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The Public Utilities
Commission of Ohio

A report by the Staff of the
Public Utilities Commission of Ohio

Duke Energy Ohio, Inc.

Case No. 07-589-GA-AIR



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STAFF'S REPORT
OF
INVESTIGATION

In the Matter of the Application of
Duke Energy Ohio, Inc. for an
Increase in Gas Rates.

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)
)

Case No. 07-589-GA-AIR

Submitted
to
The Public Utilities Commission

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)
Duke Energy Ohio, Inc. for an) Case No. 07-589-GA-AIR
Increase in Gas Rates.)

Alan R. Schriber, Chairman
Paul A. Centolella, Commissioner
Ronda Hartman Fergus, Commissioner
Valerie A. Lemmie, Commissioner
Donald L. Mason, Commissioner

To The Honorable Commission:

In accordance with the provisions of R.C. Section 4909.19, the Commission's Staff has conducted its investigation in the above matter and hereby submits its findings in the within Staff Report.

The Staff Report has been jointly prepared by the Commission's Utilities Department and Service Monitoring and Enforcement Department.

In accordance with R.C. Section 4909.19, copies of the Staff Report have been filed with the Docketing Division of the Commission and served by certified mail upon the mayors of all affected municipalities and other public officials deemed representative of the service area affected by the application. A copy of said report has also been served upon the utility or its authorized representative. Interested parties are advised that written objections to any portion of the Staff Report must be filed within thirty (30) days of the date of the filing of said report after which time the Commission will promptly set this matter for public hearing. Written notice of the time, place, and date of such hearing will be served upon all parties to the proceeding.

The Staff Report is intended to present for the Commission's consideration the results of the Staff's investigation. It does not purport to reflect the views of the Commission nor should any party to said proceeding consider the Commission as bound in any manner by the representations or recommendations set forth therein. The Staff Report, however, is legally cognizable evidence upon which the Commission may rely in reaching its decision in this matter. (See *Lindsey v. Pub. Util. Comm.*, 111 Ohio St. 6 (1924))

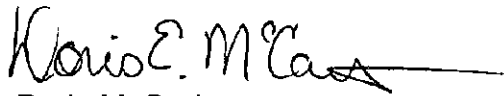
Respectfully submitted,

Utilities Department

A handwritten signature in black ink, appearing to read "Steven R. Brennen", with a long horizontal stroke extending to the right.

Steven R. Brennen
Director

Service Monitoring and Enforcement Department

A handwritten signature in black ink, appearing to read "Doris E. McCarter", with a long horizontal stroke extending to the right.

Doris McCarter
Director

STAFF ACKNOWLEDGEMENTS

The Staff Report components reflect the results of investigations conducted by the Staff of the Applicant's rate application. The Staff person responsible for each component is shown below:

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BACKGROUND

The Applicant, Duke Energy Ohio, Inc., (Duke or the Company) was incorporated in Ohio on April 3, 1897, as Cincinnati Gas, Light and Coke Company. It was renamed Cincinnati Gas & Electric Company (CG&E) in 1901, and its present name Duke Energy Ohio, Inc. was adopted in 2006. Growth, acquisitions and mergers throughout the years have resulted in the present operation in which the Applicant renders electric or gas service, or both, in ten counties in Ohio. The Applicant is a public utility engaged in the business of distribution and sale of gas to approximately 426,000 customers located in eight counties in the southwest section of Ohio.

On October 24, 1994, Cincinnati Gas & Electric merged with PSI Resources Inc. to form Cinergy Corporation. Cinergy was the parent Company to both PSI Energy, Inc. (PSI Resources' utility subsidiary) and CG&E.

On June 1, 2005, Cinergy Corporation and Deer Holding Corporation filed an application with the Commission requesting authorization to merge Cinergy Corporation and Duke Energy Corporation. The Commission approved the merger and the Applicant was renamed Duke Energy Ohio, Inc. effective April 3, 2006.

On June 18, 2007, in Case No. 07-589-GA-AIR, the Applicant filed a notice of intent to file an application for an increase in rates to be charged for gas service for its entire service area subject to the jurisdiction of the Commission. The Applicant's filing also included a notice of intent to file an application for approval of an alternative rate plan for its gas distribution service under Case No. 07-590-GA-ALT. In concert with this latter filing, the Applicant reserved Case No. 07-591-GA-AAM to serve as notice of its intent to file an accounting application.

In the alternative rate application, the Applicant seeks the Commission approval: first, to extend the term of the accelerated main replacement program (Rider AMRP) for another nine years with some modifications; second, to recover its investment in its Utility of the Future initiative through a new rider (Rider AU); and third, to recover sales revenue loss through a new sales decoupling rider (Rider SD).

In its accounting application, the Applicant requested authority to change accounting methods to defer certain costs to be later recovered as part of its AMRP expenditures, and to capitalize the cost of certain property relocations and replacements. Regarding the notice for an increase in rates, the Applicant requested that the test year period be established as the twelve months ending December 31, 2007, and that the date certain be March 31, 2007. By its Entry of September 5, 2007, the Commission approved the requested date certain and test year period.

The rates proposed by the Applicant when applied to test year sales volumes would generate approximately \$34 million of additional revenues. This is an increase of 5.71% over total adjusted current operating revenues.

OPERATING INCOME AND RATE BASE

SCOPE OF INVESTIGATION

On August 1, 2007, the Commission authorized the Staff to issue a request for proposal (RFP) to hire a consultant to attest to the accuracy of the financial data contained in the Standard Filing Requirements Section B through Section E. The selected auditor was required to complete the guideline procedures contained in the RFP and was to complete any additional procedures it considered necessary to complete the review.

On September 5, 2007 the Commission selected Blue Ridge Consulting Services, Inc. (Blue Ridge) to conduct the review and the Commission directed Duke to enter into a contract with Blue Ridge for the purpose of providing payment for its services. The cost of providing these services is included in the Staff's rate case expense recommendation.

Blue Ridge completed its investigation and its report has been docketed in this case.

FORMAT OF THE SCHEDULES

The Applicant provided the Staff and the parties in the case an electronic copy of the standard filing requirements, Schedules A through E. The Staff was able to use the operating income and rate base portions of that electronic filing to format its schedules. The Staff commends the Applicant for the efforts it put into the electronic SFRs. It saved the Staff significant time preparing the Staff Report and it is a tool that helps put the consumer groups and other parties in the case on equal footing with the Applicant.

REVENUE REQUIREMENTS

Schedule A-1 presents the Staff's determination of the Applicant's revenue requirements. The Staff recommended revenue increase is shown on Staff's Schedule A-1. This determination is based on the examination of the accounts and records of the Applicant for the twelve months ended December 31, 2007, the test year in this proceeding. The results of its examination are summarized in this report, and the schedules that incorporate the Staff's recommended rate of return, rate base, and adjusted test year operating income.

Common Plant to Gas Allocators

Blue Ridge Consultants recommended that the Common Plant to Gas allocator be updated from the 2004 baseline used in the application (18.68%) to a 2006 baseline (13.5%). The Staff's adjusted plant in service, depreciation reserve and property taxes reflect this recommendation. Further discussion of this re-allocation can be found in the Blue Ridge Report.

RATE BASE

The rate base represents the net value of Applicant's plant and other assets as of the date certain, March 31, 2007, which was used and useful in providing gas utility service to its customers and upon which its investors are entitled to the opportunity to receive a fair and reasonable rate-of-return.

The Staff's recommended rate base is divided into Plant In Service, Depreciation, Construction Work In Progress, Working Capital, and Other Rate Base Items. A comparison of rate base submitted by the Applicant and that, which is recommended by the Staff, is shown on Schedule B-1. Schedules B-2 through B-6 provides additional support to the Staff's figures.

Plant In Service

As a result of Blue Ridge's investigation and the Staff's review of the application, the Staff recommends certain adjustments be made to the Applicant's date certain plant investment for ratemaking purposes. These adjustments are identified below, summarized on Schedule B-2.2, and are reflected in the calculation of jurisdictional plant in service figures on Schedule B-2.1.

Hartwell Facility Exclusion

Both the Applicant and the Staff proposed an adjustment to exclude the entire date certain investment in the Hartwell facility. This facility is used primarily for recreational purposes and various outside parties periodically use it. The Staff's jurisdictional adjustment incorporates the use of the composite, common plant allocation factor.

Depreciation

Depreciation is the process which distributes the original cost of depreciable assets, adjusted for net salvage, over the normal life of the property in a systematic and rational manner. The Staff's investigation of depreciation is segregated into two areas: Depreciation Reserve, and Depreciation Accrual Rates and the corresponding Depreciation Expense. Each of these is discussed in detail in the following sections.

Depreciation Reserve

The Applicant maintains depreciation reserve, by account, on a total Company basis. The Staff adjusted the Applicant's depreciation reserve to exclude reserve associated with the adjustments as discussed in the Plant in Service section. These adjustments are summarized on Schedule B-3.1.

In order to determine if the Applicant's booked reserve for depreciation is proper and adequate, the Staff generally finds it useful to compare the book reserve with a calculated theoretical reserve, as a guide to whether past accrual rate calculations have been appropriate. The Staff compared the Applicant's booked reserve level with a calculated theoretical reserve, based on the Staff's recommended accrual rates and plant and reserve balances as of December 31, 2006. As is often the case, certain accounts will indicate a theoretical overaccrual, while others indicate an underaccrual. The net effect of these differences is a moderate overaccrual, which is not inconsistent with the depreciation accrual rates proposed. The Staff determined that the overall booked reserve is in sufficient agreement with the theoretical reserve calculation. Therefore, it is the Staff's opinion that the actual jurisdictional reserve for depreciation, as adjusted by the Staff on Schedule B-3, is proper and adequate and should be used for purposes of this proceeding.

Depreciation Accrual Rates and Depreciation Expense

The Applicant's current depreciation accrual rates were prescribed by this Commission in Case No. 01-1359-GA-AAM for the gas plant accounts and in its Opinion and Order in Case No. 05-59-EL-AIR for the common plant accounts.

The Applicant filed a depreciation study for its gas plant performed by its consultant, Gannett Fleming Valuation and Rate Consultants, Inc. The Applicant's accrual rates, for most gas plant accounts, were developed using the straight-line average service life method of depreciation. For Structures and Improvements – Major and Structures and Improvements - Leaseholds, a lifespan analysis was used. For certain General Plant gas accounts, the annual depreciation amounts were based on amortization accounting. The Applicant's depreciation study included Common Plant accounts that are common to both electric and gas operations.

The Staff conducted a review of the depreciation study provided by the Applicant. The Staff finds itself in general agreement with the service life, projected retirement dispersion and net salvage parameters proposed in the Applicant's study. However, the Staff noted small differences in some accounts between the accrual rates proposed by the Applicant and those that the Staff calculated based on the parameters proposed.

In addition, there is some concern with regard to the treatment of the Asset Retirement Obligation and how it is reflected in the net salvage percentages used in determining the proposed accrual rates. It is at this time unclear to what extent retirements of the type covered by the Asset Retirement Obligation treatment are included in the historical retirements used as part of the determination of the Net Salvage figures. To the extent that the cost of removing environmentally hazardous materials is already reflected in the Net Salvage estimates proposed, there may be a "double counting" of those costs between depreciation expense and the Asset Retirement Obligation treatment. The Staff is continuing its review in this area, and may revise its recommendations based on that review.

The Staff recommended accrual rates are shown on Schedule B-3.2a. The Staff recommends that the Applicant be ordered to use the accrual rates shown on Schedule B-3.2a for book depreciation purposes, effective concurrently with customer rates resulting from this proceeding.

The Staff has long maintained that accrual rates should be thoroughly reviewed at least every three to five years. The Staff, therefore, recommends that in five years Applicant submit a depreciation study for all gas plant accounts.

The Staff's calculation of depreciation expense, based on the adjusted jurisdictional plant in service balances at date certain and the accrual rates discussed above, is shown on Schedule B-3.2.

Construction Work In Progress

The Applicant did not request any allowance for construction work in progress in its filing and Staff, as shown on Schedule B-4, did not recommend an allowance.

Working Capital

Working capital has been generally defined as the average amount of capital provided by investors in the Company, over and above the investments in plant and other specifically identified rate base items, to bridge the gap between the time that expenditures are required to provide service and the time collections are received for the service.

The Applicant's working capital request was a thirteen month average balance for gas enricher liquids, other, gas stored underground, materials and supplies minus a thirteen month balance of customer deposits.

The Applicant did not prepare a lead lag study for this case therefore; the Staff can not recommend a working capital allowance.

Other Rate Base Items

The Staff reduced rate base by the date certain balances of customer advances for construction, post retirement benefits and accumulated unrestricted investment tax credits. The Staff also reflected a net reduction of deferred taxes created by timing differences of tax to book expense recognition.

The Staff's recommendation reflects the Error/Corrections recommended by Blue Ridge to customer advances for construction.

Other rate base items are detailed on Schedule B-6.

OPERATING INCOME

The Applicant's test year operating income consists of three months of actual data for the period January 1 through March 31, 2001, and nine months of forecasted data for the period April 1 through December 31, 2001. The Staff adjusted the Applicant's test year operating income as required to render it appropriate as a basis for setting rates.

The Staff's proforma operating income is the Staff's adjusted test year operating income modified to reflect the Applicant's increase in revenues and the associated increases in uncollectible accounts expense and federal income taxes.

Schedules C-1 and C-2 present the Staff's determination of operating income. The calculations, methodologies and rational used to develop the Staff's adjusted and proforma operating income are detailed on Schedules A-1.1, C-3.1 through C-3. and C-4.

Proforma Adjustments

Schedule C-1 sets forth the Applicant's proposed increase in operating revenues based on the Applicant's proposed rates and associated increases in uncollectible expenses and federal income taxes.

Current Adjustments

Base Revenue

Both the Staff and the Applicant adjusted base revenues to annualize revenues to reflect the most recent rates granted by the Commission with the test year sales. Also included in the adjustment are adjustments to the percentage of income plan rider (PIPP), accelerated main replacement program rider (AMRP), contact commitment cost recovery rider (CCCR), and the gas surcredit rider. The adjustment also eliminates the merger savings credit rider (MSR), unbilled revenue and increases test year revenues to include revenues for the budgeted months for reconnection charges, bad debts charges, rents and miscellaneous Other Revenues.

The Staff's adjustment is presented on Schedule C-3.1.

Gas Cost Expense

The Staff and the Applicant synchronized the test year gas cost recovery rider revenues (GCR) and gas cost expense by annualizing test year gas sales with an EGC rate of \$8.883/MCF. The adjustment also eliminates unbilled gas cost revenues and unbilled gas cost expenses.

The Staff's gas cost expense adjustment is included in Schedule C-3.1.

Capitalization of Annual Main Replacement Program (AMRP) Customer Installations

The Applicant proposes to continue the AMRP that was authorized in its last base rate case (01-1228-GA-AIR). The Applicant requests that curb-to-meter replacement and riser replacement costs be included with the mains replacement program. The Applicant proposes that it retain ownership of the curb to meter replacement costs and that those costs be capitalized. Currently, curb to meter and riser replacement costs are expensed. As a part of this request, the Applicant recommends that the test year curb to meter replacement and riser replacement expense be removed and that these costs be amortized over three years.

The Staff's discussion of the proposed AMRP is included in the Proposed Alternative Regulation Plan section of this report. The Staff recommends that, consistent with its AMRP recommendation, the test year expenses be removed but that these costs be amortized over a five year period instead of a three year period as requested by the Applicant. The Staff's adjustment is shown on Schedule C-3.2.

Rate Case Expense

The Staff's recommended rate case expense is detailed on Schedule C-3.3. It includes the Applicant's estimate of rate case expense plus Staff's estimate of Blue Ridge consultant's costs amortized over five years.

Labor Expense

The Applicant adjusted test year labor expenses to annualize wage increases expected to occur throughout the test year. The annualization includes an allocation of the labor-related expenses of employees of the service Company and other affiliated companies.

The Staff reviewed the Applicant's adjustment and recommends it for this proceeding. This recommendation does reflect the Error/Corrections recommended by Blue Ridge. The Staff's labor expense is presented on Schedule C-3.4.

Depreciation Expense

Depreciation expense was adjusted to reflect the Staff's recommended depreciable plant in service as of the date certain, depreciation accrual rates, and amortization of limited term plant investments. The Staff's adjustment to depreciation is presented on Schedule C-3.5, with supporting calculations provided on Schedule B-3.2. Further discussion on depreciation can be found in the Rate Base Section of this Report.

Reclassification of Interest on Customers' Deposits

Consistent with the treatment of customers' deposits as an offset to the Applicant's rate base, the Staff reclassified the associated interest expense to operating expenses.

The Staff's adjustment is shown on Schedule C-3.6.

Ohio Excise Tax Liability Rider

The Staff and the Applicant adjusted test year revenues and expenses to synchronize the Ohio excise tax liability rider (ETR) and the Ohio excise tax expense.

The Staff's adjustment is presented on Schedule 3.7

Annualized Property Tax Expense

The Applicant's property tax expense is based on date certain investment, actual valuation percentage and actual tax rates. The Staff adjusted the Applicant's calculation to reflect the Error/Corrections and the Common Plant to Gas re-allocation recommended by Blue Ridge.

The Staff's adjustment is presented on Schedule 3.8.

Percentage of Income Payment Plan

The Staff and the Applicant adjusted test year revenues and expenses to synchronize the percentage of income payment plan (PIPP) rider revenues with the expense.

The Staff's adjustment is presented on Schedule C-3.9.

Interest Expense

The Staff and the Applicant adjusted the federal income tax expense calculation for the deductible interest expense allowance (weighted cost of debt times rate base) and to eliminate the deferred allowance related to allowance for funds used during construction and the deferred allowance related to capitalized interest.

The Staff's adjustment is presented on Schedule C-3.10

Budget Correction

The Applicant adjusted operating income for known changes in operation and maintenance expenses since the preparation of the official operating budget. The Staff agrees with the adjustment and presents it on Schedule C3-11.

State Tax Rider

The Staff and the Applicant adjusted test year revenues and expenses to synchronize the state tax (SRT) rider revenues with the expense.

The Staff's adjustment is presented on Schedule C-3.12.

Hartwell Expense

Both the Applicant and the Staff excluded the expenses associated with the Hartwell Recreation Facility from test year operating expenses. This adjustment

is consistent with the Staff's exclusion of the Hartwell plant investment from rate base.

The Staff's exclusion is shown on Schedule C-3.13.

Non-Jurisdictional Expenses

The Applicant has proposed an adjustment to eliminate non-jurisdictional expenses from the test year. This adjustment excludes donations, sponsorships, events, and various expenses that are not recoverable in gas distribution rates. The Staff agrees with the adjustment but has made the error correction recommended by Blue Ridge.

The Staff's adjustment is presented on Schedule C-3.14.

PUCO and OCC Assessments

The Applicant and the Staff have adjusted the test year PUCO and OCC tax assessments to the latest know cost. The Staff's adjustment also reclassifies the assessments from Operation and Maintenance Expense to State and Other Taxes.

The Staff's adjustment is presented on Schedule C-3.15.

Uncollectible Expense

The Applicant and the Staff have annualized the test year uncollectible expense to reflect the adjustments to operating revenues.

The Staff's adjustment is presented on Schedule C-3.16.

Pension and Benefits Expense

The Applicant and Staff annualized the pension and benefits expense to reflect adjustments to test year wage expense.

The Staff's adjustment is presented on Schedule C-3.17.

FICA Taxes

The Applicant and the Staff annualized FICA taxes to reflect adjustments to test year wage expense.

The Staff's adjustment is presented on Schedule C-3.18.

Unemployment Taxes

The Applicant and the Staff annualized unemployment taxes to reflect adjustments to test year wage expense. The Staff's adjustment does reflect the Error/Corrections recommended by Blue Ridge

The Staff's adjustment is presented on Schedule C-3.19.

Post In Service Carrying Cost

The Applicant and the Staff adjusted test year expenses to annualize post in service carrying costs accrued as of March 31, 2007. These costs were not included in Duke's budget. The adjustment also adjusts deferred federal income taxes associated with post in service carrying costs.

The Staff's adjustment is presented on Schedule C-3.20.

Gas Weatherization Program

The Applicant proposed an adjustment to increase the amount spent for the gas weatherization program per the merger agreement. The Staff has not included this adjustment in its recommended revenue requirement. Further discussion of the Staff's position can be found in the Proposed Alternative Regulation Plan section of this report.

RATE OF RETURN

The Staff recommends a rate of return in the range of 8.17% to 8.75%. The recommended rate of return was developed using a cost of capital approach, which reflects a market-derived cost of equity, the Applicant's embedded cost of long-term debt, and the embedded capital structure. See Schedule D-1.

Capital Structure

The Applicant, Duke Energy Ohio, is a wholly-owned subsidiary of Duke Energy Corporation which is a publicly traded, public utility holding company. The Staff used the capital structure of Duke Energy Ohio, from Applicant's D-1A, in the rate of return determination.

Cost of Long Term Debt

The Staff employed the embedded cost of long term debt of Duke Energy Ohio, as of March 31, 2007, from Applicant's Schedule D-3A. In the calculation of the weighted cost of debt, the annual interest is divided by the carrying value. The debt calculation includes the effect of unamortized debt expense, unamortized discount or premium on sale, and unamortized gain or loss on reacquisition on both the interest cost and the carrying value. Staff utilized the embedded cost of long term debt of 5.87% on Schedule D-1.

Cost of Common Equity

The Staff considered a group of utilities which are representative of the industry for purposes of cost of equity estimation. This group consists of companies publicly traded on the New York Stock Exchange, and are categorized as "power" companies in Global Energy's Energy Velocity Suite. These companies have Total Liabilities and Other Credits greater than \$10 billion. They have Gas Operating Revenues reported in either the Energy Velocity Suite's "power" or "fuels" data bases. Based on these criteria, the Staff selected the following comparable group of nine companies:

<u>Company Name</u>	<u>Ticker</u>
DTE Energy Company.	DTE
Consolidated Edison, Inc.	ED
Edison International	EIX
Entergy Corporation	ETR
Exelon Corporation	EXC
PG&E Corporation	PCG
Public Service Enterprise Group, Inc.	PEG
Xcel Energy, Inc.	XEL
Duke Energy Corporation	DUK

The Staff employed a cost of equity estimate for the comparable group companies that is the average of their capital asset pricing model (CAPM) and discounted cash flow (DCF) derived estimates. In calculating its CAPM cost of common equity estimate, the Staff employed the average of the Value Line betas, being .90625 and the Ibbotson*¹ derived spread of arithmetic mean total returns between large company stocks and long term government bonds (i.e., "risk free return"; 6.5%). These were used in the CAPM formulation with the weighted average of 10 year and 30 year weekly closing Treasury yields for the period from November 20, 2006 through November 19, 2007. The weighting was done in a manner that emphasized later quarters to a greater degree. The averaged 10 year yield is 4.64%. The averaged 30 year yield is 4.86%. These average to 4.75%. This was added to the product of the beta and the 6.5% spread, and resulted in a CAPM cost of equity estimate of 10.64%. See Schedule D-1.2.

In calculating its DCF cost of common equity estimate, for each comparable company, the Staff employed the annual average stock price, the sum of the last four quarterly declared dividends, estimates of the expected rate of growth of earnings, and generic issuance costs related to the external equity financing. The stock price employed is the average weekly closing price for the period from November 20, 2006 through November 19, 2007.

¹ * Ibbotson Associates 2007 Yearbook: Stocks, Bonds, Bills and Inflation; Valuation Edition

The DCF model assumes that earnings growth and dividends growth are the same. The Staff averaged earnings per share estimates from Reuters, Yahoo, MSN, and Value Line to get DCF growth estimates for each company. See Schedule D-1.3. The Value Line average incorporates both the explicit long-range earnings estimate shown in the "box" and the implicit continuous growth rate calculated from the estimates of earnings per share. Value Line's 2007 earnings per share (eps) estimate for DTE Energy Company is out of the trend otherwise shown by Value Line. The Staff cannot reconcile this single year growth rate to the long term growth rate. The Staff changed the 2007 Value line eps estimate from \$3.85 to \$3.00, in order to reflect the long term growth rate, which brought the calculated growth rate to nearly equal the "boxed" growth rate.

For the Staff's determination of DCF cost of equity, a non-constant DCF growth rate was assumed. Dividends were assumed to grow at a rate derived from financial analysts' growth estimates for the first five years (i.e., long term growth rate). The Staff's DCF growth estimates were used for the first five years, as they are averages of estimates from various investor news services. From the twenty-fifth year on, the growth rate was assumed to equal the long-term growth rate in GNP. For the sixth through twenty-fourth years, dividends vary between the two rates in a linear fashion. See Schedules D-1.4 through D-1.12. The long-term growth rate in GNP was the average annual change in GNP from the U. S. Department of Commerce for 1929 through 2005. See Schedule D-1.13.

Based on long-term GNP growth, the respective company DCF growth estimate and dividend, a stream of annual dividends was calculated. The internal rate of return derived from the dividend stream and the stock price was used for Staff's non-constant growth DCF cost of equity estimate.

The comparable group non-constant DCF cost of equity estimates average 10.77%. When averaged with the 10.64% CAPM estimate, the result is 10.71%. The Applicant's capital structure has less debt leverage than the comparable group companies (approximately .79 vis-a-vis .96 debt-to-equity ratio), and thus less financial risk. Staff adjusted the baseline return on equity range downward by approximately 42 basis points to reflect the Applicant's reduced risk profile as compared to the comparable group companies. Using a one-hundred basis point range of uncertainty, the cost of equity estimate becomes 9.78% to 10.78%. See Schedule D-1.1. To provide for this return, allowance must be made for issuance and other costs, as shown on Schedule D-1.1, resulting in an adjustment factor of 1.02267. Applying this factor to the baseline cost of common equity range results in a recommendation of 10.00% to 11.03%.

Additionally, in its application, the Company has proposed a number of non-traditional measures which are designed to alleviate certain problems. The Company has proposed that the annual caps on the AMRP program be eliminated and that the program be extended through 2015, that the costs of a riser/service line replacement

program be included in the proposed AMRP rider, and that a Utility of the Future initiative be initiated to recover costs of a new advanced metering program through a new Rider AU. In addition, the Company has advanced a method of decoupling which will reduce volatility of revenues. While the Staff is advocating a different mechanism, the Staff's proposal will serve the same purpose.

These measures would reduce the risks that the Company faces with respect to revenues and cost recovery. Inasmuch as the costs of capital reflect risks, the reductions in business and regulatory risks should be considered.

RATES AND TARIFFS

By its application in Case No. 07-589-GA-AIR, Duke Energy Ohio requests authority to increase rates to be charged and collected for gas service within its service territory.

The Utilities Department Commission Staff has investigated the rate and tariff matters proposed by the Applicant. The results of the Staff's investigation are reported in this section. It is Staff's intent to provide analysis with regard to the acceptability and reasonableness of the changes in revenue recovery mechanisms contained in the proposed tariffs. Proposals made by the Staff may require adjustments based on the revenue and rate structure authorized by the Commission.

Staff's Tariff Analysis addresses changes specific to individual rate schedules, changes which apply to more than one specific rate class, and tariff additions and deletions. Rate Design will analyze the Current, Applicant Proposed and Staff-Recommended mechanisms for rate recovery. Rate and Revenue Analysis is dedicated to the propriety and impact of the rate schedule proposal. Tables which portray the effects of Current, Proposed, and Staff-Recommended rates on typical bills are presented at the end of the report.

TARIFF ANALYSIS

The Applicant is proposing various textual changes to its tariffs. Unless noted, Staff recommends approval of these changes as proposed by the Applicant. In addition, Staff is making recommendations to change certain language to reflect the current minimum service standard requirements of 4901:1-13 of the Ohio Administrative Code, which became effective on January 1, 2007. The proposed changes are provided as follows:

Section I – Service Agreements

Original Sheet No. 20.3: Staff believes the tariff should state that Duke is governed by Minimum Gas Service Standards, and therefore recommends that the following language be added to the beginning of this section:

1. Minimum Service Standards. Duke Energy of Ohio shall comply with the minimum gas service standards for natural gas companies as set forth in Chapter 4901:1-13 of the Ohio Administrative Code, a copy of which may be viewed on the Public Utilities Commission of Ohio's Web site at www.puco.ohio.gov, or obtained from the Public Utilities Commission of

Ohio upon request. Where the Public Utilities Commission of Ohio has granted a waiver to Duke Energy of Ohio for any provision of the minimum gas service standards, Duke Energy of Ohio shall comply with the terms of any Order granting such waiver.

Original Sheet No. 20.3, "Company's Right to Refuse or to Disconnect Service"

Section 3 (i): the Applicant included language in this section regarding disconnection of service to residential customers for nonpayment. Staff believes that the Applicant should also include language regarding disconnection of small commercial customers for nonpayment. Staff recommends the following language: "For disconnection of service to small commercial customers for nonpayment, the Company shall follow the procedures as set forth in Ohio Administrative Code, Rule 4901:1-13-08."

Section 3 (j) concerns theft of service or any fraudulent representation or practice. The Applicant needs to add a statement that in addressing such practice it shall follow the termination procedures prescribed by Rule 4901:1-13-09, O.A.C. Staff recommends adding the following sentence: "The Company shall follow the procedures as set forth in Rule 4901:1-13-09 of the Ohio Administrative Code prior to termination of service."

Section II – Supplying and Taking of Service

Original Sheet No. 21.6, "Supplying Service" section: The last sentence in the fourth paragraph incorrectly references Rule 4901:1-18-11 of the O.A.C. The correct reference is Rule 490:1-18-10, O.A.C.

Original Sheet No. 21.6, "Information Relative to Service" section: This section advises customers of information relative to the installation and relocation of piping. Staff recommends that the Applicant add language stating that it shall comply with the installation requirements of Rule 4901:1-13-05, O.A.C.

Original Sheet No. 21.6, "Use of Service" section: The last paragraph in this section addresses reasons for disconnecting a customer for an unauthorized act. Staff recommends that the Applicant add the following language: "The Company shall follow the procedures provided in Rule 4901:1-13-09 of the Ohio Administrative Code concerning the disconnection of service for fraudulent practice, tampering, and theft of gas."

Original Sheet No. 21.6, "Access to Premise" section: The current language in this paragraph states that, "Upon request, the Company's authorized agent will display his/her identification badge or Company pass and state the reasons for requiring access." To make this language consistent with the requirements of Rule 4901:1-13-07 of the O.A.C., Staff recommends that the Company revise it to read, "Upon request, the

Company's authorized agent shall identify himself/herself, provide Company photo identification, and state the reason for the visit."

Section III – Customer's and Company's Installations

Original Sheet No. 22.6, "Nature and Use of Installation" Section: Duke is proposing new tariff language which states, "The piping and fittings for the distribution of gas after it has passed the meter, may be installed by any competent gas fitter employed by the customer or proprietor of the premises, subject, however, to the inspection, test and approval of the accredited agency having jurisdiction." Staff recommends the following sentence be added to this section, "The Company shall comply with Rule 4901:1-13-05 of the Ohio Administrative Code with respect to testing gas piping downstream of the meter."

Original Sheet 22.6, "Installation, Repair and Replacement of Lines" section: The seventh paragraph of this section requires that "When relocation of service piping or equipment, including the meter is required by the customer such work shall be done by the Applicant at the customer's expense." Staff recommends the Applicant revise the sentence to read, "When relocation of service piping or equipment, including the meter, is required by the customer, such work shall be done by the Company and the Company's actual cost to perform such relocation shall be borne by the customer. "

SECTION IV - Metering

Original Sheet No. 23.5, "Basis for Bill Adjustment" section: This paragraph concerns billing adjustments to correct overcharges or undercharges due to periods of meter inaccuracy. Staff believes this provision should reference the statute and rule the Applicant must follow when billing for such overcharge or undercharge, and recommends the following language: "The Company shall comply with the requirements of Section 4933.28 of the Ohio Revised Code when billing residential customers for previously undercharged usage, and shall comply with the requirements of Rule 4901:1-13-04 (G) of the Ohio Administrative Code when billing small commercial customers for such usage."

SECTION V – Billing and Payment

Original Sheet No. 24.8, "Billing Periods – Time and Place for Payment of Bills": The first paragraph of this section states, "Bills ordinarily are rendered regularly at monthly intervals, but may be rendered more or less, frequently at the Company's option." Giving Duke the option to change billing intervals is contrary to the requirements of Rule 4901:1-13-11 (B), O.A.C., which requires that bills shall be

rendered at regular intervals. Staff recommends that the language, "but may be rendered more or less, frequently at the Company's option" be removed.

In the second paragraph, this section states that if the Company can not obtain an actual meter reading in a twelve month period, it may, at its option, refuse or disconnect service. Staff recommends that the Applicant substitute the following language: "If the Company has been unable to obtain a meter reading for a period of twelve (12) consecutive months, the Company may, at its option and after following its approved meter access plan, disconnect service to the premises in accordance with Section I Paragraph 3."

The fourth paragraph of this section concerns termination of service and allows the Applicant to rely on estimated meter readings for the purpose of the final bill. To comply with Rule 4901:1-13-04 (G) (5) and (6), O.A.C., the Company should revise the second and third sentences to read: "This calculation shall be based on an actual meter reading if the meter has not been read within the immediately preceding seventy days of service and access to the meter is provided. If the meter has been read within the immediately preceding seventy days of service, the Applicant shall inform the customer, when the customer contacts the Company, of the option to have an actual meter read, at no charge to the customer."

The fifth paragraph of this section concerns the Applicant's request for initiation of service, and states: "The Company may estimate the reading for the initial date of service." To make this sentence consistent with Rule 4901:1-13 (G)(6), O.A.C., Staff recommends the following sentence be added: "If the meter has been read in the immediately preceding seventy days, the Company shall inform the customer, when the customer contacts the Company, of the option to have an actual meter read, at no charge to the customer."

The last paragraph in this section concerns the priority given to customers' partial payments, but it fails to specify the priority of regulated over unregulated charges. To comply with Rule 4901:1-13-11 (G), O.A.C., Staff recommends the last sentence of the second paragraph be revised as follows: "If a partial payment is made, the amount will be applied to items of indebtedness in the same order as they have accrued, starting with regulated charges followed by the unregulated charges".

Original Sheet No. 24.8, "Bill Adjustment": This section concerns bill adjustments for overcharges and undercharges due to inaccurate billing. Staff recommends the Applicant revise this provision to state: "The Company shall comply with the provisions of Rule 4901:1-13-04 (G) of the Ohio Administrative Code with respect to billing adjustments to correct inaccurate billing to residential and small commercial customers as a result of a meter or metering inaccuracy or other continuing problem under the Company's control."

Section VI – Disconnection for Non-Payment and Deposit Provisions

Original Sheet 25.7, “Disconnection for Nonpayment: Non-Residential Customers”: This section concerns disconnection for nonpayment of nonresidential customers. To comply with the new Minimum Gas Service Standards, the Applicant should add an additional sentence that states: “For small commercial customers the Company will comply with the provisions of the disconnection rules set forth in Rule 4901:1-13-08 of the Ohio Administrative Code as amended.”

Original Sheet 25.7, “Deposit Provision”: This section concerns the provisions the Applicant must follow when a security deposit is required. The Company should add an additional sentence that states: “For small commercial customers the Company shall comply with the provisions of the disconnection rules set forth in Rule 4901:1-13-08 of the Ohio Administrative Code as amended.”

Riders

The Applicant is proposing only minor changes to the various riders currently in effect.

The Residential Conservation Service and Merger Savings Riders are proposed to be eliminated. The Merger Savings Rider (MSR-G) was established in Case No. 05-732-EL-MER, *et al*, to pass through a share of the net savings associated with the merger of Cinergy Corp. with Duke Energy. On April 26, 2007 Duke filed a notice in the above referenced docket that they had completed the provision of credits in the full amount agreed to in the Stipulation and requesting the Commission allow the Company to eliminate the riders. Staff recommends the Commission approve the cancellation of Rider MSR-G.

The Residential Conservation Service Program was initially mandated by the National Energy Conservation Policy Act of 1978. The section of the Act that required this program was terminated as of June 30, 1989. Duke is proposing to cancel Rider RCS because it provides direct funding for the types of services that were to be funded by the RCS. Staff recommends the Commission approve the cancellation of Rider RCS.

Rider GSR – Gas Sur-credit Rider

Rider GSR, Gas Sur-credit Rider is a credit provided to choice customers to compensate for their share of the PUCO and OCC assessments associated with commodity sales that is embedded in base rates. Since choice suppliers are separately charged their share of those assessments based on their intrastate commodity sales, the credit provides an offset to the amount of the base rate assessment associated with the commodity portion of the bill. Without the credit, choice customers would potentially double pay the assessment on their commodity purchases. The credit is proposed to be increased from \$0.0009999 to \$0.0012479 per Ccf. Staff recommends approval of this change.

Duke has also proposed the re-approval of the Accelerated Mainline Replacement Program Rider (Rider AMRP), a new Utility of the Future Rider (Rider UF) and a new Sales Decoupling Rider (Rider SD). Each of these is discussed in detail in the Proposed Alternative Regulation Plan section of this report.

Rate SAC – Retail Natural Gas Supplier and Aggregator Charges

The Applicant is proposing several changes to Rate SAC, Retail Natural Gas Supplier and Aggregator Charges.

A new monthly fee is proposed for additional actively billed retail natural gas supplier rate codes (following the first 25 actively billed rate codes per month). Currently this service is provided at no charge and no supplier has more than 25 rate codes. This is a new charge in response to an increase in rate code requests by suppliers. The \$30 rate was calculated by applying the fully loaded labor costs of \$60 per hour to the estimated one half hour per rate code to perform the update. Staff recommends approval of this new charge.

The Returned Check Charge is increased from \$13.50 to \$20.00 per check. This increase is consistent with the current Returned Check Charge in tariff Sheet No. 81.4 which applies to all other customers. Staff recommends approval of this increase.

Hourly charge for administrative and technical support to institute program modifications is increase from \$75 to \$125 per hour. This reflects an increase in the rate Duke now budgets for IT projects. It reflects the IT costs Duke incurs on behalf of a gas supplier requesting a non-standard supplier rate. Staff recommends approval of this increase.

The charge for a request by a gas supplier or aggregator for a one page duplicate bill is increased from \$0.26 to \$0.3325 per bill to reflect Duke's current first-class bulk mailing rate. Staff recommends approval of this increase.

The fee for providing PUCO mandated abandonment notices as bill messages is being reduced from \$0.225 to \$0.125. This charge better reflects the actual postage costs Duke incurs from the additional bill page that results from inclusion of an abandonment notice. Staff recommends approval of this change.

RATE DESIGN AND REVENUE ANALYSIS

Rate and Revenue Guidelines

General guidelines and objectives are followed in Staff's review of rate schedules and design. The applicable schedules should provide the utility the opportunity of recovering an authorized revenue. The various schedules should represent a reasonable distribution of revenue between and among the various customer groups. The particular schedules should be equitable and reasonable, should provide for customer understanding and continuity of rates, and should cause minimal customer impact.

Rate design criteria are to be viewed as a package, in that they are interrelated. Although each item can be separately identified and applied to rate schedule determinations, no single standard is overriding in determining proper rate design. The rate schedules which comprise a particular utility's tariffs should provide for recovery of expenses found proper in the course of a regulatory proceeding. Normally, and to the extent sufficient information is available, cost of service studies and related expense analyses are necessary to determine the appropriate level of revenue to be generated and the appropriate recovery of such revenue.

From a practicable rate design standpoint, absolute equality between costs and revenues may be difficult to achieve in the short term. While it may be viewed as equitable to set rates at cost, if there is a substantial divergence in the current rates, the resulting impact on individual customers may be viewed as unreasonable. While desiring cost supporting charges, Staff considers such items as resulting typical customer billings and resulting revenue increases which would necessarily occur. These tests help provide benchmarks with regard to reasonableness of charges in rate forms. While it is Staff's position that rate schedules reflect costs, it is also important to consider the continuity associated with current and proposed pricing structures. This may result in movement towards more closely aligning revenue with costs rather than an absolute match at a particular time period.

In summary, gas rates should:

- Be predicated on costs
- Be fair, equitable and reasonable
- Cause minimal impact (sometimes called "gradualism") when changed
- Provide continuity in pricing structures
- Provide the utility the opportunity to recover an authorized revenue by providing for the recovery of costs found proper in a regulatory proceeding

The preceding standards are important and each has value. They are, however subjective, and it is generally impossible to fully accomplish them all. Sometimes one standard (the most obvious being that the rates must provide the utility with the

opportunity to recover its authorized revenue requirement supersedes, to a degree, the others). Sometimes the standards are in conflict and to accomplish one, another might be set aside (e.g. in this application, the need for rates to be predicated on costs may cause changes in pricing structures resulting in greater than minimal impacts on some customers).

Cost of Service Analysis

Generally, there are three capacity allocations that are commonly used – coincident demand, non-coincident demand, and average and excess demand. The standard filing requirements allow the selection of any of these approaches, or alternatives, when, in the utility's opinion, the procedure best represents the utility's system characteristics.

The Applicant filed a peak and average method allocating cost to the various classes. This method assumes the minimum capacity is necessary to deliver the total gas used and is equal to average daily deliveries. The remainder of the capacity is allocated based upon the difference between the average daily capacity and between the peak day capacity. Staff finds the methodology reasonable. The Applicant is proposing eliminating 100% of the subsidy/excess revenues over a three-year period between classes. The first year would eliminate 33% of the subsidy/excess revenues, the second year the proposed rates would eliminate 67% of the subsidy/excess revenues, and the final year eliminating 100%. Although the overall proposed revenue remains the same for each year of the three year phase-in, the revenues between classes are adjusted to reflect movement toward cost of service. Staff accepts the proposed allocation method; however, Staff is proposing moving customers towards the cost of service eliminating 67% of the subsidy/excess revenues instead of the Applicant's 100%.

REVENUE ANALYSIS

Rates and charges shown in the rate schedule tables may require adjustment based on the revenue requirement granted by the Commission, and/or changes in the rate areas, or changes in rate structure approved by the Commission.

Staff recommends the Applicants proposed phase-in rates for year 1 and year 2 only. Tables 1 through 4 show the Applicant's proposed as accepted by Staff for the 2 year phase-in period. Applicant's current and proposed increase is shown in Tables 1 and 2, excluding and including gas cost.

The values include Gas Cost of \$ 8.83 per Mcf.

TABLE 1(a)
Year 1

Total Revenue Excluding Gas Cost

	Current	Applicant Proposed	Increase
Residential Service	\$ 114,214,333	\$ 140,333,595	\$ 26,119,262
General Service			
Commercial	34,627,616	34,635,232	7,616
Industrial	4,792,252	5,292,858	500,606
Other	<u>3,153,690</u>	<u>3,456,096</u>	<u>302,406</u>
Total General Service	42,573,558	43,384,186	810,628
Transportation Service			
Residential Transportation	17,141,006	21,019,556	3,878,550
Firm Transportation	24,371,224	26,304,852	1,933,628
Interruptible Transportation	<u>10,418,276</u>	<u>11,818,910</u>	<u>1,400,634</u>
Total Transportation Service	51,930,506	59,143,318	7,212,812
Total	\$ 208,718,397	\$ 242,861,099	\$ 34,142,702

TABLE 1(b)
Year 2

Total Revenue Excluding Gas Cost

	Current	Applicant Proposed	Increase
Residential Service	\$ 114,214,333	\$ 145,895,806	\$ 31,681,473
General Service			
Commercial	34,627,616	32,024,175	(2,603,441)
Industrial	4,792,252	4,748,537	(43,715)
Other	<u>3,153,690</u>	<u>3,109,687</u>	<u>(44,003)</u>
Total General Service	42,573,558	39,882,399	(2,691,159)
Transportation Service			
Residential Transportation	17,141,006	21,859,754	4,718,748
Firm Transportation	24,371,224	23,779,221	(592,003)
Interruptible Transportation	<u>10,418,276</u>	<u>11,444,208</u>	<u>1,025,932</u>
Total Transportation Service	51,930,506	57,083,183	5,152,677
Total	\$ 208,718,397	\$ 242,861,388	\$ 34,142,991

TABLE 2(a)
Year 1

Total Revenue Including Gas Costs and Miscellaneous Revenue

	Current	Applicant Proposed	Increase
Residential Service	\$ 371,821,853	\$ 397,941,115	\$ 26,119,262
General Service			
Commercial	127,631,687	127,639,303	7,616
Industrial	24,182,322	24,682,928	500,606
Other	<u>15,493,309</u>	<u>15,795,715</u>	<u>302,406</u>
Total General Service	167,307,318	168,117,946	810,628
Transportation Service			
Residential Transportation	17,141,006	21,019,556	3,878,550
Firm Transportation	24,371,224	26,304,852	1,933,628
Interruptible Transportation	<u>10,418,276</u>	<u>11,818,910</u>	<u>1,400,634</u>
Total Transportation Service	51,930,506	59,143,318	7,212,812
Subtotal	\$ 591,059,677	\$ 625,202,379	\$ 34,142,702
Misc. Revenue	6,514,128	6,514,128	0
Total	\$ 597,573,805	\$ 631,716,507	\$ 34,142,702

TABLE 2 (b)
Year 2

Total Revenue Including Gas Costs and Miscellaneous Revenue

	Current	Applicant Proposed	Increase
Residential Service	\$ 371,821,853	\$ 403,503,326	\$ 31,681,473
General Service			
Commercial	127,631,687	125,028,246	(2,603,441)
Industrial	24,182,322	24,138,607	(43,715)
Other	<u>15,493,309</u>	<u>15,449,306</u>	<u>(44,003)</u>
Total General Service	167,307,318	164,616,159	(2,691,159)
Transportation Service			
Residential Transportation	17,141,006	21,859,754	4,718,748
Firm Transportation	24,371,224	23,779,221	(592,003)
Interruptible Transportation	<u>10,418,276</u>	<u>11,444,208</u>	<u>1,025,932</u>
Total Transportation Service	51,930,506	57,083,183	5,152,677
Subtotal	\$ 591,059,677	\$ 625,202,668	\$ 34,142,991
Misc. Revenue	6,514,128	6,514,128	0
Total	\$ 597,573,805	\$ 631,716,796	\$ 34,142,991

Applicant's current and proposed revenue distribution, is shown in Tables 3 and 4, excluding and including gas costs.

TABLE 3(a)
Year 1

Total Revenue Excluding Gas Costs

	Current	Applicant Proposed
Residential Service	54.72%	57.78%
General Service		
Commercial	16.59%	14.26%
Industrial	2.30%	2.18%
Other	<u>1.51%</u>	<u>1.42%</u>
Total General Service	20.40%	17.86%
Total Transportation	24.88%	24.35%
Total	100.00%	100.00%

TABLE 3(b)
Year 2

Total Revenue Excluding Gas Costs

	Current	Applicant Proposed
Residential Service	62.91%	63.65%
General Service		
Commercial	21.59%	20.42%
Industrial	4.09%	3.95%
Other	<u>2.62%</u>	<u>2.53%</u>
Total General Service	28.31%	26.89%
Total Transportation	8.79%	9.46%
Total	100.00%	100.00%

TABLE 4(a)
Year 1

Total Revenue Including Gas Costs

	Current	Applicant Proposed
Residential Service	62.91%	63.65%
General Service		
Commercial	21.59%	20.42%
Industrial	4.09%	3.95%
Other	<u>2.62%</u>	<u>2.53%</u>
Total General Service	28.31%	26.89%
Total Transportation	8.79%	9.46%
Total	100.00%	100.00%

TABLE 4(b)
Year 2

Total Revenue Including Gas Costs

	Current	Applicant Proposed
Residential Service	62.91%	64.54%
General Service		
Commercial	21.59%	20.00%
Industrial	4.09%	3.86%
Other	<u>2.62%</u>	<u>2.47%</u>
Total General Service	28.31%	26.33%
Total Transportation	8.79%	9.13%
Total	100.00%	100.00%

Rate Design

Staff has traditionally recommended and supported a rate design for the natural gas distribution component consisting of a minimal customer charge and a volumetric rate or blocks of rates. That structure, while not truly cost-reflective, sufficed to allow the utility the opportunity to recover the recommended revenue requirement as long as gas consumption remained level or increased. In recent years, due primarily to the volatile

and relatively high cost of gas (to be recovered through the Gas Cost Recovery mechanism), the trend of gradually increasing gas consumption, per customer, has been reversed. Therefore, Duke, and other gas utilities, has seen the recovery of distribution costs deteriorate as the volume of gas used decreased.

In this case, Staff recommends a rather significant change in its rate structure policy. Rather than recovery via a minimal customer charge and relatively high volumetric rates, Staff recommends that the Commission approve a rate structure primarily based on a fixed distribution service charge. In reality, most distribution-related costs are fixed. The distribution facilities required to serve a small residence are most likely the same as those required to serve a larger residence. The distribution facilities required to serve a minimum number of gas appliances in a residential unit are most likely the same as those required to serve a residence with multiple gas appliances. The costs to the utility vary only slightly, if at all, by the volume of gas used.

In addition to a better reflection of cost causation, the primarily fixed- charge-based rate structure accomplishes other rate objectives. It levelizes the distribution component of a customers' bill, providing rate certainty. It reduces the revenue deterioration of a utility in a time of reduced consumption; thus, reducing the need for frequent rate cases. It alleviates the need for a decoupling mechanism which requires frequent controversial reconciliations and weather adjustments. From the companies' point of view, it eliminates its natural disincentive to promote energy conservation which, when rate are volume-based, causes revenue erosion.

Staff is keenly aware, however, of the pitfalls of this significant change in the design of rates. The biggest negative impact being that the change from a primarily volume-based rate to a primarily fixed charge rate often results in large price increases to low use customers (or, if the fixed charge is "blocked," to the lower use customers in the block). A secondary disadvantage is that the fixed charge structure reduces the incentive on the part of the customer to reduce its usage. Staff, however, finds that this argument is much less relative in the case of distribution rates. The distribution portion of a customer's bill is relatively small compared to the total bill. The cost of gas to be recovered through the Gas Cost Recovery mechanism will continue to serve as the incentive to a customer to keep its usage to a minimum. Finally, the current rate schedules are designed as "residential" or "general service" in nature. General Service customers are much less homogeneous than residential customers and a simple fixed charge may not be the appropriate cost recovery mechanism.

With all of these things in mind, Staff proposes and recommends a change in rate design that phases in the change from a primarily volumetric rate to a primarily fixed charge rate. The following table illustrates the phased-in concept.

Monthly Billing Determinates					
	Current	Year 1 Applicant Proposed	Year 1 Staff Proposed	Year 2 Applicant Proposed	Year 2 Staff Proposed
Residential Service.					
Customer Charge	\$ 6.00	\$ 15.00		\$ 15.00	
Fixed Distribution Service Charge					
< 50 ccf annually			\$ 10.00		\$ 12.50
> 50 ccf annually			\$ 20.25		\$ 25.33
Volumetric Charge	0.185910	0.227960	0.153942	0.247140	0.099103
General Service					
Customer Charge	\$ 21.00	\$ 40.00		\$ 40.00	
Fixed Distribution Service Charge					
< 50 ccf annually			\$ 25.00		\$ 27.50
> 50 < 2000 ccf annually			\$ 35.25		\$ 40.33
> 2000 < 4000 ccf annually			\$ 50.00		\$ 55.00
> 4000 ccf annually			\$ 130.00		\$ 180.00
Volumetric Charge					
1st 1000 ccf	0.163000	0.194740		0.169800	
Next 4000 ccf	0.157000	0.187740		0.162800	
> 5000 ccf	0.154000	0.183730		0.158800	
All ccf			0.153527		0.099052

Staff Discussion of Recommendation

The table represents a Staff "concept" of a two-year-phase-in to a primarily fixed charge rate. Because the filing does not "block" consumption by annual blocks, it is likely that the Staff proposed rates do not exactly produce the Applicant's proposed annual revenues; but, from information provided to Staff by the Applicant in data requests, the recommendations should serve as a reasonable facsimile for discussion purposes. The rates are meant to reflect the Applicant's proposed revenue for each of the two years (i.e. Applicant has proposed an increasing revenue requirement for the Residential class and a corresponding decreasing revenue requirement for the General Service class). While Staff recommends the phased-in revenue requirement adjustments, this table should in no way be taken as a recommendation by the Staff of the Rates and Tariffs Division as to the overall revenue requirement recommended by the appropriate Staff in other sections to this report. The table is meant to reflect the revenue requested by the Applicant for comparative purposes only. It is intended to reflect changes to the rate design that the Applicant has proposed.

Staff is also aware that the test year data in the blocked format may not be readily available. Further, Staff is aware that such a significant change in rate design may require modifications to the current billing system. Due to these, and perhaps other unknown limitations, Staff prefers to characterize its recommendation as a "concept"

which may require modifications based on the availability of data and the limitations of the billing system.

There are other "twists" to the Staff's recommendation which should be noted. While Staff is recommending the fixed charge approach as a replacement for the Applicant's proposed decoupling mechanism, Staff recommends limiting the "phase in" to two years (a) to evaluate the results, and (b) to reduce the overall impact of the annual increases to the residential revenue requirement and decreases to the general service revenue requirement.

Next, it is apparent that there are a significant number of residential and general service accounts that use such small volumes of gas that it is likely that the usage is for something other than space or water heating. While Staff's proposal attempts to mitigate the rate increase to these customers to alleviate drastic changes, from a cost causation viewpoint, these customers are no different than other customers. Staff recommends that the Applicant work with these customers to notify them that, in the future, they may see significant increases simply by taking limited service.

Finally, it is likely that the traditional "residential/general service" schedules may not be the appropriate mechanisms to reflect cost causation through rates. A more appropriate mechanism for rate differentials may be a more "facilities-based" approach. Staff recommends that the Commission require the Applicant to perform an analysis addressing this issue. If the analysis indicates a change is appropriate, the Applicant should so reflect that change in its next distribution rate case.

While not part of Staff's recommendation, it has been suggested that the "fixed" component of the proposed residential rate could be "seasonal." For example, instead of twelve months at \$20/month, there could be four summer months at \$10/month and eight shoulder and winter months at \$25/month. The rationale for that format would be to keep the summer gas bill low as customers are accustomed. On the other hand, some have suggested going the other way. For example, there could be eight warm weather months at \$25/month and four colder weather months at \$10/month. The rationale for that format would be to lower the distribution component of the bill to offset the higher GCR component during the colder months when the volumes used are higher. Staff welcomes comment on this seasonal variation.

Rate IT – Interruptible Transportation Service

Staff is not proposing any changes to the current rate structure for interruptible customers and recommends approval at the Applicant's proposed second year phase-in. The Applicant is proposing eliminating the floor rate of \$.030 per Ccf as referenced in the "Competitive Flexibility" section of this tariff. In data request response No. 12, the Applicant states that the current rate can potentially limit Duke's ability to encourage some customers to use gas instead of alternative fuels. Staff believes the Applicant should have the latitude in negotiating interruptible transportation agreements, but should recover the appropriate costs. Staff recommends the Applicant add the following language; "The rate may be flexed between the upper bound of the basic transportation rate and a lower bound that recovers all variable costs of service and provides a contribution to the Company's fixed costs of providing service. Such reduced rates may be determined based on competitive services available to the customer, the quality of service and the Company's need to achieve load preservation or the economic recovery of costs of the Company."

TYPICAL BILLS

Monthly typical bills are shown in E-5 Schedules of the end of this report. Calculation of the typical bills uses a gas cost of \$8.83 per Mcf.

PIPELINE SAFETY

Staff has conducted natural gas pipeline safety (GPS) audits of the Duke Energy Ohio, Inc. (Duke) distribution and transmission systems. The purpose of the audits was to assess Duke's compliance with state and federal pipeline safety regulations outlined in Administrative Code 4901:1-16 and the Code of Federal Regulations, 49 C.F.R. Parts 191, 192, 199, and 40.

GPS audits involve the following:

- Review of records of compliance with gas pipeline safety regulations.
- Physical site visits to verify compliance with safety inspections standards.
- Review of operations plans, emergency plans and associated standards and procedures for compliance with emergency response, construction, operations and maintenance requirements.
- Review of drug and alcohol programs for employees and contractors.
- Review of Public Awareness Program and associated records.
- Review of Operator Qualification programs and records.
- Inspection of gas pipeline construction projects in the field for code compliance with safety regulations and the operators own construction procedures.
- Review of the Ohio Utilities Protection Service and Call Before You Dig Programs.
- Review of the Pipeline Integrity Management Program and associated records.

Scheduled Annual Audit Inspections: For calendar years 2005, 2006 and 2007

Staff conducted gas pipeline safety audits and field inspections on Duke for the calendar years of 2005, 2006 and 2007. The records audits were performed out of the Applicant's headquarters building at 139 East Fourth Street Cincinnati, Ohio. The field inspections were conducted at different pipeline facilities and consisted of pressure regulator stations, critical valves, corrosion test point stations, rectifiers, leakage survey areas, odorant testing, and inspection of exposed pipe locations in the Duke gas system. GPS audits are conducted on an annual basis and are required to confirm that Duke is complying with federal and state gas pipeline safety regulations.

Findings: Scheduled Annual Audit Inspections

During the records review portion of the GPS audit a number of areas were reviewed such as: valve maintenance, pressure regulation, corrosion control, leakage survey, pipeline patrolling, drug and alcohol records, operator qualification, public awareness, damage prevention, pressure testing, odorization, and emergency response. All records were reviewed for compliance with the appropriate timeline of inspection and maintenance on the gas pipeline system. Staff noted that in the 2006 records review section of the audit of the previous year, the Applicant missed inspecting six critical valves in 2005. Section 49 C.F.R. § 192.747 requires critical valves to be inspected on an annual basis not to exceed 15 months. As a result of Duke's failure to inspect some of their critical valves in compliance with 49 C.F.R. § 192.747, Staff sent the Applicant a letter of probable noncompliance.

In response to the letter of probable non compliance Duke adopted a primary and secondary means of tracking critical valve documents. The primary tracking mechanism is a feature of the Smallworld GIS system which lists critical valves yet to be inspected at 12 month intervals, not to exceed 15 months. The secondary measure is a separate database used to track the status of the critical valve inspections. The use of both methods will allow the Applicant to identify the valves that have not been inspected and prevent reoccurrence of the code violation.

Pipeline Safety Incidents and Outages

In 2006, Duke was involved in a natural gas incident¹ involving a house explosion in Middletown, Ohio resulting from a breach of a sewer line by a gas service line that had been installed by directional boring. A letter of probable noncompliance was issued to the Applicant for the violation of their own plans and procedures under 49 CFR §192 .13 (c), which requires each operator to maintain, modify as appropriate, and follow the plans, procedures, and programs that it is required to establish under this code section.

In response to the letter of probable non compliance Duke adopted a new installation procedure in 2006 which requires a pre-locate of sewer lines before mains can be installed. In addition the location of the sewer lines are video recorded after the gas main installation is completed, to ensure that no sewer line is breached during the gas main installation process. Duke also limited the situations where they will allow installation of curb to meter service lines using directional boring.

¹ Administrative Code 4901:1-16-01 (f) "Incident" means an event that involves a release of gas from an intrastate gas pipeline facility and results in any of the following: (1) a death, (2) personal injury requiring inpatient hospitalization, (3) estimated property damage of fifty thousand dollars or more, which is the sum of: (a) the estimated cost of repairing and/or replacing the physical damage to the pipeline facility, (b) the cost of material, labor and equipment to repair the leak, and light up, (c) the cost of gas lost by an operator or person or both. Cost of gas lost shall not include the cost of gas in a planned operational release of gas by an operator, which is performed in compliance with the pipeline safety code, (d) the estimated cost of repairing and/or replacing other damaged property of the operator or others, or both.

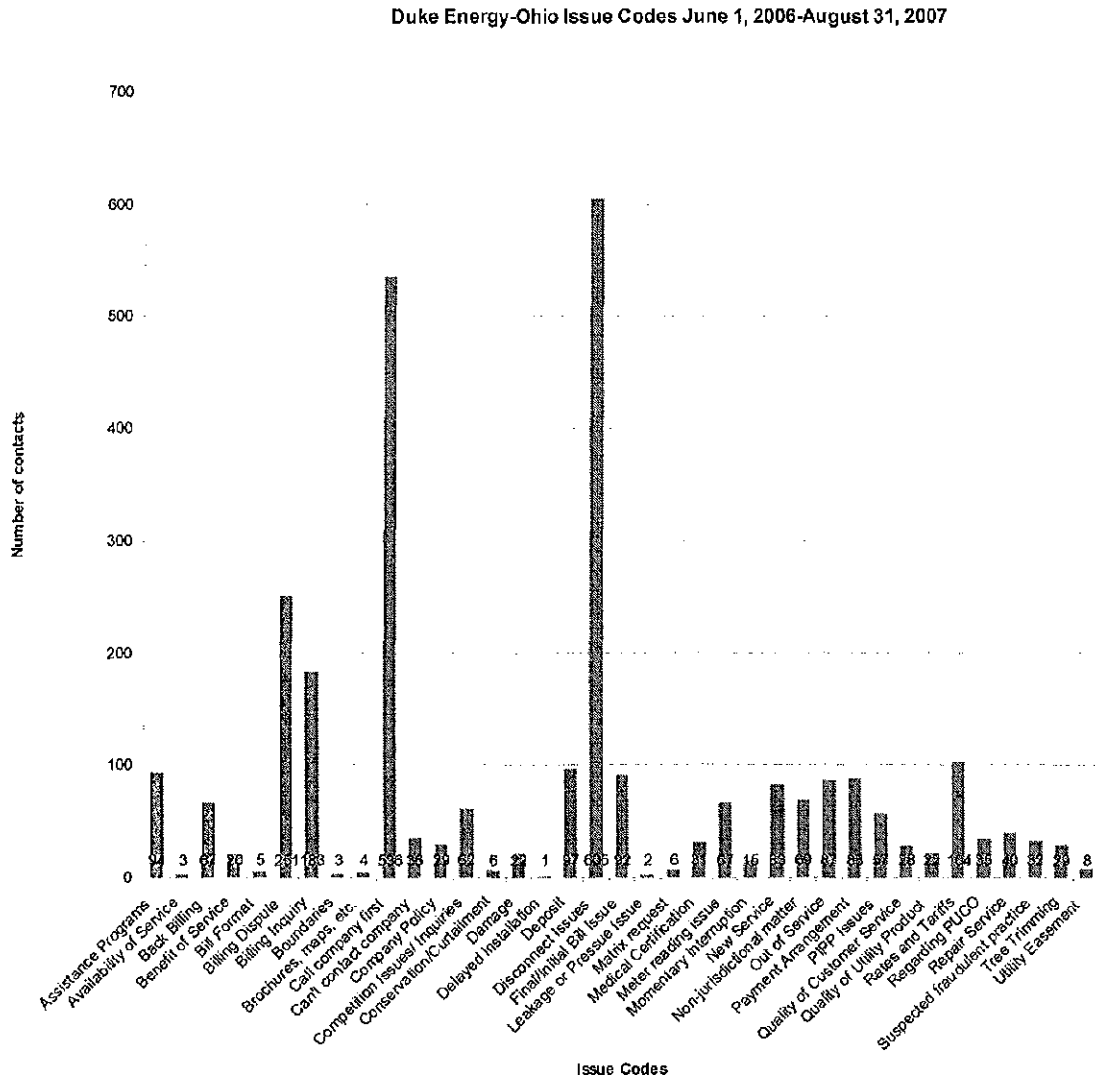
CUSTOMER SERVICE AUDIT

Staff performs customer service audits to ensure compliance with pertinent statutes, rules, and tariffs. Staff completed a customer service audit of Duke in October 2007 regarding the customer service performance, practices, and procedures of the Applicant. Staff found that overall, the Applicant was in compliance with the rules and regulations set forth by the Public Utilities Commission of Ohio. However a review of Duke's billing practices revealed that the Applicant was bundling the customer's excise tax with the gas cost recovery rate. Administrative Code 4901:1-13-11 (B) (9) requires the gas cost recovery rate to be expressed in dollars and cents per mcf or ccf, which would not include the associated excise tax. Staff brought this discrepancy to the Applicants's attention and as a result Duke agreed as of September 1, 2007 to include the following notice on all bills received by gas customers who are not part of the customer choice program: *"This month's Gas Cost Recovery (GCR) charge of \$xxxx per CCF includes a base GCR of \$xxx and Ohio excise tax of \$0.0426."* The message will change quarterly as the GCR rate changes. Staff has no further recommendations at this time.

Customer Service Assessment

Staff reviewed the contacts made by the Applicant's customers to the Commission's call center for the period of June 1, 2006 through August 31, 2007. The Applicant's customers made 2,733 contacts with the call center during this time period, with 1,286 from June 1, 2006 through December 31, 2006 and 1447 from January 1, 2007 through August 31, 2007. The 2,733 contacts were coded in the Investigation and Audit Division's data system as either gas or combination gas and electric concerns. The greatest numbers of contacts (605) were regarding disconnection issues. The following contact categories compose the disconnect code: *"Customer has received a disconnect notice, the service is off, issues concerning winter reconnect, or customer has concerns about Duke's turn-off procedures."* Five hundred thirty-six customers called the Commission's call center before calling the Applicant. Most of these customers were seeking account information and were directed back to the Applicant to give them the first opportunity to respond to their customers. Billing disputes accounted for 251 contacts and billing inquiries were another 183 contacts. Customers who contacted the Commission's call center regarding rates and tariffs numbered 104. The rates and tariffs code include contacts regarding rates or procedures that are tarified and pending rate case comments. The chart below represents the remainder of the distribution of contacts and issues for June 1, 2006 through August 31, 2007.

Overall, the audit team found the customer service practices and policies of Duke to be in compliance with the applicable rules and regulations set forth by the Public Utilities Commission of Ohio.



PROPOSED ALTERNATIVE REGULATION PLAN

The alternative regulation plan consists of 3 components: 1) re-approval of the existing Rider AMRP (Accelerated Main Replacement Program); 2) approval of Rider AU (Advanced Utility); and 3) approval of Rider SD (Sales Decoupling).

ACCELERATED MAINLINE REPLACEMENT PROGRAM

In Case No. 01-1228-GA-AIR, the last gas base rate case for Duke Energy Ohio, the Commission approved an initial Rider AMRP. This rider permits the Company to recover the costs for its accelerated cast iron and bare steel main line replacement program. In that proceeding, the Commission limited its AMRP approval to investments made through 2006 only. Launched in 2001, this program was designed to replace all of its cast iron and bare steel gas mains of twelve inches diameter and less on an accelerated basis, in order to improve safety and reliability, and to reduce the leak rate for these parts of Duke's system.

Through this filing, Duke seeks re-approval of the rider for an additional nine years, the duration of this construction/replacement program. Additionally, there are other modifications which are being proposed. Duke proposes that the costs associated with its Riser Replacement Program, and the costs associated with the Company's ownership assumption of the curb-to-meter service lines, also be recovered through Rider AMRP.

Duke's existing AMRP was itself a replacement for Duke's previously-existing cast iron and bare steel gas mains replacement programs. At that time, the Company's leak rate for its cast iron/bare steel mains was 1.3 leaks per mile, while polyethylene and coated steel was rated at 0.05 leaks per mile. Considering the aging of its system at that time (some of its cast iron mains dated from "circa 1873"), the Company justified the AMRP due to it providing enhanced safety, improved reliability, reduced operating & maintenance costs, and being able to operate at a higher rated pressure. All of these factors were cited also as enhancements to the Company's ability to serve distributed generation load, such as fuel cells and micro turbines, in the future.

Staff supports Duke's ongoing AMRP for the replacement of all cast iron and bare steel pipelines and the resulting improvements it has made to pipeline safety. To date Duke has replaced approximately 559 miles of cast iron and bare steel mains in their gas pipeline system. This has resulted in a decrease in the incidence of leaks repaired from 6,223 in 2002 to approximately 4,913 in 2006. That decrease has in turn caused Duke's O&M costs to decline from the \$6.4 million embedded in current rates to \$4.1 million in 2006. Customers have realized approximately \$8.5 million in O&M savings to date that has been credited back through Rider AMRP.

The AMRP program has had an impact on reducing the number of incidents reported to Staff since the initiation of the program. In reviewing the incidents reported to Staff over the last ten years, Duke reported five reportable incidents and one non-reportable incident involving cast iron or bare steel line breaks or leaks (see chart below). Since Duke has not had any reportable incidents involving cast iron or bare steel since the AMRP program began, Staff supports the continued replacement of this older generation pipeline.

Date	Street	Damages	Injuries	Reportable	Cause
1/30/97	Skokian Drive	100000+	1	Yes	Cast Iron Main Break
10/27/98	Veazey St.	175,000+	1	Yes	Bare Steel Service line leak
2/12/00	Belfast	180,000+	0	Yes	Cast Iron Main Break
11/24/00	River Road	85,000	0	Yes	Cast Iron Main Break
12/23/01	Timberview	170,000	0	Yes	Cast Iron Main Break
7/25/02	Pleasant Ridge	< 50,000	0	No	Copper Tap into a Cast Iron Main failed

Since 2003, Staff has conducted annual audits of the AMRP according to procedures established by the stipulation and approved by the Commission in Case No. 01-1228-GA-AIR. Duke pre-filed an application each November containing support for the rider, with the formal application made by February of the following year. Based on those applications, Staff conducted an annual investigation of the program's implementation as well as the accuracy of the rider calculations. A Staff report containing its recommendations for modifications to the program as well as the amount of increase to the rider for the subsequent 12 month period was submitted. Parties had the opportunity to file objections to the Staff report, and the goal was that an approved rider would be implemented for the first billing cycle of the May revenue month. Each of these annual reviews resulted in a stipulation signed by Duke the PUCO Staff, the Office of Consumers' Counsel (OCC) and Industrial Energy Users Ohio.¹ Staff is satisfied, based on the annual reviews, that the AMRP program was being efficiently managed and the costs were reasonable. Staff is recommending the Commission re-approve the AMRP through its completion in 2015 and to continue the annual audits according to the previously established procedures.

Duke has also requested the AMRP be re-approved without the rate caps that were part of the initial AMRP approval. According to the direct testimony of Company witness Wathen, the caps limit the Company's ability to timely recover its costs which is the fundamental purpose of the rider. The witness also states that the inclusion of the Riser Replacement Program costs will push the annual revenue requirement over the previously approved annual caps. Based on the Company's performance in managing the AMRP to date, and the inclusion of the costs of the Riser Replacement Program Staff is recommending the caps be eliminated.

¹ OCC was not a signatory party to the April 5, 2005 stipulation but did not oppose that stipulation.

Company witness, Hebbeler's direct testimony also addresses the issue of replacement of plastic pipe within the AMRP. Under the AMRP, Duke replaces any plastic main-to-curb services and short segments of plastic mains that it encounters while replacing the cast iron and bare steel mains. Duke states that it is more economical to replace this pipe than to try to re-use it. The inclusion of costs associated with replacement of plastic mains and main-to-curb services in Rider AMRP has been a source of contention in the annual audits of the AMRP program. Staff believes that, where it is more economic to replace these plastic sections, that it makes sense to allow those costs to also be recovered through Rider AMRP. Staff recommends the Commission explicitly permit such recovery in its re-approval of Rider AMRP.

As a final matter, Company witness Walthen commits Duke to filing a new base rate proceeding no later than 2016 in order to incorporate the Rider AMRP rate base and revenue requirement into base rates and to eliminate Rider AMRP. Staff has been supportive of Rider AMRP in part to eliminate the need for multiple rate cases as the AMRP progresses. Deferral of base rate proceedings is also part of the rationale behind Staff's rate design changes discussed elsewhere in this Staff report. Staff is thus not recommending a mandated rate case by 2016 solely for the purpose of incorporating Rider AMRP into base rates. If in fact a new base rate case is otherwise not necessary by that time, the annual AMRP reviews can continue to be the vehicle to revise the AMRP downward as necessary.

Riser Replacement Program

In the current rate case application, Duke has proposed to implement a Riser Replacement Program. This program plans to replace an estimated 87,000 service head adaptor (SHA) style risers by 2015. SHA risers are field assembled and compose the vast majority of risers in Duke's service territory.

Duke's proposed Riser Replacement Program is in addition to its Riser Optimization Program that was established in December 2004. Duke's Riser Optimization Program, analyzes riser failure data and targets for replacement risers that have characteristics similar to those with a high incidence of leakage. Over the three years since implementing the Riser Optimization Plan Duke has replaced 4448 SHA risers in 2005 and 2124 risers in 2006 with plans to complete the replacement of over 2000 risers in 2007.

Duke has projected a combined total of SHA riser replacements occurring through the combined efforts of the riser optimization plan, the Riser Replacement Program, the AMRP, and normal operations and maintenance activities to be as follows:

SHA Riser Replacements

2008 -	12,088
2009 -	11,736
2010 -	11,394
2011 -	11,062
2012 -	10,740
2013 -	10,427
2014 -	10,124
2015 -	9,429

Duke estimates that about 4% or roughly 3,480 SHA style risers will be replaced by the AMRP. Since the inception of the Riser Optimization Program in 2000, an average of 2857 SHA style risers have been replaced annually and 231 leaking or stressed SHA style risers were replaced during the same period. Analysis of the above numbers leads to the conclusion that the vast majority of the annual SHA style riser replacements will be through the Riser Replacement Program.

Staff believes that the Riser Replacement Program is necessary to address a valid safety concern, but takes issue with Duke requiring until 2015 to replace risers identified as prone to failure² In its report, Staff recommended among other things that that distribution operators be put on notice that Design-A risers, (SHA risers), when subjected to certain conditions, are more prone to failure³. In addition, Staff has

² A Report by the Staff of Public Utilities Commission of Ohio, In the Matter of the Investigation of the Installation, Use, and Performance of Natural Gas Service Risers Throughout the State of Ohio and Related Matters, Case No. 05-463-GA-COI, pgs 14,15.

³ Ibid. Proper installation of Design-A risers is critical and Design-A risers with a low gasket force retention that are subjected to certain tensile loading and low temperature cycling are more prone to failure.

recently testified in support of another Ohio LDC's application to systematically replace, over an approximately three year period, all risers identified as prone to failure.⁴

By the end of 2007, Duke will have replaced over 14,986 SHA style risers identified as prone to fail, but this leaves the Applicant with another 87,000 to address. Staff notes that since removing these types of risers from their supplier's approved list, as well as targeting specific SHA style risers for replacement through the riser optimization plan, riser failures have been reduced. However Duke is still experiencing SHA style riser failures and in 2007 Duke reported 50 such riser failures.

Duke currently employs one local and one out of town contractor to handle all riser replacements for the Riser Optimization Program, risers in stress replacements, and the AMRP. Duke has used other contractors to perform this work in the past and these contractors could be utilized for future work. The Applicant has received bids from eight contractors for the 2008 AMRP program work and anticipates awarding all eight contracts for the AMRP program. Duke has indicated that they plan to increase their contractor work force, but the Applicant has not provided information to demonstrate to what extent the work force will be increased.

Staff recommends that Duke increase their riser contractor work force so that the remaining 87,000 SHA style risers can be replaced over a three year period to promptly address this safety concern.

Customer Owned Service Lines

As part of this application, Duke proposes to take ownership of customer service lines when the Applicant performs maintenance on these lines and whenever it replaces or installs a new service line. Staff supports this proposal because it gives Duke complete responsibility for all pipelines covered by the federal pipeline safety regulations and provides for a uniform approach to correcting pipeline safety concerns.

Company ownership of customer service lines also establishes a clear line of responsibility between the utility and consumer, with the customer continuing to have responsibility for all inside piping and the Company all outside pipe. Staff has recently testified in support of another Ohio LDC's application to take ownership of customer service lines that have been maintained, repaired or replaced by the utility.⁵ Staff believes Duke's proposal to assume ownership of curb-to-meter service lines and risers will significantly enhance pipeline safety. Ibid ob cit

⁴ Case No. 07-478-GA-UNC, *In the Matter of the Application of Columbia Gas of Ohio, Inc., for Approval of Tariffs to Recover, through an Automatic Adjustment Clause, Cost Associated with the Establishment of an Infrastructure Replacement Program and for approval of Certain Accounting treatment*, Prepared Testimony of Edward M Steele, submitted: October 24, 2007.

⁵ Ibid.

UTILITY OF THE FUTURE PROJECT

Staff reviewed the Applicant's proposal to implement its Utility of the Future Project and to recover the gas-related costs of that project through proposed Rider AU. According to the direct testimony of Company witness Mohler, this project would transform Duke's "gas and electric distribution system into an integrated, digital network – much like a computer network – to produce operating efficiencies, enhanced customer and utility information and communications, innovative services, and other benefits." A major component of this project is Advanced Metering Infrastructure (AMI), a metering and communications system that records customer usage data, and transmits it over an advanced communications network to a centralized data management system. The AMI equipment for gas meters consists of a microprocessor (installed under the glass of the meter) which scans the dials of the meter, and a telemetry device which transmits the meter's usage data either over a fixed network or via radio transmission.

Although AMI lays the groundwork for a much wider range of benefits on the electric side, its benefits on the gas side are primarily associated with meter reading. These benefits include reduced meter reading costs, fewer meter-reading errors, fewer estimated meter readings, fewer billing adjustments, and reduced need to enter customers' homes to read inside meters. These benefits are especially pertinent to the nearly 184,000 of Duke's customers (41 percent of its gas customers) who have gas meters inside their residence and the more than 60,000 of these customers who have given Duke keys to their homes to enable the meter reader to gain access to inside meters. Other large gas utilities are addressing this problem by installing automated meter reading (AMR) devices. These are similar to the AMI attachment for gas meters, but instead of transmitting to a centralized data management system, the AMR transmits either to a meter reader's hand-held recorder (outside the house) or to a van that drives down the street to collect the transmitted meter reading data. AMI devices are more appropriate than AMR devices for Duke, because it is a combination utility, whose meter readers collect both gas and electric meter readings on the same visit. Duke therefore has an opportunity with AMI to avoid the meter-reading trip (either by foot or by van) for both gas and electric meters while generating additional benefits on the electric side.

Staff believes the potential benefits of AMI to the Applicant's gas customers justify adopting Rider AU as a place-holder. Staff therefore recommends the Commission approve Duke's Rider-AU and order the Applicant to maintain this Rider at a zero-dollar balance until Staff and the Commission have an opportunity to assess the costs and benefits of the Utility of the Future Project as a whole and the AMI portion for gas customers in particular.

According to witness Mohler's testimony, Duke's proposed Rider AU would recover the revenue requirement (adjusted for meter reading savings) related to the Utility of the Future Project. Full implementation of this project would go far beyond meter reading on the electric side and generate many benefits that only electric customers would

realize. Staff believes the costs related to those electric benefits should not be borne by Duke's gas customers. Staff therefore recommends that Rider AU should only recover: (1) the cost of the AMI equipment and its installation on customer gas meters; and (2) only those other project-related costs that Duke incurs in extending AMI to gas meters.

Staff assumes that while Duke's personnel or contractors are on the customer's premise to install AMI devices on gas meters, Duke may find it necessary or economical to perform other activities on the same visit. They may find, for example, that the customer's meter needs to be replaced because it is inoperative or, due to age or obsolescence, is incompatible with the AMI device. They may also be instructed to perform routine maintenance or inspections while on site. While Staff has no issues with Duke performing such activities on the same visit or in conjunction with the installation of AMI devices, Staff does not believe the cost of such meter replacements, routine maintenance, or inspections should be recovered through Rider AU, but rather through conventional cost recovery mechanisms. Staff therefore recommends that these costs be excluded from such recovery should the Commission subsequently approve recovery of dollars through Rider AU.

Witness Mohler's testimony also states that the Applicant would implement the Rider AU according to the same schedule it currently uses for the Rider AMRP. Below is Duke's proposed filing schedule for the first two years of the Utility of the Future project.

Date	Event
August 1, 2008	DE files deployment plan for 2009
November 1, 2008	DE files preliminary costs for 2008 (9 months actual + 3 months estimated)
February 28, 2009	DE files first-year application with 12 months of actual costs for 2008
August 1, 2009	DE files deployment plan for 2010
November 1, 2009	DE files preliminary costs for 2009 (9 months actual + 3 months estimated)

The above table indicates that although Duke would file a deployment plan in August 2008 for activities planned for 2009, Duke would file no such plan for 2008 (the first year of the project) even though it plans to file costs for that same year. Staff believes it is important that it have an opportunity to review in advance those activities (and associated costs) planned for the first year of the project. Staff therefore recommends that Duke amend its filing schedule to include a deployment plan for 2008, and that the Commission require Duke to file such a plan within 60 days following the Opinion and Order in this case.

Finally, witness Mohler's testimony requests that if some unexpected change results in a decision by Duke to suspend or abandon all or part of the Utility of the Future Project, the Applicant be permitted to recover such costs even though they may not meet the Commission's traditional "used and useful" standard for cost recovery. Staff has no

opinion on the recovery of these costs at this time. Should this condition arise, the appropriate recovery should be determined through another proceeding.

SALES DECOUPLING RIDER

As part of its Alternative Regulation plan, Duke has proposed implementation of a Sales Decoupling rider. Sales decoupling has become a significant regulatory issue in recent years as gas utilities attempt to address the revenue erosion that has resulted from a steady decline in average customer usage. Historically, the PUCO has designed rates such that the vast majority of a gas utility's cost recovery is through the volumetric component of its distribution rates. The cost of operating and maintaining a utility's pipeline system, however, is largely independent of the volume of gas flowing through that system. As use per customer has fallen in response to rising prices, utilities are under-recovering their fixed costs, resulting in a need to file more frequent base rate cases to reset those rates.

Duke has proposed to address this issue in two ways. The first is to shift a larger portion of its rate recovery into the monthly customer charge and the second is implementation of a new Sales Decoupling Rider (Rider SD). Rider SD, as proposed, would true-up any future differences between actual, weather normalized revenue per customer, and the revenue per customer implicitly approved as part of this rate case. Rider SD would apply to all Duke's sales and transportation customers except Rate IT customers.

Staff believes that tying a utility's earnings to the volumes of gas consumed has been problematic as residential use per customer has been steadily declining. This decline has been especially pronounced in recent years in response to the large increases in natural gas prices since the winter of 2000/2001.

Historical use per Residential Customer⁶

Year	Usage (Mcf)
1990	111.19
1991	109.18
1992	108.72
1993	106.6
1994	103.41
1995	101.37
1996	100.48
1997	98.97
1998	95.67
1999	93.63
2000	94.57
2001	87.15
2002	88.36
2003	90.9
2004	86.37
2005	86.41
2006	79.4

As the data shows, a decline in weather normalized use per residential customer of 1.75% per year occurred between 1990 and 1999, and a 2.67% per year reduction from 2000 to 2006. Making a Company's actual earnings a function of future sales volumes rather than what was authorized, increases the likelihood of under-recovery of that authorized return and the need for additional subsequent base rate cases. Decoupling seeks to break the volumetric underpinnings of that traditional regulatory construct and more directly allows the utility to earn what the Commission determined was a fair return.

Decoupling will also eliminate the disincentive a utility otherwise would have to promote energy efficiency and conservation. Under the existing construct, a utility is incented to increase sales in order to protect its earnings. Once sales volumes and revenues are decoupled, utilities are in a position to more aggressively assist customers in their efforts to consume less natural gas. On a national scale, environmental concerns associated with coal fired generating facilities, uncertainty about the future role of nuclear power, and the resulting increased use of natural gas to fuel electric generation, have all combined to put upward pressure on energy prices. In this environment, conservation and energy efficiency have an important role to play in mitigating rising energy costs. Decoupling of sales and revenues can be a key component in encouraging natural gas utilities to promote of that role.

⁶ Source: Attachment DLS_3, Direct Testimony of Donald L. Storck on Behalf of Duke Energy Ohio

Duke's application proposed a decoupling mechanism that would calculate the difference between actual revenues per customer for each month, and the implicit revenues per customer for the like month in the rate case test year. Actual revenue per customer would be weather normalized, such that Duke would not be compensated for revenues lost due to warmer than normal weather. Monthly revenue per customer is also adjusted to reflect any changes in the number of customers. Duke would defer these calculated monthly differences and recover the accumulated amounts through an annual adjustment to Rider SD. The amount of the rider would be calculated by dividing the accumulated monthly differences by projected sales volumes over the next twelve months. Any under or over-recovery due to differences between actual and projected sales volumes would be reconciled through future adjustments to Rider SD.

Staff supports the concept of decoupling but is proposing to address the issue through a change in its rate structure policy rather than through adoption of Rider SD. The proposed change, discussed in the Rate Design section of this report, largely accomplishes the goals of decoupling without the need for an annual audit of the decoupling mechanism and subsequent true-ups.

COMMITMENTS

Administrative Code Section 4901:1-19-05(C)(3) requires an Applicant filing an alternative rate plan to include in its application those commitments to customers, that it is willing to make in promoting the state policy as defined in Revised Code Section 4929.02. The extent of these commitments should be dependent upon the degree of freedom the Applicant is requesting from traditional ratemaking procedures.

The direct testimony of Company witness Sandra P. Meyer describes how Duke's proposal to continue the AMRP program promotes the state policies in Section 4929.02 O.R.C.:

- Continuation of the AMRP program provides safe, reliable and reasonably-priced service;
- Continued improvement to the distribution system's leak rate;
- Enhanced safety and reliability;
- O&M savings will continue to be passed on to customers through offsets to Rider AMRP on a real time basis.

Duke is also proposing to expand its current programs to assist low-income residential customers. The Heat Share program, administered by the Salvation Army, provides assistance to eligible customers facing disconnection of service, in paying their winter heating bills. Duke shareholders contribute \$1.00 for each \$2.00 donated by customers to the Heat Share Program. In 2006, Duke increased the level of shareholder contribution to \$200,000 from \$100,000. Duke is proposing to continue that increased level of funding through December 31, 2010. Duke is also proposing to fund its low-income weatherization program at \$3 million annually. Annual funding had been at \$2 million per year with the exception of a one-time increase of \$1 million in 2006. Duke is proposing to continue that

increased funding through 2010. Duke's application proposed a \$1 million increase in O&M expense to reflect this increase in ratepayer funding. Finally, Duke is proposing to extend its Customer Service Collaborative (CSC) through December 31, 2010. The CSC consists of low-income consumer advocates, governmental agencies, social service agencies, the Ohio Consumers' Counsel and PUCO Staff. The CSC works on a collaborative basis to address the service needs of low-income customers.

Staff recommends the Commission find the Company's commitments in compliance with Administrative Code Section 4901:1-19-05(C)(3) with two modifications. We recommend the additional \$1 million in funding for the weatherization program come from Duke shareholders rather than ratepayers. This will be reflected in the elimination of the \$1 million increase in O&M expense shown on Schedule C-3.21. We also recommend the commitments related to the weatherization program, the Heat Share program and the Customer Service Collaborative should run through December 31, 2016, or the establishment of new base rates subsequent to this proceeding, whichever comes first. Staff believes this is appropriate given our recommendation of approval of Rider AMRP through December 31, 2016.

MANAGEMENT AND OPERATIONS REVIEW

Section 4909.154 of the Ohio Revised Code states that the Public Utilities Commission shall consider the management policies, practices, and organization of public utilities in fixing the just, reasonable, and compensatory rates, joint rates, tolls, classification, charges or rentals to be observed and charged for service of any public utility.

In 1985, the Commission approved an amendment to the Standard Filing Requirements. This amendment (4901-7-01) requires medium and large utilities to include in their rate filings a concisely written summary of their management policies, practices, and organization. Among other things, the summary is to include a discussion of policy and goal setting, strategic and long range planning, organization structure, decision making and controlling, and communications for the company's executive management process (Schedule S-4.1) as well as for numerous functional areas common to most large utility companies (Schedule S-4.2).

Staff routinely reviews the S-4.1 and S-4.2 schedules, applicant performance, and various events relating to the applicant's management. As a result of these review activities, Staff selects certain management topics for rate case reporting. In the current rate case, Staff reports on Duke's programs for Energy Conservation and Demand-Side Management (DSM).

ENERGY CONSERVATION & DEMAND-SIDE MANAGEMENT (DSM)

Energy conservation and DSM, as a tool of utility company strategy and as a public policy direction has had a spotty history in Ohio over the last twenty years. Commission Staff has traditionally viewed DSM programs as organized electric utility activities that are intended to affect the amount and timing of customer *electricity* usage. DSM programs include peak clipping, strategic conservation, load shifting, valley filling, and strategic load growth options. A DSM program is a series of measures intended to encourage specific groups of customers to modify their energy usage patterns in a manner consistent with the utility's objectives while maintaining customer satisfaction.

DSM for natural gas utilities has not enjoyed comparable support as that for electric utility industry DSM. Natural gas as a commodity cost is directly passed to the consumer via the utility company's gas cost recovery mechanism. Thus, the consumer is directly rewarded for any conservation measures they can implement on their own. Socializing the costs of implementing individual conservation measures has been viewed as a controversial policy as only those

receiving the conservation measure benefit, while all the utility company's ratepayers pick up the costs for the programs.

In the past, the Commission has expressed the opinion that natural gas DSM programs do not provide benefits to customers other than those who participate in the programs – i.e. there are no system-wide benefits. Consequently natural gas DSM has rarely been endorsed by the Commission while natural gas conservation programs have been limited to only those targeted to low income customers who would lack the resources to make efficiency improvements absent the DSM program. Nevertheless, in the last few years, the Commission has approved some conservation measures for natural gas customers as a Natural Gas DSM pilot program.

To review Duke's current conservation and DSM programs, Staff developed an encompassing data request to gather the significant information related to each energy conservation and DSM program. In response, Duke supplied information relating to their energy conservation programs. Staff also reviewed the recent history of Duke's natural gas DSM programs which are being implemented as a pilot project for gathering market intelligence and evaluating energy demand impacts.

DUKE ENERGY OHIO'S WEATHERIZATION PROGRAM

Duke funds a home weatherization program designed to make the homes of its low income gas and electric residential customers more energy efficient. The program includes the installation of energy saving devices and provides energy education to these consumers. The cost for these services to the low income customer is zero.

Services under this program are provided by two agencies: People Working Cooperatively and Working In Neighborhoods. In previous years, costs related to the weatherization program totaled approximately \$2 million per year. Duke committed \$3 million to this program in 2006. In the present case, as part of the Company's alternative regulation proposal, Duke commits to continuing this program at the \$3 million annual funding level through December, 2010. Staff's comments on the funding for the Duke Weatherization Program are included in this Staff Report regarding Duke's Alternative Regulation Proposal.

Duke conducted an in-depth evaluation of its low income natural gas home weatherization program in 2005 and conducts high-level verifications on an annual basis for installations and quality control of the overall program. The evaluation study findings identified a benefit from the consumer education measure of 106 therms per year on average. The combination of the education measure and the installation of conservation measures resulted in an average savings of 299 therms per year (therm = a unit of heat equal to 100,000 Btu's or

about 97 cubic feet of natural gas). The Duke evaluation did not attempt to analyze the cost effectiveness of the conservation measures investment, focusing only on measuring the impact or savings from the program.

NATURAL GAS DEMAND-SIDE MANAGEMENT PROGRAM

Duke's DSM program is a three year pilot project expected to run from 2007 to 2010. The DSM pilot project has 2 DSM measures in operation, the Home Energy House Call and the Smart Saver Natural Gas Furnace Program.

1. Home Energy House Call Program is an in-home energy analysis that helps consumers determine the most cost-effective steps they can apply/install in their home to save energy. The analysis looks at efficiency improvements from insulation to equipment replacement. The homeowner is mailed the results. The Energy Audit is free to customers and no incentives are provided for measures; however, each participant receives a free low-cost measure kit which includes 2 compact fluorescent bulbs, a low flow showerhead, faucet aerators, a motion sensor night light and outlet gaskets. The program is also deployed in Indiana and Kentucky which helps keep administrative program expenses to a minimum.
2. Smart Saver Natural Gas Furnace – this program is designed to increase the energy efficiency of natural gas furnaces installed in either new homes or when a customer is seeking a replacement. Incentives are available to three parties: builders, heating/AC dealers, and consumers. The incentive for existing homes is a \$200 rebate for installation of a new high efficiency natural gas furnace of 90% AFUE or greater. The incentive for new home builds is a \$300 rebate for the installation of a new high efficiency furnace of 90% AFUE or greater. This program extends to include a combination a high efficiency natural gas furnace combined with a new, qualifying air conditioner or heat pump with a \$400 rebate for existing homes or a \$600 for new home builds.

Conclusion:

Staff concludes that Duke is making strides in implementing the pilot natural gas DSM programs as proposed in the stipulated agreement from case 06-0091-EL-UNC, *et al.* The current DSM program offerings appear to be well designed and are intuitive first cuts as conservation measures for residential consumer's use of natural gas. The funding for Duke's DSM programs is separate from this rate case with the funds held in a DSM Program Rider. Duke is working with a group called the Duke Energy Community Partnership (DECP), in consultation with Staff, regarding the evaluation of its DSM programs. In the Commission's Finding and Order for case 06-0091-EL-UNC, *et al.* Duke's DSM program evaluation costs are capped at 5% of each program's expenditures with leftover

program funds from canceled programs available for investment in other DECP favored DSM measures.

Recommendation:

It is not yet apparent what new state laws, policy initiatives, or regulations might impact energy conservation and demand-side management efforts, both in the electric utility industry and in the natural gas utility industry. Nevertheless, on a national scale, environmental concerns associated with coal fired generating facilities, uncertainty about the future role of nuclear power, and the resulting increased use of natural gas to fuel electric generation, have all combined to put upward pressure on energy prices. Given this environment, conservation and energy efficiency have a positive role to play in controlling energy costs.

Until such State laws, initiatives, or regulations for restructuring the utility industry are forthcoming, Staff has no specific recommendations regarding Duke's Conservation and DSM Programs. However, as Duke's DSM programs mature, it is recommended that these programs be evaluated for their costs and benefits. At that point in time, perhaps a framework will be in place to better identify the true costs and benefits while assuring that the benefits, like the costs, can be shared by the ratepayers funding the programs.

Staff recommends that Duke's DSM programs be reviewed in concert with monitoring efforts from the DECP. Staff intends to monitor the progress of Duke's natural gas DSM programs and review the natural gas DSM evaluation studies to determine whether the rebates offered actually increase the saturation of high efficiency natural gas furnaces.

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
OVERALL FINANCIAL SUMMARY
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

STAFF REPORT
SCHEDULE A-1
PAGE 1 OF 1

LINE NO.	DESCRIPTION	Supporting Schedule Reference	Applicant	Staff	
				Lower Bound	Upper Bound
1	Rate Base	B-1	702,414,915	649,287,448	649,287,448
2	Current Operating Income	C-1	39,491,958	43,972,403	43,972,403
3	Earned Rate of Return (Line 2 / Line 1)		5.62%	6.77%	6.77%
4	Requested Rate of Return	D-1A	8.73%	8.18%	8.75%
5	Required Operating Income (Line 1 x Line 4)		61,320,822	53,111,713	56,812,652
6	Operating Income Deficiency (Line 5 - Line 2)		21,828,864	9,139,310	12,840,249
7	Gross Revenue Conversion Factor	C-10 / A-1.1	1.5641209	1.5615205	1.5615205
8	Revenue Deficiency (Line 6 x Line 7)		34,142,983	14,271,220	20,050,312
9	Adjusted Operating Revenues	C-1	597,573,805	597,573,805	597,573,805
10	Revenue Requirements (Line 9 + Line 10)		631,716,507	611,845,025	617,624,117
11	Revenue Increase Requested/Recommended		34,142,702	14,271,220	20,050,312
12	Percent Increase		5.71%	2.39%	3.36%

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
COMPUTATION of GROSS REVENUE CONVERSION FACTOR
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

STAFF REPORT
SCHEDULE A1.1
PAGE 1 OF 1

LINE NO.	DESCRIPTION	PERCENT OF INCREMENTAL GROSS REVENUE
1	Operating Revenues	100.000000%
2		
3	Uncollectibles	1.47670%
4		
5	Income before Federal Income Tax (Line 1 - Line 6)	98.52330%
6		
7	Federal Income Tax (35% x 98.523%)	34.48316%
8		
9	Operating Income Percentage (Line 8 - Line 10)	64.04015%
10		
11	Gross Revenue Conversion Factor (100% / 64.04%)	1.5615205

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
JURISDICTIONAL RATE BASE SUMMARY
AS OF MARCH 31, 2007

STAFF REPORT
SCHEDULE B-1
PAGE 1 OF 1

LINE NO.	RATE BASE COMPONENT	Supporting Schedule Reference	Applicant Proposed Amount	Staff Proposed Amount
1	Plant In Service	B-2	\$ 1,103,871,272	\$ 1,092,365,217
2	Reserve for Accumulated Depreciation	B-3	<u>(326,291,081)</u>	<u>(321,632,176)</u>
3	Net Plant In Service (Line 1+ Line 2)		777,580,191	770,733,041
4	Construction Work in Progress	B-4	0	0
5	Working Capital Allowance	B-5	47,060,881	0
6	Other Items:			
7	Customer Advances for Construction	B-6	(5,659,192)	(4,878,628)
8	Contributions in Aid of Construction (a)	B-6	0	0
9	Postretirement Benefits	B-6	(5,508,703)	(5,508,703)
10	Investment Tax Credits	B-6	(396,361)	(396,361)
11	Deferred Income Taxes	B-6	(116,742,026)	(116,742,026)
12	Other Rate Base Adjustments	B-6	<u>6,080,125</u>	<u>6,080,125</u>
13	Jurisdictional Rate Base (Line 3 thru Line 14)		<u>\$ 702,414,915</u>	<u>\$ 649,287,448</u>

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

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
PLANT IN SERVICE SUMMARY BY MAJOR PROPERTY GROUPINGS
AS OF MARCH 31, 2007

STAFF REPORT
SCHEDULE B-2
PAGE 1 OF 1

LINE NO.	MAJOR PROPERTY GROUPINGS	TOTAL COMPANY	ALLOCATION %	ALLOCATED TOTAL	ADJUSTMENTS	ADJUSTED JURISDICTION
		\$		\$	\$	\$
1	Production	9,569,082	100.00	9,569,082	0	9,569,082
2	Distribution	1,036,945,703	100.00	1,036,945,703	0	1,036,945,703
3	General	15,863,607	100.00	15,863,607	0	15,863,607
4	Common (Allocated to Gas)	30,244,707	100.00	30,244,707	(257,882)	29,986,825
5	Other (specify)					
6	TOTAL	1,092,623,100		1,092,623,099	(257,882)	1,092,365,217

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
PLANT IN SERVICE BY ACCOUNTS AND SUBACCOUNTS
AS OF MARCH 31, 2007

MANUFACTURED GAS PRODUCTION PLANT

STAFF REPORT
SCHEDULE B-2.1
PAGE 1 OF 4

LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY	ALLOCATION %	ALLOCATED TOTAL	ADJUSTMENTS	ADJUSTED JURISDICTION
				\$		\$	\$	\$
1	304	2040	Land and Land Rights	427,814	100.00	427,814		427,814
2	304	2041	Rights of Way	4,147	100.00	4,147		4,147
3	305	2050	Structures & Improvements	3,705,658	100.00	3,705,658		3,705,658
4	311	2110	Liquefied Petroleum Gas Equipment	5,401,368	100.00	5,401,368		5,401,368
5	320	2200	Other Equipment	30,095	100.00	30,095		30,095
6			Total Manufactured Gas Production Plant	9,569,082		9,569,082		9,569,082

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
PLANT IN SERVICE BY ACCOUNTS AND SUBACCOUNTS
AS OF MARCH 31, 2007

DISTRIBUTION PLANT

STAFF REPORT
SCHEDULE B-2.1
PAGE 2 OF 4

LINE NO.	F.I.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY	ALLOCATION %	ALLOCATED TOTAL	ADJUSTMENTS	ADJUSTED JURISDICTION
				\$		\$	\$	\$
1	374	2740	Land and Land Rights	133,008	100.00	133,008		133,008
2	374	2741	Rights of Way	6,817,467	100.00	6,817,467		6,817,467
3	374	2742	City Gate Check Station	3,663	100.00	3,663		3,663
4	375	2750	Structures & Improvements	1,132,021	100.00	1,132,021		1,132,021
5	376	2761	Mains - Cast Iron & Copper	12,417,594	100.00	12,417,594		12,417,594
6	376	2762, 2767	Mains - Steel	256,465,460	100.00	256,465,460		256,465,460
7	376	2763, 2768	Mains - Plastic	314,553,206	100.00	314,553,206		314,553,206
8	376	2765, 2769	Mains - Feeder	75,595,527	100.00	75,595,527		75,595,527
9	378	2780	System Meas. & Reg. Station Equipment	14,431,020	100.00	14,431,020		14,431,020
10	378	2781	System Meas. & Reg. Station Equipment-Elec	2,839,554	100.00	2,839,554		2,839,554
11	378	2782	District Regulating Equipment	3,240,252	100.00	3,240,252		3,240,252
12	379	2790	Meas. & Reg. - City Gate	263,232	100.00	263,232		263,232
13	380	2801	Services- Cast Iron & Copper	9,935,057	100.00	9,935,057		9,935,057
14	380	2802, 2804	Services-Steel	18,686,179	100.00	18,686,179		18,686,179
15	380	2803, 2805, 2807	Services-Plastic	219,123,546	100.00	219,123,546		219,123,546
16	381	2810, 2811	Meters	35,629,894	100.00	35,629,894		35,629,894
17	382	2820, 2821	Meter Installations	24,888,583	100.00	24,888,583		24,888,583
18	383	2830, 2831	House Regulators	17,660,726	100.00	17,660,726		17,660,726
19	384	2840, 2841	House Regulator Installations	12,496,754	100.00	12,496,754		12,496,754
20	385	2850	Large Industrial Meas. & Reg. Equipment	2,749,950	100.00	2,749,950		2,749,950
21	385	2851	Large Industrial Meas. & Reg. Equipment - Comm	726,303	100.00	726,303		726,303
22	387	2870	Other Equipment - Other	76,253	100.00	76,253		76,253
23	387	2871	Street Lighting Equipment	765,241	100.00	765,241		765,241
24	388		Gas ARO	6,305,213	100.00	6,305,213		6,305,213
25			Total Distribution Plant	1,036,945,703		1,036,945,703	0	1,036,945,703

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
PLANT IN SERVICE BY ACCOUNTS AND SUBACCOUNTS
AS OF MARCH 31, 2007
GENERAL PLANT

STAFF REPORT
SCHEDULE B-2.1
PAGE 3 OF 4

LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY	ALLOCATION %	ALLOCATED TOTAL	ADJUSTMENTS	ADJUSTED JURISDICTION
				\$		\$	\$	\$
1	000	2030	Miscellaneous Intangible Plant	4,848,935	100.00	4,848,935		4,848,935
2	389	2890	Land	0	100.00	0		0
3	390	2900	Structures & Improvements	1,823,807	100.00	1,823,807		1,823,807
4	391	2910	Office Furniture & Equipment	679,592	100.00	679,592		679,592
5	391	2911	Electronic Data Processing Equipment	0	100.00	0		0
6	392	2920	Transportation Equipment	76,251	100.00	76,251		76,251
7	392	2921	Trailers	512,305	100.00	512,305		512,305
8	394	2940	Tools, Shop & Garage Equipment	7,451,609	100.00	7,451,609		7,451,609
9	395	2950	Laboratory Equipment	234,056	100.00	234,056		234,056
10	396	2960	Power Operated Equipment	118,621	100.00	118,621		118,621
11	397	2970	Communication Equipment	118,431	100.00	118,431		118,431
12			Total General Plant	15,863,607		15,863,607		15,863,607
13			Total Gas Plant	1,062,378,392		1,062,378,392		1,062,378,392

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
PLANT IN SERVICE BY ACCOUNTS AND SUBACCOUNTS
AS OF MARCH 31, 2007

COMMON PLANT

STAFF REPORT
SCHEDULE B-2.1
PAGE 4 OF 4

LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY	ALLOCATION %	ALLOCATED TOTAL	ADJUSTMENTS	ADJUSTED JURISDICTION
				\$		\$	\$	\$
1		1030	Miscellaneous Intangible Plant	97,231,124	100.00	97,231,124		97,231,124
2		1890	Land and Land Rights	2,121,648	100.00	2,121,648		2,121,648
3		1891	Rights of Way	37,969	100.00	37,969		37,969
4		1900	Structures & Improvements	91,476,285	100.00	91,476,285	(1,798,890)	89,677,395
5		1910	Office Furniture & Equipment	15,135,378	100.00	15,135,378	(38,661)	15,096,697
6		1911	Electronic Data Processing Equipment	0	100.00	0		0
7		1920	Transportation Equipment	85,312	100.00	85,312		85,312
8		1921	Trailers	389,753	100.00	389,753		389,753
9		1930	Stores Equipment	663,997	100.00	663,997		663,997
10		1940	Tools, Shop & Garage Equipment	1,209,959	100.00	1,209,959	(56,502)	1,153,457
11		1950	Laboratory Equipment	9,888	100.00	9,888		9,888
12		1960	Power Operated Equipment	42,047	100.00	42,047		42,047
13		1970	Communication Equipment	15,313,973	100.00	15,313,973		15,313,973
14		1980	Miscellaneous Equipment	317,530	100.00	317,530	(16,165)	301,365
15			Total Common Plant	224,034,863		224,034,863	(1,910,238)	222,124,625
16		13.50%	Common Plant Allocated to Gas	30,244,707		30,244,707	(257,882)	29,986,825
17			Total Gas Plant including Allocated Common	1,092,623,099		1,092,623,099	(257,882)	1,092,365,217

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
ADJUSTMENTS TO PLANT IN SERVICE
AS OF MARCH 31, 2007

STAFF REPORT
SCHEDULE B-2.2
PAGE 1 OF 1

LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY ADJUSTMENT	ALLOCATION %	JURISDICTIONAL ADJUSTMENT
1	COMMON PLANT (a)					
2		1900	Structures & Improvements	(1,798,890)	100.00	(1,798,890)
3		1910	Office Furniture & Equipment	(38,681)	100.00	(38,681)
4		1940	Tools, Shop & Garage Equipment	(56,502)	100.00	(56,502)
8		1980	Miscellaneous Equipment	(16,165)	100.00	(16,165)
9			Total Common Plant	(1,910,238)		(1,910,238)
10		13.50%	Common Allocated to Gas	(257,882)		(257,882)

Description and Purpose of Adjustments:

(a) To eliminate from rate base the Hartwell Recreation Facilities not used by Company

DUKE ENERGY OHIO
CASE NO. 07-588-GA-AIR
GROSS ADDITIONS, RETIREMENTS & TRANSFERS
FROM APRIL 1, 2001 TO MARCH 31, 2007
MANUFACTURED GAS PRODUCTION PLANT

STAFF REPORT
SCHEDULE B-2.3
PAGE 1 OF 4

LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	BEGINNING BALANCE	TRANSFERS/RECLASSIFICATIONS			ENDING BALANCE
					ADDITIONS	RETIREMENTS	EXPLANATION OF TRANSFER AMOUNT	
				\$	\$	\$	\$	\$
1	304	2040	Land	108,651	0	4,758	323,921	427,814
2	304	2041	Rights of Way	4,147				4,147
3	305	2050	Structures & Improvements	3,454,459	623,968	475,743	102,974	3,705,658
4	311	2110	Liquefied Petroleum Gas Equipment	4,401,586	1,400,091	403,705	3,386	5,401,368
5	320	2200	Other Equipment	30,095				30,095
6			Total Manufactured Gas Production Plant	7,998,948	2,024,059	884,206	430,281	9,569,082

DUKE ENERGY OHIO
CASE NO. 07-588-GA-AIR
GROSS ADDITIONS, RETIREMENTS & TRANSFERS
FROM APRIL 1, 2001 TO MARCH 31, 2007

DISTRIBUTION PLANT

STAFF REPORT
SCHEDULE B-2.3
PAGE 2 OF 4

LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	TRANSFERS/RECLASSIFICATIONS			ENDING BALANCE
							AMOUNT	EXPLANATION OF TRANSFER	OTHER ACCTS. INVOLVED	
				\$	\$	\$	\$			\$
1	374	2740	Land	415,628	(188,704)	32,612	(61,504)			133,008
2	374	2741	Rights of Way	2,113,774	4,642,189	0	81,504			6,817,467
3	374	2742	City Gate Check Station							3,653
4	375	2750	Structures & Improvements	3,653						1,132,021
5	376	2761-2769	Mains	811,402	340,710	43,118	23,027			669,031,785
6	378	2780	System Meas. & Reg. Station Equipment - Gener	376,262,956	304,749,301	19,799,166	(4,181,306)			14,431,020
7	378	2781	System Meas. & Reg. Station Equipment - Electric	9,941,569	4,390,850	275,803	374,404			2,839,554
8	378	2782	District Regulating Equipment	1,175,131	1,763,179	128,472	29,716			3,240,252
9	379	2790	Meas. & Reg - City Gate	3,131,979	243,487	135,214	0			263,232
10	380	2801-2807	Services	263,232						247,744,784
11	381	2810, 2811	Meters	176,034,215	88,789,413	21,411,605	4,328,761			35,629,894
12	382	2820, 2821	Meter Installations	29,772,694	7,624,366	1,458,940	(308,726)			24,888,583
13	383	2830, 2831	House Regulators	18,671,516	7,045,650	677,896	(140,687)			17,860,726
14	384	2840, 2841	House Regulator Installations	9,507,588	8,153,038	0	0			12,466,754
15	385	2850	Large Industrial Meas. & Reg. Equipment	7,313,103	5,993,719	810,068	0			2,749,950
16	385	2851	Large Industrial Meas. & Reg. Equipment - Comm	2,573,786	178,783	2,619	0			726,303
17	387	2870	Other Equipment - Other	419,375	306,928	0	0			76,253
18	387	2871	Street Lighting Equipment	156,573	(80,320)	466	(115)			765,241
19	388		Gas ARO	765,707	115	0	0			6,305,213
20			Total Distribution Plant	641,334,191	440,262,417	44,775,979	125,074			1,036,945,703

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
GROSS ADDITIONS, RETIREMENTS & TRANSFERS
FROM APRIL 1, 2001 TO MARCH 31, 2007

GENERAL PLANT

STAFF REPORT
SCHEDULE B-2.3
PAGE 3 OF 4

LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	BEGINNING BALANCE	ADDITIONS	RETIREMENTS		AMOUNT	TRANSFERS/RECLASSIFICATIONS		ENDING BALANCE
						\$	\$		EXPLANATION OF TRANSFER	OTHER ACCTS. INVOLVED	
1	000	2030	Miscellaneous Intangible Plant	1,248,694	2,397,497		0	1,202,744		\$	4,848,935
2	389	2890	Land	46,782	0	46,782		0			0
3	390	2900	Structures & Improvements	215,467	829,604	84,987		863,723			1,823,807
4	391	2910	Office Furniture & Equipment	822,426	302,735	651,057		205,488			679,592
5	391	2911	Electronic Data Processing Equipment	141,147	0	141,147		0			0
6	392	2920	Transportation Equipment	4,318,354	0	4,242,103		0			76,251
7	392	2921	Trailers	421,690	174,240	63,625		0			512,305
8	384	2940	Tools, Shop & Garage Equipment	5,937,888	1,405,552	1,385,844		1,474,013			7,451,609
9	385	2950	Laboratory Equipment	348,059	0	114,003		0			234,056
10	396	2960	Power Operated Equipment	1,152,517	0	1,033,896		0			118,621
11	397	2970	Communication Equipment	19,350	99,081	0		0			118,431
12			Total General Plant	14,672,374	5,208,709	7,763,444		3,745,968			15,863,607
13			Total Gas Plant	664,005,513	447,495,185	53,423,629		4,301,323			1,062,378,892

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
GROSS ADDITIONS, RETIREMENTS & TRANSFERS
FROM APRIL 1, 2001 TO MARCH 31, 2007

COMMON PLANT

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LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	AMOUNT	TRANSFERS/RECLASSIFICATIONS		ENDING BALANCE
								EXPLANATION OF TRANSFER	OTHER ACCTS. INVOLVED	
				\$	\$	\$	\$			\$
1		1030	Miscellaneous Intangible Plant	73,054,714	52,144,862	26,749,703	(1,228,749)			97,231,124
2		1890	Land and Land Rights	3,140,612	0	695,043	(323,921)			2,121,848
3		1891	Rights of Way	37,969	0	0	0			37,969
4		1900	Structures & Improvements	89,759,086	21,555,188	18,611,071	(1,225,918)			91,476,285
5		1910	Office Furniture & Equipment	16,716,103	1,099,136	2,589,824	(90,037)			15,155,378
6		1911	Electronic Data Processing Equipment	242,220	278,301	242,220	(278,301)			0
7		1920	Transportation Equipment	918,838	29,262	833,526	(29,262)			85,312
8		1921	Trailers	174,930	265,687	50,864	0			389,753
9		1930	Stores Equipment	1,082,063	0	418,056	0			663,997
10		1940	Tools, Shop & Garage Equipment	1,021,820	436,026	238,751	(9,136)			1,209,959
11		1950	Laboratory Equipment	15,551	0	5,663	0			9,888
12		1960	Power Operated Equipment	127,622	0	85,575	0			42,047
13		1970	Communication Equipment	6,445,687	8,988,298	7,350	(112,662)			15,313,973
14		1980	Miscellaneous Equipment	66,260	268,827	15,557	0			317,530
15			Total Common Plant (Excluding Organization)	192,812,475	85,063,587	50,543,213	(3,297,986)			224,034,883
16			13.50% Common Plant Allocated to Gas	26,029,684	11,483,594	6,823,394	(445,228)			30,244,706
17			Total Gas Plant Including Allocated Common	690,036,187	458,978,769	60,246,963	3,856,095			1,092,623,098

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
LEASED PROPERTY
AS OF MARCH 31, 2007

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IDENTIFICATION OR REFERENCE NUMBER	DESCRIPTION OF TYPE AND USE OF PROPERTY	NAME OF LESSOR	FREQUENCY OF PAYMENT	AMOUNT OF LEASE PAYMENT	DOLLAR VALUE OF PROPERTY INVOLVED	EXPLAIN METHOD OF CAPITALIZATION	INCLUDED IN RATE BASE (YES/NO)
2811 & 2821	Meters & Meter Installations	Bank of America	Monthly	\$195,917	\$18,916,123	Per Regulatory and GAAP Guidelines	Yes
1900	Fourth & Walnut (Clopay) (1)	Jones Lang LaSalle			\$4,671,209		Yes
1900	Atrium II (1)	Atrium II Development Co.			\$257,952		Yes
2831 & 2841	Regulators & Regulator Installations	Bank of America	Monthly	\$ 133,292	\$ 12,869,047		Yes

(1) These expenditures are capitalized as Leasehold Improvements and are included in Account 1900.
These improvements are amortized over the life of the lease.

DUKE ENERGY OHIO
CASE NO. 07-389-GA-AIR
PROPERTY EXCLUDED FROM RATE BASE
(FOR REASONS OTHER THAN RATE AREA ALLOCATION)
AS OF MARCH 31, 2007

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LINE NO.	COMPANY ACCT. NO.	DESCRIPTION OF EXCLUDED PROPERTY	IN-SERVICE DATE	ORIGINAL COST	ACCU. DEPRE.	NET ORIGINAL COST	TEST YEAR		REASON FOR EXCLUSION
							REVENUE & EXPENSES ACCT.	DESCRIP.	
							AMOUNT	NO.	
1	1900	Structures & Improvements	1944	5,857	2,542	3,315			Hartwell Recreation Facilities
2			1948	730	297	433			
3			1949	41,064	16,404	24,660			
4			1950	2,059	820	1,239			
5			1951	186,023	71,735	114,287			
6			1952	5,459	2,067	3,392			
7			1953	5,774	2,147	3,627			
8			1954	874	319	555			
9			1955	701	251	450			
10			1957	291,203	100,211	190,992			
11			1960	11,628	3,760	7,868			
12			1961	4,663	1,476	3,187			
13			1962	1,565	484	1,081			
14			1965	763	226	537			
15			1968	87,744	24,733	63,011			
16			1972	1,765	424	1,341			
17			1974	4,382	993	3,389			
18			1975	4,990	1,036	3,954			
19			1976	3,810	768	3,042			
20			1978	491	88	403			
21			1980	5,637	1,043	4,594			
22			1981	3,018	538	2,480			
23			1982	89,168	15,285	73,883			
24			1983	16,375	2,690	13,685			
25			1984	1,863	285	1,578			
26			1985	8,727	1,313	7,414			
27			1986	7,578	1,088	6,490			
28			1988	18,636	2,417	16,219			
29			1989	103,653	12,730	90,923			
30			1990	1,727	200	1,527			
31			1991	29,559	3,220	26,339			
32			1992	44,047	4,494	39,553			
33			1994	134,933	11,900	123,033			
34			1995	4,931	401	4,530			
35			1996	132,006	7,990	124,016			
36			1999	283,156	13,571	269,585			
37			2000	51,576	2,408	49,168			
38			2001	70,482	2,803	67,679			
39			2002	48,954	1,608	47,346			
40			2003	38,161	880	37,281			
41			2005	17,609	213	17,396			
42			2006	60,849	316	60,533			
43		Total		1,798,890	318,185	1,480,705			

DUKE ENERGY OHIO
CASE NO. 07-389-GA-AIR
PROPERTY EXCLUDED FROM RATE BASE
(FOR REASONS OTHER THAN RATE AREA ALLOCATION)
AS OF MARCH 31, 2007

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LINE NO.	COMPANY ACCT. NO.	DESCRIPTION OF EXCLUDED PROPERTY	IN-SERVICE DATE	ORIGINAL COST	ACCU. DEPRE.	NET ORIGINAL COST	TEST YEAR		REASON FOR EXCLUSION
							REVENUE & EXPENSES	ACCT.	
							AMOUNT	NO.	
1	1910	Office Furniture & Equipment	1988	2,631	1,516	1,115			
2			1990	8,436	4,343	4,093			
3			1991	25,107	12,152	12,955			
4			1992	2,507	1,136	1,371			
5		Total		38,681	19,147	19,534			Hartwell Recreation Facilities

DUKE ENERGY OHIO
CASE NO. 07-559-GA-AIR
PROPERTY EXCLUDED FROM RATE BASE
(FOR REASONS OTHER THAN RATE AREA ALLOCATION)
AS OF MARCH 31, 2007

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LINE NO.	COMPANY ACCT. NO.	DESCRIPTION OF EXCLUDED PROPERTY	IN-SERVICE DATE	ORIGINAL COST	ACCUM. DEPRE.	NET ORIGINAL COST	TEST YEAR		REASON FOR EXCLUSION
							REVENUE & EXPENSES		
							AMOUNT	ACCT. NO.	
1	1940	Tools, Shop & Garage Equipment	1982	573	415	158			Hartwell Recreation Facilities
2			1983	584	406	178			
3			1984	2,436	1,621	815			
4			1988	1,276	700	576			
5			1989	11,754	6,104	5,650			
6			1990	4,808	2,356	2,452			
7			1991	18,522	8,535	9,987			
8			1993	16,549	6,657	9,892			
9		Total		56,502	26,794	29,708			

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
PROPERTY EXCLUDED FROM RATE BASE
(FOR REASONS OTHER THAN RATE AREA ALLOCATION)
AS OF MARCH 31, 2007

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LINE NO.	COMPANY ACCT. NO.	DESCRIPTION OF EXCLUDED PROPERTY	IN-SERVICE DATE	ORIGINAL COST	ACCUM. DEPRE.	NET ORIGINAL COST	TEST YEAR			REASON FOR EXCLUSION
							REVENUE & EXPENSES	ACCT. NO.	DESCRIP.	
1	1980	Miscellaneous Equipment	1989	2,004	1,841	183				Hartwell Recreation Facilities
2			1990	8,902	7,717	1,185				
3			1993	5,259	3,742	1,517				
4		Total		16,165	13,300	2,865				
5		Grand Total - Hartwell Recreation Facilities		1,910,238	377,426	1,532,812				
6							0	408	Prop Tax	Expenses related to Hartwell Recreation Facilities
7							0	920	O & M	
8							1,579	921	O & M	
9							0	926	O & M	
10							0	935	O & M	
11										
		Total					1,579			

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
ACCUMULATED DEPRECIATION AND AMORTIZATION
AS OF MARCH 31, 2007

MANUFACTURED GAS PRODUCTION PLANT

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LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY INVESTMENT	TOTAL COMPANY	ALLOCATION %	ALLOCATED TOTAL	ADJUSTMENTS	ADJUSTED JURISDICTION
				\$	\$		\$	\$	\$
1	304	2040	Land and Land Rights	427,814	(2,113)	100.00	(2,113)		(2,113)
2	304	2041	Rights of Way	4,147	3,701	100.00	3,701		3,701
3	305	2050	Structures & Improvements	3,705,658	3,219,859	100.00	3,219,859		3,219,859
4	311	2110	Liquefied Petroleum Gas Equipment	5,401,368	4,436,324	100.00	4,436,324		4,436,324
5		2200	Other Equipment	30,095	34,582	100.00	34,582		34,582
6		108	Retirement Work in Progress		(2,537)	100.00	(2,537)		(2,537)
7			Total Manufactured Gas Production Plant	9,569,082	7,689,816		7,689,816		7,689,816

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
ACCUMULATED DEPRECIATION AND AMORTIZATION
AS OF MARCH 31, 2007

DISTRIBUTION PLANT

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LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY INVESTMENT	TOTAL COMPANY	ALLOCATION %	ALLOCATED TOTAL	ADJUSTMENTS	ADJUSTED JURISDICTION
				\$	\$		\$	\$	\$
1	374	2740	Land and Land Rights	133,008	3,536	100.00	3,536		3,536
2	374	2741	Rights of Way	6,817,467	462,664	100.00	462,664		462,664
3	374	2742	City Gate Check Station	3,663	0	100.00	0		0
4	375	2750	Structures & Improvements	1,132,021	459,668	100.00	459,668		459,668
5	376	2761	Mains - Cast Iron & Copper	12,417,594	13,408,156	100.00	13,408,156		13,408,156
6	376	2762,2767	Mains - Steel	256,465,460	98,672,591	100.00	98,672,591		98,672,591
7	376	2763,2768	Mains - Plastic	314,553,206	44,029,578	100.00	44,029,578		44,029,578
8	376	2765,2769	Mains - Feeder	75,595,527	29,963,663	100.00	29,963,663		29,963,663
9	378	2780	System Meas. & Reg. Station Equipment	14,431,020	2,775,058	100.00	2,775,058		2,775,058
10	378	2781	System Meas. & Reg. Station Equipment-Elec	2,839,554	1,953,264	100.00	1,953,264		1,953,264
11	378	2782	Distict Regulating Equipment	3,240,252	1,815,418	100.00	1,815,418		1,815,418
12	379	2790	Meas. & Reg.- City Gate Station	263,232	249,149	100.00	249,149		249,149
13	380	2801	Services- Cast Iron & Copper	9,635,057	11,099,246	100.00	11,099,246		11,099,246
14	380	2802,2804	Services-Steel	18,686,179	7,884,426	100.00	7,884,426		7,884,426
15	380	2803,2805,2807	Services-Plastic	219,123,546	57,601,833	100.00	57,601,833		57,601,833
16	381	2810,2811	Meters	35,629,894	9,191,415	100.00	9,191,415		9,191,415
17	382	2820,2821	Meter Installations	24,898,583	8,128,151	100.00	8,128,151		8,128,151
18	383	2830,2831	House Regulators	17,660,726	3,124,309	100.00	3,124,309		3,124,309
19	384	2840,2841	House Regulator Installations	12,496,754	2,101,903	100.00	2,101,903		2,101,903
20	385	2850	Large Industrial Meas. & Reg. Equipment	2,749,950	1,048,946	100.00	1,048,946		1,048,946
21	385	2851	Large Industrial Meas. & Reg. Equipment - Comr	726,303	305,119	100.00	305,119		305,119
22	387	2870	Other Equipment - Other	76,253	55,027	100.00	55,027		55,027
23	387	2871	Street Lighting Equipment	765,241	441,116	100.00	441,116		441,116
24		108	Retirement Work in Progress		(3,012,488)	100.00	(3,012,488)		(3,012,488)
25	388		Gas ARO	6,305,213	2,620,401	100.00	2,620,401		2,620,401
26			Total Distribution Plant	1,036,945,703	294,382,149		294,382,149		294,382,149

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
ACCUMULATED DEPRECIATION AND AMORTIZATION
AS OF MARCH 31, 2007

GENERAL PLANT

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LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY PLANT INVESTMENT	TOTAL COMPANY	ALLOCATION %	ALLOCATED TOTAL	ADJUSTMENTS	ADJUSTED JURISDICTION
				\$	\$		\$	\$	\$
1	000	2030	Miscellaneous Intangible Plant	4,849,935	3,483,408	100.00	3,483,408		3,483,408
2	389	2890	Land	0	0	100.00	0		0
3	390	2900	Structures & Improvements	1,823,807	333,504	100.00	333,504		333,504
4	391	2910	Office Furniture & Equipment	679,592	202,658	100.00	202,658		202,658
5	381	2911	Electronic Data Processing Equipment	0	(31,917)	100.00	(31,917)		(\$1,917)
6	382	2920	Transportation Equipment	76,251	92,666	100.00	92,666		92,666
7	382	2921	Trailers	512,305	310,919	100.00	310,919		310,919
8	384	2940	Tools, Shop & Garage Equipment	7,451,609	2,642,013	100.00	2,642,013		2,642,013
9	385	2950	Laboratory Equipment	234,356	87,071	100.00	87,071		87,071
10	386	2960	Power Operated Equipment	118,821	56,101	100.00	56,101		56,101
11	387	2970	Communication Equipment	118,431	56,686	100.00	56,686		56,686
12		108	Retirement Work in Progress		185,171	100.00	185,171		185,171
13			Total General Plant	15,863,607	7,418,280		7,418,280		7,418,280
14			Total Gas Plant	1,062,378,392	309,490,245		309,490,245		309,490,245

DUKE ENERGY OHIO
CASE NO. 07-586-GA-AIR
ACCUMULATED DEPRECIATION AND AMORTIZATION
AS OF MARCH 31, 2007

COMMON PLANT

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LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY INVESTMENT	TOTAL COMPANY	ALLOCATION %	ALLOCATED TOTAL	ADJUSTMENTS	ADJUSTED JURISDICTION
				\$	\$		\$	\$	\$
1		1030	Miscellaneous Intangible Plant	97,231,124	61,176,513	100.00	61,176,513		61,176,513
2		1890	Land and Land Rights	2,121,648	106,907	100.00	106,907		106,907
3		1891	Rights of Way	37,969	0	100.00	0		0
4		1900	Structures & Improvements	91,476,285	15,763,018	100.00	15,763,018	(318,185)	15,444,833
5		1910	Office Furniture & Equipment	15,135,378	7,626,533	100.00	7,626,533	(19,147)	7,607,386
6		1911	Electronic Data Processing Equipment	0	0	100.00	0		0
7		1920	Transportation Equipment	85,312	85,282	100.00	85,282		85,282
8		1921	Trailers	389,753	108,603	100.00	108,603		108,603
9		1930	Stores Equipment	863,957	304,138	100.00	304,138		304,138
10		1940	Tools, Shop & Garage Equipment	1,209,859	390,340	100.00	390,340	(26,754)	363,586
11		1950	Laboratory Equipment	9,888	7,267	100.00	7,267		7,267
12		1960	Power Operated Equipment	42,047	42,046	100.00	42,046		42,046
13		1970	Communication Equipment	15,313,973	4,954,136	100.00	4,954,136	(13,300)	4,940,836
14		1980	Miscellaneous Equipment	317,530	87,350	100.00	87,350		87,350
15		108	Retirement Work in Progress		(334,471)	100.00	(334,471)		(334,471)
16			Total Common Plant	224,034,863	90,317,662		90,317,662	(377,426)	89,940,236
17		13.50%	Common Plant Allocated to Gas						
18		Original Cost		30,244,707	12,192,884	100.00	12,192,884	(50,953)	12,141,931
19		13.50% Reserve							
			Total Gas Plant Including Allocated Common	1,092,823,099	321,683,129		321,683,129	(50,953)	321,632,176

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
ADJUSTMENTS TO ACCUMULATED DEPRECIATION AND AMORTIZATION
AS OF MARCH 31, 2007

STAFF REPORT
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LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY ADJUSTMENT	ALLOCATION %	JURISDICTIONAL ADJUSTMENT
1			Common Plant (b)			
2		1900	Structures & Improvements	318,185	100.00	318,185
3		1910	Office Furniture & Equipment	19,147	100.00	19,147
4		1940	Tools, Shop & Garage Equipment	26,794	100.00	26,794
5		1980	Miscellaneous Equipment	13,300	100.00	13,300
6			Total	377,426		377,426
7			13.50% Common Allocated to Gas	50,953		50,953

Description and Purpose of Adjustments:
(a) To remove from rate base the effect of the Asset Retirement Obligation
(b) To eliminate from rate base the Hartwell Recreation Facilities not used by Company

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
DEPRECIATION ACCRUAL RATES, DEPRECIATION EXPENSE, AND
JURISDICTIONAL ACCUMULATED BALANCES BY ACCOUNTS, FUNCTIONAL CLASS OR MAJOR PROPERTY GROUP
AS OF MARCH 31, 2007

MANUFACTURED GAS PRODUCTION PLANT

STAFF REPORT
SCHEDULE B-3.2
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LINE NO.	F.E.R.C. COMPANY		ACCOUNT TITLE OR MAJOR PROPERTY GROUPING (C)	ADJUSTED JURISDICTION		CURRENT ACCRUAL RATE (F)	CALCULATED DEPR. EXPENSE (G=DxF)
	ACCT. NO. (B-1)	ACCT. NO. (B-2)		PLANT INVESTMENT (D)	ACCUMULATED BALANCE (E)		
(A)	(B-1)	(B-2)	(C)	\$	\$	%	\$
1	304	2040	Land and Land Rights	427,814	(2,113)		
2	304	2041	Rights of Way	4,147	3,701	2.00	83
3	305	2050	Structures & Improvements	3,705,658	3,219,859	2.00	74,113
4	311	2110	Liquefied Petroleum Gas Equipment	5,401,368	4,436,324	2.50	135,034
5	320	2200	Other Equipment	30,095	34,582	7.14	2,149
6		108	Retirement Work in Progress		(2,537)		
7			Total Manufactured Gas Production Plant	9,569,082	7,689,816		211,379

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
DEPRECIATION ACCRUAL RATES, DEPRECIATION EXPENSE, AND
JURISDICTIONAL ACCUMULATED BALANCES BY ACCOUNTS, FUNCTIONAL CLASS OR MAJOR PROPERTY GROUP
AS OF MARCH 31, 2007

DISTRIBUTION PLANT

STAFF REPORT
SCHEDULE B-3.2
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LINE NO. (A)	F.E.R.C. COMPANY		ACCOUNT TITLE OR MAJOR PROPERTY GROUPING (C)	ADJUSTED JURISDICTION		CURRENT ACCRUAL RATE (F)	CALCULATED DEPR. EXPENSE (G=DxF)
	ACCT. NO. (B-1)	ACCT. NO. (B-2)		PLANT INVESTMENT (D)	ACCUMULATED BALANCE (E)		
				\$	\$	%	\$
1	374	2740	Land and Land Rights	133,008	3,536	0.00	0
2	374	2741	Rights of Way	6,817,487	462,664	1.54	104,989
3	374	2742	City Gate Check Station	3,663	0	0.00	0
4	375	2750	Structures & Improvements	1,132,021	459,668	2.00	22,640
5	376	2761	Mains - Cast Iron & Copper	12,417,594	13,408,156	2.17	269,462
6	376	2762	Mains - Steel	256,465,460	98,672,591	1.54	3,949,568
7	376	2763	Mains - Plastic	314,553,206	44,029,578	1.82	5,724,868
8	376	2765	Mains - Feeder	75,595,527	29,963,663	1.54	1,164,171
9	378	2760	System Meas. & Reg. Station Equipment	14,431,020	2,775,058	2.22	320,369
10	378	2781	System Meas. & Reg. Station Equipment-Elec	2,839,554	1,953,264	6.67	189,398
11	378	2782	District Regulating Equipment	3,240,252	1,815,418	2.00	64,805
12	379	2790	Meas. & Reg. - City Gate	263,232	249,149	10.00	26,323
13	380	2801	Services- Cast Iron & Copper	9,835,057	11,099,246	2.70	268,247
14	380	2802	Services-Steel	18,686,179	7,884,426	2.63	491,447
15	380	2803	Services-Plastic	219,123,546	57,601,833	3.13	8,858,567
16	381	2810,2811	Meters	35,629,894	9,191,415	2.22	790,984
17	382	2820,2821	Meter Installations	24,898,583	8,128,151	2.17	540,299
18	383	2830	House Regulators	17,660,726	3,124,309	2.00	353,215
19	384	2840	House Regulator Installations	12,496,754	2,101,903	2.22	277,428
20	385	2850	Large Industrial Meas. & Reg. Equipment	2,749,950	1,048,946	2.86	78,649
21	386	2851	Large Industrial Meas. & Reg. Equipment - Comm	726,303	305,119	2.86	20,772
22	387	2870	Other Equipment - Other	76,253	55,027	7.69	5,864
23	387	2871	Street Lighting Equipment	765,241	441,116	2.38	18,213
24		108	Retirement Work In Progress		(3,012,488)		0
25			Gas ARO	6,305,213	2,820,401		
26			Total Distribution Plant	1,036,945,703	294,382,149		21,540,278

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
DEPRECIATION ACCRUAL RATES, DEPRECIATION EXPENSE, AND
JURISDICTIONAL ACCUMULATED BALANCES BY ACCOUNTS, FUNCTIONAL CLASS OR MAJOR PROPERTY GROUP
AS OF MARCH 31, 2007

GENERAL PLANT

STAFF REPORT
SCHEDULE B-3.2
PAGE 3 OF 4

LINE NO.	F.E.R.C. COMPANY		ACCOUNT TITLE OR MAJOR PROPERTY GROUPING (C)	ADJUSTED JURISDICTION		CURRENT ACCRUAL RATE (F)	CALCULATED DEPR. EXPENSE (G=DxF)
	ACCT. NO. (A)	ACCT. NO. (B-2)		PLANT INVESTMENT (D)	ACCUMULATED BALANCE (E)		
				\$	\$	%	\$
1	000	2030	Miscellaneous Intangible Plant	4,848,935	3,483,408	Various	410,978
2	389	2890	Land	0	0		0
3	390	2900	Structures & Improvements	1,823,807	333,504	3.33	60,733
4	391	2910	Office Furniture & Equipment	679,592	202,658	5.00	33,980
5	391	2911	Electronic Data Processing Equipment	0	(31,917)		0
6	392	2920	Transportation Equipment	76,251	92,666	10.00	Charged to Transp. Exp.
7	392	2921	Trailers	512,305	310,919	6.67	Charged to Transp. Exp.
8	394	2940	Tools, Shop & Garage Equipment	7,451,609	2,642,013	4.00	298,064
9	395	2950	Laboratory Equipment	234,056	87,071	6.67	15,612
10	396	2960	Power Operated Power Equipment	118,621	56,101	9.09	Charged to Transp. Exp.
11	397	2970	Communication Equipment	118,431	56,686	6.67	7,899
12		108	Retirement Work in Progress		185,171		0
13			Total General Plant	15,863,607	7,418,280		827,264
14			Total Gas Plant	1,062,378,392	309,490,245		22,578,921

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
DEPRECIATION ACCRUAL RATES, DEPRECIATION EXPENSE, AND
JURISDICTIONAL ACCUMULATED BALANCES BY ACCOUNTS, FUNCTIONAL CLASS OR MAJOR PROPERTY GROUP
AS OF MARCH 31, 2007

COMMON PLANT

STAFF REPORT
SCHEDULE B-3.2
PAGE 4 OF 4

LINE NO.	F.E.R.C. COMPANY ACCT. NO.	ACCT. NO.	ACCOUNT TITLE OR MAJOR PROPERTY GROUPING (C)	ADJUSTED JURISDICTION PLANT INVESTMENT (D)	ACCUMULATED BALANCE (E)	CURRENT ACCRUAL RATE (F)	CALCULATED DEPR. EXPENSE (G=DxF)
(A)	(B-1)	(B-2)		\$	\$	%	\$
1		1030	Miscellaneous Intangible Plant	97,231,124	61,176,513	Various	9,566,576
2		1890	Land and Land Rights	2,121,648	106,907		0
3		1891	Rights of Way	37,969	0		0
4		1900	Structures & Improvements	84,748,235	10,449,740	2.91	2,466,174
5		1900	Structures & Improvements - Atrium II	257,952	157,107	25.37	65,442
6		1900	Structures & Improvements - Clopay 4th 5th 6th Floor	754,773	754,773	0.00 (1)	0
7		1900	Structures & Improvements - Clopay Bldg	3,916,435	4,083,213	0.00 (1)	0
8		1910	Office Furniture & Equipment	15,098,697	7,607,386	5.00	754,835
9		1911	Electronic Data Processing Equipment	0	0		0
10		1920	Transportation Equipment	85,312	85,282	10.00	Charged to Transp. Exp.
11		1921	Trailers	389,753	108,603	6.67	Charged to Transp. Exp.
12		1930	Stores Equipment	663,997	304,138	5.00	33,200
13		1940	Tools, Shop & Garage Equipment	1,153,457	363,546	4.00	46,138
14		1950	Laboratory Equipment	9,888	7,267	6.67	660
15		1960	Power Operated Equipment	42,047	42,046	9.09	Charged to Transp. Exp.
16		1970	Communication Equipment	15,313,973	4,954,136	6.67	1,021,442
17		1980	Miscellaneous Equipment	301,365	74,050	6.67	20,101
18		108	Retirement Work In Progress		(334,471)		
19			Total Common Plant	222,124,625	89,940,236		13,974,568
20			Common Plant Allocated to Gas				
21		13.50%	Original Cost	29,986,825			
22		13.50%	Reserve		12,141,931		
22		13.50%	Annual Provision				1,886,567
23			Total Gas Plant Including Allocated Common	1,092,365,217	321,632,176		24,465,488

(1) Fully Depreciated

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
DEPRECIATION ACCRUAL RATES

MANUFACTURED GAS PRODUCTION PLANT

STAFF REPORT
SCHEDULE B-3.2a
PAGE 1 OF 4

LINE NO. (A)	F.E.R.C. ACCT. NO. (B-1)	COMPANY ACCT. NO. (B-2)	ACCOUNT TITLE OR MAJOR PROPERTY GROUPING (C)	PROPOSED ACCRUAL RATE (F)	% NET SALVAGE (H)	AVERAGE SERVICE LIFE (I)	CURVE FORM (J)
				%			
1	304	2040	Land and Land Rights			Perpetual Life	
2	304	2041	Rights of Way	2.00	0	50	SQ
3	305	2050	Structuras & Improvements	2.00	-5	50	R2.5
4	311	2110	Liquefied Petroleum Gas Equipment	2.50	-5	40	R1.5
5	320	2200	Other Equipment	7.14	0	14	L0.5

DUKE ENERGY OHIO
CASE NO. 07-689-GA-AIR
DEPRECIATION ACCRUAL RATES

DISTRIBUTION PLANT

STAFF REPORT
SCHEDULE B-3.2a
PAGE 2 OF 4

LINE NO. (A)	F.E.R.C. ACCT. NO. (B-1)	COMPANY ACCT. NO. (B-2)	ACCOUNT TITLE OR MAJOR PROPERTY GROUPING (C)	PROPOSED ACCRUAL RATE (F)	% NET SALVAGE (H)	AVERAGE SERVICE LIFE (I)	CURVE FORM (J)
				%			
1	374	2740	Land and Land Rights	0.00		Perpetual Life	
2	374	2741	Rights of Way	1.54	0	65	R3
3	374	2742	City Gate Check Station	0.00		Perpetual Life	
4	375	2750	Structures & Improvements	2.00	-15	50	R1.5
5	376	2761	Mains - Cast Iron & Copper	2.17	-25	46	R2.5
6	376	2762	Mains - Steel	1.54	-25	65	R2
7	376	2763	Mains - Plastic	1.82	-25	55	R3
8	376	2765	Mains - Feeder	1.54	-25	65	R2
9	378	2780	System Meas. & Reg. Station Equipment	2.22	-10	45	R0.5
10	378	2781	System Meas. & Reg. Station Equipment-Elec	6.67	-5	15	L2
11	378	2782	District Regulating Equipment	2.00	-15	50	R1.5
12	379	2790	Meas. & Reg. - City Gate	10.00	0	10	L0
13	380	2801	Services- Cast Iron & Copper	2.70	-20	37	R1.5
14	380	2802	Services-Steel	2.63	-20	38	R1
15	380	2803	Services-Plastic	3.13	-20	32	R2
16	381	2810,2811	Meters	2.22	0	45	R2
17	382	2820,2821	Meter Installations	2.17	0	46	R2.5
18	383	2830	House Regulators	2.00	0	50	R2.5
19	384	2840	House Regulator Installations	2.22	0	45	R1
20	385	2850	Large Industrial Meas. & Reg. Equipment	2.86	-10	35	R1
21	385	2851	Large Industrial Meas. & Reg. Equipment - Comm	2.86	-10	35	R1
22	387	2870	Other Equipment - Other	7.69	0	13	S1
23	387	2871	Street Lighting Equipment	2.38	-20	42	R2

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
DEPRECIATION ACCRUAL RATES

GENERAL PLANT

STAFF REPORT
SCHEDULE B-3.2a
PAGE 3 OF 4

LINE NO. (A)	F.E.R.C. ACCT. NO. (B-1)	COMPANY ACCT. NO. (B-2)	ACCOUNT TITLE OR MAJOR PROPERTY GROUPING (C)	PROPOSED ACCRUAL RATE (F)	% NET SALVAGE (H)	AVERAGE SERVICE LIFE (I)	CURVE FORM (J)
				%			
2	389	2890	Land			Perpetual Life	
3	390	2900	Structures & Improvements	3.33	0	30	S0.5
4	391	2910	Office Furniture & Equipment	5.00	0	20	SQ
6	392	2920	Transportation Equipment	10.00	10	10	S2.0
7	392	2921	Trailers	6.67	15	15	S1.5
8	394	2940	Tools, Shop & Garage Equipment	4.00	0	25	SQ
9	395	2950	Laboratory Equipment	6.67	0	15	SQ
10	396	2960	Power Operated Power Equipment	9.09	30	11	R2.5
11	397	2970	Communication Equipment	6.67	0	15	SQ

DUKE ENERGY OHIO
CASE NO. 07-689-GA-AIR
DEPRECIATION ACCRUAL RATES

COMMON PLANT

STAFF REPORT
SCHEDULE B-3.2a
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LINE NO. (A)	F.E.R.C. ACCT. NO. (B-1)	COMPANY ACCT. NO. (B-2)	ACCOUNT TITLE OR MAJOR PROPERTY GROUPING (C)	PROPOSED ACCRUAL RATE (F)		% NET SALVAGE (H)	AVERAGE SERVICE LIFE (I)	CURVE FORM (J)
				%				
1		1030	Miscellaneous Intangible Plant	Various				
2		1890	Land and Land Rights				Perpetual Life	
3		1891	Rights of Way				Perpetual Life	
4		1900	Structures & Improvements - Major	2.93	(1)	0	100	R3
5		1900	Structures & Improvements - Minor	2.50	(1)	-5	40	R3
6		1900	Structures & Improvements - Atrium II	25.37			Amortized Over Life of Lease	
7		1900	Structures & Improvements - Clopay 4th 5th 6th Floor	0.00	(2)		Amortized Over Life of Lease	
8		1900	Structures & Improvements - Clopay Bldg	0.00	(2)		Amortized Over Life of Lease	
9		1910	Office Furniture & Equipment	5.00		0	20	SQ
10		1920	Transportation Equipment	10.00		10	10	S2
11		1921	Trailers	6.67		15	15	S1.5
12		1930	Stores Equipment	5.00		0	20	SQ
13		1940	Tools, Shop & Garage Equipment	4.00		0	25	SQ
14		1950	Laboratory Equipment	6.67		0	15	SQ
15		1960	Power Operated Equipment	9.09		30	11	R2.5
16		1970	Communication Equipment	6.67		0	15	SQ
17		1980	Miscellaneous Equipment	6.67		0	15	SQ

(1) Compositied for Account as follows:

	Plant In Service (a)	Depr. Expense (b) =(a) x Rate	Composite Rate Sum (b) / Sum (a)
1900 Structures & Improvements - Major	81,105,313	2,376,386	
1900 Structures & Improvements - Minor	4,880,440	117,011	
	<u>85,785,753</u>	<u>2,493,397</u>	2.91%

(2) Fully Depreciated

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
DEPRECIATION RESERVE ACCOUNTS, RETIREMENTS AND TRANSFERS
FROM APRIL 1, 2001 TO MARCH 31, 2007

MANUFACTURED GAS PRODUCTION PLANT

STAFF REPORT
SCHEDULE B-3.3
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LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	BEGINNING BALANCE	ACCRUAL	SALVAGE	RETIREMENTS	COST OF REMOVAL	TRANSFERS/RECLASSIFICATIONS			ENDING BALANCE
									AMOUNT	EXPLANATION OF TRANSFER	OTHER ACCTS. INVOLVED	
1	304	2040	Land	\$ 0	\$ 0	\$ 0	\$ 4,758	\$ 0	\$ 2,645			\$ (2,113)
2	304	2041	Rights of Way	3,300	401	0	0	0	0			3,701
3	305	2050	Structures & Improvements	3,151,853	454,397	0	475,743	(88,543)	809			3,218,859
4	311	2110	Liquefied Petroleum Gas Equipment	4,084,757	694,736	0	403,705	(80,322)	214			4,436,324
5	320	2200	Other Equipment	30,095	4,497	0	0	0	0			34,582
6	108		Retirement Work in Progress	(5,492)	0	0	(2,955)	0	0			(2,537)
7			Total Manufactured Gas Production Plant	7,284,513	1,154,021	0	881,251	(148,865)	3,668			7,889,816

DUKE ENERGY OHIO
CASE NO. 07-588-GA-AIR
DEPRECIATION RESERVE ACCOUNTS, RETIREMENTS AND TRANSFERS
FROM APRIL 1, 2001 TO MARCH 31, 2007
DISTRIBUTION PLANT

STAFF REPORT
SCHEDULE B-3.3
PAGE 2 OF 4

LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	BEGINNING BALANCE	ACCRUAL	SALVAGE	RETIREMENTS	COST OF REMOVAL	TRANSFERS/RECLASSIFICATIONS			ENDING BALANCE
									AMOUNT	EXPLANATION OF TRANSFER	OTHER ACCTS. INVOLVED	
				\$	\$	\$	\$	\$	\$			\$
1	374	2740	Land	3,536	0	38,101	32,612	1,312	(4,177)			3,536
2	374	2741	Rights of Way	195,517	266,147	0	0	0	1,000			462,664
3	374	2742	City Gate Check Station	0	0	0	0	0	0			0
4	375	2750	Structures & Improvements	388,383	121,673	0	43,118	7,760	490			459,868
5	376	2761-2769	Mains	126,214,584	81,149,755	506,583	19,799,166	1,969,442	(28,326)			186,073,968
6	378	2780	System Meas. & Reg. Station Equipment - General	565,321	2,360,646	0	275,803	18,553	143,547			2,775,058
7	378	2781	System Meas. & Reg. Station Equipment - Electric	1,233,887	854,958	0	128,472	10,369	3,260			1,953,264
8	378	2782	District Regulating Equipment	1,260,043	706,129	0	135,214	15,540	0			1,815,418
9	379	2790	Meas. & Reg - City Gate	106,544	142,605	0	0	0	0			249,149
10	380	2801-2807	Services	61,120,757	38,725,623	40,181	21,411,605	1,914,309	24,858			76,585,505
11	381	2810, 2811	Meas	6,488,203	4,175,404	0	1,458,940	0	(13,252)			9,191,415
12	382	2820, 2821	Meier Installations	5,864,050	2,956,328	0	677,896	0	(14,331)			8,128,161
13	383	2830, 2831	House Regulators	1,682,695	1,441,614	0	0	0	0			3,124,309
14	384	2840, 2841	House Regulator Installations	1,704,930	1,207,041	0	810,068	0	0			2,101,903
15	385	2850	Large Industrial Meas. & Reg. Equipment	486,749	570,669	0	2,619	5,853	0			1,048,946
16	385	2851	Large Industrial Meas. & Reg. Equipment - Comm	172,751	132,368	0	0	0	0			305,119
17	387	2870	Other Equipment - Other	29,501	25,526	0	0	0	0			55,027
18	387	2871	Street Lighting Equipment	288,102	154,194	0	466	704	(10)			441,116
19	108		Retirement Work in Progress	(120,575)	0	0	2,851,913	0	0			(3,012,488)
20	388		Gas ARO	0	2,620,401	0	0	0	0			2,620,401
21			Total Distribution Plant	207,684,978	137,611,081	584,865	47,667,892	3,943,942	113,059			294,382,149

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
DEPRECIATION RESERVE ACCOUNTS, RETIREMENTS AND TRANSFERS
FROM APRIL 1, 2001 TO MARCH 31, 2007

GENERAL PLANT

STAFF REPORT
SCHEDULE B-3.3
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LINE NO.	F.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	BEGINNING BALANCE	ACCRUAL	SALVAGE	RETIREMENTS	COST OF REMOVAL	TRANSFERS/RECLASSIFICATIONS			ENDING BALANCE
									AMOUNT	EXPLANATION OF TRANSFER	OTHER ACCTS. INVOLVED	
1	000	2030	Miscellaneous Intangible Plant	\$ 908,908	\$ 2,335,661	\$ 0	\$ 0	\$ 0	\$ 238,819			\$ 3,483,408
2	389	2880	Land	0	0	188,660	46,782	(10,944)	(132,822)			0
3	390	2900	Structures & Improvements	180,719	218,168	43,149	84,987	2,397	(1,168)			333,504
4	391	2910	Office Furniture & Equipment	255,290	271,324	310,847	651,057	15,613	31,867			202,658
5	391	2911	Electronic Data Processing Equipment	6,415	102,815	0	141,147	0	0			(31,917)
6	392	2920	Transportation Equipment	4,030,270	204,115	403,544	4,242,103	(65,651)	(388,811)			92,666
7	392	2921	Trailers	144,726	235,691	2,015	83,625	(4,224)	7,888			310,919
8	394	2940	Tools, Shop & Garage Equipment	2,211,989	1,618,195	500	1,365,844	0	177,173			2,642,013
9	385	2950	Laboratory Equipment	81,611	119,463	0	114,003	0	0			87,071
10	386	2960	Power Operated Equipment	820,210	77,153	348,411	1,033,896	(37,608)	(193,385)			56,101
11	397	2970	Communication Equipment	8,409	48,277	0	0	0	0			56,686
12	108		Retirement Work in Progress	415,251	0	0	230,060	0	0			185,171
13			Total General Plant	9,043,798	5,230,902	1,277,126	7,993,524	(100,417)	(240,439)			7,418,280
14			Total Gas Plant	223,993,289	143,996,004	1,861,991	56,542,667	3,694,660	(123,712)			309,490,245

DUKE ENERGY OHIO
CASE NO. 07-589 GA-AIR
DEPRECIATION RESERVE ACCOUNTS, RETIREMENTS AND TRANSFERS
FROM APRIL 1, 2001 TO MARCH 31, 2007

COMMON PLANT

STAFF REPORT
SCHEDULE B-3.3
PAGE 4 OF 4

LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	BEGINNING BALANCE	ACCRUAL	SALVAGE	RETIREMENTS	COST OF REMOVAL	TRANSFERS/RECLASSIFICATIONS			ENDING BALANCE
									AMOUNT	EXPLANATION OF TRANSFER	OTHER ACCTS. INVOLVED	
1				\$	\$	\$	\$	\$	\$			\$
2	1030		Miscellaneous Intangible Plant	25,826,392	59,337,244	0	26,749,703	0	2,762,580			61,176,513
3	1890		Land and Land Rights	109,552	0	736,812	695,043	3,882	(40,532)			106,907
4	1891		Rights of Way	0	0	0	0	0	0			0
5	1900		Structures & Improvements	18,408,046	12,184,437	4,952,003	18,811,071	1,179,908	9,511			15,763,018
6	1910		Office Furniture & Equipment	6,407,232	3,799,554	42,595	2,589,824	889	(32,135)			7,626,533
7	1911		Electronic Data Processing Equipment	155,881	86,340	0	242,221	0	0			0
8	1920		Transportation Equipment	918,838	0	117,716	833,526	(14,510)	(132,356)			85,282
9	1921		Trailers	58,055	84,222	675	50,864	0	6,515			106,603
10	1930		Stores Equipment	533,915	188,289	0	418,066	0	0			304,138
11	1940		Tools, Shop & Garage Equipment	430,209	199,625	0	238,751	0	(743)			390,340
12	1950		Laboratory Equipment	9,880	3,050	0	5,663	0	0			7,267
13	1960		Power Operated Equipment	127,522	0	15,255	85,575	(31,437)	(46,703)			42,046
14	1970		Communication Equipment	2,401,301	2,580,281	0	7,350	0	(20,096)			4,954,136
15	1980		Miscellaneous Equipment	52,626	42,738	7,946	15,557	403	0			87,350
16	108		Retirement Work in Progress	208,035	0	0	542,506	0	0			(334,471)
16			Total Common Plant	55,647,584	78,515,780	5,873,012	51,085,720	1,139,035	2,506,041			90,317,662

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AR
DEPRECIATION RESERVE AND EXPENSE FOR LEASED PROPERTY
(TOTAL COMPANY)
AS OF MARCH 31, 2007

STAFF REPORT
SCHEDULE 8-3.4
PAGE 1 OF 1

IDENTIFICATION OR REFERENCE NUMBER	ACCT. NO.	ACCOUNT TITLE	DOLLAR VALUE OF PLANT INVESTMENT	ACCUMULATED DEPRECIATION/ AMORTIZATION RESERVE	ACCUAL RATE/ AMORTIZATION PERIOD	DEPRECIATION/ AMORTIZATION EXPENSE	EXPLAIN METHOD OF DEPRECIATION/AMORTIZATION	INCLUDED IN RATE BASE (YES/NO)
			\$	\$	%	\$		
	2811	Meters	10,135,991	787,557	2.2100	224,005	Per Regulatory and	Yes
	2821	Meter Installations	8,202,331	536,494	2.3300	191,114	GAAP Guidelines	
	2831	Regulators	7,418,186	302,499	1.8800	139,462		
	2841	Regulator Installations	5,984,355	264,209	2.0800	124,475		
	1900	Structures & Improvements						
		Fourth & Walnut (Clipay) (a)	53,852	53,852	20.0000	(b)		Yes
		Fourth & Walnut (Clipay) (a)	700,921	700,921	17.1429	(b)		
		Fourth & Walnut (Clipay) (a)	3,916,435	1,083,213	3.4000	133,159		
		Atium II (a)	257,952	157,107	7.8335	20,207		Yes

Corrected per Blue Ridge

(a) These expenditures are capitalized as Leasehold Improvements and are included in Account 1900.

These improvements are amortized over the life of the lease.

(b) Fully Amortized.

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
CONSTRUCTION WORK IN PROGRESS
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STAFF REPORT
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Line No. (A)	Project No. (B)	Description of Project (C)	Accumulated Costs		Allocation % (G)	Total Jurisdictional Cost at Date Certain (H)	Estimated Physical Percent Completion (I)
			Construction Dollars (D)	AFUDC Capitalized (E)			
			Total Cost (F=D+E)				

Pollution Control Projects:

1 The Company has not included any Construction Work in Progress in this Rate Case.

Other Projects:

2 The Company has not included any Construction Work in Progress in this Rate Case.

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
ALLOWANCE FOR WORKING CAPITAL
AS OF MARCH 31, 2007

STAFF REPORT
SCHEDULE B-5
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LINE NO.	WORKING CAPITAL COMPONENT	DESCRIPTION of METHODOLOGY USED to DETERMINE JURISDICTIONAL REQUIREMENT	WORK PAPER REFERENCE NUMBER	JURISDICTION (A)
1	Working Capital Allowance			0

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
OTHER RATE BASE ITEMS SUMMARY
AS OF MARCH 31, 2007

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LINE NO.	ACCOUNT NUMBER	DESCRIPTION	TOTAL COMPANY (A)	ADJUSTMENTS	ADJUSTED JURISDICTION
1	252	Customers' Advances for Construction (C)	(4,878,628)	0	(4,878,628)
2					
3	271	Contributions in Aid of Construction	0	0	0
4					
5		Post Retirement Benefits	0	(5,508,703)	(5,508,703)
6					
7	255030	Investment Tax Credits: (B)			
8					
9		Pre-1971 3% Credit	0	0	0
10		1971 4% Credit	(396,361)	0	(396,361)
11		1975 6% Credit	(576,038)	576,038	0
12		1981 10% Credit	(2,977,154)	2,977,154	0
13		Total Investment Tax Credits	(3,949,553)	3,553,192	(396,361)
14					
15		Deferred Income Taxes:			
16					
17	190050	Gas Supplier Refund	48,273	0	48,273
18	190050	Natural Gas in Transit	131,873	0	131,873
19	190050	Offsite Gas Storage	100,408	0	100,408
20	190050	Reg Asset Benefits	(9,007,002)	0	(9,007,002)
21	190050	Unamortized Debt Premium	33,016	0	33,016
22	190050	Trading Reserve - MTM	(1,364,109)	1,364,109	0
23	190050	Executive Life Insurance	(490,468)	0	(490,468)
24	190050	Pension Expense	8,616,385	0	8,616,385
25	190050	Uncollectible Accounts	(3,874,838)	0	(3,874,838)
26	190050	Post Retirement Benefits - Life Ins.	1,510,277	0	1,510,277
27	190050	Post Retirement Benefits - Health Care	6,635,822	0	6,635,822
28	190050	Post Employment Benefits - SFAS 112	426,058	0	426,058
29	190050	Supplemental Pension Plan	1,504,592	0	1,504,592
30	190050	LTIP	36,742	0	36,742
31	190050	Rate Case Expense	(13,855)	0	(13,855)
32	190050	Gas Meters	775,052	0	775,052
33	190050	ITC FAS 109	2,224,553	(2,224,553)	0
34	190050	Misc	(56,309)	0	(56,309)
35	190060	Duke Merger Costs - Timing	(117,647)	0	(117,647)
36	190060	Property Tax on Propane	515,199	0	515,199
37	190060	401k Incentive Plan	32,093	0	32,093
38	190060	Incentive Plan	235,095	0	235,095
39	190060	Vacation Pay Accruals	15,942	0	15,942
40	190060	Injuries & Damages	331,647	0	331,647
41	190060	Hospital & Medical Expense	177,618	0	177,618
42		Total Account 190050	8,426,417	(860,444)	7,565,973

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
OTHER RATE BASE ITEMS SUMMARY
AS OF MARCH 31, 2007

STAFF REPORT
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LINE NO.	ACCOUNT NUMBER	DESCRIPTION	TOTAL COMPANY (A)	ADJUSTMENTS	ADJUSTED JURISDICTION
		Deferred Income Taxes (Con't)			
1	282050	Gas Meters	(188,927)	0	(188,927)
2	282050	Liberalized Depreciation	(114,790,466)	0	(114,790,466)
3	282050	AFUDC in CWIP FAS 109	(24,659)	24,659	0
4	282050	Tax Interest Capitalized	1,498,440	(1,496,440)	0
5	282050	Contribution in Aid of Construction	557,564	0	557,564
6	282050	AFUDC	(1,101,509)	1,101,509	0
7	282050	Miscellaneous Plant	(403,258)	0	(403,258)
8	282050	Non-cash Overheads	(601,160)	0	(601,160)
9	282050	Section 174 Expense	(1,919,432)	0	(1,919,432)
10	282050	Plant FAS 109	(19,255,411)	19,255,411	0
11		Total Account 282050	<u>(136,230,818)</u>	<u>18,885,139</u>	<u>(117,345,679)</u>
12					
13	283050	Deferred Fuel	(3,005,429)	3,005,429	0
14	283050	Loss on Reacquired Debt	(1,585,911)	0	(1,585,911)
15	283050	Customer Choice	41,136	(41,136)	0
16	283050	Unbilled Revenue - Fuel	4,357,849	(4,357,849)	0
17	283050	Uncollectible Accounts PIP	(2,554,600)	0	(2,554,600)
18	283050	Post In-service Carrying Costs	(2,120,090)	0	(2,120,090)
19	283050	ARO Cumulative Effect	(1,360,040)	0	(1,360,040)
20	283060	Property Tax	658,321	0	658,321
21		Total Account 283050	<u>(5,568,764)</u>	<u>(1,393,556)</u>	<u>(6,962,320)</u>
22					
23		Total Deferred Income Taxes	<u>(133,373,165)</u>	<u>16,631,139</u>	<u>(116,742,026)</u>
24					
25		Other:			
26		AMRP Post-in-Service Carrying Costs	0	6,080,125	6,080,125
27		Total Other	<u>0</u>	<u>6,080,125</u>	<u>6,080,125</u>

(A) Total Company is 100% Jurisdictional.

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

(C) Corrected per Blue Ridge Report

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
JURISDICTIONAL PROFORMA INCOME STATEMENT
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

STAFF REPORT
SCHEDULE C-1
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LINE NO.	DESCRIPTION	ADJUSTED REVENUE & EXPENSES	PROPOSED INCREASE	PROFORMA REVENUE & EXPENSES
		(A)	(B)	(C)
1	Operating Revenues	\$ 597,573,805	\$ 34,142,702	\$ 631,716,507
2				
3	Operating Expenses			
4	Operation & Maintenance	459,440,009	504,185	459,944,194
5	Depreciation	24,465,488	0	24,465,488
6	Taxes - Other	53,826,141	0	53,826,141
7	Operating Expenses before Income Taxes	537,731,638	504,185	538,235,823
8				
9	Federal Income Taxes	15,869,764	11,773,481	27,643,245
10				
11	Total Operating Expenses	553,601,402	12,277,666	565,879,068
12				
13	Net Operating Income	\$ 43,972,403	\$ 21,865,036	\$ 65,837,439
14				
15	Rate Base	\$ 649,287,448		\$ 649,287,448
16				
17	Rate of Return	6.77%		10.14%

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

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
ADJUSTED TEST YEAR OPERATING INCOME
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

STAFF REPORT
SCHEDULE C-2
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LINE NO.	DESCRIPTION	UNADJUSTED REVENUE & EXPENSES	STAFF'S ADJUSTMENTS	ADJUSTED REVENUE & EXPENSES
1	OPERATING REVENUES			
2	Base Revenue and Riders	\$ 218,611,644	\$ 9,412,907	\$ 228,024,551
3	Gas Costs Revenue	471,351,863	(105,608,114)	365,743,749
4	Other Operating Revenue	2,713,391	1,092,114	3,805,505
5	Total Operating Revenues	692,676,898	(95,103,093)	597,573,805
6	OPERATING EXPENSES			
7	Operation & Maintenance	568,071,129	(108,631,120)	459,440,009
8	Depreciation	31,396,326	(6,930,838)	24,465,488
9	Taxes - Other	58,657,863	(4,831,722)	53,826,141
10	Operating Expenses before Income Taxes	658,125,318	(120,393,680)	537,731,638
11	Federal Income Taxes	6,147,360	9,722,404	15,869,764
12	Total Operating Expenses	664,272,678	(110,671,276)	553,601,402
13	Net Operating Income	\$ 28,404,220	\$ 15,568,183	\$ 43,972,403

Adjustments not calculated by functions.

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
OPERATING REVENUE AND EXPENSES BY ACCOUNTS - JURISDICTIONAL ALLOCATION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

STAFF REPORT
SCHEDULE C-2.1
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LINE NO.	ACCT. NO.	ACCOUNT TITLE	UNADJUSTED JURISDICTION
			(A)
			(\$)
1		REVENUE	
2		Retail Revenue	
3		Residential	
480400	480400	Residential Sales	75,451,921
480410	480410	Residential Unbilled	8,371,980
480611	480611	Res GRT / OET	12,694,991
480620	480620	Res Gas Cost Recovery	289,888,818
480621	480621	Res Percentage Income Payment Plan	4,647,517
480622	480622	Res State Tax Rider	4,438,323
480623	480623	Res AMRP	22,155,383
480625	480625	Res Merger Savings Credit Rider	(480,954)
12		Total Residential	417,147,979
13			
14		Commercial	
481400	481400	Commercial Sales	25,192,947
481410	481410	Commercial Unbilled	3,229,319
481611	481611	Comm GRT / OET	5,208,924
481620	481620	Comm Gas Cost Recovery	125,474,220
481621	481621	Comm Percentage Income Payment Plan	1,994,385
481622	481622	Comm State Tax Rider	1,609,630
481623	481623	Comm AMRP	8,531,147
481625	481625	Comm Merger Savings Credit Rider	(90,578)
23		Total Commercial	171,149,994
24			
25		Industrial	
481450	481450	Industrial Sales	4,768,623
481460	481460	Industrial Unbilled	736,730
481651	481651	Ind GRT / OET	1,124,598
481660	481660	Ind Gas Cost Recovery	26,059,013
481661	481661	Ind Percentage Income Payment Plan	409,036
481662	481662	Ind State Tax Rider	246,099
481663	481663	Ind AMRP	416,075
481665	481665	Ind Merger Savings Credit Rider	(10,459)
34		Total Industrial	33,749,715
35			
36		Public Street & Highway Lighting	
482400	482400	Public St & Hgwy Lighting	69,623
482611	482611	SL GRT / OET	21,233
482620	482620	SL Gas Cost Recovery	453,058
482621	482621	SL Percentage Income Payment Plan	7,041
482622	482622	SL State Tax Rider	6,759
482623	482623	SL AMRP	2,316
482625	482625	SL Merger Savings Credit Rider	(134)
44		Total Public Street & Highway Lighting	559,896
45			
46		Other Public Authority	
482450	482450	Other Sales To Public Authority	2,208,564
482460	482460	Other Sales To Public Authority Unbilled	633,957
482651	482651	OPA GRT / OET	534,383
482660	482660	OPA Gas Cost Recovery	13,402,184
482661	482661	OPA Percentage Income Payment Plan	211,397
482662	482662	OPA State Tax Rider	132,561
482663	482663	OPA AMRP	305,784
482665	482665	OPA Merger Savings Credit Rider	(6,121)
55		Total Public Street & Highway Lighting	17,422,709
56			
484400	484400	Inter Departmental Sales	905,004
481110	58	Total Retail Revenue	640,935,297

(A) Total Utility is 100% Jurisdictional.

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
OPERATING REVENUE AND EXPENSES BY ACCOUNTS - JURISDICTIONAL ALLOCATION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

STAFF REPORT
SCHEDULE C-2.1
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LINE NO.	ACCT. NO.	ACCOUNT TITLE	UNADJUSTED JURISDICTION
			(A)
			(\$)
	1	REVENUE (Continued)	
481120	2	Other Revenue	
	3	488010 Miscellaneous Service Revenue	150
	4	488020 Reconnection Charges	11,409
	5	488040 Customer Diversion	459
	6	488060 Bad Check Charges	20,050
	7	488070 Misc. Rev - Field Coll. Charge	3,300
	8	488080 Transportation Switching Fee	3,534
	9	489000 Transportation of Gas of Others	9,770,719
	10	489010 Transportation of Gas - I/C	129,127
	11	489011 Transp GRT/OET	538,771
	12	489022 Transp State Tax Rider	796,357
	13	489023 Transp Accelerated Main Replacement	484,442
	14	489024 Transp Gas Surcredit Rider	(175,843)
	15	489025 Trans Merger Savings Cr Rider	(13,370)
	16	489050 Other Produced Gas for Assoc. Companies	27,820
	17	489100 Firm Transportation - Residential	11,204,747
	18	489105 Firm Transportation - Res Unbilled	(339,837)
	19	489110 Firm Transportation - Commercial	9,392,071
	20	489115 Firm Transportation - Comm Unbilled	(194,680)
	21	489120 Firm Transportation - Industrial	3,632,361
	22	489121 Res Transp GRT / OET	787,187
	23	489125 Firm Transportation - Ind Unbilled	(38,872)
	24	489130 Firm Transportation - Other	2,867,005
	25	489131 Com Transp GRT / OET	615,594
	26	489135 Firm Transportation - Other Unbilled	13,335
	27	489140 Gas Suppliers - Metered Pool	487
	28	489141 Ind Transp GRT / OET	220,678
	29	489150 Res Transp Gas Cost Recovery	79,157
	30	489151 Res Transp Percentage Income Payment	700,076
	31	489152 Res Transp State Tax Rider	669,747
	32	489153 Res Transp Accelerated Main Replacement	3,215,746
	33	489154 Res Transp Gas Surcredit Rider	10,697
	34	489155 Res Transp Merger Savings Cr Rider	(75,585)
	35	489160 Com Transp Gas Cost Recovery	36,787
	36	489161 Com Transp Percentage Income Payment	844,504
	37	489162 Com Transp State Tax Rider	600,237
	38	489163 Com Transp Accelerated Main Replacement	1,795,318
	39	489164 Com Transp Gas Surcredit Rider	40,035
	40	489165 Com Transp Merger Savings Cr Rider	(43,700)
	41	489170 Ind Transp Gas Cost Recovery	95,683
	42	489171 Ind Transp Percentage Income Payment	394,028
	43	489172 Ind Transp State Tax Rider	158,015
	44	489173 Ind Transp Accelerated Main Replacement	136,098
	45	489174 Ind Transp Gas Surcredit Rider	9,620
	46	489175 Ind Transp Merger Savings Cr Rider	(13,216)
	47	489180 Oth Transp Gas Cost Recovery	7,667
	48	489181 Oth Transp Percentage Income Payment	293,295
	49	489182 Oth Transp State Tax Rider	164,682
	50	489183 Oth Transp Accelerated Main Replacement	171,177
	51	489184 Oth Transp Gas Surcredit Rider	20,710
	52	489185 OPA Transp Merger Savings Cr Rider	(10,492)
	53	489191 Oth Transp GRT/OET	167,279
	54	493030 Rent Other Equipment	15,766
493500	55	493040,493500 Rent Land and Buildings - Assoc. Co.	2,442,282
	56	493050 Rent Stores Facilities - Assoc. Co.	24,834
	57	493060 Rent Data Processing Equipment - Assoc. Co.	2,898
	58	493080,493110 Rent Microwave System - Assoc. Co.	31,275
	59	Total Other Revenue	51,741,601
	60	Total Revenue	692,676,898

(A) Total Utility is 100% Jurisdictional.

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
OPERATING REVENUE AND EXPENSES BY ACCOUNTS - JURISDICTIONAL ALLOCATION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

STAFF REPORT
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LINE NO.	ACCT. NO.	ACCOUNT TITLE	UNADJUSTED JURISDICTION
			(A)
			(\$)
1		OPERATING EXPENSES	
2		Production Expenses	
3		Manufactured Expenses	
4		Operation	
711000	711000	Steam Expenses	16,796
712000	712000	Other Power Expenses	10,056
717000	717000	Liquified Petroleum Expense	472,046
728	Various	Liquified Petroleum Gas	121,194
735100	735000	Miscellaneous Production Expense	177,876
736010	736010	Rents	125,538
		Total Operation	923,505
12		Maintenance	
742000	742000	Maintenance of Production Equipment	55,860
		Total Maintenance	55,860
		Total Production Expense	979,365
16			
17		Other Gas Supply Expense	
18		Purchased Gas Expense	
801000	801000	Natural Gas Field Line Purchases	423,386,911
801010	801010	Natural Gas Field Line Purchases	148,770
805000	805000	Unrecovered Purchase Gas Cost Adj.	14,656,184
805200	805200	Purchased Gas Costs - Unbilled Rev	11,779,992
806000	806000	Other Gas Supply - Exchange Gas	7,886,402
807000	807000	Gas Purchased Expense	1,122,257
		Total Other Gas Supply Expense	468,980,516
25			
26			
27		Transmission Expenses	
28		Operation	
856000	856000	Transmission Mains Expense	1,352
859000	859000	Other Expense -Transmission System Equipment	302
		Total Operation	1,654
		Total Transmission Expense	1,654

(A) Total Utility is 100% Jurisdictional.

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
OPERATING REVENUE AND EXPENSES BY ACCOUNTS - JURISDICTIONAL ALLOCATION
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	LINE NO.	ACCT. NO.	ACCOUNT TITLE	UNADJUSTED JURISDICTION
	1		Distribution Expenses	(A)
	2		Operation	(\$)
	3	870000	Supervision and Engineering	353,788
	4	871000	Load Dispatching	424,761
	5	874000	Mains and Services	4,308,592
	6	875000	Measuring and Reg. Stations - General	193,838
	7	876000	Measuring and Reg. Stations - Industrial	102,836
	8	878000	Meters and House Regulators	(124,264)
	9	879000	Customer Installations	10,431,576
880200	10	880000,880200	Other Expenses	4,509,238
	11	881020	Rents Interco - Buildings	8,544
	12		Total Operation	20,208,909
	13		Maintenance	
	14	885000	Supervision and Engineering	378,952
	15	887000	Mains	3,766,039
	16	889000	Measuring and Regulating Stations - General	293,821
	17	890000	Measuring and Regulating Stations - Industrial	2,421
	18	892000	Services	409,764
	19	893000	Meters and House Regulators	513,705
	20	894000	Other	581,584
	21		Total Maintenance	5,946,286
	22		Total Distribution Expense	26,155,195
	23			
	24		Customer Accounts Expense	
	25		Operation	
	26	901000	Supervision and Engineering	65,267
	27	902000	Meter Reading Expense	3,230,340
	28	903000	Customer Records and Collections	10,278,612
	30	904	Uncollectible Accounts	17,154,478
905000	31	905000	Miscellaneous Customer Accounts Expense	109
	32		Total Customer Accounts Expense	30,728,806

(A) Total Utility is 100% Jurisdictional.

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
OPERATING REVENUE AND EXPENSES BY ACCOUNTS - JURISDICTIONAL ALLOCATION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

STAFF REPORT
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LINE NO.	ACCT. NO.	ACCOUNT TITLE	UNADJUSTED JURISDICTION
			(A)
			(\$)
	1	Customer Service and Information Expense	
	2	Operation	
908000	3	908000 Customer Assistance	970,517
909000	4	909000 Information and Instructional Advertising	159,832
910000	5	910000 Miscellaneous Customer Service and Information Expense	4,390,804
	6	Total Customer Service and Information Expense	5,521,153
	7	Sales Expense	
	8	Operation	
911000	9	911000 Supervision	42
913000	10	913000 Advertising	8,568
	11	Total Sales Expense	8,610
	12	Administrative and General Expenses	
	13	Operation	
426520	14	426520 Sale of Accounts Receivable Fees	3,397,486
920000	15	920000 Administrative & General Salaries	10,363,295
921	16	921 Office Supplies & Expenses	9,540,412
922000	17	922000 Administrative Expenses Transferred - Credit	(647)
923	18	923 Outside Services Employed	2,844,284
924	19	924 Property Insurance	765,194
925	20	925 Injuries & Damages	833,151
926000	21	926110 Various Employee Pension & Benefits	13,447,097
928000	22	928000 State Reg. Commission Expense	937,934
929110	23	929 Duplicate Charges-Credit	(97,377)
930000	24	930000 General Advertising Expenses	89,721
930202	25	930202 Miscellaneous General Expenses	295,472
931	26	931 Rents	3,140,523
	27	Total Operation	45,356,555
	28	Maintenance	
935000	29	935000 Maintenance of Equipment	314,129
	30	Total Administrative and General Expense	45,670,684
	31	Other Expense	
407	32	407100 Amortization of Deferred Expense	25,146
	33		
	34	Total Operating Expense	568,071,129

(A) Total Utility is 100% Jurisdictional.

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
OPERATING REVENUE AND EXPENSES BY ACCOUNTS - JURISDICTIONAL ALLOCATION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

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	LINE NO.	ACCT. NO.	ACCOUNT TITLE	UNADJUSTED JURISDICTION
				(A)
				(\$)
	1		Depreciation Expense	
	2	403000	Depreciation Gas Plant In Service	24,446,514
	3	403005	Depreciation Gas Plant In Service - ARO	6,228,822
	4	404201	Amortization Expense - Limited Term	720,990
	5		Total Depreciation Expense	<u>31,396,326</u>
	6			
	7			
	8		Taxes Other Than Income Taxes	
	9		Other Federal	
96.20%	10	408410	Insurance Contribution	2,387,044
2.53%	11	408410	Unemployment Compensation	62,778
	12		Total Other Federal	<u>2,449,822</u>
	13			
	14		Other State and Local	
1.27%	15	408410	Unemployment Compensation	31,513
	16	408625	Excise	31,644,084
	17	Various	Highway Use	173
408015	18	Various	Property Tax Ohio	15,502,296
	19	408075	Property Tax Indiana	1,212
	20	408090	Property Tax West Virginia	191,256
	21	408912	Mcf Tax	8,785,667
HWY USE	22	408095	Property Tax - Miscellaneous States	51,840
408490	23		Total Other State and Local	<u>56,208,041</u>
408530	24		Total Taxes Other Than Income Taxes	<u>58,657,863</u>
408550				
408590				

(A) Total Utility is 100% Jurisdictional.

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
OPERATING REVENUE AND EXPENSES BY ACCOUNTS - JURISDICTIONAL ALLOCATION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

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	LINE NO.	ACCT. NO.	ACCOUNT TITLE	UNADJUSTED JURISDICTION
				(A)
				(\$)
	1		Federal Income Tax Expense	
409060	2	409060	Normal and Surtax	(12,361)
	3		Total Federal Income Tax Expense	(12,361)
	4			
	5		Provision for Deferred Income Taxes - (Deferrals)	
410060	6	410060	Deferred Income Taxes	(842,054)
410141	7		Total Provision for Deferred Income Taxes	(842,054)
	8			
	9		Provision for Deferred Income Taxes - (Writebacks)	
411065	10	411065	Amortization of Investment Credit	(222,564)
411060	11	411060	Deferred Income Taxes - Writebacks	7,224,339
	12		Total Provision for Deferred Income Taxes	7,001,775
	13			
	14			
	15		Total Federal Income Tax Expense	6,147,360
	16			
	17		Total Operating Expense	664,272,678
	18			
	19		Net Operating Income	28,404,220

(A) Total Utility is 100% Jurisdictional.

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
SUMMARY OF JURISDICTIONAL ADJUSTMENTS
TO OPERATING INCOME
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

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SCHEDULE C-3
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LINE NO.	TITLE OF ACCOUNT	TOTAL SCHEDULE C-3	ANNUALIZE / NORMALIZE REV & EXP C-3.1	CAPITALIZE AMRP CUST. INSTALLATIONS C-3.2	RATE CASE EXPENSE C-3.3	ANNUALIZED TEST YEAR WAGES C-3.4	ANNUALIZE DEPRECIATION C-3.5
	ELEMENT of OPERATING INCOME		C-3.1	C-3.2	C-3.3	C-3.4	C-3.5
1	OPERATING REVENUE						
2	Base	9,412,907	3,871,039				
3	Gas Costs	(105,608,114)	(105,608,114)				
4	Other	1,092,114	1,092,114				
5	Total Revenue	(95,103,093)	(100,644,961)	0	0	0	0
6							
7	OPERATING EXPENSES						
8	Operation and Maintenance Expenses						
9	Production Expenses						
10	Liquified Petroleum Gas	0					
11	Other	502,152					
12	Total Production Expense	502,152	0	0	0	0	0
13							
14	Other Gas Supply Expenses						
15	Purchased Gas	(92,235,704)	(92,235,704)				
16	Other	0					
17	Total Other Gas Supply Expense	(92,235,704)	(92,235,704)	0	0	0	0
18							
19	Transmission Expense	(1,654)					
20	Distribution Expense	(6,804,322)		(6,838,498)			
21	Customer Accounts Expense	(1,924,439)					
22	Customer Serv & Info Expense	(2,588,850)					
23	Sales Expense	0					
24	Administrative & General Expense	(5,679,485)			97,000	(6,062,046)	
25	Amortization of Deferred Expense	101,182					
26	Total Operation and Maintenance Expenses	(108,631,120)	(92,235,704)	(6,838,498)	97,000	(6,062,046)	0
27							
28	Depreciation Expense	(6,930,838)	0	0	0	0	(6,930,838)
29							
30	Taxes Other Than Income Taxes						
31	Other Federal Taxes	(746,245)					
32	State and Other Taxes	(4,085,477)					
33	Total Taxes Other Than Income Tax	(4,831,722)	0	0	0	0	0
34							
35	Federal Income Taxes						
36	Normal and Surtax	7,264,976	(2,943,240)	2,393,474	(33,950)	2,121,716	0
37	Prov Deferred Inc Tax (Deferrals)	2,457,428					2,425,793
38	Prov Deferred Inc Tax (Writebacks)	0					
39	Total Federal Inc Tax Expense	9,722,404	(2,943,240)	2,393,474	(33,950)	2,121,716	2,425,793
40							
41	Total Oper. Expenses and Tax	(110,671,276)	(95,178,944)	(4,445,024)	63,050	(3,940,330)	(4,505,045)
42							
43	Net Operating Income	15,568,183	(5,466,017)	4,445,024	(63,050)	3,940,330	4,505,045
		38.44%	35.00%	35.00%	35.00%	35.00%	35.00%

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
SUMMARY OF JURISDICTIONAL ADJUSTMENTS
TO OPERATING INCOME
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SCHEDULE C-3
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LINE NO.	TITLE OF ACCOUNT	CUSTOMER SERVICE DEPOSITS	OHIO EXCISE TAX	ANNUALIZE PROPERTY TAX	SYNCHRONIZE PIPP REVENUE AND EXPENSE	INTEREST EXPENSE DEDUCTIBLE	BUDGET ADJUSTMENT
	ELEMENT of OPERATING INCOME	C-3.6	C-3.7	C-3.8	C-3.9	C-3.10	C-3.11
1	OPERATING REVENUE						
2	Base		5,712,444				
3	Gas Costs						
4	Other						
5	Total Revenue	0	5,712,444	0	0	0	0
6							
7	OPERATING EXPENSES						
8	Operation and Maintenance Expenses						
9	Production Expenses						
10	Liquified Petroleum Gas						
11	Other						502,152
12	Total Production Expense	0	0	0	0	0	502,152
13							
14	Other Gas Supply Expenses						
15	Purchased Gas						
16	Other						
17	Total Other Gas Supply Expense	0	0	0	0	0	0
18							
19	Transmission Expense						
20	Distribution Expense						34,176
21	Customer Accounts Expense	282,710			(384,108)		
22	Customer Serv & Info Expense						(2,522,933)
23	Sales Expense						
24	Administrative & General Expense						1,924,762
25	Amortization of Deferred Expense						
26	Total Operation and Maintenance Expenses	282,710	0	0	(384,108)	0	(61,843)
27							
28	Depreciation Expense	0	0	0	0	0	0
29							
30	Taxes Other Than Income Taxes						
31	Other Federal Taxes						
32	State and Other Taxes		(3,962,446)	(791,780)			
33	Total Taxes Other Than Income Tax	0	(3,962,446)	(791,780)	0	0	0
34							
35	Federal Income Taxes						
36	Normal and Surtax	(98,949)	3,386,212	277,123	134,438	803,648	21,645
37	Prov Deferred Inc Tax (Deferrals)					67,049	
38	Prov Deferred Inc Tax (Writebacks)						
39	Total Federal Inc Tax Expense	(98,949)	3,386,212	277,123	134,438	870,697	21,645
40							
41	Total Oper. Expenses and Tax	183,761	(576,234)	(514,657)	(249,670)	870,697	(40,198)
42							
43	Net Operating Income	(183,761)	6,288,678	514,657	249,670	(870,697)	40,198
		35.00%	35.00%	35.00%	35.00%	#DIV/0!	35.00%

DUKE ENERGY OHIO
CASE NO. 07-588-GA-AIR
SUMMARY OF JURISDICTIONAL ADJUSTMENTS
TO OPERATING INCOME
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

STAFF REPORT
SCHEDULE C-3
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LINE NO.	TITLE OF ACCOUNT	STATE TAX RIDER	ELIMINATE EXP ASSOC W/ HARTWELL	ELIMINATE NON JURIS. EXPENSES	ADJUST PUCO/OCC ASSESSMENTS	ADJUST UNCOLLECTIBLE EXPENSE	ANNUALIZE PENSION & BENEFIT EXP
	ELEMENT OF OPERATING INCOME	C-3.12	C-3.13	C-3.14	C-3.15	C-3.16	C-3.17
1	OPERATING REVENUE						
2	Base	(170,576)					
3	Gas Costs						
4	Other						
5	Total Revenue	(170,576)	0	0	0	0	0
6							
7	OPERATING EXPENSES						
8	Operation and Maintenance Expenses						
9	Production Expenses						
10	Liquified Petroleum Gas						
11	Other						
12	Total Production Expense	0	0	0	0	0	0
13							
14	Other Gas Supply Expenses						
15	Purchased Gas						
16	Other						
17	Total Other Gas Supply Expense	0	0	0	0	0	0
18							
19	Transmission Expense			(1,654)			
20	Distribution Expense						
21	Customer Accounts Expense			(1,308)		(1,821,733)	
22	Customer Serv & Info Expense			(65,917)			
23	Sales Expense						
24	Administrative & General Expense		(1,579)	(284,434)	(863,412)		(489,776)
25	Amortization of Deferred Expense						
26	Total Operation and Maintenance Expenses	0	(1,579)	(353,313)	(863,412)	(1,821,733)	(489,776)
27							
28	Depreciation Expense	0	0	0	0	0	0
29							
30	Taxes Other Than Income Taxes						
31	Other Federal Taxes			(5,600)			
32	State and Other Taxes	(133,853)			802,602		
33	Total Taxes Other Than Income Tax	(133,853)	0	(5,600)	802,602	0	0
34							
35	Federal Income Taxes						
36	Normal and Surtax	(12,853)	553	125,620	21,284	637,607	171,422
37	Prov Deferred Inc Tax (Deferrals)						
38	Prov Deferred Inc Tax (Writebacks)						
39	Total Federal Inc Tax Expense	(12,853)	553	125,620	21,284	637,607	171,422
40							
41	Total Oper. Expenses and Tax	(146,705)	(1,026)	(233,293)	(39,526)	(1,184,126)	(318,354)
42							
43	Net Operating Income	(23,870)	1,026	233,293	39,526	1,184,126	318,354
		35.00%	35.02%	35.00%	35.00%	35.00%	35.00%

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
SUMMARY OF JURISDICTIONAL ADJUSTMENTS
TO OPERATING INCOME
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

STAFF REPORT
SCHEDULE C-3
PAGE 4 OF 4

LINE NO.	TITLE OF ACCOUNT	ANNUALIZE FICA TAXES	ANNUALIZE UNEMPLOYMENT TAXES	ANNUALIZE AMORT OF PISCC	GAS WEATHERIZATION	RESERVED FOR FUTURE USE	RESERVED FOR FUTURE USE
	ELEMENT OF OPERATING INCOME	C-3.18	C-3.19	C-3.20	C-3.21	C-3.22	C-3.23
1	OPERATING REVENUE						
2	Base						
3	Gas Costs						
4	Other						
5	Total Revenue	0	0	0	0	0	0
6							
7	OPERATING EXPENSES						
8	Operation and Maintenance Expenses						
9	Production Expenses						
10	Liquidified Petroleum Gas						
11	Other						
12	Total Production Expense	0	0	0	0	0	0
13							
14	Other Gas Supply Expenses						
15	Purchased Gas						
16	Other						
17	Total Other Gas Supply Expense	0	0	0	0	0	0
18							
19	Transmission Expense						
20	Distribution Expense						
21	Customer Accounts Expense				0		
22	Customer Serv & Info Expense						
23	Sales Expense						
24	Administrative & General Expense						
25	Amortization of Deferred Expense			101,182			
26	Total Operation and Maintenance Expenses	0	0	101,182	0	0	0
27							
28	Depreciation Expense	0	0	0	0	0	0
29							
30	Taxes Other Than Income Taxes						
31	Other Federal Taxes	(677,345)	(63,300)				
32	State and Other Taxes						
33	Total Taxes Other Than Income Tax	(677,345)	(63,300)	0	0	0	0
34							
35	Federal Income Taxes						
36	Normal and Surtax	237,071	22,155	0	0	0	0
37	Prov Deferred Inc Tax (Deferrals)			(35,414)			
38	Prov Deferred Inc Tax (Writebacks)						
39	Total Federal Inc Tax Expense	237,071	22,155	(35,414)	0	0	0
40							
41	Total Oper. Expenses and Tax	(440,274)	(41,145)	65,768	0	0	0
42							
43	Net Operating Income	440,274	41,145	(65,768)	0	0	0
		35.00%	35.00%	35.00%	#DIV/0!	#DIV/0!	#DIV/0!

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
ANNUALIZED REVENUE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

STAFF REPORT
SCHEDULE C-3.1
PAGE 1 OF 2

PURPOSE and DESCRIPTION	AMOUNT
PURPOSE and DESCRIPTION: To reflect adjustments to operating revenues to reclassify and annualize base and gas cost recovery revenue, to eliminate unbilled revenues and to adjust other operating revenues.	
Base Revenue	To Sch C-3 Summary <--- \$3,871,039
Gas Cost Revenue	To Sch C-3 Summary <--- (105,608,114)
Other Revenue	To Sch C-3 Summary <--- <u>1,092,114</u>
Total	· \$ (100,644,961)
Jurisdictional allocation percentage	<u>100%</u>
Jurisdictional amount	<u><u>\$ (100,644,961)</u></u>

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
ANNUALIZED GAS COST
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

STAFF REPORT
SCHEDULE C-3.1
PAGE 2 OF 2

PURPOSE and DESCRIPTION	AMOUNT
PURPOSE and DESCRIPTION: To reflect the change in purchased gas cost which would result from the annualization of purchased gas cost and the elimination of gas costs associated with unbilled revenues.	
Gas Cost Expense Adjustment	\$ (92,235,704)
Jurisdictional allocation percentage	<u>100%</u>
Jurisdictional amount	To Sch C-3 Summary <--- <u>\$ (92,235,704)</u>

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
CAPITALIZE CUSTOMER INSTALLATION EXPENSE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

STAFF REPORT
SCHEDULE C-3.2
PAGE 1 OF 1

PURPOSE and DESCRIPTION	AMOUNT
PURPOSE and DESCRIPTION: To reclassify certain customer installation expenses (curb to meter expenses) from operations to capital.	
Reclassification of Curb-to-Meter Expense	\$ (8,548,123)
Amortization of Expense Over 5 Years	<u>1,709,625</u>
Total	<u>\$ (6,838,498)</u>
Jurisdictional allocation percentage	<u>100%</u>
Jurisdictional amount	To Sch C-3 Summary <--- <u>\$ (6,838,498)</u>

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
RATE CASE EXPENSE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

STAFF REPORT
SCHEDULE C-3.3
PAGE 1 OF 1

PURPOSE and DESCRIPTION	AMOUNT
PURPOSE and DESCRIPTION: To reflect the estimated cost of presenting this case	
Total	\$ 97,000
Jurisdictional allocation percentage	<u>100%</u>
Jurisdictional amount	To Sch C-3 Summary <--- <u>\$ 97,000</u>

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
ANNUALIZED WAGE ADJUSTMENT
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

STAFF REPORT
SCHEDULE C-3.4
PAGE 1 OF 1

PURPOSE and DESCRIPTION	AMOUNT
PURPOSE and DESCRIPTION: To reflect base payroll costs for full-time, part-time and temporary employees as of April 23, 2007 using wage rates in effect at April 23, 2007.	
Total	\$ (6,062,046)
Jurisdictional allocation percentage	<u>100%</u>
Jurisdictional amount	To Sch C-3 Summary <--- <u>\$ (6,062,046)</u>

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
ANNUALIZED DEPRECIATION EXPENSE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

STAFF REPORT
SCHEDULE C-3.5
PAGE 1 OF 2

PURPOSE and DESCRIPTION	AMOUNT
PURPOSE and DESCRIPTION: To reflect the adjustment to annualize depreciation expense as calculated on Schedule B-3.2 based on plant at March 31, 2007.	
Total	\$ (6,930,838)
Jurisdictional allocation percentage	<u>100%</u>
Jurisdictional amount	To Sch C-3 Summary <--- <u>\$ (6,930,838)</u>

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
ANNUALIZED DEPRECIATION EXPENSE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

STAFF REPORT
SCHEDULE C-3.5
PAGE 2 OF 2

PURPOSE and DESCRIPTION	AMOUNT
PURPOSE and DESCRIPTION: To reflect the adjustment to deferred income taxes as a result of the annualization of book depreciation based on plant at March 31, 2007.	
Total	\$ 2,425,793
Jurisdictional allocation percentage	<u>100%</u>
Jurisdictional amount	To Sch C-3 Summary <--- <u>\$ 2,425,793</u>

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
INTEREST ON CUSTOMER SERVICE DEPOSITS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

STAFF REPORT
SCHEDULE C-3.6
PAGE 1 OF 1

PURPOSE and DESCRIPTION	AMOUNT
PURPOSE and DESCRIPTION: To reflect the interest on Customer Service Deposits as an operating expense as calculated on WPB-5.1e.	
Total	\$ 282,710
Jurisdictional allocation percentage	<u>100%</u>
Jurisdictional amount	To Sch C-3 Summary <-- <u>\$ 282,710</u>

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
OHIO EXCISE TAX
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

STAFF REPORT
SCHEDULE C-3.7
PAGE 1 OF 1

PURPOSE and DESCRIPTION		AMOUNT
PURPOSE and DESCRIPTION: To synchronize Ohio Excise Tax revenue and expense.		
Ohio Excise Tax Revenue		\$ 5,712,444
Jurisdictional allocation percentage		<u>100%</u>
Jurisdictional amount	To Sch C-3 Summary <---	<u>\$ 5,712,444</u>
Ohio Excise Tax Expense		\$ (3,962,446)
Jurisdictional allocation percentage		<u>100%</u>
Jurisdictional amount	To Sch C-3 Summary <---	<u>\$ (3,962,446)</u>

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
PROPERTY TAX ADJUSTMENT
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

STAFF REPORT
SCHEDULE C-3.8
PAGE 1 OF 1

PURPOSE and DESCRIPTION	AMOUNT
PURPOSE and DESCRIPTION: To reflect the change in expense if property taxes were calculated in accordance with S.B. 287 and based on plant in service as of March 31, 2007	
Total	\$ (791,780)
Jurisdictional allocation percentage	<u>100%</u>
Jurisdictional amount	To Sch C-3 Summary <--- <u>\$ (791,780)</u>

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
SYNCHRONIZE PIPP REVENUE AND EXPENSE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

STAFF REPORT
SCHEDULE C-3.9
PAGE 1 OF 1

PURPOSE and DESCRIPTION	AMOUNT
PURPOSE and DESCRIPTION: To adjust the level of PIPP uncollectible expense to match the normalized PIPP revenue to be collected by Rider PIPP.	
Total	\$ (384,108)
Jurisdictional allocation percentage	<u>100%</u>
Jurisdictional amount	To Sch C-3 Summary <--- <u>\$ (384,108)</u>

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
INTEREST EXPENSE DEDUCTIBLE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

STAFF REPORT
SCHEDULE C-3.10
PAGE 1 OF 2

PURPOSE and DESCRIPTION	AMOUNT
PURPOSE and DESCRIPTION: To reflect federal income taxes at 35% due to interest deductible for tax purposes being based on rate base at March 31, 2007 as shown on Schedule B-1 and the weighted cost of debt of 2.6% as shown on Schedule D-1.	
Total	\$ 803,648
Jurisdictional allocation percentage	<u>100%</u>
Jurisdictional amount	To Sch C-3 Summary <--- <u>\$ 803,648</u>

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
INTEREST EXPENSE DEDUCTIBLE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

STAFF REPORT
SCHEDULE C-3.10
PAGE 2 OF 2

PURPOSE and DESCRIPTION	TOTAL AMOUNT
PURPOSE and DESCRIPTION: To reflect the elimination of federal deferred tax expenses related to Allowance for Funds Used During Construction and Capitalized Interest.	
Deferrals:	
Capitalized Interest	\$ 117,085
AFUDC - PUCO	<u>(50,036)</u>
Total Adjustment	\$ 67,049
Jurisdictional allocation percentage	<u>100%</u>
Jurisdictional amount	To Sch C-3 Summary <--- <u><u>\$ 67,049</u></u>

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
BUDGET ADJUSTMENT
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

STAFF REPORT
SCHEDULE C-3.11
PAGE 1 OF 1

PURPOSE and DESCRIPTION	AMOUNT
PURPOSE and DESCRIPTION: To adjust the corporate budget for known changes to O&M.	
Other Production Expense	\$ 502,152
Distribution Expense	34,176
Customer Service & Information Expense	(2,522,933)
Administrative & General Expense	<u>1,924,762</u>
Total	\$ (61,843)
Jurisdictional allocation percentage	<u>100%</u>
Jurisdictional amount	To Sch C-3 Summary <--- <u>\$ (61,843)</u>

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
STATE TAX RIDER
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

STAFF REPORT
SCHEDULE C-3.12
PAGE 1 OF 1

PURPOSE and DESCRIPTION	AMOUNT
PURPOSE and DESCRIPTION: To synchronize the State Tax Rider revenue and expense.	
Revenue	\$ (170,576)
Jurisdictional allocation percentage	<u>100%</u>
Jurisdictional amount	To Sch C-3 Summary <--- <u>\$ (170,576)</u>
Taxes Other Than Income Taxes	\$ (133,853)
Jurisdictional allocation percentage	<u>100%</u>
Jurisdictional amount	To Sch C-3 Summary <--- <u>\$ (133,853)</u>

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
ELIMINATION OF HARTWELL EXPENSES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

STAFF REPORT
SCHEDULE C-3.13
PAGE 1 OF 1

PURPOSE and DESCRIPTION	AMOUNT
PURPOSE and DESCRIPTION: To reflect the elimination of non business expenses related to Hartwell.	
Administrative & General Expense	\$ (1,579)
Jurisdictional allocation percentage	<u>100%</u>
Jurisdictional amount	To Sch C-3 Summary <--- <u>\$ (1,579)</u>

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
ELIMINATE NON-JURISDICTIONAL EXPENSE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

STAFF REPORT
SCHEDULE C-3.14
PAGE 1 OF 1

PURPOSE and DESCRIPTION	AMOUNT
PURPOSE and DESCRIPTION: To eliminate non-jurisdictional operating expenses.	
Transmission Expense	\$ (1,654)
Customer Accounts Expense	(1,308)
Customer Service & Information Expense	(65,917)
Administrative & General Expense	(284,434)
Other Federal Taxes	(5,600)
Total Adjustment	\$ (358,913)
Jurisdictional allocation percentage	100%
Jurisdictional amount	To Sch C-3 Summary <--- \$ (358,913)

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
ANNUALIZATION OF PUCO AND OCC ASSESSMENTS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

STAFF REPORT
SCHEDULE C-3.15
PAGE 1 OF 1

PURPOSE and DESCRIPTION	AMOUNT
PURPOSE and DESCRIPTION: To annualize and reclassify the PUCO and OCC assessments to the latest known level.	
Administrative and General Expenses	<u>\$ (863,412)</u>
Jurisdictional allocation percentage	<u>100.000%</u>
Jurisdictional amount To Sch C-3 Summary <---	<u>\$ (863,412)</u>
State and Other Taxes	<u>\$ 802,602</u>
Jurisdictional allocation percentage	<u>100.000%</u>
Jurisdictional amount To Sch C-3 Summary <---	<u>\$ 802,602</u>

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
ADJUST UNCOLLECTIBLE EXPENSE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

STAFF REPORT
SCHEDULE C-3.16
PAGE 1 OF 1

PURPOSE and DESCRIPTION		AMOUNT
PURPOSE AND DESCRIPTION: To annualize uncollectible expense.		
Total		\$ (1,821,733)
Jurisdictional allocation percentage		<u>100%</u>
Jurisdictional amount	To Sch C-3 Summary <---	<u>\$ (1,821,733)</u>

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
ANNUALIZE PENSION AND BENEFITS EXPENSE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

STAFF REPORT
SCHEDULE C-3.17
PAGE 1 OF 1

PURPOSE and DESCRIPTION	AMOUNT
PURPOSE and DESCRIPTION: To annualize pension and benefits expense based on annualized wages as of April 23, 2007.	
Total	\$ (489,776)
Jurisdictional allocation percentage	<u>100%</u>
Jurisdictional amount	To Sch C-3 Summary <--- <u>\$ (489,776)</u>

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
ANNUALIZE FICA TAXES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

STAFF REPORT
SCHEDULE C-3.18
PAGE 1 OF 1

PURPOSE and DESCRIPTION

AMOUNT

PURPOSE and DESCRIPTION: To annualize payroll taxes based on
annualized wages as of April 23, 2007.

Total

\$ (677,345)



To Sch C-3 Summary

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
ANNUALIZE UNEMPLOYMENT TAXES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

STAFF REPORT
SCHEDULE C-3.19
PAGE 1 OF 1

PURPOSE and DESCRIPTION

AMOUNT

PURPOSE and DESCRIPTION: To annualize unemployment taxes
based on annualized wages as of April 23, 2007.

Total

\$ (63,300)



To Sch C-3 Summary

DUKE ENERGY OHIO
CASE NO. 07-689-GA-AIR
ANNUALIZE AMORTIZATION OF PISCC
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

STAFF REPORT
SCHEDULE C-3.20
PAGE 1 OF 2

PURPOSE and DESCRIPTION	AMOUNT
PURPOSE and DESCRIPTION: To reflect the adjustment to annualize amortization of Post In Service Carrying Costs accrued as of March 31, 2007.	
Total	\$ 101,182
Jurisdictional allocation percentage	100%
Jurisdictional amount	To Sch C-3 Summary <--- \$ 101,182

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
ANNUALIZE AMORTIZATION OF PISCC
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

STAFF REPORT
SCHEDULE C-3.20
PAGE 2 OF 2

PURPOSE and DESCRIPTION	AMOUNT
PURPOSE and DESCRIPTION: To reflect the adjustment to current and deferred income taxes as a result of the annualization of amortization of PISCC accrued as of March 31, 2007.	
Deferred Income Tax	\$ (35,414)
Jurisdictional allocation percentage	100%
Jurisdictional amount	<div> <div>To Sch C-3 Summary <---</div> <div>To Sch C-4, Line 16 <---</div> </div> <div>\$ (35,414)</div>

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
GAS WEATHERIZATION PROGRAM
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

STAFF REPORT
SCHEDULE C-3.21
PAGE 1 OF 1

PURPOSE and DESCRIPTION	AMOUNT
PURPOSE and DESCRIPTION: To eliminate the the applicant's proposed adjustment to the gas weatherization program per the merger agreement	
Total	\$ -
Jurisdictional allocation percentage	<u>100%</u>
Jurisdictional amount	To Sch C-3 Summary <--- \$ -

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
ADJUSTED JURISDICTIONAL FEDERAL INCOME TAXES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

STAFF REPORT
SCHEDULE C-4
PAGE 1 OF 1

LINE NO.	DESCRIPTION	AT CURRENT RATES			AT PROPOSED RATES	
		UNADJUSTED	SCHEDULE C-3 ADJUSTMENTS	ADJUSTED	PROFORMA ADJUSTMENTS	PROFORMA
		(1)	(2)	(3)	(4)	(5)
		(\$)	(\$)	(\$)	(\$)	(\$)
1	Operating income before Federal					
2	Income Taxes	34,551,580	25,290,587	59,842,167	33,638,517	93,480,684
3						
4	Reconciling Items:					
5	Interest Charges	(19,369,179)	2,487,705	(16,881,474)	0	(16,881,474)
6	Net Interest Charges	(19,369,179)	2,487,705	(16,881,474)	0	(16,881,474)
7						
8	Tax Depreciation	(45,227,318)	0	(45,227,318)	0	(45,227,318)
9	Book Depreciation	31,396,326	(6,930,838)	24,465,488	0	24,465,488
10	Excess of Tax over Book Depreciation	(13,830,992)	(6,930,838)	(20,761,830)	0	(20,761,830)
11						
12	Other Reconciling Items:					
13	Permanent Differences	133,512	0	133,512	0	133,512
14	Temporary Differences	(1,520,239)	(90,387)	(1,610,626)	0	(1,610,626)
15	Total Other Reconciling Items	(1,386,727)	(90,387)	(1,477,114)	0	(1,477,114)
16	Total Reconciling Items	(34,586,898)	(4,533,520)	(39,120,418)	0	(39,120,418)
17	Federal Taxable Income	(35,318)	20,757,067	20,721,749	33,638,517	54,360,266
18						
19	Federal Income Taxes:					
20	First \$50,000	50,000 @ 15%	7,500	7,500		7,500
21	Next \$25,000	25,000 @ 25%	6,250	6,250		6,250
22	Next \$25,000	25,000 @ 34%	8,500	8,500		8,500
23	Next \$235,000	235,000 @ 39%	91,650	91,650		91,650
24	Next \$9,665,000	9,665,000 @ 34%	3,286,100	3,286,100		3,286,100
25	Next \$5,000,000	5,000,000 @ 35%	1,750,000	1,750,000		1,750,000
26	Next \$3,333,333	3,333,333 @ 38%	1,266,667	1,266,667		1,266,667
27	Over \$18,333,333 (A)	(18,368,651) @ 35%	(6,429,028)	7,264,976	835,948	11,773,481
28	Federal Income Taxes		(12,361)	7,264,976	7,252,615	11,773,481
29						19,026,096
30	Deferred Income Taxes:					
31	Deferred Income Tax on Depreciation		4,901,154	2,425,793	7,326,947	7,326,947
32	Other Deferred Income Taxes - Net		532,084	31,635	563,719	563,719
33	Deferred Income Tax Adjustment - ARAM		(57,254)		(57,254)	(57,254)
34	Deferred Income Tax Adjustment - Flow-Through		1,006,301		1,006,301	1,006,301
35	Amortization of Investment Tax Credit		(222,564)		(222,564)	(222,564)
36	Total Deferred Income Taxes		6,159,721	2,457,428	8,617,149	8,617,149
37						
38	Total Federal Income Taxes		6,147,360	9,722,404	15,869,764	27,643,245

(A) Calculation may be different due to rounding

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
DEVELOPMENT OF JURISDICTIONAL FEDERAL INCOME TAXES BEFORE ADJUSTMENTS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

STAFF REPORT
SCHEDULE C-4.1
PAGE 1 OF 1

LINE NO.	DESCRIPTION	UNADJUSTED JURISDICTION
		(\$)
1	Operating Income before Federal	
2	Income Taxes	34,551,580
3		
4	Reconciling Items:	
5	Interest Charges	<u>(19,369,179)</u>
6	Net Interest Charges	<u>(19,369,179)</u>
7		
8	Tax Depreciation	(45,227,318)
9	Book Depreciation	<u>31,396,326</u>
10	Excess of Tax over Book Depreciation	<u>(13,830,992)</u>
11		
12	Other Reconciling Items:	
13	Permanent Differences	133,512
14	Temporary Differences	<u>(1,520,239)</u>
15	Total Other Reconciling Items	<u>(1,386,727)</u>
16	Total Reconciling Items	<u>(34,586,898)</u>
17	Federal Taxable Income	<u>(35,318)</u>
18		
19	Federal Income Taxes:	
20	First \$50,000	50,000 @ 15% 7,500
21	Next \$25,000	25,000 @ 25% 6,250
22	Next \$25,000	25,000 @ 34% 8,500
23	Next \$235,000	235,000 @ 39% 91,650
24	Next \$9,665,000	9,665,000 @ 34% 3,286,100
25	Next \$5,000,000	5,000,000 @ 35% 1,750,000
26	Next \$3,333,333	3,333,333 @ 38% 1,266,667
27	Over \$18,333,333	<u>(18,368,651) @ 35% (6,429,028) (A)</u>
28	Federal Income Taxes	<u>(35,318) (12,361) (12,361)</u>
29		
30	Deferred Income Taxes:	
31	Tax Depreciation	(45,227,318)
32	Tax S/L Depreciation	<u>31,224,021 (B)</u>
33	Excess of Tax over S/L	<u>(14,003,297)</u>
34		
35	Deferred Income Tax on Depreciation (Line 33 * 35%)	4,901,154
36	Other Deferred Income Taxes - Net (Line 14 * 35%)	532,084
37	Deferred Income Tax Adjustment - ARAM	(57,254)
38	Deferred Income Tax Adjustment - Flow-Through	1,006,301
39	Amortization of Investment Tax Credit	<u>(222,564)</u>
40	Total Deferred Income Taxes	<u>6,159,721</u>
41		
42	Total Federal Income Tax Expense	<u>6,147,360</u>

(A) Calculation may be different due to rounding

(B) Book Depreciation less Depreciation on AFUDC Equity

Rate of Return Summary
Duke Energy Ohio
Capital Structure as of March 31, 2007

	Amount \$	% of Total	% Cost	Weighted Cost %
Long Term Debt	\$1,752,639,770	44.24%	5.87%	2.60%
Preferred Stock	\$0	0.00%	0.00%	0.00%
Common Equity	<u>\$2,209,036,300</u>	<u>55.76%</u>	10.00% -11.03%	<u>5.58% -6.15%</u>
Total Capital	\$3,961,676,070	100.00%		8.17% -8.75%

Equity Issuance Cost Adjustment
Duke Energy Ohio
March 31, 2007

(1) Retained Earnings ¹	\$828,010,000
(2) Total Common Equity ²	\$2,209,036,300
(3) Ratio of (1) to (2)	0.68833
(4) Generic Issuance Cost, f	3.50%
(5) External Equity Ratio, w [1.0 - (3)]	0.62517
(6) Net Adjustment Factor, $(w/(1 - f)) + (1 - w)$	1.02267
(7) Low End Equity Cost [10.21% x (6)]	10.00%
(8) High End Equity Cost [11.21% x (6)]	11.03%

Sources:

- 1 Pate Testimony, Attachment LGP-1
- 2 Applicant's Schedule D-1A

CAPM Cost of Equity Estimate

Date:	<u>Closing 10Yr Yld (%)</u>	<u>Closing 30Yr Yld (%)</u>
20-Nov-06	4.59	4.68
21-Nov-06	4.58	4.66
22-Nov-06	4.57	4.65
24-Nov-06	4.55	4.63
27-Nov-06	4.54	4.62
28-Nov-06	4.51	4.6
29-Nov-06	4.52	4.61
30-Nov-06	4.46	4.56
1-Dec-06	4.43	4.54
4-Dec-06	4.43	4.55
5-Dec-06	4.44	4.57
6-Dec-06	4.48	4.6
7-Dec-06	4.48	4.6
8-Dec-06	4.55	4.66
11-Dec-06	4.52	4.63
12-Dec-06	4.49	4.61
13-Dec-06	4.58	4.69
14-Dec-06	4.59	4.72
15-Dec-06	4.6	4.72
18-Dec-06	4.59	4.71
19-Dec-06	4.6	4.73
20-Dec-06	4.59	4.72
21-Dec-06	4.55	4.69
22-Dec-06	4.62	4.76
26-Dec-06	4.6	4.73
27-Dec-06	4.65	4.78
28-Dec-06	4.69	4.81
29-Dec-06	4.71	4.82
3-Jan-07	4.66	4.77
4-Jan-07	4.62	4.72
5-Jan-07	4.65	4.74
8-Jan-07	4.66	4.74
9-Jan-07	4.66	4.74
10-Jan-07	4.68	4.77

CAPM Cost of Equity Estimate

Date:	<u>Closing 10Yr Yld (%)</u>	<u>Closing 30Yr Yld (%)</u>
11-Jan-07	4.74	4.82
12-Jan-07	4.77	4.86
16-Jan-07	4.75	4.84
17-Jan-07	4.79	4.88
18-Jan-07	4.75	4.85
19-Jan-07	4.77	4.86
22-Jan-07	4.76	4.85
23-Jan-07	4.8	4.9
24-Jan-07	4.81	4.91
25-Jan-07	4.87	4.96
26-Jan-07	4.88	4.98
29-Jan-07	4.89	4.98
30-Jan-07	4.88	4.98
31-Jan-07	4.83	4.93
1-Feb-07	4.84	4.93
2-Feb-07	4.83	4.93
5-Feb-07	4.81	4.91
6-Feb-07	4.76	4.87
7-Feb-07	4.74	4.85
8-Feb-07	4.73	4.84
9-Feb-07	4.78	4.86
12-Feb-07	4.8	4.89
13-Feb-07	4.81	4.9
14-Feb-07	4.73	4.83
15-Feb-07	4.71	4.8
16-Feb-07	4.69	4.79
20-Feb-07	4.68	4.78
21-Feb-07	4.69	4.79
22-Feb-07	4.73	4.83
23-Feb-07	4.68	4.78
26-Feb-07	4.63	4.73
27-Feb-07	4.51	4.63
28-Feb-07	4.55	4.67
1-Mar-07	4.56	4.68
2-Mar-07	4.51	4.65
5-Mar-07	4.52	4.65
6-Mar-07	4.53	4.66
7-Mar-07	4.5	4.64

CAPM Cost of Equity Estimate

Date:	<u>Closing 10Yr Yld (%)</u>	<u>Closing 30Yr Yld (%)</u>
8-Mar-07	4.51	4.65
9-Mar-07	4.59	4.72
12-Mar-07	4.55	4.69
13-Mar-07	4.49	4.66
14-Mar-07	4.52	4.69
15-Mar-07	4.54	4.69
16-Mar-07	4.55	4.7
19-Mar-07	4.57	4.72
20-Mar-07	4.55	4.71
21-Mar-07	4.52	4.7
22-Mar-07	4.59	4.78
23-Mar-07	4.61	4.8
26-Mar-07	4.59	4.78
27-Mar-07	4.61	4.81
28-Mar-07	4.62	4.83
29-Mar-07	4.63	4.83
30-Mar-07	4.65	4.85
2-Apr-07	4.64	4.84
3-Apr-07	4.66	4.85
4-Apr-07	4.65	4.84
5-Apr-07	4.67	4.87
9-Apr-07	4.74	4.92
10-Apr-07	4.72	4.91
11-Apr-07	4.74	4.91
12-Apr-07	4.74	4.91
13-Apr-07	4.76	4.93
16-Apr-07	4.74	4.89
17-Apr-07	4.69	4.85
18-Apr-07	4.65	4.82
19-Apr-07	4.67	4.84
20-Apr-07	4.67	4.84
23-Apr-07	4.65	4.83
24-Apr-07	4.62	4.8
25-Apr-07	4.65	4.83
26-Apr-07	4.68	4.87
27-Apr-07	4.7	4.89

CAPM Cost of Equity Estimate

Date:	<u>Closing 10Yr Yld (%)</u>	<u>Closing 30Yr Yld (%)</u>
30-Apr-07	4.63	4.82
1-May-07	4.64	4.82
2-May-07	4.65	4.82
3-May-07	4.67	4.84
4-May-07	4.64	4.8
7-May-07	4.64	4.79
8-May-07	4.63	4.8
9-May-07	4.67	4.84
10-May-07	4.65	4.83
11-May-07	4.67	4.85
14-May-07	4.69	4.86
15-May-07	4.71	4.88
16-May-07	4.71	4.87
17-May-07	4.76	4.91
18-May-07	4.8	4.96
21-May-07	4.79	4.94
22-May-07	4.83	4.98
23-May-07	4.86	5.01
24-May-07	4.86	5.01
25-May-07	4.86	5.01
29-May-07	4.88	5.01
30-May-07	4.88	5.01
31-May-07	4.89	5.01
1-Jun-07	4.96	5.06
4-Jun-07	4.93	5.02
5-Jun-07	4.98	5.07
6-Jun-07	4.97	5.08
7-Jun-07	5.1	5.2
8-Jun-07	5.12	5.22
11-Jun-07	5.14	5.24
12-Jun-07	5.25	5.36
13-Jun-07	5.2	5.28
14-Jun-07	5.22	5.29
15-Jun-07	5.17	5.26
18-Jun-07	5.14	5.25
19-Jun-07	5.09	5.2
20-Jun-07	5.12	5.23
21-Jun-07	5.16	5.28

CAPM Cost of Equity Estimate

Date:	<u>Closing 10Yr Yld (%)</u>	<u>Closing 30Yr Yld (%)</u>
22-Jun-07	5.14	5.26
25-Jun-07	5.08	5.2
26-Jun-07	5.1	5.22
27-Jun-07	5.07	5.19
28-Jun-07	5.12	5.22
29-Jun-07	5.03	5.13
2-Jul-07	5	5.1
3-Jul-07	5.05	5.15
5-Jul-07	5.14	5.24
6-Jul-07	5.2	5.28
9-Jul-07	5.16	5.25
10-Jul-07	5.04	5.13
11-Jul-07	5.08	5.18
12-Jul-07	5.12	5.21
13-Jul-07	5.11	5.19
16-Jul-07	5.04	5.13
17-Jul-07	5.08	5.16
18-Jul-07	5.01	5.1
19-Jul-07	5.03	5.12
20-Jul-07	4.96	5.06
23-Jul-07	4.96	5.07
24-Jul-07	4.94	5.06
25-Jul-07	4.9	5.03
26-Jul-07	4.78	4.95
27-Jul-07	4.79	4.95
30-Jul-07	4.8	4.96
31-Jul-07	4.77	4.92
1-Aug-07	4.76	4.91
2-Aug-07	4.75	4.9
3-Aug-07	4.7	4.87
6-Aug-07	4.73	4.91
7-Aug-07	4.74	4.9
8-Aug-07	4.86	5.02
9-Aug-07	4.79	5.03
10-Aug-07	4.78	5.01
13-Aug-07	4.78	5.01
14-Aug-07	4.73	4.99
15-Aug-07	4.71	5.01

CAPM Cost of Equity Estimate

Date:	<u>Closing 10Yr Yld (%)</u>	<u>Closing 30Yr Yld (%)</u>
16-Aug-07	4.6	4.93
17-Aug-07	4.67	5
20-Aug-07	4.63	4.97
21-Aug-07	4.59	4.94
22-Aug-07	4.62	4.95
23-Aug-07	4.62	4.92
24-Aug-07	4.63	4.9
27-Aug-07	4.6	4.86
28-Aug-07	4.53	4.86
29-Aug-07	4.55	4.88
30-Aug-07	4.5	4.82
31-Aug-07	4.54	4.83
4-Sep-07	4.56	4.84
5-Sep-07	4.47	4.78
6-Sep-07	4.5	4.79
7-Sep-07	4.37	4.69
10-Sep-07	4.32	4.64
11-Sep-07	4.36	4.65
12-Sep-07	4.41	4.69
13-Sep-07	4.48	4.74
14-Sep-07	4.46	4.72
17-Sep-07	4.47	4.71
18-Sep-07	4.48	4.76
19-Sep-07	4.52	4.82
20-Sep-07	4.67	4.94
21-Sep-07	4.63	4.89
24-Sep-07	4.62	4.88
25-Sep-07	4.61	4.89
26-Sep-07	4.62	4.89
27-Sep-07	4.57	4.84
28-Sep-07	4.58	4.83
1-Oct-07	4.56	4.8
2-Oct-07	4.53	4.78
3-Oct-07	4.54	4.79
4-Oct-07	4.52	4.77
5-Oct-07	4.64	4.87
8-Oct-07	4.64	4.86
9-Oct-07	4.65	4.86

CAPM Cost of Equity Estimate

Date:	<u>Closing 10Yr Yld (%)</u>	<u>Closing 30Yr Yld (%)</u>
10-Oct-07	4.65	4.86
11-Oct-07	4.66	4.88
12-Oct-07	4.69	4.91
15-Oct-07	4.67	4.91
16-Oct-07	4.66	4.91
17-Oct-07	4.55	4.81
18-Oct-07	4.5	4.78
19-Oct-07	4.4	4.69
22-Oct-07	4.39	4.67
23-Oct-07	4.41	4.69
24-Oct-07	4.33	4.64
25-Oct-07	4.35	4.66
26-Oct-07	4.39	4.68
29-Oct-07	4.38	4.66
30-Oct-07	4.38	4.67
31-Oct-07	4.47	4.75
1-Nov-07	4.36	4.65
2-Nov-07	4.29	4.59
5-Nov-07	4.32	4.62
6-Nov-07	4.36	4.65
7-Nov-07	4.33	4.67
8-Nov-07	4.27	4.66
9-Nov-07	4.22	4.6
12-Nov-07	4.21	4.59
13-Nov-07	4.26	4.61
14-Nov-07	4.27	4.6
15-Nov-07	4.16	4.53
16-Nov-07	4.15	4.52
19-Nov-07	4.08	4.48

Averages:		
Last 63days	4.4687	4.7568
Last 126 days	4.7113	4.9257
Last 188 days	4.6869	4.8851
Last 251 days	4.6820	4.8563
Average	4.6372	4.8560

Average of 10 and 30 Year Yields	4.7466
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CAPM Cost of Equity Estimate	10.6372
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Source: Yahoo.com

$$\begin{aligned}\text{CAPM} &= \text{risk free return} + \beta(\text{large company total return} - \text{risk free return}) \\ &= 4.7466\% + .90625(6.5\%)\end{aligned}$$

Value Line Betas:

0.7	ED
0.8	DTE
0.85	ETR
0.9	EXC
0.95	PEG
0.95	PCG
1.05	XEL
1.05	EIX
<hr/>	
0.90625	ave

DCF Cost of Equity Estimate

Stock Prices \$:

	<u>DTE</u>	<u>ED</u>	<u>EX</u>	<u>ETR</u>	<u>EXC</u>	<u>PCG</u>	<u>PEG</u>	<u>XEL</u>	<u>DUK</u>
11/20/06	46.8100	47.8600	46.3300	89.3700	57.9000	45.1700	65.1100	22.6300	17.9550
11/21/06	46.8500	47.8200	46.1300	89.0300	58.7200	45.2800	64.7100	22.6900	17.8070
11/22/06	47.0000	47.7900	46.0500	89.3500	59.2700	45.2800	65.2600	22.6600	17.8410
11/24/06	46.7400	47.8500	46.0500	89.3100	59.6500	45.4800	65.3900	22.6900	17.8300
11/27/06	46.5200	47.5200	45.2000	89.2900	59.3200	45.1000	65.1800	22.4800	17.5000
11/28/06	46.6000	47.8800	45.1800	89.9100	59.7700	45.4600	65.3400	22.6500	17.7670
11/29/06	46.9000	48.1800	45.7400	91.4700	60.5800	45.9000	67.1200	22.8500	17.9890
11/30/06	47.0900	48.2200	45.9800	91.3200	60.7300	45.9300	67.2200	22.9600	18.0520
12/01/06	47.3100	48.2200	46.2000	90.8300	61.3900	46.3800	67.2000	22.8500	18.0350
12/04/06	47.7700	48.4000	46.6800	92.0000	61.9000	46.7800	67.7200	23.0000	18.6210
12/05/06	47.7600	48.4000	46.8100	91.9500	62.4300	46.6800	67.6500	23.0100	18.6040
12/06/06	47.6000	48.2200	46.8500	92.1200	62.0500	46.4400	66.2600	22.9100	18.4900
12/07/06	47.2900	48.0400	46.6900	91.5300	61.8500	46.4500	66.2500	22.9200	18.4450
12/08/06	47.2200	47.8300	46.8700	91.2300	61.4500	45.8800	66.1200	22.8200	18.6100
12/11/06	47.8300	47.9900	46.9500	91.8800	61.7600	46.3000	66.3700	23.0000	18.8540
12/12/06	48.5900	48.6600	46.2800	92.2800	61.9400	46.9200	66.0500	23.1500	18.9170
12/13/06	48.7500	48.6100	46.2600	92.3400	62.1100	47.0100	66.2800	23.3000	19.2640
12/14/06	48.7800	49.1300	45.2500	92.4200	62.4200	47.2200	66.8800	23.4700	19.1450
12/15/06	48.7200	48.6700	44.9800	92.6000	62.6000	47.3000	67.3000	23.3200	19.0710
12/18/06	48.2300	48.2200	45.1000	92.3500	61.7500	47.3600	66.7700	23.1400	18.8770
12/19/06	48.5100	48.3800	45.7300	93.2300	61.8300	47.9800	67.4200	23.3100	18.9000
12/20/06	48.3700	47.9100	45.8000	93.2800	61.8400	47.6500	67.0500	23.3000	18.6950
12/21/06	48.3800	47.8000	45.8700	93.0000	61.7100	47.4700	66.8500	23.3600	18.8370
12/22/06	48.3000	47.7600	45.5400	92.8000	61.4300	47.2700	66.4200	23.2200	18.7920
12/26/06	48.7900	47.9200	46.1000	92.9900	61.8100	47.6700	66.8600	23.1000	18.8890
12/27/06	49.1900	48.1900	45.8100	93.0200	62.0300	47.7600	66.8800	23.2300	18.8770
12/28/06	48.6100	48.1400	45.8600	92.3400	61.7700	47.6200	66.6300	23.1500	18.7920
12/29/06	48.4100	48.0700	45.4800	92.3200	61.8900	47.3300	66.3800	23.0600	18.9000
01/03/07	49.2000	48.3900	45.4600	92.9800	62.4300	47.2700	66.6700	23.4300	19.1400
01/04/07	48.7700	48.3100	44.9200	94.0800	61.8800	46.6200	66.4600	23.4500	19.1800
01/05/07	47.6700	47.6300	43.9800	91.7600	60.3900	45.4900	64.9600	22.9800	18.7400
01/08/07	47.4700	47.5600	43.7400	91.0700	60.2400	45.9300	64.9900	22.9800	18.7700
01/09/07	47.2500	47.7000	43.6600	91.0100	60.2400	46.1500	66.3700	22.9700	18.6800
01/10/07	47.1700	47.8100	43.5800	91.9600	60.7700	46.7700	66.0000	23.0900	18.6000
01/11/07	46.7800	47.7500	43.1000	91.8800	60.5800	46.9000	65.6600	23.0600	18.6500
01/12/07	45.9500	47.3600	42.9500	90.4600	59.6500	46.1800	65.4600	22.8700	18.5600
01/16/07	46.2900	47.5300	42.9400	90.7100	59.6900	46.1700	65.8500	23.0100	18.6200
01/17/07	46.3700	47.6000	42.9500	90.7500	59.8500	46.2600	65.7100	23.0400	18.5900
01/18/07	46.0600	47.6300	43.2700	90.4500	59.9500	46.1700	65.9100	22.8700	18.6800
01/19/07	46.0500	47.7400	43.5500	91.0300	60.2800	46.0400	66.0000	22.9700	18.7400
01/22/07	45.9000	48.2500	43.6700	92.1200	59.9600	45.8000	66.0200	22.9900	18.6400
01/23/07	45.9000	48.3300	44.1700	92.0900	60.2300	46.1700	66.4500	22.9900	18.6700
01/24/07	46.5300	48.5300	44.2000	92.4500	60.0700	46.6800	67.2200	23.3200	18.7500
01/25/07	46.1000	48.0300	44.3100	91.8200	59.0500	45.8500	67.3100	23.2200	18.9200
01/26/07	46.0400	48.1000	44.5600	91.8800	59.1800	46.0300	67.4000	23.1700	19.0800
01/29/07	46.2000	47.9400	44.6600	92.1600	59.3800	46.2700	67.1300	23.2400	19.1900
01/30/07	46.3100	47.9300	45.3300	92.5900	59.3100	46.3100	67.6700	23.3100	19.4700
01/31/07	46.3700	48.2800	44.8800	92.8500	59.9900	46.6800	67.0300	23.3300	19.6900
02/01/07	46.7000	48.4000	45.3300	94.6200	61.0300	46.9800	67.2100	23.4600	19.8500
02/02/07	46.9400	48.4600	45.4300	95.1300	60.7500	47.0400	68.1300	23.5500	19.9900
02/05/07	47.1000	48.6400	45.7900	97.7000	62.1100	47.6900	68.9100	23.7500	20.2900
02/06/07	47.2200	48.7400	46.0800	97.9200	63.3600	47.6200	69.5600	24.0300	20.0600
02/07/07	47.2400	48.9200	45.9800	97.9200	63.2500	47.6800	69.6900	24.0300	19.9900
02/08/07	47.4200	48.9300	45.9600	98.2400	63.5100	48.1700	70.4300	24.1800	20.1600
02/09/07	47.3200	49.0300	46.1600	98.1200	64.0600	47.7000	71.0900	24.0000	20.1600
02/12/07	46.7400	48.4200	46.2100	97.9200	63.7100	47.8400	71.5000	23.9900	20.2000
02/13/07	48.0000	48.7200	46.3600	99.5200	63.4200	48.4100	72.0200	24.2100	20.3900
02/14/07	48.3200	48.8100	46.7500	99.9500	63.7800	48.3000	73.5400	24.3000	20.0600
02/15/07	48.0800	48.5800	46.4500	99.2400	62.8200	48.4300	73.1000	24.2600	20.0000
02/16/07	47.9900	48.7200	46.4800	99.6600	63.1900	48.2300	73.6900	24.2600	19.9600
02/20/07	47.9900	49.0200	46.7000	99.8300	63.6400	48.0000	74.4600	24.3500	19.9500
02/21/07	47.7900	48.7500	46.2300	99.6200	63.5100	47.9100	74.6100	24.3000	19.9500
02/22/07	47.7600	49.5400	46.1500	99.9400	64.2300	47.8500	74.9400	24.2500	19.8200
02/23/07	47.7500	49.3300	46.9700	100.9500	66.9300	47.7700	75.1500	24.1800	19.9100
02/26/07	47.8900	49.7400	48.0600	102.8500	68.3800	47.9700	76.7000	24.4400	20.0100
02/27/07	46.6400	48.6200	46.8300	98.5700	65.9900	46.4200	74.0900	23.7100	19.6200
02/28/07	46.3000	48.5800	46.9200	98.7000	65.9300	46.4200	74.9000	23.6300	19.6900
03/01/07	46.7600	48.6800	47.5800	98.5600	66.0100	46.6500	74.9400	23.5400	19.8100
03/02/07	46.6400	48.0800	47.3100	96.2500	64.2200	45.6600	73.8700	23.2900	19.4900
03/05/07	45.8200	47.5600	47.4100	95.5800	63.7900	45.2500	73.2000	22.8100	19.1200
03/06/07	46.4200	48.1700	48.3700	96.4900	64.8100	45.7100	73.9400	23.0500	19.5500
03/07/07	46.3100	47.9900	48.3500	96.5600	64.4600	46.4800	73.3400	23.1100	19.5400
03/08/07	46.2300	48.4400	48.6200	97.8800	64.5000	46.3600	73.6200	23.4100	19.4400
03/09/07	46.4800	48.4000	48.9400	97.8300	64.4900	46.1500	75.0000	23.4300	19.2500
03/12/07	46.5000	48.4900	49.0100	99.1000	66.1200	46.3900	76.4500	23.5400	19.5900
03/13/07	46.1200	48.0400	47.7200	98.5500	64.9500	45.6900	76.0400	23.2200	19.3400
03/14/07	46.3200	48.4800	48.3600	98.9900	65.4600	45.7900	77.0100	23.3200	19.3900
03/15/07	46.4800	48.7900	48.7700	100.1300	66.3000	45.5000	78.2500	23.7100	19.6700
03/16/07	46.3100	48.6100	48.3800	99.7800	65.7800	46.0100	77.5600	23.5100	19.5600
03/19/07	46.8200	49.0500	48.9700	100.6500	66.7100	46.3000	77.9200	23.6900	19.6900
03/20/07	47.4700	49.7500	49.6300	102.0900	68.0400	47.3200	78.3300	24.1300	20.2100

DCF Cost of Equity Estimate

Stock Prices1 (\$):

	DTE	ED	EIX	ETB	EXC	PCG	PEG	XEL	DUK
03/21/07	47.8000	50.1900	50.0000	104.1700	69.0400	48.1000	79.7300	24.5600	20.4200
03/22/07	47.4600	50.2300	50.2900	104.1400	67.7400	48.3300	80.0400	24.5000	20.3400
03/23/07	47.7500	50.4200	50.2400	104.0800	67.7200	48.8400	81.3400	24.5500	20.2900
03/26/07	48.0100	50.9300	50.7800	104.2400	68.1500	49.2100	82.5600	24.7700	20.4300
03/27/07	47.8300	50.9600	50.1200	104.6800	67.8200	48.9200	82.8000	24.5900	20.3100
03/28/07	48.1500	50.9200	49.4800	104.1200	69.1500	48.6000	82.8400	24.5700	20.3200
03/29/07	48.1800	51.2500	49.5200	105.1600	69.1000	48.5700	83.3700	24.8900	20.4700
03/30/07	47.9000	51.0600	49.1300	104.9200	68.7100	48.2700	83.0400	24.6900	20.2900
04/02/07	48.7300	51.7200	50.9300	107.6400	70.4000	49.4400	85.7300	24.9900	20.7100
04/03/07	48.6400	52.0000	50.9200	108.6600	71.3200	49.7000	85.7500	24.9400	20.7700
04/04/07	48.3500	51.8400	51.1100	108.4700	71.0400	49.3500	85.2000	24.6800	20.5200
04/05/07	48.4100	52.0500	51.1300	109.3000	71.7000	49.3500	85.1500	24.6700	20.6700
04/09/07	48.5700	52.1400	51.6200	110.3500	72.0800	49.3800	86.8000	24.6900	20.8100
04/10/07	48.9200	52.2600	51.5800	110.3000	72.2400	50.0500	87.3500	24.8500	20.8300
04/11/07	48.7900	51.8000	51.4300	109.0900	72.0800	49.9400	87.2100	24.5800	20.4600
04/12/07	49.0000	51.7500	51.2900	108.6500	71.1300	49.7900	87.1900	24.5400	20.3100
04/13/07	48.7000	51.7900	51.0300	109.7400	70.9200	49.8900	86.7600	24.5000	20.3700
04/16/07	48.9900	51.9400	51.9300	111.1300	71.6100	49.8200	86.8400	24.5600	20.6200
04/17/07	49.2400	52.3500	51.7500	111.8900	72.8800	50.5000	88.8200	24.7500	20.6500
04/18/07	49.0900	52.5500	51.9100	112.8600	73.4800	50.1400	88.4700	24.6500	20.9400
04/19/07	48.7300	51.9100	51.5900	112.6800	72.6700	50.3600	88.4000	24.5300	20.6700
04/20/07	49.6900	52.0000	52.1500	113.9000	73.2800	50.8300	88.9800	24.6600	20.9300
04/23/07	49.8300	51.9800	52.7400	114.9500	74.0700	51.6000	89.7700	24.4800	20.8900
04/24/07	50.1200	52.1600	52.7200	115.2900	74.9900	51.5500	90.4800	24.6900	20.9400
04/25/07	51.4400	52.6300	54.0300	116.4600	75.6400	52.1100	90.5100	24.7200	21.0000
04/26/07	51.4600	52.2200	53.5700	115.1000	78.4500	51.5500	88.5600	24.6000	20.6800
04/27/07	50.9800	51.8000	52.8400	114.1200	76.2300	51.1300	87.4300	24.3900	20.7000
04/30/07	50.5900	51.2600	52.3500	113.1400	75.4100	50.6000	86.4500	24.0900	20.5200
05/01/07	51.2900	51.4100	53.4300	115.2000	76.4500	51.2900	86.7500	24.2800	20.6900
05/02/07	51.3500	51.6700	53.7500	116.0500	77.0800	51.6100	87.7500	24.2800	20.8000
05/03/07	51.5000	51.5800	53.8300	116.4400	76.8800	51.2800	87.7500	24.2000	20.7300
05/04/07	51.3900	51.4200	53.9400	117.2700	76.5000	51.2600	89.7500	24.1300	20.6300
05/07/07	51.7700	51.8300	54.3500	118.7000	78.3300	51.6000	91.2300	24.2300	20.8800
05/08/07	51.8600	51.8600	55.0200	118.0600	77.3100	51.4900	90.1600	24.1100	20.6600
05/09/07	51.9300	51.6700	56.1100	118.5000	77.5500	51.3600	90.7100	23.9800	20.3400
05/10/07	51.7700	50.9200	55.5000	117.7900	76.3300	50.4600	89.4100	23.5800	20.1500
05/11/07	52.0000	50.9700	56.7000	118.3700	76.5300	50.9000	89.9700	23.6700	20.2800
05/14/07	52.6000	50.7000	57.6200	118.5300	76.4300	51.0200	90.3100	23.9000	20.5400
05/15/07	52.6300	50.6800	57.8600	119.0800	76.9500	51.2100	91.8000	24.1300	20.4600
05/16/07	52.7900	51.4300	58.6400	119.5200	77.7000	51.5400	92.8800	24.3400	20.4600
05/17/07	52.8000	50.8700	58.4100	118.6900	76.9200	51.6600	91.1300	24.1000	20.4900
05/18/07	52.9200	50.9500	58.8600	118.2700	78.4500	51.4500	92.1700	24.2100	20.4000
05/21/07	53.7300	51.0000	59.4200	117.6200	77.5800	51.4200	91.8400	24.1400	20.3900
05/22/07	54.2000	50.7000	59.7600	116.0100	77.3600	51.2300	91.1900	24.0100	20.2900
05/23/07	53.5200	49.7300	59.0700	114.4100	76.6900	50.4100	88.4100	23.2000	19.9400
05/24/07	52.3300	48.3600	57.2600	110.9400	73.7500	49.3300	85.7000	22.4500	19.4200
05/25/07	52.2100	48.1200	56.7600	110.9100	73.2500	49.0900	86.3900	22.9200	19.1900
05/29/07	52.2800	48.3800	57.4800	111.8800	73.6500	49.0100	86.8300	22.7800	19.3900
05/30/07	52.7800	48.7200	58.1300	112.7000	76.0300	49.3200	88.2700	22.8600	19.5900
05/31/07	52.8800	48.8200	58.2700	112.9000	78.0000	49.2600	88.9400	22.9500	19.5400
06/01/07	52.7100	48.4800	58.2400	112.2700	76.6100	48.9700	88.8100	22.7600	19.4100
06/04/07	52.4500	48.6300	58.5700	111.7200	76.4900	48.9300	88.4900	22.7000	19.3400
06/05/07	52.4000	47.7300	57.5200	110.0000	74.2700	48.1900	87.0900	22.3500	19.2200
06/06/07	51.4000	47.6500	56.8600	108.7600	72.6000	47.1400	86.3000	22.0300	19.0800
06/07/07	49.3300	46.3900	54.2500	104.3100	69.9200	45.5300	82.4300	21.3900	18.3800
06/08/07	50.0600	46.5900	54.7600	106.8000	70.6600	45.5700	83.2900	21.5000	18.3800
06/11/07	50.7600	46.5200	54.7500	109.0000	72.1600	45.6300	84.9800	21.5100	18.5800
06/12/07	49.9800	46.1100	54.1100	108.0500	70.6500	45.2800	84.3200	21.0800	18.2500
06/13/07	51.2400	47.0200	54.8200	109.7500	72.1000	46.9400	86.9400	21.4800	18.6800
06/14/07	50.9800	46.9100	54.9000	110.3600	72.7900	46.7200	87.7400	21.7000	18.6400
06/15/07	51.3800	47.3700	56.2300	112.3400	74.4800	47.1200	88.8300	21.8500	18.9800
06/18/07	50.7600	46.9300	55.7200	110.6900	73.8200	46.6400	88.3300	21.5400	18.6800
06/19/07	50.8900	46.7600	55.5800	109.1500	73.9200	46.7400	88.8700	21.5800	18.8900
06/20/07	49.5500	45.8800	54.2100	106.4800	71.3300	45.2100	86.3600	21.2200	18.4100
06/21/07	49.4800	45.9300	54.7100	108.2700	71.9000	45.6700	87.3600	21.4500	18.6900
06/22/07	48.4600	45.2000	53.6200	105.1800	70.0300	44.9500	84.5900	20.8000	18.2400
06/25/07	48.5600	45.2000	53.8300	107.1300	71.2600	45.2700	85.2500	20.7100	18.2300
06/26/07	47.9600	45.1400	54.7000	105.9500	71.2000	45.1500	85.5900	20.2300	18.2100
06/27/07	48.5500	45.4700	55.6600	107.1700	72.4000	45.4300	88.1100	20.6600	18.3500
06/28/07	48.2200	45.2600	55.8300	106.6500	72.1000	45.2000	88.0000	20.5200	18.2400
06/29/07	48.2200	45.1200	56.1200	107.3500	72.6000	45.3000	87.7800	20.4700	18.3000
07/02/07	48.7000	45.6100	57.3900	109.8700	76.3300	46.1400	91.2600	20.8200	18.5000
07/03/07	49.0900	45.8400	57.0700	108.8700	76.1100	45.7500	91.2000	20.7500	18.5200
07/05/07	48.9900	45.6200	56.5700	108.5800	76.5700	45.1900	90.4800	20.5000	18.4200
07/06/07	48.6200	45.2100	56.5000	107.2500	76.4100	46.6200	90.3800	20.4700	18.1200
07/09/07	48.9300	45.3100	56.1400	106.6200	76.2500	44.9600	91.9600	20.5300	18.2100
07/10/07	48.2600	44.9100	55.6500	103.9200	74.5500	44.7500	89.6900	20.2600	17.9400
07/11/07	49.1100	45.2100	55.8700	105.5100	74.9400	44.8000	89.9600	20.2800	18.0400
07/12/07	50.6700	45.7200	56.9100	108.5200	76.6600	45.4200	92.1000	20.7500	18.2400
07/13/07	50.9000	46.0900	58.2100	110.2500	78.1600	45.6200	92.5000	20.9800	18.3000
07/16/07	50.3300	45.4700	57.6200	107.9100	77.0400	45.0100	89.2000	20.7000	18.0200

DCF Cost of Equity Estimate

Stock Prices1 (\$):

	DTE	ED	EIX	ETB	EXC	PCG	PEG	XEL	DUK
07/17/07	50.0900	45.5700	57.4700	107.7700	77.6600	44.8300	88.9300	20.5700	17.9400
07/18/07	50.4300	45.7300	58.1300	109.4200	78.6200	45.3500	90.8000	20.7200	18.0400
07/19/07	51.3400	46.0100	59.1600	109.7200	82.0500	46.6600	92.5600	21.0800	18.0500
07/20/07	50.8900	45.3700	57.8700	108.7600	78.8900	45.8400	90.4100	20.8700	17.9600
04/30/04	51.2100	45.1500	59.2500	107.6000	80.3700	46.4500	91.1800	20.9700	18.0100
07/24/07	49.5000	44.4000	58.3000	102.8500	75.9400	44.6300	87.2000	20.2100	17.5900
07/25/07	49.7300	45.3000	56.6100	103.4900	74.4400	45.3500	86.9300	20.9700	17.6700
07/26/07	48.6200	44.7700	54.3200	99.5100	70.9000	45.1500	82.5200	20.8900	17.5600
07/27/07	46.3500	43.6500	52.7000	97.8400	69.6200	43.7700	81.4200	20.3100	17.2100
07/30/07	47.3300	44.0100	52.7000	98.4000	69.5200	43.4900	83.3300	20.4600	17.1900
07/31/07	46.3800	43.6800	52.8900	99.9600	70.1500	42.8100	86.1500	20.3000	17.0300
08/01/07	48.2200	44.9400	54.9500	101.1900	74.1000	44.3700	82.5000	20.7600	17.6200
08/02/07	48.1200	45.4600	55.8600	102.8600	74.8700	44.2400	86.6000	20.8100	17.9800
08/03/07	46.2200	43.8700	53.4500	98.5600	71.0900	42.8300	82.3900	19.8000	17.1100
08/06/07	48.4300	45.7300	56.0900	103.6100	74.2700	45.1600	86.4800	20.5700	17.9000
08/07/07	49.1500	47.1900	56.3000	104.4100	74.5600	46.3600	89.2700	20.9900	18.8600
08/08/07	49.8900	47.0000	56.3000	102.7000	76.4000	46.2400	88.8000	21.1400	19.5400
08/09/07	48.2600	46.9400	52.7800	98.5900	75.2500	43.7700	85.1100	20.0900	19.4000
08/10/07	48.0400	47.4300	53.1400	97.9900	72.8500	45.4500	82.5900	20.9100	19.5100
08/13/07	49.1900	46.0200	54.8800	100.0000	72.8000	45.1400	85.9000	20.9500	19.0000
08/14/07	47.5200	45.6800	52.9100	98.5300	70.7900	44.1400	82.5300	20.8700	18.5500
08/15/07	46.5500	45.0300	52.7200	95.9800	69.1200	44.1200	81.0700	20.1800	18.0400
08/16/07	46.7800	45.8200	52.1900	96.5100	67.3700	44.5400	80.5000	20.3400	18.2300
08/17/07	47.6900	45.9600	53.3300	99.8400	71.3200	45.3000	84.0000	20.7000	18.3600
08/20/07	47.4700	46.1100	52.9800	99.6900	71.3900	44.9700	85.3300	20.7500	18.3000
08/21/07	48.0600	46.7800	53.6000	100.0000	71.4200	44.5300	86.9700	20.6600	18.3800
08/22/07	48.2700	47.0000	54.3700	102.3400	72.6800	45.0000	86.4200	20.7600	18.4900
08/23/07	48.2200	46.8600	54.3600	103.0300	72.4300	44.9800	87.1000	20.8300	18.4800
08/24/07	49.0600	46.8000	54.8000	105.1100	73.1400	45.0500	87.6500	20.9800	18.5400
08/27/07	47.5500	45.6700	52.6200	101.5200	70.1400	43.8500	83.5200	20.2700	17.8200
08/28/07	46.6000	45.0800	52.1200	99.2400	69.1700	43.4000	81.7500	20.0700	17.7100
08/29/07	48.1200	46.0600	53.9800	102.9200	71.1900	44.5800	85.8700	20.7600	18.3400
08/30/07	47.6200	45.9300	52.7200	102.3900	70.1100	44.3700	84.6500	20.4900	18.0700
08/31/07	47.8100	45.9400	52.7100	103.6200	70.6700	44.5000	84.9900	20.6100	18.3400
09/04/07	48.5400	46.4200	54.6300	105.2600	73.5100	45.0800	87.1000	20.7800	18.7100
09/05/07	48.3700	46.2200	53.3600	103.8300	73.0400	44.5600	85.1300	20.5300	18.3900
09/06/07	48.4800	46.2000	54.1300	106.2900	74.6400	44.5000	86.4900	20.8300	18.7500
09/07/07	47.7300	45.5400	52.9100	104.4400	73.2600	43.9700	83.3100	20.7700	18.7800
09/10/07	47.7200	45.5300	53.2100	104.2400	73.3900	44.2100	83.8700	20.9900	18.7100
09/11/07	48.0800	45.8700	54.1600	104.9000	74.9400	44.3800	85.6400	21.0800	18.6000
09/12/07	48.2800	46.0300	54.1700	105.1200	74.7500	45.2300	85.1000	21.0800	18.6600
09/13/07	48.3800	45.9200	54.8400	105.4600	76.0100	45.5400	85.7900	21.0000	18.6800
09/14/07	48.7600	46.2600	55.3300	105.7000	76.4700	46.9000	85.9300	21.0500	18.6600
09/17/07	48.2100	46.0700	55.1100	105.1100	74.7700	46.0200	86.4600	21.0300	18.5500
09/18/07	49.0100	46.9000	56.5000	106.9900	76.7100	46.9600	89.5300	21.9200	18.9200
09/19/07	49.5400	47.3000	57.8300	109.1900	78.3600	47.9600	89.7600	22.0000	19.0900
09/20/07	48.9100	47.0200	56.7500	108.8000	77.2800	47.4300	87.9700	21.9500	18.6900
09/21/07	49.2200	46.9800	57.2400	109.5900	77.7500	48.2000	89.0300	22.0200	18.7600
09/24/07	49.2000	47.0400	57.3600	109.6000	78.1700	47.7500	89.9600	21.8500	18.6900
09/25/07	49.1800	46.8200	56.9900	109.7700	77.8900	48.0700	88.8300	21.7700	18.8500
09/26/07	49.6100	47.1200	57.3100	110.9600	78.2700	48.5000	89.5500	21.9800	19.0000
09/27/07	49.5800	46.8200	56.6700	110.5500	76.9600	48.2700	88.7600	21.8600	18.9200
09/28/07	48.4400	46.3000	55.4500	108.2900	75.3600	47.8000	87.9900	21.5400	18.6900
10/01/07	49.0800	46.9800	56.2900	110.3400	75.7900	48.2100	89.5800	22.0500	19.0300
10/02/07	48.8800	46.9700	56.0700	109.7600	76.1300	48.1000	89.0000	22.0000	19.1000
10/03/07	48.4400	47.1000	55.8900	110.5900	75.3900	48.3700	88.2800	21.9500	19.2100
10/04/07	48.9800	47.2400	56.5500	112.7000	76.0600	48.9000	89.2500	21.9200	19.3000
10/05/07	48.9400	47.2700	56.6300	114.5900	76.6000	48.9600	89.6900	22.0800	19.4300
10/08/07	48.9800	47.2000	56.0500	113.7500	76.8600	48.5600	89.4900	21.9100	19.2400
10/09/07	50.0400	47.7600	57.2100	115.9900	78.1900	48.8900	91.2600	22.1200	19.3200
10/10/07	49.9700	47.1700	56.7600	115.0100	77.3200	48.2000	90.7100	21.9700	19.1600
10/11/07	50.3900	46.8600	56.9500	114.8500	78.7500	48.2200	90.6900	21.7500	18.9000
10/12/07	50.5300	46.7700	56.5200	115.4200	79.1800	48.5500	91.0300	21.7300	19.0800
10/15/07	49.6800	46.4200	55.8200	114.1200	78.3100	47.9500	90.1600	21.4100	18.8900
10/16/07	49.2700	46.3500	55.8900	113.8300	78.0000	47.6500	89.5000	21.4400	18.9600
10/17/07	48.7600	46.4900	56.2500	113.6600	77.2500	47.3600	90.1700	21.5100	18.7700
10/18/07	48.7700	46.1400	55.9500	114.7400	77.0000	46.8300	90.0900	21.3500	18.8100
10/19/07	47.5300	45.1200	54.1600	112.1900	75.1400	45.7000	88.3800	21.0200	18.4100
10/22/07	48.0800	45.2400	55.0400	113.5400	75.7800	46.3700	88.3700	21.1900	18.5600
10/23/07	47.5400	45.4200	54.9600	113.4600	76.2000	46.3100	88.3500	21.1000	18.5400
10/24/07	47.9600	45.8200	54.5200	114.8500	76.4400	46.4000	89.3000	21.0400	18.6500
10/25/07	48.5500	46.3900	55.1600	117.7800	78.2300	46.9900	90.6800	21.8600	18.7100
10/26/07	48.9700	46.6700	56.6400	119.4900	80.2200	47.5800	92.8000	22.1000	18.8000
10/29/07	49.1100	46.5100	56.6100	119.7000	80.8700	47.9300	93.4200	22.1200	19.0400
10/30/07	49.1400	46.5500	57.3000	119.5900	80.9600	48.2500	93.2800	22.1700	18.9700
10/31/07	49.6000	47.0900	58.1500	119.8700	82.7800	48.9300	95.6000	22.5500	19.1700
11/01/07	48.7200	46.2700	56.4300	117.9600	81.1800	46.2500	94.0700	21.7600	18.8200
11/02/07	48.9900	46.9000	57.4200	118.6900	81.7700	45.6600	94.4000	21.6300	19.0300
11/05/07	48.9700	47.2800	58.0500	124.1500	83.9200	45.0400	94.1200	21.8500	19.3600
11/06/07	48.7000	47.0800	58.0800	123.5400	83.8800	44.4800	93.3500	22.0000	19.4300
11/07/07	47.1200	46.1500	56.4800	120.3800	81.6600	43.7100	90.1200	21.6600	19.0300
11/08/07	48.5600	47.1400	57.7800	122.2100	83.3600	45.4500	92.1400	22.2000	19.5000

DCF Cost of Equity Estimate

11/09/07	47.8400	46.3300	56.6500	118.4600	82.3600	44.6400	92.7200	22.1600	19.4500
11/12/07	47.5700	46.2300	55.7500	115.9800	79.1500	44.5000	90.7200	21.9300	19.3700
11/13/07	48.2000	46.8200	55.5700	117.6500	79.2300	44.8700	91.1200	22.1600	19.6200
11/14/07	47.9100	46.5900	55.2900	117.7000	79.4100	44.5600	91.8700	22.0600	19.1800
11/15/07	47.9300	46.7400	54.5600	118.3400	79.2800	44.3600	92.0700	22.0500	19.2700
11/16/07	48.5000	46.8300	54.6000	117.7000	79.8000	44.4700	92.3600	22.1500	19.4400
11/19/07	48.4500	47.5000	54.5100	118.1100	79.8200	44.5100	92.7500	22.1300	19.5800
AVERAGE (\$)	48.6876	47.8726	52.1128	104.8916	70.8939	47.0307	81.9737	22.5194	19.1438
QUARTERLY DIV. ² (\$)	0.5300	0.5800	0.2900	0.5400	0.4400	0.3300	0.5700	0.2230	0.2100
	0.5300	0.5800	0.2900	0.5400	0.4400	0.3600	0.5850	0.2230	0.2100
	0.5300	0.5800	0.2900	0.7500	0.4400	0.3600	0.5850	0.2300	0.2200
	0.5300	0.5800	0.2900	0.7500	0.4400	0.3600	0.5850	0.2300	0.2200
ANNUAL DIVIDEND (\$)	2.1200	2.3200	1.1600	2.5800	1.7600	1.4100	2.3250	0.9060	0.8600
YIELD	4.35%	4.85%	2.23%	2.46%	2.48%	3.00%	2.84%	4.02%	4.49%
EARNINGS GROWTH ESTIMATES:									
REUTERS ³	8.00%	4.20%	8.00%	9.50%	10.65%	8.61%	14.25%	5.83%	6.40%
MSN ⁴	8.00%	3.40%	10.30%	13.00%	11.30%	8.50%	16.30%	5.20%	6.20%
									Schedule D-1.3
									Page 4 of 4
YAHOO ⁵	5.75%	3.75%	7.54%	10.20%	8.31%	NA	19.67%	6.00%	5.00%
VALUE LINE ⁶ :									
'07 EARNINGS (\$)	3.00	3.20	3.20	5.50	3.90	2.80	5.10	1.40	1.15
'11 EARNINGS (\$)	3.75	3.40	3.60	7.80	5.75	3.10	6.20	1.75	1.50
VALUE LINE CALCULATED	5.58%	1.52%	2.94%	8.73%	9.71%	2.54%	4.88%	5.58%	6.64%
VALUE LINE, "BOXED"	5.50%	3.50%	6.50%	9.50%	10.50%	4.50%	11.50%	5.50%	NA
VALUE LINE (AVERAGE)	5.54%	2.51%	4.72%	9.12%	10.10%	3.52%	8.19%	5.54%	6.64%
DCF GROWTH ESTIMATE	5.82%	3.46%	7.84%	10.45%	10.09%	6.88%	14.60%	5.64%	6.06%
DCF COST OF EQUITY ESTIMATE	10.99%	9.39%	10.43%	10.65%	10.54%	10.01%	13.13%	10.59%	11.24%
DCF AVERAGE					10.77%				
CAPM COST OF EQUITY ESTIMATE					10.64%				
COST OF EQUITY ESTIMATE					10.71%				

Sources:

- 1 MSN Investor
- 2 MSN Investor & Value Line Investment Guide
- 3 investor.reuters.com
- 4 moneycentral.msn.com
- 5 finance.yahoo.com
- 6 Value Line Investment Guide

DTE Non-Constant DCF Calculation

g=	5.82%	non const dcf=	10.99%	const dcf=	10.43%
D=	\$2.12	P=	\$48.69	g(e)=	6.77%

<u>YEAR</u>	<u>GROWTH RATE</u>	<u>DIVIDEND</u>
1	5.82%	\$2.24
2	5.82%	\$2.37
3	5.82%	\$2.51
4	5.82%	\$2.66
5	5.82%	\$2.81
6	5.87%	\$2.98
7	5.92%	\$3.15
8	5.96%	\$3.34
9	6.01%	\$3.54
10	6.06%	\$3.76
11	6.11%	\$3.99
12	6.15%	\$4.23
13	6.20%	\$4.50
14	6.25%	\$4.78
15	6.30%	\$5.08
16	6.34%	\$5.40
17	6.39%	\$5.74
18	6.44%	\$6.11
19	6.48%	\$6.51
20	6.53%	\$6.94
21	6.58%	\$7.39
22	6.63%	\$7.88
23	6.67%	\$8.41
24	6.72%	\$8.97
25	6.77%	\$9.58
26	6.77%	\$10.23
27	6.77%	\$10.92
28	6.77%	\$11.66
29	6.77%	\$12.45
30	6.77%	\$13.29

This schedule is truncated; the calculation extends to 400 years to ensure the stability of the calculation.

g, D, P are from Schedule D-1.3
g(e) is from Schedule D-1.13

ED Non-Constant DCF Calculation

g=	3.46%	non const dcf=	10.43%	const dcf=	8.48%
D=	\$2.32			g(e)=	6.77%
		P=	\$47.87		

<u>YEAR</u>	<u>GROWTH RATE</u>	<u>DIVIDEND</u>
1	3.46%	\$2.40
2	3.46%	\$2.48
3	3.46%	\$2.57
4	3.46%	\$2.66
5	3.46%	\$2.75
6	3.63%	\$2.85
7	3.79%	\$2.96
8	3.96%	\$3.08
9	4.13%	\$3.20
10	4.29%	\$3.34
11	4.46%	\$3.49
12	4.62%	\$3.65
13	4.79%	\$3.82
14	4.95%	\$4.01
15	5.12%	\$4.22
16	5.28%	\$4.44
17	5.45%	\$4.68
18	5.61%	\$4.95
19	5.78%	\$5.23
20	5.94%	\$5.54
21	6.11%	\$5.88
22	6.27%	\$6.25
23	6.44%	\$6.65
24	6.60%	\$7.09
25	6.77%	\$7.57
26	6.77%	\$8.09
27	6.77%	\$8.63
28	6.77%	\$9.22
29	6.77%	\$9.84
30	6.77%	\$10.51

This schedule is truncated; the calculation extends to 400 years to ensure the stability of the calculation.

g, D, P are from Schedule D-1.3
g(e) is from Schedule D-1.13

EIX Non-Constant DCF Calculation

g=	7.64%	non const dcf=	9.39%	const dcf=	10.04%
D=	\$1.16			g(e)=	6.77%
		P=	\$52.11		

<u>YEAR</u>	<u>GROWTH RATE</u>	<u>DIVIDEND</u>
1	7.64%	\$1.25
2	7.64%	\$1.34
3	7.64%	\$1.45
4	7.64%	\$1.56
5	7.64%	\$1.68
6	7.60%	\$1.80
7	7.55%	\$1.94
8	7.51%	\$2.09
9	7.47%	\$2.24
10	7.42%	\$2.41
11	7.38%	\$2.59
12	7.34%	\$2.77
13	7.29%	\$2.98
14	7.25%	\$3.19
15	7.20%	\$3.42
16	7.16%	\$3.67
17	7.12%	\$3.93
18	7.07%	\$4.21
19	7.03%	\$4.50
20	6.99%	\$4.82
21	6.94%	\$5.15
22	6.90%	\$5.51
23	6.86%	\$5.88
24	6.81%	\$6.29
25	6.77%	\$6.71
26	6.77%	\$7.17
27	6.77%	\$7.65
28	6.77%	\$8.17
29	6.77%	\$8.72
30	6.77%	\$9.31

This schedule is truncated; the calculation extends to 400 years to ensure the stability of the calculation.

g, D, P are from Schedule D-1.3
g(e) is from Schedule D-1.13

Schedule D-1.7

ETR Non-Constant DCF Calculation

g=	10.45%	non const dcf=	10.65%	const dcf=	13.17%
D=	\$2.58		P= \$104.89	g(e)=	6.77%

<u>YEAR</u>	<u>GROWTH RATE</u>	<u>DIVIDEND</u>
1	10.45%	\$2.85
2	10.45%	\$3.15
3	10.45%	\$3.48
4	10.45%	\$3.84
5	10.45%	\$4.24
6	10.27%	\$4.68
7	10.09%	\$5.15
8	9.90%	\$5.66
9	9.72%	\$6.21
10	9.53%	\$6.80
11	9.35%	\$7.44
12	9.16%	\$8.12
13	8.98%	\$8.85
14	8.80%	\$9.62
15	8.61%	\$10.45
16	8.43%	\$11.33
17	8.24%	\$12.27
18	8.06%	\$13.26
19	7.87%	\$14.30
20	7.69%	\$15.40
21	7.51%	\$16.56
22	7.32%	\$17.77
23	7.14%	\$19.04
24	6.95%	\$20.36
25	6.77%	\$21.74
26	6.77%	\$23.21
27	6.77%	\$24.78
28	6.77%	\$26.46
29	6.77%	\$28.25
30	6.77%	\$30.16

This schedule is truncated; the calculation extends to 400 years to ensure the stability of the calculation.

g, D, P are from Schedule D-1.3
g(e) is from Schedule D-1.13

Schedule D-1.8

EXC Non-Constant DCF Calculation

g=	10.09%	non const dcf=	10.54%	const dcf=	12.82%
D=	\$1.76			g(e)=	6.77%
		P=	\$70.89		

<u>YEAR</u>	<u>GROWTH RATE</u>	<u>DIVIDEND</u>
1	10.09%	\$1.94
2	10.09%	\$2.13
3	10.09%	\$2.35
4	10.09%	\$2.59
5	10.09%	\$2.85
6	9.92%	\$3.13
7	9.76%	\$3.43
8	9.59%	\$3.76
9	9.43%	\$4.12
10	9.26%	\$4.50
11	9.09%	\$4.91
12	8.93%	\$5.35
13	8.76%	\$5.82
14	8.60%	\$6.32
15	8.43%	\$6.85
16	8.26%	\$7.41
17	8.10%	\$8.01
18	7.93%	\$8.65
19	7.76%	\$9.32
20	7.60%	\$10.03
21	7.43%	\$10.77
22	7.27%	\$11.56
23	7.10%	\$12.38
24	6.93%	\$13.24
25	6.77%	\$14.13
26	6.77%	\$15.09
27	6.77%	\$16.11
28	6.77%	\$17.20
29	6.77%	\$18.36
30	6.77%	\$19.61

This schedule is truncated; the calculation extends to 400 years to ensure the stability of the calculation.

g, D, P are from Schedule D-1.3
g(e) is from Schedule D-1.13

Schedule D-1.9

PCG Non-Constant DCF Calculation

g=	6.88%	non const dcf=	10.01%	const dcf=	10.08%
D=	\$1.41			g(e)=	6.77%
		P=	\$47.03		

<u>YEAR</u>	<u>GROWTH RATE</u>	<u>DIVIDEND</u>
1	6.88%	\$1.51
2	6.88%	\$1.61
3	6.88%	\$1.72
4	6.88%	\$1.84
5	6.88%	\$1.97
6	6.87%	\$2.10
7	6.87%	\$2.25
8	6.86%	\$2.40
9	6.86%	\$2.56
10	6.85%	\$2.74
11	6.84%	\$2.93
12	6.84%	\$3.13
13	6.83%	\$3.34
14	6.83%	\$3.57
15	6.82%	\$3.81
16	6.82%	\$4.07
17	6.81%	\$4.35
18	6.81%	\$4.65
19	6.80%	\$4.96
20	6.80%	\$5.30
21	6.79%	\$5.66
22	6.78%	\$6.04
23	6.78%	\$6.45
24	6.77%	\$6.89
25	6.77%	\$7.36
26	6.77%	\$7.86
27	6.77%	\$8.39
28	6.77%	\$8.95
29	6.77%	\$9.56
30	6.77%	\$10.21

This schedule is truncated; the calculation extends to 400 years to ensure the stability of the calculation.

g, D, P are from Schedule D-1.3
g(e) is from Schedule D-1.13

Schedule D-1.10

PEG Non-Constant DCF Calculation

g=	14.60%	non const dcf=	13.13%	const dcf=	17.85%
D=	\$2.33			g(e)=	6.77%
		P=	\$81.97		

<u>YEAR</u>	<u>GROWTH RATE</u>	<u>DIVIDEND</u>
1	14.60%	\$2.66
2	14.60%	\$3.05
3	14.60%	\$3.50
4	14.60%	\$4.01
5	14.60%	\$4.60
6	14.21%	\$5.25
7	13.82%	\$5.97
8	13.43%	\$6.78
9	13.04%	\$7.66
10	12.64%	\$8.63
11	12.25%	\$9.69
12	11.86%	\$10.84
13	11.47%	\$12.08
14	11.08%	\$13.42
15	10.69%	\$14.85
16	10.29%	\$16.38
17	9.90%	\$18.00
18	9.51%	\$19.71
19	9.12%	\$21.51
20	8.73%	\$23.39
21	8.34%	\$25.34
22	7.94%	\$27.35
23	7.55%	\$29.41
24	7.16%	\$31.52
25	6.77%	\$33.65
26	6.77%	\$35.93
27	6.77%	\$38.36
28	6.77%	\$40.96
29	6.77%	\$43.73
30	6.77%	\$46.69

This schedule is truncated; the calculation extends to 400 years to ensure the stability of the calculation.

g, D, P are from Schedule D-1.3
g(e) is from Schedule D-1.13

XEL Non-Constant DCF Calculation

g=	5.64%	non const dcf=	10.59%	const dcf=	9.89%
D=	\$0.91			g(e)=	6.77%
		P=	\$22.52		

<u>YEAR</u>	<u>GROWTH RATE</u>	<u>DIVIDEND</u>
1	5.64%	\$0.96
2	5.64%	\$1.01
3	5.64%	\$1.07
4	5.64%	\$1.13
5	5.64%	\$1.19
6	5.70%	\$1.26
7	5.75%	\$1.33
8	5.81%	\$1.41
9	5.87%	\$1.49
10	5.92%	\$1.58
11	5.98%	\$1.68
12	6.04%	\$1.78
13	6.09%	\$1.89
14	6.15%	\$2.00
15	6.21%	\$2.13
16	6.26%	\$2.26
17	6.32%	\$2.40
18	6.37%	\$2.55
19	6.43%	\$2.72
20	6.49%	\$2.89
21	6.54%	\$3.08
22	6.60%	\$3.29
23	6.66%	\$3.51
24	6.71%	\$3.74
25	6.77%	\$3.99
26	6.77%	\$4.27
27	6.77%	\$4.55
28	6.77%	\$4.86
29	6.77%	\$5.19
30	6.77%	\$5.54

This schedule is truncated; the calculation extends to 400 years to ensure the stability of the calculation.

g, D, P are from Schedule D-1.3
g(e) is from Schedule D-1.13

Schedule D-1.12

DUK Non-Constant DCF Calculation

g=	6.06%	non const dcf=	11.24%	const dcf=	10.83%
D=	\$0.86			g(e)=	6.77%
		P=	\$19.14		

<u>YEAR</u>	<u>GROWTH RATE</u>	<u>DIVIDEND</u>
1	6.06%	\$0.91
2	6.06%	\$0.97
3	6.06%	\$1.03
4	6.06%	\$1.09
5	6.06%	\$1.15
6	6.10%	\$1.22
7	6.13%	\$1.30
8	6.17%	\$1.38
9	6.20%	\$1.47
10	6.24%	\$1.56
11	6.27%	\$1.65
12	6.31%	\$1.76
13	6.34%	\$1.87
14	6.38%	\$1.99
15	6.41%	\$2.12
16	6.45%	\$2.25
17	6.49%	\$2.40
18	6.52%	\$2.56
19	6.56%	\$2.72
20	6.59%	\$2.90
21	6.63%	\$3.10
22	6.66%	\$3.30
23	6.70%	\$3.52
24	6.73%	\$3.76
25	6.77%	\$4.02
26	6.77%	\$4.29
27	6.77%	\$4.58
28	6.77%	\$4.89
29	6.77%	\$5.22
30	6.77%	\$5.57

This schedule is truncated; the calculation extends to 400 years to ensure the stability of the calculation.

g, D, P are from Schedule D-1.3
g(e) is from Schedule D-1.13

Growth in U.S. Gross National Product, 1929 to 2005

Year	GNP (\$billion)	Change (\$billion)	Growth%
1929	104.4		
1930	91.90	-12.70	-12.32%
1931	77.00	-14.60	-16.15%
1932	59.10	-17.80	-23.48%
1933	56.70	-2.40	-4.14%
1934	66.30	9.50	17.09%
1935	73.60	7.10	10.91%
1936	84.00	10.30	14.27%
1937	92.20	7.90	9.58%
1938	86.50	-5.70	-6.31%
1939	92.50	6.60	7.79%
1940	101.70	9.10	9.97%
1941	127.20	25.10	25.00%
1942	162.30	33.50	26.69%
1943	198.90	33.70	21.19%
1944	220.10	18.70	9.70%
1945	223.40	2.00	0.95%
1946	222.90	-1.00	-0.47%
1947	245.30	22.80	10.73%
1948	270.60	26.40	11.22%
1949	268.60	-1.20	-0.46%
1950	295.20	27.90	10.71%
1951	341.20	45.10	15.64%
1952	360.30	18.20	5.46%
1953	381.30	20.00	5.69%
1954	382.50	0.90	0.24%
1955	417.20	33.40	8.97%
1956	440.30	22.30	5.49%
1957	464.10	22.80	5.32%
1958	469.80	5.80	1.29%
1959	509.30	53.50	11.71%

Growth in U.S. Gross National Product, 1929 to 2005

Year	GNP (\$billion)	Change (\$billion)	Growth%
1960	529.50	20.30	3.98%
1961	548.20	18.70	3.52%
1962	589.70	41.40	7.54%
1963	622.20	32.50	5.50%
1964	668.50	46.20	7.41%
1965	724.40	56.10	8.38%
1966	792.90	69.00	9.51%
1967	838.00	45.00	5.66%
1968	916.10	78.10	9.30%
1969	990.70	73.90	8.05%
1970	1,044.90	54.60	5.51%
1971	1,134.70	90.10	8.61%
1972	1,246.80	112.90	9.94%
1973	1,395.30	149.10	11.94%
1974	1,515.50	118.50	8.48%
1975	1,651.30	131.70	8.68%
1976	1,842.10	192.60	11.68%
1977	2,051.20	211.10	11.47%
1978	2,316.30	265.90	12.96%
1979	2,595.30	281.30	12.14%
1980	2,823.70	231.50	8.91%
1981	3,161.40	335.30	11.84%
1982	3,291.50	129.60	4.09%
1983	3,573.80	276.10	8.38%
1984	3,969.50	396.30	11.10%
1985	4,246.80	270.30	6.81%
1986	4,480.60	229.90	5.42%
1987	4,757.40	287.90	6.44%
1988	5,127.40	370.60	7.79%
1989	5,510.60	382.60	7.46%
1990	5,837.90	322.80	5.86%

Growth in U.S. Gross National Product, 1929 to 2005

Year	GNP (\$billion)	Change (\$billion)	Growth%
1991	6,026.30	178.70	3.06%
1992	6,367.40	331.40	5.51%
1993	6,689.30	324.40	5.11%
1994	7,098.40	404.40	6.07%
1995	7,433.40	349.80	4.95%
1996	7,851.90	410.30	5.53%
1997	8,337.30	473.80	6.05%
1998	8,768.30	445.00	5.36%
1999	9,302.20	486.20	5.56%
2000	9,855.90	553.70	5.95%
2001	10,171.60	315.70	3.20%
2002	10,514.10	342.50	3.37%
2003	11,059.20	545.10	5.18%
2004	11,778.90	719.70	6.51%
2005	12,520.80	741.90	6.30%
Average			6.77%

Economic Analysis and Econostats; BEA Data; NIPA Index; Section 1. Domestic Product and Income Table 1.7.5 Relation of Gross Domestic Product, Gross National Product, Net National Product, National Income, and Personal Income. (2) U. S. Department of Commerce; Survey of Current of the United States Business and Historical Statistics

Rate RS/RFT

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Year 2

Rate RS/RFT
Typical Bill Comparison

<u>Usage</u>	<u>Applicant Current</u>	<u>Applicant Proposed</u>	<u>Increase</u>	<u>Percent Increase</u>	<u>Staff Proposed</u>	<u>Increase</u>	<u>Percent Increase</u>		<u>Applicant Proposed Rates</u>	<u>Staff Proposed Rates</u>	<u>Staff Proposed Rates</u>
0	12.35	15.73	3.38	27.40%	13.11	0.76	6.16%				
1	23.96	27.99	4.03	16.81%	37.27	13.31	55.55%	Cust chg	15	12.50	25.33
3	47.18	52.50	5.32	11.27%	58.67	11.49	24.36%	mcf	2.4714	0.99103	0.99103
6	82.01	89.26	7.25	8.84%	90.78	8.77	10.69%				
8	105.24	113.77	8.53	8.10%	112.18	6.94	6.59%	pip (mcf)	0.169		
10	128.46	138.27	9.81	7.64%	133.58	5.12	3.99%	gcr (mcf)	8.883		
12	151.69	162.78	11.09	7.31%	154.98	3.29	2.17%				
16	198.14	211.80	13.66	6.89%	197.79	(0.35)	-0.18%	STR (mcf)			
20	244.58	260.81	16.23	6.64%	240.59	(3.99)	-1.63%	First 100	0.1593		
30	360.70	383.35	22.65	6.28%	347.61	(13.09)	-3.63%	Next 1900	0.0877		
40	476.82	505.89	29.07	6.10%	454.62	(22.20)	-4.66%	Addt.	0.0411		
50	592.93	628.43	35.50	5.99%	561.63	(31.30)	-5.28%				
60	709.05	750.97	41.92	5.91%	668.64	(40.41)	-5.70%				
80	941.28	996.05	54.77	5.82%	882.67	(58.61)	-6.23%				
100	1173.52	1,241.13	67.61	5.76%	1,096.69	(76.83)	-6.55%				
0	12.35	15.73	3.38	27.40%	13.11	0.76	6.16%				
1	14.64	18.67	4.03	27.53%	27.95	13.31	90.93%				
3	19.23	24.54	5.31	27.63%	30.72	11.49	59.75%				
6	26.11	33.35	7.24	27.74%	34.87	8.76	33.56%				
8	30.7	39.23	8.53	27.77%	37.64	6.94	22.60%				
10	35.29	45.10	9.81	27.80%	40.41	5.12	14.50%				
12	39.88	50.97	11.09	27.82%	43.17	3.29	8.26%				
16	49.06	62.72	13.66	27.84%	48.71	(0.35)	-0.71%				
20	58.23	74.47	16.24	27.88%	54.25	(3.98)	-6.84%				
30	81.18	103.83	22.65	27.90%	68.08	(13.10)	-16.13%				
40	104.12	133.20	29.08	27.93%	81.92	(22.20)	-21.32%				
50	127.06	162.56	35.50	27.94%	95.76	(31.30)	-24.63%				
60	150.01	191.93	41.92	27.94%	109.60	(40.41)	-26.94%				
80	195.89	250.66	54.77	27.96%	137.28	(58.61)	-29.92%				
100	241.78	309.39	67.61	27.97%	164.95	(76.83)	-31.78%				

Year 1

Rate GS/FT
Typical Bill Comparison

Usage	Applicant Current	Applicant Proposed	Increase	Percent Increase	Staff Proposed	Increase	Percent Increase	Applicant Proposed Rates	(a) Staff Proposed Rates	(b) Staff Proposed Rates	(c) Staff Proposed Rates	(d) Staff Proposed Rates
0	53.96	41.96	(12.00)	-22.25%	26.22	(27.74)	-51.40%					
5	110.82	100.48	(10.34)	-9.33%	93.33	(17.49)	-15.78%	40	25.00	35.25	50.00	130.00
10	167.67	159.00	(8.67)	-5.17%	149.69	(17.98)	-10.72%	1.9474	1.53527	1.53527	1.53527	1.53527
20	281.39	276.04	(5.35)	-1.90%	277.89	(3.50)	-1.25%	1.8774	1.53527	1.53527	1.53527	1.53527
40	508.82	510.13	1.31	0.26%	587.24	78.42	15.41%	1.8373	1.53527	1.53527	1.53527	1.53527
50	622.53	627.17	4.64	0.75%	699.96	77.43	12.44%					
100	1,191.10	1,212.39	21.29	1.79%	1,263.56	72.46	6.08%					
300	3,437.78	3,523.56	85.78	2.50%	3,502.96	65.18	1.90%					
500	5,684.47	5,834.73	150.26	2.64%	5,742.36	57.89	1.02%					
700	7,924.86	8,137.48	212.62	2.68%	7,981.75	56.89	0.72%					
850	9,505.14	9,864.55	359.41	3.78%	9,661.30	56.16	0.58%					
1000	11,285.43	11,591.61	306.18	2.71%	11,340.84	55.41	0.49%					
2000	22,487.37	23,105.39	618.02	2.75%	22,537.82	50.45	0.22%					
3000	33,640.43	34,570.28	929.86	2.76%	33,685.92	45.49	0.14%					
0	53.96	41.96	(12.00)	-22.25%	26.22	(27.74)	-51.40%					
5	64.23	53.89	(10.34)	-16.10%	46.75	(17.48)	-27.22%					
10	74.50	65.83	(8.67)	-11.64%	56.52	(17.98)	-24.13%					
20	95.04	89.70	(5.34)	-5.62%	91.54	(3.50)	-3.68%					
40	136.12	137.44	1.32	0.97%	214.54	78.42	57.61%					
50	156.66	161.31	4.65	2.97%	234.09	77.43	49.43%					
100	259.36	280.65	21.29	8.21%	331.83	72.47	27.94%					
300	642.57	728.35	85.78	13.35%	707.75	65.18	10.14%					
500	1,025.78	1,176.04	150.26	14.65%	1,083.67	57.89	5.64%					
700	1,402.69	1,615.32	212.63	15.16%	1,459.59	56.90	4.06%					
850	1,685.37	1,944.78	259.41	15.39%	1,741.52	56.15	3.33%					
1000	1,988.05	2,274.24	306.19	15.56%	2,023.46	55.41	2.82%					
2000	3,852.61	4,470.63	618.02	16.04%	3,903.06	50.45	1.31%					
3000	5,688.29	6,618.15	929.86	16.35%	5,733.78	45.49	0.80%					

General Service Typical Bill

Monthly Mcf's	Conversion Ccf's	Twelve Months	Annual Ccf's
0	0	0	< 50
5	50	600	> 50 < 2000
10	100	1,200	> 2000 < 4000
20	200	2,400	> 4000
40	400	4,800	
50	500	6,000	
100	1,000	12,000	
300	3,000	36,000	
500	5,000	60,000	
700	7,000	84,000	
850	8,500	102,000	
1,000	10,000	120,000	
2,000	20,000	240,000	
3,000	30,000	360,000	

Applicant's Typical Bills are based upon Mcf's

Year 2

Rate GS/FT
Typical Bill Comparison

Usage	Applicant Current	Applicant Proposed	Percent Increase	Staff Proposed	Percent Increase	Applicant Proposed Rates	(a) Staff Proposed Rates	(b) Staff Proposed Rates	(c) Staff Proposed Rates	(d) Staff Proposed Rates
0	53.96	41.96	-22.25%	28.84	(25.12)	40	27.50	40.33	55.00	180.00
5	110.82	99.17	-10.51%	95.81	(15.01)	1.698	0.99052	0.99052	0.99052	0.99052
10	167.67	156.38	-6.73%	149.31	(18.36)	1.628	0.99052	0.99052	0.99052	0.99052
20	281.39	270.81	-3.76%	271.70	(9.69)	1.588	0.99052	0.99052	0.99052	0.99052
40	508.82	499.67	-1.80%	616.83	108.01					
50	622.53	614.09	-1.36%	723.84	101.31					
100	1,191.10	1,186.23	-0.41%	1,258.87	67.77					
300	3,437.78	3,445.08	0.21%	3,383.99	(53.79)	0.169				
500	5,684.47	5,703.93	0.34%	5,509.11	(175.36)	8.883				
700	7,924.86	7,954.39	0.37%	7,634.22	(290.64)					
850	9,605.14	9,642.23	0.38%	9,228.06	(377.08)					
1000	11,285.43	11,330.07	0.40%	10,821.90	(463.53)					
2000	22,487.37	22,582.36	0.42%	21,447.49	(1,039.88)					
3000	33,640.43	33,785.76	0.43%	32,024.20	(1,616.23)					

Cust chg
100 mcf
400 mcf
addt. Mcf

pip (mcf)
gor (mcf)

STR (mcf)
First 100
Next 1900
Addt.

General Service Typical Bill

Monthly Mcf's	Conversion Ccf's	Twelve Months	Annual Ccf's	(a) < 50	(b) > 50 < 2000	(c) > 2000 < 4000	(d) > 4000
0	0	0	0				
5	50	500	600				
10	100	1,200	1,200				
20	200	2,400	2,400				
40	400	4,800	4,800				
50	500	6,000	6,000				
100	1,000	12,000	12,000				
300	3,000	36,000	36,000				
500	5,000	60,000	60,000				
700	7,000	84,000	84,000				
850	8,500	102,000	102,000				
1,000	10,000	120,000	120,000				
2,000	20,000	240,000	240,000				
3,000	30,000	360,000	360,000				

Applicant's Typical Bills are based upon Mcf's

