

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke)
Energy Ohio, Inc. for Authority to Issue and)
Sell First Mortgage Bonds, Unsecured Debt,)
and Long-Term Notes; Execute and Deliver) Case No. 13-752-GE-AIS
Long-Term Loan Agreements; and Enter into)
Capital Lease Obligations and Interest Rate)
Management Agreements.)

FINDING AND ORDER

The Commission finds:

- (1) Duke Energy Ohio, Inc. (Applicant) is an Ohio corporation, and a public utility as defined in Section 4905.02, Revised Code, and is subject to the jurisdiction of this Commission.
- (2) On March 28, 2013, Applicant filed an application and exhibits (Application), pursuant to the provisions of Sections 4905.40 and 4905.41, Revised Code.
- (3) Applicant proposes, from time to time, through April 30, 2014, to:
(a) issue and sell up to \$800 million principal amount of first mortgage bonds, senior and junior unsecured indebtedness, or issue other long-term unsecured indebtedness or any combination thereof (the Debt Securities); (b) borrow from the Ohio Air Quality Development Authority and/or Ohio Water Quality Development Authority (the Authority) the proceeds of up to \$450 million aggregate principal amount of its tax exempt revenue bonds (the Authority Bonds), pursuant to one or more loan agreements (the Loan Agreements); (c) enter into additional capital lease obligations (Capital Leases) of up to \$100 million principal amount; and (d) enter into interest rate management agreements (the Interest Agreements), within the terms and conditions as set forth in the Application.
- (4) Applicant proposes that the Debt Securities will be issued and sold directly to one or more purchasers or indirectly through one or more underwriters, dealers or agents. The terms of the Debt

Securities will be determined through negotiated offerings or through private placements.

- (5) The Loan Agreements will be issued on a secured or unsecured basis and will evidence and secure Applicant's obligations to repay the Authority Bonds. The terms of the Authority Bonds will correspond to the terms of the Loan Agreements, as described in the Application.
- (6) The Capital Leases will have the structure and terms similar to other forms of debt financing. Applicant states that the Capital Leases will allow Applicant to access lower-cost funds for financing property acquisition.
- (7) Applicant also requests Commission authorization to enter into Interest Agreements to utilize interest rate management techniques to lower its overall effective interest cost, within the parameters described in the Application.
- (8) Generally, there will be no proceeds associated with the Interest Agreements since most transactions are effective without exchanging principal amounts. Applicant states that the Interest Agreements are intended to provide Applicant additional alternatives and flexibility to reduce its effective interest costs and to manage interest costs on financing.
- (9) Applicant proposes to use the proceeds from the issuance of the Debt Securities, the Authority Bonds, and the Capital Leases (collectively, the Securities) to provide funds for the acquisition of property, the construction program, the refinancing, refunding, or reimbursement of its treasury, in part, for monies spent for such purposes, and other general corporate purposes, all pursuant to Section 4905.40, Revised Code, as described in the Application.
- (10) The proposed guidelines or parameters set forth in the Application are intended to facilitate the issuance of the Securities on the best terms possible and at lowest cost. The authorization to consummate these financial transactions, within the parameters set forth in the Application, in no way relieves the Applicant of its responsibility to negotiate and obtain the best terms available.

- (11) According to Applicant, the effect on Applicant's revenue requirements resulting from the issuance of the Securities will be considered in the determination of required revenue in rate proceedings in which all factors affecting rates will be taken into account according to law. In any event, Applicant states that the future revenue requirement associated with the Capital Leases will be no greater than if this property had been financed with alternative long-term Securities.
- (12) Applicant states that the issuance of the Securities will be in compliance with Commission's decision in *In the Matter of Application of Duke Energy Ohio, Inc. for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Revised Code, in the Form of an Electric Security Plan, Accounting Modifications, and Tariffs for Generation Service*, Case 11-3549-EL-SSO, et al., Opinion and Order (November 22, 2011) (*11-3549 Order*), which approved Applicant's electric security plan. Applicant is put on notice that, if Applicant's corporate separation of its generation assets occur within the financing period authorized in this Order, its associated tax-exempt bonds should be restructured and refunded, remarketed, or reissued to an affiliate or subsidiary as obligor.
- (13) Upon review of the Application, the Commission finds that the aggregate amount of the Securities, and the terms thereof, and the probable cost to Applicant, within the parameters set forth in the Application, do not appear to be unjust or unreasonable. In addition, based on the information contained in the Application, the purposes to which the proceeds from the Securities shall be applied, and the use of the Interest Agreements appear to be reasonably required by Applicant to meet its present and prospective obligations to provide utility service. Therefore, the Commission finds that the Application should be approved subject to the following conditions:
- (a) In the event of a corporate separation occurring during the financing period authorized by this Order, if Applicant chooses to restructure and refund, remarket or reissue tax-exempt bonds, then these bonds shall be restructured and refunded, remarketed or reissued with an affiliate or subsidiary as obligor.
 - (b) If Applicant does not intend to reissue these bonds upon the transfer of the generation assets, Applicant

will request authorization from the Commission not to do so within six months after the completion of the transfer of the assets.

- (c) Applicant shall report to the Commission the terms and full particulars after the Securities authorized by this Order have been issued, including any Interest Agreements entered into pursuant to the authority granted under this Order. In particular, Applicant shall also report full details of each Capital Lease transaction in excess of \$5 million, pursuant to the authority granted under this Order. The report shall include, but not be limited to, a detailed description of the transaction, the rationale for the transaction and a quantification of the benefits of the transaction.
- (d) The future revenue requirement associated with the Capital Leases shall be no greater than if the Capital Leases had never occurred.
- (e) Applicant, for the purposes of the Capital Leases authorized by this Order, shall not include any existing property that is currently in Applicant's jurisdictional rate base.
- (f) Applicant shall account for the issuance of the Securities as prescribed in the Federal Energy Regulatory Commission Uniform System of Accounts as currently in effect.
- (g) The issuance of the Securities authorized herein shall remain in compliance with Commission's 11-3549 *Order* approving Applicant's electric security plan.

It is, therefore,

ORDERED, That the Application is approved subject to the conditions set forth in Finding (13) and this Order. It is, further,

ORDERED, That Applicant shall apply the proceeds from the Securities for the purposes set forth in this Order and otherwise pursuant to the provisions of Section 4905.40, Revised Code. It is, further,

ORDERED, That the authorization granted by this Order shall not be construed as limiting the Commission's determination of the appropriateness of the Securities for future ratemaking treatment. It is, further,

ORDERED, That nothing in this Order shall be construed to imply any guaranty or obligation by the Commission to assure completion of any specific construction project of the Applicant. It is, further,

ORDERED, That nothing in this Order shall be deemed to be binding upon this Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

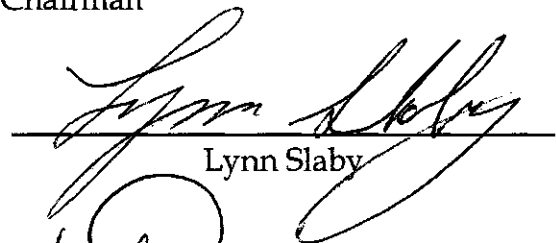
ORDERED, That nothing in this Order shall be construed to imply any guaranty or obligation as to the Securities on the part of the state of Ohio. It is, further,

ORDERED, That a copy of this Order be served upon all parties of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO


Todd A. Snitchler, Chairman


Steven D. Lesser

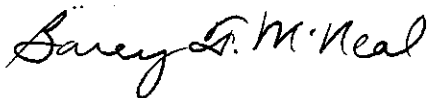

Lynn Slaby


M. Beth Trombold

MJP/jd

Entered in the Journal

MAY 01 2013



Barcy F. McNeal
Secretary