

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Duke Energy Ohio, Inc., for an Increase in Electric Distribution Rates.	:	Case No. 12-1682-EL-AIR
	:	
In the Matter of the Application of Duke Energy Ohio, Inc., for Tariff Approval.	:	Case No. 12-1683-EL-ATA
	:	
In the Matter of the Application of Duke Energy Ohio, Inc., for Approval to Change Accounting Methods.	:	Case No. 12-1684-EL-AAM
	:	

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

**IN SUPPORT
OF
JOINT STIPULATION AND RECOMMENDATION**

Staff Exhibit _____

April 2, 2013

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

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

4

5 2. Q. By who are you employed?

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

7

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

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

14

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

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

22

1 5. Q. Please outline your work experience.

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

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

13
14 I have previously testified before this Commission.

15
16 6. Q. What is the purpose of your testimony in this proceeding?

17 A. The purpose of my testimony is to support the Joint Stipulation and Recom-
18 mendation (Stipulation) and the revenue requirement schedules attached to
19 the Stipulation in this case.

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

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

6

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

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

15

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

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

1 The settlement is in the public interest because it:

- 2 • Avoids the added cost of litigation.
- 3 • Requires Duke to withdraw Case No. 11-974-EL-FAC,
4 which represents a onetime benefit to ratepayers of
5 \$1.6 Million.
- 6 • Recognizes an increased level of vegetation manage-
7 ment costs to maintain a four-year trim cycle.
- 8 • Establishes a \$4.4 million baseline for major storms
9 and no incremental cost recovery for 2012.
- 10 • Recognizes depreciation rates and billing determinates
11 as filed in Staff Testimony.
- 12 • Recognizes the Staff's recommendation that Rider
13 FRT (Facilities Relocation – Mass Transportation) will
14 not be approved in this proceeding.
- 15 • Establishes a rate of return of 7.73% based on a return
16 on equity of 9.84% and a cost of debt at 5.32%

17
18 10. Q. Does the settlement violate any regulatory principle or practice?

19 A. No. The revenue requirement schedules attached to the Stipulation are the
20 result of traditional rate setting policies, practices, and procedures followed
21 by the Staff. The recommended revenue requirement is consistent with
22 sound regulatory rate setting practices.

23

24 11. Q. Doe this conclude your testimony?

1 A. Yes, it does. However, I reserve the right to submit supplemental testi-
2 mony as described herein, as new information subsequently becomes avail-
3 able or in response to positions taken by other parties.

PROOF OF SERVICE

I hereby certify that a true copy of the foregoing Prefiled Testimony of Wm. Ross Willis, submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served via electronic mail, upon the following parties of record, this 2nd day of April, 2013.

/s/ John H. Jones

John H. Jones
Assistant Attorney General

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DUKE ENERGY OHIO, INC.
CASE NO. 12-1682-EL-AIR
OVERALL FINANCIAL SUMMARY
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE A-1
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): SEE BELOW

LINE NO.	DESCRIPTION	Supporting Schedule Reference	Applicant	Stipulation	
				Lower Bound	Upper Bound
1	Rate Base	B-1	1,116,534,046	1,064,514,384	1,064,514,384
2	Current Operating Income	C-1	35,534,337	50,977,104	50,977,104
3	Earned Rate of Return (Line 2 / Line 1)		3.18%	4.79%	4.79%
4	Requested Rate of Return	D-1A	8.13%	7.73%	7.73%
5	Required Operating Income (Line 1 x Line 4)		90,774,218	82,286,962	82,286,962
6	Operating Income Deficiency (Line 5 - Line 2)		55,239,881	31,309,858	31,309,858
7	Gross Revenue Conversion Factor	A-2	1.5670614	1.5650023	1.5650023
8	Revenue Deficiency (Line 6 x Line 7)		86,564,285	49,000,000	49,000,000
9	Adjusted Operating Revenues	C-1	360,388,775	364,559,278	364,559,278
10	Revenue Requirements (Line 8 + Line 9)		446,970,749	413,559,278	413,559,278
11	Revenue Increase Requested / Recommended ^(A)	E-4	86,581,974	49,000,000	49,000,000
12	Percent Increase (Line 11 / Line 9)		24.02%	13.44%	13.44%

^(A) Difference between Line 8 and Line 11 is due to rounding.

DUKE ENERGY OHIO, INC.
CASE NO. 12-1682-EL-AIR
JURISDICTIONAL RATE BASE SUMMARY
AS OF MARCH 31, 2012

REVISED SCHEDULE B-1
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): SEE BELOW

LINE NO.	RATE BASE COMPONENT	Supporting Schedule Reference	Applicant Proposed Amount	Stipulated Amount
1	Plant In Service			
2	Production	B-2	\$ 0	\$ 0
3	Transmission	B-2	0	0
4	Distribution	B-2	1,880,293,822	1,878,034,210
5	General	B-2	85,837,915	85,791,990
6	Common	B-2	107,603,623	106,419,826
7	Total Plant In Service		<u>2,073,735,360</u>	<u>2,070,246,026</u>
8	Reserve for Accumulated Depreciation			
9	Production	B-3	0	0
10	Transmission	B-3	0	0
11	Distribution	B-3	(644,412,550)	(646,781,562)
12	General	B-3	(45,746,925)	(45,701,000)
13	Common	B-3	(54,340,141)	(53,599,973)
14	Total Reserve for Accumulated Depreciation		<u>(744,499,616)</u>	<u>(746,082,535)</u>
15	Net Plant In Service (Line 7 + Line 14)		1,329,235,744	1,324,163,491
16	Construction Work in Progress	B-4	0	0
17	Cash Working Capital Allowance	B-5	0	0
18	Material and Supplies	B-5	46,947,409	0
19	Other Items:			
20	Contributions in Aid of Construction (a)	B-6	0	0
21	Customer Service Deposits	B-6	(15,707,230)	(15,707,230)
22	Postretirement Benefits	B-6	7,270,777	7,270,777
23	Investment Tax Credits	B-6	(1,183)	(1,183)
24	Deferred Income Taxes	B-6	(251,211,471)	(251,211,471)
25	Other Rate Base Adjustments	B-6	<u>0</u>	<u>0</u>
26	Rate Base (Line 15 through Line 25)		<u>\$ 1,116,534,046</u>	<u>\$ 1,064,514,384</u>

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

DUKE ENERGY OHIO, INC.
CASE NO. 12-1682-EL-AIR
PROPOSED DEPRECIATION ACCRUAL RATES AND
ACCUMULATED BALANCES BY ACCOUNTS, FUNCTIONAL CLASS OR MAJOR PROPERTY GROUP
AS OF MARCH 31, 2012
DISTRIBUTION PLANT

REVISED SCHEDULE B-3.2
PAGE 2 OF 4

WORK PAPER REFERENCE NO(S): STAFF'S SCHEDULE B-2.1 & B-3

(See Footnote at end of Schedule)

LINE NO. (A)	F.E.R.C. COMPANY ACCT. NO. (B-1)	ACCT. NO. (B-3)	ACCOUNT TITLE OR MAJOR PROPERTY GROUPING (C)	ADJUSTED JURISDICTION		PROPOSED ACCRUAL RATE (F)	CALCULATED		AVERAGE SERVICE LIFE (I)	CURVE FORM (J)	
				PLANT INVESTMENT (D)	ACCUMULATED BALANCE (E)		DEPR. EXPENSE (G=DxF)	% NET SALVAGE (H)			
				\$		%					
1	360		Land and Land Rights	13,109,977	1,539	1.33	347,276	0	75	R3	
2	360		Rights of Way	26,110,943	2,520,994	1.69	140,571	(10)	65	R2.5	
3	361		Structures and Improvements	8,317,815	4,004,656	1.92	3,166,853	(15)	60	R1.5	
4	362		Station Equipment	164,940,269	70,196,281	1.92	1,941,617	(15)	60	R2.5	
5	362		Major Equipment	101,125,887	36,836,728	5.00	(4,969)	0	20	S3	
6	362		Station Equipment Electronic	(95,380)	31,059	2.40	5,815,783	(20)	50	R1	
7	364		Poles, Towers & Fixtures	242,324,299	108,036,663	2.80	10,768,924	(40)	50	R1	
8	365		Overhead Conductors and Devices	384,604,443	99,318,263	2.00	1,764,594	(30)	65	R3	
9	366		Underground Conduit	88,227,723	35,969,974	2.16	6,098,476	(25)	58	R1.5	
10	367		Underground Conductors and Devices	282,336,871	73,293,965	2.50	9,180,724	(5)	42	R1	
11	368		Line Transformers	367,228,972	143,569,293	2.22	117,057	0	45	R0.5	
12	368		Customer Transformer Installations	5,272,832	2,628,003	2.00	67,838	(30)	65	R1.5	
13	369		Services - Underground	3,391,901	2,248,643	3.26	2,098,957	(40)	43	R0.5	
14	369		Services - Overhead	64,385,178	36,808,118	Amort (6)	3,508,121	Amortization			
15	370		Meters	35,626,976	12,697,346	2.86	258,304	Amortization			
16	370		Meters - Instrumentation Transformers	9,031,601	-	Amort (6)	1,570,224	Amortization			
17	370		Leased Meters	15,008,859	4,187,966	6.67	-	0	15	S2.5	
18	370		Utility of the Future Meters	-	-	6.67	16,109	0	15	S0	
19	371		Installations on Customers' Premises	241,509	2,770	6.67	-	0	15	S0	
20	371		Company Owned Outdoor Lighting	-	-	4.00	4,100	0	25	L1.5	
21	372		Leased Property on Customers' Premises	102,503	(76,085)	3.93	823,199	(10)	28	L1	
22	373		Street Lighting - Overhead	20,946,536	10,738,085	2.44	685,729	(10)	45	R1.5	
23	373		Street Lighting - Boulevard	28,103,634	5,929,055	3.83	677,713	(15)	30	R0.5	
24	373		Light Security OL POL Flood	17,694,862	5,507,955	4.20	-	(5)	25	R0.5	
25	373		Light Choice OLE - Public	-	-						
26	108		Retirement Work in progress	-	(7,669,689)						
27			Total Electric Distribution	1,878,034,210	646,781,562		49,047,160				

DUKE ENERGY OHIO, INC.
CASE NO. 12-1682-EL-AIR
PROPOSED DEPRECIATION ACCRUAL RATES AND
ACCUMULATED BALANCES BY ACCOUNTS, FUNCTIONAL CLASS OR MAJOR PROPERTY GROUP
AS OF MARCH 31, 2012
GENERAL PLANT

REVISED SCHEDULE B-3.2
PAGE 3 OF 4

WORK PAPER REFERENCE NO(S): STAFF'S SCHEDULE B-2.1 & B-3

LINE NO.	F.E.R.C. COMPANY ACCT. NO.	ACCOUNT TITLE OR MAJOR PROPERTY GROUPING (C)	ADJUSTED JURISDICTION		PROPOSED ACCRUAL RATE (F)	CALCULATED DEPR. EXPENSE (G=DxF)	% NET SALVAGE (H)	AVERAGE SERVICE LIFE (I)	CURVE FORM (J)
			PLANT INVESTMENT (D)	ACCUMULATED BALANCE (E)					
1	303	Miscellaneous Intangible Plant	\$ 27,293,450	\$ 24,778,055	(8)	\$ 2,030,355	Amortization		
2	389	Land and Land Rights	875,715	-			Perpetual Life		
3	390	Structures and Improvements	23,002,776	9,901,797	2.90	667,081	Composite	SQ	
4	391	Office Furniture and Equipment	464,001	41,438	5.00	23,200	0	SQ	
5	391	Electronic Data Processing Equipment	1,231,275	207,939	20.00	246,255	0	L3	
6	391	Transportation Equipment	1,201,433	1,124,178	7.50		10	12	
7	391	Trailers	2,712,732	1,495,628	4.05		15	21	
8	393	Stores Equipment	1,006,450	(551)	5.00	50,323	0	20	
9	392	Tools, Shop & Garage Equipment	13,650,862	3,616,552	4.00	546,034	0	25	
10	392	Laboratory Equipment	115,423	(997,285)	6.67	7,699	0	15	
11	393	Power Operated Equipment	1,435,260	1,004,042	4.44		20	18	
12	393	Communication Equipment	12,725,303	2,977,820	6.67	848,778	0	15	
13	394	Miscellaneous Equipment	77,310	9,606	5.00	3,866	0	20	
14	108	Retirement Work in progress		1,541,781					
15		Total Electric General	85,791,990	45,701,000		4,423,591			
16		Total Electric Distribution and General Plant	1,963,826,200	692,482,562		53,470,751			

DUKE ENERGY OHIO, INC.
CASE NO. 12-1682-EL-AIR
PROPOSED DEPRECIATION ACCRUAL RATES AND
ACCUMULATED BALANCES BY ACCOUNTS, FUNCTIONAL CLASS OR MAJOR PROPERTY GROUP
AS OF MARCH 31, 2012
COMMON PLANT

WORK PAPER REFERENCE NO(S): STAFF'S SCHEDULE B-2.1 & B-3 REVISED SCHEDULE B-3.2
PAGE 4 OF 4

LINE NO. (A)	F.E.R.C. COMPANY ACCT. NO. (B-1)	PROPERTY GROUPING (C)	ACCOUNT TITLE OR MAJOR PROPERTY GROUPING (C)	ADJUSTED JURISDICTION PLANT INVESTMENT (D)	ACCUMULATED BALANCE (E)	PROPOSED ACCRUAL RATE (F)	CALCULATED DEPR. EXPENSE (G=Dx F)	% NET SALVAGE (H)	AVERAGE SERVICE LIFE (I)	CURVE FORM (J)
1	1030		Miscellaneous Intangible Plant	\$ 54,466,878	\$ 48,384,148	(8)	\$ 3,133,484	Amortization		
2	1890		Land and Land Rights	950,943	47,917			Perpetual Life		
3	1891		Rights of Way	17,018	0			Perpetual Life		
4	1900		Structures & Improvements	53,429,403	8,713,664	3.47 (5)	1,854,000	Composite		
5	1900		Structures & Improvements - Atrium II	0	0	(1)	0	Fully Amortized		
6	1900		Structures & Improvements - Envision Center	0	0	(1)	0	Amortization		
7	1900		Structures & Improvements - Clopay Bldg - 3rd Floor	164,402	29,149	15.19 (1)	24,973	Amortization		
8	1900		Structs & Improvemnts - Clopay Bldg - 4th / 5th / 6th Fir	299,402	245,704	2.69 (1)	8,054	Amortization		
9	1900		Structs & Improvemnts - Clopay Bldg - Bld & Access Ramp	1,869,743	1,840,784	0.49 (1)	9,162	Amortization		
10	1900		Structures & Improvements - Holiday Park	135,076	123,038	16.23 (1)	21,923	Amortization		SQ
11	1910		Office Furniture & Equipment	1,888,917	(781,759)	5.00	94,446	0	20	SQ
12	1911		Electronic Data Processing - Non SmartGrid	310,987	123,143	20.00	62,197	0	5	SQ
13	1911		Electronic Data Processing - SmartGrid	-	0	20.00	0	0	5	SQ
14	1920		Transportation Equipment	38,237	38,237	8.33 (7)	0	0	12	L3
15	1921		Trailers	212,574	105,125	4.29 (7)	0	10	21	S1.5
16	1930		Stores Equipment	85,048	(67,850)	5.00	4,252	0	20	SQ
17	1940		Tools, Shop & Garage Equipment	796,509	234,227	4.00	31,860	0	25	SQ
18	1950		Laboratory Equipment	10,421	580	6.67	695	0	15	SQ
19	1960		Power Operated Equipment	68,979	28,129	4.44 (7)	0	20	18	S0.5
20	1970		Communication Equipment - Non SmartGrid	12,515,427	5,460,298	6.67	834,779	0	15	SQ
21	1970		Communication Equipment - SmartGrid	-	0	6.67	0	0	15	SQ
22	1980		Miscellaneous Equipment	188,930	56,710	6.67	0	0	15	SQ
23	1990, 1991		Retirement Work in Process - ARO	-	0	5.00	9,447	0	20	SQ
24	108		Retirement Work in progress	-	(389,660)					
25			Total Common	127,448,894	64,191,584		6,089,272			
26			Common Plant Allocated to Electric							
27			Original Cost (2)	106,419,826						
28			Reserve (3)		53,599,973					
			Annual Provision (4)				5,084,542			
29			Total Electric Plant Including Allocated Common	2,070,246,026	746,082,535		58,555,293			

(1) These leasehold improvements are being amortized over the life of the lease (Applicant's Schedule B-3.4 and Staff's Data Request No. 122 in Case No. 12-1685-GA-AIR)
(2) Total Common Allocated at 83.50% Less adjustment for Hartwell Recreation Facilities per Schedule B-2.1
(3) Total Common Allocated at 83.50% Less adjustment for Hartwell Recreation Facilities per Schedule B-3.1
(4) Allocation of Common Plant to electric determined by Common allocation factors and SmartGrid filings.
(5) Staff's Workpaper WPB-3.2
(6) See Text
(7) Depreciation Changed to Transportation Expense
(8) Applicant's Schedule B-3.2

DUKE ENERGY OHIO, INC.
CASE NO. 12-1682-EL-AIR
OTHER RATE BASE ITEMS SUMMARY
AS OF MARCH 31, 2012

REVISED SCHEDULE B-6
PAGE 1 OF 2

WORK PAPER REFERENCE NO(S) : APPLICANT'S SCHEDULE B-6.1, WPB-6.1a through WPB-6.1e
(See footnote at end of Schedule)

LINE NO.	ACCOUNT NUMBER	DESCRIPTION	TOTAL COMPANY \$	ADJUSTMENTS \$	ADJUSTED TOTAL COMPANY \$	ALLOCATION CODE	ALLOCATION PERCENT	ALLOCATED TOTAL \$
1	252	Customer Advances for Construction	0	0	0	DALL	100.000%	0
2	235	Customer Service Deposits/Unclaimed Funds Retail	(15,568,360)	(138,870)	(15,707,230)	DALL	100.000%	(15,707,230)
4	235	Customer Service Deposits - Transmission Service	(1,598,298)	0	(1,598,298)	DNON	0.000%	0
6	253	Post Retirement Benefits	0	7,270,777	7,270,777	DALL	100.000%	7,270,777
9	255	Investment Tax Credits: (A)	0	0	0	DALL	100.000%	0
10		Pre-1971 3% Credit	(1,183)	0	(1,183)	DALL	100.000%	(1,183)
11		1971 4% Credit	0	0	0	DNON	0.000%	0
12		1975 6% Credit	(2,046,219)	2,046,219	0	DNON	0.000%	0
13		1981 10% Credit	(2,047,402)	2,046,219	(1,183)	DNON	0.000%	(1,183)
14		Total Investment Tax Credits			(1,183)			(1,183)
16		Deferred Income Taxes:						
17	190	401(k) Incentive Plan	3,813	0	3,813	DALL	100.000%	3,813
18	190	ARO Cumulative Effect	167,964	0	167,964	DALL	100.000%	167,964
19	190	Cash Flow Hedge	(957,706)	0	(957,706)	DALL	100.000%	(957,706)
20	190	Electric Meters	14,228,706	0	14,228,706	DALL	100.000%	14,228,706
21	190	Environmental Reserve	(217,969)	217,969	0	DALL	100.000%	0
22	190	FAS 106 OPEB	5,771,152	0	5,771,152	DALL	100.000%	5,771,152
23	190	FAS 87 Non-Qualified Pension	475,376	0	475,376	DALL	100.000%	475,376
24	190	FAS 87 Qualified Pension	4,193,629	0	4,193,629	DALL	100.000%	4,193,629
25	190	Federal Deferred Tax Receivable	9,564,130	0	9,564,130	DALL	100.000%	9,564,130
26	190	Incentive Plan	(215,220)	0	(215,220)	DALL	100.000%	(215,220)
27	190	Misc	(20,225)	0	(20,225)	DALL	100.000%	(20,225)
28	190	Post Retirement Benefits - SFAS 112	756,065	0	756,065	DALL	100.000%	756,065
29	190	Property Tax	(3,758,564)	3,758,564	0	DALL	100.000%	0
30	190	Save-A-Watt	2,724,518	(2,724,518)	0	DALL	100.000%	0
31	190	ITC FAS 109	(2,295,515)	2,295,515	0	DALL	100.000%	0
32	190	Tax Interest Accrual	2,050,955	0	2,050,955	DALL	100.000%	2,050,955
33	190	Unamortized Debt Premium	803,532	0	803,532	DALL	100.000%	803,532
34	190	Uncollectible Accounts	383,000	0	383,000	DALL	100.000%	383,000
35	190	Vacation Pay Accruals	1,300,054	0	1,300,054	DALL	100.000%	1,300,054
36								
37		Total Account 190	34,957,695	3,547,530	38,505,225			38,505,225
38								
39	282	263A	(41,534,825)	0	(41,534,825)	DALL	100.000%	(41,534,825)
40	282	AFUDC Debt	(3,210,820)	0	(3,210,820)	DALL	100.000%	(3,210,820)
41	282	Casualty Loss	(11,500,231)	0	(11,500,231)	DALL	100.000%	(11,500,231)
42	282	CIAC	12,778,410	0	12,778,410	DALL	100.000%	12,778,410
43	282	CWIP Differences	(2,633,663)	0	(2,633,663)	DALL	100.000%	(2,633,663)
44	282	FAS109	(67,639,487)	67,639,487	0	DALL	100.000%	0
45	282	Miscellaneous	(13,477,689)	0	(13,477,689)	DALL	100.000%	(13,477,689)
46	282	Non-Cash Overheads	17,831,308	0	17,831,308	DALL	100.000%	17,831,308
47	282	Section 174	(937,678)	937,678	0	DALL	100.000%	0
48	282	Software	(2,713,554)	0	(2,713,554)	DALL	100.000%	(2,713,554)
49	282	Tax Depreciation	(256,005,595)	37,843,852	(218,161,743)	DALL	100.000%	(218,161,743)
50	282	Tax Interest Capitalized	5,448,950	0	5,448,950	DALL	100.000%	5,448,950
51		Total Account 282	(363,594,874)	106,421,017	(257,173,857)			(257,173,857)

DUKE ENERGY OHIO, INC.
CASE NO. 12-1682-EL-AIR
OTHER RATE BASE ITEMS SUMMARY
AS OF MARCH 31, 2012

REVISED SCHEDULE B-6
PAGE 2 OF 2

WORK PAPER REFERENCE NO(S): APPLICANT'S SCHEDULE B-6.1, WPB-6.1a through WPB-6.1e

LINE NO.	ACCOUNT NUMBER	DESCRIPTION	TOTAL COMPANY \$	ADJUSTMENTS \$	ADJUSTED TOTAL COMPANY \$	ALLOCATION CODE	ALLOCATION PERCENT	ALLOCATED TOTAL \$
1		Deferred Income Taxes: (Continued)						
2			(116,292)	0	(116,292)	DALL	100.000%	(116,292)
3	283	ARO Cumulative Effect	1,924,303	(1,924,303)	0	DALL	100.000%	0
4	283	Deferred Smart Grid Costs	(849,819)	849,819	0	DALL	100.000%	0
5	283	Environmental Reserve	(3,228,466)	3,228,466	0	DALL	100.000%	0
6	283	ESP Deferrals	(1,544,591)	0	(1,544,591)	DALL	100.000%	(1,544,591)
7	283	FAS 106 OPEB	(174,904)	0	(174,904)	DALL	100.000%	(174,904)
8	283	FAS 87 Non-Qualified Pension	(28,372,774)	0	(28,372,774)	DALL	100.000%	(28,372,774)
9	283	FAS 87 Qualified Pension	(4,073,809)	4,073,809	0	DALL	100.000%	0
10	283	Hurricane Ike Storm Damage	(861,201)	0	(861,201)	DALL	100.000%	(861,201)
11	283	Loss on Reacquired Debt	135,890	(135,890)	0	DALL	100.000%	0
12	283	Merger Costs	16,562	0	16,562	DALL	100.000%	16,562
13	283	Misc	(10,235,364)	10,235,364	0	DALL	100.000%	0
14	283	Smart Grid	(726,778)	0	(726,778)	DALL	100.000%	(726,778)
15	283	Tax Interest Accrual	255,679	0	255,679	DALL	100.000%	255,679
16	283	Uncollectible Accounts	(1,018,540)	0	(1,018,540)	DALL	100.000%	(1,018,540)
17	283	Vacation Pay Accruals	(48,870,103)	16,327,265	(32,542,838)	DALL	100.000%	(32,542,839)
18		Total Account 283	(377,507,282)	126,295,812	(251,211,470)			(251,211,471)
19		Total Deferred Income Taxes	0	0	0			0
20		Other Rate Base Adjustments	0	0	0			0
21								
22								

(A) The company elected the immediate flow through option under Section 46(e)(3) in regards to the 1971 election and the ratable flow through option provided under Section 46(f)(2) in regards to the 1975 election. The total company balance does not include balances related to non-regulated production plant.

DUKE ENERGY OHIO, INC.
CASE NO. 12-1682-EL-AIR
JURISDICTIONAL PROFORMA INCOME STATEMENT
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-1
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): STAFF'S SCHEDULE C-2 & WPC-1a

LINE NO.	DESCRIPTION	ADJUSTED REVENUE & EXPENSES (A)	STIPULATED INCREASE (B)	PROFORMA REVENUE & EXPENSES (C)
1	Operating Revenues	\$ 364,559,278	\$ 49,000,000	\$ 413,559,278
2				
3	Operating Expenses			
4	Operation & Maintenance	163,367,730	265,825	163,633,555
5	Depreciation	58,555,293	0	58,555,293
6	Taxes - Other	75,135,979	181,300	75,317,279
7	Operating Expenses before Income Taxes	<u>297,059,002</u>	<u>447,125</u>	<u>297,506,127</u>
8				
9	State Income Taxes	126,583	383,859	510,442
10	Federal Income Taxes	<u>16,396,589</u>	<u>16,859,156</u>	<u>33,255,745</u>
11				
12	Total Operating Expenses	<u>313,582,174</u>	<u>17,690,140</u>	<u>331,272,314</u>
13				
14	Net Operating Income	<u>\$ 50,977,104</u>	<u>\$ 31,309,860</u>	<u>\$ 82,286,964</u>
15				
16	Rate Base	<u>\$ 1,064,514,384</u>		<u>\$ 1,064,514,384</u>
17				
18	Rate of Return	<u>4.79%</u>		<u>7.73%</u>

(A) Staff's Schedule C-2

(B) Stipulated WPC-1a

(C) Column (A) & Column (B)

DUKE ENERGY OHIO, INC.
CASE NO. 12-1682-EL-AIR
ADJUSTED TEST YEAR OPERATING INCOME
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

WORK PAPER REFERENCE NO(S): APPLICANT'S SCHEDULE C-2.1 & STAFF'S SCHEDULE C-3 REVISED SCHEDULE C-2
PAGE 1 OF 1

LINE NO.	DESCRIPTION	UNADJUSTED REVENUE & EXPENSES	ADJUSTMENTS	ADJUSTED REVENUE & EXPENSES
1	OPERATING REVENUES			
2	Base Revenue and Riders	\$ 503,277,424	\$ (147,754,416)	\$ 355,523,008
3	Fuel Cost Revenue	0	0	0
4	Other Operating Revenue	12,119,951	(3,083,681)	9,036,270
5	Total Operating Revenues	515,397,375	(150,838,097)	364,559,278
6				
7	OPERATING EXPENSES			
8	Operation and Maintenance Expenses			
9	Production Expenses			
10	Fuel Cost	0	0	0
11	Other	0	0	0
12	Total Production Expense	0	0	0
13	Transmission Expense			
14	Distribution Expense	53,724,545	698,240	54,422,785
15	Customer Accounts Expense	39,851,214	85,476	39,936,690
16	Customer Service & Information Expense	10,073,347	(48,640)	10,024,707
17	Sales Expense	348,017	(347,962)	55
18	Administrative & General Expense	62,239,981	(3,464,913)	58,775,068
19	Amortization of Deferred Expense	(2,939,772)	3,148,197	208,425
20	Total Operation and Maintenance Expense	163,297,332	70,398	163,367,730
21				
22	Depreciation Expense	64,054,092	(5,498,799)	58,555,293
23				
24	Taxes Other Than Income Taxes			
25	Other Federal Taxes	4,046,188	(503,579)	3,542,609
26	State and Other Taxes	139,836,194	(68,242,824)	71,593,370
27	Total Taxes Other Than Income Taxes	143,882,382	(68,746,403)	75,135,979
28				
29	State and Municipal Income Taxes			
30	Normal and Surcharge	(126,959)	(649,245)	(776,204)
31	Provision for Deferred Income Taxes	860,071	42,716	902,787
32	Total State Income Tax Expense	733,112	(606,529)	126,583
33				
34	Federal Income Taxes			
35	Normal and Surcharge	(5,576,074)	(28,514,833)	(34,090,907)
36	Provision for Deferred Income Taxes	48,194,026	2,293,470	50,487,496
37	Total Federal Income Tax Expense	42,617,952	(26,221,363)	16,396,589
38				
39	Total Operating Expenses and Taxes	414,584,870	(101,002,696)	313,582,174
40				
41	Net Operating Income	\$ 100,812,505	\$ (49,835,401)	\$ 50,977,104

DUKE ENERGY OHIO, INC.
CASE NO. 12-1682-EL-AIR
SUMMARY OF JURISDICTIONAL ADJUSTMENTS
TO OPERATING INCOME

WORK PAPER REFERENCE NO(S) - SEE BELOW		REVISED SCHEDULE C-3					
LINE NO.	TITLE OF ADJUSTMENT	TOTAL SCHEDULE C-3	ANNUALIZE / NORMALIZE REV & EXP C-3.1	ELIMINATE DSM / EE/SAW REV & EXP C-3.2	RATE CASE EXPENSE C-3.3	ANNUALIZE TEST YEAR WAGES C-3.4	ANNUALIZE DEPRECIATION C-3.5
1	OPERATING REVENUE						
2	Base	(147,754,416)	(17,322,146)	(31,380,843)			
3	Fuel Cost	0					
4	Other	(3,083,681)	21,889	(3,105,570)			
5	Total Revenue	(150,838,097)	(17,300,257)	(34,486,413)	0	0	0
6							
7	OPERATING EXPENSES						
8	Operation and Maintenance Expenses						
9	Production Expenses						
10	Fuel Cost	0					
11	Other	0	0	0	0	0	0
12	Total Production Expense	0	0	0	0	0	0
13	Transmission Expense						
14	Distribution Expense	698,240					
15	Customer Accounts Expense	85,476					
16	Customer Serv & Info Expense	(48,640)					
17	Sales Expense	(347,962)					
18	Administrative & General Expense	(3,464,913)				423,021	
19	Amortization of Deferred Expense	3,148,197			53,324		
20	Total Operation and Maintenance Expenses	70,398	0	19,906,515	53,324	423,021	0
21							
22	Depreciation Expense	(5,498,799)	0	0	0	0	(5,498,799)
23							
24	Taxes Other Than Income Taxes						
25	Other Federal Taxes	(503,579)					
26	State and Other Taxes	(68,242,824)					
27	Total Taxes Other Than Income Tax	(68,746,403)	0	0	0	0	0
28							
29	State & Municipal Income Taxes						
30	Normal and Surtax	(649,245)	(136,776)	(430,030)	(422)	(3,345)	0
31	Prov Deferred Income Tax (Deferrals)	42,716					35,610
32	Prov Deferred Income Tax (Writebacks)	0					
33	Total State Income Tax Expense	(606,529)	(136,776)	(430,030)	(422)	(3,345)	35,610
34							
35	Federal Income Taxes						
36	Normal and Surtax	(28,514,833)	(6,007,218)	(18,887,014)	(18,516)	(146,887)	0
37	Prov Deferred Income Tax (Deferrals)	2,293,470					1,911,932
38	Prov Deferred Income Tax (Writebacks)	0					
39	Total Federal Income Tax Expense	(26,221,363)	(6,007,218)	(18,887,014)	(18,516)	(146,887)	1,911,932
40							
41	Total Oper. Expenses and Tax	(101,002,696)	(6,143,994)	589,471	34,386	272,789	(3,551,257)
42							
43	Net Operating Income	(49,835,401)	(11,156,263)	(35,075,884)	(34,386)	(272,789)	3,551,257

DUKE ENERGY OHIO, INC.
CASE NO. 12-1682-EL-AIR
SUMMARY OF JURISDICTIONAL ADJUSTMENTS
TO OPERATING INCOME

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3
PAGE 2 OF 5

WORK PAPER REFERENCE NO(S) : SEE BELOW

LINE NO.	TITLE OF ADJUSTMENT	SCHEDULE REFERENCE	CUSTOMER SERVICE DEPOSITS C-3.6	ELIMINATE STORM RECOVERY REV & EXP C-3.7	ANNUALIZE PROPERTY TAX C-3.8	SMART GRID SAVINGS ADJUSTMENT C-3.9	INTEREST EXPENSE DEDUCTIBLE C-3.10	EET EXPENSE ADJUSTMENT C-3.11
1	OPERATING REVENUE							
2	Base			(5,363,901)				
3	Fuel Cost							
4	Other							
5	Total Revenue		0	(5,363,901)	0	0	0	0
6								
7	OPERATING EXPENSES							
8	Operation and Maintenance Expenses							
9	Production Expenses							
10	Fuel Cost							
11	Other							
12	Total Production Expense		0	0	0	0	0	0
13	Transmission Expense							
14	Distribution Expense							
15	Customer Accounts Expense					2,565,568		
16	Customer Serv & Info Expense		467,051					
17	Sales Expense							
18	Administrative & General Expense							24,328
19	Amortization of Deferred Expense			(5,354,385)				
20	Total Operation and Maintenance Expenses		467,051	(5,354,385)	0	2,565,568	0	24,328
21	Depreciation Expense		0	0	0	0	0	0
22								
23								
24	Taxes Other Than Income Taxes							
25	Other Federal Taxes				1,681,300			
26	State and Other Taxes				1,681,300			
27	Total Taxes Other Than Income Tax		0	0	3,362,600	0	0	0
28								
29	State & Municipal Income Taxes							
30	Normal and Surtax		(3,692)	(75)	(13,293)	(20,283)	331	(193)
31	Prov Deferred Income Tax (Deferrals)						7,106	
32	Prov Deferred Income Tax (Writebacks)							
33	Total State Income Tax Expense		(3,692)	(75)	(13,293)	(20,283)	7,437	(193)
34								
35	Federal Income Taxes							
36	Normal and Surtax		(162,176)	(3,304)	(583,802)	(890,850)	14,548	(8,447)
37	Prov Deferred Income Tax (Deferrals)						381,538	
38	Prov Deferred Income Tax (Writebacks)							
39	Total Federal Income Tax Expense		(162,176)	(3,304)	(583,802)	(890,850)	396,086	(8,447)
40								
41	Total Oper. Expenses and Tax		301,183	(5,357,764)	1,084,205	1,654,435	403,523	15,688
42								
43	Net Operating Income		(301,183)	(6,137)	(1,084,205)	(1,654,435)	(403,523)	(15,688)

DUKE ENERGY OHIO, INC.
CASE NO. 12-1682-EL-AIR
SUMMARY OF JURISDICTIONAL ADJUSTMENTS
TO OPERATING INCOME

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3
PAGE 3 OF 5

WORK PAPER REFERENCE NO(S): SEE BELOW

LINE NO.	TITLE OF ADJUSTMENT	OHIO EXCISE TAX RIDER C-3.12	BUDGET EXPENSES C-3.13	ELIMINATE NON JURIS. EXPENSES C-3.14	ADJUST PUCO/OCC ASSESSMENTS C-3.15	ADJUST UNCOLLECTIBLE EXPENSE C-3.16	ANNUALIZE PENSION & BENEFIT EXP C-3.17
SCHEDULE REFERENCE							
1	OPERATING REVENUE						
2	Base	(69,521,224)				(7,301,531)	
3	Fuel Cost						
4	Other		0	0	0	(7,301,531)	0
5	Total Revenue		0	0	0		0
6							
7	OPERATING EXPENSES						
8	Operation and Maintenance Expenses						
9	Production Expenses						
10	Fuel Cost						
11	Other		0	0	0	0	0
12	Total Production Expense		0	0	0	0	0
13	Transmission Expense			(1,760)			
14	Distribution Expense		0			(2,947,143)	
15	Customer Accounts Expense			(48,640)			
16	Customer Serv & Info Expense			(347,962)			
17	Sales Expense		(3,662,818)	(342,426)	849,713		(490,421)
18	Administrative & General Expense						
19	Amortization of Deferred Expense						
20	Total Operation and Maintenance Expenses	0	(3,662,818)	(740,788)	849,713	(2,947,143)	(490,421)
21	Depreciation Expense	0	0	0	0	0	0
22							
23							
24	Taxes Other Than Income Taxes						
25	Other Federal Taxes						
26	State and Other Taxes	(69,888,878)					
27	Total Taxes Other Than Income Tax	(69,888,878)	0	0	0	0	0
28							
29	State & Municipal Income Taxes						
30	Normal and Surtax	2,907	28,959	5,856	(6,718)	(34,425)	3,877
31	Prov Deferred Income Tax (Deferrals)						
32	Prov Deferred Income Tax (Writebacks)						
33	Total State Income Tax Expense	2,907	28,959	5,856	(6,718)	(34,425)	3,877
34							
35	Federal Income Taxes						
36	Normal and Surtax	127,661	1,271,851	257,226	(295,048)	(1,511,987)	170,290
37	Prov Deferred Income Tax (Deferrals)						
38	Prov Deferred Income Tax (Writebacks)						
39	Total Federal Income Tax Expense	127,661	1,271,851	257,226	(295,048)	(1,511,987)	170,290
40							
41	Total Oper. Expenses and Tax	(69,758,310)	(2,362,008)	(477,706)	547,947	(4,493,555)	(316,254)
42							
43	Net Operating Income	237,086	2,362,008	477,706	(547,947)	(2,807,976)	316,254

DUKE ENERGY OHIO, INC.
CASE NO. 12-1682-EL-AIR
SUMMARY OF JURISDICTIONAL ADJUSTMENTS
TO OPERATING INCOME
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3
PAGE 4 OF 5

WORK PAPER REFERENCE NO(S): SEE BELOW

LINE NO.	TITLE OF ADJUSTMENT	SCHEDULE REFERENCE	ANNUALIZE FICA TAXES C-3.18	ANNUALIZE COMMERCIAL ACTIVITIES TAX C-3.19	ANNUALIZE CINCINNATI FRANCHISE TAX C-3.20	VEGETATION MANAGEMENT C-3.21	INTENTIONALLY LEFT BLANK C-3.22	ELIMINATE MERGER COSTS C-3.23
1	OPERATING REVENUE							
2	Base							
3	Fuel Cost							
4	Other							
5	Total Revenue		0	0	0	0	0	0
6								
7	OPERATING EXPENSES							
8	Operation and Maintenance Expenses							
9	Production Expenses							
10	Fuel Cost							
11	Other							
12	Total Production Expense		0	0	0	0	0	0
13	Transmission Expense							
14	Distribution Expense				700,000			
15	Customer Accounts Expense							
16	Customer Serv & Info Expense							
17	Sales Expense							
18	Administrative & General Expense							(266,310)
19	Amortization of Deferred Expense							(266,310)
20	Total Operation and Maintenance Expenses		0	0	0	700,000	0	0
21								
22	Depreciation Expense		0	0	0	0	0	0
23								
24	Taxes Other Than Income Taxes							
25	Other Federal Taxes		(503,579)					
26	State and Other Taxes		(35,246)	(35,246)	0	0	0	0
27	Total Taxes Other Than Income Tax		(503,579)	(35,246)	0	0	0	0
28								
29	State & Municipal Income Taxes							
30	Normal and Surtax		3,981	278	0	(5,535)	0	2,105
31	Prov Deferred Income Tax (Deferrals)							
32	Prov Deferred Income Tax (Writebacks)							
33	Total State Income Tax Expense		3,981	278	0	(5,535)	0	2,105
34								
35	Federal Income Taxes							
36	Normal and Surtax		174,859	12,239	0	(243,063)	0	92,472
37	Prov Deferred Income Tax (Deferrals)							
38	Prov Deferred Income Tax (Writebacks)							
39	Total Federal Income Tax Expense		174,859	12,239	0	(243,063)	0	92,472
40								
41	Total Oper. Expenses and Tax		(324,739)	(22,729)	0	451,402	0	(171,733)
42								
43	Net Operating Income		324,739	22,729	0	(451,402)	0	171,733

DUKE ENERGY OHIO, INC.
CASE NO. 12-1682-EL-AIR
SUMMARY OF JURISDICTIONAL ADJUSTMENTS
TO OPERATING INCOME
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3
PAGE 5 OF 5

WORK PAPER REFERENCE NO(S): SEE BELOW

LINE NO.	TITLE OF ADJUSTMENT	INTENTIONALLY LEFT BLANK C-3.24	INTENTIONALLY LEFT BLANK C-3.25	ELIMINATE SMART GRID REV & EXP C-3.26	MEDICAL COSTS C-3.27	INTENTIONALLY LEFT BLANK C-3.28	INTENTIONALLY LEFT BLANK C-3.29
SCHEDULE REFERENCE							
1	OPERATING REVENUE						
2	Base			(16,864,771)			
3	Fuel Cost						
4	Other						
5	Total Revenue	0	0	(16,864,771)	0	0	0
6							
7	OPERATING EXPENSES						
8	Operation and Maintenance Expenses						
9	Production Expenses						
10	Fuel Cost						
11	Other						
12	Total Production Expense	0	0	0	0	0	0
13	Transmission Expense						
14	Distribution Expense					0	
15	Customer Accounts Expense						
16	Customer Serv & Info Expense						
17	Sales Expense						
18	Administrative & General Expense						
19	Amortization of Deferred Expense			(11,457,257)	0		
20	Total Operation and Maintenance Expenses	0	0	(11,457,257)	0	0	0
21							
22	Depreciation Expense	0	0	0	0	0	0
23							
24	Taxes Other Than Income Taxes						
25	Other Federal Taxes						
26	State and Other Taxes						
27	Total Taxes Other Than Income Tax	0	0	0	0	0	0
28							
29	State & Municipal Income Taxes						
30	Normal and Surtax	0	0	(42,752)	0	0	0
31	Prov Deferred Income Tax (Deferrals)						
32	Prov Deferred Income Tax (Writebacks)						
33	Total State Income Tax Expense	0	0	(42,752)	0	0	0
34							
35	Federal Income Taxes						
36	Normal and Surtax	0	0	(1,877,667)	0	0	0
37	Prov Deferred Income Tax (Deferrals)						
38	Prov Deferred Income Tax (Writebacks)						
39	Total Federal Income Tax Expense	0	0	(1,877,667)	0	0	0
40							
41	Total Oper. Expenses and Tax	0	0	(13,377,676)	0	0	0
42							
43	Net Operating Income	0	0	(3,487,095)	0	0	0

DUKE ENERGY OHIO, INC.
CASE NO. 12-1682-EL-AIR
ANNUALIZED REVENUE

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3.1
PAGE 1 OF 1

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

PURPOSE and DESCRIPTION	TOTAL AMOUNT	ALLOCATION CODE	PERCENT	JURISDICTIONAL AMOUNT
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PURPOSE and DESCRIPTION: To eliminate unbilled revenue and to adjust test year base and other revenues to the amounts calculated on Staff Schedule E-4.

Billed Base Revenue Adjustments	3,402,081	DALL	100.0000%	3,402,081
Unbilled Revenue	(20,724,227)	DALL	100.0000%	(20,724,227)
Total Base Revenue	<u>\$ (17,322,146)</u>			<u>\$ (17,322,146)</u>

↓
To Sch C-3 Summary

Other Revenue	<u>\$ 21,889</u>	DALL	100.0000%	<u>\$ 21,889</u>
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To Sch C-3 Summary

DUKE ENERGY OHIO, INC.
CASE NO. 12-1682-EL-AIR
ANNUALIZE TEST YEAR WAGES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3.4
PAGE 1 OF 1

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

PURPOSE and DESCRIPTION	TOTAL AMOUNT	ALLOCATION CODE PERCENT	JURISDICTIONAL AMOUNT
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PURPOSE and DESCRIPTION: To annualize test year payroll costs
as of August 2012

Total	\$ <u>423,021</u>	100.000% \$ <u>423,021</u>
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To Sch C-3 Summary

DUKE ENERGY OHIO, INC.
CASE NO. 12-1682-EL-AIR
ANNUALIZED DEPRECIATION EXPENSE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3.5
PAGE 1 OF 1

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

PURPOSE and DESCRIPTION	TOTAL AMOUNT	ALLOCATION CODE	PERCENT	JURISDICTIONAL AMOUNT
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PURPOSE and DESCRIPTION: To reflect the adjustment to annualized depreciation expense as shown on Schedule B-3.2 based on plant at March 31, 2012.

Total	\$ (5,498,799)	DALL	100.000%	\$ (5,498,799)
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To Sch C-3 Summary

DUKE ENERGY OHIO, INC.
CASE NO. 12-1682-EL-AIR
PROPERTY TAX ADJUSTMENT
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3.8
PAGE 1 OF 1

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

PURPOSE and DESCRIPTION	TOTAL AMOUNT	ALLOCATION CODE	PERCENT	JURISDICTIONAL AMOUNT
(1) Personal Property Tax (a)	\$67,646,159			
(2) Real Property Tax	<u>628,941</u>			
(3) Adjusted Property Tax Expense (1) + (2)	\$68,275,100			
(4) Less: Test Year Expense (c)	<u>66,593,800</u>			
Total	<u>\$ 1,681,300</u>	DALL	100.000%	<u>\$ 1,681,300</u>



To Sch C-3 Summary

DUKE ENERGY OHIO, INC.
CASE NO. 12-1682-EL-AIR
INTEREST EXPENSE DEDUCTIBLE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3.10
PAGE 1 OF 2

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

PURPOSE and DESCRIPTION	TOTAL AMOUNT	ALLOCATION CODE	PERCENT	JURISDICTIONAL AMOUNT
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PURPOSE and DESCRIPTION: To reflect income taxes at 35.00% due to interest deductible for tax purposes being based on rate base at March 31, 2012 as shown on Schedule B-1 and the weighted cost of debt of 2.48% as shown on Schedule D-1.

Municipal Income Tax	\$	331	DALL	100.0000%	\$ 331
Federal Income Tax		14,548	DALL	100.0000%	14,548
Total	\$	<u>14,879</u>			<u>14,879</u>



To Sch C-3 Summary

DUKE ENERGY OHIO, INC.
CASE NO. 12-1682-EL-AIR
BUDGET EXPENSES

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

SCHEDULE C-3.13
PAGE 1 OF 1

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

PURPOSE and DESCRIPTION	TOTAL AMOUNT	ALLOCATION CODE PERCENT	JURISDICTIONAL AMOUNT
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PURPOSE and DESCRIPTION: To reduce budgeted accounts to normalized levels

Account

924	Property Insurance	(431,406)	
929	Duplicate Charges - Credit	(1,914,297)	
930.2	Miscellaneous General Expense	(1,317,115)	
	Total	<u>\$ (3,662,818)</u>	<u>\$ (3,662,818)</u>

DALL

100.000%

\$

(3,662,818)



To Sch C-3 Summary

DUKE ENERGY OHIO, INC.
CASE NO. 12-1682-EL-AIR
ELIMINATE NON-JURISDICTIONAL EXPENSES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3.14
PAGE 1 OF 1

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

PURPOSE and DESCRIPTION	TOTAL AMOUNT	ALLOCATION CODE	PERCENT	JURISDICTIONAL AMOUNT
Distribution Expense	\$ (1,760)	DALL	100.000%	\$ (1,760)
Customer Serv & Info Expense	(48,640)	DALL	100.000%	(48,640)
Sales Expense	(347,962)	DALL	100.000%	(347,962)
Administrative & General Expense	(342,426)	DALL	100.000%	(342,426)
Total Operating Expense Adjustment	\$ (740,788)			\$ (740,788)

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

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To Sch C-3 Summary

DUKE ENERGY OHIO, INC.
CASE NO. 12-1682-EL-AIR
ANNUALIZE PUCO AND OCC ASSESSMENTS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3.15
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S):: WPC-3.15a

PURPOSE and DESCRIPTION	TOTAL AMOUNT	ALLOCATION CODE PERCENT	JURISDICTIONAL AMOUNT
Annualize PUCO, OCC and Division of Forecasting Assessments	\$ 849,713	DALL 100.000%	\$ 849,713
Total	<u>\$ 849,713</u>		<u>\$ 849,713</u>

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To Sch C-3 Summary

DUKE ENERGY OHIO, INC.
CASE NO. 12-1682-EL-AIR
ANNUALIZE PENSION AND BENEFITS EXPENSE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3.17
PAGE 1 OF 1

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

PURPOSE and DESCRIPTION	TOTAL AMOUNT	ALLOCATION CODE	PERCENT	JURISDICTIONAL AMOUNT
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PURPOSE and DESCRIPTION: To annualize pension and benefits expense based on annualized test year salaries and wages and budgeted loading rate.

Pension and Benefits Adjustment	\$	(490,421)	DALL	100.000%	\$	(490,421)
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To Sch C-3 Summary

DUKE ENERGY OHIO, INC.
CASE NO. 12-1682-EL-AIR
ANNUALIZE PAYROLL TAXES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3.18
PAGE 1 OF 1

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

PURPOSE and DESCRIPTION	TOTAL AMOUNT	ALLOCATION CODE	PERCENT	JURISDICTIONAL AMOUNT
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PURPOSE and DESCRIPTION: To annualize payroll taxes

Total	\$ (503,579)	DALL	100.000%	\$ (503,579)
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To Sch C-3 Summary

DUKE ENERGY OHIO, INC.
CASE NO. 12-1682-EL-AIR
ANNUALIZE COMMERCIAL ACTIVITIES TAX
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3.19
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S): WPC-3.19a

PURPOSE and DESCRIPTION	TOTAL AMOUNT	ALLOCATION CODE PERCENT	JURISDICTIONAL AMOUNT
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PURPOSE and DESCRIPTION: To annualize the amount of
test year Commercial Activities Tax based on annualized revenue.

Total	\$ (35,246)	DALL 100.000%	\$ (35,246)
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To Sch C-3 Summary

DUKE ENERGY OHIO, INC.
CASE NO. 12-1682-EL-AIR
ANNUALIZE CINCINNATI FRANCHISE TAX
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3.20
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S):: WPC-3.20a

PURPOSE and DESCRIPTION	TOTAL AMOUNT	ALLOCATION CODE PERCENT	JURISDICTIONAL AMOUNT
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PURPOSE and DESCRIPTION: To annualize the amount of
test year Cincinnati Franchise Tax based on annualized revenue.

Total	DALL	100.000%	\$ -
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To Sch C-3 Summary

DUKE ENERGY OHIO, INC.
CASE NO. 12-1682-EL-AIR
VEGETATION MANAGEMENT
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3.21
PAGE 1 OF 1

PURPOSE and DESCRIPTION	TOTAL AMOUNT	ALLOCATION CODE PERCENT	JURISDICTIONAL AMOUNT
PURPOSE and DESCRIPTION: To adjust expenses for increased vegetation management expenses	\$ 700,000	DALL 100.000%	\$ 700,000

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To Sch C-3 Summary

DUKE ENERGY OHIO, INC.
CASE NO. 12-1682-EL-AIR
INCREASED MEDICAL COSTS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3.27
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S)::

PURPOSE and DESCRIPTION	TOTAL AMOUNT	ALLOCATION CODE	PERCENT	JURISDICTIONAL AMOUNT
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PURPOSE and DESCRIPTION: To adjust expenses for increased medical costs.

Medical Cost Adjustment (a)	\$ -	DALL	100.000%	\$ -
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To Sch C-3 Summary

(a) Increase in Medical costs are included in Pension and Benefits actual 2012 loading rates shown on Schedule C-3.17

DUKE ENERGY OHIO, INC.
CASE NO. 12-1682-EL-AIR
ADJUSTED JURISDICTIONAL FEDERAL AND STATE INCOME TAXES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-4
PAGE 1 OF 1

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

LINE NO.	DESCRIPTION	AT CURRENT RATES			AT STIPULATED RATES	
		UNADJUSTED DISTRIBUTION	SCHEDULE C-3 ADJUSTMENTS	ADJUSTED DISTRIBUTION	PROFORMA ADJUSTMENTS	PROFORMA
		(1)	(2)	(3)	(4)	(5)
		(\$)	(\$)	(\$)	(\$)	(\$)
1	Operating Income before Federal					
2	and State Income Taxes	144,163,569	(76,663,293)	67,500,276	48,483,148	115,983,424
3						
4	Reconciling Items:					
5	Interest Charges	(27,539,174)	1,139,217	(26,399,957)	0	(26,399,957)
6	Net Interest Charges	(27,539,174)	1,139,217	(26,399,957)	0	(26,399,957)
7						
8	Tax Depreciation	(120,591,769)		(120,591,769)	0	(120,591,769)
9	Book Depreciation	61,485,726	(5,498,799)	55,986,927	0	55,986,927
10	Excess of Tax over Book Depreciation	(59,106,043)	(5,498,799)	(64,604,842)	0	(64,604,842)
11						
12	Other Reconciling Items:					
13	Temporary Differences	(73,702,874)	(1,097,320)	(74,800,194)	0	(74,800,194)
14	Permanent Differences	125,923	0	125,923	0	125,923
15	Total Other Reconciling Items	(73,576,951)	(1,097,320)	(74,674,271)	0	(74,674,271)
16	Total Reconciling Items	(160,222,168)	(5,456,902)	(165,679,070)	0	(165,679,070)
17	Federal Taxable Income	(16,058,599)	(82,120,195)	(98,178,794)	48,483,148	(49,695,646)
18						
19	State Income Tax Adjustments:					
20	Unallowable Depreciation	0	0	0	0	0
21	Ohio Taxable Income Adj - OH Franchise	0	0	0	0	0
22	Total State Income Tax Adjustments	0	0	0	0	0
23						
24	State Taxable Income	(16,058,599)	(82,120,195)	(98,178,794)	48,483,148	(49,695,646)
25						
26	State Income Tax @ 0.4011%	(64,411)	(329,384)	(393,795)	194,467	(199,328)
27	Municipal Income Tax @ 0.3895%	(62,548)	(319,861)	(382,409)	188,842	(193,567)
28	State Income Tax	(126,959)	(649,245)	(776,204)	383,309	(392,895)
29						
30	Provision for Deferred State Income Taxes:					
31	Deferred Income Taxes	860,071	42,716	902,787	0	902,787
32	Total State & Municipal Income Tax Expense	733,112	(606,529)	126,583	383,309	509,892
33						
34	Federal Taxable Income (Line 17)	(16,058,599)	(82,120,195)	(98,178,794)	48,483,148	(49,695,646)
35						
36	State Income Tax Deductible (Line 26)	(64,411)	(329,384)	(393,795)	194,467	(199,328)
37	Municipal Income Tax Deductible (Line 27)	(62,548)	(319,861)	(382,409)	188,842	(193,567)
38						
39	Federal Taxable Income	(15,931,640)	(81,470,950)	(97,402,590)	48,099,839	(49,302,751)
40						
41	Federal Income Taxes @ 35% (A)	(5,576,074)	(28,514,835)	(34,090,909)	16,834,944	(17,255,965)
42	Federal Income Taxes - Current	(5,576,074)	(28,514,835)	(34,090,909)	16,834,944	(17,255,965)
43						
44	Provision Deferred Federal Income Taxes - Net					
45	Deferred Income Tax on Depreciation	20,803,094	1,911,932	22,715,026	0	22,715,026
46	Other Deferred Income Taxes - Net	25,626,489	381,538	26,008,027	0	26,008,027
47	Deferred Income Tax Adjustment - ARAM	644,131	0	644,131	0	644,131
48	Deferred Income Tax Adjustment - Flow-Through	1,692,346	0	1,692,346	0	1,692,346
49	Amortization of Investment Tax Credit	(572,034)		(572,034)	0	(572,034)
50	Total Deferred Income Taxes	48,194,026	2,293,470	50,487,496	0	50,487,496
51						
52	Total Federal Income Taxes	42,617,952	(26,221,365)	16,396,587	16,834,944	33,231,531

(A) Calculation may be different due to rounding