

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke)
Energy Ohio, Inc., for Administration of the)
Significantly Excessive Earnings Test under) Case No. 22-297- EL-UNC
Section 4928.143(F), Revised Code, and Rule)
4901:1-35-10, Ohio Administrative Code.)

DIRECT TESTIMONY OF

LIBBIE S. MILLER

ON BEHALF OF

DUKE ENERGY OHIO, INC.

May 12, 2022

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I. INTRODUCTION AND PURPOSE

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

2 A. My name is Libbie S. Miller. My business address is 139 East Fourth Street,
3 Cincinnati, Ohio 45202.

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

5 A. I am employed by Duke Energy Business Services LLC (DEBS) as Manager, Rates
6 and Regulatory Strategy for Duke Energy Ohio, Inc., (Duke Energy Ohio or
7 Company) and Duke Energy Kentucky, Inc. DEBS provides various administrative
8 and other services to Duke Energy Ohio and other affiliated companies of Duke
9 Energy Corporation (Duke Energy).

10 **Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL**
11 **QUALIFICATIONS.**

12 A. I earned a Bachelor of Science in Accounting from Indiana State University in Terre
13 Haute, Indiana in 1988. I also am a Certified Public Accountant licensed in Indiana.
14 I began my career with Public Service Indiana in 1988. While there I held positions
15 in Fuels Accounting, Corporate Accounting, and Financial Systems. I transferred
16 to Cincinnati, Ohio, in 1995 at the inception of Cinergy Corp., the parent of Duke
17 Energy Ohio, where I continued working in Financial Systems and later held
18 various accounting positions within the generation business. In 2015, I worked in
19 Program Performance supporting Energy Efficiency and Demand Response
20 customer programs for Duke Energy Indiana. In January 2018, I began as Lead
21 Analyst, Rates and Regulatory Strategy for Duke Energy Ohio and Duke Energy

1 Kentucky. In March 2022, I was promoted to Manager, Rates and Regulatory
2 Strategy.

3 **Q. PLEASE DESCRIBE YOUR DUTIES AS MANAGER, RATES AND**
4 **REGULATORY STRATEGY.**

5 A. As Manager, I am responsible for the preparation and review of various monthly,
6 quarterly, and annual rate recovery mechanisms. I also prepare and review other
7 schedules used in retail rate filings for Duke Energy Ohio and Duke Energy
8 Kentucky.

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

11 A. Yes, I filed direct and supplemental testimony in last year's Significantly Excessive
12 Earnings Test (SEET) filing in Case No. 21-0412-EL-UNC.

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

15 A. I first will provide a brief overview of the SEET, and then I will discuss the SEET
16 calculation of Duke Energy Ohio and the attachments supporting the calculation.

II. BACKGROUND

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

19 A. Pursuant to R.C. 4928.143(F), following the end of each annual period of an
20 approved Electric Security Plan (ESP), the Commission is required to evaluate the
21 earnings of each electric distribution utility to determine whether the adjustments

1 included in the ESP resulted in significantly excessive earnings. R.C. 4928.143(E)
2 addresses the issue of significantly excessive earnings in the context of an ESP
3 having a term longer than three years.

4 Duke Energy Ohio is currently providing a standard service offer (SSO) of
5 competitive retail electric services pursuant to an ESP that was approved by the
6 Commission on December 19, 2018. The terms of the ESP are set forth in the
7 Commission's Opinion and Order in Case No. 17-1263-EL-SSO (ESP Order).

8 **Q. DID THE ESP ORDER THAT THE COMMISSION ISSUED ON**
9 **DECEMBER 19, 2018, ADDRESS THE ADMINISTRATION OF THE SEET**
10 **TO DUKE ENERGY OHIO?**

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

- 14 • Net income as shown on page 117, column (c), line (78) of the
15 [FERC] Form 1, adjusted for the following, if necessary:
 - 16 ○ Eliminate all impacts related to the purchase accounting
17 recorded pursuant to the Duke Energy/Cinergy merger.
 - 18 ○ Eliminate all impacts of refunds to customers pursuant to R.C.
19 4928.143(F).
 - 20 ○ Eliminate all impacts of mark-to-market accounting.
 - 21 ○ Eliminate all impacts of material, non-recurring gains/losses,
22 including, but not limited to, the sale or disposition of assets.
 - 23 ○ Eliminate all impacts of material, non-recurring revenue or
24 expenses.
 - 25 ○ Eliminate all impacts of parent, affiliated, or subsidiary
26 companies and, to the extent reasonably feasible and prudently

1 justified in the opinion of Duke Energy Ohio, eliminate the
2 impacts of its natural gas distribution business.

3 The adjusted net income will be divided by Common Equity to determine
4 the resulting return on equity. Certain adjustments will be made to Common
5 Equity.

- 6 • Common equity used in the calculation will be the beginning and
7 ending average common equity of Duke Energy Ohio on a stand-
8 alone basis.
- 9 • Equity will be adjusted to eliminate the acquisition premium
10 recorded to equity pursuant to the Duke Energy/Cinergy merger.
- 11 • Eliminate the cumulative effect of the net income adjustments.

12 **Q. DOES THE ESP ORDER ESTABLISH A FIXED THRESHOLD FOR**
13 **WHAT WOULD BE CONSIDERED “SIGNIFICANTLY EXCESSIVE**
14 **EARNINGS”?**

15 A. No. Pursuant to the ESP Order, the threshold for significantly excessive earnings
16 will be determined within the context of this case for calendar year 2021.

III. COMMISSION’S SEET GUIDELINES

17 **Q. WHAT GUIDELINES DID THE COMPANY FOLLOW WHEN**
18 **PREPARING ITS 2021 SEET FILING?**

19 A. The Company has followed the guidelines found in the relevant provision of the
20 Duke Energy Ohio Electric Security Plan Opinion and Order, Case Nos. 14-841-
21 EL-SSO, *et al.* (ESP III Order)¹. Additionally, the Company has incorporated into

¹ *In the Matter of the Application of Duke Energy Ohio for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Revised Code, in the Form of an Electric Security Plan, Accounting Modifications and Tariffs for Generation Service*, Case Nos. 14-841-EL-SSO, *et al.*, Opinion and Order (April 2, 2015).

1 its SEET the Commission's recommendations from Case No. 09-786-EL-UNC
2 (SEET Case).²

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

5 A. The Commission's orders in that case generally defer to each company's specific
6 situation.

7 As I discuss further below, the Commission directed utilities to: (1) base
8 average equity balances on the average of the balances at the beginning and at the
9 end of the year;³ (2) adjust out all impacts from affiliates and other services (*e.g.*,
10 natural gas distribution);⁴ and (3) address deferrals and other certain factors.⁵

11 **Q. DID THE COMPANY HAVE ANY ESP-RELATED DEFERRALS IN 2021**
12 **THAT IMPACTED EARNINGS?**

13 A. No.

14 **Q. WILL YOU DESCRIBE THE OTHER INFORMATION THAT THE**
15 **COMMISSION DIRECTED COMPANIES TO PROVIDE AS PART OF ITS**
16 **SEET REVIEWS?**

17 A. On page 29 of its Finding and Order,⁶ the Commission provided a list of factors it
18 identified as worthy of its consideration in any SEET review. The listed factors
19 include the following:

² *In the Matter of the Investigation into the Development of the Significantly Excessive Earnings Test Pursuant to Amended Substitute Senate Bill 221 for Electric Utilities*, Case No. 09-786-EL-UNC.

³ *Id.*, Entry on Rehearing, at pg. 6 (Aug. 25, 2010).

⁴ *Id.*, Finding and Order, at pg. 12 (June 30, 2010).

⁵ *Id.*, pg. 16.

⁶ *Id.*, Finding and Order, at pg. 29 (June 30, 2010).

- 1 • the electric utility's most recently authorized return on equity, and
- 2 • the electric utility's risk, including:
 - 3 ○ whether the electric utility owns generation;
 - 4 ○ whether the ESP includes a fuel and purchased power
 - 5 adjustment or similar adjustments;
 - 6 ○ the rate design and extent to which the electric utility
 - 7 remains subject to weather and economic risk;
 - 8 ○ capital commitments and future capital requirements;
 - 9 ○ indicators of management performance and benchmarks to
 - 10 other utilities;
 - 11 ○ innovation and industry leadership with respect to meeting
 - 12 industry challenges to maintain and improve the
 - 13 competitiveness of Ohio's economy, including research and
 - 14 development expenditures, investments in advanced
 - 15 technology, and innovative practices; and
 - 16 ○ the extent to which the electric utility has advanced state
 - 17 policy.

18 **Q. WHAT IS THE COMPANY'S APPROVED RETURN ON COMMON**
19 **EQUITY FOR CALENDAR YEAR 2021?**

20 A. The Company's approved return on common equity for calendar year 2021 was
21 9.84 percent for its jurisdictional electric distribution service in Ohio.⁷

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

24 A. Yes. The Company procured 100 percent of the generation services provided to its

⁷ *In the Matter of the Application of Duke Energy Ohio for an Increase in Electric Distribution Rates*, Case No. 17-32-EL-AIR, *et al.*, Stipulation and Recommendation, at pg. 7 (April 13, 2018), and Opinion and Order, at pg. 92 (Dec. 19, 2018).

1 SSO load in 2021 through an auction process approved in the ESP Order. The
2 Company recovers the cost of this competitively procured power via riders. Duke
3 Energy Ohio makes no profit or loss on power that is procured via the auction
4 process and is ultimately delivered to its SSO customers.

5 **Q. DESCRIBE THE COMPANY'S RATE DESIGN.**

6 A. The Company's rate design for noncompetitive service has been essentially the
7 same since its unbundled rates became effective on January 1, 2001. The
8 Stipulation in Case No. 11-3549-EL-SSO, *et al.*, eliminated some riders that existed
9 at the end of 2011 and added certain new riders for competitive retail services. As
10 a result, there were new rates for competitive retail services based on allocation
11 methods and rate design processes that were approved by the Commission in that
12 case. The ESP III Order eliminated other riders for competitive service and
13 modified the design of some riders. The Opinion and Order in Case No. 17-1263-
14 EL-SSO⁸ (2018 ESP Order) added new riders and modified the design of some
15 riders. Depending on the rate class, some customers may have energy-based rates,
16 demand-based rates, or a combination of both. All customers have some form of a
17 customer charge, and some non-residential customers have demand ratchets
18 intended to encourage efficient use of resources. For customers who shop, it is not
19 possible for the Company to know the essentially infinite number of rate design
20 options that may be offered by their competitive retail electric service providers.

⁸ *In the Matter of the Application of Duke Energy Ohio, Inc. for Authority to Establish a Standard Service Offer Pursuant to R.C. 4928.143 in the Form of an Electric Security Plan, Accounting Modifications, and Tariffs for Generation Service*, Case No. 17-1263-EL-SSO, *et al.*, Opinion and Order (December 19, 2018).

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

3 A. As part of the Stipulation in Case No. 11-3549-EL-SSO, *et al.*, Duke Energy Ohio
4 agreed to file an application to implement a decoupling mechanism for its non-
5 demand-metered customers. The Commission approved the Company's
6 subsequent application toward that end in early 2012⁹, and the Company began
7 accruing a deferral related to the decoupling mechanism. The decoupling
8 mechanism excludes all demand-metered sales but mitigates the impact of certain
9 sales losses, particularly due to compliance with Ohio's energy efficiency
10 mandates. I should note that the approved decoupling mechanism is based on
11 weather-normalized sales; consequently, the Company is still exposed to weather-
12 related earnings risks. The administration of the SEET expressly contemplates that
13 the impacts of Duke Energy Ohio's natural gas are to be eliminated. As such, Duke
14 Energy Ohio does not address, in this proceeding, the weather risks relevant to its
15 natural gas operations.

16 **Q. WILL YOU ADDRESS THE CAPITAL COMMITMENTS AND CAPITAL**
17 **REQUIREMENTS?**

18 A. The capital budget requirements for the future, committed, electric investments in
19 Ohio are approximately \$393 million for 2022 and approximately \$390 million for
20 2023.

⁹ *In the Matter of the Application of Duke Energy Ohio, Inc., for Approval of a Distribution Decoupling Rider*, Case No. 11-5905-EL-RDR, Finding and Order (May 30, 2012).

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

4 A. Yes. First, it is important to realize that there is no data that compares the Duke
5 Energy Ohio operating company to its peers. As such, and in an effort to address
6 the Commission's prior directive, reference is made to the information that does
7 exist, on a corporate-wide basis. Attachment LSM-7 is a summary of how Duke
8 Energy Corporation's returns compare to some of its peers. The data in this chart
9 represents a comparison of total shareholder return (TSR), which is defined as the
10 sum of dividends and share appreciation divided by a starting price. In this
11 attachment, the first set of numbers shows the TSR for stocks from January 1, 2019,
12 through December 31, 2021. The second set of numbers shows the TSR for stocks
13 purchased from January 1, 2020, through December 31, 2021. The third set of
14 numbers shows the TSR for stocks purchased from January 1, 2021, through
15 December 31, 2021.

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

18 A. Yes. Duke Energy Ohio was the first utility in Ohio to deploy smart meters across
19 its entire service territory. Duke Energy Ohio's self-healing teams have saved
20 many millions of customer outage minutes annually. As a state leader in
21 deployment of the smart grid, Duke Energy Ohio actively participated in the
22 Commission's "PowerForward" program to share its expertise and to work with

1 interested stakeholders to enhance further innovation. In Case No. 19-1750-EL-
2 UNC, the Company proposed an electric vehicle charging station pilot and a smart
3 cities program to promote further innovation in the state.

IV. SCHEDULES SPONSORED BY WITNESS

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

5 A. Attachment LSM-1 is a schedule showing that the Company's return earned on
6 average electric common equity for the year ended December 31, 2021, is 5.46
7 percent.

8 **Q. PLEASE DESCRIBE ATTACHMENT LSM-2.**

9 A. Attachment LSM-2 is a schedule showing the calculation of the Company's
10 adjusted electric net income for the calendar year 2021. The source of the utility
11 operating income for the twelve months ending December 31, 2021 is the
12 Company's 2021 FERC Form 1 annual report, pages 114 to 117 adjusted as
13 previously described beginning on page 3 line 11 of my testimony above. As shown
14 in Attachment LSM-2, no refunds were returned to customers during the twelve
15 months ending December 31, 2021. Equity in earnings of subsidiary companies
16 was also eliminated so that the return earned on average common equity would be
17 on a Duke Energy Ohio stand-alone basis.

18 **Q. PLEASE DESCRIBE ATTACHMENT LSM-3.**

19 A. Attachment LSM-3 is a summary of the items eliminated from net income. The
20 schedule shows, by Company account, the impact on net income of eliminating
21 purchase accounting, mark-to-market accounting, non-recurring gains and/or

1 losses, material non-recurring revenues and expenses, and the equity in earnings of
2 subsidiary companies.

3 **Q. PLEASE DESCRIBE ATTACHMENT LSM-4.**

4 A. Attachment LSM-4 is an exhibit showing the calculation of the Company's average
5 electric common stock equity as of December 31, 2021. The attachment shows the
6 common stock equity balances for December 31, 2020, and December 31, 2021,
7 and the calculation of the average electric common equity balance as of December
8 31, 2021, to be used in determining if Duke Energy Ohio has significantly excessive
9 earnings. Pursuant to the ESP III Order, the following items were eliminated in
10 calculating the ending balance for each calendar year: (1) impacts of purchase
11 accounting recorded pursuant to the Duke Energy/Cinergy merger; (2) all impacts
12 of mark-to-market accounting; and (3) all impacts of material, non-recurring gains
13 and/or losses.

14 **Q. PLEASE DESCRIBE ATTACHMENT LSM-5.**

15 A. Attachment LSM-5 is a schedule showing the calculation of a net plant allocation
16 factor used to allocate total average common equity to electric operations. The gas
17 and electric plant data are taken from the Company's 2020 and 2021 FERC Form
18 1, pages 200-201. The schedule shows that, based on net plant, 65.98 percent of
19 the Company's 2021 common equity is allocable to electric operations.

20 **Q. PLEASE DESCRIBE ATTACHMENT LSM-6.**

21 A. Attachment LSM-6 is a summary of assumptions used in this filing, most of which
22 are from Attachment PAL-2 in Peggy A. Laub's testimony in Case No. 14-841-EL-

1 SSO, *et al.* I have discussed all other relevant assumptions in my testimony.

2 **Q. PLEASE DESCRIBE ATTACHMENT LSM-7.**

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

V. CONCLUSION

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

7 A. No. As shown on Attachment LSM-1, Duke Energy Ohio's return earned on
8 average electric common equity is 5.46 percent. The return on average electric
9 common equity is less than the Company's approved 9.84 percent rate of return for
10 electric distribution service. The conclusion from this analysis is that Duke Energy
11 Ohio's rate of return on equity (ROE) for 2021 is below its approved ROE.
12 Therefore, no further analysis is needed to conclude that the Company does not
13 have significantly excessive earnings.

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

16 A. Yes.

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

18 A. Yes.

<u>Description</u>	<u>Source</u>	<u>Amount</u>
Including Non-SSO Sales and ESP Deferrals		
Adjusted Electric Net Income	Schedule-2	\$88,631,560
Average Electric Common Equity	Schedule-4	\$1,623,334,647
Return Earned on Average Electric Common Equity		<u>5.46%</u>

Duke Energy Ohio, Inc.
Significantly Excessive Earnings Test
Adjusted Net Income
December 31, 2021

12 Months Ended December 31, 2021					Eliminations							
Description	Form No. 1 Page, Line, Column	Account Level	Total	Electric	Purchase Accounting	Mark-to-Market	Non-Recurring Gains / Losses	Non-Recurring Rev / Exp	Equity in Earnings of Subsidiaries	Amounts Refunded to Customers	Total Eliminations	Adjusted December 31, 2021
Utility Operating Income												
Operating Revenues	114.2.c.g	Level 6	\$1,477,774,921	\$1,052,564,620							\$0	\$1,052,564,620
Operation Expenses	114.4.c.g	Level 8	604,162,650	414,870,299							0	414,870,299
Maintenance Expenses	114.5.c.g	Level 8	63,429,497	56,616,146							0	56,616,146
Depreciation Expense	114.6.c.g	Level 9	189,589,588	133,803,826							0	133,803,826
Depreciation Expense for Asset Retirement Costs	114.7.c.g	Level 9	0	(11)							0	(11)
Amort. & Depl. Of Utility Plant	114.8.c.g	Level 9	29,568,801	19,663,418							0	19,663,418
Amort. Of Utility Plant Acquisition Adj.	114.9.c.g	Level 9	0	0							0	0
Regulatory Debits	114.12.c.g	FERC Page	19,149,347	17,364,205							0	17,364,205
Less: Regulatory Credits	114.13.c.g	FERC Page	(16,588,434)	(11,395,615)							0	(11,395,615)
Taxes Other Than Income Taxes	114.14.c.g	Level 8	334,098,432	275,502,235				2,989,762			2,989,762	278,491,997
Income Taxes - Federal	114.15.c.g	Level 8	(1,310,330)	(17,934,801)		0	0	0		0	0	(17,934,801)
Income Taxes - Other	114.16.c.g	Level 8	256,680	(211,123)							0	(211,123)
Provision For Deferred Income Taxes	114.17.c.g	Level 9	132,572,619	92,152,518							0	92,152,518
Provision For Deferred Income Taxes - Credit	114.18.c.g	Level 9	(113,054,149)	(70,810,208)							0	(70,810,208)
Investment Tax Credit Adj - Net	114.19.c.g	Level 8	(215,442)	(39,517)							0	(39,517)
Gains From Disp Of Allow - Credit	114.20-23.c.g	Level 8	0	0							0	0
Accretion Expense	114.24.c.g	Level 8	0	2,486							0	2,486
Total Utility Operating Expenses			1,241,659,259	909,583,858	0	0	0	2,989,762	0	0	2,989,762	912,573,620
Net Utility Operating Income			\$236,115,662	\$142,980,762	\$0	\$0	\$0	(\$2,989,762)	\$0	\$0	(\$2,989,762)	\$139,991,000
Other Income												
Revenues From Merchandising, Jobbing and Contract Work	117.31.c	Level 7	\$4,254,364	\$4,254,314							\$0	\$4,254,314
Less: Costs & Exp of Merchandising, Jobbing & Contract	117.32.c	Level 7	1,165,576	1,165,576							0	1,165,576
Revenues From Nonutility Operations	117.33.c	Level 9	19,647,619	19,647,477							0	19,647,477
Less: Expenses of Nonutility Operations	117.34.c	Level 9	385,048	369,536							0	369,536
Non-operating Rental Income	117.35.c	Level 8	(80,921)	(52,982)							0	(52,982)
Equity in Earnings of Subsidiary Companies	117.36.c	Work Paper	55,563,076	40,398,115					(40,398,115)		(40,398,115)	0
Interest and Dividend Income	117.37.c	Level 7	2,948,931	2,236,107							0	2,236,107
AFUDC	117.38.c	Level 7	5,983,833	3,737,569							0	3,737,569
Miscellaneous Non-operating Income	117.39.c	Level 8	(1,447,257)	(2,268,795)		0					0	(2,268,795)
Gain on Disposition of Property	117.40.c	Level 8	812,124	766,296			(766,296)				(766,296)	0
Total Other Income			\$86,131,145	\$67,182,989	\$0	\$0	(\$766,296)	\$0	(\$40,398,115)	\$0	(\$41,164,411)	\$26,018,578
Other Income Deductions												
Loss on Disposition of Property	117.43.c	Account 421.2	(\$34,368)	(\$33,841)			\$33,841				\$33,841	\$0
Misc. Amortization	117.44.c	Level 8	0	0							0	0
Donations	117.45.c	Level 8	1,429,853	854,110							0	854,110
Life Insurance	117.46.c	Level 8	236,151	245,696							0	245,696
Penalties	117.47.c	Level 8	166,666	166,666							0	166,666
Civic, Political & Related Activities	117.48.c	Level 8	1,502,415	988,395							0	988,395
Other Deductions	117.49.c	Level 8	31,262,927	8,998,445		0	(3,086,315)	0			(3,086,315)	5,912,130
Total Other Income Deductions			\$34,563,644	\$11,219,471	\$0	\$0	(\$3,052,474)	\$0	\$0	\$0	(\$3,052,474)	\$8,166,997
Total Taxes On Other Income and Deductions	117.59.c	Level 6	868,771	1,718,355	(8,291)	0	489,016		0	0	480,725	2,199,080
Net Other Income and Deductions			\$50,698,730	\$54,245,163	\$8,291	\$0	\$1,797,162	\$0	(\$40,398,115)	\$0	(\$38,592,662)	\$15,652,501
Net Interest Charges	117.70.c	Level 4	82,411,084	66,973,181	38,760			0			38,760	67,011,941
Net Income	117.78.c		\$204,403,308	\$130,252,744	(\$30,469)	\$0	\$1,797,162	(\$2,989,762)	(\$40,398,115)	\$0	(\$41,621,184)	\$88,631,560

<u>Account ID CB</u>	<u>Account Long Descr CB</u>	<u>Account Node Name</u>	<u>12 months Ended 12/31/2021</u>	<u>Elimination</u>	<u>Income Tax Effect</u>	<u>Impact on Net Income</u>
<u>Purchase Accounting</u>						
428200	Amort_Debt_Disc_Pur_Acctg_Adj		\$393,492	(\$393,492)		
429200	Amort_Debt_Prem_Pur_Acctg_Adj		(432,252)	432,252		
			<u>(\$38,760)</u>	<u>\$38,760</u>	<u>(\$8,291)</u>	<u>(\$30,469)</u>
	Total Purchase Accounting Adjustment		(\$38,760)	\$38,760	(\$8,291)	(\$30,469)
<u>Mark-to-Market</u>						
421530	Power Trading MTM Gains	REVENUE	\$0	\$0		
421631	MTM Unreal Gains - EA	FUEL	0	0		
	Other Income		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
426531	MTM Unreal Loss-Reserve	REVENUE	\$0	\$0		
426631	MTM Unreal Losses - EA's	FUEL	0	0		
	Other Income Deductions		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	Net Other Income and Deductions		0	0	0	0
	Total Mark-to-Market		0	0	0	0
<u>Non-Recurring Gains / Losses</u>						
421100 / 421114	Elec Gain On Disposal Of Property	F_TOT_OTH_INC	\$766,296	(\$766,296)	\$163,911	(\$602,385)
421200	Elec Loss On Disposal Of Property	F_TOT_OTH_INC_DED	(33,841)	33,841	(7,239)	(26,602)
426510	Elec Other	F_TOT_OTH_INC_DED	0	0	0	0
426513	Elec Other Deductions - Impairments	F_TOT_OTH_INC_DED	0	0	0	0
426551	Elec Impairment & other related charges	F_TOT_OTH_INC_DED	0	0	0	0
426553	Elec PP&E IMPAIRMENT	F_TOT_OTH_INC_DED	3,086,315	(3,086,315)	660,166	2,426,149
426554	Elec Impairment of Goodwill	F_TOT_OTH_INC_DED	0	0	0	0
	Total Non-Recurring Gains / Losses		<u>(\$2,286,178)</u>	<u>\$2,286,178</u>	<u>\$489,016</u>	<u>\$1,797,162</u>
<u>Non-Recurring Revenue / Expense</u>						
	Operation Expenses		\$0	\$0	\$0	\$0
	Maintenance Expenses		0	0	0	0
	Depreciation Expense		0	0	0	0
	Income Taxes & Other Taxes		0	0	0	0
	Other Deductions		0	0	0	0
	Net Interest Charges		0	0	0	0
Def Tax Basis	Property Tax Adjustment		(2,989,762)	2,989,762	0	(2,989,762)
Def Tax Basis	Deferred Tax		0	0	0	0
	Total Non-Recurring Revenue / Expense		<u>(\$2,989,762)</u>	<u>\$2,989,762</u>	<u>\$0</u>	<u>(\$2,989,762)</u>
<u>Equity in Earnings of Subsidiary Companies</u>						
418.1	Equity in Earnings of Subsidiary Companies		\$40,398,115	(\$40,398,115)	\$0	(\$40,398,115)
	Total Eliminations		<u>\$35,083,415</u>	<u>(\$35,083,415)</u>	<u>\$480,725</u>	<u>(\$41,621,184)</u>

Duke Energy Ohio, Inc.
Significantly Excessive Earnings Test
Average Common Stock Equity
December 31, 2021

Description	December 31, 2020					December 31, 2021					Average Common Equity
	Balance at 12-31-20	Other Adjustments	Remove Equity in Subsidiaries	Remove Goodwill	Adjusted 12-31-20	Balance at 12-31-21	Other Adjustments	Remove Equity in Subsidiaries	Remove Goodwill	Adjusted 12-31-21	
Common Stock Equity											
201000 Common Stock	\$762,136,231				\$762,136,231	\$762,136,231				\$762,136,231	
207001 Premium on capital stock					0					0	
208000 Donat Recvd From Stkhld	28,950,000				28,950,000	28,950,000				28,950,000	
208001 Donat Recvd From Duke	1,462,336,840				1,462,336,840	1,462,336,840				1,462,336,840	
208010 Donat Recvd From Stkhld Tax	15,641,578				15,641,578	15,641,578				15,641,578	
210020 Gain on Redemption of Capital	0				0	0				0	
211003 Misc Paid in Capital	(1,850,617,194)				(1,850,617,194)	(1,850,617,194)				(1,850,617,194)	
211004 Miscellaneous Paid in Capital Purch Acctg	943,842,010			(746,918,647)	196,923,363	943,842,010			(746,918,647)	196,923,363	
0211008 Misc PIC Pushdown Adj RE	1,617,546,493				1,617,546,493	1,942,546,493				1,942,546,493	
211005 Miscellaneous Paid in Capital Pre-Merger Equit	557,581,098				557,581,098	557,581,098				557,581,098	
211007 Misc PIC Premerg RE for Div	0				0	0				0	
211110 PIC - Sharesaver	0				0	0				0	
214010 Common stock equity inter-company	0				0	0				0	
216000 Unappropriated RE Bal	(277,001,062)		(286,748,124)		(563,749,186)	(128,160,830)		(336,748,124)		(464,908,954)	
216100 Unapp Ret Emgs-Curr Yr Net Income	685,419,993	1,678,066	(685,419,993)		1,678,066	740,983,069	(1,223,069) ⁽²⁾	(740,983,069)		(1,223,069)	
438000 Dividends Declared on Common Stock	0				0	0				0	
Accum other comprehensive income (loss)	0				0	0				0	
Total Common Stock Equity	<u>\$3,945,835,987</u>	<u>\$1,678,066</u>	<u>(\$972,168,117)</u>	<u>(\$746,918,647)</u>	<u>\$2,228,427,289</u>	<u>\$4,475,239,295</u>	<u>(\$1,223,069)</u>	<u>(\$1,077,731,193)</u>	<u>(\$746,918,647)</u>	<u>\$2,649,366,386</u>	
Allocation to Duke Energy Ohio Electric ⁽¹⁾					<u>67.25%</u>					<u>65.98%</u>	
Average Common Equity Allocated to Duke Energy Ohio Electric					<u>\$ 1,498,617,352</u>					<u>\$ 1,748,051,942</u>	<u>\$ 1,623,334,647</u>

⁽¹⁾ Source: Attachment LSM-5 Net Plant Allocation

⁽²⁾ Source: LSM-3 Income Adjustments

Duke Energy Ohio, Inc.
Significantly Excessive Earnings Test
Net Plant Allocation Factor
December 31, 2021

PUCO Case No. 22-297-EL-UNC
Attachment LSM-5
Page 1 of 1

2021	Duke Energy Ohio, Inc.		
<u>Description</u>	<u>Gas</u>	<u>Electric</u>	<u>Total</u>
Gross Plant (Line 13)	\$2,933,595,167	\$5,231,753,101	\$8,165,348,268
Accumulated Depreciation (Line 33)	806,913,391	1,106,599,727	1,913,513,118
Net Plant	<u>\$2,126,681,776</u>	<u>\$4,125,153,374</u>	<u>\$6,251,835,150</u>
Allocation Percentage	34.02%	65.98%	100.00%

Source: FERC Form 1 Pages 200-201

Duke Energy Ohio, Inc.
Significantly Excessive Earnings Test
Summary of Assumptions

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

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

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

- 2 Eliminate all impacts related to the purchase accounting recorded pursuant to the Duke Energy / Cinergy Corp. Merger.
- 3 Eliminate all impacts of refunds to customers pursuant to R.C. 4928.143(F).
- 4 Eliminate all impacts of mark-to-market accounting.
- 5 Eliminate all impacts of material, non-recurring gains / losses, including, but not limited to, the sale or disposition of assets.
- 6 Eliminate all impacts of material, non-recurring revenue or expenses.
- 7 Eliminate all impacts of parent, affiliated, or subsidiary companies and, to the extent reasonably feasible and prudently justified in the opinion of Duke Energy Ohio, eliminate the impacts of its natural gas distribution business.

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

- 8 Common Equity used in the calculation will be the beginning and ending average common equity of Duke Energy Ohio on a stand-alone basis (i.e., equity associated with subsidiaries will be excluded and common equity will be allocated between gas and electric service to the extent practicable).
- 9 Eliminate the acquisition premium recorded to equity pursuant to the Duke / Cinergy Corp. merger.
- 10 Eliminate the cumulative effect of the Net Income adjustments.

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

	<u>Duke</u>	<u>Rank</u>	<u>Percentile Rank</u>
From January 2019 to:			
Mar-19	3.1%	19	0.0%
Jun-19	1.0%	19	0.0%
Sep-19	9.3%	15	22.2%
Dec-19	6.1%	17	11.1%
Mar-20	0.9%	14	27.7%
Jun-20	3.0%	13	33.3%
Sep-20	0.8%	13	29.4%
Dec-20	12.3%	13	29.4%
Mar-21	14.6%	11	41.2%
Jun-21	26.7%	10	47.1%
Sep-21	28.7%	10	47.1%
Dec-21	31.1%	11	41.2%
From January 2020 to:			
Mar-20	-4.9%	7	68.4%
Jun-20	-2.9%	8	63.1%
Sep-20	-5.0%	9	57.8%
Dec-20	5.8%	6	73.7%
Mar-21	8.0%	4	84.2%
Jun-21	19.4%	4	84.2%
Sep-21	21.3%	4	84.2%
Dec-21	23.6%	5	79.0%
From January 2021 to:			
Mar-21	2.1%	4	84.2%
Jun-21	12.9%	4	84.2%
Sep-21	14.7%	5	79.0%
Dec-21	16.8%	8	63.2%

**This foregoing document was electronically filed with the Public Utilities
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5/12/2022 9:08:01 AM

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Case No(s). 22-0297-EL-UNC

Summary: Testimony Direct Testimony of Libbie S. Miller on Behalf of Duke Energy Ohio, Inc. electronically filed by Mrs. Tammy M. Meyer on behalf of Duke Energy Ohio Inc. and D'Ascenzo, Rocco and Akhbari, Elyse Hanson and Kingery, Jeanne W. and Vaysman, Larisa