

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 Rates)

In the Matter of the Application of)
Duke Energy Ohio, Inc. for Approval) Case No. 07-590-GA-ALT
of an Alternative Rate Plan for its)
Gas Distribution Service)

In the Matter of the Application of)
Duke Energy Ohio, Inc. for Approval) Case No. 07-591-GA-AAM
to Change Accounting Methods)

STIPULATION AND RECOMMENDATION

Rule 4901-1-30, Ohio Administrative Code ("OAC") provides that any two or more parties to a proceeding may enter into a written stipulation covering the issues presented in such proceeding. The purpose of this document is to set forth the understanding of the parties who have signed below ("Parties") and to recommend that the Public Utilities Commission of Ohio ("Commission") approve and adopt, as part of its Opinion and Order in these proceedings, this Stipulation resolving all of the issues in the above-captioned proceeding.¹ This Stipulation is supported by adequate data and information; and as an integrated complete document represents a just and reasonable resolution of all

¹ The Parties expressly agree that the issue of fixed vs. volumetric rate design and/or a sales decoupling rider is not intended to be resolved through this Stipulation and will be decided by the Commission following the hearing, as noted in footnote 7.

issues in this proceeding; violates no regulatory principle or precedent; and is the product of lengthy, serious bargaining among knowledgeable and capable parties in a cooperative process undertaken by the Parties to settle this case. While this Stipulation is not binding on the Commission, it is entitled to careful consideration by the Commission, where, as here, it is sponsored by Parties representing a wide range of interests,² including the Commission's Staff.³ For purposes of resolving all issues raised by these proceedings, the Parties stipulate, agree and recommend as set forth below.

Except for enforcement purposes, neither this Stipulation nor the information and data contained therein or attached, shall be cited as precedent in any future proceeding for or against any Party, or the Commission itself, if the Commission approves the Stipulation and Recommendation. This Stipulation and Recommendation is a careful compromise involving a balancing of competing positions, and it does not necessarily reflect the position that one or more of the Parties would have taken if these issues had been fully litigated.

² In addition to the Company and the Staff, the residential customers are represented by the Office of the Ohio Consumers' Counsel ("OCC") and the City of Cincinnati, also representing various City-owned and/or operated governmental facilities; Ohio Partners for Affordable Energy ("OPAE") and as a provider of weatherization and essential infrastructure services to the low income residential consumers within DE-Ohio's service territory, People Working Cooperatively ("PWC"); industrial customers are represented by the Ohio Energy Group ("OEG"); and the natural gas marketers consist of Interstate Gas Supply, Inc. ("IGS"), Integrys Energy Services, Inc. ("Integrys"), Direct Energy Services, Inc. ("Direct") and Stand Energy Corporation ("Stand").

³ Staff will be considered a party for the purpose of entering into this Stipulation by virtue of O.A.C. Rule 4901-1-10(c).

The Parties believe that this Stipulation represents a reasonable compromise of varying interests. This Stipulation is expressly conditioned upon adoption in its entirety by the Commission without material modification by the Commission. Should the Commission reject or materially modify all or any part of this Stipulation, the Parties shall have the right, within 30 days of issuance of the Commission's order, to file an application for rehearing. Upon the Commission's issuance of an entry on rehearing that does not adopt the Stipulation in its entirety without material modification, any Party may terminate and withdraw from the Stipulation by filing a notice with the Commission within 30 days of the Commission's entry on rehearing. Other Parties to this Stipulation agree to defend and shall not oppose the withdrawal and termination of the Stipulation by any other Party.⁴ Upon notice of termination or withdrawal by any Party, pursuant to the above provisions, the Stipulation shall immediately become null and void. In such event, a hearing shall go forward, and the Parties shall be afforded the full opportunity to file and present evidence through witnesses, to cross-examine all witnesses, to present rebuttal testimony, and to brief all issues which shall be decided based upon the record and briefs as if this Stipulation had never been executed.

⁴ Any signatory Party has the right, in its sole discretion, to determine what constitutes a "material" change for the purposes of that Party withdrawing from the Stipulation.

All the Signatory Parties fully support this Stipulation and urge the Commission to accept and approve the terms hereof.

WHEREAS, the agreements herein represent a comprehensive solution to the issues raised in these proceedings;

WHEREAS, all of the issues and concerns raised by the Parties (excluding issues not covered by the Stipulation) have been addressed in the substantive provisions of this Stipulation, and reflect as a result of such discussions compromises by the Parties to achieve an overall reasonable resolution of all such issues;

WHEREAS, this Stipulation is the product of the discussions and negotiations of the Parties, and is not intended to reflect the views or proposals that any individual party may have advanced acting unilaterally, and this Stipulation represents an accommodation of the diverse interests represented by the Parties, and is entitled to careful consideration by the Commission;

WHEREAS, the Stipulation is supported by DE-Ohio's application, standard filing requirements and all of DE-Ohio's testimony and objections; testimony and objections of the signatory parties; the financial audit by Blue Ridge Consulting Services, Inc.; and the Staff Report of Investigation filed December 20, 2007 ("Staff Report");

WHEREAS, this Stipulation represents a serious compromise of complex issues and involves substantial benefits that would not otherwise have been achievable;

WHEREAS, the Parties believe that the agreements herein represent a fair and reasonable solution to those issues raised in these proceedings that are addressed in this Stipulation;

NOW, THEREFORE, the Parties stipulate, agree and recommend that the Commission make the following findings and issue its Opinion and Order in this proceeding in accordance with the following:

1. **Revenue increase.** The Parties agree that DE-Ohio shall receive a revenue increase of \$18,200,000, calculated as shown on Stipulation Exhibit 1, which is a revised Schedule A-1.⁵
2. **Revenue distribution, billing determinants and rates.** The Parties agree to the revenue distribution, billing determinants, and rates shown on Stipulation Exhibit 2. The rates reflect elimination of \$6,000,000 of what the Company claims is a subsidy/excess,⁶ phased-in over two years, and calculated on the basis of the agreed revenue requirement and DE-Ohio's updated cost of service study.⁷

⁵ DE-Ohio is not required to file the 60-day update filing of actual financial data for the test year.

⁶ In signing this Stipulation, OCC and OPAE are not agreeing to the Company's characterization of this amount as a subsidy.

⁷ The Parties expressly note that the OCC and OPAE oppose the Staff Report's recommendation relating to fixed straight variable rate design. The City of Cincinnati takes no position with respect to this issue. The issue of fixed vs. volumetric rate design and/or a sales decoupling rider is not resolved through this Stipulation and will be decided by the Commission following the evidentiary hearing.

3. **Amortization of Deferred Expenses.** The Parties agree that DE-Ohio shall amortize deferred rate case expenses requested for recovery in its filing in these cases as recommended in the Staff Report.
4. **Depreciation Rates.** DE-Ohio will implement new depreciation rates as shown on Stipulation Exhibit 5. The new rates represent the mid-point between DE-Ohio's rates as proposed in its original application and the rates proposed in the Staff Report.
5. **Common Plant Allocation Factor.** For purposes of this settlement, the allocation of common plant related to the provision of gas distribution service will be based on an updated allocation factor 18.29% that excludes the generation plant assets contributed to DE-Ohio by Duke Energy North Americas, LLC.
6. **Rider AMRP -2008 Rates.** DE-Ohio will file by February 29, 2008 the actual data to support a Rider AMRP adjustment for the last nine months of 2007. The Rider AMRP revenue requirement will be modified to include deferred curb-to-meter expense and riser expense, net of maintenance savings, for calendar year 2007. Such net deferred expense shall be capitalized with carrying charges at an annual rate of 5.87%, representing the Company's long-term debt rate, and recovered through Rider AMRP, beginning in this filing. DE-Ohio may elect to recover this expense in any

annual Rider AMRP filings, provided that the recovery does not exceed the Rider AMRP cumulative residential rate caps. If this deferred expense causes DE-Ohio to exceed the Rider AMRP cumulative rate cap in any year, then DE-Ohio may recover that portion of the deferred expense that exceeds the rate cap in a subsequent year as long as the recovery does not exceed the cumulative rate cap. The new Rider AMRP residential rates shall be limited on a cumulative basis as shown on Stipulation Exhibit 4, page 3 of 3, and shall be recoverable pursuant to the Rider AMRP revenue allocation as described in paragraph 9, *infra*. DE-Ohio may implement these rates, effective with the beginning of the first billing cycle following issuance of the Commission's order, adjusted as necessary to permit the Company full recovery of the revenue increase through May 1, 2009, subject to refund, upon Commission approval of this Stipulation. The Commission Staff and parties may investigate, file objections, and hold a hearing on these rates as part of the next annual Rider AMRP proceeding as discussed below. If the Commission finds that DE-Ohio over-collected on the 2008 Rider AMRP rates, then DE-Ohio shall refund the over-collected amount with interest calculated at the same interest rate that DE-Ohio earns for the Rider AMRP riser expense deferrals.

7. **Rider AMRP – Procedure.** Following the implementation of new Rider AMRP rates discussed in paragraph 6, above, DE-Ohio will file a pre-filing notice and application annually to implement subsequent adjustments to Rider AMRP, beginning in November 2008.⁸ The Company will bear the burden of proof in its annual Rider AMRP filings and the Company's annual pre-filing notice shall demonstrate the justness and reasonableness of the level of recovery of expenditures associated with the Accelerated Main Replacement Program ("AMRP") and riser replacement program that the Company proposes. The annual filing will support the adjustment to DE-Ohio's revenue requirement for increases to Rider AMRP. The November pre-filing notice will consist of actual data through September 2008 and three months of projected data, will set the then-current calendar year as the test year, and will set December 31 of the applicable year as the date certain. DE-Ohio shall make its application and file an update of year-end actual data by the following February 28 of each year. Staff shall conduct an investigation of DE-Ohio's filing and, unless Staff finds DE-Ohio's filing to be unjust or unreasonable or if any other party files an objection that is not resolved by DE-Ohio by April 1 of each year, the Staff shall issue its recommendation regarding DE-Ohio's

⁸ Annual filings by DE-Ohio shall be made in the docket of this proceeding (Case No. 07-589-GA-AIR).

application for an increase of the Rider AMRP rate to the Commission to be effective, on a bills rendered basis, with the first billing cycle for the May revenue month. If the Staff determines that DE-Ohio's application to increase Rider AMRP is unjust or unreasonable, or if any other party that filed for intervention files an objection that is not resolved by DE-Ohio, then the parties will not object to a hearing process in order to effectuate, to the extent practicable and as long as consistent with there being full and reasonable discovery that provides for an expedited response time (*i.e.*, ten days), the implementation of Rider AMRP in the first billing cycle for the May revenue month, or the first billing cycle of the revenue month following the Commission's decision. DE-Ohio shall continue to make its Rider AMRP annual filing until the effective date of the Commission's order in DE-Ohio's next base rate case. DE-Ohio shall not oppose the right of any interested party to permissible discovery and/or a hearing in the annual Rider AMRP proceeding.

8. **Rider AMRP – Components/Methodology.** DE-Ohio's revenue requirement calculation and Rider AMRP application filed with the Commission shall include the post-March 31, 2007 (the date certain in this proceeding) original cost and accumulated reserve for depreciation of property associated with the AMRP Program

that is used and useful on December 31 of the prior year in the rendition of service as such property is associated with the AMRP and riser replacement programs, including capital expenditures for new plant (including but not limited to new mains, services and risers), adjustments for the retirement of existing assets, calculated Post-In-Service Carrying Charges ("PISCC") on net plant additions and related deferred taxes until included in rates for collection in Rider AMRP, a proper annual depreciation expense; and, any sums of money or property that DE-Ohio may receive to defray the cost of property associated with the AMRP capital expenditures. The return assigned to the recovery of all such net capital expenditures shall be at a pre-tax weighted average cost of capital of 11.7%.⁹ Neither the revenue distribution proposed by Rider AMRP, the accounting provisions contained in this paragraph 8, nor the allocation provision in paragraph 9 below, shall have any precedential value in DE-Ohio's next base rate case. DE-Ohio shall use operations and maintenance savings resulting from the AMRP, as compared to test year operation and maintenance expense, to reduce Rider AMRP. DE-Ohio shall include incremental property taxes associated with net plant additions, expenses associated with the cost of meter relocations and all service lines and risers. The service lines and risers shall

⁹ This rate of return is based on a 10.4% return on equity.

be capitalized. Appropriate adjustments for plant retirements reflected in the annual AMRP filings should include, but not be limited to, property taxes and depreciation expense. DE-Ohio may also include sections of plastic pipe that are replaced during the AMRP Program, to the extent that it is more economic to replace such plastic pipe than to tie into the existing sections of plastic pipe. All other components of DE-Ohio's revenue requirement related to the AMRP Program shall continue as determined by the Commission's Order in these cases until the Commission's Order in DE-Ohio's next base rate case.

9. **Rider AMRP – Revenue Allocation.** For each annual Rider AMRP update, DE-Ohio will allocate the AMRP revenue requirement to each class as follows: Rate Classes RS and RFT = 55%; GS and FT = 37%; and IT = 8%, and DE-Ohio will allocate the riser replacement revenue requirement to each class as follows: Rate Classes RS and RFT = 92%; GS and FT = 8%; and IT = 0%. This paragraph and the revenue distribution produced for Rider AMRP have no precedential value concerning revenue allocation or cost of service in DE-Ohio's next base rate case.
10. **Rider AMRP – Regulatory Assets.** The Parties agree that to the extent necessary to accurately capture the Post-in-Service Carrying Charges ("PISCC") associated with the AMRP Program for inclusion

in the subsequent year's Rider AMRP, DE-Ohio is authorized to create the necessary regulatory assets. Such regulatory assets will be included in unique sub-accounts of Account 182.3, Other Regulatory Assets, and will be subject to review by all parties in the annual Rider AMRP filing. DE-Ohio shall calculate the PISCC from the date that the applicable assets are used and useful until the next effective date of the AMRP Rider.

11. **Construction Schedule for AMRP and Riser Replacement**

Programs. DE-Ohio will substantially complete the AMRP Program by the end of 2019 and will complete the riser replacement program by the end of 2012. If DE-Ohio fails to substantially complete the AMRP by the end of 2019, DE-Ohio will file an application with the Commission requesting continuation of this program.

12. **Alternative Regulation Commitments.** The Parties agree that DE-Ohio shall maintain its commitments until the effective date of the Commission's order in the next base rate case, as listed in the Staff Report of Investigation filed December 20, 2007, at p. 49, except that the incremental \$1 million in funding for weatherization shall be funded through base rates.¹⁰

¹⁰ OCC agrees with DE-Ohio's incremental \$1 million weatherization funding; however, OCC does not agree that this out-of-test period expenditure should be collected through base rates, and asserts that this amount should instead be collected through a rider.

DE-Ohio agrees to continue an open and transparent competitive bidding process to distribute the \$3 million in funding ("Funding") for gas weatherization projects, consulting with the Duke Energy Community Partnership ("Collaborative") and keeping the Collaborative informed of its decisions.¹¹

DE-Ohio will continue to provide its regular annual audit reports to Staff, OCC and other interested parties, and will continue to provide at least an annual report¹² to the Collaborative showing: (1) that DE-Ohio had in the prior year contracted for and/or distributed the Funding collected in customer rates for weatherization services; and (2) the amount expended by the weatherization service providers consistent with the awarded contracts.

If, for any reason, DE-Ohio does not expend the \$3 million weatherization Funding amount in any year, the amount not expended will be carried over to the following year and added to the annual \$3 million Funding to be available for distribution to weatherization projects during that year. If a weatherization service provider does not meet its contract requirements, including

¹¹ The members of the Collaborative include DE-Ohio personnel and representatives of the OCC, Staff, the Hamilton County Cincinnati Community Action Agency, City of Cincinnati, and PWC.

¹² As part of the regular agenda of Collaborative meetings, PWC and others report to the Collaborative about issues in which Collaborative members are interested, such as, in PWC's case, reports on its DE-Ohio-funded weatherization projects, its use of dollars awarded to it by DE-Ohio for gas weatherization projects, the demand for its services in DE-Ohio's service territory.

its failure to meet deadlines, following consultation with the Collaborative, DE-Ohio will re-program the remaining Funding to a different project and/or assign it to another weatherization service provider so that the Funding dollars can be spent expeditiously and productively as soon as is possible.

13. **Ownership of Curb-to-Meter Service.** The Parties agree that DE-Ohio shall take over ownership of the curb-to-meter service, including riser, whenever a new service line or riser is installed or whenever an existing curb-to-meter service or riser is replaced. DE-Ohio shall file its tariffs in these cases such that DE-Ohio will be responsible for the cost of initial installation, repair, replacement and maintenance of all curb-to-meter services, including risers, except that consumers shall pay the initial installation costs related to the portion of service lines in excess of 250 feet. In 2008, DE-Ohio will begin capitalizing rather than expensing the costs currently described as "Customer Owned Service Line Expense." For this purpose, DE-Ohio will submit proposed tariff changes to Staff for review and approval, with a copy to parties, prior to filing the revised sheets to the Commission. Such capitalized costs shall be recoverable through Rider AMRP.¹³

¹³ Neither Direct Energy Services, LLC, Interstate Gas Supply, Inc. nor Integrys Energy Services, Inc. endorses paragraph 13 of the Stipulation and Recommendation.

14. **Rider AU – Deployment Plan.** Within 60 days of the Commission's final order in this proceeding, DE-Ohio will file a deployment plan for 2008-2009 for its Utility of the Future Program, which is DE-Ohio's plan to install a smart grid system. The deployment plan will include supporting testimony and will show: (a) the equipment/systems/locations that DE-Ohio plans to deploy in 2008-2009; (b) DE-Ohio's costs, net of DE-Ohio's benefits, for which DE-Ohio seeks recovery through Rider AU; (c) customer and societal benefits (which will not be reflected as DE-Ohio's benefits in Rider AU) that are expected from the Utility of the Future program; and (d) an estimated revenue requirement for 2008 and 2009. Any party may intervene and seek discovery relating to any deployment plan. Staff shall conduct an investigation of any of DE-Ohio's deployment plan(s) and, if Staff finds DE-Ohio's deployment plan to be unjust or unreasonable or if any other party that filed for intervention files an objection that is not resolved by DE-Ohio within 60 days after filing the deployment plan, the Commission will schedule a hearing. DE-Ohio will file its deployment plan for 2010 by August 1, 2009 and annually thereafter. Parties may intervene and participate in expedited discovery (*i.e.*, ten-day response turn-around) in the annual Rider

AU update proceedings pursuant to the same procedure outlined above.

15. **Right to File Complaints.** Nothing in this Stipulation prevents any interested party from initiating at any time, a R. C. 4905.26 complaint case challenging the level of any rider, including, but not limited to, the Rider AMRP or Rider AU, and seeking an adjustment to such rate, but the Parties agree not to challenge the existence of Rider AMRP or Rider AU, or the structure of Rider AMRP.
16. **Gas Storage Carrying Costs.** The Parties acknowledge that DE-Ohio's base rates do not include any amount for gas storage carrying costs. On a going forward basis, DE-Ohio will recover its actual gas storage carrying costs through its Rider GCR mechanism. No reduction to DE-Ohio's rate base, shown on Stipulation Exhibit 1, will be required. Carrying charges associated with the actual monthly balances of Current Gas in Storage shall be accrued at a 10% annual rate for purposes of determining the delivered cost of natural gas that will be subject to recovery through DE-Ohio's GCR. Attached, as Stipulation Exhibit 3, is an illustration of the impact on the Company's Rider GCR rates from moving carrying costs on gas storage into the GCR. The Parties agree that the Commission should: (a) approve the methodology for the calculation of the storage carrying costs for

inclusion in the GCR demonstrated in Stipulation Exhibit 3; (b) find that such an adjustment to DE-Ohio's rates is not an increase in base rates; and (c) approve recovery of such costs in DE-Ohio's next GCR filing following the Commission's order in this proceeding. The Stipulating Parties agree to the methodology for calculating the storage carrying costs as shown on Stipulation Exhibit 3. Nothing in this Stipulation shall prevent any party from objecting to the calculation of carrying charge amounts or the monthly balances of Current Gas in Storage, for purposes of applying carrying charges in subsequent GCR cases associated with the actual monthly balances of Current Gas in Storage.

17. **Rider AMRP Residential Rate Caps.** The residential rate caps on Stipulation Exhibit 4 apply to Rider AMRP. DE-Ohio may establish deferrals for the expenses of the riser replacement program if these expenses cause DE-Ohio to exceed the cumulative rate cap, including a carrying cost of 5.87%. The rate caps shall be cumulative rather than annual caps such that if the rate increase is below the annual cap in a given year, the unused portion of the cap may be carried forward to future years but can never exceed the cumulative cap. If the deferred curb-to-meter expense or the deferred riser replacement program expense cause DE-Ohio to exceed the cumulative rate cap in any year, then DE-Ohio may

recover that portion of the deferred expense that exceeds the cumulative rate cap in a subsequent year as long as the recovery does not exceed the cumulative rate cap. This paragraph does not apply to the other tracking mechanisms established by this Stipulation.

18. **Service Company Allocations.** DE-Ohio shall conduct an internal audit of its method and process for allocating service company charges to DE-Ohio no later than 2009, and will provide the audit report to Staff and the OCC.
19. **Customer Deposits for Percentage Income Payment Plan.** DE-Ohio shall meet with Staff and other interested Parties to discuss eliminating customer deposits for Percentage Income Payment Plan ("PIPP") customers and shall eliminate such deposits if Staff agrees.
20. **Payment Plans.** DE-Ohio shall review and fully consider the merits of adopting any new payment plans submitted by any Party and, if DE-Ohio elects not to implement such new payment plan, DE-Ohio shall respond to the stakeholder in writing of the reasons for its decision.
21. **Use of Payday Lenders as Authorized Payment Stations.** DE-Ohio shall review its use of payday lenders as authorized payment stations and will use its best efforts to eliminate using payday

lenders as authorized payment stations if other suitable locations for the payment stations are available in the same geographic area. DE-Ohio shall provide a list of all payday lenders utilized as authorized payment stations to Staff and other interested Parties annually.¹⁴

22. **Non-Authorized Payment Stations.** DE-Ohio shall communicate with its customers to educate them about the difference between authorized and non-authorized payment stations. DE-Ohio shall work with members of the Collaborative to develop the educational materials and communication strategy.
23. **Use of Participants Test for Demand Side Management/Energy Efficiency Programs.** DE-Ohio shall continue to use the Participants Test as one of the methods for evaluating its Demand Side Management/Energy Efficiency programs as appropriate; however, DE-Ohio shall continue to use other cost/benefit tests as the Collaborative deems appropriate.
24. **Staff Report Resolves Other Issues.** The Parties agree that the Staff Report of Investigation resolves the remaining issues not addressed in this Stipulation and Recommendation.¹⁵ DE-Ohio

¹⁴ The annual payday lenders list is to be provided initially on May 1, 2008, and on May 1, each year thereafter.

¹⁵ The Parties expressly agree that the issue of fixed vs. volumetric rate design and/or a sales decoupling rider is not intended to be resolved through this Stipulation

shall submit all proposed tariff changes discussed in this Stipulation to Staff and the Parties for review and resolution prior to filing the revised tariff sheets to the Commission.

25. **Pilot Low Income Program.** In order to provide incentives for low income customers to conserve and to avoid penalizing low-income customers who wish to stay off of programs such as PIPP, DE-Ohio will implement a pilot tariff for the first 5,000 eligible customers. Eligible customers shall be non-PIPP low usage customers verified at or below 175% of poverty level. DE-Ohio will design a tariff that adjusts the fixed monthly charge for eligible customers as shown on Stipulation Exhibit 2. These rates may be adjusted if the Commission does not approve the fixed customer charge as shown in Stipulation Exhibit 2. DE-Ohio will develop the details for this program in consultation with Staff and the Parties. DE-Ohio shall evaluate the program after the first winter heating season to determine, following consultation with Staff and the Parties, whether the program should be continued to all eligible low income customers, including considerations of program demand and cost.
26. **Workshop to Consider Wholesale Auction Process.** DE-Ohio shall convene a working group or collaborative process for the purpose of exploring the merits of implementing an auction to

and will be decided by the Commission following the hearing, as noted in Footnote 7, above.

supply the standard service offer not later than 60 days after approval of this Stipulation by the Commission. The working group or collaborative process shall be open to Staff, the OCC, Marketers and other interested stakeholders. DE-Ohio shall inform the Commission by written report docketed no later than one year after approval of this Stipulation of the findings of the working group or collaborative including the facts and arguments which support and or oppose implementation of an auction process. The working group or collaborative process shall also review whether the present allocation of 80% of the net revenues from DE-Ohio's asset management agreement should continue to flow to GCR customers only, or should be changed to flow to GCR customers and choice customers.

27. **Implementation of Sharing Mechanism for Net Revenues from Off-System Transactions.** DE-Ohio shall revise its GCR tariff to implement a sharing mechanism for sharing of net revenues from off-system transactions.¹⁶ Such sharing mechanism shall be effective if DE-Ohio does not have an asset management agreement transferring management responsibility for its gas commodity, storage and transportation contracts to a third-party, and shall provide for sharing of the net revenues from off-system

¹⁶ Off-system transactions are defined to include but are not limited to Off-System Sales Transactions, Capacity Release Transactions, Park Transactions, Loan Transactions, Exchange Transactions, and any other similar, but yet unnamed transactions.

transactions to be allocated 80% to GCR and choice customers and 20% to DE-Ohio shareholders. The revenue sharing percentage proposed by implementation of the sharing mechanism in this Stipulation is expressly limited to gas-related sales transactions, and shall not have precedential value in establishing the sharing percentages for similar electric sales transactions by DE-Ohio. This sharing mechanism, but not the 80%/20% revenue allocation, shall be subject to review in future GCR cases.¹⁷

28. **Withdrawal of Testimony and Objections.** Effective upon approval of the Stipulation by the Commission, the Signatory Parties, with the exception of DE-Ohio, Staff and OCC agree to withdraw, and hereby withdraw, such Parties' objections and testimony, except that any objections and testimony by the OCC and OPAE relating to rate design shall not be withdrawn and shall be resolved at hearing.¹⁸

The undersigned hereby stipulate and agree and each represents that it is authorized to enter into this Stipulation and Recommendation this _____ day of February, 2008. This Stipulation and Recommendation may be signed in counterparts.

¹⁷ This paragraph does not change the allocation contained in the current sharing mechanism for revenues received under DE-Ohio's asset management agreement.

¹⁸ Except as noted in Footnote 7, the signatory Parties agree not to challenge any issues in the case at the Commission hearing on whether to approve the Stipulation.

DUKE ENERGY OHIO, INC.

By: /s/ John F. Finnigan, Jr.
John J. Finnigan, Jr.
Its Attorney

STAFF OF THE PUBLIC UTILITIES
COMMISSION OF OHIO

By: /s/ Thomas G. Lindgren
Thomas G. Lindgren
Its Attorney

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By: /s/ Larry S. Sauer
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THE KROGER CO.

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OHIO ENERGY GROUP

By: /s/ David F. Boehm
David F. Boehm
Its Attorney

INTEGRYS ENERGY SERVICES, INC.

By: /s/ Daniel J. Verbanac
Daniel J. Verbanac
Chief Operating Officer
authorized by Bobby Singh
Senior Attorney
IntegrYS Energy Services, Inc.

DIRECT ENERGY SERVICES, LLC

By: /s/ Stephen M. Howard
Stephen M. Howard
Its Attorney

INTERSTATE GAS SUPPLY, INC.

By: /s/ John W. Bentine
John W. Bentine
Its Attorney

STAND ENERGY CORPORATION

By: /s/ John M. Dosker
John M. Dosker
Its Attorney

CITY OF CINCINNATI

By: /s/ Thomas J. O'Brien
Thomas J. O'Brien
Its Attorney

OHIO PARTNERS FOR AFFORDABLE ENERGY

By: /s/ David C. Rinebolt
David C. Rinebolt
Its Attorney

PEOPLE WORKING COOPERATIVELY, INC.

By: /s/ Mary W. Christensen
Mary W. Christensen
Its Attorney

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

LINE NO.	DESCRIPTION	JURISDICTIONAL PROPOSED TEST YEAR
1	Rate Base	\$649,964,874
2	Current Operating Income	\$43,274,872
3	Earned Rate of Return (Line 2 / Line 1)	6.66%
4	Requested Rate of Return (at 10.50% ROE)	8.45%
5	Required Operating Income (Line 1 x Line 4)	<u>\$54,922,032</u>
6	Operating Income Deficiency (Line 5 - Line 2)	\$11,647,160
7	Gross Revenue Conversion Factor	<u>1.5641209</u>
8	Revenue Deficiency (Line 6 x Line 7)	\$18,217,566
9	Adjusted Operating Revenues	\$597,573,805
10	Revenue Requirements (Line 9 + Line 10)	\$615,791,371
11	Revenue Increase Requested/Recommended	<u><u>\$18,217,566</u></u>
12	Percent Increase	3.05%

Duke Energy Ohio
Gas Rate Case Settlement Proposal
Case No. 07-589-GA-AIR
Year 1 - \$3 Million Subsidy/Excess Elimination

Rate Class	Current Base Revenue	Proposed Revenue Increase	Proposed Base Revenue	Billing Determinants		Customer Charge	Proposed Rates	
				# of Bills	Sales (MCF)		First 40 MCF Per MCF Charge	Additional MCF Per MCF Charge
Residential (RS / RFT / Low Income)	\$131,355,339	\$15,578,431	\$146,933,770	4,711,185	31,824,437			
Low Income RS / RFT			1,542,697 145,391,073	60,000 4,651,185	400,000 31,424,437	\$16.25 \$20.25	\$1.07044 \$1.07044	\$1.07044 \$1.71544
Non-Residential (GS / FTY)	\$66,944,782	\$2,193,462	\$69,138,244	394,568	23,043,252			
Annual CCF <= 4000				295,460	12,190,933	\$40.00	\$1.45500	
Annual CCF > 4000				99,108	10,852,319	\$130.00	\$1.52775	
Interruptible Transportation (IT)	\$10,418,276	\$445,673	\$10,863,949	1,920	15,589,722	\$595.86	\$0.54880	
Total	\$208,718,397	\$18,217,566	\$226,935,963					

Notes - Residential Low Income
Low Income Savings Including Excise Tax (5000 Customers) \$251,736

Duke Energy Ohio
Gas Rate Case Settlement Proposal
Case No. 07-589-GA-AIR
Year 2 - \$6 Million Subsidy/Excess Elimination

Rate Class	Current Base Revenue	Proposed Revenue Increase	Proposed Base Revenue	Billing Determinants		Customer Charge	Proposed Rates	
				# of Bills	Sales (MCF)		First 40 MCF Per MCF Charge	Additional MCF Per MCF Charge
Residential (RS / RFT / Low Income)	\$131,355,339	\$18,578,434	\$149,933,773	4,711,185	31,824,437			
Low Income RS / RFT			1,584,586 148,349,187	60,000 4,651,185	400,000 31,424,437	\$21.33 \$25.33	\$0.40828 \$0.40828	\$0.40828 \$1.05378
Non-Residential (GS / FT)	\$66,944,782	-\$447,161	\$66,497,621	394,568	23,043,252			
Annual CCF <= 4000				295,460	12,190,933	\$45.00		\$1.07552
Annual CCF > 4000				99,108	10,852,319	\$160.00		\$1.12930
Interruptible Transportation (IT)	\$10,418,276	\$86,293	\$10,504,569	1,920	15,599,722	\$595.86		\$0.52690
Total	\$208,718,397	\$18,217,566	\$226,935,963					

Notes - Residential Low Income
Low Income Savings Including Excise Tax (5000 Customers) \$251,736

Duke Energy Ohio

Case No. 07-589-GA-AIR

Impact of Including Carrying Costs on Gas Stored Underground on Price to Compare

Line No.	Description	Schedule Reference	Per Filing
1	Gas Stored Underground - 13-Month Avg.	B-5	\$49,347,048
2	Requested Rate of Return	(1)	<u>10.00%</u>
3	Operating Income (Line 1 x Line 2)		\$4,934,705
4	Gross Revenue Conversion Factor	C-10	<u>1.0166786</u>
5	Revenue Requirement (Line 3 x Line 4)		\$5,017,009
6	MCF Sales Subject to GCR	E-4 ⁽²⁾	41,173,449
7	Impact of Gas Storage Investment per MCF (Line 5 / Line 6)		\$0.1219
8	Gas Cost Rate from Filing per MCF ⁽³⁾		\$8.727
9	Increase in GCR Rates (i.e., Price to Compare)		1.4%

⁽¹⁾ Per Stipulation, carrying costs accrued at annual rate of 10% per O.A.C. 4901:1-14-05.

⁽²⁾ Includes Line 8, Total Sales Service, Line 15, Interdepartmental and Line 22, Street Lighting.

⁽³⁾ Represent average GCR rate used in production of Schedule E-4.

Duke Energy Ohio
Ohio AMRP Cap Calculation
Annualized Revenue Requirement

Stipulation Exhibit 4
Page 1 of 3

No.		Estimate At 12/31/2007	Estimate At 12/31/2008	Estimate At 12/31/2009	Estimate At 12/31/2010	Estimate At 12/31/2011	Estimate At 12/31/2012	Estimate At 12/31/2013	Estimate At 12/31/2014	Estimate At 12/31/2015	Estimate At 12/31/2016	Estimate At 12/31/2017
1	Return on Investment											
2	Plant In-Service	12/31/2007	12/31/2008	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017
3	Additions:											
4	Mains	42,573,922	90,063,246	137,552,570	171,929,274	206,305,978	240,692,692	275,059,386	309,436,090	343,812,794	378,189,498	412,566,202
5	M-C Services	9,073,470	18,119,055	27,164,640	33,712,583	40,260,526	46,808,469	53,356,412	59,904,355	66,452,296	73,000,241	79,548,184
6	C-M Services	-	7,038,216	14,076,432	19,171,276	24,286,120	29,380,964	34,455,808	39,550,652	44,645,496	49,740,340	54,835,184
7	Risers	-	-	-	-	-	-	-	-	-	-	-
8	Total Additions	51,647,392	115,220,517	178,793,642	224,813,133	270,832,624	316,862,115	362,871,606	408,991,097	454,910,588	500,930,079	546,949,570
9	Original Cost Retired:											
10	Mains	(2,822,064)	(3,816,087)	(4,810,110)	(5,667,379)	(6,524,648)	(7,381,917)	(8,239,186)	(9,096,455)	(9,953,724)	(10,810,993)	(11,668,262)
11	M-C Services	(4,411,339)	(8,282,716)	(12,041,205)	(14,324,433)	(16,607,661)	(18,880,889)	(21,174,117)	(23,457,345)	(25,740,573)	(28,023,801)	(30,307,029)
12	Total Original Cost Retired	(7,233,400)	(12,098,803)	(16,851,315)	(19,991,812)	(23,132,309)	(26,272,806)	(29,413,303)	(32,553,800)	(35,694,297)	(38,834,794)	(41,975,291)
13	Total Plant In-Service	44,413,992	103,121,714	161,942,327	204,821,321	247,700,315	290,579,309	333,458,303	376,337,287	419,216,291	462,095,285	504,974,279
14	Less: Accumulation Provision for Depreciation											
15	Depreciation Expense	387,781	2,113,359	3,760,976	5,181,126	6,373,807	7,566,488	8,758,169	9,951,849	11,144,532	12,337,214	13,529,894
16	Cost of Removal	(523,897)	(961,783)	(1,369,509)	(1,672,154)	(1,954,799)	(2,237,443)	(2,520,086)	(2,802,733)	(3,085,378)	(3,368,023)	(3,650,668)
17	Original Cost Retired	(7,233,400)	(12,098,803)	(16,851,315)	(19,991,812)	(23,132,309)	(26,272,806)	(29,413,303)	(32,553,800)	(35,694,297)	(38,834,794)	(41,975,291)
18	Total Accumulated Provision for Depreciation	(7,369,516)	(10,947,227)	(14,479,848)	(16,482,840)	(18,713,301)	(20,943,761)	(23,174,222)	(25,404,684)	(27,635,143)	(29,865,603)	(32,096,065)
19	Net Regulatory Asset-Post In-Service Carrying Cost	888,260	2,739,407	4,550,953	5,798,943	7,007,476	8,181,005	9,319,529	10,423,048	11,491,562	12,547,158	13,616,105
20	Net Deferred Tax Balance-PISC	(310,891)	(958,792)	(1,592,853)	(2,028,630)	(2,452,617)	(2,863,352)	(3,261,835)	(3,648,067)	(4,022,047)	(4,391,506)	(4,765,637)
21	Deferred Taxes on Liberalized Depreciation	(698,513)	(2,097,924)	(4,428,983)	(7,427,906)	(10,856,432)	(14,661,125)	(18,753,073)	(23,108,090)	(27,716,218)	(32,599,281)	(36,243,977)
22	Net Rate Base	51,662,364	113,751,632	174,951,312	217,645,568	260,112,043	302,169,598	343,937,146	385,408,912	426,604,731	467,517,259	508,676,835
23	Proposed Pre-tax Rate of Return	11.67%	11.67%	11.67%	11.67%	11.67%	11.67%	11.67%	11.67%	11.67%	11.67%	11.67%
24	Net Deferred Expense - Curb to Meter & Maint Savings	6,352,387	5,293,656	4,234,925	3,176,194	2,117,463	1,058,732	-	-	-	-	-
25	Average cost of debt	5.87%	5.87%	5.87%	5.87%	5.87%	5.87%	5.87%	5.87%	5.87%	5.87%	5.87%
26	Annualized Return on Rate Base	6,401,883	13,585,553	20,665,408	25,585,680	30,479,370	35,327,674	40,137,465	44,977,220	49,784,772	54,559,264	59,479,287
27	Operating Expenses											
28	Annualized Provision for Depreciation For Additions											
29	Mains	948,390	1,991,256	3,034,121	3,789,033	4,543,946	5,298,858	6,053,771	6,808,683	7,563,596	8,318,508	9,073,420
30	M-C Services	341,162	681,276	1,021,390	1,261,593	1,513,796	1,759,998	2,006,201	2,252,404	2,498,606	2,744,809	2,991,012
31	C-M Services	-	264,637	529,274	720,840	912,406	1,103,992	1,295,538	1,487,105	1,678,671	1,870,237	2,061,803
32	Risers	-	-	-	-	-	-	-	-	-	-	-
33	Current Year Provision	1,289,552	2,937,169	4,584,785	5,777,466	6,970,148	8,162,828	9,355,510	10,548,192	11,740,873	12,933,554	14,126,235
34	Annualized Reduction in Depreciation For Retirements											
35	Mains	(63,284)	(85,831)	(108,377)	(127,821)	(147,265)	(166,709)	(186,152)	(205,596)	(225,039)	(244,483)	(263,927)
36	M-C Services	(199,335)	(289,737)	(416,338)	(493,244)	(570,151)	(647,057)	(723,963)	(800,869)	(877,776)	(954,683)	(1,031,588)
37	Total	(262,619)	(375,568)	(524,715)	(621,065)	(717,416)	(813,766)	(910,115)	(1,006,465)	(1,102,815)	(1,199,166)	(1,295,515)
38	Annualized Amortization of PISC	17,807	66,164	114,521	149,525	184,529	219,533	254,537	289,541	324,545	359,549	394,553
39	Amortization of Deferred Expense	1,058,731	1,058,731	1,058,731	1,058,731	1,058,731	1,058,731	1,058,731	1,058,731	1,058,731	1,058,731	1,058,731
40	Meter Relocation Expenses	-	136,500	143,325	150,491	158,016	165,917	174,213	182,924	192,070	201,674	211,758
41	Annualized Property Tax Expense	987,464	2,244,386	3,447,555	4,248,270	5,016,157	5,751,474	6,453,495	7,122,688	7,770,143	8,446,676	9,098,133
42	Achieved Reduction in Mains-Maintenance Expense	-	(216,178)	(409,600)	(580,267)	(728,178)	(853,334)	(955,734)	(1,035,378)	(1,092,267)	(1,126,400)	(1,137,779)
43	Annualized Revenue Requirement	9,542,818	19,436,757	29,080,010	35,768,831	42,421,357	49,019,057	54,509,371	61,078,722	67,617,321	74,175,151	80,866,673

Duke Energy Ohio Ohio Riser Cap Calculation Annual Revenue Requirement

Stipulation Exhibit 4
Page 2 of 3

No.		Estimate At 12/31/2008	Estimate At 12/31/2009	Estimate At 12/31/2010	Estimate At 12/31/2011	Estimate At 12/31/2012	Estimate At 12/31/2013	Estimate At 12/31/2014	Estimate At 12/31/2015	Estimate At 12/31/2016	Estimate At 12/31/2017
1	Return on Investment										
2	Plant In-Service										
3	Additions:										
4	Mains	-	-	-	-	-	-	-	-	-	-
5	M-C Services	-	-	-	-	-	-	-	-	-	-
6	C-M Services	-	-	-	-	-	-	-	-	-	-
7	Risers	5,042,517	16,808,390	28,574,263	40,340,136	40,340,136	40,340,136	40,340,136	40,340,136	40,340,136	40,340,136
8	Total Additions	5,042,517	16,808,390	28,574,263	40,340,136	40,340,136	40,340,136	40,340,136	40,340,136	40,340,136	40,340,136
9	Original Cost Retired:										
10	Mains	-	-	-	-	-	-	-	-	-	-
11	M-C Services	-	-	-	-	-	-	-	-	-	-
12	Total Original Cost Retired	-	-	-	-	-	-	-	-	-	-
13	Total Plant In-Service	5,042,517	16,808,390	28,574,263	40,340,136	40,340,136	40,340,136	40,340,136	40,340,136	40,340,136	40,340,136
14	Less: Accumulation Provision for Depreciation										
15	Depreciation Expense	94,799	410,797	853,194	1,295,591	1,516,789	1,516,789	1,516,789	1,516,789	1,516,789	1,516,789
16	Cost of Removal	-	-	-	-	-	-	-	-	-	-
17	Original Cost Retired	-	-	-	-	-	-	-	-	-	-
18	Total Accumulated Provision for Depreciation	94,799	410,797	853,194	1,295,591	1,516,789	1,516,789	1,516,789	1,516,789	1,516,789	1,516,789
19	Net Regulatory Asset--Post In-Service Carrying Cost	147,998	489,616	820,723	1,138,846	1,098,656	1,054,138	1,009,620	965,102	920,584	876,066
20	Net Deferred Tax Balance--PISCC	(51,799)	(171,365)	(287,252)	(398,595)	(364,528)	(368,947)	(353,366)	(337,785)	(322,204)	(306,623)
21	Deferred Taxes on Liberalized Depreciation	(33,003)	(171,058)	(441,991)	(824,223)	(1,220,791)	(1,547,787)	(1,810,453)	(2,013,578)	(2,166,599)	(2,286,771)
22	Net Rate Base	5,010,914	16,544,786	27,812,549	38,960,573	38,316,684	37,960,751	37,669,148	37,437,086	37,265,128	37,106,019
23	Proposed Pre-tax Rate of Return	11.67%	11.67%	11.67%	11.67%	11.67%	11.67%	11.67%	11.67%	11.67%	11.67%
24	Annualized Return on Rate Base	584,774	1,930,777	3,245,724	4,546,699	4,471,557	4,430,020	4,395,990	4,368,908	4,347,673	4,330,272
25	Operating Expenses										
26	Annualized Provision for Depreciation For Additions										
27	Mains	-	-	-	-	-	-	-	-	-	-
28	M-C Services	-	-	-	-	-	-	-	-	-	-
29	C-M Services	-	-	-	-	-	-	-	-	-	-
30	Risers	189,599	631,995	1,074,392	1,516,789	1,516,789	1,516,789	1,516,789	1,516,789	1,516,789	1,516,789
31	Current Year Provision	189,599	631,995	1,074,392	1,516,789	1,516,789	1,516,789	1,516,789	1,516,789	1,516,789	1,516,789
32	Annualized Reduction in Depreciation For Retirements										
33	Mains	-	-	-	-	-	-	-	-	-	-
34	M-C Services	-	-	-	-	-	-	-	-	-	-
35	Total	-	-	-	-	-	-	-	-	-	-
36	Annualized Amortization of PISCC	5,565	18,549	31,533	44,517	44,517	44,517	44,517	44,517	44,517	44,517
37	Meter Relocation Expenses	-	-	-	-	-	-	-	-	-	-
38	Customer Owned Service Line Expense	-	-	-	-	-	-	-	-	-	-
39	Annualized Property Tax Expense	108,372	357,601	598,341	830,482	801,120	771,757	742,265	712,923	683,561	654,088
40	Achieved Reduction in Mains--Maintenance Expense	-	-	-	-	-	-	-	-	-	-
41	Annualized Revenue Requirement	888,310	2,938,922	4,949,990	6,938,487	6,833,983	6,763,083	6,699,581	6,643,137	6,592,540	6,545,666

Duke Energy Ohio
Case No. 07-589-GA-AIR
Rider AMRP Residential Rate Cap ^(a)

Year ^(b)	Incremental Rate Cap ^(c)	Cumulative Rate Cap ^(c)
2008	\$1.30	\$1.30
2009	1.30	2.60
2010	1.30	3.90
2011	1.30	5.20
2012	1.00	6.20
2013	1.00	7.20
2014	1.00	8.20
2015	1.00	9.20
2016	1.00	10.20
2017	1.00	11.20
2018	\$1.00	\$12.20

Note: ^(a) Includes riser replacement program.

^(b) Indicates year of recovery for Rider AMRP based on investment in AMRP and Risers Replacements through December 31 of prior year.

^(c) Per bill.

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

MANUFACTURED GAS PRODUCTION PLANT

DATA: "X" ACTUAL ESTIMATED
TYPE OF FILING: "X" ORIGINAL UPDATED REVISED
WORK PAPER REFERENCE NO(S):

LINE NO. (A)	F.E.R.C. ACCT. NO. (B-1)	COMPANY ACCT. NO. (B-2)	ACCOUNT TITLE OR MAJOR PROPERTY GROUPING (C)	COMPANY PROPOSED ACCRUAL RATE (F)	STAFF'S PROPOSED ACCRUAL RATE (F)	AVERAGE OF COMPANY AND STAFF
				%	%	
1	304	2040	Land and Land Rights			
2	304	2041	Rights of Way	2.00	2.00	2.00
3	305	2050	Structures & Improvements	2.10	2.00	2.05
4	311	2110	Liquefied Petroleum Gas Equipment	2.63	2.50	2.57
5	320	2200	Other Equipment	7.14	7.14	7.14
6		108	Retirement Work in Progress			
7			Total Manufactured Gas Production Plant			

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

DISTRIBUTION PLANT

DATA: "X" ACTUAL ESTIMATED
TYPE OF FILING: "X" ORIGINAL UPDATED REVISED
WORK PAPER REFERENCE NO(S):

LINE NO. (A)	F.E.R.C. ACCT. NO. (B-1)	COMPANY ACCT. NO. (B-2)	ACCOUNT TITLE OR MAJOR PROPERTY GROUPING (C)	COMPANY PROPOSED ACCRUAL RATE (F)	STAFF'S PROPOSED ACCRUAL RATE (F)	AVERAGE OF COMPANY AND STAFF
				%	%	
1	374	2740	Land and Land Rights	0.00	0.00	0.00
2	374	2741	Rights of Way	1.54	1.54	1.54
3	374	2742	City Gate Check Station	0.00	0.00	0.00
4	375	2750	Structures & Improvements	2.30	2.00	2.15
5	376	2761	Mains - Cast Iron & Copper	2.72	2.17	2.45
6	376	2762	Mains - Steel	1.92	1.54	1.73
7	376	2763	Mains - Plastic	2.27	1.82	2.05
8	376	2765	Mains - Feeder	1.92	1.54	1.73
9	378	2780	System Meas. & Reg. Station Equipment	2.44	2.22	2.33
10	378	2781	System Meas. & Reg. Station Equipment-Elec	7.00	6.67	6.84
11	378	2782	District Regulating Equipment	2.30	2.00	2.15
12	379	2790	Meas. & Reg. - City Gate	10.00	10.00	10.00
13	380	2801	Services- Cast Iron & Copper	3.24	2.70	2.97
14	380	2802	Services-Steel	3.16	2.63	2.90
15	380	2803	Services-Plastic	3.75	3.13	3.44
16	381	2810,2811	Meters	2.22	2.22	2.22
17	382	2820,2821	Meter Installations	2.17	2.17	2.17
18	383	2830	House Regulators	2.00	2.00	2.00
19	384	2840	House Regulator Installations	2.22	2.22	2.22
20	385	2850	Large Industrial Meas. & Reg. Equipment	3.14	2.86	3.00
21	385	2851	Large Industrial Meas. & Reg. Equipment - Comm	3.14	2.86	3.00
22	387	2870	Other Equipment - Other	7.69	7.69	7.69
23	387	2871	Street Lighting Equipment	2.86	2.38	2.62
24		108	Retirement Work In Progress			
25			Gas ARO			
26			Total Distribution Plant			

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

GENERAL PLANT

DATA: "X" ACTUAL ESTIMATED
TYPE OF FILING: "X" ORIGINAL UPDATED REVISED
WORK PAPER REFERENCE NO(S):

LINE NO. (A)	F.E.R.C. ACCT. NO. (B-1)	COMPANY ACCT. NO. (B-2)	ACCOUNT TITLE OR MAJOR PROPERTY GROUPING (C)	COMPANY PROPOSED ACCRUAL RATE (F)	STAFF'S PROPOSED ACCRUAL RATE (F)	AVERAGE OF COMPANY AND STAFF
				%	%	
1	000	2030	Miscellaneous Intangible Plant	Various	Various	
2	389	2890	Land			
3	390	2900	Structures & Improvements	3.33	3.33	3.33
4	391	2910	Office Furniture & Equipment	5.00	5.00	5.00
5	391	2911	Electronic Data Processing Equipment			
6	392	2920	Transportation Equipment			
7	392	2921	Trailers			
8	394	2940	Tools, Shop & Garage Equipment	4.00	4.00	4.00
9	395	2950	Laboratory Equipment	6.67	6.67	6.67
10	396	2960	Power Operated Power Equipment			
11	397	2970	Communication Equipment	6.67	6.67	6.67
12		108	Retirement Work in Progress			
13			Total General Plant			
14			Total Gas Plant			

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

COMMON PLANT

DATA: "X" ACTUAL ESTIMATED
TYPE OF FILING: "X" ORIGINAL UPDATED REVISED
WORK PAPER REFERENCE NO(S):

LINE NO. (A)	F.E.R.C. ACCT. NO. (B-1)	COMPANY ACCT. NO. (B-2)	ACCOUNT TITLE OR MAJOR PROPERTY GROUPING (C)	COMPANY PROPOSED ACCRUAL RATE (F)	STAFF'S PROPOSED ACCRUAL RATE (F)	AVERAGE OF COMPANY AND STAFF
				%	%	
1		1030	Miscellaneous Intangible Plant	Various	Various	
2		1890	Land and Land Rights			
3		1891	Rights of Way			
4		1900	Structures & Improvements	2.91	2.91	2.91
5		1900	Structures & Improvements - Atrium II	25.37	25.37	25.37
6		1900	Structures & Improvements - Clopay 4th 5th 6th Floor	0.00	0.00	0.00
7		1900	Structures & Improvements - Clopay Bldg	0.00	0.00	0.00
8		1910	Office Furniture & Equipment	5.00	5.00	5.00
9		1911	Electronic Data Processing Equipment			
10		1920	Transportation Equipment			
11		1921	Trailers			
12		1930	Stores Equipment	5.00	5.00	5.00
13		1940	Tools, Shop & Garage Equipment	4.00	4.00	4.00
14		1950	Laboratory Equipment	6.67	6.67	6.67
15		1960	Power Operated Equipment			
16		1970	Communication Equipment	6.67	6.67	6.67
17		1980	Miscellaneous Equipment	6.67	6.67	6.67
18		108	Retirement Work In Progress			
19			Total Common Plant			

(1) Fully Depreciated

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Stipulation and Recommendation was served on the following parties of record by electronic filing and e-mail, this 28 day of February 2008.

/s/ John J. Finnigan, Jr.
John J. Finnigan, Jr.

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