DUKE ENERGY OHIO EXHIBIT______

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. 16-781-EL-UNC

DIRECT TESTIMONY OF

PEGGY A. LAUB

ON BEHALF OF

DUKE ENERGY OHIO, INC.

April 15, 2016

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I. INTRODUCTION AND PURPOSE

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

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

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

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

Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL QUALIFICATIONS.

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

Q. PLEASE SUMMARIZE YOUR PROFESSIONAL EXPERIENCE.

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

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

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

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

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

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

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

II. BACKGROUND

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

A. On May 1, 2008, the Governor signed into law Amended Substitute Senate Bill No. 221 (SB 221). This bill amended various statutes in Title 49 of the Ohio Revised Code (R.C.). Among provisions of SB 221 were changes to R.C. 4928.141, which requires electric utilities to provide customers with a default standard service offer (SSO) for competitive retail electric service established through either a market rate offer (MRO) or an electric security plan (ESP). Pursuant to R.C. 4928.142(D)(4) and 4928.143(F), the Commission is required to evaluate the earnings of each electric distribution utility's approved MRO or ESP to determine whether the adjustments in the MRO or ESP result in significantly excessive earnings. R.C. 4928.143(E) addresses the issue of significantly excessive earnings in the context of an ESP having a term longer than three years.

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

A. Duke Energy Ohio is currently providing an SSO of competitive retail electric services pursuant to an ESP that was approved by the Commission on April 2, 2015. The terms of the ESP are set forth in the Commission's Opinion and Order in Case No. 14-841-EL-SSO (ESP Order).

Q. DID THE ESP ORDER THAT THE COMMISSION ISSUED ON APRIL 2, 2015, ADDRESS THE ADMINISTRATION OF THE SEET TO DUKE ENERGY OHIO?

A. Yes. With regard to calculation parameters, the ESP Order did not disagree with the methodology proposed by Duke Energy Ohio and used in its prior SEET proceedings. That methodology provides as follows:

- Net income as shown on page 117, column (c), line (78) of the [FERC] Form 1, adjusted for the following, if necessary:
- Eliminate all impacts related to the purchase accounting recorded pursuant to the Duke

Energy/Cinergy merger.

- Eliminate all impacts of refunds to customers pursuant to R.C. 4928.143(F).
- Eliminate all impacts of mark-to-market accounting.
- Eliminate all impacts of material, non-recurring gains/losses, including, but not limited to, the sale or disposition of assets.
- Eliminate all impacts of material, non-recurring revenue or expenses.
- 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.

The adjusted net income will be divided by Common Equity to determine the resulting ROE. Certain adjustments will be made to Common Equity.

- Common Equity used in the calculation will be the beginning and ending average common equity of Duke Energy Ohio on a stand-alone basis.
- Equity will be adjusted to eliminate the acquisition premium recorded to equity pursuant to the Duke Energy/Cinergy merger.

- Eliminate the cumulative effect of the Net Income adjustments.

Q. DOES THE ESP ORDER DEFINE "SIGNIFICANTLY EXCESSIVE EARNINGS"?

A. No. Pursuant to the ESP Order, the threshold for significantly excessive earnings will be determined with the context of this case for calendar year 2015.

III. COMMISSION'S SEET GUIDELINES

Q. WHAT GUIDELINES DID THE COMPANY FOLLOW WHEN PREPARING ITS 2015 SEET FILING?

A. The Company has followed the guidelines found in the relevant provision of the ESP Order. Additionally, the Company has incorporated into its SEET the Commission's recommendations from Case No. 09-786-EL-UNC (SEET Case).[1]

Q. PLEASE IDENTIFY THE ADDITIONAL RECOMMENDATIONS OF THE COMMISSION IN THE SEET CASE.

A. The Commission's orders in that case generally defer to each company's specific situation. For example, the Commission left the issue of earnings from off-system sales to be determined on a case-by-case basis.[2] The Company included <u>all</u> earnings from off-system sales in its calculation.

As I discuss further below, the Commission also directed utilities to: (1) base average equity balances on the average of the balances at the beginning and

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[1] *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.

[2] *Id.*, Entry on Rehearing, at pg. 13 (Aug. 25, 2010).

at the end of the year;[3] (2) adjust out all impacts from affiliates and other services (*e.g.*, natural gas distribution);[4] and (3) address deferrals and other certain factors.[5]

Q. DID THE COMPANY HAVE ANY ESP-RELATED DEFERRALS IN 2015 THAT IMPACTED EARNINGS?

A. No.

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

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

- the electric utility's most recently authorized return on equity,
- the electric utility's risk, including:
  - whether the electric utility owns generation;
  - whether the ESP includes a fuel and purchased power adjustment or similar adjustments;
  - the rate design and extent to which the electric utility remains subject to weather and economic risk;
  - capital commitments and future capital requirements;
  - indicators of management performance and benchmarks to other

[3] *Id.*, Entry on Rehearing, at pg. 6 (Aug. 25, 2010).
[4] *Id.*, Finding and Order, at pg. 12 (June 30, 2010).
[5] *Id.*

utilities;

- innovation and industry leadership with respect to meeting industry challenges to maintain and improve the competitiveness of Ohio's economy, including research and development expenditures, investments in advanced technology, and innovative practices; and
- the extent to which the electric utility has advanced state policy.

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

A. The Company's most recently approved return on common equity is 9.84 percent for its jurisdictional electric distribution service in Ohio.[6]

Q. DOES THE COMPANY HAVE A MECHANISM FOR RECOVERY OF PURCHASED POWER EXPENSES?

A. Yes. The Company procured 100 percent of the generation services provided to its SSO load in 2015 through an auction process approved in the ESP Order. The Company recovers the cost of this competitively procured power via riders. Duke Energy Ohio makes no profit or loss on power that is procured via the auction process and is ultimately delivered to its SSO customers.

Q. DESCRIBE THE COMPANY'S RATE DESIGN.

A. The Company's rate design for noncompetitive service has been essentially the same since its unbundled rates became effective on January 1, 2001. The Stipulation in Case No. 11-3549-EL-SSO eliminated some riders that existed at

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[6] *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 Recommndation, at pg. 6 (April 2, 2013), and Opinion and Order, at pg. 6 (May 1, 2013).

the end of 2011 and added certain new riders for competitive retail services. As a result, there were new rates for competitive retail services based on allocation methods and rate design processes that were approved by the Commission in that case. The 2014 ESP Order further eliminated some riders for competitive service and modified the design of some riders. Depending on the rate class, some customers may have energy-based rates, demand-based rates, or a combination of both. All customers have some form of a customer charge and some non-residential customers have demand ratchets intended to encourage efficient use of resources. For customers who shop, it is not possible for the Company to know the essentially infinite number of rate design options that may be offered by their competitive retail electric service providers.

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

A. As part of the Stipulation in Case No. 11-3549-EL-SSO, Duke Energy Ohio agreed to file an application to implement a decoupling mechanism for its non-demand-metered customers. The Commission approved the Company's subsequent application toward that end in early 2012, and the Company began accruing a deferral related to the decoupling mechanism. The decoupling mechanism excludes all demand-metered sales but mitigates the impact of certain sales losses, particularly due to compliance with Ohio's energy efficiency mandates. I should note that the approved decoupling mechanism is based on weather-normalized sales; consequently, the Company is still exposed to weather-related earnings risks. The administration of the SEET expressly contemplates that the impacts of Duke Energy Ohio's natural gas are to be eliminated. As such, Duke Energy Ohio does not address, in this proceeding, the weather risks relevant to its natural gas operations.

Q. WILL YOU ADDRESS THE CAPITAL COMMITMENTS AND CAPITAL REQUIREMENTS?

A. As stated in the Company's April 15, 2016, Application filed contemporaneously with my testimony in this case, the current ESP expires on May 31, 2018. The capital budget requirements for the future, committed, electric investments in Ohio are $260 million for 2016, $304 million for 2017, and $322 million for 2018.

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

A. Yes. First, it is important to realize that there is no data that compares the Duke Energy Ohio operating company to its peers. As such, and in an effort to address the Commission's prior directive, reference is made to the information that does exist, on a corporate-wide basis. Attachment PAL-7 is a summary of how Duke Energy Corporation's returns compare to some of its peers. The data represented in this chart represents a comparison of total shareholder return (TSR), which is defined as the sum of dividends and share appreciation divided by a starting price. In this attachment, the first set of numbers shows the TSR for stocks from January 1, 2013, through December 31, 2015. The second set of numbers shows the TSR for stocks purchased from January 1, 2014, through December 31, 2015. The third set of numbers shows the TSR for stocks purchased from January 1, 2015, through December 31, 2015.

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

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

In 2015, the Company completed its full deployment of SmartGrid infrastructure in its service territory. The Company offers time-differentiated rates to its residential customers through Rate TD-13 and Rate TD. Approximately 600 residential customers participate in these time-differentiated rates. All of these efforts serve to advance the state's policy and will encourage demand-side management. Duke Energy Ohio is a leader in this area.

IV. SCHEDULES SPONSORED BY WITNESS

Q. PLEASE DESCRIBE ATTACHMENT PAL-1.

A. Attachment PAL-1 is a schedule showing that the Company's return earned on average electric common equity for the year ended December 31, 2015, is 5.34 percent.

Q. PLEASE DESCRIBE ATTACHMENT PAL-2.

A. Attachment PAL-2 is a schedule showing the calculation of the Company's adjusted electric net income for the calendar year 2015. The source of the utility operating income for the twelve months ended December 31, 2015, is the Company's 2015 FERC Form 1 report, pages 114 to 117. Continuing the methodology used in prior SEET proceedings, which methodology was approved in the ESP Order, purchase accounting recorded as a result of the Duke Energy/Cinergy merger, all impacts of refunds to customers pursuant to R.C. 4928.143(F), all impacts of mark-to-market accounting, all impacts of material, non-recurring gains/losses, all impacts of material, non-recurring revenue or expenses, and all impacts of the natural gas business were eliminated. As shown on the attachment, no refunds were returned to customers during the twelve months ended December 31, 2015. Equity in earnings of subsidiary companies was also eliminated so that the return earned on average common equity would be on a Duke Energy Ohio stand-alone basis.

Q. PLEASE DESCRIBE ATTACHMENT PAL-3.

A. Attachment PAL-3 is a summary of the items eliminated from net income. The schedule shows, by Company account, the impact on net income of eliminating purchase accounting, mark-to-market accounting, non-recurring gains and/or losses, material non-recurring revenues and expenses, and the equity in earnings of subsidiary companies.

Q. PLEASE DESCRIBE ATTACHMENT PAL-4.

A. Attachment PAL-4 is an exhibit showing the calculation of the Company's average electric common stock equity as of December 31, 2015. The attachment shows the common stock equity balances for December 31, 2014, and December 31, 2015, and the calculation of the average electric common equity balance as of December 31, 2015, to be used in determining if Duke Energy Ohio has significantly excessive earnings. Pursuant to the ESP Order, the following items were eliminated in calculating the ending balance for each calendar year: (1) impacts of purchase accounting recorded pursuant to the Duke Energy/Cinergy merger; (2) all impacts of mark-to-market accounting; and (3) all impacts of material, non-recurring gains and/or losses.

Q. PLEASE DESCRIBE ATTACHMENT PAL-5.

A. Attachment PAL-5 is a schedule showing the calculation of a net plant allocation factor used to allocate total average common equity to electric operations. The gas and electric plant data is from the Company's 2014 and 2015 FERC Form 1, pages 200-201. The schedule shows that, based on net plant, 61.19 percent of the Company's average common equity should be allocated to electric operations.

Q. PLEASE DESCRIBE ATTACHMENT PAL-6.

A. Attachment PAL-6 is a summary of assumptions used in this filing, most of which are from Attachment PAL-2 in my testimony in Case No. 14-841-EL-SSO. I have discussed all of the other relevant assumptions in my testimony.

Q. PLEASE DESCRIBE ATTACHMENT PAL-7.

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

V. <u>CONCLUSION</u>

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

A. No. As shown on Attachment PAL-1, Duke Energy Ohio's return earned on average electric common equity is 5.34 percent. Since the return on average electric common equity is substantially less than the Company's approved 9.84

percent rate of return, the Company does not have significantly excess earnings and, therefore, no refund to customers is warranted.

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

A. Yes.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

Duke Energy Ohio, Inc.
Significantly Excessive Earnings Test
Case No. 16-0781-EL-UNC
December 31, 2015

Description	Source	Amount
Including Non-SSO Sales and ESP Deferrals		
Adjusted Electric Net Income	PAL-2	48,331,276
Average Electric Common Equity	PAL-4	904,417,758
Return Earned on Average Electric Common Equity		5.34%

Duke Energy Ohio, Inc.
Significantly Excessive Earnings Test
Adjusted Net Income
December 31, 2015

Description	Account Level Desc	Account Level	12 Months Ended December 31, 2015: Total	12 Months Ended December 31, 2015: Electric	Eliminations: Purchase Accounting	Eliminations: Mark-to-Market	Eliminations: Non-Recurring Gains / Losses	Eliminations: Non-Recurring Rev / Exp	Eliminations: Equity in Earnings of Subsidiaries	Eliminations: Amounts Refunded to Customers	Eliminations: Total Eliminations	Adjusted December 31, 2015
Utility Operating Income												
Operating Revenues	F_UTIL_OP_REV	Level 6	1,432,340,159	985,719,854	0						0	985,719,854
Operation Expenses	F_OP_EXP	Level 8	728,101,255	531,990,507	0	0		(1,928,730)			(1,928,730)	530,061,777
Maintenance Expenses	F_MAINT_EXP	Level 8	58,638,606	52,134,549				0			0	52,134,549
Depreciation Expense	F_DEPR_EXP	Level 8	121,422,783	74,840,051				(449,181)			(449,181)	74,390,870
Depreciation Expense for Asset Retirement Costs	F_DEPR_EXP_ARO	Level 8	0	0							0	0
Amort. & Depl. Of Utility Plant	F_AMORT_DEPL_UT_PLNT	Level 8	8,823,673	6,211,468	0						0	6,211,468
Amort. Of Utility Plant Acquisition Adj.	F_AMORT_UTIL_PLT_ADJ	Level 8	0	0	0						0	0
Regulatory Debits	FERC 407	FERC	71,095,791	44,114,346							0	44,114,346
Less: Regulatory Credits	Acct 407407, 407315, 407907	Account	(7,303,627)	(7,290,577)							0	(7,290,577)
Taxes Other Than Income Taxes	F_TAX_OTH_INC_TAX	Level 8	238,679,448	181,043,104							0	181,043,104
Income Taxes - Federal	F_INC_TAX_FED	Level 8	(24,004,986)	(46,358,335)	0	0	0	842,256		0	842,256	(45,516,079)
Income Taxes - Other	F_INC_TAX_OTH	Level 8	(1,181,523)	(2,164,820)				0			0	(2,164,820)
Provision For Deferred Income Taxes	F_PROV_DEF_INC_TAX	Level 9	243,385,578	185,555,357							0	185,555,357
Provision For Deferred Income Taxes - Credit	F_DEF_INC_TAX_CR	Level 9	(168,274,243)	(119,403,406)							0	(119,403,406)
Investment Tax Credit Adj - Net	F_INV_TAX_CR_ADJ	Level 8	(472,735)	(261,246)							0	(261,246)
Gains From Disp Of Allow - Credit	F_GAINS_DISP_ALLOW	Level 8	(68,545)	(68,545)	0						0	(68,545)
Accretion Expense	F_ACCRETION_EXP	Level 8	0	0							0	0
Total Utility Operating Expenses			1,268,841,475	900,342,453	0	0	0	(1,535,655)	0	0	(1,535,655)	898,806,798
Net Utility Operating Income			163,498,684	85,377,401	0	0	0	1,535,655	0	0	1,535,655	86,913,056
Other Income												
Revenues From Merchandising, Jobbing and Contract Work	F_MERCH_JOB_REV	Level 7	1,884,764	1,884,414							0	1,884,414
Less: Costs & Exp of Merchandising, Jobbing & Contract	F_MERCH_JOB_EXP	Level 7	1,173,289	1,197,250							0	1,197,250
Revenues From Nonutility Operations	Acct 417115, 417005, 417310	Account	205,254	198,479							0	198,479
Less: Expenses of Nonutility Operations	F_TOT_EXP_NON_UTL_OP	Level 8	233,958	233,752							0	233,752
Non-operating Rental Income	F_NON_OP_RENTAL_INC	Level 8	(283,942)	(172,345)							0	(172,345)
Equity in Earnings of Subsidiary Companies			111,454,464	97,622,078					(97,622,078)		(97,622,078)	0
Interest and Dividend Income	F_INT_INC	Level 7	3,413,389	2,137,284							0	2,137,284
AFUDC	F_AFUDC	Level 7	2,052,203	1,721,382							0	1,721,382
Miscellaneous Non-operating Income	F_MISC_NON_OP_INC	Level 8	(672,249)	(1,275,742)		(6,241)					(6,241)	(1,281,983)
Gain on Disposition of Property	F_GAIN_DISP_PROP	Level 8	7,540,913	7,540,913			(7,540,913)				(7,540,913)	0
Total Other Income			124,187,549	108,225,461	0	(6,241)	(7,540,913)	0	(97,622,078)	0	(105,169,232)	3,056,229
Other Income Deductions												
Loss on Disposition of Property	F_LOSS_DISP_PROP		(3,312,010)	(3,312,010)			3,312,011				3,312,011	1
Misc. Amortization	F_MISC_AMORT	Level 8	0	0							0	0
Donations	F_DONATIONS	Level 8	1,128,128	688,249							0	688,249
Life Insurance	F_LIFE_INS	Level 8	(10,432)	(10,432)							0	(10,432)
Penalties	F_PENALTIES	Level 8	694	414							0	414
Civic, Political & Related Activities	F_EXP_CIVIC_POL	Level 8	1,357,440	857,748							0	857,748
Other Deductions	F_OTH_DED	Level 8	73,623,499	73,127,253		0	(70,881,096)	0			(70,881,096)	2,246,157
Total Other Income Deductions			72,787,319	71,351,222	0	0	(67,569,085)	0	0	0	(67,569,085)	3,782,137
Total Taxes On Other Income and Deductions	F_TAX_OTH_INC_DED	Level 6	(18,082,453)	(25,291,886)	(13,729)	(2,211)	21,261,979		0	0	21,246,039	(4,045,847)
Net Other Income and Deductions			69,482,683	62,166,125	13,729	(4,030)	38,766,193	0	(97,622,078)	0	(58,846,186)	3,319,939
Net Interest Charges	F_NET_INTEREST_CHGS	Level 4	62,469,746	41,862,959	38,760			0			38,760	41,901,719
Net Income			170,511,621	105,680,567	(25,031)	(4,030)	38,766,193	1,535,655	(97,622,078)	0	(57,349,291)	48,331,276

Duke Energy Ohio, Inc.
Significantly Excessive Earnings Test
Summary of Net Income Eliminations
December 31, 2015

Account ID CB	Account Long Descr CB	Account Level 6 Node Name LVL	12 months Ended 12/31/2015	Elimination	Income Tax Effect	Impact on Net Income
Purchase Accounting						
0447208	Amort Pwr Trdg Intang or Liab	REVENUE	0	0	0	0
0405011	Amort of Other Pur Acctg	F_UTIL_OP_EXP	0	0		
0406505	Amort Exp - Acq Purch Adj	F_UTIL_OP_EXP	0	0		
			0	0	0	0
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	0	0		
0509211	Seas NOx Emiss Exp - Purch Acctg	FUEL	0	0		
			0	0	0	0
	Above-the-line Impact			0	0	0
0428200	Amort_Debt_Disc_Pur_Acctg_Adj		393,492	(393,492)		
0429200	Amort_Debt_Prem_Pur_Acctg_Adj		(432,252)	432,252		
			(38,760)	38,760	(13,729)	(25,031)
	Total Purchase Accounting Adjustment		38,760	(38,760)	(13,729)	(25,031)
Mark-to-Market						
0421530	Power Trading MTM Gains	REVENUE	6,241	(6,241)		
0421531	MTM Unrealized Gain - Reserve	REVENUE	0	0		
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		6,241	(6,241)	(2,211)	(4,030)
0426531	MTM Unreal Loss-Reserve	REVENUE	0	0		
0426532	Power Trading MTM Loss	REVENUE	0	0		
0426533	Power Trading MTM Loss-NonReg	REVENUE	0	0		
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		0	0	1	(1)
	Net Other Income and Deductions		6,241	(6,241)	(2,210)	(4,031)
0501128	Fuels Unrealized MTM Gain	FUEL	0	0		
0501129	Fuels Unrealized MTM Loss	FUEL	0	0		
			0	0	0	0
	Total Mark-to-Market		6,241	(6,241)	(2,210)	(4,030)
Non-Recurring Gains / Losses						
0421100	Gain On Disposal Of Property	GAIN_LOSS_UTL_ASSETS	7,540,913	(7,540,913)	(2,670,991)	(4,869,921)
0421200	Loss On Disposal Of Property	GAIN_LOSS_UTL_ASSETS	(3,312,011)	3,312,011	(1,173,114)	(2,138,897)
0426510	Other	F_TOT_OTH_INC_DED	70,875,000	(70,875,000)	25,103,925	45,771,075
0426513	Other Deductions - Impairments		0	0	0	0
0426551	Impairment & other related charges	TTL_OTH_INC_&_EXP	6,096	(6,096)	2,160	3,936
0426553	PP&E IMPAIRMENT	TTL_OTH_INC_&_EXP	0	0	0	0
0426554	Impairment of Goodwill	TTL_OTH_INC_&_EXP	0	0	0	0
	Total Non-Recurring Gains / Losses		10,846,828	(81,721,828)	(28,945,871)	38,766,193
Non-Recurring Revenue / Expense						
CTA - Various	Operation Expenses		1,928,730	(1,928,730)	683,156	1,245,574
CTA - 935100	Maintenance Expenses		0	0	0	0
CTA - 404200	Depreciation Expense		449,181	(449,181)	159,100	290,081
CTA - Various	Income Taxes & Other Taxes		0	0	0	0
CTA - Various	Other Deductions		0	0	0	0
CTA - 431900	Net Interest Charges		0	0	0	0
	Total Non-Recurring Revenue / Expense		2,377,911	(2,377,911)	842,256	1,535,655
Equity in Earnings of Subsidiary Companies						
418.1	Equity in Earnings of Subsidiary Companies		97,622,078	(97,622,078)		(97,622,078)
	Total Eliminations		110,891,818	(181,766,818)	(28,119,554)	(57,349,291)

Duke Energy Ohio, Inc
Significantly Excessive Earnings Tes
Average Common Stock Equit
December 31, 2015

	December 31, 2014					December 31, 2015					
Description	Balance at 12-31-14	Purchase Accounting	DENA	Other Adjustments	Adjusted 12-31-14	Balance at 12-31-15	Other Adjustments	Remove Equity in Subsidiaries	Goodwill	Adjusted 12-31-15	Average Common Equity
Common Stock Equity											
201000 Common Stoci	762,136,231	0		(370,509,197)	391,627,034	762,136,231				762,136,231	
207001 Premium on capital stoci	0	362,457,437		(362,457,437)	0	0				0	
208000 Donat Recvd From Stkhk	28,950,000	197,206,819		(203,924,057)	22,232,762	28,950,000				28,950,000	
208001 Donat Recvd From Dukı	1,462,336,840	0	(1,462,336,840)	0	0	1,462,336,840				1,462,336,840	
208010 Donat Recvd From Stkhld Ta	15,641,578	68,538,328		(75,017,726)	9,162,180	15,641,578				15,641,578	
210020 Gain on Redemption of Capit	0	147,685		(147,685)	0	0				0	
211003 Misc Paid in Capita	(44,006,414)	0	0	899,032,355	855,025,941	(1,955,982,307)				(1,955,982,307)	
211004 Miscellaneous Paid in Capital Purch Acctg	943,842,010	(2,879,949,148)	0 [2]	2,490,915,795	554,808,657	943,842,010			(746,918,847)	196,923,163	
0211008 Misc PIC Pushdown Adj RE	1,817,546,493	0		(1,817,546,493)	0	1,667,546,493				1,667,546,493	
211005 Miscellaneous Paid in Capital Pre-Merger Equi	557,581,098	(603,514,486)		670,740,300	624,806,912	557,581,098				557,581,098	
211007 Misc PIC Premerg RE for Di	0	(625,474,493)		625,474,493	0	0				0	
211110 PIC - Sharesave	0	(3,350,836)		3,350,836	0	0				0	
214010 Common stock equity inter-compan	0	(21,750,868)		21,750,868	0	0				0	
216000 Unappropriated RE Bal	(364,873,259)	961,227,241	1,470,011,441	(2,926,786,280) [2]	(860,420,857)	226,871,106		(908,809,161)		(681,938,055)	
216100 Unapp Ret Erngs-Curr Yr Net Income	(493,115,998)	5,769,832	155,653	675,387,100 [1]	188,196,586	(914,348,641)	40,272,787			(874,075,854)	
438000 Dividends Declared on Common Stoci	0	0	0	0	0	0				0	
Accum other comprehensive income (loss	4	(45,455,363)	0	45,455,360	1	4				4	
Total Common Stock Equit	$ 4,686,038,583	$ (2,584,147,852)	$ 7,830,254	$ (324,281,769)	$ 1,785,439,215	$ 2,794,574,412	$ 40,272,787	$ (908,809,161)	$ (746,918,847)	$ 1,179,119,191	
Allocation to Duke Energy Ohio Electric[3]					60.90%					61.19%	
Average Common Equity Allocated to Duke Energy Ohio Electr					$ 1,087,332,482					$ 721,503,033	$ 904,417,758

[1] Source: Attachment PAL-3
[2] Source: Attachment PAL-5.

Duke Energy Ohio, Inc.
Significantly Excessive Earnings Test
Net Plant Allocation Factor
December 31, 2015

2015	Duke Energy Ohio, Inc.		
Description	Gas	Electric	Total
Gross Plant (Line 13)	1,960,523,702	3,311,902,235	5,272,425,937
Accumulated Depreciation (Line 33)	546,848,320	1,083,008,585	1,629,856,905
Net Plant	1,413,675,382	2,228,893,650	3,642,569,032
Allocation Percentage	38.81%	61.19%	100.00%

2014	Duke Energy Ohio, Inc.		
Description	Gas	Electric	Total
Gross Plant (Line 13)	1,865,814,889	3,117,665,779	4,983,480,668
Accumulated Depreciation (Line 33)	511,803,526	1,008,531,714	1,520,335,240
Net Plant	1,354,011,363	2,109,134,065	3,463,145,428
Allocation Percentage	39.10%	60.90%	100.00%

Source: FERC Form 1 Pages 200-201

Source of Data per Order in Case No. 14-841-EL-SSO:

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

Adjustments to Net Income per Order in Case No. 14-841-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.

Adjustments to Common Equity per Order in Case No. 14-841-EL-SSO:

8 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).

9 Eliminate the acquisition premium recorded to equity pursuant to the Duke / Cinergy Corp. merger.

10 Eliminate the cumulative effect of the Net Income adjustments.

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

Attachment PAL-7

	Duke	Rank	Percentile Rank
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%
Mar-15	32.5%	13	36.8%
Jun-15	23.2%	14	31.6%
Sep-15	26.9%	12	42.1%
Dec-15	27.4%	13	36.8%
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%
Mar-15	17.3%	13	36.8%
Jun-15	9.0%	15	26.3%
Sep-15	12.3%	14	31.6%
Dec-15	12.8%	14	31.6%
From January 2015 to:			
Mar-15	-7.2%	14	31.6%
Jun-15	-13.7%	14	31.6%
Sep-15	-11.2%	14	31.6%
Dec-15	-10.8%	14	31.6%