DUKE ENERGY OHIO EXHIBIT_____

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke Energy Ohio, Inc., for Implementation of the Tax Cuts and Jobs Act of 2017.	)))	Case No. 18-1830-GA-UNC
In the Matter of the Application of Duke Energy Ohio, Inc., for Approval of Tariff Amendments.	)))	Case No. 18-1831-GA-ATA

DIRECT TESTIMONY OF

WILLIAM DON WATHEN JR.

ON BEHALF OF

DUKE ENERGY OHIO, INC.

July 31, 2019

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I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is William Don Wathen Jr., and 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 (DEBS), as Director of Rates and Regulatory Strategy for Ohio and Kentucky. DEBS provides various administrative and other services to Duke Energy Ohio, Inc., (Duke Energy Ohio or Company) and other affiliated companies of Duke Energy Corporation (Duke Energy).

Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATION AND PROFESSIONAL EXPERIENCE.

A. I received Bachelor Degrees in Business and Chemical Engineering, and a Master of Business Administration Degree, all from the University of Kentucky. After completing graduate studies, I was employed by Kentucky Utilities Company as a planning analyst. In 1989, I began employment with the Indiana Utility Regulatory Commission as a senior engineer. From 1992 until mid-1998, I was employed by SVBK Consulting Group, where I held several positions as a consultant, focusing principally on utility rate matters. I was hired by Duke Energy (then Cinergy Services, Inc.), in 1998, as an Economic and Financial Specialist in the Budgets and Forecasts Department. In 1999, I was promoted to the position of Manager, Financial Forecasts. In August 2003, I was named to the position of Director - Rates. On December 1, 2009, I took the position of General Manager and Vice President of

Rates, Ohio and Kentucky. On July 3, 2012, as a result of the merger between Duke Energy and Progress Energy Corp., my title changed to Director of Rates and Regulatory Strategy for Ohio and Kentucky.

Q. PLEASE DESCRIBE YOUR RESPONSIBILITIES AS DIRECTOR OF RATES AND REGULATORY STRATEGY FOR OHIO AND KENTUCKY.

A. As Director of Rates and Regulatory Strategy for Ohio and Kentucky, I am responsible for all state and federal rate matters involving Duke Energy Ohio and its subsidiary, Duke Energy Kentucky, Inc.

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

A. Yes. I have previously testified in numerous cases before the Public Utilities Commission of Ohio (Commission) and other regulatory commissions.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THESE PROCEEDINGS?

A. On December 21, 2018, Duke Energy Ohio made a filing in this proceeding, proposing to flow through to customers benefits associated with the reduction in the federal income tax (FIT) rate resulting from the Tax Cuts and Jobs Act of 2017 (TCJA). My testimony begins by describing the details of the Company's proposal. Then I will discuss why the Company's proposal is reasonable and equitable, how it resolves the outstanding issues related to the Commission's orders in Case No. 18-47-AU-COI, and how it compares to the approved and pending proposals for other investor-owned utilities subject to the Commission's jurisdiction. Finally, I will respond to the specific recommendations made by

Commission Staff in its Staff Review and Recommendation, as filed on May 10, 2019 (Staff Report).

II. BACKGROUND

Q. WILL YOU SUMMARIZE THE PROPOSAL MADE BY THE COMPANY WHEN IT FILED ITS APPLICATION ON DECEMBER 21, 2018, IN THIS PROCEEDING?

A. The Company filed this proposal to resolve all outstanding issues related to the impact of the TCJA on Duke Energy Ohio's retail rates for natural gas service. The Company had previously filed comments and testimony in another proceeding, Case No. 18-47-AU-COI, raising questions about the appropriateness of compelling rate reductions without providing due process to utilities. However, the Company made its filing in *this* proceeding to voluntarily implement rate reductions to reflect the lower FIT going back to the first day of the lower rate, regardless of what the Company was actually saving in income taxes.

The Company's proposal essentially includes three major components:

a. A reduction in base rates to reflect the impact of the lower FIT on the overall revenue requirement from the Company's last base rate case (Case No. 12-1685-GA-AIR, *et al.*)

b. A refund of dollars that have been deferred since January 1, 2018, to reflect the lower base revenue requirement calculated above. This refund is calculated as if the lower rates had been in effect on the first day the TCJA was effective. (The time between January 1, 2018, and the effective date of the new rates reflecting the lower FIT is called the "Stub Period.") The refund includes carrying costs on the balance of the amounts accrued through the day the refund begins flowing back to customers.

c. A refund of the protected (or "normalized") excess accumulated deferred income taxes (EDITs) that were included in the Company's existing base rates, amortized over a period consistent with normalization rules.

d. A refund of the unprotected (or "non-normalized") EDITs that were included in the Company's existing base rates, amortized over a ten-year period consistent with the Commission's previous decision in Case No. 18-1185-EL-UNC, whereby it approved a ten-year amortization of the unprotected EDITs related to electric distribution.

e. Implementation of a new rider to flow through to customers the Stub Period refund and the EDITs with a rate design that reasonably allocates the benefits to all rate classes.

The Company proposed that it would begin flowing the benefits of the TCJA back to customers on April 1, 2019; however, due to the new procedural schedule, the benefit to customers will be delayed until the Commission issues an order in this case. Customers will be no worse off, in as much as the accrual will continue over what will be a longer Stub Period.

Q. HOW DID THE COMPANY CALCULATE THE REVISED BASE REVENUE REQUIREMENT?

A. Using the revenue requirement model that generated the base revenue requirement approved by the Commission in Case No. 12-1685-GA-AIR, *et al.*, it is a simple matter to substitute the new FIT of 21 percent for the 35 percent figure used in the original calculation. For the most part, the revision to the FIT flows through all relevant components of the revenue requirement model. For this component of the TCJA proposal, only the impact of the FIT was addressed and none of the EDITs from that model impacted this calculation. As shown in the Application, the result of this calculation was to reduce the annualized base revenue requirement for the 2012 test year from $384,015,062 to $371,090,178, which is a reduction of $12,924,884.

Q. WHAT IS THE SOURCE FOR THE STARTING BASE REVENUE REQUIREMENT?

A. Staff witness William Ross Willis sponsored testimony in Case No. 12-1685-GA-AIR, *et al.*, that supported a stipulation reached in that case. A copy of that testimony is provided as Attachment WDW-1. Included in his testimony was a Revised Schedule A-1, showing that the test year revenue requirement agreed to by the parties to the Stipulation in that case was $384,015,062 (including natural gas cost recovery). On page 76 of the Commission's Order in that case, the Commission explicitly approved that amount. Included in his testimony was also a Revised Schedule C-2, showing the settlement adjusted base revenue, excluding natural gas cost recovery, of $241,326,770. To calculate the reduction in base rates attributable to the lower FIT from the TCJA, the Company used the revenue requirements model that produced that approved base revenue amount.

Q. WHAT IS THE COMPANY'S PROPOSAL FOR IMPLEMENTING THIS REDUCTION?

A. Because there would be no need to modify the Company's billing system and because it is a fair and reasonable method for ensuring that all customers benefit equally from the lower FIT, the Company proposed to reduce base rates across-the-board for the lower FIT. Consequently, the Application includes revised tariffs that reflect a 5.3558 percent ($12,924,884 ÷ $241,326,770) reduction to all base rates.

Q. DOES THE CALCULATED REDUCTION IN FIT EXPENSE APPROVED IN THE 2012 BASE RATE CASE REFLECT THE COMPANY'S ACTUAL TAX SAVINGS DUE TO THE LOWER FIT?

A. No. This methodology does not necessarily reflect actual tax savings. The calculation is an accurate calculation of the reduction in the income tax component of the Company's base revenue requirement for income taxes during the test year used in the last rate case, which was the twelve months ending December 31, 2012; however, the actual revenues and costs realized by the Company since the effective date of the TCJA are not necessarily the same as the revenue and costs approved in the last base rate case. Consequently, the measure of how much the Company's tax expense changed during the 2012 test year is not likely to be the same as the Company's actual tax savings in 2018 and thus far in 2019.

Q. WHY DID THE COMPANY PROPOSE TO USE THE LAST BASE RATE CASE AS THE BASIS FOR CALCULATING THIS COMPONENT OF ITS PROPOSED REFUND FOR THE TCJA?

A. The last base rate case represents the most recent filing made by the Company that comprehensively reviewed the overall earnings from its natural gas distribution business. Absent a separate forum to fully review whether the Company is actually earning its approved rate of return, the revenue requirement approved in the last rate case represents the most recent fully developed analysis of the financial condition of the Company's natural gas operations. Rather than subject the Company, Staff, and intervenors to what would most likely be protracted litigation over what the Company's regulated earnings have been since the effective date of the TCJA, the Company's proposal to use the agreed-to and approved revenue requirements model from the last natural gas base rate case is a means of minimizing any controversy about the magnitude of the FIT benefit that should flow through base rates.

Q. IS THIS THE BASIS FOR CALCULATING THE DEFERRALS DURING THE STUB PERIOD?

A. Yes. Beginning with activity for January 2018, the Company has been accruing a deferral for the difference between the actual base revenue it has been collecting and what it would have been collecting if the lower FIT rate had been used to calculate existing base rates.

Q. WERE BASE RATES THE ONLY REVENUE SOURCE THAT WAS IMPACTED BY THE LOWER FIT?

A. No. The Company has two riders, one for its gas SmartGrid, Rider AU, and one for its accelerated main replacement program, Rider AMRP, both of which, for the first few months of 2018, were collecting revenue at rates that did not reflect the lower FIT. Beginning in April 2018 for Rider AU, and in May 2018 for Rider AMRP, the lower FIT was reflected in the revenue requirement calculations for these two riders. Up until that time, the Company recorded additional deferrals to refund the difference in revenue requirements owing to the reduction in the FIT.

Q. WHAT IS THE CURRENT BALANCE OF THE DEFERRAL FOR THE STUB PERIOD?

A. As of June 30, 2019, the amount recorded by the Company for the Stub Period is $21,416,539, excluding any carrying costs. The Company's Application proposed to include carrying charges calculated at the long-term debt rate from the most recent natural gas base rate case. Adding carrying charges, the total refund amount proposed by the Company, as of June 30, 2019, is $22,325,988.

The ultimate amount to be refunded will not be known until the Commission concludes this proceeding. In any event, the Company will continue accruing the deferral, with carrying charges, until the Company's revenue is adjusted for the lower FIT.

Q. DESCRIBE THE COMPANY'S PROPOSAL TO REFUND EDITS.

A. The Company is proposing to create a rider, Rider GTCJA, to refund 100 percent of the EDITs that were included in the Company's most recent natural gas rate base as of March 31, 2012, the date certain in that case. Rider TCJA will flow through to customers both protected and unprotected EDITs, grossed up by the prevailing income tax, by means of a credit on their bills. The Company is proposing to amortize the protected EDITs using the average rate assumption method (ARAM), so as not to violate any normalization rules, and to amortize the unprotected EDITs over ten years.

Q. WHY IS THE COMPANY PROPOSING TO USE THE EDITS BASED ON THE RATE BASE THAT WAS APPROVED IN THE MOST RECENT NATURAL GAS BASE RATE CASE?

A. There are several reasons for using the last natural gas base rate case as basis for calculating the refund obligation associated with the impact of the TCJA on accumulated deferred income taxes (ADITs). First, the magnitude of the ADITs included in the rate base underlying Company's existing base rates is known as a result of a full rate case where the entirety of the Company's cost of service and revenue requirement was completely vetted, agreed to by the parties to the case, and ultimately approved by the Commission. There is no controversy about how much deferred taxes are included in base rates. Revised Schedules B-1 and B-6 included in the testimony of Staff witness Willis,[1] and in the Staff Report filed that case,[2] clearly detail the ADIT balances approved in the Company's existing base rates.

[1] *In the Matter of the Application of Duke Energy Ohio, Inc., for an Increase in Gas Rates*, Case No. 12-1685-GA-AIR, *et al.*, Pre-filed Testimony of Wm. Ross Willis, in Support of Joint Stipulation and Recommendation (April 22, 2013) (included as Attachment WDW-1).
[2] Id., A Report by the Staff of the Public Utilities Commission of Ohio, Duke Energy Ohio, Inc. (January 4, 2013).

The second reason is related to the first. There is no reason to dispute the magnitude of the ADITs included in base rates as this issue was one component of the revenue requirement that was agreed to and approved by the Commission. On the other hand, using another date, such as balances as of December 31, 2017, would require speculation and numerous assumptions. For instance, some of the deferred tax balances that existed on December 31, 2017, relate to certain regulatory assets for which recovery is being disputed by Staff and other parties. One regulatory asset on the Company's balance sheet on December 31, 2017, relates to costs the Company has been allowed to defer, namely, environmental investigation and remediation costs associated with the its former manufactured gas plants (MGP).[3] When the actual incurred MGP costs are deferred for future recovery there is an expense for calculating the Company's current income tax that is not, at that time, recorded for calculating the Company's book expense. Consequently, the deferral of actual MGP costs creates a deferred income tax. The Company has multiple filings before the Commission seeking recovery of its MGP costs going back to expenses incurred since January 1, 2013.[4] As of December 31, 2017, there was an accumulated deferred income tax associated with the deferred MGP costs incurred up to that date.

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[3] *In the Matter of the Application of Duke Energy Ohio, Inc., for Authority to Defer Environmental Investigation and Remediation Costs*, Case No. 09-712-GA-AAM, Finding and Order (November 12, 2009), pg. 4; *In the Matter of the Application of Duke Energy Ohio, Inc., for an Increase in its Natural Gas Distribution Rates*, Case No. 12-1685-GA-AIR, *et al*., Opinion and Order (November 13, 2013), pp. 70-74 (hereinafter the Commission's Order); *In re the Matter of the Application of Duke Energy Ohio, Inc. for Authority to Defer Environmental Investigation and Remediation Costs,* Case No. 16-1106-GA-AAM, *et al.,* Finding and Order (December 21, 2016), pg. 1.

[4] The first such filing for calendar year 2013 costs was made on March 31, 2014, in Case No. 14-0375-GA-RDR, *et al.* The second such filing for calendar year 2014 costs was made on March 31, 2015, in Case No. 15-0452-GA-RDR, *et al*. The third such filing for calendar year 2015 costs was made on March 31, 2016, in Case No. 16-0542-GA-RDR, *et al.* The fourth such filing for calendar year 2016 costs was made on March 31, 2017, in Case No. 17-596-GA-RDR, *et al.* The fifth such filing for calendar year 2017 costs was made on March 28, 2018 in Case No. 18-283-GA-RDR, *et al.*

In its Staff Review for the cases involving MGP costs for 2013 through 2017, Staff recommended a disallowance of nearly $12 million. A portion of the total ADIT balance that existed on December 31, 2017, relates to the $12 million of deferred MGP cost that Staff recommends the Company not recover. The excess deferred income tax associated with the amounts Staff is recommending be disallowed is approximately $1.7 million ($12 million x (35% - 21%)). It would be completely unreasonable for the Company to be required to refund the income tax benefit for an expense it may not be allowed to recover from customers. In other words, if the Commission accepts Staff's recommendation to disallow $12 million in MGP costs, then it would be inequitable to give customers the benefit of refunding deferred income taxes related to an expense they will not have to pay for. If shareholders are required to bear the burden of an expense, then shareholders should benefit from any tax benefits generated by that expense.

There are other deferred income taxes from the December 31, 2017, balance sheet that are also related to deferrals for which recovery is not yet approved. Unless and until those deferrals are ultimately approved for recovery, it is unreasonable for customers to receive a benefit related to any cost they are ultimately not going to pay through rates. Using the rate base approved in the last base rate case eliminates any controversy about determining how much of the December 31, 2017, deferred tax balance should be refunded to customers. The balance approved in the last base rate case is the amount included in base rates and factually is the amount that customers are paying.

The third reason for using the balances of ADITs as the basis for refunding EDITs is that this proposal has already been agreed to by Staff and the Ohio Consumers' Counsel (OCC), and approved by the Commission, in a proceeding involving Columbia Gas of Ohio (Columbia Gas). In as much as there was consensus among the parties to use the date certain from the last base rate case in the case settling the TCJA matter for Columbia Gas,[5] and because it was approved by the Commission, it must be a reasonable approach. To suggest that it is not a reasonable approach would mean that the parties in the Columbia Gas case recommended an unreasonable basis for calculating EDITs and the Commission approved an unreasonable outcome.

Q. HOW DID DUKE ENERGY OHIO DETERMINE THE REFUND OBLIGATION FOR DEFERRED TAXES FOR ITS ELECTRIC DISTRIBUTION BUSINESS?

A. The circumstances related to the Company's resolution of the TCJA issues for its electric distribution business were quite different than for its gas business. Specifically, at the time of the passage of the TCJA, the Company had a pending electric distribution base rate case before the Commission. That case was still pending when the Company filed its proposal to address the TCJA impacts on its electric business in Case No. 18-1185-EL-UNC, *et al.* At the time of that filing, the Company had already reached a stipulation with several parties in its electric distribution base rate case, Case No. 17-32-EL-AIR, *et al.* That stipulation included an agreement on the base revenue requirement, which, in turn, meant

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[5] *In the Matter of the Application of Columbia Gas of Ohio, Inc. for Approval of an Alternative Form of Regulation,* Case No. 17-2202-GA-ALT, Stipulation and Recommendation, pg. 3 (October 25, 2018); and Opinion and Order, pg. 9 (November 28, 2018).

agreement on the magnitude of the deferred taxes included in base rates at the date certain in that rate case.

When the Company filed its application in Case No. 18-1185-EL-UNC, there was no other approved model for addressing the TCJA impacts on base rates and, in the seeming absence of a superior alternative, the December 31, 2017, date was used. Since that time, the Commission approved the Columbia Gas approach, which is a more sensible approach and is less vulnerable to disputes over which deferred taxes are owed to customers.

Q. IS THE COMPANY'S PROPOSAL FOR REFUNDING DEFERRED TAXES CONSISTENT WITH THE MODEL FOR COLUMBIA GAS?

A. It is essentially the same proposal that was agreed to by Staff and OCC, and ultimately approved by the Commission.

Q. DESCRIBE THE ALLOCATION AND RATE DESIGN ELEMENTS OF THE COMPANY'S PROPOSAL.

A. As I discussed earlier, the simplest method for reflecting the impact of the lower FIT on natural gas base rates is to simply adjust base rates across the board. This avoids the need for implementing any administratively burdensome, time-consuming, and potentially costly changes to the Company's billing system. It is reasonable in that it allocates the benefit evenly across all rate classes based on their relative base revenues as allocated in the prior rate case.

The Company's proposal for refunding the FIT benefit during the Stub Period and the EDITs is to create a new rider, Rider GTCJA. The Company proposes to allocate the total refund amount for any given year in proportion to the overall base revenues from the last base rate case, which is effectively the same allocation as with the reduction to base rates discussed earlier.

The Company is proposing to implement Rider GTCJA as a per bill credit for all customers except for Interruptible Transportation (IT) customers. For IT customers, the credit would be in the form of a credit per hundred cubic feet of usage.

Q. ARE THE COMPANY'S PROPOSALS FOR ALLOCATING THE TCJA BENEFITS AND FOR RATE DESIGN REASONABLE?

A. Yes. The Company's proposal is the simplest to implement and ensures that all customers receive the benefit of the TCJA. In addition, flowing through the impact of the lower FIT on base rates by simply adjusting base rates is also consistent with the method approved in the Columbia Gas case. There is no rational basis for deviating from this Commission-approved method for adjusting base rates.

Q. IN YOUR OPINION, DOES THE COMPANY'S PROPOSAL SATISFY THE COMMISSION'S DIRECTIVES AS OUTLINED IN ITS ORDERS IN CASE NO. 18-47-AU-COI?

A. Yes. Through its orders and in statements made during the Commission's weekly meetings, it was made clear that the Commission's intent is that "benefits resulting from the TCJA will be returned to customers."[6] As it relates to electric service, the Company has already satisfied that mandate and it is currently providing customers all of the benefits associated with the TCJA. The Company's

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[6] *In the Matter of the Commission's Investigation of the Financial Impact of the Tax Cuts and Jobs Act of 2017 on Regulated Ohio Utility Companies*, Case No. 18-47-AU-COI, Finding and Order, pg. 16 (October 24, 2018).

application in this proceeding includes a proposal that accomplishes the same outcome for its natural gas business.

Q. HAS THERE BEEN A STANDARDIZED APPROACH TO ADDRESSING THE TCJA IMPACTS FOR OHIO'S REGULATED UTILITIES?

A. No. The various utilities have unique circumstances that would preclude a one-size-fits-all approach. Some utilities had pending rate cases when the TCJA was enacted. Some utilities filed cases very soon after the TCJA was enacted but before the Commission had fully vetted the issues. For some utilities, the TCJA matters were essentially consolidated with other ongoing cases. The point is that there is no "one-size-fits-all" approach to address the TCJA impacts. The Commission itself recognized this in its Finding and Order in Case No. 18-47-AU-COI when it noted that "[t]he Commission agrees with the overwhelming majority of comments that stress a generalized, 'one-size-fits-all' approach would be inappropriate to address all of the issues raised by the TCJA."[7] However, where circumstances are comparable between utilities, the approved resolutions of the issues should similarly be comparable. Differential treatment must be based on identifiable, factual differences.

Q. WHAT IS THE STATUS OF THE CASES INVOLVING THE TCJA IMPACTS FOR THE MAJOR UTILITIES?

A. According to information on the Commission Docketing Information System, all of the major utilities have at least fulfilled the requirement to make a filing for how to address the TCJA impacts. As of the date of this filing, Ohio Power, Duke Energy Ohio, and all of the FirstEnergy Ohio electric distribution utilities have

[7] Id., pg. 17.

implemented Commission-approved settlements to flow through all of the benefits of the TCJA to electric customers. Collectively, the different ways in which the utilities have proceeded illustrate the impracticality of attempting a "one-size fits all" approach.

Dayton Power and Light (DP&L) resolved certain aspects of the TCJA in its recent electric distribution rate case (Case No. 15-1830-EL-AIR, *et al.*) and made a subsequent filing in Case No. 19-572-EL-UNC to resolve the remaining issues. DP&L's case remains pending but there are significant differences between DP&L's proposed resolution and those of other utilities, again underscoring the Commission's observation that there is no "one-size-fits-all" approach.

For Ohio's investor-owned gas utilities, Columbia Gas and Ohio Gas are the only major local distribution companies (LDCs) that have approved TCJA proposals. Dominion East Ohio Gas (Dominion) and Duke Energy Ohio (Gas) modeled their respective TCJA proposals after the Columbia Gas proposal that was approved by the Commission.[8] Dominion, Columbia, and Duke Energy Ohio have an important characteristic in common: none of these utilities has been in for a rate case for several years. On the other hand, Vectren Energy Delivery of Ohio (Vectren) filed an application to increase its base rates on March 30, 2018.[9] Vectren filed a separate case to address the TCJA impacts not already addressed

[8] *In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion Energy Ohio Regarding Implementation of the Tax Cuts and Jobs Act of 2017*, Case No. 18-1908-GA-UNC, *et al.*, Application (December 31, 2018).
[9] *In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Approval of an Increase in Gas Rates,* Case No. 18-298-GA-AIR, *et al.*, Application to Increase Rates and Charges (March 30, 2018).

in the base rate in Case No. 19-29-GA-UNC.[10] Both Vectren cases are still pending as of the date of this filing. Finally, for Ohio Gas, it too was in the midst of a base rate case when the TCJA was implemented. The Commission approved the Ohio Gas rate case, settling some of the TCJA issues, but required the company to file a separate case to address the refund of the Stub Period and the refund of EDITs. Ohio Gas proposed that it be required to make no refunds of either the FIT savings during the Stub Period or any of its EDITs, in exchange for forgoing any future benefit of the increase in rate base associated with the amortization of the EDITs. The Commission approved that proposal, which is significantly different than any other proposal in that Ohio Gas shareholders are allowed to keep all of the TCJA benefits not flowing through base rates in exchange for future rate concessions.[11]

For natural gas utilities regulated by the Commission, these are the only ones that qualify as "major" (*i.e.*, more than 30,000 customers).[12]

Q. WHAT CAN ONE CONCLUDE FROM THESE CASES?

A. First, there is no consistent established precedent for addressing the TCJA issues, which is compounded by the uniqueness of the circumstances for each utility. As of the date of this filing, the proposals by Ohio Power and Duke Energy Ohio have been approved by the Commission to fully address the TCJA matters for electric customers. On July 17, 2019, the Commission approved a settlement for

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[10] *In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Approval of a Tax Savings Credit Rider*, Case No. 19-0029-GA-ATA, Application (January 7, 2019).

[11] *In the Matter of the Application of Ohio Gas Company for a Waiver of Orders Related to the Tax Cuts and Jobs Act of 2017*, Case No. 18-1903-GA-WVR, Stipulation and Recommendation (April 25, 2019), pg. 6; Opinion and Order, pg. 5 (June 19, 2019).

[12] Gas utilities with fewer than 30,000 customers are defined as "small" in the Commission's rules. O.A.C. 4901-7-01.

FirstEnergy that also resolves issues spanning several cases, including the TCJA matters. However, as noted above, the unique circumstances for FirstEnergy meant that resolution of its TCJA matter differed from the resolutions for Duke Energy Ohio's electric business and for Ohio Power. As noted above, the proposal for DP&L remains pending before the Commission. For the major gas utilities, only Columbia Gas and Ohio Gas have Commission-approved proposals to fully address the TCJA impacts. Dominion and Duke Energy Ohio, having the most in common with Columbia Gas, made proposals mirroring the Commission-approved proposal for Columbia Gas.

Although there is no "one-size-fits-all" approach for all of the utilities in the state, there is ample reason to seek consistency among those utilities who are similarly situated. Consequently, the approach that the Commission should take for Duke Energy Ohio (and for Dominion) is to be consistent with the approach taken for Columbia Gas. It is irrational to assert that the Columbia Gas model is reasonable for Columbia Gas but not for Duke Energy Ohio and Dominion, when all three of these utilities are so similarly situated. There is no meaningful difference in the circumstances for these three utilities to justify a different approach for one.

III. STAFF RECOMMENDATIONS

Reduction in Ongoing Base Rates

Q. DOES STAFF AGREE WITH THE COMPANY'S PROPOSAL TO MODIFY BASE RATES TO REFLECT THE LOWER FIT RATE?

A. No. Staff is recommending that, instead of reducing the base rates across-the-board by 5.3558 percent, the Company should leave base rates unadjusted and apply a 5.3558 percent discount through the Company's proposed Rider GTCJA.

Q. IS STAFF'S PROPOSAL REASONABLE?

A. No. It is not clear what problem Staff is trying to solve with this proposal as the impact on customers is exactly the same. The impact on the Company, however, is not exactly the same. While it would be a trivial exercise to simply adjust base rates without any major adjustments to the billing system, Staff's proposal would place additional administrative and financial burden on the Company by requiring significant changes to its billing system, without providing any incremental economic benefit to the customer. Additionally, it would be impossible for the Company to include this base rate reduction in its proposed Rider GTCJA. The Company cannot simply add this credit to its proposed Rider GTCJA because the rate design is different than what is being proposed in Rider GTCJA. The Company is proposing to implement Rider GTCJA as a per-bill credit for all customers except for Interruptible Transportation (IT) customers. For IT customers, the credit would be in the form of a credit per hundred cubic feet of usage. To accommodate Staff's recommendation, the Company would have to create two separate riders. This seems unnecessarily burdensome as opposed to the Company's original proposal of a percentage reduction to existing tariffs. There is no rational basis for adding this burden to the Company when it adds no benefit to the customer. It also has the potential to add confusion for customers as there will be multiple components on their bills to reflect the impact of one event.

Furthermore, it is inexplicable why Staff would agree to adjusting base rates for this component in the Columbia Gas case but recommend something different for Duke Energy Ohio. There is no meaningful difference in the circumstances for these companies on this issue; so, the fair and reasonable solution is to accept the Company's proposal to adjust base rates, just like Staff agreed to in the Columbia Gas case.

Refund of FIT Benefit for the Stub Period

Q. WHAT IS STAFF'S RECOMMENDATION FOR REFUNDING THE FIT BENEFIT DURING THE STUB PERIOD?

A. First, it should be noted that Staff did not appear to take exception to the Company's calculation. For the total dollars to be refunded for the FIT savings during the Stub Period, Staff is proposing to amortize the total amount over a twelve-month period beginning with the effective date of Rider GTCJA.

Q. IS THAT PROPOSAL ACCEPTABLE TO THE COMPANY?

A. Yes. It is consistent with Duke Energy Ohio's initial proposal.

Q. IS THERE AN ALTERNATIVE THAT THE COMMISSION SHOULD CONSIDER?

A. Because the Company is continuing to accrue this deferral and because the implementation of Rider GTCJA is not likely to begin earlier than the fall of

2019, Duke Energy Ohio is willing to extend the amortization period over two years instead of one. Customers will get the same amount of the refund but spreading it out over two years will extend the benefit of lower rates for a longer period. Spreading the benefit over a longer period will also mitigate some rate volatility. Rates will drop significantly when this refund is flowed through Rider GTCJA and will rise by an equal amount when the refund is fully returned to customers. Spreading the refund out over a longer period will mean a smaller rate reduction initially but it will also mean a smaller rate increase when the refund obligation ends.

The Company offers this as an alternative for the Commission to consider, but any amortization period of at least one year is acceptable.

Excess Accumulated Deferred Income Taxes

Q. IS STAFF RECOMMENDING THAT THE APPROACH FOR DUKE ENERGY OHIO BE CONSISTENT WITH THE APPROACH APPROVED FOR COLUMBIA GAS?

A. No. Without explanation, Staff simply asserts that, instead of using the deferred tax balances as of the date certain in the last rate case, as it agreed to in the Columbia Gas case, Duke Energy Ohio should be required to use the December 31, 2017, balance of deferred taxes as the basis for the amount to be refunded to customers. (It made the same recommendation in Dominion's TCJA case, again contradicting what the Commission approved and Staff agreed to in the Columbia Gas TCJA case).

Q. IS STAFF'S APPROACH REASONABLE?

A. It is not reasonable to require Duke Energy Ohio to use the December 31, 2017, balance of deferred taxes as the basis for the amount to be refunded. This is because some of the deferred income taxes on the balance at that date relate to deferred expenses for which recovery is still uncertain. It is simply impossible to determine with certainty today how much of the deferred tax balances as of December 31, 2017, will ultimately be owed to customers. With respect to most of the deferred tax balance, Staff's approach is not unreasonable, but Staff's approach fails to account for these uncertainties. Thus, the virtue of using the balances from the date certain in the last rate case is that there is no question about whether or not these deferred taxes are included in base rates.

Q. EXPLAIN WHY UNCERTAINTY ABOUT THE RECOVERY OF DEFERRED EXPENSES IMPACTS THE AMOUNT OF DEFERRED INCOME TAXES OWED TO CUSTOMERS?

A. The Company's balance sheet as of December 31, 2017, includes a number of regulatory assets. In many cases, the Commission allows its regulated utilities to record deferrals of certain expenses it incurs and will decide at a later date whether recovery is ultimately allowed. A noteworthy example is the Company's costs related to the MGP investigation and remediation. Pursuant to Commission approval, Duke Energy Ohio deferred expenses it incurred related to MGP investigation and remediation expenses from 2013 through 2017. The expense reduced the Company current income tax liability but, because it was deferred for "book" purposes, it did not reduce the Company's book tax liability. Therefore, this difference in the treatment for tax for book created a deferred tax.

In several pending cases before the Commission related to recovery of the deferred MGP costs, Staff is recommending against recovery of a significant portion of the MGP deferral and, if the Commission accepts Staff's recommendations, the deferred taxes related to the deferred MGP costs would not be owed to customers. There are other regulatory assets related to the deferred taxes on the December 31, 2017, balance sheet for which the Commission has not yet made a determination regarding recovery. The MGP deferral is just one example but it highlights the uncertainty associated with the December 31, 2017, figure, as opposed to the known quantity associated with the date certain in the last approved rate case.

If the Commission ultimately accepts Staff's recommendation here to use December 31, 2017, deferred tax balances as the basis for refunding EDITs, there must be some mechanism available to the Company to ensure that any refund obligation is reduced if the origin of the deferred income tax is related to a regulatory asset that is ultimately disallowed by the Commission.

Q. DID STAFF RECOMMEND ANY CHANGES TO THE COMPANY'S PROPOSAL FOR AMORTIZING THE EDITS?

A. Staff recommended the same amortization period for the protected EDITs but recommended an amortization period of only six years for the unprotected EDITS. Six years is a significantly shorter amortization period than the ten-year period proposed by the Company and what the Commission previously approved for the Company's electric operations. Because the Company is a combination natural gas and electric utility, and a significant portion of its customers are combination natural gas and electric customers, for ease of administration alone, the Company believes the two amortizations should be aligned at ten years. Additionally, some of the EDITs relate to assets that are common to both electric and natural gas. For 2017, 36.14 percent of Common Plant is allocated to Duke Energy Ohio's natural gas business and 63.86 percent is allocated to the Company's electric business (including both transmission and distribution). Because the EDITs at issue are based on December 31, 2017, balances this is how EDITs related to Common Plant are allocated. It does not seem rational to amortize 36.14 percent of an EDIT related to Common Plant at six years, as proposed by Staff, and the remaining 63.86 percent of the same EDIT over ten years, as the Commission already approved in Case No. 18-1185-EL-UNC.

Q. IS THE COMPANY WILLING TO ACCEPT STAFF'S PROPOSED SIX-YEAR AMORTIZATION PERIOD FOR UNPROTECTED EDITS?

A. Yes. Although the Company believes it would be more appropriate to keep symmetry with the ten-year amortization period already approved for its electric business, Duke Energy Ohio is willing to accept Staff's recommendation in the spirit of compromise.

Rider AU and AMRP

Q. DESCRIBE STAFF'S RECOMMENDATION RELATED TO RIDERS AU AND AMRP.

A. Although Staff recommended that the December 31, 2017, balances of deferred income taxes be used as the basis for calculating the EDIT refund obligation, Staff confuses its recommendation here with the approach taken for Columbia Gas. If the Company is required to refund all EDITs based on the balance sheet from December 31, 2017, via Rider GTCJA, there are no more EDITs to flow through Riders AU and AMRP. Consequently, Staff's recommendation to segregate the EDITs associated with Riders AMRP and AU from the EDITs in base rates is inappropriate. First, the EDITs in "base rates" are the EDITs from the date certain the base rate case. The deferred income taxes as of December 31, 2017, are not necessarily in existing base rates. The reason the Company proposed to segregate the EDITs associated with Riders AMRP and Rider AU is that the current revenue requirement for those riders is based on capital additions made since the date certain in the last rate case. Because the Company proposed to use the deferred income tax balances from the last base rate, it must separately account for the impact of the TCJA on the deferred taxes included in Riders AU and AMRP that include activity that occurred since that time. That is the same approach taken in the Columbia Gas case because it has two similar riders.

On the other hand, there will be no need to complicate the Rider AU and AMRP filings if the Commission accepts Staff's recommendation to use December 31, 2017, deferred income tax balances, because all of the EDITs owed to customers would already be fully accounted for in Rider GTCJA.

Whether the Commission accepts the Company's proposal to be consistent with the proposal it already approved for Columbia Gas or Staff's new position, reversing what it previously accepted, both Rider AU and Rider AMRP will continue to reflect the balance of unamortized EDITs as an offset to rate base.

Gross Up EDITs for Income Taxes

Q. DESCRIBE THE PROCESS OF GROSSING UP THE EDIT AMORTIZATION?

A. Because the actual amortization of EDIT reduces tax expense, the revenue equivalent of the amortization expense is the actual amortization multiplied by the gross revenue conversion factor, essentially (1 ÷ (1 – prevailing tax rate)).

Q. IS THE COMPANY PROPOSING TO CREDIT CUSTOMERS WITH THE EDIT AMORTIZATION GROSSED UP FOR INCOME TAXES?

A. Yes. Staff also made this recommendation in its Staff Report.

Rate Design

Q. IS STAFF'S RECOMMENDATION FOR RATE DESIGN FOR THE EDIT REFUND AND FOR REFUNDING THE SAVINGS DURING THE STUB PERIOD CONSISTENT WITH THE PROPOSAL MADE BY THE COMPANY?

A. Yes. The proposal included in the Company's Application to allocate the benefit from amortizing the EDITs and from the Stub Period refund is consistent with Staff's recommendation in its Staff Report. Each rate class will be allocated a share of the benefits based on the percentage of revenue from base rates as reflected in the most recent Commission-approved base rate case. All customers, except customers on Duke Energy Ohio's Interruptible Transportation (IT) rate, will see a credit on their bills as a fixed amount per bill, identified as Rider GTCJA. For Rate IT, the credit will be on a volumetric ($/CCF) basis. The rates will be updated at least annually to reflect the changes in the EDIT amortization, the discontinuation of the credit for the Stub Period refund, and for any annual true-ups needed as I will address next. The billing determinants to be used for the rate calculations will be the billing determinants from the then-most current Rider AMRP or, if Rider AMRP is no longer in effect, the Company will propose some other bases for establishing the Rider GTCJA rates.

Reconciliation of Rider GTCJA

Q. DID STAFF RECOMMEND A RECONCILIATION PROCESS FOR RIDER GTCJA?

A. Yes. Staff recommended that Rider GTCJA be trued up annually to reconcile any differences between the actual tax savings passed back to customers and the tax savings recognized by the Company.

Q. IS THE COMPANY AMENABLE TO INCLUDING A RECONCILIATION PROCESS?

A. Yes. However, Staff's proposal is overly broad and does not properly limit the types of savings that can or should be reconciled. The amount of the refund for the Stub Period will be a fixed amount. It is possible determine how much of these savings should be passed back to customers and compare that to how much actually was returned to customers. That difference can be trued-up so that customers receive no more or less of a Stub Period refund than they are due.

A true-up process is also possible for refunding the EDIT balance. Using the last rate case as the basis for the EDIT refund obligation means that we know exactly the magnitude of the refund obligation. The balance of the refund obligation will decline by the amounts refunded to customers and there will be a point when the amount owed to customers is $0. The annual amount of the EDIT amortization will be adjusted periodically (at least annually) to reflect changes in the ARAM rates for the protected EDITs.

If the Commission deviates from what it approved for Columbia Gas, where it approved using the deferred tax balances from the prior rate case, and requires Duke Energy Ohio to use the December 31, 2017, balances of deferred taxes, then there may be adjustments to the EDIT liability for any deferred taxes related to regulatory assets on the December 31, 2017, balance sheet for which the Commission ultimately disallows for recovery.

It may or may not have been Staff's intent but the recommendation made in the Staff Report also suggests that a true up of the change in base rates is part of the reconciliation process it proposes. If that is Staff's intended proposal, then the Company vigorously objects to annually reconciling its actual book tax expense to the amounts being returned to customers for the FIT change in base rates. Whether customers receive that benefit through a change in base rates (as the Company proposed) or a percentage reduction in their base rates via Rider GTCJA (as Staff proposed), the idea of essentially tracking only the Company's income tax expense is inappropriate. Without a provision to also track the Company's earnings, the idea of tracking income tax expense is unfair to customers and to the Company. If the Company's earnings are greater than what it earned in the last base rate case, its income tax expense will be greater, and Staff's proposal would suggest that customers pay for the incremental income taxes due to the Company's higher earnings. That does not seem rational or reasonable in terms of traditional ratemaking.

IV. CONCLUSION

Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS REGARDING THE COMPANY'S APPLICATION IN LIGHT OF STAFF'S RECOMMENDATIONS.

A. Duke Energy Ohio and Commission Staff agree on several points regarding the Application to flow through the benefits of the TCJA. Interestingly, the Company's proposal aligns almost completely with a proposal made by Columbia Gas and which Staff completely agreed to by signing a stipulation supporting that proposal.

It is important for a regulator to be consistent in the way it regulates various utilities. The utilities being regulated look to prior decisions made by the regulator as guidance for what it deems fair and reasonable. In this case, Duke Energy Ohio took guidance from the only approved proposal made by a major gas utility when it filed its Application and modeled its proposal after that utility's approved methodology for addressing the impacts of the TCJA. Staff is taking a position contrary to what it agreed to less than a year ago and now advocates a significantly different methodology.

In light of the fact that Staff and OCC agreed to a similar proposal made by Columbia Gas, and in light of the fact that the Columbia Gas model was approved by the Commission, the Company believes that its application in this case, which was modeled after the Columbia Gas method, is reasonable and fair.

To suggest otherwise would be to suggest that Staff, OCC, and the Commission advocated an unfair and unreasonable proposal in the Columbia Gas case.

The Company disagrees with Staff's recommendations (1) to flow through the ongoing FIT benefit via a separate rider; (2) to use the balance for deferred taxes for a period that was not used in setting base rates; (3) to segregate the refund of EDITs between base rates and Riders AU and AMRP if the overall deferred tax balances from December 31, 2017, are used for establishing the EDITs to be refunded; and (4) to use balances for deferred taxes related to items that Staff is currently recommending be disallowed for recovery or that the Commission has not yet ruled on regarding recoverability.

Duke Energy Ohio asks that the Commission reject Staff's recommendations, as discussed above.

Lastly, it is the Company's intention to ensure that customers receive all of the benefits of the TCJA that they are owed. Most of the differences between the Company's Application, as filed, and Staff's recommendations are related to form rather than substance. Approving the Company's Application, as filed but adjusted to amortize unprotected EDITs over six years and with the provisions for reconciliation I describe above, will accomplish that objective in a manner that is fair and reasonable for all stakeholders.

Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?

A. Yes.

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

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

PREFILED TESTIMONY
OF
WM. ROSS WILLIS

RATES DIVISION
UTILITIES DEPARTMENT
PUBLIC UTILITIES COMMISSION OF OHIO

IN SUPPORT
OF
JOINT STIPULATION AND RECOMMENDATION

Staff Exhibit _____

April 22, 2013

1. Q. Please state your name and your business address.

A. My name is Wm. Ross Willis. My business address is 180 East Broad Street, Columbus, Ohio 43215.

2. Q. By who are you employed?

A. I am employed by the Public Utilities Commission of Ohio (PUCO).

3. Q. What is your current position with the PUCO and what are your duties?

A. I am Chief of the Rates Division within the Utilities Department. My duties include developing, organizing, and directing staff during rate case investigations and other financial audits of public utility companies subject to the jurisdiction of the PUCO. The determination of revenue requirements in connection with rate case investigations is under my purview.

4. Q. Would you briefly state your educational background?

A. I earned a Bachelor of Business Administration Degree that included a Major in Finance and a Minor in Management from Ohio University in December 1983. In November 1986, I attended the Academy of Military Science and received a commission in the Air National Guard. Moreover, I have attended various seminars and rate case training programs sponsored by this Commission.

5. Q. Please outline your work experience.

A. Following graduation from Ohio University, I joined the Public Utilities Commission in February 1984, in the Utilities Department as a Utility Examiner. I have held several technical and managerial positions with the PUCO. They include Utility Examiner, Utility Rate Analyst, Utility Audit Coordinator, Utility Supervisor, Utility Administrator 1, Utility Administrator 2, and my current position, Chief of Rates Division.

My military career spans 27 honorable years of service with the Ohio National Guard. I earned the rank of Lieutenant Colonel and I am a veteran of the war in Afghanistan. I retired from the Air National Guard in March 2006.

I have previously testified before this Commission.

6. Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to support the Joint Stipulation and Recommendation (Stipulation) and the proposed revenue requirement schedules, which are attached to my testimony.

7. Q. Are the results of the Stipulation reasonable?

A. Yes. The results are reasonable for three basic reasons: (1) the settlement was a product of serious bargaining among capable, knowledgeable parties; (2) the settlement, as a package, benefits ratepayers and is in the public interest; and (3) the settlement does not violate any regulatory principle or practice.

8. Q. Is the settlement a product of serious bargaining among capable, knowledgeable parties?

A. Yes. The results of the settlement reflect consensus building on the part of the signatories to the settlement. The signatories are represented by experienced counsel who regularly participate in regulatory proceedings before the Commission and are familiar with Commission practice and procedure. The agreement is the result of good faith negotiations and serious bargaining on the part of the signatories to the Stipulation and Recommendation.

9. Q. How does the Stipulation, as a package, benefit ratepayers and is in the public interest?

A. The signatories to the settlement have examined the case record and represent diverse interests. The stipulated settlement results in a just and reasonable revenue requirement that benefits ratepayers by recognizing some of the objections to the Staff Report of Investigation, rejecting some of the objections, and where appropriate, alternative approaches were considered.

The settlement is in the public interest because it:

- Avoids the added cost of litigation by limiting litigation to the various positions taken associated with the remediation of manufactured gas plants (MGP) sites.
- Combines Duke's existing base rates with existing riders for SmartGrid and Accelerated Main Replacement Program (AMRP) resulting in a $0 increase in base gas retail rates.
- The incremental increase to the AMRP for residential customers will be capped at $1.00 annually on a cumulative basis.
- The Rider AMRP revenue requirement calculation will include amortization of camera work expense over a five-year period related to the AMRP activity during 2001 through 2006.
- Duke agrees to withdraw its request for approval of an Accelerated Service Replacement Program (ASRP) saving $317 million in rates over a 9-10 year time frame. If this Rider is proposed again by Duke in the future, and if the Commission approves such Rider, Duke shall ensure that rates for such a program will not go into effect before January 1, 2016.
- Reconnection charge will remain at the current amount.
- Recognizes the Staff's recommendation that Rider FRT (Facilities Relocation – Mass Transportation) will not be approved in this proceeding.
- Establishes a rate of return of 7.73% based on a return on equity of 9.84% and a cost of debt at 5.32%
- Provides for shareholder-funded low-income weatherization programs and a low income fuel fund.

10. Q. Does the settlement violate any regulatory principle or practice?

A. No. The revenue requirement schedules attached to my testimony are the result of traditional rate setting policies, practices, and procedures followed by the Staff. The recommended revenue requirement is consistent with sound regulatory rate setting practices.

11. Q. Doe this conclude your testimony?

A. Yes, it does. However, I reserve the right to submit supplemental testimony as described herein, as new information subsequently becomes available or in response to positions taken by other parties.

PROOF OF SERVICE

I hereby certify that a true copy of the foregoing Prefiled Testimony of Wm. Ross Willis, submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served via electronic mail, upon the following parties of record, this 22 day of April, 2013.

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DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
OVERALL FINANCIAL SUMMARY
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE A-1
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S).: SEE BELOW

LINE NO.	DESCRIPTION	Supporting Schedule Reference	Applicant	Stipulation Lower Bound	Stipulation Upper Bound
1	Rate Base	B-1	891,013,614	882,242,442	882,242,442
2	Current Operating Income	C-1	43,639,349	68,197,341	68,197,341
3	Earned Rate of Return (Line 2 / Line 1)		4.90%	7.73%	7.73%
4	Requested Rate of Return	D-1A	8.13%	7.73%	7.73%
5	Required Operating Income (Line 1 x Line 4)		72,439,407	68,197,341	68,197,341
6	Operating Income Deficiency (Line 5 - Line 2)		28,800,058	(0)	(0)
7	Gross Revenue Conversion Factor	A-2	1.5488809	1.5468532	1.5468532
8	Revenue Deficiency (Line 6 x Line 7)		44,607,860	0	0
9	Revenue Increase Requested / Recommended		44,607,929	0	0
10	Adjusted Operating Revenues	C-1	246,539,382	384,015,062	384,015,062
11	Revenue Requirements (Line 9 + Line 10)		291,147,242	384,015,062	384,015,062
12	Percent Increase (Line 9 / Line 11)		18.09%	0.00%	0.00%

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
JURISDICTIONAL RATE BASE SUMMARY
AS OF MARCH 31, 2012

REVISED SCHEDULE B-1
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S).: SEE BELOW

LINE NO.	RATE BASE COMPONENT	Supporting Schedule Reference	Applicant Proposed Amount	Stipulated Amount
1	Plant In Service	B-2	$ 1,629,640,883	$ 1,623,220,034
2	Reserve for Accumulated Depreciation	B-3	(450,909,840)	(447,052,644)
3	Net Plant In Service (Line 1+ Line 2)		1,178,731,043	1,176,167,390
4	Construction Work in Progress	B-4	0	0
5	Cash Working Capital Allowance	B-5	0	0
6	Material and Supplies	B-5	6,139,137	0
7	Other Items:			
8	Customer Advances for Construction	B-6	(3,597,473)	(3,597,473)
9	Customer Service Deposits	B-6	(8,453,180)	(8,521,562)
10	Contributions in Aid of Construction (a)	B-6	0	0
11	Postretirement Benefits	B-6	(14,645,755)	(14,645,755)
12	Investment Tax Credits	B-6	(6,554)	(6,554)
13	Deferred Income Taxes	B-6	(282,950,314)	(282,950,314)
14	Other Rate Base Adjustments	B-6	15,797,710	15,796,710
15	Jurisdictional Rate Base (Line 3 thru Line 14)		$ 891,014,614	$ 882,242,442

(a) Contributions in aid of construction are already netted against gross plant per FPC Order No. 490.

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
PLANT IN SERVICE SUMMARY BY MAJOR PROPERTY GROUPINGS
AS OF MARCH 31, 2012

WORK PAPER REFERENCE NO(S).: Schedule B-2.1

REVISED SCHEDULE B-2
PAGE 1 OF 1

LINE NO.	MAJOR PROPERTY GROUPINGS	TOTAL COMPANY	ALLOCATION %	ALLOCATED TOTAL	ADJUSTMENTS	ADJUSTED JURISDICTION
		$		$	$	$
1	Production	11,408,389	100.00	11,408,389	0	11,408,389
2	Distribution	1,506,169,486	100.00	1,506,169,486	(4,745,042)	1,501,424,444
3	General	51,239,806	100.00	51,239,806	(1,153,900)	50,085,906
4	Common (Allocated to Gas)	61,160,507	100.00	61,160,507	(859,212)	60,301,295
5	Other (specify)					
6	TOTAL	1,629,978,188		1,629,978,188	(6,758,154)	1,623,220,034

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
PLANT IN SERVICE BY ACCOUNTS AND SUBACCOUNTS
AS OF MARCH 31, 2012
GENERAL PLANT

SCHEDULE B-2.1
PAGE 3 OF 5

WORK PAPER REFERENCE NO(S).: Staff Schedule B-2.2, Applicant Schedule B-2.3

LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY	ALLOCATION %	ALLOCATED TOTAL	ADJUSTMENTS	ADJUSTED JURISDICTION
				$		$	$	$
1	000	2030	Miscellaneous Intangible Plant	14,539,717	100.00	14,539,717	(45,425)	14,494,292
2	389	2890	Land	0	100.00	0		0
3	390	2900	Structures & Improvements	2,065,248	100.00	2,065,248		2,065,248
4	391	2910	Office Furniture & Equipment	596,371	100.00	596,371		596,371
5	391	2911	Electronic Data Processing Equipment	1,311,766	100.00	1,311,766		1,311,766
6	392	2920	Transportation Equipment	24,590	100.00	24,590		24,590
7	392	2921	Trailers	644,188	100.00	644,188		644,188
8	394	2940	Tools, Shop & Garage Equipment	8,167,347	100.00	8,167,347		8,167,347
9	395	2950	Laboratory Equipment	234,056	100.00	234,056		234,056
10	396	2960	Power Operated Equipment	219,039	100.00	219,039		219,039
11	397	2970	Communication Equipment	23,437,484	100.00	23,437,484	(1,108,475)	22,329,009
12			Total General Plant	51,239,806		51,239,806	(1,153,900)	50,085,906
13			Total Gas Plant	1,568,817,681		1,568,817,681	(5,898,942)	1,562,918,739

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
PLANT IN SERVICE BY ACCOUNTS AND SUBACCOUNTS
AS OF MARCH 31, 2012
COMMON PLANT - SMARTGRID

WORK PAPER REFERENCE NO(S).: Staff Schedule B-2.2, Applicant Schedule B-2.3

LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY	ALLOCATION %	ADJUSTED ALLOCATED TOTAL	ADJUSTMENTS	ADJUSTED JURISDICTION
				$				$
1		1911	Electronic Data Processing - SmartGrid	113,194	100.00	113,194	0	113,194
2		1970	Communication Equipment - SmartGrid	27,261,331	100.00	27,261,331	0	27,261,331
3			Total Common Plant - SmartGrid	27,374,525		27,374,525	0	27,374,525
4		(1)	Common Plant Allocated to Gas - SmartGrid	13,383,405		13,383,405	0	13,383,405
5			Total Common Plant	316,932,720		316,932,720	(5,207,346)	311,725,374
6			Total Common plant allocated to Gas	61,160,507		61,160,507	(859,212)	60,301,295
7			Total Gas Plant Including Allocated Common	1,629,978,188		1,629,978,188	(6,758,154)	1,623,220,034

(1) Allocation of Common Plant / SmartGrid to gas determined by SmartGrid filings

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
ADJUSTMENTS TO PLANT IN SERVICE
AS OF MARCH 31, 2007

REVISED SCHEDULE B-2.2
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S).: Staff Schedule B-2.5a through B-2.5d

LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL STAFF ADJUSTMENT	ALLOCATION %	JURISDICTIONAL ADJUSTMENT	
				$		$	
1	DISTRIBUTION PLANT						
2	388		Gas ARO	(4,745,042)	100.00	(4,745,042)	(a)
3			Total Distribution Plant	(4,745,042)		(4,745,042)	
4	GENERAL PLANT						
5		2030	Miscellaneous Intangible Plant	(45,425)	100.00	(45,425)	(b)
6	397	2970	Communication Equipment	(1,108,475)	100.00	(1,108,475)	(c)
7			Total General Plant	(1,153,900)		(1,153,900)	
8	COMMON PLANT						
9		1900	Structures & Improvements	(1,968,452)	100.00	(1,968,452)	(d)
10		1900	Structures & Improvements - Golf Course at Hartwell	(171,131)	100.00	(171,131)	(e)
11		1900	Structures & Improvements - Envision Center	(1,726,080)	100.00	(1,726,080)	(f)
12		1900	Structures & Improvements -Holiday Park	(2,509)	100.00	(2,509)	(g)
13		1900	Structures & Improvements -Fourth & Walnut (Clopay)	(202,197)	100.00	(202,197)	(g)
14		1900	Structures & Improvements -Atrium II	(961,419)	100.00	(961,419)	(g)
15		1910	Office Furniture & Equipment	(6,594)	100.00	(6,594)	(d)
16		1940	Tools, Shop & Garage Equipment	(52,910)	100.00	(52,910)	(d)
17		1970	Communication Equipment	(8,238)	100.00	(8,238)	(d)
18		1980	Miscellaneous Equipment	(8,081)	100.00	(8,081)	(d)
19		1990, 1991	ARO Common General Plant	(99,735)	100.00	(99,735)	(h)
20			Total Common Plant	(5,207,346)		(5,207,346)	
21		16.50%	Common Allocated to Gas	(859,212)		(859,212)	
22	TOTAL PLANT ADJUSTMENTS INCLUDING ALLOCATED COMMON			(6,758,154)		(6,758,154)	

(a) See Staff Data Request 50 - Supplemental
(b) Duke Rider AU - Company Allocation Errors 1 and 2 (See Staff Text)
(c) Duke Rider AU-Adjustment for Stores Loading and Adjustment for Uninstalled Gas Modules (See Staff Text)
(d) Applicant's Exclusion of the Hartwell Recreation Facilities
(e) See Staff Data Request 129 in Case No. 12-1682-EL-AIR
(f) See Staff Data Request 131 in Case No. 12-1682-EL-AIR
(g) See Staff Data Request 97 in Case No. 12-1682-EL-AIR
(h) See Staff Data Request 78 in Case No. 12-1682-EL-AIR

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
PROPERTY EXCLUDED FROM RATE BASE
(FOR REASONS OTHER THAN RATE AREA ALLOCATION)
AS OF MARCH 31, 2012

REVISED SCHEDULE B-2.5d
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S).:

LINE NO.	COMPANY ACCT. NO.	DESCRIPTION OF EXCLUDED PROPERTY	IN-SERVICE DATE	ORIGINAL COST	ACCUM. DEPRE.	NET ORIGINAL COST	TEST YEAR REVENUE & EXPENSES AMOUNT	ACCT. NO.	DESCRIP.	REASON FOR EXCLUSION
1	2030	Miscellaneous Intangible Plant		45,425	22,458	22,967				Rider AU (a)
2		Total		45,425	22,458	22,967				
3	2970	Communication Equipment		1,108,475	22,395	1,086,080				Rider AU (b)
4		Total		1,108,475	22,395	1,086,080				

(a) To eliminate Allocation Errors 1 and 2 (See Text)
(b) To eliminate the Adjustment for Stores Loading and Adjustment for Uninstalled Gas Modules (See Text)

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
ACCUMULATED DEPRECIATION AND AMORTIZATION
AS OF MARCH 31, 2012
GENERAL PLANT

REVISED SCHEDULE B-3
PAGE 3 OF 5

WORK PAPER REFERENCE NO(S).: Staff Schedule B-2.1, Applicant Schedule B-3.3, Staff Schedule B-3.1

LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY PLANT INVESTMENT	TOTAL COMPANY	ALLOCATION %	ALLOCATED TOTAL	ADJUSTMENTS	ADJUSTED JURISDICTION
				$	$		$	$	$
1	000	2030	Miscellaneous Intangible Plant	14,539,717	8,977,114	100.00	8,977,114	(4,087)	8,973,027
2	389	2890	Land	0	0	100.00	0		0
3	390	2900	Structures & Improvements	2,065,248	670,246	100.00	670,246		670,246
4	391	2910	Office Furniture & Equipment	596,371	256,143	100.00	256,143		256,143
5	391	2911	Electronic Data Processing Equipment	1,311,766	211,602	100.00	211,602		211,602
6	392	2920	Transportation Equipment	24,590	24,590	100.00	24,590		24,590
7	392	2921	Trailers	644,188	445,198	100.00	445,198		445,198
8	394	2940	Tools, Shop & Garage Equipment	8,167,347	3,906,925	100.00	3,906,925		3,906,925
9	395	2950	Laboratory Equipment	234,056	165,130	100.00	165,130		165,130
10	396	2960	Power Operated Equipment	219,039	107,839	100.00	107,839		107,839
11	397	2970	Communication Equipment	23,437,484	1,095,412	100.00	1,095,412	(22,395)	1,073,017
12		108	Retirement Work in Progress		212,586	100.00	212,586		212,586
13			Total General Plant	51,239,806	16,072,785		16,072,785	(26,482)	16,046,303
14			Total Gas Plant	1,588,817,681	426,002,737		426,002,737	(3,530,873)	422,471,864

Case No. 18-1830-GA-UNC
Atttachment WDW-1
Page 16 of 44

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
ACCUMULATED DEPRECIATION AND AMORTIZATION
AS OF MARCH 31, 2012
COMMON PLANT - SMARTGRID

REVISED SCHEDULE B-3
PAGE 5 OF 5

WORK PAPER REFERENCE NO(S).: Staff Schedule B-2.1, Applicant Schedule B-3.3, Staff Schedule B-3.1

LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY PLANT INVESTMENT	TOTAL COMPANY	ALLOCATION %	ALLOCATED TOTAL	ADJUSTMENTS	ADJUSTED JURISDICTION
				$	$		$	$	$
1		1911	Electronic Data Processing - SmartGrid	113,194	34,024	100.00	34,024		34,024
2		1970	Communication Equipment - SmartGrid	27,261,331	1,908,843	100.00	1,908,843		1,908,843
3			Total Common Plant - SmartGrid	27,374,525	1,942,867		1,942,867	0	1,942,867
			Common Plant Allocated to Gas (SG)						
4		(1)	Original Cost	13,383,405					
5		(1)	Reserve		949,868	100.00	949,868	0	949,868
6			Total Common Plant	316,832,720	147,526,959		147,526,959	(2,366,440)	145,160,519
7			Total Common plant allocated to Gas	61,160,507	24,971,243		24,971,243	(390,463)	24,580,780
8			Total Gas Plant including Allocated Common	1,629,978,186	450,973,980		450,973,980	(3,921,336)	447,052,644

(1) Allocation of Common Plant / SmartGrid to gas determined by SmartGrid filings

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
ADJUSTMENTS TO ACCUMULATED DEPRECIATION AND AMORTIZATION
AS OF MARCH 31, 2012

WORK PAPER REFERENCE NO(S):

REVISED SCHEDULE B-3.1
PAGE 1 OF 1

LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY ADJUSTMENT	ALLOCATION %	JURISDICTIONAL ADJUSTMENT	
1	Distribution Plant						
2	388		Gas ARO	3,504,391	100.00	3,504,391	(a)
3			Total Distribution Plant	3,504,391		3,504,391	
4	General Plant						
5		2030	Miscellaneous Intangible Plant	4,087	100.00	4,087	(b)
6	397	2970	Communication Equipment	22,395	100.00	22,395	(c)
7			Total General Plant	26,482		26,482	
8	Common Plant			$		$	
9		1900	Structures & Improvements	351,037	100.00	351,037	(d)
10		1900	Structures & Improvements-Hartwell Golf Course	60,252	100.00	60,252	(e)
11		1900	Structures & Improvements-Envision Center	681,977	100.00	681,977	(f)
12		1900	Structures & Improvements-Fourth & Walnut (Clopay)	154,281	100.00	154,281	(h)
13		1900	Structures & Improvements-Holiday Park	2,509	100.00	2,509	(i)
14		1900	Structures & Improvements-Atrium II	961,419	100.00	961,419	(j)
15		1910	Office Furniture & Equipment	(2,038)	100.00	(2,038)	(d)
16		1940	Tools, Shop & Garage Equipment	33,208	100.00	33,208	(d)
17		1970	Communication Equipment	1,232	100.00	1,232	(d)
18		1980	Miscellaneous Equipment	5,280	100.00	5,280	(d)
19		1990, 1991	Retirement Work in Progress-ARO	117,273	100.00	117,273	(g)
20			Total	2,366,440		2,366,440	
21		16.50%	Common Allocated to Gas	390,463		390,463	
22			Total Gas Plant	3,921,336		3,921,336	

(a) To eliminate from rate base the Asset Retirement Obligation (See Staff Data Request No. 50 Supplemental)
(b) To eliminate from rate base Company Allocation Errors 1 and 2 (See Staff's Workpapers WPB-3.1a and WPB-3.1b)
(c) To eliminate from rate base the Adjustment for Stores Loading and Adjustment for Uninstalled Gas Modules (See Staff's Workpapers WPB-3.1c and WPB-3.1d)
(d) To eliminate from rate base the Hartwell Recreation Facilities allocated to uses other than for specific company purposes. (See Applicant's Schedule B-2.5)
(e) To eliminate from rate base the Hartwell Golf Course (See Staff's Data Request No. 133)
(f) To eliminate from rate base the Envision Center (See Applicant's Schedule B-3.4)
(g) To eliminate from rate base the Common Plant Retirement Work in Progress-ARO (See Staff Data Request No. 78 in Case No. 12-1682-EL-AIR)
(h) To eliminate from rate base the Clopay Bldg.& Access Ramp (See Staff's Workpaper WPB-3.1e)
(i) To eliminate from rate base the Leasehold Improvements that are fully amortized (See Applicant's Schedule B-3.4 & Staff's Schedule B-2.2)

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
DEPRECIATION ACCRUAL RATES AND
JURISDICTIONAL ACCUMULATED BALANCES BY ACCOUNTS, FUNCTIONAL CLASS OR MAJOR PROPERTY GROUP
AS OF MARCH 31, 2012
GENERAL PLANT

REVISED SCHEDULE B-3.2
PAGE 3 OF 5

WORK PAPER REFERENCE NO(S).: Staff Schedule B-2.1, Staff Schedule B-3

LINE NO. (A)	F.E.R.C. ACCT. NO. (B-1)	COMPANY ACCT. NO. (B-2)	ACCOUNT TITLE OR MAJOR PROPERTY GROUPING (C)	ADJUSTED JURISDICTION PLANT INVESTMENT (D)	ADJUSTED JURISDICTION ACCUMULATED BALANCE (E)	PROPOSED ACCRUAL RATE (F)	CALCULATED DEPR. EXPENSE (G=DxF)		% NET SALVAGE (H)	AVERAGE SERVICE LIFE (I)	CURVE FORM (J)
				$	$	%	$				
1	000	2030	Miscellaneous Intangible Plant	14,494,292	8,973,027	Various	1,960,260	(b)		5	
2	389	2890	Land	0	0		0		Perpetual Life		
3	390	2900	Structures & Improvements	2,085,248	670,246	3.33	68,773		0	30	S01
4	391	2910	Office Furniture & Equipment	596,371	266,143	5.00	29,819		0	20	SQ
5	391	2911	Electronic Data Processing Equipment	1,311,766	211,602	20.00	262,353		0	5	SQ
6	392	2920	Transportation Equipment	24,590	24,690	9.00	0	(c)	10	10	S2
7	392	2921	Trailers	644,188	445,198	5.00	0	(c)	15	17	S1
8	394	2940	Tools, Shop & Garage Equipment	8,167,347	3,906,925	4.00	326,694		0	25	SQ
9	395	2950	Laboratory Equipment	234,056	165,130	6.67	15,612		0	15	SQ
10	396	2960	Power Operated Power Equipment	219,039	107,839	6.36	0	(c)	30	11	S1.5
11	397	2970	Communication Equipment	22,329,009	1,073,017	6.67	1,489,345		0	15	SQ
12		108	Retirement Work in Progress		212,586		0				
13			Total General Plant	50,085,906	16,046,303		4,152,856				
14			Total Gas Plant	1,562,919,739	422,471,864		40,855,614				

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
DEPRECIATION ACCRUAL RATES AND
AS OF MARCH 31, 2012
COMMON PLANT - SMARTGRID

REVISED SCHEDULE B-3.2
PAGE 5 OF 5

WORK PAPER REFERENCE NO(S).: Staff Schedule B-2.1, Staff Schedule B-3

LINE NO. (A)	F.E.R.C. ACCT. NO. (B-1)	COMPANY ACCT. NO. (B-2)	ACCOUNT TITLE OR MAJOR PROPERTY GROUPING (C)	ADJUSTED JURISDICTION PLANT INVESTMENT (D)	ADJUSTED JURISDICTION ACCUMULATED BALANCE (E)	ACCRUAL RATE (F)	CALCULATED DEPR. EXPENSE (G=DxF)	% NET SALVAGE (H)	AVERAGE SERVICE LIFE (I)	CURVE FORM (J)
				$	$	%	$			
1		1911	Electronic Data Processing - SmartGrid	113,194	34,024	20.00	22,639	0	6	SQ
2		1970	Communication Equipment - SmartGrid	27,261,331	1,908,843	6.67	1,818,331	0	15	SQ
3			Total Common Plant (SmartGrid)	27,374,525	1,942,867		1,840,970			
			Common Plant Allocated to Gas - SmartGrid							
4	#	(e)	Original Cost	13,383,405						
5	#	(e)	Reserve		949,808					
6	#	(e)	Annual Provision				890,661			
7			Total Common Plant	311,725,374	145,160,519		15,391,022			
			Common Plant Allocated to Gas							
8			Original Cost	60,301,205						
9			Reserve		24,580,780					
10			Annual Provision				3,126,420			
11			Total Gas Plant Including Allocated Common	1,623,220,034	447,052,644		44,082,034			

(a) Fully Amortized
(b) See Staff Workpaper WPB-3.2b
(c) Depreciation Charged to Transportation Expense
(d) These Leasehold Improvements are being amortized over the life of the Lease (Applicant's Schedule B-3.4 and Staff's Data Request No. 122)
(e) Common Plant / SmartGrid Allocated to Gas Determined by SmartGrid Filings

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
OTHER RATE BASE ITEMS SUMMARY
AS OF MARCH 31, 2012

REVISED SCHEDULE B-6
PAGE 1 OF 2

WORK PAPER REFERENCE NO(S).: WPB-6.1c through WPB-6.1o

LINE NO.	ACCOUNT NUMBER	DESCRIPTION	TOTAL COMPANY (A)	ADJUSTMENTS	ADJUSTED JURISDICTION
1	252	Customers' Advances for Construction	(3,597,473)	0	(3,597,473)
2					
3	235	Customer Service Deposits/Unclaimed Funds	(8,463,180)	(58,382)	(8,521,562)
4					
5	271	Contributions in Aid of Construction	0	0	0
6					
7		Post Retirement Benefits	0	(14,645,755)	(14,645,755)
8					
9	255	Investment Tax Credits: (B)			
10					
11		Pre-1971 3% Credit	0	0	0
12		1971 4% Credit	(6,554)	0	(6,554)
13		1975 6% Credit	0	0	0
14		1981 10% Credit	(2,845,131)	2,845,131	0
15		Total Investment Tax Credits	(2,851,685)	2,845,131	(6,554)
16					
17		Deferred Income Taxes:			
18					
19	190	401(k) Incentive Plan	2,918	0	2,918
20	190	ARO Cumulative Effect	5,443,894	0	5,443,894
21	190	Environmental Reserve	8,903,184	0	8,903,184
22	190	FAS 106 OPEB	3,590,411	0	3,590,411
23	190	FAS 87 Non-Qualified Pension	351,343	0	351,343
24	190	FAS 87 Qualified Pension	(4,146,062)	0	(4,146,062)
25	190	Federal Deferred Tax Receivable	12,418,662	0	12,418,662
26	190	Gas Meters	(3,456,610)	0	(3,456,610)
27	190	Gas Supplier Refund	435,728	0	435,728
28	190	Incentive Plan	241,214	0	241,214
29	190	Misc	37,456	0	37,456
30	190	Natural Gas in Transit	96,538	0	96,538
31	190	Offsite Gas Storage	762,972	0	762,972
32	190	Post Retirement Benefits - SFAS 112	530,912	0	530,912
33	190	Property Tax	8,254,533	(8,254,533)	0
34	190	Property Tax on Propane	536,061	0	536,061
35	190	ITC FAS 109	(467,584)	467,584	0
36	190	Unamortized Debt Premium	(1,647,565)	0	(1,647,565)
37	190	Unbilled Revenue - Fuel	1,060,050	(1,060,050)	0
38	190	Uncollectible Accounts	76,777	0	76,777
39	190	Uncollectible Accounts PIP	(1,104,646)	0	(1,104,646)
40	190	Vacation Pay Accruals	1,138,153	0	1,138,153
41		Total Account 190	33,058,239	(8,846,999)	24,211,240

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
JURISDICTIONAL PRO FORMA INCOME STATEMENT
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-1
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S).: Staff's Schedule C-2 & WPC-1a

LINE NO.	DESCRIPTION	ADJUSTED REVENUE & EXPENSES (A)	STIPULATED INCREASE (B)	PROFORMA REVENUE & EXPENSES (C)
1	Operating Revenues	$ 384,015,062	$ -	$ 384,015,062
2				
3	Operating Expenses			
4	Operation & Maintenance	221,071,618	0	221,071,618
5	Depreciation	44,082,034	0	44,082,034
6	Taxes - Other	24,898,498	0	24,898,498
7	Operating Expenses before Income Taxes	290,052,150	0	290,052,150
8				
9	Federal Income Taxes	25,765,571	0	25,765,571
10				
11	Total Operating Expenses	315,817,721	0	315,817,721
12				
13	Net Operating Income	$ 68,197,341	$ -	$ 68,197,341
14				
15	Rate Base	$ 882,242,442		$ 882,242,442
16				
17	Rate of Return	7.73%		7.73%

(A) Staff's Schedule C-2
(B) Applicant"s WPC-1a
(C) Column (A) + Column (B)

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
OTHER RATE BASE ITEMS SUMMARY
AS OF MARCH 31, 2012

REVISED SCHEDULE B-6
PAGE 2 OF 2

WORK PAPER REFERENCE NO(S).: WPB-6.1c through WPB-6.1e

LINE NO.	ACCOUNT NUMBER	DESCRIPTION	TOTAL COMPANY (A)	ADJUSTMENTS	ADJUSTED JURISDICTION
		Deferred Income Taxes (Con't)			
1	282	AFUDC Debt	(1,172,089)		(1,172,089)
2	282	CIAC	715,729		715,729
3	282	Cwip Differences	(461,822)		(461,822)
4	282	FAS109	(15,444,583)	15,444,583	0
5	282	Leased Meters	(19,600,264)		(19,600,264)
6	282	Miscellaneous	(8,683,344)		(8,683,344)
7	282	Non-Cash Overheads	4,970,661		4,970,661
8	282	Tax Depreciation	(234,290,149)		(234,290,149)
9	282	Tax Interest Capitalized	2,730,405		2,730,405
10		Total Account 282	(271,235,455)	15,444,583	(255,790,873)
11					
12	283	ARO Cumulative Effect	(5,007,186)	0	(5,007,186)
13	283	Deferred Fuel	6,585,303	(6,585,303)	0
14	283	Deferred Smart Grid Costs	584,718	0	584,718
15	283	Environmental Reserve	(24,745,199)	(849,819)	(25,595,018)
16	283	FAS 106 OPEB	(1,660,920)	0	(1,660,920)
17	283	FAS 87 Non-Qualified Pension	(19,464)	0	(19,464)
18	283	FAS 87 Qualified Pension	(8,699,583)	0	(8,699,583)
19	283	Loss on Reacquired Debt	(694,232)	0	(694,232)
20	283	Merger Costs	102,753	(102,753)	0
21	283	Post In-Service Carrying Costs	(5,982,648)	0	(5,982,648)
22	283	Rate Case	(50,834)	0	(50,834)
23	283	Smart Grid	(5,264,619)	0	(5,264,619)
24	283	Uncollectible Accounts	1,705,185	0	1,705,185
25	283	Vacation Pay Accruals	(686,080)	0	(686,080)
26		Total Account 283	(43,832,806)	(7,537,875)	(51,370,681)
27					
28		Total Deferred Income Taxes	(282,010,022)	(840,291)	(282,950,314)
29					
30		Other:			
31		AMRP and Smart Grid Post-In-Service Carrying Costs	0	15,796,710	15,796,710
32		Total Other	0	15,796,710	15,796,710

(A) Total Company is 100% Jurisdictional.
(B) The company elected the immediate flow through option under Section 46(c)(3) in regards to the 1971 election and the ratable flow through option provided under Section 46(f)(2) in regards to the 1975 election.

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
ADJUSTED TEST YEAR OPERATING INCOME
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

WORK PAPER REFERENCE NO(S).: Staff's Schedule C-2.1 & Staff's Schedule C-3

REVISED SCHEDULE C-2
PAGE 1 OF 1

LINE NO.	DESCRIPTION	UNADJUSTED REVENUE & EXPENSES	STAFF'S ADJUSTMENTS	ADJUSTED REVENUE & EXPENSES
1	OPERATING REVENUES			
2	Base Revenue and Riders	$ 267,343,927	$ (26,017,157)	$ 241,326,770
3	Gas Costs Revenue	151,105,778	(13,058,922)	138,046,856
4	Other Operating Revenue	2,733,651	1,907,786	4,641,436
5	Total Operating Revenues	421,183,356	(37,168,294)	384,015,062
6				
7	OPERATING EXPENSES			
8	Operation and Maintenance Expenses			
9	Production Expenses			
10	Liquefied Petroleum Gas	61,954	0	61,954
11	Other	1,214,314	0	1,214,314
12	Total Production Expense	1,276,268	0	1,276,268
13				
14	Other Gas Supply Expenses			
15	Purchased Gas	143,959,346	(5,974,444)	137,984,902
16	Other	1,814,319	0	1,814,319
17	Total Other Gas Supply Expense	145,773,665	(5,974,444)	139,799,221
18				
19	Transmission Expense	0	0	0
20	Distribution Expense	23,114,442	(150,050)	22,964,392
21	Customer Accounts Expense	30,317,499	(13,892,724)	16,424,775
22	Customer Service & Information Expense	8,053,632	0	8,053,632
23	Sales Expense	178,483	(178,452)	31
24	Administrative & General Expense	37,074,246	(7,052,780)	30021486
25	Amortization of Deferred Expense	3,136,489	(604,676)	2,531,813
26	Total Operation and Maintenance Expense	248,924,724	(27,853,106)	221,071,618
27				
28	Depreciation Expense	41,322,736	2,759,298	44,082,034
29				
30	Taxes Other Than Income Taxes			
31	Other Federal Taxes	2,484,354	(722,601)	1,761,753
32	State and Other Taxes	50,670,721	(27,533,976)	23,136,745
33	Total Taxes Other Than Income Taxes	53,155,075	(28,256,577)	24,898,498
34				
35	Federal Income Taxes			
36	Normal and Surcharge	(12,554,963)	5,626,874	(6,928,089)
37	Provision for Deferred Income Taxes	33,479,991	(786,331)	32,693,660
38	Total Federal Income Tax Expense	20,925,028	4,840,543	25,765,571
39				
40	Total Operating Expenses and Taxes	364,327,563	(48,509,842)	315,817,721
41				
42	Net Operating Income	$ 56,855,793	$ 11,341,548	$ 68,197,341

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
SUMMARY OF JURISDICTIONAL ADJUSTMENTS
TO OPERATING INCOME
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3
PAGE 1 OF 5

WORK PAPER REFERENCE NO(S).: SEE BELOW

LINE NO.	TITLE OF ACCOUNT	TOTAL SCHEDULE C-3	ANNUALIZE NORMALIZE REV & EXP	INTENTIONALLY LEFT BLANK	RATE CASE EXPENSE	ANNUALIZED TEST YEAR WAGES	ANNUALIZE DEPRECIATION
	ELEMENT of OPERATING INCOME		C-3.1	C-3.2	C-3.3	C-3.4	C-3.5
1	OPERATING REVENUE						
2	Base	(26,017,157)	6,980,628				
3	Gas Costs	(13,058,922)	(13,058,922)				
4	Other	1,907,785	1,907,785				
5	Total Revenue	(37,168,294)	(4,170,509)	0	0	0	0
6							
7	OPERATING EXPENSES						
8	Operation and Maintenance Expenses						
9	Production Expenses						
10	Liquified Petroleum Gas	0					
11	Other	0					
12	Total Production Expense	0	0	0	0	0	0
13							
14	Other Gas Supply Expenses						
15	Purchased Gas	(5,974,444)	(5,974,444)				
16	Other	0					
17	Total Other Gas Supply Expense	(5,974,444)	(5,974,444)	0	0	0	0
18							
19	Transmission Expense	0					
20	Distribution Expense	(150,050)					
21	Customer Accounts Expense	(13,892,724)					
22	Customer Serv & Info Expense	0					
23	Sales Expense	(178,452)					
24	Administrative & General Expense	(7,052,760)			(15,998)	(1,559,495)	
25	Amortization of Deferred Expense	(604,676)					
26	Total Operation and Maintenance Expenses	(27,853,106)	(5,974,444)	0	(15,998)	(1,559,495)	0
27							
28	Depreciation Expense	2,759,298	0	0	0	0	2,759,298
29							
30	Taxes Other Than Income Taxes						
31	Other Federal Taxes	(722,601)					
32	State and Other Taxes	(27,533,976)					
33	Total Taxes Other Than Income Tax	(28,256,577)	0	0	0	0	0
34							
35	Federal Income Taxes						
36	Normal and Surtax	5,626,874	631,376	0	5,599	545,823	0
37	Prov Deferred Inc Tax (Deferrals)	(786,331)					(965,754)
38	Prov Deferred Inc Tax (Writebacks)	0					
39	Total Federal Inc Tax Expense	4,840,543	631,376	0	5,599	545,823	(965,754)
40							
41	Total Oper. Expenses and Tax	(48,509,842)	(5,343,068)	0	(10,399)	(1,013,672)	1,793,544
42							
43	Net Operating Income	11,341,548	1,172,559	0	10,399	1,013,672	(1,793,544)

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
SUMMARY OF JURISDICTIONAL ADJUSTMENTS
TO OPERATING INCOME
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3
PAGE 2 OF 5

WORK PAPER REFERENCE NO(S).: SEE BELOW

LINE NO.	TITLE OF ACCOUNT	CUSTOMER SERVICE DEPOSITS	OHIO EXCISE TAX	ANNUALIZE PROPERTY TAX	ELIMINATE PIPP REVENUE AND EXPENSE	INTEREST EXPENSE DEDUCTIBLE	ELIMINATE SMART GRID O&M AMORTIZATION
	ELEMENT of OPERATING INCOME	C-3.6	C-3.7	C-3.8	C-3.9	C-3.10	C-3.11
1	OPERATING REVENUE						
2	Base		(16,428,536)		(10,674,058)		
3	Gas Costs						
4	Other						
5	Total Revenue	0	(16,428,536)	0	(10,674,058)	0	0
6							
7	OPERATING EXPENSES						
8	Operation and Maintenance Expenses						
9	Production Expenses						
10	Liquified Petroleum Gas						
11	Other						
12	Total Production Expense	0	0	0	0	0	0
13							
14	Other Gas Supply Expenses						
15	Purchased Gas						
16	Other						
17	Total Other Gas Supply Expense	0	0	0	0	0	0
18							
19	Transmission Expense						
20	Distribution Expense						
21	Customer Accounts Expense	253,595			(10,612,499)		
22	Customer Serv & Info Expense						
23	Sales Expense						
24	Administrative & General Expense						
25	Amortization of Deferred Expense						(2,827,689)
26	Total Operation and Maintenance Expenses	253,595	0	0	(10,612,499)	0	(2,827,689)
27							
28	Depreciation Expense	0	0	0	0	0	0
29							
30	Taxes Other Than Income Taxes						
31	Other Federal Taxes						
32	State and Other Taxes		(19,992,607)	(124,250)			
33	Total Taxes Other Than Income Tax	0	(19,992,607)	(124,250)	0	0	0
34							
35	Federal Income Taxes						
36	Normal and Surtax	(88,758)	1,247,425	43,488	(21,546)	(1,109,280)	989,691
37	Prov Deferred Inc Tax (Deferrals)					286,091	
38	Prov Deferred Inc Tax (Writebacks)						
39	Total Federal Inc Tax Expense	(88,758)	1,247,425	43,488	(21,546)	(823,189)	989,691
40							
41	Total Oper. Expenses and Tax	164,837	(18,745,182)	(80,762)	(10,634,045)	(823,189)	(1,837,998)
42							
43	Net Operating Income	(164,837)	2,316,646	80,762	(40,013)	823,189	1,837,998

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
SUMMARY OF JURISDICTIONAL ADJUSTMENTS
TO OPERATING INCOME
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REVISED SCHEDULE C-3
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WORK PAPER REFERENCE NO(S).: SEE BELOW

LINE NO.	TITLE OF ACCOUNT	STATE TAX RIDER	BUDGET EXPENSES	ELIMINATE NON JURIS. EXPENSES	ADJUST PUCO/OCC ASSESSMENTS	UNCOLLECTIBLE REVENUE & EXPENSE	ANNUALIZE PENSION & BENEFIT EXP
	ELEMENT of OPERATING INCOME	C-3.12	C-3.13	C-3.14	C-3.15	C-3.16	C-3.17
1	OPERATING REVENUE						
2	Base	(7,631,139)				1,736,948	
3	Gas Costs						
4	Other						
5	Total Revenue	(7,631,139)	0	0	0	1,735,948	0
6							
7	OPERATING EXPENSES						
8	Operation and Maintenance Expenses						
9	Production Expenses						
10	Liquified Petroleum Gas						
11	Other						
12	Total Production Expense	0	0	0	0	0	0
13							
14	Other Gas Supply Expenses						
15	Purchased Gas						
16	Other						
17	Total Other Gas Supply Expense	0	0	0	0	0	0
18							
19	Transmission Expense						
20	Distribution Expense			(50)			
21	Customer Accounts Expense		(759,445)			497,562	
22	Customer Serv & Info Expense						
23	Sales Expense			(178,452)			
24	Administrative & General Expense		(2,853,114)	(251,133)	(282,701)		(1,921,322)
25	Amortization of Deferred Expense					1,918,247	
26	Total Operation and Maintenance Expenses	0	(3,612,559)	(429,635)	(282,701)	2,415,809	(1,921,322)
27							
28	Depreciation Expense	0	0	0	0	0	0
29							
30	Taxes Other Than Income Taxes						
31	Other Federal Taxes						
32	State and Other Taxes	(7,417,119)					
33	Total Taxes Other Than Income Tax	(7,417,119)	0	0	0	0	0
34							
35	Federal Income Taxes						
36	Normal and Surtax	(74,907)	1,264,396	150,372	98,945	(237,951)	672,463
37	Prov Deferred Inc Tax (Deferrals)						
38	Prov Deferred Inc Tax (Writebacks)						
39	Total Federal Inc Tax Expense	(74,907)	1,264,396	150,372	98,945	(237,951)	672,463
40							
41	Total Oper. Expenses and Tax	(7,492,026)	(2,348,163)	(279,263)	(183,756)	2,177,858	(1,248,859)
42							
43	Net Operating Income	(139,113)	2,348,163	279,263	183,756	(441,910)	1,248,859

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
SUMMARY OF JURISDICTIONAL ADJUSTMENTS
TO OPERATING INCOME
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3
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WORK PAPER REFERENCE NO(S).: SEE BELOW

LINE NO.	TITLE OF ACCOUNT	ANNUALIZE PAYROLL TAXES	INTENTIONALLY LEFT BLANK	ANNUALIZE AMORT OF PISCC	INTENTIONALLY LEFT BLANK	AMORTIZE CAMERA WORK	ELIMINATE MERGER COSTS
	ELEMENT of OPERATING INCOME	C-3.18	C-3.19	C-3.20	C-3.21	C-3.22	C-3.23
1	OPERATING REVENUE						
2	Base						
3	Gas Costs						
4	Other						
5	Total Revenue	0	0	0	0	0	0
6							
7	OPERATING EXPENSES						
8	Operation and Maintenance Expenses						
9	Production Expenses						
10	Liquified Petroleum Gas						
11	Other						
12	Total Production Expense	0	0	0	0	0	0
13							
14	Other Gas Supply Expenses						
15	Purchased Gas						
16	Other						
17	Total Other Gas Supply Expense	0	0	0	0	0	0
18							
19	Transmission Expense						
20	Distribution Expense						
21	Customer Accounts Expense						
22	Customer Serv & Info Expense						
23	Sales Expense						
24	Administrative & General Expense						(168,997)
25	Amortization of Deferred Expense			304,766		0	
26	Total Operation and Maintenance Expenses	0	0	304,766	0	0	(168,997)
27							
28	Depreciation Expense	0	0	0	0	0	0
29							
30	Taxes Other Than Income Taxes						
31	Other Federal Taxes	(722,601)					
32	State and Other Taxes						
33	Total Taxes Other Than Income Tax	(722,601)	0	0	0	0	0
34							
35	Federal Income Taxes						
36	Normal and Surtax	252,910	0	0	0	0	59,149
37	Prov Deferred Inc Tax (Deferrals)			(106,668)			
38	Prov Deferred Inc Tax (Writebacks)						
39	Total Federal Inc Tax Expense	252,910	0	(106,668)	0	0	59,149
40							
41	Total Oper. Expenses and Tax	(469,691)	0	198,098	0	0	(109,848)
42							
43	Net Operating Income	469,691	0	(198,098)	0	0	109,848

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
SUMMARY OF JURISDICTIONAL ADJUSTMENTS
TO OPERATING INCOME
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3
PAGE 5 OF 5

WORK PAPER REFERENCE NO(S).: SEE BELOW

LINE NO.	TITLE OF ACCOUNT	ADDITIONAL CAMERA WORK EXP	INTENTIONALLY LEFT BLANK	SMART GRID ADJUSTMENT SAVING	MEDICAL COSTS	INTENTIONALLY LEFT BLANK	INTENTIONALLY LEFT BLANK
	ELEMENT of OPERATING INCOME	C-3.24	C-3.25	C-3.26	C-3.27	C-3.28	C-3.29
1	OPERATING REVENUE						
2	Base						
3	Gas Costs						
4	Other						
5	Total Revenue	0	0	0	0	0	0
6							
7	OPERATING EXPENSES						
8	Operation and Maintenance Expenses						
9	Production Expenses						
10	Liquified Petroleum Gas						
11	Other						
12	Total Production Expense	0	0	0	0	0	0
13							
14	Other Gas Supply Expenses						
15	Purchased Gas						
16	Other						
17	Total Other Gas Supply Expense	0	0	0	0	0	0
18							
19	Transmission Expense						
20	Distribution Expense	(150,000)					
21	Customer Accounts Expense			(3,271,937)			
22	Customer Serv & Info Expense						
23	Sales Expense						
24	Administrative & General Expense				0		0
25	Amortization of Deferred Expense		0			0	
26	Total Operation and Maintenance Expenses	(150,000)	0	(3,271,937)	0	0	0
27							
28	Depreciation Expense	0	0	0	0	0	0
29							
30	Taxes Other Than Income Taxes						
31	Other Federal Taxes						
32	State and Other Taxes						
33	Total Taxes Other Than Income Tax	0	0	0	0	0	0
34							
35	Federal Income Taxes						
36	Normal and Surtax	52,500	0	1,145,178	0	0	0
37	Prov Deferred Inc Tax (Deferrals)						
38	Prov Deferred Inc Tax (Writebacks)						
39	Total Federal Inc Tax Expense	52,500	0	1,145,178	0	0	0
40							
41	Total Oper. Expenses and Tax	(97,500)	0	(2,126,759)	0	0	0
42							
43	Net Operating Income	97,500	0	2,126,759	0	0	0

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
ANNUALIZED REVENUE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3.1
PAGE 1 OF 2

WORK PAPER REFERENCE NO(S).: WPC-3.1a, WPC-3.1b

PURPOSE and DESCRIPTION			AMOUNT
PURPOSE and DESCRIPTION: To reflect adjustments to operating revenues to reclassify and annualize base and gas cost recovery revenue, to eliminate unbilled revenues and to adjust other operating revenues.			
Base Revenue	To Sch C-3 Summary <—	$	6,980,628
Gas Cost Revenue	To Sch C-3 Summary <—		(13,058,922)
Other Revenue	To Sch C-3 Summary <—		1,907,785
Total		$	(4,170,509)
Jurisdictional allocation percentage			100%
Jurisdictional amount			$ (4,170,509)

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
ANNUALIZED GAS COST
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3.1
PAGE 2 OF 2

WORK PAPER REFERENCE NO(S).: WPC-3.1a, WPC-3.1b

PURPOSE and DESCRIPTION		AMOUNT
PURPOSE and DESCRIPTION: To reflect the change in purchased gas cost which would result from the annualization of purchased gas cost and the elimination of gas costs associated with unbilled revenues.		
Gas Cost Expense Adjustment		$ (5,974,444)
Jurisdictional allocation percentage		100%
Jurisdictional amount	To Sch C-3 Summary <—	$ (5,974,444)

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
ANNUALIZED WAGE ADJUSTMENT
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

WORK PAPER REFERENCE NO(S).: WPC-3.4a through WPC-3.4d

PURPOSE and DESCRIPTION			AMOUNT
PURPOSE and DESCRIPTION: To annualize test year payroll costs using 12 months actual December 2012			
Total		$	(1,559,495)
Jurisdictional allocation percentage			100%
Jurisdictional amount	To Sch C-3 Summary <—	$	(1,559,495)

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
ANNUALIZED DEPRECIATION EXPENSE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

WORK PAPER REFERENCE NO(S).: WPC-3.5a

PURPOSE and DESCRIPTION			AMOUNT
PURPOSE and DESCRIPTION: To reflect the adjustment to annualize depreciation expense as calculated on Schedule B-3.2 based on plant at March 31, 2012.			
Total		$	2,759,298
Jurisdictional allocation percentage			100%
Jurisdictional amount	To Sch C-3 Summary <---	$	2,759,298

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
ANNUALIZED DEPRECIATION EXPENSE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

WORK PAPER REFERENCE NO(S).: WPC-3.5a

PURPOSE and DESCRIPTION			AMOUNT
PURPOSE and DESCRIPTION: To reflect the adjustment to deferred income taxes as a result of the annualization of book depreciation based on plant at March 31, 2012.			
Total		$	(965,754)
Jurisdictional allocation percentage			100%
Jurisdictional amount	To Sch C-3 Summary <---	$	(965,754)

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
PROPERTY TAX ADJUSTMENT
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3.8
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S).: WPC-3.8a

PURPOSE and DESCRIPTION			AMOUNT
PURPOSE and DESCRIPTION: To reflect the change in expense if property taxes were calculated based on plant in service as of March 31, 2012.			
(1) Personal Property Tax (a)		$	23,058,372
(2) Real Property Tax (b)			71,892
(3) Adjusted Property Tax Expense (1) + (2)			23,130,265
(4) Less: Test Year Expense (c)			23,254,515
(5) Adjustment (3) - (4)		$	(124,250)
Jurisdictional allocation percentage			100%
Jurisdictional amount	To Sch C-3 Summary <—	$	(124,250)

(a) Staff's Schedule WPC-3.8a
(b) Staff's Schedule C-3.8b
(c) Applicant's Schedule C-2.1

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
INTEREST EXPENSE DEDUCTIBLE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3.10
PAGE 1 OF 2

WORK PAPER REFERENCE NO(S).: WPC-3.10a, SCHEDULE B-1, SCHEDULE D-1

PURPOSE and DESCRIPTION			AMOUNT
PURPOSE and DESCRIPTION: To reflect federal income taxes at 35% due to interest deductible for tax purposes being based on rate base at March 31, 2012 as shown on Schedule B-1 and the weighted cost of debt of 2.48% as shown on Schedule D-1.			
Total		$	(1,109,280)
Jurisdictional allocation percentage			100%
Jurisdictional amount	To Sch C-3 Summary <---	$	(1,109,280)

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
BUDGET EXPENSES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3.13
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S).: WPC-3.13a

PURPOSE and DESCRIPTION				AMOUNT
PURPOSE and DESCRIPTION: To reduce budgeted accounts to normalized levels				
Account				
903	Customer Records and Collections	$ (759,445)		
924	Property Insurance	(927,533)		
930.2	Miscellaneous General Expense	(446,512)		
931	Rents	(1,479,069)		
	Total (a)		$	(3,612,559)
Jurisdictional allocation percentage				100%
Jurisdictional amount		To Sch C-3 Summary <—	$	(3,612,559)

(a) Derived from Staff Data Request #'s 12, 89, 92 and Staff Workpaper WPC-3.13

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
ELIMINATE NON-JURISDICTIONAL EXPENSE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3.14
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S).: WPC-3.14a

PURPOSE and DESCRIPTION			AMOUNT
PURPOSE and DESCRIPTION: To eliminate non-jurisdictional operating expenses.			
Distribution Expense		$	(50)
Sales Expense			(178,452)
Administrative & General Expense			(173,782)
Governmental Affairs			(53,230)
Corporate Community Relations			(24,121)
Total Adjustment			(429,635)
Jurisdictional allocation percentage			100%
Jurisdictional amount	To Sch C-3 Summary <---	$	(429,635)

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
ANNUALIZE PENSION AND BENEFITS EXPENSE

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3.17
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S).: WPC-3.17a

PURPOSE and DESCRIPTION			AMOUNT
PURPOSE and DESCRIPTION: To annualize pension and benefits			
Total		$	(1,921,322)
Jurisdictional allocation percentage			100%
Jurisdictional amount	To Sch C-3 Summary <---	$	(1,921,322)

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
ANNUALIZE PAYROLL TAXES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3.18
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S).: WPC-3.18a

PURPOSE and DESCRIPTION			AMOUNT
PURPOSE and DESCRIPTION: To annualize payroll taxes.			
Total		$	(722,601)
Jurisdictional allocation percentage			100%
Jurisdictional amount	To Sch C-3 Summary <---	$	(722,601)

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
AMORTIZE CAMERA WORK
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

WORK PAPER REFERENCE NO(S).: WPC-3.22a

PURPOSE and DESCRIPTION		AMOUNT
PURPOSE and DESCRIPTION: To amortize the estimated balance in account 0182385, Camera Costs AMRP-Reg Asset, as of December 31, 2012, over a period of three years.		
Total		$ -
Jurisdictional allocation percentage		100%
Jurisdictional amount	To Sch C-3 Summary <—	$ -

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
INCREASED MEDICAL COSTS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-3.27
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S).: WPC-3.27a

PURPOSE and DESCRIPTION			TOTAL AMOUNT
PURPOSE and DESCRIPTION: To adjust expenses for increased medical costs.			
Medical Costs Adjustment		$	-
Jurisdictional allocation percentage			100%
Jurisdictional amount	To Sch C-3 Summary <---	$	-

DUKE ENERGY OHIO, INC.
CASE NO. 12-1685-GA-AIR
ADJUSTED JURISDICTIONAL FEDERAL INCOME TAXES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

REVISED SCHEDULE C-4
PAGE 1 OF 1

WORK PAPER REFERENCE NO(S).: SCHEDULE C-4.1, WPC-4.1a

LINE NO.	DESCRIPTION				AT CURRENT RATES UNADJUSTED (1) ($)	SCHEDULE C-3 ADJUSTMENTS (2) ($)	ADJUSTED (3) ($)	AT STIPULATED RATES PROFORMA ADJUSTMENTS (4) ($)	PROFORMA (5) ($)
1	Operating Income before Federal								
2	Income Taxes				77,780,821	16,182,091	93,962,912	0	93,962,912
3									
4	Reconciling Items:								
5	Interest Charges				(19,527,647)	(2,351,966)	(21,879,613)	0	(21,879,613)
6	Net Interest Charges				(19,527,647)	(2,351,966)	(21,879,613)	0	(21,879,613)
7									
8	Tax Depreciation				(111,690,697)	0	(111,690,697)	0	(111,690,697)
9	Book Depreciation				43,361,628	2,759,298	46,120,926	0	46,120,926
10	Excess of Tax over Book Depreciation				(68,329,069)	2,759,298	(65,569,771)	0	(65,569,771)
11									
12	Other Reconciling Items:								
13	Permanent Differences				99,672	0	99,672	0	99,672
14	Temporary Differences				(25,895,100)	(512,638)	(26,407,738)	0	(26,407,738)
15	Total Other Reconciling Items				(25,795,428)	(512,638)	(26,308,066)	0	(26,308,066)
16	Total Reconciling Items				(113,652,144)	(105,306)	(113,757,450)	0	(113,757,450)
17	Federal Taxable Income				(35,871,323)	16,076,785	(19,794,538)	0	(19,794,538)
18									
19	Federal Income Taxes:								
20	First $50,000	50,000	@	15%	7,500		7,500		7,500
21	Next $25,000	25,000	@	25%	6,250		6,250		6,250
22	Next $25,000	25,000	@	34%	8,500		8,500		8,500
23	Next $235,000	235,000	@	39%	91,650		91,650		91,650
24	Next $9,665,000	9,665,000	@	34%	3,286,100		3,286,100		3,286,100
25	Next $5,000,000	5,000,000	@	35%	1,750,000		1,750,000		1,750,000
26	Next $3,333,333	3,333,333	@	38%	1,266,667		1,266,667		1,266,667
27	Over $18,333,333 (A)	(54,204,658)	@	35%	(18,971,630)	5,626,875	(13,344,755)	0	(13,344,755)
28	Federal Income Taxes				(12,554,963)	5,626,875	(6,928,088)	0	(6,928,088)
29									
30	Deferred Income Taxes:								
31	Deferred Income Tax on Depreciation				24,039,299	(965,754)	23,073,545		23,073,545
32	Other Deferred Income Taxes - Net				9,063,285	179,423	9,242,708		9,242,708
33	Deferred Income Tax Adjustment - ARAM				4,128		4,128		4,128
34	Deferred Income Tax Adjustment - Flow-Through				592,325		592,325		592,325
35	Amortization of Investment Tax Credit				(219,046)	0	(219,046)		(219,046)
36	Total Deferred Income Taxes				33,479,991	(786,331)	32,693,660	0	32,693,660
37									
38	Total Federal Income Taxes				20,925,028	4,840,544	25,765,572	0	25,765,572

(A) Calculation may be different due to rounding