOU ADDRESS THE CAPITAL COMMITMENTS AND CAPITAL REQUIREMENTS?

A. As stated in the Company's May 15, 2018, Application filed contemporaneously with my testimony in this case, the current ESP expires on May 31, 2018. The capital budget requirements for the future, committed, electric investments in Ohio are $442 million for 2018 and $475 million for 2019.

Q. ARE YOU SPONSORING ANY INFORMATION REGARDING MANAGEMENT PERFORMANCE AND BENCHMARKS TO OTHER UTILITIES?

A. Yes. First, it is important to realize that there is no data that compares the Duke Energy Ohio operating company to its peers. As such, and in an effort to address the Commission's prior directive, reference is made to the information that does exist, on a corporate-wide basis. Attachment SEL-7 is a summary of how Duke Energy Corporation's returns compare to some of its peers. The data represented in this chart represents a comparison of total shareholder return (TSR), which is defined as the sum of dividends and share appreciation divided by a starting price.

In this attachment, the first set of numbers shows the TSR for stocks from January 1, 2015, through December 31, 2017. The second set of numbers shows the TSR for stocks purchased from January 1, 2016, through December 31, 2017. The third set of numbers shows the TSR for stocks purchased from January 1, 2017, through December 31, 2017.

Q. HAS THE COMPANY BEEN INNOVATIVE IN ADVANCING STATE POLICY?

A. Yes. Duke Energy Ohio is the first utility in Ohio to deploy smart meters across its entire service territory. Additionally, the Company has installed and/or automated with two-way communications capabilities over 1,152 system devices inside substations and over 6,723 system devices on distribution circuits. Duke Energy Ohio's self-healing teams have saved many millions of customer outage minutes annually. As a state leader in deployment of the smart grid, Duke Energy Ohio is actively participating in the Commission's "PowerForward" program to share its expertise and to work with interested stakeholders to enhance further innovation.

IV. SCHEDULES SPONSORED BY WITNESS

Q. PLEASE DESCRIBE ATTACHMENT SEL-1.

A. Attachment SEL-1 is a schedule showing that the Company's return earned on average electric common equity for the year ended December 31, 2017, is 6.28 percent.

Q. PLEASE DESCRIBE ATTACHMENT SEL-2.

A. Attachment SEL-2 is a schedule showing the calculation of the Company's adjusted electric net income for the calendar year 2017. The source of the utility operating income for the twelve months ended December 31, 2017, is the Company's 2017 FERC Form 1 report, pages 114 to 117. Continuing the methodology used in prior SEET proceedings, which methodology was approved in the ESP Order, purchase accounting recorded as a result of the Duke Energy/Cinergy merger, all impacts of refunds to customers pursuant to R.C. 4928.143(F), all impacts of mark-to-market accounting, all impacts of material, non-recurring gains/losses, all impacts of material, non-recurring revenue or expenses, and all impacts of the natural gas business were eliminated. As shown on the attachment, no refunds were returned to customers during the twelve months ended December 31, 2017. Equity in earnings of subsidiary companies was also eliminated so that the return earned on average common equity would be on a Duke Energy Ohio stand-alone basis.

Q. PLEASE DESCRIBE ATTACHMENT SEL-3.

A. Attachment SEL-3 is a summary of the items eliminated from net income. The schedule shows, by Company account, the impact on net income of eliminating purchase accounting, mark-to-market accounting, non-recurring gains and/or losses, material non-recurring revenues and expenses, and the equity in earnings of subsidiary companies.

Q. PLEASE DESCRIBE ATTACHMENT SEL-4.

A. Attachment SEL-4 is an exhibit showing the calculation of the Company's average electric common stock equity as of December 31, 2017. The attachment shows the common stock equity balances for December 31, 2016, and December

31, 2017, and the calculation of the average electric common equity balance as of December 31, 2017, to be used in determining if Duke Energy Ohio has significantly excessive earnings. Pursuant to the ESP Order, the following items were eliminated in calculating the ending balance for each calendar year: (1) impacts of purchase accounting recorded pursuant to the Duke Energy/Cinergy merger; (2) all impacts of mark-to-market accounting; and (3) all impacts of material, non-recurring gains and/or losses.

Q. PLEASE DESCRIBE ATTACHMENT SEL-5.

A. Attachment SEL-5 is a schedule showing the calculation of a net plant allocation factor used to allocate total average common equity to electric operations. The gas and electric plant data is from the Company's 2016 and 2017 FERC Form 1, pages 200-201. The schedule shows that, based on net plant, 63.68 percent of the Company's 2017 common equity should be allocated to electric operations.

Q. PLEASE DESCRIBE ATTACHMENT SEL-6.

A. Attachment SEL-6 is a summary of assumptions used in this filing, most of which are from Attachment PAL-2 in Peggy A. Laub's testimony in Case No. 14-841-EL-SSO. I have discussed all of the other relevant assumptions in my testimony.

Q. PLEASE DESCRIBE ATTACHMENT SEL-7.

A. Attachment SEL-7 is a summary showing Duke Energy Corporation's TSR in comparison to some of its peer companies in the Philadelphia Utility Index.

V. CONCLUSION

Q. DOES DUKE ENERGY OHIO HAVE SIGNIFICANTLY EXCESSIVE EARNINGS THAT WOULD REQUIRE A REFUND TO CUSTOMERS?

A. No. As shown on Attachment SEL-1, Duke Energy Ohio's return earned on average electric common equity is 6.28 percent. Since the return on average electric common equity is substantially less than the Company's approved 9.84 percent rate of return, the Company does not have significantly excess earnings and, therefore, no refund to customers is warranted.

Q. WERE ATTACHMENTS SEL-1, SEL-2, SEL-3, SEL-4, SEL-5, SEL-6 AND SEL-7 PREPARED BY YOU OR UNDER YOUR SUPERVISION?

A. Yes.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

Duke Energy Ohio, Inc.
Significantly Excessive Earnings Test
Case No. 18-568-EL-UNC
December 31, 2017

Description	Source	Amount
Including Non-SSO Sales and ESP Deferrals		
Adjusted Electric Net Income	SEL-2	65,025,284
Average Electric Common Equity	SEL-4	1,034,974,886
Return Earned on Average Electric Common Equity		6.28%

Duke Energy Ohio, Inc.
Significantly Excessive Earnings Test
Adjusted Net Income
December 31, 2017

Description	Form No. 1 Page, Line, Column	Account Level	12 Months Ended December 31, 2017: Total	Electric	Eliminations: Purchase Accounting	Mark-to-Market	Non-Recurring Gains / Losses	Non-Recurring Rev / Exp	Equity in Earnings of Subsidiaries	Amounts Refunded to Customers	Total Eliminations	Adjusted December 31, 2017
Utility Operating Income												
Operating Revenues	114.2.c.g	Level 6	1,485,839,468	1,069,937,445							0	1,069,937,445
Operation Expenses	114.4.c.g	Level 8	671,202,267	515,717,785				103,682			103,682	515,821,467
Maintenance Expenses	114.5.c.g	Level 8	80,531,457	71,418,781				0			0	71,418,781
Depreciation Expense	114.6.c.g	Level 9	145,562,304	99,491,329				(977,720)			(977,720)	98,513,609
Depreciation Expense for Asset Retirement Costs	114.7.c.g	Level 9	0	0							0	0
Amort. & Depl. Of Utility Plant	114.8.c.g	Level 9	13,075,352	9,233,928							0	9,233,928
Amort. Of Utility Plant Acquisition Adj.	114.9.c.g	Level 9	0	0							0	0
Regulatory Debits	114.12.c.g	FERC Page	70,010,647	46,926,944							0	46,926,944
Less: Regulatory Credits	114.13.c.g	FERC Page	(22,519,034)	(22,263,025)							0	(22,263,025)
Taxes Other Than Income Taxes	114.14.c.g	Level 8	266,016,905	212,475,848				(4,187,547)			(4,187,547)	208,288,301
Income Taxes - Federal	114.15.c.g	Level 8	(21,115,214)	(38,881,716)		0	0	2,204,982		0	2,204,982	(36,676,734)
Income Taxes - Other	114.16.c.g	Level 8	280,301	(531,413)							0	(531,413)
Provision For Deferred Income Taxes	114.17.c.g	Level 9	275,876,183	189,872,070							0	189,872,070
Provision For Deferred Income Taxes - Credit	114.18.c.g	Level 9	(198,154,368)	(122,157,242)							0	(122,157,242)
Investment Tax Credit Adj - Net	114.19.c.g	Level 8	(415,822)	(231,244)							0	(231,244)
Gains From Disp Of Allow - Credit	114.20-23.c.g	Level 8	0	0							0	0
Accretion Expense	114.24.c.g	Level 8	0	0							0	0
Total Utility Operating Expenses			1,280,350,978	961,072,045	0	0	0	(2,856,603)	0	0	(2,856,603)	958,215,442
Net Utility Operating Income			205,488,490	108,865,400	0	0	0	2,856,603	0	0	2,856,603	111,722,003
Other Income												
Revenues From Merchandising, Jobbing and Contract Work	117.31.c	Level 7	1,916,712	1,915,708							0	1,915,708
Less: Costs & Exp of Merchandising, Jobbing & Contract	117.32.c	Level 7	1,961,207	1,960,311							0	1,960,311
Revenues From Nonutility Operations	117.33.c	Level 9	(639)	(620)							0	(620)
Less: Expenses of Nonutility Operations	117.34.c	Level 9	142,850	141,416							0	141,416
Non-operating Rental Income	117.35.c	Level 8	(58,499)	(35,290)							0	(35,290)
Equity in Earnings of Subsidiary Companies	117.36.c	Work Paper	58,476,337	30,885,226					(30,885,226)		(30,885,226)	0
Interest and Dividend Income	117.37.c	Level 7	4,512,287	2,759,021							0	2,759,021
AFUDC	117.38.c	Level 7	8,038,039	6,125,613							0	6,125,613
Miscellaneous Non-operating Income	117.39.c	Level 8	(447,195)	(1,000,105)		0					0	(1,000,105)
Gain on Disposition of Property	117.40.c	Level 8	269,461	248,337			(248,337)				(248,337)	0
Total Other Income			70,602,446	38,796,163	0	0	(248,337)	0	(30,885,226)	0	(31,133,563)	7,662,600
Other Income Deductions												
Loss on Disposition of Property	117.43.c	Account 421.2	175,914	173,546			(173,546)				(173,546)	0
Misc. Amortization	117.44.c	Level 8	0	0							0	0
Donations	117.45.c	Level 8	819,630	488,156							0	488,156
Life Insurance	117.46.c	Level 8	39,580	39,580							0	39,580
Penalties	117.47.c	Level 8	507	337							0	337
Civic, Political & Related Activities	117.48.c	Level 8	1,763,876	1,075,159							0	1,075,159
Other Deductions	117.49.c	Level 8	8,133,364	5,742,493		0	(18,704)	7,208			(11,496)	5,730,997
Total Other Income Deductions			10,932,871	7,519,271	0	0	(192,250)	7,208	0	0	(185,042)	7,334,229
Total Taxes On Other Income and Deductions	117.59.c	Level 6	(811,262)	(3,934,429)	(13,706)	0	(19,833)		0	0	(33,539)	(3,967,968)
Net Other Income and Deductions			60,480,837	35,211,321	13,706	0	(36,254)	(7,208)	(30,885,226)	0	(30,914,982)	4,296,339
Net Interest Charges	117.70.c	Level 4	73,949,030	50,954,298	38,760			0			38,760	50,993,058
Net Income	117.78.c		192,020,297	93,122,423	(25,054)	0	(36,254)	2,849,395	(30,885,226)	0	(28,097,139)	65,025,284

Duke Energy Ohio, Inc.
Significantly Excessive Earnings Test
Summary of Net Income Eliminations
December 31, 2017

Account ID CB	Account Long Descr CB	Account Node Name	12 months Ended 12/31/2017	Elimination	Income Tax Effect	Impact on Net Income
Purchase Accounting						
428200	Amort_Debt_Disc_Pur_Acctg_Adj		393,492	(393,492)		
429200	Amort_Debt_Prem_Pur_Acctg_Adj		(432,252)	432,252		
			(38,760)	38,760	(13,706)	(25,054)
	Total Purchase Accounting Adjustment		(38,760)	38,760	(13,706)	(25,054)
Mark-to-Market						
421530	Power Trading MTM Gains	REVENUE	0	0		
421631	MTM Unreal Gains - EA	FUEL	0	0		
	Other Income		0	0	0	0
426531	MTM Unreal Loss-Reserve	REVENUE	0	0		
426631	MTM Unreal Losses - EA's	FUEL	0	0		
	Other Income Deductions		0	0	0	0
	Net Other Income and Deductions		0	0	0	0
	Total Mark-to-Market		0	0	0	0
Non-Recurring Gains / Losses						
421100	Gain On Disposal Of Property	F_TOT_OTH_INC	248,337	(248,337)	87,815	(160,522)
421200	E Loss On Disposal Of Property	F_TOT_OTH_INC_DED	173,546	(173,546)	61,368	112,178
426510	E Other	F_TOT_OTH_INC_DED	18,704	(18,704)	6,614	12,090
426513	E Other Deductions - Impairments	F_TOT_OTH_INC_DED	0	0	0	0
426551	E Impairment & other related charges	F_TOT_OTH_INC_DED	0	0	0	0
426553	E PP&E IMPAIRMENT	F_TOT_OTH_INC_DED	0	0	0	0
426554	E Impairment of Goodwill	F_TOT_OTH_INC_DED	0	0	0	0
	Total Non-Recurring Gains / Losses		56,087	(56,087)	(19,833)	(36,254)
Non-Recurring Revenue / Expense						
CTA - Various	Operation Expenses		(103,682)	103,682	(36,663)	(67,019)
CTA - 935100	Maintenance Expenses		0	0	0	0
CTA - 404200	Depreciation Expense		977,720	(977,720)	345,733	631,987
CTA - Various	Income Taxes & Other Taxes		0	0	0	0
CTA - Various	Other Deductions		(7,208)	7,208	0	(7,208)
CTA - 431900	Net Interest Charges		0	0	0	0
Def Tax Basis	Property Tax Adjustment		4,187,547	(4,187,547)	0	4,187,547
Def Tax Basis	Deferred Tax		0	0	1,895,912	(1,895,912)
	Total Non-Recurring Revenue / Expense		5,054,377	(5,054,377)	2,204,982	2,849,395
Equity in Earnings of Subsidiary Companies						
418.1	Equity in Earnings of Subsidiary Companies		30,885,226	(30,885,226)		(30,885,226)
	Total Eliminations		35,956,930	(35,956,930)	2,171,443	(28,097,139)

Duke Energy Ohio, Inc.
Significantly Excessive Earnings Test
Average Common Stock Equity
December 31, 2017

	December 31, 2016					December 31, 2017					
Description	Balance at 12-31-16	Other Adjustments	Remove Equity in Subsidiaries	Goodwill	Adjusted 12-31-16	Balance at 12-31-17	Other Adjustments	Remove Equity in Subsidiaries	Goodwill & Remove Non-Regulated	Adjusted 12-31-17	Average Common Equity
Common Stock Equity											
201000 Common Stock	762,136,231				762,136,231	762,136,231				762,136,231	
207001 Premium on capital stock	0				0	0				0	
208000 Donat Recvd From Stkhld	28,950,000				28,950,000	28,950,000				28,950,000	
208001 Donat Recvd From Duke	1,462,336,840				1,462,336,840	1,462,336,840				1,462,336,840	
208010 Donat Recvd From Stkhld Tax	15,641,578				15,641,578	15,641,578				15,641,578	
210020 Gain on Redemption of Capital	0				0	0				0	
211003 Misc Paid in Capital	(1,955,982,307)				(1,955,982,307)	(1,955,982,307)				(1,955,982,307)	
211004 Miscellaneous Paid in Capital Purch Acctg	943,842,010			(746,918,647)	196,923,363	943,842,010			(746,918,647)	196,923,363	
0211008 Misc PIC Pushdown Adj RE	1,642,546,493				1,642,546,493	1,617,546,493				1,617,546,493	
211005 Miscellaneous Paid in Capital Pre-Merger Equity	557,581,098				557,581,098	557,581,098				557,581,098	
211007 Misc PIC Premerg RE for Div	0				0	0				0	
211110 PIC - Sharesaver	0				0	0				0	
214010 Common stock equity inter-company	0				0	0				0	
216000 Unappropriated RE Bal	397,382,727		(645,701,441)		(248,318,714)	(871,542,471)		(123,767,608)		(995,310,079)	
216100 Unapp Ret Erngs-Curr Yr Net Income	(847,216,306)	(17,279,174)			(864,495,480)	613,729,189	2,788,087 (2)	(613,729,189)		2,788,087	
438000 Dividends Declared on Common Stock	0			0	0	0				0	
Accum other comprehensive income (loss)	0				0	0				0	
Total Common Stock Equity	$ 3,007,218,364	$ (17,279,174)	$ (645,701,441)	$ (746,918,647)	$ 1,597,319,102	$ 3,174,238,661	$ 2,788,087	$ (737,496,797)	$ (746,918,647)	$ 1,692,611,304	
Allocation to Duke Energy Ohio Electric (1)					62.11%					63.68%	
Average Common Equity Allocated to Duke Energy Ohio Electric					$ 992,094,894					$ 1,077,854,878	$ 1,034,974,886

(1) Source: Attachment SEL-5
(2) Source: SEL-3 Income Adjustments

Duke Energy Ohio, Inc.
Significantly Excessive Earnings Test
Net Plant Allocation Factor
December 31, 2017

2017	Duke Energy Ohio, Inc.		
Description	Gas	Electric	Total
Gross Plant (Line 13)	2,160,722,631	3,808,759,401	5,969,482,032
Accumulated Depreciation (Line 33)	619,272,586	1,106,650,022	1,725,922,608
Net Plant	1,541,450,045	2,702,109,379	4,243,559,424
Allocation Percentage	36.32%	63.68%	100.00%

Duke Energy Ohio, Inc.
Significantly Excessive Earnings Test
Summary of Assumptions

Source of Data per Order in Case No. 14-841-EL-SSO:

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

Adjustments to Net Income per Order in Case No. 14-841-EL-SSO:

2 Eliminate all impacts related to the purchase accounting recorded pursuant to the Duke Energy / Cinergy Corp. Merger.
3 Eliminate all impacts of refunds to customers pursuant to R.C. 4928.143(F).
4 Eliminate all impacts of mark-to-market accounting.
5 Eliminate all impacts of material, non-recurring gains / losses, including, but not limited to, the sale or disposition of assets.
6 Eliminate all impacts of material, non-recurring revenue or expenses.
7 Eliminate all impacts of parent, affiliated, or subsidiary companies and, to the extent reasonably feasible and prudently justified in the opinion of Duke Energy Ohio, eliminate the impacts of its natural gas distribution business.

Adjustments to Common Equity per Order in Case No. 14-841-EL-SSO:

8 Common Equity used in the calculation will be the beginning and ending average common equity of Duke Energy Ohio on a stand-alone basis (i.e., equity associated with subsidiaries will be excluded and common equity will be allocated between gas and electric service to the extent practicable).
9 Eliminate the acquisition premium recorded to equity pursuant to the Duke / Cinergy Corp. merger.
10 Eliminate the cumulative effect of the Net Income adjustments.

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

	Duke	Rank	Percentile Rank
From January 2015 to:			
Mar-15	-7.2%	14	31.5%
Jun-15	-13.7%	14	31.5%
Sep-15	-11.2%	14	31.5%
Dec-15	-10.8%	14	31.5%
Mar-16	1.9%	14	31.5%
Jun-16	9.5%	14	31.5%
Sep-16	3.2%	14	27.7%
Dec-16	1.3%	16	16.6%
Mar-17	8.2%	15	22.2%
Jun-17	11.4%	13	33.3%
Sep-17	13.0%	14	27.7%
Dec-17	14.4%	13	33.3%
From January 2016 to:			
Mar-16	13.5%	14	31.5%
Jun-16	20.1%	10	52.6%
Sep-16	19.3%	12	38.8%
Dec-16	14.3%	14	27.7%
Mar-17	24.3%	12	38.8%
Jun-17	31.9%	13	33.3%
Sep-17	33.7%	12	38.8%
Dec-17	35.3%	11	44.4%
From January 2017 to:			
Mar-17	8.8%	8	63.1%
Jun-17	15.4%	10	52.6%
Sep-17	17.0%	10	52.6%
Dec-17	18.4%	14	31.5%