

**BEFORE**

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Duke )  
Energy Ohio, Inc., for Administration of )  
the Significantly Excessive Earnings Test )  
under Section 4928.143(F), Revised Code, )  
and Rule 4901:1-35-10, Ohio )  
Administrative Code. )

Case No. 15-0665-EL-UNC

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**DIRECT TESTIMONY OF**

**PEGGY A. LAUB**

**ON BEHALF OF**

**DUKE ENERGY OHIO, INC.**

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April 30, 2015

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## **I. INTRODUCTION AND PURPOSE**

1   **Q.   PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2   A.   My name is Peggy A. Laub. My business address is 139 East Fourth Street,  
3       Cincinnati, Ohio 45202.

4   **Q.   BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5   A.   I am employed by Duke Energy Business Services LLC, an affiliate service  
6       company of Duke Energy Ohio, Inc., (Duke Energy Ohio or Company) as  
7       Director, Rates & Regulatory Planning in the Rates Department.

8   **Q.   PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL**  
9       **QUALIFICATIONS.**

10  A.   I earned a Bachelor of Business Administration degree, with a major in  
11       accounting, from the University of Cincinnati.

12  **Q.   PLEASE SUMMARIZE YOUR PROFESSIONAL EXPERIENCE.**

13  A.   I began my career with The Cincinnati Gas & Electric Company, the predecessor  
14       of Duke Energy Ohio, as a co-operative education student in the Accounting  
15       Department. In 1984, I was employed full-time in the Tax Department. I  
16       progressed through various positions to Coordinator, State & Local Taxes. In  
17       1998, I was transferred to the Regulated Business Unit's financial group. In 2000,  
18       I was transferred to Fixed Assets Accounting and I was promoted to manager in  
19       2002. In May 2006, following the merger with Duke Energy Corporation, I  
20       transferred to the Midwest U.S. Franchised Electric & Gas accounting group. In  
21       November 2008, I transferred to Midwest Wholesale Accounting as Manager,  
22       Accounting. In May 2010, I transferred to the Rate Department and to my current

1 position as Director, Rates & Regulatory Planning.

2 **Q. PLEASE DESCRIBE YOUR DUTIES AS DIRECTOR, RATES &**  
3 **REGULATORY PLANNING.**

4 A. As Director, Rates & Regulatory Accounting, I am responsible for the preparation of  
5 financial and accounting data used in retail rate filings and various other rate  
6 recovery mechanisms for Duke Energy Ohio and Duke Energy Kentucky, Inc.

7 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC**  
8 **UTILITIES COMMISSION OF OHIO (COMMISSION)?**

9 A. Yes. I have previously testified in a number of cases before this and other regulatory  
10 commissions.

11 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**  
12 **PROCEEDING?**

13 A. I will first provide a brief overview of the Significantly Excessive Earnings Test  
14 (SEET) and then I will discuss the SEET calculation of Duke Energy Ohio and the  
15 attachments supporting the calculation.

## **II. BACKGROUND**

16 **Q. WHY IS IT NECESSARY FOR DUKE ENERGY OHIO TO SHOW THAT**  
17 **IT DOES NOT HAVE SIGNIFICANTLY EXCESSIVE EARNINGS?**

18 A. On May 1, 2008, the Governor signed into law Amended Substitute Senate Bill  
19 No. 221 (SB 221). This bill amended various statutes in Title 49 of the Ohio  
20 Revised Code (R.C.). Among provisions of SB 221 were changes to R.C.  
21 4928.141, which requires electric utilities to provide customers with a default  
22 standard service offer (SSO) for competitive retail electric service established

1 through either a market rate offer (MRO) or an electric security plan (ESP).  
2 Pursuant to R.C. 4928.142(D)(4) and 4928.143(F), the Commission is required to  
3 evaluate the earnings of each electric distribution utility's approved MRO or ESP  
4 to determine whether the adjustments in the MRO or ESP result in significantly  
5 excessive earnings. R.C. 4928.143(E) addresses the issue of significantly  
6 excessive earnings in the context of an ESP having a term longer than three years.

7 **Q. ARE DUKE ENERGY OHIO'S RATES FOR COMPETITIVE RETAIL**  
8 **ELECTRIC SERVICE BASED ON AN ESP OR MRO?**

9 A. Duke Energy Ohio is currently providing an SSO of competitive retail electric  
10 services pursuant to an ESP that was approved by the Commission on November  
11 22, 2011. The terms of the ESP are set forth in a Stipulation and Recommendation  
12 that the Commission modified slightly in its November 2011 Opinion and Order.

13 **Q. DID THE ESP STIPULATION THAT THE COMMISSION APPROVED**  
14 **ON NOVEMBER 22, 2011, ADDRESS THE ADMINISTRATION OF THE**  
15 **SEET TO DUKE ENERGY OHIO?**

16 A. Yes. As set forth in Attachment H of the ESP Stipulation, the parties agreed to  
17 the methodology for applying the SEET to Duke Energy Ohio. That methodology  
18 provides as follows:

19 Net income as shown on page 117, column (c), line (78) of  
20 the [FERC] Form 1, adjusted for the following, if necessary:

- 21 ○ Eliminate all impacts related to the purchase  
22 accounting recorded pursuant to the Duke  
23 Energy/Cinergy merger.

- 1                   ○ Eliminate all impacts of refunds to customers
- 2                   pursuant to R.C. 4928.143(F).
- 3                   ○ Eliminate all impacts of mark-to-market accounting.
- 4                   ○ Eliminate all impacts of material, non-recurring
- 5                   gains/losses, including, but not limited to, the sale
- 6                   or disposition of assets.
- 7                   ○ Eliminate all impacts of material, non-recurring
- 8                   revenue or expenses.
- 9                   ○ Eliminate all impacts of parent, affiliated, or
- 10                  subsidiary companies and, to the extent reasonably
- 11                  feasible and prudently justified in the opinion of
- 12                  Duke Energy Ohio, eliminate the impacts of its
- 13                  natural gas distribution business.
- 14                  ○ Only Rider ESSC revenue received while the
- 15                  Company directly owns the Legacy Generation
- 16                  Assets will be included in the SEET review. For the
- 17                  SEET review involving the year in which the
- 18                  Legacy Generation Assets are transferred, the
- 19                  Company's net income will be adjusted to exclude
- 20                  the impact of all revenue collected from Rider
- 21                  ESSC after the date of the transfer.

22                  The adjusted net income will be divided by Common Equity

23                  to determine the resulting ROE. Certain adjustments will be

1           made to Common Equity.

2           ○ Common Equity used in the calculation will be the  
3           beginning and ending average common equity of  
4           Duke Energy Ohio on a stand-alone basis except  
5           that a thirteen month average common equity  
6           balance may be used for a review of the SEET for  
7           the year in which the Company completes the  
8           transfer of its Legacy Generation Assets.

9           ○ Equity will be adjusted to eliminate the acquisition  
10          premium recorded to equity pursuant to the Duke  
11          Energy/Cinergy merger.

12          ○ Eliminate the cumulative effect of the Net Income  
13          adjustments.

14   **Q.    DOES THE ESP STIPULATION IN CASE NO. 11-3549-EL-SSO, *ET AL.*,**  
15   **DEFINE “SIGNIFICANTLY EXCESSIVE EARNINGS”?**

16   **A.**   Yes. The ESP Stipulation indicates that if Duke Energy Ohio’s actual annual  
17   return on ending common equity, as adjusted pursuant to Attachment H of the  
18   ESP Stipulation, does not exceed 15 percent, the Company’s return on common  
19   equity is not “significantly in excess of the return on common equity” of other  
20   publicly traded companies facing comparable business and financial risks.

**III. COMMISSION'S FINDING AND ORDER  
AND ENTRY ON REHEARING**

1   **Q.   WHAT GUIDELINES DID THE COMPANY FOLLOW WHEN**  
2       **PREPARING ITS 2014 SEET FILING?**

3   A.   The Company has followed the guidelines found in the relevant provision of its  
4       October 24, 2011, ESP Stipulation, which were upheld by the Commission's  
5       November 22, 2011, Opinion and Order in Case No. 11-3549-EL-SSO, *et al.*  
6       Additionally, to the extent not reflected in Attachment H of the ESP Stipulation,  
7       the Company has incorporated into its SEET the Commission's recommendations  
8       from Case No. 09-789-EL-UNC.<sup>1</sup>

9   **Q.   PLEASE IDENTIFY THE ADDITIONAL RECOMMENDATIONS AS**  
10       **IDENTIFIED BY THE COMMISSION IN CASE NO. 09-786-EL-UNC.**

11   A.   The Commission's orders in that case generally defer to the Company's ESP  
12       Stipulation. For example, the Commission left the issue of earnings from off-  
13       system sales to be determined on a case-by-case basis. Consistent with  
14       Attachment H and the ESP Stipulation, the Company included all profits from  
15       off-system sales in its earnings calculation. Because this issue was addressed in  
16       the ESP Stipulation and the Company has already taken the most conservative  
17       view by including such profits, there is no further need to address this issue.

18               As I discuss further below, the Commission also directed utilities to: (1)  
19       base average equity balances on the average of the balances at the beginning and  
20       at the end of the year (Commission's Entry on Rehearing, page 6); (2) adjust out

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<sup>1</sup> *In the Matter of the Investigation into the Development of the Significantly Excessive Earnings Test Pursuant to Amended Substitute Senate Bill 221 for Electric Utilities*, Case No. 09-786-EL-UNC, Entry on Rehearing, at pg. 7 (August 25, 2010).



1 all impacts from affiliates and other services (*e.g.*, natural gas distribution)  
2 (Commission's Finding and Order, page 12); and, (3) addresses deferrals and  
3 other certain factors, as described in the Commission's Finding and Order.<sup>2</sup>  
4 These directives were also incorporated into Attachment H of the ESP Stipulation.

5 **Q. DID THE COMPANY HAVE ANY ESP-RELATED DEFERRALS IN 2014**  
6 **THAT IMPACTED EARNINGS?**

7 A. No.

8 **Q. WILL YOU DESCRIBE THE OTHER INFORMATION THAT THE**  
9 **COMMISSION DIRECTED COMPANIES TO PROVIDE AS PART OF**  
10 **THEIR SEET REVIEWS?**

11 A. On page 29 of its June 30, 2010, Order, the Commission provided a list of factors  
12 it identified as worthy of its consideration in any SEET review. The listed factors  
13 include the following:

- 14 ○ the electric utility's most recently authorized return on equity,
- 15 ○ the electric utility's risk, including:
  - 16 ● whether the electric utility owns generation;
  - 17 ● whether the ESP includes a fuel and purchased power adjustment
  - 18 or similar adjustments;
  - 19 ● the rate design and extent to which the electric utility remains
  - 20 subject to weather and economic risk;
  - 21 ● capital commitments and future capital requirements;

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<sup>2</sup> Id.

- 1                   • indicators of management performance and benchmarks to other
- 2                   utilities;
- 3                   • innovation and industry leadership with respect to meeting industry
- 4                   challenges to maintain and improve the competitiveness of Ohio's
- 5                   economy, including research and development expenditures,
- 6                   investments in advanced technology, and innovative practices; and
- 7                   • the extent to which the electric utility has advanced state policy.

8   **Q.    WHAT IS THE COMPANY'S MOST RECENTLY APPROVED RETURN**  
9   **ON COMMON EQUITY?**

10  A.    The Company's most recently approved return on common equity is 9.84 percent  
11       for its jurisdictional electric distribution service in Ohio.<sup>3</sup>

12  **Q.    DOES THE COMPANY OWN GENERATING RESOURCES?**

13  A.    No. Pursuant to the terms of the ESP settlement, Duke Energy Ohio divested all  
14       of its directly owned generating assets.

15  **Q.    DOES THE COMPANY HAVE A RECOVERY MECHANISM FOR**  
16   **RECOVERY OF PURCHASE POWER EXPENSES?**

17  A.    Yes. The Company procures 100 percent of the generation services provided to  
18       its SSO load through an auction process approved in the ESP Stipulation. The  
19       Company recovers the cost of this competitively procured power via riders. Duke  
20       Energy Ohio makes no profit or loss on power procured via the auction process  
21       and that is ultimately delivered to its SSO customers.

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<sup>3</sup> *In the Matter of the Application of Duke Energy Ohio for an Increase in Electric Distribution Rates*, Case No. 12-1682-EL-AIR, *et al.*, Stipulation and Recommendation, at pg. 6 (April 2, 2013) and Opinion and Order at pg. 6 (May 1, 2013).

1    **Q.     DESCRIBE THE COMPANY’S RATE DESIGN.**

2    A.     The Company’s rate design for noncompetitive service has been essentially the  
3           same since its unbundled rates became effective on January 1, 2001. The ESP  
4           Stipulation eliminated some riders that existed at the end of 2011 and added  
5           certain new riders for competitive retail services. As a result, there are new rates  
6           for competitive retail services based on allocation methods and rate design  
7           processes that were agreed to in the Company’s ESP Stipulation and approved by  
8           the Commission in that case. Depending on the rate class, some customers may  
9           have energy-based rates, demand-based rates, or a combination of both. All  
10          customers have some form of a customer charge and some non-residential  
11          customers have demand ratchets intended to encourage efficient use of resources.  
12          For customers who shop, it is not possible for the Company to know the  
13          essentially infinite number of rate design options that may be offered by their  
14          competitive retail electric service provider.

15   **Q.     DESCRIBE THE EXTENT TO WHICH WEATHER AND ECONOMIC**  
16   **RISKS IMPACT THE COMPANY.**

17   A.     As part of the ESP Stipulation, Duke Energy Ohio agreed to file an application to  
18          implement a decoupling mechanism for its non-demand-metered customers. The  
19          Commission approved the Company’s subsequent application toward that end in  
20          early 2012, and the Company began accruing a deferral related to the decoupling  
21          mechanism. The decoupling mechanism excludes all demand-metered sales but  
22          will mitigate the impact of certain sales losses, particularly due to compliance  
23          with Ohio’s energy efficiency mandates. I should note that the approved

1       decoupling mechanism is based on weather-normalized sales; consequently, the  
2       Company is still exposed to weather-related earnings risks. The administration of  
3       the SEET expressly contemplates that the impacts of Duke Energy Ohio's natural  
4       gas are to be eliminated. As such, Duke Energy Ohio does not address in the  
5       proceeding the weather risks relevant to its natural gas operations.

6       **Q.   WILL YOU ADDRESS THE CAPITAL COMMITMENTS AND CAPITAL**  
7       **REQUIREMENTS?**

8       A.   As provided in the Company's April 15, 2015, Application filed  
9       contemporaneously with my testimony in this case, the current ESP expires on  
10      May 31, 2015. The capital budget requirements for the first five months of 2015  
11      are \$92 million.

12      **Q.   ARE YOU SPONSORING ANY INFORMATION REGARDING**  
13      **MANAGEMENT PERFORMANCE AND BENCHMARKS TO OTHER**  
14      **UTILITIES?**

15      A.   Yes. First, it is important to realize that there is no data that compares the Duke  
16      Energy Ohio operating company to its peers. As such, and in an effort to address  
17      the Commission's prior directive, reference is made to the information – on a  
18      corporate-wide basis – that does not exist. Attachment PAL-7 is a summary of  
19      how Duke Energy Corporation's returns compare to some of its peers. The data  
20      represented in this chart represents a comparison of total shareholder return  
21      (TSR), which is defined as the sum of dividends and share appreciation divided  
22      by a starting price. In this attachment, the first set of numbers shows the TSR for  
23      stocks from January 1, 2012, through December 31, 2013. The second set of

1 numbers shows TSR for stocks purchased from January 1, 2013, through  
2 December 31, 2014. The third set of numbers shows TSR for stocks purchased  
3 from January 1, 2014, through December 31, 2014.

4 **Q. HAS THE COMPANY BEEN INNOVATIVE IN ADVANCING STATE**  
5 **POLICY?**

6 A. Yes. It is the state's policy, among other things, to encourage demand-side  
7 management, time-differentiated pricing, and implementation of advanced  
8 metering infrastructure. R.C. Section 4928.02.

9 Since receiving the Commission's approval to do so in December 2008,  
10 the Company continues in its deployment of SmartGrid infrastructure in its  
11 service territory. The Company offers time-differentiated rates to its residential  
12 customers through Rate TD-13 and Rate TD. More than 800 residential  
13 customers participate in these time-differentiated rates. All of these efforts serve  
14 to advance the state's policy and will encourage demand-side management.  
15 Duke Energy Ohio is a leader in this area.

#### **IV. SCHEDULES SPONSORED BY WITNESS**

16 **Q. PLEASE DESCRIBE ATTACHMENT PAL-1.**

17 A. Attachment PAL-1 is a schedule showing that the Company's return earned on  
18 average electric common equity for the year ended December 31, 2014, is 8.27  
19 percent.

20 **Q. PLEASE DESCRIBE ATTACHMENT PAL-2.**

21 A. Attachment PAL-2 is a schedule showing the calculation of the Company's  
22 adjusted electric net income for the calendar year 2014. The source of the utility

1 operating income for the twelve months ended December 31, 2014, is the  
2 Company's 2014 FERC Form 1 report, pages 114 to 117. Pursuant to Attachment  
3 H of the ESP Stipulation, purchase accounting recorded as a result of the Duke  
4 Energy/Cinergy merger, all impacts of refunds to customers pursuant to R.C.  
5 4928.143(F), all impacts of mark-to-market accounting, all impacts of material,  
6 non-recurring gains/losses, all impacts of material, non-recurring revenue or  
7 expenses, and all impacts of the natural gas business were eliminated. As shown  
8 on the attachment, no refunds were returned to customers during the twelve  
9 months ended December 31, 2014. Equity in earnings of subsidiary companies  
10 was also eliminated so that the return earned on average common equity would be  
11 on a Duke Energy Ohio stand-alone basis. Since the Company's Legacy  
12 Generation Assets were divested during 2014, net income for 2014 was adjusted  
13 to prorate the Rider ESSC revenue per Attachment H of the ESP Stipulation.<sup>4</sup>

14 **Q. PLEASE DESCRIBE ATTACHMENT PAL-3.**

15 A. Attachment PAL-3 is a summary of the items eliminated from net income. The  
16 schedule shows, by Company account, the impact on net income of eliminating  
17 purchase accounting, mark-to-market accounting, non-recurring gains and/or  
18 losses, material non-recurring revenues and expenses, a portion of Rider ESSC  
19 revenues collected during the year, and the equity in earnings of subsidiary  
20 companies.

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<sup>4</sup> *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 Service, Case No. 11-3549-EL-SSO, et al., Supplemental Testimony of Charles R. Whitlock, Attachment CRW-2 (October 28, 2011).*

1    **Q.     PLEASE DESCRIBE ATTACHMENT PAL-4.**

2    A.     Attachment PAL-4 is an exhibit showing the calculation of the Company's  
3           average electric common stock equity as of December 31, 2014. The attachment  
4           shows the common stock equity balances for the thirteen months between  
5           December 31, 2013, and December 31, 2014, and the calculation of the average  
6           electric common equity balance as of December 31, 2014, to be used in  
7           determining if Duke Energy Ohio has significantly excessive earnings. Pursuant  
8           to the ESP Stipulation, the following items were eliminated in calculating the  
9           ending balance for each calendar year: (1) impacts of purchase accounting  
10          recorded pursuant to the Duke Energy/Cinergy merger; (2) all impacts of mark-to-  
11          market accounting; and, (3) all impacts of material, non-recurring gains and/or  
12          losses.

13   **Q.     PLEASE DESCRIBE ATTACHMENT PAL-5.**

14   A.     Attachment PAL-5 is a schedule showing the calculation of a net plant allocation  
15          factor used to allocate total average common equity to electric operations. The  
16          gas and electric plant data is from the Company's 2013 and 2014 FERC Form 1,  
17          pages 200-201. The schedule shows that based on net plant, 60.90 percent of the  
18          Company's average common equity should be allocated to electric operations for  
19          periods after the transfer of the Legacy Generating Assets. For periods before the  
20          transfer of the assets, the net plant factor of 77.16 percent (which is based on  
21          December 2013) is used to allocate the portion of common equity to electric.

22   **Q.     PLEASE DESCRIBE ATTACHMENT PAL-6.**

23   A.     Attachment PAL-6 is a summary of assumptions used in this filing, most of which

1 are from paragraph 28 of the ESP Stipulation. I have discussed all of the other  
2 relevant assumptions in my testimony.

3 **Q. PLEASE DESCRIBE ATTACHMENT PAL-7.**

4 A. Attachment PAL-7 is a summary showing Duke Energy Corporation's TSR in  
5 comparison to some of its peer companies in the Philadelphia Utility Index.

**V. CONCLUSION**

6 **Q. DOES DUKE ENERGY OHIO HAVE SIGNIFICANTLY EXCESSIVE**  
7 **EARNINGS THAT WOULD REQUIRE A REFUND TO CUSTOMERS?**

8 A. No. As shown on Attachment PAL-1, Duke Energy Ohio's return earned on  
9 average electric common equity is 8.27 percent. Since, the return on average  
10 electric common equity is less than the 15 percent specified in the ESP  
11 Stipulation, the Company does not have significantly excess earnings and,  
12 therefore, no refund to customers is warranted.

13 **Q. WERE ATTACHMENTS PAL-1, PAL-2, PAL-3, PAL-4, PAL-5, PAL-6**  
14 **AND PAL-7 PREPARED BY YOU OR UNDER YOUR SUPERVISION?**

15 A. Yes.

16 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

17 A. Yes.



Duke Energy Ohio, Inc.  
Significantly Excessive Earnings Test  
Case No. 15-0665-EL-UNC  
December 31, 2014

PUCO Case No. 15-665-EL-UNC  
Attachment PAL-1  
Page 1 of 1

<u>Description</u>	<u>Source</u>	<u>Amount</u>
<b>Including Non-SSO Sales and ESP Deferrals</b>		
Adjusted Electric Net Income	PAL-2	145,420,704
Average Electric Common Equity	PAL-4	1,758,588,086
Return Earned on Average Electric Common Equity		8.27%

12 Months Ended December 31, 2014											
Description	Account Level Desc	Account Level	Total	Electric	Eliminations						
					Purchase Accounting	Mark-to-Market	ESSC Revenue	Non-Recurring Gains / Losses	Non-Recurring Rev / Exp	Equity in Earnings of Subsidiaries	Amounts Refunded to Customers
Utility Operating Income											
Operating Revenues	F_UTIL_OP_REV	Level 6	2,036,787,190	1,583,254,588							(76,857,070)
Operating Expenses	F_OP_EXP	Level 8	1,068,791,245	856,245,170							(7,974,008)
Maintenance Expenses	F_MAINT_EXP	Level 8	84,984,846	78,943,777							(209)
Depreciation Expense	F_DEPR_EXP	Level 8	133,244,408	86,796,186							(254,852)
Depreciation Expense for Asset Retirement Costs	F_DEPR_EXP_ARO	Level 8	(1,985)	(1,985)							0
Amort. & Depl. Of Utility Plant	F_AMORT_DEPL_UT_PLNT	Level 8	12,014,645	7,965,129							(1,938,750)
Amort. Of Utility Plant Acquisition Adj.	F_AMORT_UTIL_PLT_AQJ	Level 6	4,330,000	4,330,000							(4,330,000)
Regulatory Details	FERC 407	FERC	51,233,775	39,663,645							0
Less: Regulatory Credits	Accot 407407, 407315, 407907	Account	(2,118,336)	(2,086,523)							0
Taxes Other Than Income Taxes	F_TAX_OTH_INC_TAX	Level 8	226,480,259	184,659,976							0
Income Taxes - Federal	F_INC_TAX_FED	Level 8	(43,897,644)	(3,075,866)							0
Income Taxes - Other	F_INC_TAX_OTH	Level 8	3,285,286	3,075,866							0
Provision For Deferred Income Taxes	F_PROV_DEF_INC_TAX	Level 9	394,791,102	282,802,600							0
Provision For Deferred Income Taxes - Credit	F_DEF_INC_TAX_CR	Level 9	(204,453,232)	(152,548,019)							1,053
Investment Tax Credit Adj - Net	F_INV_TAX_CR_ADJ	Level 8	(589,975)	(367,466)							0
Gains From Disp Of Allow - Credit	F_GAINS_DISP_ALLOW	Level 8	(196,331)	(196,331)	0						0
Accretion Expense	F_ACCRETION_EXP	Level 8	16,258	16,258							0
Total Utility Operating Expenses			1,727,945,321	1,370,410,134	(5,788,045)					0	(38,584,784)
Net Utility Operating Income			308,841,869	212,844,452	5,788,045	(1,116,165)	(27,222,774)	0	(4,710,130)	0	(40,272,286)
Other Income											
Revenues From Merchandising, Jobbing and Contract Wor	F_MERCH_JOB_REV	Level 7	1,587,898	1,586,431							0
Less: Costs & Exp of Merchandising, Jobbing & Contract	F_MERCH_JOB_EXP	Level 7	1,625,939	1,638,358							0
Revenues From Nonutility Operations	Accd 417115, 417005, 417310	Account	219	219							0
Less: Expenses of Nonutility Operations	F_TOT_EXP_NON_UTIL_OP	Level 8	2,393,538	2,393,177							0
Non-operating Rental Income	F_NON_OP_RENTAL_INC	Level 8	(291,116)	(172,524)							0
Equity in Earnings of Subsidiary Companies			143,604,716	129,956,931						(129,956,931)	0
Interest and Dividend Income	F_INT_INC	Level 7	6,839,532	5,890,856							0
AFUDC	F_AFUDC	Level 7	3,218,124	2,351,673							0
Miscellaneous Non-operating Income	F_MISC_NON_OP_INC	Level 8	(1,469,555)	(1,828,843)							0
Gain on Disposition of Property	F_GAIN_DISP_PROP	Level 8	0	0							0
Total Other Income			149,471,602	133,553,207	0	608,358	0	0	0	0	608,358
Other Income Deductions											
Loss on Disposition of Property	F_LOSS_DISP_PROP		1,317	1,317							0
Misc. Amortization	F_MISC_AMORT	Level 8	0	0							(1,317)
Donations	F_DONATIONS	Level 8	1,383,589	875,092							0
Life Insurance	F_LIFE_INS	Level 8	0	0							0
Penalties	F_PENALTIES	Level 8	317	252							0
Civic, Political & Related Activities	F_EXP_CIVIC_POL	Level 8	1,328,146	901,713							0
Other Deductions	F_OTH_DED	Level 8	1,372,848,707	1,372,521,717							0
Total Other Income Deductions			1,375,562,076	1,374,300,091	0	112,455	0	(1,371,705,786)	(10,512)	(1,371,602,526)	(1,371,602,526)
Total Taxes On Other Income and Deductions			(482,761,030)	(493,694,702)	(13,729)	112,455	0	(1,371,705,786)	0	0	(1,371,603,845)
Net Other Income and Deductions	F_TAX_OTH_INC_DED	Level 6	(733,309,444)	(747,052,182)	13,729	320,254	0	485,858,188	3,723	0	486,023,831
Net Interest Charges	F_NET_INTEREST_CHGS	Level 4	68,648,423	36,291,959	38,760	0	0	885,847,588	5,789	(129,956,931)	756,231,439
Net Income			(493,115,998)	(570,499,688)	5,743,014	(795,911)	(49,634,286)	985,847,598	4,716,919	(129,956,931)	715,920,393

Account ID CB	Account Long Descr CB	Account Level & Node Name LVL	12 months Ended 12/31/2014	Elimination	Income Tax Effect	Impact on Net Income
<b>Purchase Accounting</b>						
0447208	Amort Pwr Trdg Intang or Liab	REVENUE	0	0	0	0
0405011	Amort of Other Pur Acctg	F_UTIL_OP_EXP	1,938,750	(1,938,750)		
0406505	Amort Exp - Acq Purch Adj	F_UTIL_OP_EXP	4,330,000	(4,330,000)		
			<u>6,268,750</u>	<u>(6,268,750)</u>	2,220,391	4,048,359
0411849	SO2 COS - Purch Acctg	GAIN_LOSS_UTL_ASSETS	0	0		
0411850	Seasonal NOx COS - Purch Acctg	GAIN_LOSS_UTL_ASSETS	0	0		
			0	0	0	0
0501200	Coal Consumed Purch Acctg Adj	FUEL	0	0		
0501998	Fuel Expense-Purch Acctg		0	0		
0509011	SO2 Emission Exp - Purch Acctg	F_UTIL_OP_EXP	2,662,878	(2,662,878)		
0509211	Seas NOx Emiss Exp - Purch Acctg	FUEL	0	0		
			<u>2,662,878</u>	<u>(2,662,878)</u>	943,182	1,719,688
	Above-the-line Impact			8,931,628	3,163,583	5,768,045
0428200	Amort_Debit_Disc_Pur_Acctg_Adj		393,492	(393,492)		
0429200	Amort_Debit_Prem_Pur_Acctg_Adj		<u>(432,252)</u>	<u>432,252</u>		
			<u>(38,760)</u>	<u>38,760</u>	(13,728)	(26,031)
	Total Purchase Accounting Adjustment		<u>(8,892,868)</u>	<u>8,892,868</u>	<u>3,149,854</u>	<u>5,743,014</u>
<b>Mark-to-Market</b>						
0421530	Power Trading MTM Gains	REVENUE	(608,194)	608,194		
0421531	MTM Unrealized Gain - Reserve	REVENUE	(164)	164		
0421532	Power Trading MTM Gains-Reg	REVENUE	0	0		
0421541	Gas MTM Gains	REVENUE	0	0		
0421542	Electricity - MTM Gain I/C	REVENUE	0	0		
0421543	Non Reg IC MTM Gas Gain		0	0		
0421631	MTM Unreal Gains - EA	FUEL	0	0		
	Other Income		<u>(608,358)</u>	<u>608,358</u>	215,480	392,878
0426531	MTM Unreal Loss-Reserve	REVENUE	(781)	781		
0426532	Power Trading MTM Loss	REVENUE	0	0		
0426533	Power Trading MTM Loss-NonReg	REVENUE	(111,874)	111,874		
0426541	Gas MTM Loss	REVENUE	0	0		
0426542	Electricity - MTM Loss I/C	REVENUE	0	0		
0426543	Non Reg IC MTM Gas Loss		0	0		
0426631	MTM Unreal Losses - EA's	FUEL	0	0		
	Other Income Deductions		<u>(112,455)</u>	<u>112,455</u>	(39,831)	(72,624)
	Net Other Income and Deductions		<u>(495,903)</u>	<u>495,903</u>	175,849	320,254
0501128	Fuels Unrealized MTM Gain	FUEL	180,089	(180,089)		
0501129	Fuels Unrealized MTM Loss	FUEL	<u>(1,908,433)</u>	<u>1,908,433</u>		
			<u>(1,728,344)</u>	<u>1,728,344</u>	(812,179)	(1,116,165)
	Total Mark-to-Market		<u>1,232,441</u>	<u>(1,232,441)</u>	<u>(436,530)</u>	<u>(765,911)</u>
<b>ESSC Revenue - beginning 6/1/14</b>						
0440000	Residential	REVENUE	15,541,919	(15,541,919)		
0440005	Residential-Transp Only	REVENUE	15,850,889	(15,850,889)		
0442100	General Service	REVENUE	4,680,852	(4,680,852)		
0442105	General Svc Transp Only	REVENUE	19,001,238	(19,001,238)		
0442200	Industrial Service	REVENUE	695,416	(695,416)		
0442205	Industrial Svc Transp Only	REVENUE	15,279,377	(15,279,377)		
0444000	Public St & Highway Lighting	REVENUE	37,216	(37,216)		
0444005	Pblic St & Hghwy Lghtng Transp	REVENUE	90,189	(90,189)		
0445000	Other Sales to Public Auth	REVENUE	224,011	(224,011)		
0445005	OPA Transp Only	REVENUE	4,371,819	(4,371,819)		
Various	Change in Unbilled ESSC Revenue	REVENUE	1,104,164	(1,104,164)		
	Total ESSC		<u>79,857,070</u>	<u>(79,857,070)</u>	27,222,774	(49,634,296)
<b>Non-Recurring Gains / Losses</b>						
0421100	Gain On Disposal Of Property	GAIN_LOSS_UTL_ASSETS	0	0	0	1
0421200	Loss On Disposal Of Property	GAIN_LOSS_UTL_ASSETS	1,317	(1,317)	466	851
0426513	Other Deductions - Impairments		0	0	0	0
0426551	Impairment & other related charges	TTL_OTH_INC_&_EXP	990,467	(990,467)	350,821	639,648
0426553	PP&E IMPAIRMENT		1,370,714,002	(1,370,714,002)	485,508,900	885,207,102
0426554	Impairment of Goodwill	TTL_OTH_INC_&_EXP	0	0	0	0
	Total Non-Recurring Gains / Losses		<u>(1,371,705,786)</u>	<u>1,371,705,786</u>	<u>485,858,189</u>	<u>885,847,598</u>
<b>Non-Recurring Revenue / Expense</b>						
CTA - Various	Operation Expenses		7,039,474	(7,039,474)	2,493,382	4,546,092
CTA - 935100	Maintenance Expenses		209	(209)	74	135
CTA - 404200	Depreciation Expense		254,852	(254,852)	90,269	164,583
CTA - Various	Income Taxes & Other Taxes		(1,053)	1,053	(373)	(680)
CTA - Various	Other Deductions		10,512	(10,512)	3,723	6,789
CTA - 431900	Net Interest Charges		0	0	0	0
	Total Non-Recurring Revenue / Expense		<u>7,303,994</u>	<u>(7,303,994)</u>	<u>2,587,075</u>	<u>4,716,919</u>
<b>Equity in Earnings of Subsidiary Companies</b>						
418.1	Equity in Earnings of Subsidiary Companies		<u>129,956,931</u>	<u>(129,956,931)</u>		<u>(129,956,931)</u>
	Total Eliminations		<u>(1,165,248,218)</u>	<u>1,165,248,218</u>	<u>518,381,382</u>	<u>715,920,393</u>

Duke Energy Ohio, Inc.  
Significantly Excessive Earnings Test  
Average Common Stock Equity  
December 31, 2014

Description	December 31, 2013			December 31, 2014			13 Mo. Average Common Equity
	Balance at 12/31/13	Purchase Accounting	Other Adjustments	Balance at 12/31/14	Purchase Accounting	Goodwill & Remove Comm. Profit	Adjusted 12/31/14
Common Stock Equity							
201000 Common Stock	762,136,231	0		762,136,231	0	(370,509,197)	391,627,034
207001 Premium on capital stock	362,457,437	0		362,457,437	0	(362,457,437)	0
208000 Donat Recd From Stock	28,950,000	197,208,819		226,158,819	197,208,819	(203,824,057)	22,332,762
208001 Donat Recd From Debt	1,462,336,840	0	(1,462,336,840)	0	0	0	0
208010 Donat Recd From Debt Tax	0	68,538,328		15,641,578	68,538,328	(75,017,725)	8,162,181
210020 Gain on Redemption of Capital	0	147,885		147,885	0	(147,885)	0
211000 Misc Paid in Capital	0	0		0	0	0	0
211001 Misc Paid in Capital	2,617,382,069	(2,679,846,146)		(62,464,077)	(2,679,846,146)	880,032,355	855,025,941
211002 Misc Paid in Capital	0	0		0	0	0	0
211003 Misc Paid in Capital	0	0		0	0	0	0
211004 Miscellaneous Paid in Capital Pre-Merger Equity	557,581,098	(603,514,489)		(46,933,391)	(603,514,489)	(1,817,546,463)	554,806,657
211005 Miscellaneous Paid in Capital Pre-Merger Equity	0	(625,474,483)		1,817,546,463	(625,474,483)	670,743,300	624,806,612
211100 PIC - Shareowner	0	(3,350,838)		(3,350,838)	0	0	0
211401 Common stock equity inter-company	0	(21,750,868)		(21,750,868)	0	21,750,868	0
216000 Unappropriated RE Bal	(477,451,772)	1,050,110,642	1,403,452,848	3,216,000,655	981,227,241	(2,826,786,290)	(600,420,837)
216100 Unappropriated RE Bal	112,576,514	19,374,282	(115,360,274)	(83,409,478)	5,799,832	675,387,100	188,198,508
438000 Dividends Declared on Common Stock	0	(45,453,363)		(45,453,363)	0	0	0
Accum other comprehensive income (loss)	1,633	(45,453,363)		(45,453,363)	(45,453,363)	45,453,363	0
Total Common Stock Equity	\$ 3,270,158,216	\$ (2,477,090,071)	\$ 897,828,844	\$ 4,688,036,933	\$ (2,584,147,825)	\$ (324,281,769)	\$ 1,795,439,215
Allocation to Duke Energy Ohio Electric <sup>(1)</sup>							90.80%
Average Common Equity Allocated to Duke Energy Ohio Electric							\$ 1,067,332,482

<sup>(1)</sup> Elimination of Mark-to-Market, Non-Recurring Gains & Losses, Equity in Subsidiary Companies and Goodwill Impairment.

<sup>(2)</sup> Source: Attachment PAL-5.

Description	January 31, 2014			February 28, 2014			13 Mo. Average Common Equity
	Balance at 1/31/14	Purchase Accounting	Other Adjustments	Balance at 2/28/14	Purchase Accounting	Other Adjustments	
Common Stock Equity							
201000 Common Stock	762,136,231	0		762,136,231	0		762,136,231
207001 Premium on capital stock	0	362,457,437		362,457,437	0		362,457,437
208000 Donat Recd From Stock	28,950,000	197,208,819		226,158,819	197,208,819		226,158,819
208001 Donat Recd From Debt	1,462,336,840	0	(1,462,336,840)	0	0		0
208010 Donat Recd From Debt Tax	15,641,578	68,538,328		84,179,906	68,538,328		84,179,906
210020 Gain on Redemption of Capital	0	147,885		147,885	0		147,885
211000 Misc Paid in Capital	0	0		0	0		0
211001 Misc Paid in Capital	(44,008,414)	(2,679,846,146)		(695,146,702)	(2,679,846,146)		(695,146,702)
211002 Misc Paid in Capital	1,095,122,010	(2,679,846,146)		(1,800,782,000)	(2,679,846,146)		(1,800,782,000)
211003 Misc Paid in Capital	1,798,286,483	(603,514,489)		1,798,286,483	(603,514,489)		1,798,286,483
211004 Miscellaneous Paid in Capital Pre-Merger Equity	557,581,098	(603,514,489)		(46,933,391)	(603,514,489)		(46,933,391)
211005 Miscellaneous Paid in Capital Pre-Merger Equity	0	(625,474,483)		(625,474,483)	(625,474,483)		(625,474,483)
211100 PIC - Shareowner	0	(3,350,838)		(3,350,838)	0		0
211401 Common stock equity inter-company	0	(21,750,868)		(21,750,868)	0		0
216000 Unappropriated RE Bal	(364,873,259)	981,227,241	1,520,710,509	3,317,034,452	981,227,241		3,317,034,452
216100 Unappropriated RE Bal	42,211,628	3,042,229	65,865,598	130,860,755	3,042,229		130,860,755
438000 Dividends Declared on Common Stock	0	(45,453,363)		(45,453,363)	0		0
Accum other comprehensive income (loss)	1,633	(45,453,363)		(45,453,363)	(45,453,363)		(45,453,363)
Total Common Stock Equity	\$ 5,321,388,141	\$ (2,586,874,455)	\$ 1,520,710,509	\$ 3,411,425,764	\$ (2,586,874,455)		\$ 824,551,309
Allocation to Duke Energy Ohio Electric <sup>(1)</sup>							77.15%
Average Common Equity Allocated to Duke Energy Ohio Electric							\$ 2,632,256,120

<sup>(1)</sup> Elimination of Mark-to-Market, Non-Recurring Gains & Losses, Equity in Subsidiary Companies and Goodwill Impairment.

<sup>(2)</sup> Source: Attachment PAL-5.

Description	January 31, 2014			February 28, 2014			13 Mo. Average Common Equity
	Balance at 1/31/14	Purchase Accounting	Other Adjustments	Balance at 2/28/14	Purchase Accounting	Other Adjustments	
Common Stock Equity							
201000 Common Stock	762,136,231	0		762,136,231	0		762,136,231
207001 Premium on capital stock	0	362,457,437		362,457,437	0		362,457,437
208000 Donat Recd From Stock	28,950,000	197,208,819		226,158,819	197,208,819		226,158,819
208001 Donat Recd From Debt	1,462,336,840	0	(1,462,336,840)	0	0		0
208010 Donat Recd From Debt Tax	15,641,578	68,538,328		84,179,906	68,538,328		84,179,906
210020 Gain on Redemption of Capital	0	147,885		147,885	0		147,885
211000 Misc Paid in Capital	0	0		0	0		0
211001 Misc Paid in Capital	(44,008,414)	(2,679,846,146)		(695,146,702)	(2,679,846,146)		(695,146,702)
211002 Misc Paid in Capital	1,095,122,010	(2,679,846,146)		(1,800,782,000)	(2,679,846,146)		(1,800,782,000)
211003 Misc Paid in Capital	1,798,286,483	(603,514,489)		1,798,286,483	(603,514,489)		1,798,286,483
211004 Miscellaneous Paid in Capital Pre-Merger Equity	557,581,098	(603,514,489)		(46,933,391)	(603,514,489)		(46,933,391)
211005 Miscellaneous Paid in Capital Pre-Merger Equity	0	(625,474,483)		(625,474,483)	(625,474,483)		(625,474,483)
211100 PIC - Shareowner	0	(3,350,838)		(3,350,838)	0		0
211401 Common stock equity inter-company	0	(21,750,868)		(21,750,868)	0		0
216000 Unappropriated RE Bal	(364,873,259)	981,227,241	1,520,710,509	3,317,034,452	981,227,241		3,317,034,452
216100 Unappropriated RE Bal	42,211,628	3,042,229	65,865,598	130,860,755	3,042,229		130,860,755
438000 Dividends Declared on Common Stock	0	(45,453,363)		(45,453,363)	0		0
Accum other comprehensive income (loss)	1,633	(45,453,363)		(45,453,363)	(45,453,363)		(45,453,363)
Total Common Stock Equity	\$ 5,321,388,141	\$ (2,586,874,455)	\$ 1,520,710,509	\$ 3,411,425,764	\$ (2,586,874,455)		\$ 824,551,309
Allocation to Duke Energy Ohio Electric <sup>(1)</sup>							77.15%
Average Common Equity Allocated to Duke Energy Ohio Electric							\$ 2,632,256,120

<sup>(1)</sup> Elimination of Mark-to-Market, Non-Recurring Gains & Losses, Equity in Subsidiary Companies and Goodwill Impairment.

<sup>(2)</sup> Source: Attachment PAL-5.



Description	June 30, 2014			
	Balance at 5-31-14	Purchase Accounting	DENA	Other Adjustments
Common Stock Equity				
201000 Common Stock	782,136,231	0		(370,508,197)
207001 Premium on capital stock	0	382,457,437		(382,457,437)
208000 Donat Recd From Share	28,950,000	187,208,819		(203,924,057)
208010 Donat Recd From Share	1,462,338,840	0	(1,462,338,840)	0
208010 Donat Recd From Share Tax	15,841,578	88,538,328		(75,017,726)
210020 Gain on Redemption of Capital	0	147,686		(147,686)
21003 Misc Paid in Capital	(44,006,414)	0		946,008,414
211004 Miscellaneous Paid in Capital Purch Acctg	1,085,122,010	(2,879,946,146)		2,338,036,795
0211008 Misc PIC Pushdown Adj RE	1,896,286,483	0		(1,896,286,483)
211005 Miscellaneous Paid in Capital Pre-Merger Equity	557,581,086	(803,514,466)		670,740,300
211007 Misc PIC Premium RE for DN	0	(625,474,483)		625,474,483
211110 PIC - Sharewater	0	(3,350,836)		3,350,836
214010 Common stock equity inter-company	0	(21,750,868)		21,750,868
216000 Unappropriated RE Bal	(364,873,259)	981,227,241	1,467,801,400	(2,154,803,065) <sup>m</sup>
216100 Unapp Ret Eings-Curr Yr Net Income	(868,544,100)	5,769,832	54,616	1,068,790,045 <sup>n</sup>
438000 Dividends Declared on Common Stock	0	0		108,070,393
Accum other comprehensive income (loss)	4	(45,465,363)		45,465,360
Total Common Stock Equity	<u>\$ 4,182,810,481</u>	<u>\$ (2,584,147,852)</u>	<u>\$ 5,519,176</u>	<u>\$ 2,522,060,255</u>
				<u>\$ 90.80%</u>
Allocation to Duke Energy Ohio Electric <sup>21</sup>				
Average Common Equity Allocated to Duke Energy Ohio Electric				<u>\$ 1,535,854,685</u>

Description	July 31, 2014			
	Balance at 7-31-14	Purchase Accounting	DENA	Goodwill & Remove Contm Power
Common Stock Equity				
201000 Common Stock	782,136,231	0		(370,508,197)
207001 Premium on capital stock	0	382,457,437		(382,457,437)
208000 Donat Recd From Share	28,950,000	187,208,819		(203,924,057)
208001 Donat Recd From Share	1,462,338,840	0	(1,462,338,840)	0
208010 Donat Recd From Share Tax	15,841,578	88,538,328		(75,017,726)
210020 Gain on Redemption of Capital	0	147,686		(147,686)
211003 Misc Paid in Capital	(44,006,414)	0	(248,142,288)	1,195,148,702
211004 Miscellaneous Paid in Capital Purch Acctg	1,085,122,010	(2,879,946,146)	(15,884,862)	2,365,600,657
0211008 Misc PIC Pushdown Adj RE	1,896,286,483	0		(1,896,286,483)
211005 Miscellaneous Paid in Capital Pre-Merger Equity	557,581,086	(803,514,466)		670,740,300
211007 Misc PIC Premium RE for DN	0	(625,474,483)		625,474,483
211110 PIC - Sharewater	0	(3,350,836)		3,350,836
214010 Common stock equity inter-company	0	(21,750,868)		21,750,868
216000 Unappropriated RE Bal	(364,873,259)	981,227,241	1,203,384,463	(1,803,627,241) <sup>m</sup>
216100 Unapp Ret Eings-Curr Yr Net Income	(864,778,053)	5,769,832	205,818,551	1,897,830,283 <sup>n</sup>
438000 Dividends Declared on Common Stock	0	0		114,538,563
Accum other comprehensive income (loss)	4	(45,465,363)		45,465,360
Total Common Stock Equity	<u>\$ 4,284,375,528</u>	<u>\$ (2,584,147,852)</u>	<u>\$ (318,130,846)</u>	<u>\$ 2,515,258,372</u>
				<u>\$ 90.80%</u>
Allocation to Duke Energy Ohio Electric <sup>21</sup>				
Average Common Equity Allocated to Duke Energy Ohio Electric				<u>\$ 1,531,818,700</u>

Description	August 31, 2014			
	Balance at 8-31-14	Purchase Accounting	DENA	Goodwill & Remove Contm Power
Common Stock Equity				
201000 Common Stock	782,136,231	0		(370,508,197)
207001 Premium on capital stock	0	382,457,437		(382,457,437)
208000 Donat Recd From Share	28,950,000	187,208,819		(203,924,057)
208001 Donat Recd From Share	1,462,338,840	0	(1,462,338,840)	0
208010 Donat Recd From Share Tax	15,841,578	88,538,328		(75,017,726)
210020 Gain on Redemption of Capital	0	147,686		(147,686)
211003 Misc Paid in Capital	(44,006,414)	0		946,008,414
211004 Miscellaneous Paid in Capital Purch Acctg	1,085,122,010	(2,879,946,146)		2,338,036,795
0211008 Misc PIC Pushdown Adj RE	1,896,286,483	0		(1,896,286,483)
211005 Miscellaneous Paid in Capital Pre-Merger Equity	557,581,086	(803,514,466)		670,740,300
211007 Misc PIC Premium RE for DN	0	(625,474,483)		625,474,483
211110 PIC - Sharewater	0	(3,350,836)		3,350,836
214010 Common stock equity inter-company	0	(21,750,868)		21,750,868
216000 Unappropriated RE Bal	(364,873,259)	981,227,241	1,470,042,432	(2,202,408,380) <sup>m</sup>
216100 Unapp Ret Eings-Curr Yr Net Income	(867,726,679)	5,769,832	89,241	1,846,344 <sup>n</sup>
438000 Dividends Declared on Common Stock	0	0		126,617,738
Accum other comprehensive income (loss)	4	(45,465,363)		45,465,360
Total Common Stock Equity	<u>\$ 4,581,427,862</u>	<u>\$ (2,584,147,852)</u>	<u>\$ 7,794,833</u>	<u>\$ 2,485,245,331</u>
				<u>\$ 90.80%</u>
Allocation to Duke Energy Ohio Electric <sup>21</sup>				
Average Common Equity Allocated to Duke Energy Ohio Electric				<u>\$ 1,519,804,411</u>

Description	September 30, 2014			Goodwill & Remove Comm. Power	Adjusted 9-30-14
	Balance at 9-30-14	Purchase Accounting	DEMA		
Common Stock Equity					
201000 Common Stock	782,136,231	0		(370,508,197)	381,627,034
207001 Premium on capital stock	0	382,457,437		(382,457,437)	0
208000 Donat Recd From Shareh	28,860,000	187,208,819		(203,924,057)	22,232,762
208001 Donat Recd From Shareh	1,462,338,840	0	(1,462,338,840)	0	0
208010 Donat Recd From Shareh Tax	15,641,578	88,538,328		(75,017,726)	9,162,180
210020 Gain on Redemption of Capital	0	147,885		(147,885)	0
211003 Misc Paid In Capital	(44,008,414)	0		945,032,355	901,025,941
211004 Miscellaneous Paid In Capital Purch Acctg	1,085,122,010	(2,879,948,148)		2,339,836,795	554,808,657
0211008 Misc PIC Pushdown Adj RE	1,888,286,483	0		(1,888,286,483)	0
211005 Miscellaneous Paid In Capital Pre-Merger Equity	557,581,088	(803,514,486)		670,740,300	624,808,912
211007 Misc PIC Premium RE for DN	0	(625,474,483)		625,474,483	0
211110 PIC - Shareowner	0	(3,350,838)		3,350,838	0
214010 Common stock equity inter-company	0	(21,750,868)		21,750,868	0
216000 Unapportioned RE Bal	(384,873,258)	981,227,241		(2,222,801,177) <sup>m</sup>	(158,192,985)
218100 Unapp Ret Emrg-Curr Yr Net Income	(555,778,827)	5,788,832	98,341	689,855,178 <sup>n</sup>	139,942,494
438000 Dividends Declared on Common Stock					
Accum other comprehensive income (loss)		(45,455,363)		45,455,360	1
Total Common Stock Equity	<u>\$ 4,023,375,854</u>	<u>\$ (2,584,147,852)</u>	<u>\$ 8,013,701</u>	<u>\$ 440,171,413</u>	<u>\$ 2,487,412,816</u>
					<u>80.80%</u>
Allocation to Duke Energy Ohio Electric <sup>21</sup>					
Average Common Equity Allocated to Duke Energy Ohio Electric					<u>\$ 1,514,834,485</u>

Description	October 31, 2014			Goodwill & Remove Comm. Power	Adjusted 10-31-14
	Balance at 10-31-14	Purchase Accounting	DEMA		
Common Stock Equity					
201000 Common Stock	782,136,231	0		(370,508,197)	381,627,034
207001 Premium on capital stock	0	382,457,437		(382,457,437)	0
208000 Donat Recd From Shareh	28,860,000	187,208,819		(203,924,057)	22,232,762
208001 Donat Recd From Shareh	1,462,338,840	0	(1,462,338,840)	0	0
208010 Donat Recd From Shareh Tax	15,641,578	88,538,328		(75,017,726)	9,162,180
210020 Gain on Redemption of Capital	0	147,885		(147,885)	0
211003 Misc Paid In Capital	(44,008,414)	0		945,032,355	901,025,941
211004 Miscellaneous Paid In Capital Purch Acctg	1,085,122,010	(2,879,948,148)		2,339,836,795	554,808,657
0211008 Misc PIC Pushdown Adj RE	1,888,286,483	0		(1,888,286,483)	0
211005 Miscellaneous Paid In Capital Pre-Merger Equity	557,581,088	(803,514,486)		670,740,300	624,808,912
211007 Misc PIC Premium RE for DN	0	(625,474,483)		625,474,483	0
211110 PIC - Shareowner	0	(3,350,838)		3,350,838	0
214010 Common stock equity inter-company	0	(21,750,868)		21,750,868	0
216000 Unapportioned RE Bal	(384,873,258)	981,227,241		(2,288,806,476) <sup>m</sup>	(228,268,981)
218100 Unapp Ret Emrg-Curr Yr Net Income	(543,411,887)	5,788,832	115,076	686,502,838 <sup>n</sup>	148,976,057
438000 Dividends Declared on Common Stock	0				0
Accum other comprehensive income (loss)		(45,455,363)		45,455,360	1
Total Common Stock Equity	<u>\$ 4,025,742,844</u>	<u>\$ (2,584,147,852)</u>	<u>\$ 8,880,789</u>	<u>\$ 365,813,772</u>	<u>\$ 2,423,380,553</u>
					<u>80.80%</u>
Allocation to Duke Energy Ohio Electric <sup>21</sup>					
Average Common Equity Allocated to Duke Energy Ohio Electric					<u>\$ 1,475,832,059</u>

Description	November 30, 2014			Goodwill & Remove Comm. Power	Adjusted 11-30-14
	Balance at 11-30-14	Purchase Accounting	DEMA		
Common Stock Equity					
201000 Common Stock	782,136,231	0		(370,508,197)	381,627,034
207001 Premium on capital stock	0	382,457,437		(382,457,437)	0
208000 Donat Recd From Shareh	28,860,000	187,208,819		(203,924,057)	22,232,762
208001 Donat Recd From Shareh	1,462,338,840	0	(1,462,338,840)	0	0
208010 Donat Recd From Shareh Tax	15,641,578	88,538,328		(75,017,726)	9,162,180
210020 Gain on Redemption of Capital	0	147,885		(147,885)	0
211003 Misc Paid In Capital	(44,008,414)	0		945,032,355	901,025,941
211004 Miscellaneous Paid In Capital Purch Acctg	1,085,122,010	(2,879,948,148)		2,339,836,795	554,808,657
0211008 Misc PIC Pushdown Adj RE	1,888,286,483	0		(1,888,286,483)	0
211005 Miscellaneous Paid In Capital Pre-Merger Equity	557,581,088	(803,514,486)		670,740,300	624,808,912
211007 Misc PIC Premium RE for DN	0	(625,474,483)		625,474,483	0
211110 PIC - Shareowner	0	(3,350,838)		3,350,838	0
214010 Common stock equity inter-company	0	(21,750,868)		21,750,868	0
216000 Unapportioned RE Bal	(384,873,258)	981,227,241		(2,324,888,888) <sup>m</sup>	(258,801,548)
218100 Unapp Ret Emrg-Curr Yr Net Income	(501,526,112)	5,788,832	132,755	670,888,537 <sup>n</sup>	169,344,012
438000 Dividends Declared on Common Stock	0				0
Accum other comprehensive income (loss)		(45,455,363)		45,455,360	1
Total Common Stock Equity	<u>\$ 4,671,626,489</u>	<u>\$ (2,584,147,852)</u>	<u>\$ 7,867,355</u>	<u>\$ 318,119,880</u>	<u>\$ 2,414,405,853</u>
					<u>80.80%</u>
Allocation to Duke Energy Ohio Electric <sup>21</sup>					
Average Common Equity Allocated to Duke Energy Ohio Electric					<u>\$ 1,470,373,225</u>

Duke Energy Ohio, Inc.  
Significantly Excessive Earnings Test  
Net Plant Allocation Factor  
December 31, 2014

PUCO Case No. 15-665-EL-UNC  
Attachment PAL-5  
Page 1 of 1

2014 <span style="border: 1px solid black; padding: 2px;">Duke Energy Ohio, Inc.</span>			
<u>Description</u>	<u>Gas</u>	<u>Electric</u>	<u>Total</u>
Gross Plant (Line 13)	1,865,814,889	3,117,665,779	4,983,480,668
Accumulated Depreciation (Line 33)	<u>511,803,526</u>	<u>1,008,531,714</u>	<u>1,520,335,240</u>
Net Plant	<u>1,354,011,363</u>	<u>2,109,134,065</u>	<u>3,463,145,428</u>
Allocation Percentage	39.10%	60.90%	100.00%

2013 <span style="border: 1px solid black; padding: 2px;">Duke Energy Ohio, Inc.</span>			
<u>Description</u>	<u>Gas</u>	<u>Electric</u>	<u>Total</u>
Gross Plant (Line 13)	1,771,178,129	6,853,866,815	8,625,044,944
Accumulated Depreciation (Line 33)	<u>476,086,519</u>	<u>2,479,335,414</u>	<u>2,955,421,933</u>
Net Plant	<u>1,295,091,610</u>	<u>4,374,531,401</u>	<u>5,669,623,011</u>
Allocation Percentage	22.84%	77.16%	100.00%

Source: FERC Form 1 Pages 200-201



Source of Data per Stipulation in Case No. 11-3549-EL-SSO:

- 1 Source of data is actual data from FERC Form 1 for the calendar year at issue.

Adjustments to Net Income per Stipulation in Case No. 11-3549-EL-SSO:

- 2 Eliminate all impacts related to the purchase accounting recorded pursuant to the Duke Energy / Cinergy Corp. Merger.
- 3 Eliminate all impacts of refunds to customers pursuant to R.C. 4928.143(F)
- 4 Eliminate all impacts of mark-to-market accounting.
- 5 Eliminate all impacts of material, non-recurring gains/losses, including, but not limited to, the sale or disposition of assets.
- 6 Eliminate all impacts of material, non-recurring revenue or expenses.
- 7 Eliminate all impacts of parent, affiliated, or subsidiary companies and, to the extent reasonably feasible and prudently justified in the opinion of Duke Energy Ohio, eliminate the impacts of its natural gas distribution business.
- 8 Only Rider ESSC revenue received while the Company directly owns the Legacy Generation Assets will be included in the SEET review. For the SEET review involving the year in which the Legacy Generation Assets are transferred, the Company's net income will be adjusted to exclude the impact of all revenue collected from Rider ESSC after the date of transfer.

Adjustments to Common Equity per Stipulation in Case No. 11-3549-EL-SSO:

- 9 Common Equity used in the calculation will be the beginning and ending average common equity of Duke Energy Ohio on a stand-alone basis (*i.e.*, equity associated with subsidiaries will be excluded and common equity will be allocated between gas and electric service to the extent practicable) except that a thirteen-month average common equity balance may be used for a review of the SEET for the year in which the Company completes the transfer of its Legacy Generation assets.
- 10 Eliminate the acquisition premium recorded to equity pursuant to the Duke/Cinergy Corp. merger.
- 11 Eliminate the cumulative effect of the Net Income adjustments.

Duke Energy Corporation  
Performance Benchmark  
Total Shareholder Return vs. Philadelphia Utility Index

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	<u>Duke</u>	<u>Rank</u>	<u>Percentile Rank</u>
From January 2012 to:			
Mar-12	-3.4%	14	27.8%
Jun-12	7.3%	9	55.6%
Sep-12	1.7%	14	27.8%
Dec-12	1.4%	9	55.6%
Mar-13	16.6%	8	61.1%
Jun-13	9.6%	11	44.4%
Sep-13	9.6%	11	44.4%
Dec-13	14.5%	11	44.4%
From January 2013 to:			
Mar-13	15.0%	6	73.7%
Jun-13	8.1%	14	31.6%
Sep-13	8.2%	10	52.6%
Dec-13	13.0%	9	57.9%
Mar-14	17.9%	13	36.8%
Jun-14	24.2%	16	21.1%
Sep-14	26.5%	11	47.4%
Dec-14	42.8%	12	42.1%
From January 2014 to:			
Mar-14	4.3%	15	26.3%
Jun-14	9.9%	17	15.8%
Sep-14	12.0%	11	47.4%
Dec-14	26.4%	13	36.8%

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**This foregoing document was electronically filed with the Public Utilities**

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**Case No(s). 15-0665-EL-UNC**

Summary: Testimony Direct Testimony of Peggy A. Laub on Behalf of Duke Energy Ohio, Inc. electronically filed by Dianne Kuhnell on behalf of Duke Energy Ohio, Inc. and Spiller, Amy B. and Watts, Elizabeth H.