OCC EXHIBIT NO._______

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke Energy Ohio, Inc. for an Increase in Gas Rates.	)))	Case No.12-1685-GA-AIR
In the Matter of the Application of Duke Energy Ohio, Inc., for Tariff Approval.	))	Case No. 12-1686-GA-ATA
In the Matter of the Application of Duke Energy Ohio, Inc. for Approval of an Alternative Rate Plan for Gas Distribution Service.	))))	Case No. 12-1687-GA-ALT
In the Matter of the Application of Duke Energy Ohio, Inc., for Approval to Change Accounting Methods.	)))	Case No. 12-1688-GA-AAM

DIRECT TESTIMONY
OF
DAVID J. EFFRON

On Behalf of
The Office of the Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, Ohio 43215-3485

February 25, 2013

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SCHEDULES

ATTACHMENTS

I. INTRODUCTION

Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A1. My name is David J. Effron. My address is 12 Pond Path, North Hampton, New Hampshire, 03862.

Q2. WHAT IS YOUR PRESENT OCCUPATION?

A2. I am a consultant specializing in utility regulation.

Q3. PLEASE SUMMARIZE YOUR PROFESSIONAL EXPERIENCE.

A3. My professional career includes over thirty years as a regulatory consultant, two years as a supervisor of capital investment analysis and controls at Gulf & Western Industries and two years at Touche Ross & Co. as a consultant and staff auditor. I am a Certified Public Accountant and I have served as an instructor in the business program at Western Connecticut State College.

Q4. WHAT EXPERIENCE DO YOU HAVE IN THE AREA OF UTILITY RATE SETTING PROCEEDINGS AND OTHER UTILITY MATTERS?

A4. I have analyzed numerous electric, gas, telephone, and water filings in different jurisdictions. Pursuant to those analyses I have prepared testimony, assisted attorneys in case preparation, and provided assistance during settlement negotiations with various utility companies.

I have testified in over three hundred cases before regulatory commissions in Alabama, Colorado, Connecticut, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Maine, Maryland, Massachusetts, Missouri, Nevada, New Jersey, New York, North Dakota, Ohio, Pennsylvania, Rhode Island, South Carolina, Texas, Vermont, Virginia, and Washington.

Q5. PLEASE DESCRIBE YOUR OTHER WORK EXPERIENCE.

A5. As a supervisor of capital investment analysis at Gulf & Western Industries, I was responsible for reports and analyses concerning capital spending programs, including project analysis, formulation of capital budgets, establishment of accounting procedures, monitoring capital spending and administration of the leasing program. At Touche Ross & Co., I was an associate consultant in management services for one year and a staff auditor for one year.

Q6. HAVE YOU EARNED ANY DISTINCTIONS AS A CERTIFIED PUBLIC ACCOUNTANT?

A6. Yes. I received the Gold Charles Waldo Haskins Memorial Award for the highest scores in the May 1974 certified public accounting examination in New York State.

Q7. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.

A7. I have a Bachelor's degree in Economics (with distinction) from Dartmouth College and a Masters of Business Administration Degree from Columbia University.

Q8. ON WHOSE BEHALF ARE YOU TESTIFYING?

A8. I am testifying on behalf of the Office of the Ohio Consumers' Counsel ("OCC").

Q9. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A9. I am addressing certain revenue requirement issues that affect the rate increase request of Duke Energy Ohio, Inc. ("Duke" or "Utility"). In particular, I address issues affecting the determination of pro forma test year operating expenses, based on the test year consisting of the twelve months ending December 31, 2012. My testimony also supports the following objections to the Staff Report raised by the OCC: Objection Nos. 6, 9, 10, 11, 12, 13, 27 and 28.

Q10. WHAT DOCUMENTS DID YOU REVIEW IN PREPARING YOUR TESTIMONY?

A10. I reviewed the Utility's testimony, exhibits, workpapers and the Utility's responses to discovery and data requests propounded by the OCC and by the PUCO Staff. I also reviewed the Staff Report, supporting workpapers, and certain of the Commission's Opinions and Orders in other cases.

II. REVENUE REQUIREMENT ISSUES

A. Medical Costs

Q11. DID DUKE PROPOSE A PRO FORMA ADJUSTMENT TO TEST YEAR MEDICAL EXPENSES FOR ESTIMATED FUTURE INCREASES IN SUCH COSTS?

A11. Yes. The medical costs included in operation and maintenance expenses represent the current health care coverage of active employees. On Schedule C-3.27, Duke adjusted test year expenses to reflect expected increases in medical costs. This adjustment reflects an expected increase of 8.5% to medical costs. It should be noted that the 8.5% increase is in addition to the change in medical costs already implicitly recognized in the adjustment to pensions and benefits on Schedule C-3.17.

Q12. DID THE STAFF ADOPT DUKE'S PROPOSED ADJUSTMENT TO TEST YEAR MEDICAL EXPENSES?

A12. Yes. Schedule C-3.27 of the Staff Report reflects an adjustment to test year medical costs. Although the Staff's adjustment differs from Duke because the Staff's adjustment is based on a lower level of annualized gas operation and maintenance labor, the Staff still accepted the basic premise of an 8.5% escalation to medical expenses.

Q13. IS THIS ADJUSTMENT APPROPRIATE?

A13. No. It is not an adjustment for a known and measurable change. In response to OCC Interrogatory No. 05-183, Duke stated that the basis for this adjustment is that "medical inflation assumptions for the near future assume a rate greater than 8%." In other words, this adjustment is not based on actually known increases to premiums that Duke pays for medical insurance or an actually known increase in level of medical costs being incurred. Rather, it is an estimate of the medical inflation that Duke believes that it may experience and the assumed effect of such estimated inflation on medical expenses subsequent to the test year. Nothing in this adjustment reflects any known change to the 2012 test year medical costs or anything specific to the medical costs being incurred by Duke.

Q14. WHAT DO YOU RECOMMEND?

A14. I recommend that the 8.5% increase to test year medical costs be eliminated from the determination of pro forma test year operation and maintenance expenses, because it is not a known and measurable change to the level of test year expenses, but is rather an estimate of increases to medical costs that the Utility expects may take place after the test year.

Q15. WHAT IS THE EFFECT OF YOUR RECOMMENDATION TO ELIMINATE THE 8.5% ESCALATION TO MEDICAL COSTS?

A15. The effect is to reduce the medical costs included in pro forma operation and maintenance expenses by $312,000 and to reduce the revenue requirement on which the rates paid by customers is based accordingly. (See OCC Schedule C-3.27 accompanying the testimony of OCC Witness Soliman.)

B. Uncollectible Accounts Expense

Q16. HAVE YOU ANALYZED DUKE'S DETERMINATION OF ADJUSTED TEST YEAR UNCOLLECTIBLE ACCOUNTS EXPENSE?

A16. Yes. The Utility calculated the adjusted test year uncollectible accounts expense by applying an uncollectible expense factor of 0.5425% to test year revenues (as adjusted to eliminate revenues not subject to being uncollectible). The factor of 0.5425% represents the collection costs and time value of money used to develop the discount rate applied by the Utility to its sale of receivables. Thus, the "uncollectible" expense included in test year expenses is actually the cost incurred by Duke in the process of selling its accounts receivable. The Staff accepted Duke's 0.5425% uncollectible expense factor for the purpose of calculating adjusted test year uncollectible accounts expense.

Q17. ARE YOU PROPOSING TO ADJUST THE TEST YEAR UNCOLLECTIBLE EXPENSE FACTOR?

A17. Yes. As can be seen on Duke WPA-2a, the 0.5425% factor is based on the average collection cost and time value of money rates for the twelve months ended March 31, 2012. The time value of money component was approximately 0.53% for the last nine months in the months in 2011 and approximately 0.36% in the first three months of 2012. In response to OCC Interrogatory No. 05-178, Duke explained that the discount rate in January 2012 was adjusted to reflect the decline in interest rates over the last few years. As can be seen in the response to OCC Interrogatory No. 05-179, the lower time value discount rate continued at least through August 2012. The discount rate used in the calculation of the pro forma uncollectible accounts expense should be adjusted to reflect the actual average rate in 2012, which is the latest known rate at the time of the preparation of this testimony.

Q18. WHAT IS THE EFFECT OF UPDATING THE TIME VALUE FACTOR TO REFLECT THE LATEST KNOWN DISCOUNT RATE?

A18. Through the first eight months of 2012, the actual average time value percentage was 0.3603% (Schedule DJE-C-3.16a). This compares to an average time value percentage of 0. 4925% for the twelve months ended March 31, 2012. Substituting the average time value percentage of 0.3603% into the calculation of the total uncollectible expense factor, the result is a factor of 0.4103%. Applying this factor to revenues of $426,392,000, the adjusted test year uncollectible accounts expense is $1,749,000. This is $564,000 less than the annualized uncollectible accounts expense of $2,313,000 calculated by the Staff on Workpaper WPC-3.16a. Accordingly, I recommend that test year uncollectible accounts expense be reduced by $564,000. (See OCC Schedule 3.16 accompanying the testimony of Mr. Soliman.)

The uncollectible accounts expense factor also goes into the calculation of the gross revenue conversion factor. The gross revenue conversion factor should be modified to incorporate a revised uncollectible accounts expense factor of 0.4103%, which is reflected on OCC Schedule A-2.

C. Depreciation Expense

Q19. HAVE YOU REVIEWED THE PRO FORMA DEPRECIATION EXPENSE INCLUDED IN THE UTILITY'S REVENUE REQUIREMENT BY THE STAFF?

A19. Yes. The details of the annual test year depreciation expense by plant account are shown on Schedule B-3.2 of the Staff Report.

Q20. BASED ON YOUR REVIEW, SHOULD THE TEST YEAR DEPRECIATION EXPENSE CALCULATED BY THE STAFF BE MODIFIED?

A20. Yes. Both General Plant and Common Plant include balances of Miscellaneous Intangible Plant. The Miscellaneous Intangible Plant consists mainly of capitalized software costs being depreciated over various periods of time. The annual depreciation expense on Common Miscellaneous Intangible Plant is $6,991,000 (before allocation to gas operations), as shown on Schedule B-3.2, page 4 of the Staff Report. Certain of the vintages of common intangible plant became fully depreciated during the test year. Therefore, I am proposing to modify the amortization of intangible plant included in pro forma test year operating expenses.

Q21. PLEASE EXPLAIN YOUR PROPOSED MODIFICATIONS TO THE AMORTIZATION OF INTANGIBLE PLANT.

A21. My proposed adjustments to the amortization of intangible plant are summarized on my Schedule DJE-C-3.5a. With regard to common intangible plant, the 2002 and 2007 vintages of common intangible plant became fully amortized in the 2012 test year. Elimination of the amortization of these vintages reduces the pro forma amortization of common intangible plant by $1,143,000. On a jurisdictional basis, this adjustment reduces the depreciation and amortization of common plant allocable to gas distribution operations by $189,000. This adjustment is reflected on OCC Schedule C-3.5 accompanying the testimony of Mr. Soliman.

D. Manufactured Gas Plant Costs

Q22. IS DUKE PROPOSING TO RECOVER COSTS ASSOCIATED WITH THE REMEDIATION OF FORMER MANUFACTURED GAS PLANT ("MGP") SITES FROM CUSTOMERS IN THIS CASE?

A22. Yes. The Utility estimated that by the end of 2012 it would have incurred $65,333,000 of MGP costs, including $5,047,000 of carrying costs. Duke is proposing to recover those costs from customers over three years and includes annual amortization of $21,778,000 in its revenue requirement.

Q23. HOW HAS THE STAFF TREATED DUKE'S PROPOSAL TO RECOVER MGP COSTS THROUGH THE BASE RATES BEING ESTABLISHED IN THIS CASE?

A23. First, the Staff made substantial adjustments to the MGP costs subject to recovery from customers[1]. Like Duke, the Staff recommends that the eligible MGP expenses should be recovered over a three-year period, including carrying costs[2]. However, the Staff recommends that rather than recovering the eligible MGP costs through base rates, Duke should apply to recover the authorized MGP expenses by means of a rider.[3]

Q24. ARE YOU PROPOSING ANY MODIFICATIONS TO THE RECOVERY METHOD PROPOSED BY THE STAFF?

A24. Yes. Mr. Campbell and Mr. Hayes address the recovery of MGP costs, and I do not address the extent to which MGP costs should be recoverable from customers, which costs (if any) should be recoverable, or whether any eligible costs should be recovered through base rates or through a rider. However, if the MGP costs are deemed to be recoverable from customers, there should be certain modifications to the calculation of the amount to be recovered annually,

[1] Staff Report, at 45-52.

[2] Id., at 47.

[3] Id.

regardless of whether the costs are recovered through base rates or by means of a rider.

Q25. WHAT MODIFICATIONS ARE YOU RECOMMENDING TO THE STAFF'S METHOD OF CALCULATING THE ANNUAL RECOVERY OF MGP COSTS?

A25. I am recommending two modifications. First, the amortization period of three years should be modified. Second, the method of calculating carrying charges on the deferred MGP costs should be modified.

Q26. WHY SHOULD THE AMORTIZATION PERIOD OF THREE YEARS BE MODIFIED?

A26. In response to OCC Interrogatory No. 05-175, Duke stated that the three year amortization period reflects the approximate time expected between rate cases. Staff did not cite any independent justification for recommending a three year amortization period. However, by adopting Duke's three year amortization period, Staff appears to agree with Duke's rationale for choosing that period.

If the expected period between rate cases is actually three years, that might be a reasonable basis for normalizing rate case costs, as such costs would be expected to recur every three years.[4] However there is no reasonable expectation that the MGP costs will recur every three years. In fact, Staff notes that "Except for certain ongoing environmental monitoring costs, the MGP costs are one-time nonrecurring expenses"[5]. Given, the "one-time nonrecurring" nature of these costs, and their potential magnitude, a three year amortization period is not appropriate or and could have the effect of imposing reasonable costs on customers.

In addition, the manufactured gas plants ceased operation many years ago. It is not reasonable to impose the significant costs of remediation of the MGP sites over such a short time period where those plants and the production from those plants have likely never been of benefit to current Duke customers and where the environmental liability was realized over many decades.

Q27. WHAT DO YOU RECOMMEND?

A27. There is no magic formula for determining the appropriate amortization period for deferred costs. However, given the potential magnitude of deferred MGP costs that customers may be required to pay, the one-time nature of these costs, and the fact that the costs relate to the clean-up of plants that operated decades ago, I believe that an amortization period of at least ten years would be appropriate.

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[4] Even if the time between rate cases were deemed to be the appropriate basis for amortization of the MGP costs, the average time between Duke's recent gas rate cases has been closer to five years than to three years. Therefore, based on the time between rate cases, the amortization period should be five years, not three years.

[5] Staff Report, page 47.

Q28. ***WHY SHOULD THE STAFF'S CALCULATION OF CARRYING CHARGES BE MODIFIED?***

A28. The Utility calculated the carrying charges on the gross balance of the deferrals, without any offset for applicable deferred income taxes. Staff did not modify Duke's method of calculating the carrying charges on the gross balance of the deferral. Carrying charges should be calculated on the net cash investment in the deferrals. If a particular cost is deductible for income tax purposes as incurred, then the net cash investment to fund the deferred recovery of such a cost is reduced by the income tax savings associated with the tax deduction, and the carrying costs should reflect this reduction to the net cash requirement. For example, if a cost of $1,000 is deferred for future recovery from customers but that cost is deductible for income tax purposes as incurred and the income tax rate is 35%, then the cost will reduce income tax expense by $350 (35% * $1,000). The net cash to carry the deferral is $650 ($1,000 - $350), and only this net balance should serve as the basis on which carrying costs are accrued.

Q29. ***DOES YOUR PROPOSED METHOD OF CALCULATING THE CARRYING CHARGES ACCOUNT FOR THE FACT THAT THE REVENUES COLLECTED TO RECOVER THE CARRYING CHARGES ARE TAXABLE?***

A29. Yes. The revenues collected are taxable, but the carrying charges, which represent the cost of debt to carry the deferrals, are deductible for income taxes. If an expense is deductible for income taxes, then the revenues to recover that expense only have to equal that expense, and do not have to be grossed up to cover income taxes.

Q30. IF YOUR PROPOSAL IS ADOPTED, WILL DUKE RECOVER THE ACTUAL CARRYING CHARGES ON THE MGP DEFERRALS?

A30. Yes. The Utility will only incur carrying charges on net cash required to carry the deferrals. That net cash is the gross cost of the MGP remediation less the income taxes saved due to the deductibility of the MGP expenditures for income tax purposes. My proposed method allows Duke to recover the actual cost of long term debt, but only on the actual net investment in the recoverable MGP costs. Failure to make this modification would allow Duke to recover more than its actual carrying costs from customers.

Q31. WHAT IS THE EFFECT OF YOUR RECOMMENDATIONS?

A31. The Staff has removed the recovery of the MGP costs from the determination of Duke's base rate revenue requirement. If the MGP costs are recovered through a rider, as recommended by the Staff, my proposed modifications would not affect the calculation of Duke's revenue deficiency (or excess) in this case.

Mr. Campbell has proposed limiting the recovery of MGP costs to $801,000, exclusive of carrying charges. I have calculated that the carrying charges on this balance of deferred MGP costs, net of applicable deferred income taxes, is $86,000 (Schedule DJE-MGP). Amortizing total deferred MGP costs of

$887,000, including carrying costs, over ten years results in an annual amortization expense of $89,000. This is $2,034,000 less than the annual amortization expense of $2,123,000 reflected in the Staff Report.

E. Amortization of Camera Inspection Costs

Q32. WHAT DO THE DEFERRED CAMERA INSPECTION COSTS REPRESENT?

A32. In Case No. 09-1097-GA-AAM, the Commission authorized the creation of a regulatory asset for costs incurred by the Utility for camera inspection of mains that had been installed between April 2001 and May 2006 in association with Duke's Accelerated Mains Replacement Program ("AMRP"). The deferrals were capped at $5 million, including carrying charges[6]. In its application in Case No. 09-1097-GA-AAM, Duke proposed to recover the regulatory asset from customers in its next base rate case where the regulatory asset would be amortized to Account 874 over a recovery period to be determined by the Commission in that case.[7]

[6] See Case No, 09-1097-GA-AAM, Opinion & Order, March 24, 2010, at 4.

[7] Id.

From 2008 (when the deferrals had begun) through the end of 2012, the Utility had deferred $4,971,726 of camera inspection expenditures, including carrying costs.[8]

Q33. IS DUKE PROPOSING TO AMORTIZE THE DEFERRED CAMERA INSPECTION COSTS IN THE PRESENT CASE?

A33. Yes. Duke is proposing to amortize the full $5 million over three years, and has included the annual amortization of $1,667,000 in pro forma test year operating expenses.

Q34. WHAT IS THE BASIS FOR THE THREE-YEAR AMORTIZATION BEING USED BY DUKE?

A34. In the responses to OCC Interrogatory Nos. 175 and 180, Duke stated that the three-year amortization period reflects the approximate time expected between rate cases.

Q35. DID THE STAFF ACCEPT DUKE'S PROPOSED AMORTIZATION OF CAMERA INSPECTION COSTS?

A35. Yes. The Staff states that it "believes the three-year amortization is appropriate and that the annual recovery of approximately $1.67 million will allow Duke to

[8] Response to OCC Interrogatory No. 16-633.

complete and perhaps accelerate completion of the camera inspections of gas pipeline replacement work that occurred between 2001 and 2006."[9]

Q36. IS DUKE'S EXPECTED PERIOD BETWEEN RATE CASES AN APPROPRIATE BASIS FOR AMORTIZING THE DEFERRED CAMERA INSPECTION COSTS OVER THREE YEARS?

A36. No. Again, that might be a reasonable basis for normalizing rate case costs, if such costs would be expected to recur every three years.[10] However, there is no reasonable expectation that the camera inspection costs will recur every three years.

Q37. IS THE STAFF'S POSITION THAT THE ANNUAL RECOVERY OF $1.67 MILLION WILL ALLOW DUKE TO COMPLETE THE CAMERA INSPECTIONS EXPEDITIOUSLY A VALID BASIS FOR THE THREE-YEAR AMORTIZATION?

A37. No. As noted above, as of the end of 2012 the Utility had already spent nearly the full $5 million allowed for recovery in Case No. 09-1097-GA-AAM. Thus, Duke does not need an annual recovery of $1.67 million to allow it to complete or accelerate the camera inspections.

[9] Staff Report, Page 13.

[10] As noted previously, even if the time between rate cases were deemed to be the appropriate basis, the time between Duke's recent gas rate cases has been closer to five years than to three years.

Q38. SHOULD THE THREE YEAR AMORTIZATION PERIOD USED BY DUKE BE MODIFIED?

A38. Yes. As I stated in the prior section of this testimony, there is no magic formula for determining the appropriate amortization period for deferred costs. In theory, the amortization period should be based on the frequency with such costs are incurred. However, since the camera inspection costs will not recur, there is no expected frequency. I believe that an amortization period of ten years would be reasonable, in that it would properly recognize the magnitude and one-time nature of deferred camera inspection costs while allowing the Utility to recover the deferred costs over a reasonable period of time.

Q39. WHAT IS THE EFFECT OF AMORTIZING THE DEFERRED CAMERA INSPECTION COSTS OVER TEN YEARS?

A39. Assuming that the amortization of the entire $5 million of deferred costs is reflected in this case, a ten-year amortization period would result in an annual amortization of $500,000. This is $1,167,000 less than the amortization of camera inspection costs reflected in the Staff Report. (See OCC Schedule 3.22, accompanying the testimony of Mr. Soliman.)

Q40. SHOULD ANY ELEMENT OF DUKE'S METHOD OF CALCULATING THE DEFERRED CAMERA INSPECTION COSTS BE MODIFIED?

A40. Yes. Duke accrues carrying costs on the deferred camera inspection costs. The Utility calculated the carrying charges on the gross balance of the deferrals, without any offset for applicable deferred income taxes. As I stated in the prior section of this testimony, carrying charges should be calculated on the net cash investment in the deferral, which is the gross deferral net of applicable deferred income taxes. Again, the Utility should not be able to recover carrying costs from customers on more than the net cash investment in the deferral.

I have not adjusted the annual amortization to reflect modification to the Utility's method of calculating carrying charges, because the total eligible camera inspection costs may reach the $5 million cap, even with the reduced amount of carrying charges that would result from calculating the carrying charges on the net of tax balances. However, Duke should correct the calculation of carrying charges, and, if necessary, the amortization of the deferred camera inspection costs should be adjusted accordingly in future cases.

III. CONCLUSION

Q41. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A41. Yes. However, I reserve the right to incorporate new information that may subsequently become available. I also reserve the right to supplement my testimony in the event that Duke, the PUCO Staff or other parties submit new or corrected information or if additional information is provided through discovery.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the *Direct Testimony of David J. Effron on Behalf of the Office of the Ohio Consumers' Counsel* was served on the persons stated below *via* electronic service this 25th day of day of February 2013.

/s/ Larry S. Sauer
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Assistant Consumers' Counsel

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DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
MEDICAL COST ADJUSTMENT
($000)

Medical Cost Adjustment, per Staff	$ 312
Adjustment to Pro Forma O&M Expense	$ (312)

Source: Staff Report, Schedule C-3.27

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
UNCOLLECTIBLE ACCOUNTS EXPENSE
($000)

Revenue Subject to Uncollectible Ratio per Staff Report	(A)	$426,392
Uncollectible Expense Factor	(B)	0.4103%
Annualized Uncollectible Expense		1,749
Annualized Uncollectible Expense per Staff Report	(A)	2,313
Adjustment to Staff Uncollectible Expense		$ (564)

Sources:
(A) Staff Report Workpaper - WPC-3.16a
(B)

	Time Value Percent	
Jan-12	0.3681%	Company Workpaper WPA-2a
Feb-12	0.3618%	"
Mar-12	0.3593%	"
Apr-12	0.3629%	Response to OCC Int. 05-179
May-12	0.3590%	"
Jun-12	0.3563%	"
Jul-12	0.3569%	"
Aug-12	0.3577%	"
Average	0.3603%	
Collection Costs	0.0500%	Company Workpaper WPA-2a
Total Discount Rate	0.4103%	

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
AMORTIZATION OF INTANGIBLE PLANT
($000)

Amortization of Common Intangible Plant - Expiring		
Vintage 2002	(A)	$ 713
Vintage 2007	(A)	430
Total		1,143
Allocation Percentage to Gas	(B)	16.50%
Gas Amortization		$ 189
Total Adjustment to Amortization of Intangible Plant		$ (189)

Sources:
(A) Responses to OCC - POD-12-043 (Case No. 12-1682-EL-AIR)
(B) Staff Report, Schedule B-3.2, Page 4

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
AMORTIZATION OF MGP COSTS

			May-10	Jun-10	Total
Recoverable MGP Costs	(A)		$266,966	$533,932	$ 800,898
Applicable Deferred Taxes		35%	93,438	186,876	280,314
Base for Carrying Charges			173,528	347,056	520,584
Carrying Charges:					
May-10	(B)	6.45%	466	-	466
Jun-10			933	933	1,865
July - December 2010			5,596	11,193	16,789
2011			11,193	22,385	33,578
2012			11,193	22,385	33,578
Total Carrying Costs			29,380	56,895	86,276
Total MGP Costs to Recovered			296,346	590,827	887,174
Proposed Amortization Period					10
Annual Amortization	(C)				88,717
Annual Amortization per Staff Report				(D)	2,122,575
Adjustment to Staff Amortization of MGP Costs					(2,033,858)
Adjustment to Staff Amortization of MGP Costs			($000)		$ (2,034)

Sources:
- (A) Tesimony of OCC Witness Campbell
- (B) Response to Staff Data Request 70-002
- (C) See Testimony
- (D) Staff Report, Page 52

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
AMORTIZATION OF CAMERA WORK COSTS
($000)

Proposed Annual Amortization of Camera Work Costs	(A)	$ 500
Annual Amortization of Camera Work Costs per Staff Report	(B)	1,667
Proposed Adjustment to Annual Amortization of Camera Work Costs		$ (1,167)

Sources:
(A) See Testimony
(B) Staff Report, Schedule C-3.22

Duke Energy Ohio
Case No. 12-1685-GA-AIR
OCC Fifth Set of Interrogatories
Date Received: September 21, 2012

OCC-INT-05-183

REQUEST:

Referring to WPC-3.27a, what is the basis of the "increase over budget" of 8.5% for medical costs?

RESPONSE:

Medical inflation assumptions for the near future assume a rate greater than 8%. For instance our OPEB assumption as documented in the 10k assumes medical inflation for the current year of 8.75% trending down to 5% by 2020. The active medical costs would follow fairly closely. This is fairly consistent with other companies' assumptions.

Therefore all things being equal our active medical costs are expected to go up disproportionately for the near term.

PERSON RESPONSIBLE: Jeff Setser

Duke Energy Ohio
Case No. 12-1685-GA-AIR
OCC Fifth Set of Interrogatories
Date Received: September 21, 2012

OCC-INT-05-178

REQUEST:

Referring to Schedule A-2, why does the time value decrease to 0.3681% in January 2012?

RESPONSE:

The decrease in the time value rate in January 2012 was related to a decrease in the discount rate. The discount rate was adjusted in January 2012 to reflect the decline in interest rates over the last few years.

PERSON RESPONSIBLE: Michael Covington

Duke Energy Ohio
Case No. 12-1685-GA-AIR
OCC Fifth Set of Interrogatories
Date Received: September 21, 2012

OCC-INT-05-179

REQUEST:

Referring to Schedule A-2, what is the time value percentage for each month since March 2012?

RESPONSE:

Apr-12	0.3629%
May-12	0.3590%
Jun-12	0.3563%
Jul-12	0.3569%
Aug-12	0.3577%

PERSON RESPONSIBLE: Michael Covington

Duke Energy Ohio
Case No. 12-1685-GA-AIR
OCC Fifth Set of Interrogatories
Date Received: September 21, 2012

OCC-INT-05-175

REQUEST:

Referring to Schedule C-3.2, how was the amortization period of three years determined?

RESPONSE:

The three-year amortization period reflects the approximate time expected between rate cases.

PERSON RESPONSIBLE: Peggy A. Laub

Duke Energy Ohio
Case No. 12-1685-GA-AIR
OCC Fifth Set of Interrogatories
Date Received: September 21, 2012

OCC-INT-05-180

REQUEST:

Referring to Schedule C-3.22, how was the amortization period of three years determined?

RESPONSE:

See response to OCC-INT-05-175.

PERSON RESPONSIBLE: Peggy A. Laub

Duke Energy Ohio
Case No. 12-1685-GA-AIR
OCC Sixteenth Set of Interrogatories
Date Received: December 18, 2012

OCC-INT-16-633

REQUEST:

Referring to Workpaper WPC-3.24a, for each month of the test year, what are the actual costs for camera work?

RESPONSE: See OCC-INT-16-633 Attachment.

PERSON RESPONSIBLE: Peggy A. Laub\Gary Hebbeler

Ohio Legacy Camera Work
Account 182385 - Camera Costs AMRP - Reg Asset
2012 Actual Transaction Activity

Fiscal Year and Period	Period Activity	Ending Balance	
January-12	$ 21,250.89	$ 3,892,955.10	
February-12	58,711.16	3,951,666.26	
March-12	50,943.37	4,002,609.63	
April-12	31,577.74	4,034,187.37	
May-12	23,400.05	4,057,587.42	
June-12	26,222.68	4,083,810.10	
July-12	22,239.98	4,106,050.08	
August-12	133,865.22	4,239,915.30	
September-12	176,368.16	4,416,283.46	
October-12	27,381.89	4,443,665.35	
November-12	30,735.94	4,474,401.29	
December-12	$ 443,325.24	$ 4,917,726.53	*

* December activity includes $339K charged to incorrect project codes in previous periods and corrected in December 2012. December 2012 activity could change since the Company's books have not been finalized for 2012 .