

FILE

PUCO EXHIBIT FILING

(11)

Date of Hearing: \_\_\_\_\_

Case No. 14-841-EL-SSO/14-842-EL-ATA

PUCO Case Caption: In the Matter of the Application of Duke

Energy Ohio 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 & In the Matter of the Application

of Duke Energy Ohio for Authority to Amend its Certified Supplier Tariffs

P.U.C.O. No. 20.

List of exhibits being filed:

Volume IV

Company  
DOE 12

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Reporter's Signature: Karen Sue Gibson

Date Submitted: 11/10/14

#### IV. A LIST IDENTIFYING FINANCIAL ARRANGEMENTS AND TRANSACTIONS.

Financial arrangements between Duke Energy Ohio and its affiliates, except as the Commission may approve, are subject to the following restrictions: (i) any indebtedness incurred by an affiliate shall be without recourse to the electric utility; (ii) Duke Energy Ohio shall not enter into any agreement with terms under which the electric utility is obligated to commit funds to maintain the financial viability of an affiliate; (iii) Duke Energy Ohio shall not make any investment in an affiliate under any circumstances in which the electric utility would be liable for the debts and/or liabilities of the affiliate incurred as a result of actions or omissions of an affiliate; (iv) Duke Energy Ohio shall not issue any security for the purpose of financing the acquisition, ownership, or operation of an affiliate; (v) Duke Energy Ohio shall not assume any obligation or liability as a guarantor, endorser, surety, or otherwise with respect to any security of an affiliate; and (vi) Duke Energy Ohio shall not pledge, mortgage, or use as collateral any assets of the electric utility for the benefit of an affiliate.

Duke Energy Ohio and its utility and non-utility affiliates operate pursuant to the terms and conditions of various service agreements. The terms and conditions of these agreements set forth the cost allocations for the transactions that are permitted to occur pursuant to the various Agreements. Duke Energy Ohio maintains copies of the current agreements in its CAM. Many of these agreements were approved by the Commission in Case No. 05-732-EL-MER, *et al.*, as part of the merger between Duke Energy and Cinergy Corp.<sup>1</sup> In general, there are three primary cost allocations that affect Duke Energy Ohio and its affiliates: (1) cost allocations from DEBS,

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<sup>1</sup> Duke Energy Ohio is a party to other agreements with its utility affiliates that were not approved as part of the Duke-Cinergy merger. These agreements include but are not limited to the Miami Fort Operations Agreement, and Affiliate Inventory Asset Transfer Agreement, and the Natural Gas and Propane Services Agreement. These agreements allow Duke Energy Ohio to provide and receive services and goods at cost or otherwise according to FERC pricing regulations.

the subsidiary service company of Duke Energy; (2) cost allocations between Duke Energy Ohio and its wholly owned subsidiary Duke Energy Kentucky, Inc., for common costs; and (3) administrative and general (A&G) cost allocations between its gas and electric operations for both capital and expense accounts. The agreements of which Duke Energy Ohio is a party include the following:

- Service Company/Utility Service Agreement – This agreement governs transactions between DEBS (the service company) and utility affiliates, including Duke Energy Ohio. This agreement was entered into as part of merger between Duke Energy and Cinergy Corp. In its Opinion and Order dated December 21, 2005, the Commission approved this agreement in Case No. 05-732-EL-MER, *et al.*<sup>2</sup> DEBS provides its services at cost, except that, solely for the purpose of Internal Revenue Code Section 482, Duke Energy Ohio shall pay DEBS the market value of services. However, notwithstanding the Section 482 exception, for rate making purposes, services are rendered to Duke Energy Ohio at cost.
- Operating Companies Service Agreement (Operating Company Agreement) – This agreement governs transactions between Duke Energy Ohio and its utility affiliates. As compensation for any services rendered pursuant to the Operating Company Agreement, the company receiving services (Client Company) shall pay the service provider the fully embedded cost thereof (*i.e.*, the sum of (i) direct costs, (ii) indirect costs and (iii) costs of capital), except to the extent otherwise required by Section 482 of the Internal Revenue Code. Services provided to or by Duke Energy Carolinas or Duke Energy Progress shall be priced in accordance

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<sup>2</sup> *In the Matter of the Joint Application of Cinergy Corp., on Behalf of The Cincinnati Gas & Electric Company, and Duke Energy Holding Corp. for Consent and Approval of a Change of Control of The Cincinnati Gas & Electric Company, 05-732-EL-MER, et al., Finding and Order, at pg. 14 (Dec. 21, 2005).*

with the applicable state Code of Conduct. In accordance with FERC regulations, generation services provided by the regulated utilities to Duke Energy Ohio "Generation," and vice versa, are subject to asymmetrical pricing. Duke Energy Carolinas and Duke Energy Progress may also provide and receive services under this agreement (and their Code of Conduct) at their fully embedded costs.

- Operating Company/Non-utility Companies Service Agreement (Affiliate Services Agreement) – This agreement governs transactions between Duke Energy Ohio and certain of its non-utility affiliates. As compensation for any services rendered pursuant to the Affiliate Services Agreement, the client company shall pay the service provider the fully embedded costs thereof, except as required by 482 of the Internal Revenue Code.
- Utility Money Pool Agreement – This agreement allows Duke Energy, DEBS, and Duke Energy's utility operating companies (including Duke Energy Ohio) to participate in a money pool arrangement, in order to better manage cash and working capital requirements. Under this arrangement, those companies with surplus short-term funds may contribute those funds into a money pool that is provided for short-term loans to affiliates (other than Duke Energy) participating under this arrangement. This surplus cash may be from internal or external sources. Each party receiving a loan pursuant to the agreement must repay the principal amount plus interest either on demand or within 365 days of receiving the loan. Interest incomes from the loans are allocated among the parties in proportion to their respective contribution to the funds.

- Tax Sharing Agreement – This agreement, between Duke Energy and its subsidiaries, provides for a consolidated federal income tax return and the allocation of consolidated federal income tax liabilities and benefits among the parties to the agreement.
- Miami Fort Unit 6 Operation Agreement – This agreement allows for Duke Energy Ohio to operate and maintain Duke Energy Kentucky's Miami Fort Unit 6 Generating Station. Duke Energy Ohio is required to provide material, fuel, equipment, and services to Duke Energy Kentucky in accordance with good utility practice.
- Gas and Propane Services Agreement – This agreement allows for Duke Energy Ohio to provide certain necessary services for the operation of Duke Energy Kentucky's Woodsdale Generating Station, which was formerly owned by Duke Energy Ohio.
- Agreement for Gypsum and FGD Waste Material Disposal Services – This agreement allows Duke Energy Kentucky to perform scrubber and FGD waste disposal services for Duke Energy Ohio.
- Inter-Company Asset Transfer Agreement – This Agreement permits asset transfer agreements for inventory items between Duke Energy Ohio and its affiliated regulated utility operating companies. The transfers among the regulated utilities are priced at the transferring party's "Cost" or through in-kind replacements, providing the transfers do not jeopardize the transferring party's ability to provide service. Under Section 1.2 of this agreement, "Cost" means (i) for inventory items accounted for in the FERC Uniform System of Accounts,

account 154, the average unit price of such inventory item as recorded on the books for the transferor, plus stores, freight, handling, and other applicable costs and (ii) for assets other than inventory items, net book value. The pricing under this agreement is consistent with Ohio's affiliate transaction pricing rules. Duke Energy Ohio "Generation/Non-regulated" and regulated utilities use FERC's asymmetrical pricing for transfers among themselves. Duke Energy Ohio shall keep detailed records to demonstrate that assets transferred between Duke Energy Ohio and a party to the agreement will be transferred at fully allocated costs.

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**Duke Energy Ohio**  
**Case Nos. 14-841-EL-SSO, 14-842-EL-ATA**  
**IGS Second Set Interrogatories**  
**Date Received: September 23, 2014**

**IGS-INT-02-001**

**REQUEST:**

Is StrikeStop service or Underground Protection service provided by Duke Energy Ohio ("Duke") or an affiliate? Identify the entity that provides these services.

**RESPONSE:** Objection. This Interrogatory is overly broad and unduly burdensome, given that it seeks information that is unlimited as to time and that is neither relevant to this proceeding nor likely to lead to the discovery of admissible evidence in this proceeding. The question is susceptible to different interpretations and Duke Energy Ohio would have to engage in speculation or conjecture to ascertain the intended meaning of this request. Answering further, this Interrogatory seeks information that is publicly available and thus equally accessible to IGS. Without waiving said objection, to the extent discoverable, and in the spirit of discovery, StrikeStop and Underground Protection are services provided by Duke Energy One, Inc.

**PERSON RESPONSIBLE:** As to objection - Legal  
As to response - Mark E. Hollis

**Duke Energy Ohio**  
**Case Nos. 14-841-EL-SSO, 14-842-EL-ATA**  
**IGS Second Set Interrogatories**  
**Date Received: September 23, 2014**

**IGS-INT-02-005**

**REQUEST:**

Does Duke charge Duke Energy One for system upgrades necessary to allow Duke Energy One to invoice and collect StrikeStop, Underground Protection service, or any other non-commodity service? If so, identify that amount(s) that Duke has charged Duke Energy One.

**RESPONSE:** Objection. This Interrogatory is overly broad and unduly burdensome, given that it seeks information that is unlimited as to time and that is neither relevant to this proceeding nor likely to lead to the discovery of admissible evidence in this proceeding. The question is susceptible to different interpretations and Duke Energy Ohio would have to engage in speculation or conjecture to ascertain the intended meaning of this request. Without waiving said objection, to the extent discoverable, and in the spirit of discovery, no such system upgrades have been necessary in order for Duke Energy One to invoice and collect for any non-commodity service that is currently offered.

**PERSON RESPONSIBLE:** Legal



**Duke Energy Ohio**  
**Case Nos. 14-841-EL-SSO, 14-842-EL-ATA**  
**IGS Second Set Interrogatories**  
**Date Received: September 23, 2014**

**IGS-INT-02-007**

**REQUEST:**

Provide a list of all products and services Duke bills for the Duke Energy One.

**RESPONSE:** *Objection. This Interrogatory is overly broad and unduly burdensome, given that it seeks information that is unlimited as to time and that is neither relevant to this proceeding nor likely to lead to the discovery of admissible evidence in this proceeding. The question is susceptible to different interpretations and Duke Energy Ohio would have to engage in speculation or conjecture to ascertain the intended meaning of this request. Without waiving said objection, to the extent discoverable, and in the spirit of discovery, charges for Duke Energy One's offerings of StrikeStop and Underground Protection are included on Duke Energy Ohio's bills.*

**PERSON RESPONSIBLE:** Legal

Duke Energy Ohio  
Case No. 14-841-EL-SSO, 14-842-EL-ATA  
RESA Second Set Interrogatories  
Date Received: August 22, 2014

RESA-INT-02-012

**REQUEST:**

With respect to the Certified Supplier Charges listed in Duke's Certified Supplier Tariff Sheet No. 52.3 (attached to these discovery requests for reference), please identify the total amount of dollars collected annually by Duke for the previous three calendar years for *each* fee listed in the Certified Supplier Tariff Sheet No. 52.3. (Do not name the supplier; just provide total dollars per tariff fee.)

**RESPONSE:**

Objection. This Interrogatory is overly broad, unduly burdensome, and seeks to elicit information that is both irrelevant and not reasonably calculated to lead to the discovery of admissible evidence. Without waiving said objection, to the extent discoverable, and in the spirit of discovery, see the following table.

**DUKE ENERGY OHIO**  
**RATE CS, CERTIFIED SUPPLIER CHARGES**

	<u>Rate</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Registration fees	\$145.000	\$145.00	\$2,320.00	\$3,625.00
EUC Enrollment	\$7.000	\$327,320.00		
	\$5.000		\$717,000.00	\$416,200.00
Pre-Enrollment	\$150.000	\$3,300.00	\$14,250.00	\$19,650.00
Market Monitoring	\$155.000	\$0.00	\$0.00	\$0.00
Residential Bill Fees	\$0.056	\$0.00	\$0.00	\$2.75
Commercial Fees	\$0.268	\$0.00	\$0.00	\$4.16
Industrial Fees	\$3.266	\$0.00	\$0.00	\$0.00
Other Public	\$0.649	\$0.00	\$0.00	\$0.00
Abandonment fee	\$0.220	\$0.00	\$0.00	\$0.00
Duplicate Bill	\$0.260	\$0.00	\$0.00	\$0.00
1 mth History	\$24.000	\$72,864.00	\$254,640.00	\$318,696.00
12 mths History	\$32.000	\$123,328.00	\$191,264.00	\$344,416.00

**PERSON RESPONSIBLE:** As to objection - Legal  
As to response - James E. Ziolkowski