

**BEFORE THE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Duke	)	
Energy Ohio, Inc., for an Increase in	)	Case No. 22-507-GA-AIR
Natural Gas Rates.	)	
In the Matter of the Application of Duke	)	
Energy Ohio, Inc. for Approval of an	)	Case No. 22-508-GA-ALT
Alternative Form of Regulation.	)	
In the Matter of the Application of	)	
Duke Energy Ohio, Inc., for Tariff	)	Case No. 22-509-GA-ATA
Approval.	)	
In the Matter of the Application of Duke	)	
Energy Ohio, Inc. for Approval to Change	)	Case No. 22-510-GA-AAM
Accounting Methods.	)	

Direct Testimony and Attachments of

**Greg R. Meyer**

**On Behalf of the  
Office of the Ohio Consumers' Counsel**  
*65 East State Street, Suite 700  
Columbus, Ohio 43215*

April 28, 2023



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**I. INTRODUCTION AND OVERVIEW**

***Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.***

***A1.*** Greg R. Meyer. My business address is 16690 Swingley Ridge Road, Suite 140,  
Chesterfield, MO 63017.

***Q2. WHAT IS YOUR OCCUPATION?***

***A2.*** I am a consultant in the field of public utility regulation and a Principal with the firm  
of Brubaker & Associates, Inc., energy, economic and regulatory consultants.

***Q3. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND  
EXPERIENCE.***

***A3.*** This information is included in Appendix A to my testimony.

***Q4. ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?***

***A4.*** My testimony is presented on behalf of Office of the Ohio Consumers' Counsel  
("OCC").

***Q5. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC UTILITIES  
COMMISSION OF OHIO?***

***A5.*** No. This is the first time I have testified in Ohio, but I have testified before the state  
commissions of Florida, Idaho, Illinois, Indiana, Iowa, Maryland, Missouri, New  
Mexico, Utah, Washington, Wisconsin and Wyoming. I have also testified before the  
Federal Energy Regulatory Commission ("FERC").

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1   ***Q6.   WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?***

2   ***A6.***   The purpose of my testimony is to present my recommendation, on behalf of the OCC,  
3           regarding the total revenue requirement and revenue increase in base rates charged by  
4           Duke Energy Ohio, Inc. (“Duke” or “Company”). More specifically, I will address  
5           issues affecting the determination of rate base and adjusted operating income  
6           (revenue, operating expenses, income taxes and other taxes) that impact the total  
7           revenue requirement and revenue increase that will be paid for by consumers through  
8           increased rates.

9  
10          My testimony will explain and support those issues that the OCC objects to as  
11          presented in the Public Utilities Commission of Ohio’s Staff Report (“PUCO Staff  
12          Report”) filed in this rate case. The PUCO Staff Report detailed the revenue  
13          requirement proposed by the PUCO Staff and the revenue increase it is recommending  
14          for Duke.

15  
16          My testimony will specifically address OCC Objections No. 1 on overall revenue  
17          requirement and revenue increase. Objections Nos. 3, 6, and 7 address OCC  
18          adjustments to operating income. My revenue requirement and revenue increase  
19          recommendations are based on the adjustments that I made to operating income and  
20          the cost of capital sponsored by OCC witness Joseph Buckley.

1 **Q7. PLEASE DESCRIBE THE REVENUE REQUIREMENTS PROPOSED BY**  
2 **DUKE, THE PUCO STAFF, AND THE OCC.**

3 **A7.** Duke filed its rate case on July 14, 2022, requesting a revenue requirement of \$548.4  
4 million based on a rate of return of 7.33%. Duke requested a revenue increase of  
5 approximately \$48.7 million. Duke's filing was based on a test year of  
6 March 31, 2022. The test year data consisted of nine months actual data  
7 (April-December 2021) and three months of budgeted data (January-March 2022).<sup>1</sup>

8  
9 The PUCO Staff Report proposed a revenue requirement ranging from \$523.8 million  
10 (based on a lower bound 6.66% rate of return) to \$536.6 (based on an upper bound  
11 7.19% rate of return). The PUCO Staff Report provided a revenue increase range of  
12 \$23.7 million to \$36.4 million.<sup>2</sup>

13  
14 The OCC recommends a total revenue requirement of \$519.1 million (6.67% rate of  
15 return). OCC recommends a revenue increase of \$18.9 million.

16  
17 **Q8. PLEASE SUMMARIZE THE ATTACHMENTS YOU ARE SPONSORING.**

18 **A8.** As previously described, Appendix A is a description of my educational background  
19 and experience. Attachments GRM-1 through GRM-3 to my testimony are a set of  
20 schedules that support the revenue requirement and revenue increase recommended by  
21 the OCC. These schedules will detail each adjustment that the OCC is proposing to the

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<sup>1</sup> See Duke Energy Ohio's Overall Financial Summary, Schedule A-1.

<sup>2</sup> See Staff's Report, Overall Financial Summary, Schedule A-1.

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1 PUCO Staff Report and includes the adjustments sponsored by OCC witnesses Joseph  
2 Buckley and Kerry Adkins. The OCC agreed with many of the PUCO Staff Report's  
3 adjustments and offered selective objections that would result in just and reasonable  
4 rates for Duke's consumers.

5  
6 ***Q9. WERE THESE SCHEDULES PREPARED UNDER YOUR SUPERVISION?***

7 ***A9.*** Yes.

8  
9 ***Q10. DO YOU SUPPORT OR NOT OPPOSE CERTAIN PUCO STAFF REPORT***  
10 ***RECOMMENDATIONS/ISSUES RELATED TO DUKE'S REVENUE***  
11 ***REQUIREMENT, RATE BASE AND OPERATING INCOME?***

12 ***A10.*** Yes. The OCC supports many of the issues and recommendations discussed in the  
13 PUCO Staff Report. It is clear from a review of the PUCO Staff Report that a  
14 comprehensive audit was performed regarding Duke's requested revenue requirement  
15 that in many instances protects consumers. I identify those instances in my testimony.  
16 Later in my testimony, I will describe where the PUCO Staff Report is not sufficiently  
17 protective of consumers' interests. I then present recommendations that OCC makes to  
18 protect consumer interests.

**II. RECOMMENDATIONS/ISSUES OF OCC**

***Q11. PLEASE IDENTIFY THE RECOMMENDATIONS/ISSUES THAT THE OCC CAN SUPPORT OR DOES NOT OPPOSE.***

***A11.*** The OCC supports or does not oppose the following recommendations/issues contained in the PUCO Staff Report. I would note that the rate base adjustments that the PUCO Staff proposed and the OCC supports will not reflect the same revenue requirement value as found in the PUCO Staff Report due to differences in the OCC's proposed rate of return. All rate base adjustments will reflect the rate of return recommended by OCC witness Buckley.

- The OCC accepts the PUCO Staff's Plant adjustment of Plant withdrawn by the Company in the amount of (\$40,326).<sup>3</sup>
- The OCC accepts the PUCO Staff's Plant adjustment of Meals, Entertainment, & Travel Expense Capitalized in the amount of (\$10,211).<sup>4</sup>
- The OCC accepts the PUCO Staff's Plant adjustment of Erroneously Charged Sales Tax in the amount of (\$964).<sup>5</sup>
- The OCC accepts the PUCO Staff's Plant adjustment of Fitness Centers in the amount of (\$4,077,203).<sup>6</sup>

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<sup>3</sup> PUCO Staff Report, page 9.

<sup>4</sup> *Ibid.*

<sup>5</sup> *Ibid.*, page 10.

<sup>6</sup> *Ibid.*

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- 1           •       The OCC accepts the PUCO Staff's Plant adjustment of Missing  
2                   Documentation in the amount of (\$402).<sup>7</sup>
- 3           •       The OCC accepts the PUCO Staff's Plant adjustment of Improper Accounting  
4                   in the amount of (\$790).<sup>8</sup>
- 5           •       The OCC accepts the PUCO Staff's Plant adjustment of Prior Rate Case  
6                   Adjustments - Common Plant in the amount of (\$745,159).<sup>9</sup>
- 7           •       The OCC accepts the PUCO Staff's adjustment of Assets No Longer in Service  
8                   in the amount of (\$199,751).<sup>10</sup>
- 9           •       The OCC accepts the PUCO Staff's adjustment of Excess Glycol Coolant in  
10                  the amount of (\$20,650).<sup>11</sup>
- 11          •       The OCC accepts the PUCO Staff's adjustment of Capitalized Incentive  
12                  Compensation in the amount of (\$2,337,386).<sup>12</sup>
- 13          •       The OCC accepts the PUCO Staff's Plant adjustment of Removal of Asset  
14                  Retirement Obligations in the amount of (\$22,871,654).<sup>13</sup>
- 15          •       The OCC accepts the PUCO Staff's Plant adjustment of Allocations in the  
16                  amount of (\$252,930,173).<sup>14</sup>

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<sup>7</sup> *Ibid.*

<sup>8</sup> *Ibid.*

<sup>9</sup> *Ibid.*, page 11.

<sup>10</sup> *Ibid.*

<sup>11</sup> *Ibid.*

<sup>12</sup> *Ibid.*

<sup>13</sup> Included as part of PUCO Staff's plant adjustment found on Schedule B-2.2, lines 40 and 86.

<sup>14</sup> Discussed on PUCO Staff Report, page 13, and calculated from values on Schedule B-2.1.



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- 1           •       The OCC accepts the PUCO Staff's adjustment of Accumulated Depreciation  
2                   associated with the various Plant adjustments in the amount of (\$6,905,369) on  
3                   a jurisdictional basis.<sup>15</sup>
- 4           •       The OCC accepts the PUCO Staff's adjustment of Accumulated Depreciation  
5                   for Allocations in the amount of (\$108,155,340).<sup>16</sup>
- 6           •       The OCC accepts the PUCO Staff's adjustment to remove Materials &  
7                   Supplies in the amount of (\$3,666,084) on a jurisdictional basis.<sup>17</sup>
- 8           •       The OCC accepts the PUCO Staff's adjustment of Other Rate Base Items  
9                   (includes Accumulated Deferred Income Tax "ADIT" et al.) in the amount of  
10                  (\$14,901,712).<sup>18</sup>
- 11          •       The OCC accepts the PUCO Staff's Revenue Annualization with a net income  
12                  impact of \$57,031.<sup>19</sup>
- 13          •       The OCC accepts the PUCO Staff's Annualization of Test Year Wages, Payroll  
14                  Taxes, Pensions, and Benefits with a net income impact of \$5,033,239.<sup>20</sup>
- 15          •       The OCC accepts the PUCO Staff's Interest on Customer Deposits with a net  
16                  income impact of (\$219,043).<sup>21</sup>

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<sup>15</sup> PUCO Staff Report, Schedule B-3.1, line 40.

<sup>16</sup> Discussed on PUCO Staff Report, page 13, and calculated from values on Schedule B-3.

<sup>17</sup> PUCO Staff Report on pages 12-13, shown on Schedule A-1, line 6.

<sup>18</sup> PUCO Staff Report, page 13.

<sup>19</sup> PUCO Staff Report, page 14, and shown on Schedule C-3, page 1.

<sup>20</sup> PUCO Staff Report, pages 15-16, and shown on Schedule C-3, page 1.

<sup>21</sup> PUCO Staff Report, page 17, and shown on Schedule C-3, page 2.

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- 1           •       The OCC accepts the PUCO Staff's Ohio Excise Tax Adjustment with a net  
2                   income impact of \$3,521,454.<sup>22</sup>
- 3           •       The OCC accepts the PUCO Staff's Elimination of Percentage of Income  
4                   Payment Plan ("PIPP") revenues and expenses with a net income impact of  
5                   (\$12,503).<sup>23</sup>
- 6           •       The OCC accepts the PUCO Staff's Interest Expense Deductible Adjustment  
7                   with a net income impact of \$1,101,703.<sup>24</sup>
- 8           •       The OCC accepts the PUCO Staff's Elimination of State Tax Rider with a net  
9                   income impact of \$170,416.<sup>25</sup>
- 10          •       The OCC accepts the PUCO Staff's Elimination of Non-Jurisdictional Expense  
11               with a net income impact of \$788,408.<sup>26</sup>
- 12          •       The OCC accepts the PUCO Staff's Annualization of PUCO and OCC  
13               Assessments with a net income impact of (\$12,291).<sup>27</sup>
- 14          •       The OCC accepts the PUCO Staff's Adjustment of Uncollectible Expense with  
15               a net income impact of \$415,728.<sup>28</sup>

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<sup>22</sup> *Ibid.*

<sup>23</sup> *Ibid.*

<sup>24</sup> *Ibid.*

<sup>25</sup> PUCO Staff Report, page 18, and shown on Schedule C-3, page 3.

<sup>26</sup> *Ibid.*

<sup>27</sup> *Ibid.*

<sup>28</sup> *Ibid.*

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- 1           •       The OCC accepts the PUCO Staff's Elimination of Gas Tax Cuts and Jobs Act  
2                   ("GTCJA") with a net income impact of \$2,397,274.<sup>29</sup>
- 3           •       The OCC accepts the PUCO Staff's Miscellaneous Expenses Adjustment with  
4                   a net income impact of \$15,618.<sup>30</sup>
- 5           •       The OCC accepts the PUCO Staff's Kellogg Training Center Adjustment with  
6                   a net income impact of \$284,239.<sup>31</sup>
- 7           •       The OCC accepts the PUCO Staff's Annualization of Weatherization Programs  
8                   with a net income impact of (\$39,186).<sup>32</sup>
- 9           •       The OCC accepts the PUCO Staff's Public Service Advertising & Customer  
10                  Education Adjustment with a net income impact of \$0 over test year  
11                  expenses.<sup>33</sup>

12   ***Q12. ALTHOUGH YOU HAVE INDICATED SUPPORT FOR ALL OF THE ABOVE***  
13   ***ADJUSTMENTS PROPOSED IN THE PUCO STAFF REPORT, ARE THERE***  
14   ***ANY PARTICULAR ADJUSTMENTS YOU WOULD LIKE TO DISCUSS***  
15   ***FURTHER?***

16   ***A12.*** Yes. I would like to discuss the labor adjustment and the Materials and Supplies  
17                  adjustment proposed by the PUCO Staff.

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<sup>29</sup> *Ibid.*

<sup>30</sup> PUCO Staff Report, page 18, and shown on Schedule C-3, page 4.

<sup>31</sup> PUCO Staff Report, page 19, and shown on Schedule C-3, page 4.

<sup>32</sup> PUCO Staff Report, page 20, and shown on Schedule C-3, page 5.

<sup>33</sup> *Ibid.*

1 ***Q13. TURNING YOUR ATTENTION TO THE PUCO STAFF'S CONSIDERATION OF***  
2 ***LABOR, PLEASE DISCUSS THIS ADJUSTMENT.***

3 ***A13.*** The PUCO Staff's labor adjustment proposes to lower Duke's cost of service by  
4 approximately \$5.7 million. The significant differences between Duke's and the  
5 PUCO Staff's adjustment are in the areas of annualizing test year wages and a partial  
6 disallowance of incentive compensation payments.

7  
8 ***Q14. PLEASE DISCUSS THE ANNUALIZATION OF TEST YEAR WAGES.***

9 ***A14.*** The PUCO Staff annualized test year wages by obtaining updated labor expenses  
10 through the month of November 2022. These updated labor expenses reduced the  
11 labor adjustment proposed by Duke. The OCC is in agreement with using the updated  
12 labor information for annualizing labor expenses.

13  
14 ***Q15. PLEASE DISCUSS THE PARTIAL ELIMINATION OF INCENTIVE***  
15 ***COMPENSATION PAYMENTS.***

16 ***A15.*** The PUCO Staff eliminated incentive compensation payments that were tied to  
17 achieving financial goals, particularly earnings per share ("EPS").

18 ***Q16. PLEASE DISCUSS WHY THE OCC SUPPORTS THE ELIMINATION OF***  
19 ***INCENTIVE COMPENSATION PAYMENTS TIED TO ACHIEVING***  
20 ***FINANCIAL GOALS.***

21 ***A16.*** Achieving financial goals is beneficial to Duke's shareholders, not its consumers.  
22 Therefore, payments for achieving financial goals should not be included in Duke's  
23 cost of service. It is likely that business decisions made by Duke's employees may be  
24 beneficial to the profits of Duke (EPS) and possibly provide no tangible benefits to

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Duke's consumers. Eliminating the payments of financial goals from cost of service will ensure consumers are protected from not paying for the achievement of financial goals to the detriment of receiving safe and adequate service at just and reasonable rates.

***Q17. ARE YOU SUGGESTING THAT THOSE INCENTIVE COMPENSATION PAYMENTS RELATED TO ACHIEVING FINANCIAL GOALS BE ELIMINATED FROM THE PAYMENTS TO DUKE EMPLOYEES?***

***A17.*** No. I am recommending that paying incentive compensation tied to achieving financial goals be funded by Duke's shareholders, not consumers. Shareholders, not consumers, directly benefit from achieving financial goals.

***Q18. PLEASE DISCUSS WHY THE OCC SUPPORTS EXCLUDING MATERIALS AND SUPPLIES FROM RATE BASE AS PROPOSED BY THE PUCO STAFF.***

***A18.*** It is my understanding that the PUCO Staff disallowed collection of all Materials and Supplies from consumers since Duke did not perform a lead lag study and proposed a zero working capital allowance.

***Q19. WHY DO YOU SUPPORT THIS ADJUSTMENT?***

***A19.*** Duke's proposal to include a zero working capital allowance appears to be an attempt to misguide the PUCO in its decision to set just and reasonable rates. The PUCO Staff and the OCC have proposed an adjustment to protect consumers from this obvious attempt to understate the allowance for working capital.

1 **Q20. PLEASE EXPLAIN WHY YOU BELIEVE A ZERO WORKING CAPITAL**  
2 **ALLOWANCE WOULD NOT RESULT IN JUST AND REASONABLE RATES.**

3 **A20.** In his direct testimony on page 30, Duke witness Jay P. Brown, states the following:

4 Beginning in February 2002, Duke Energy Ohio's receivables have  
5 been sold to Cinergy Receivables Company LLC.

6 Typically, receivables are sold approximately 2-3 days after bill rendition. By selling  
7 its receivables, Duke has use of its revenues much faster than it would if it waited to  
8 collect those funds from consumers. Having the cash on hand quicker significantly  
9 shortens the revenue lag in a lead lag study. The reduction in the revenue lag can be  
10 approximately 12-15 days shorter. This reduction in the revenue lag in a lead lag study  
11 will, in all likelihood, result in a negative cash working capital result.

12  
13 Duke's attempts to include a zero cash working capital allowance should be rejected to  
14 protect consumers, and the disallowance of Material and Supplies should continue  
15 until Duke performs a comprehensive lead lag study.

16 **Q21. DOES A LEAD LAG STUDY PRODUCE THE MOST ACCURATE RESULTS**  
17 **FOR ESTABLISHING A CASH WORKING CAPITAL ALLOWANCE?**

18 **A21.** Yes. A cash working capital study measures the flow of **cash** necessary to operate the  
19 utility and determines who supplies those funds. If a cash working capital allowance is  
20 negative, it reveals that consumers, on average, are paying for service before the utility  
21 must pay for the goods and services to provide service to those consumers. Similarly,  
22 if the cash working capital allowance is positive, it reveals that shareholders are  
23 supplying funds to purchase goods and services before the utility receives payments

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1 from consumers for the provision of service. A lead lag study determines who  
2 provides the working capital, consumers or shareholders. Since Duke sells its  
3 consumers' receivables, it is highly likely that a negative working capital (consumer  
4 supplied) allowance would result. In my career, I have not seen a positive working  
5 capital allowance when the utility sells its receivables.

6  
7 ***Q22. IN HIS DIRECT TESTIMONY, DUKE WITNESS BROWN DISCUSSED THAT***  
8 ***THERE ARE OTHER METHODS FOR MEASURING WORKING CAPITAL.***  
9 ***PLEASE RESPOND.***

10 ***A22.*** I would agree with Mr. Brown that there are other methods to measure working  
11 capital. One of the more popular methods is the 1/8 (45 day) method. That method  
12 would never find a negative working capital allowance. Furthermore, the 1/8 method  
13 would be indifferent to the sale of receivables since it does not measure the collection  
14 of revenues from consumers. However, none of these methods are as detailed and  
15 accurate as performing a lead lag study. In summary, the sale of consumers'  
16 receivables has a major impact on a working capital allowance and should be reflected  
17 in a properly developed lead lag study. Therefore, disallowing Materials and Supplies  
18 is an appropriate, consumer protection adjustment to Duke's cost of service.

**III. OCC OBJECTIONS TO THE PUCO STAFF REPORT**

**OCC Objection No. 1 - Revenue Requirement**

***Q23. PLEASE DESCRIBE YOUR OBJECTION NO. 1-REVENUE REQUIREMENT.***

***A23.*** The revenue requirement contained in the PUCO Staff Report is higher than what the OCC contends is necessary to provide to consumers safe and adequate service at just and reasonable rates. The OCC objections that are discussed later in this testimony will recommend further adjustments to the PUCO Staff's revenue requirement. Summing all of the OCC objections results in a decreased revenue requirement (smaller charges to consumers) than that proposed in the PUCO Staff Report. In addition to the objections I discuss later in my testimony, I would also note that OCC witness Buckley will be sponsoring direct testimony that discusses the proper rate of return to be applied to Duke's rate base.

**OCC Objection No. 3 - Rate Case Expense**

***Q24. PLEASE SUMMARIZE THE POSITIONS OF DUKE, PUCO STAFF, AND OCC REGARDING THE RECOVERY OF RATE CASE EXPENSE.***

***A24.*** Duke estimated the cost of processing this rate case to be \$1,198,500. It has proposed to amortize this cost over three years, or an annual expense level of \$399,500.<sup>34</sup>

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<sup>34</sup> See Duke's schedules C-8 and C-3.3.



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1 The PUCO Staff did not propose any adjustment to the rate case expense total. It  
2 recommended that the expense be amortized over five years, for an annual expense  
3 level of \$239,700.<sup>35</sup>

4  
5 The OCC supports the PUCO Staff's amortization period. However, the OCC  
6 recommends that there be an additional consumer protection requirement. If rate case  
7 expense is collected from consumers under the five-year amortization period and Duke  
8 has not filed a rate case, Duke's consumers should be reimbursed for the excess rate  
9 case expense they are paying on consumer rates. Duke's consumers would be  
10 reimbursed for excess rate case expense by establishing a regulatory liability to  
11 capture those costs included in consumer rates that are no longer needed to recover  
12 rate case expense.

13  
14 ***Q25. WHY ARE YOU PROPOSING THIS ADJUSTMENT AND WHY IS IT FAIR TO***  
15 ***THE CONSUMERS OF DUKE.***

16 ***A25.*** Duke has requested in this rate case to amortize rate case expense over three years.<sup>36</sup>  
17 By allowing an amortization, the regulator is guaranteeing full collection of rate case  
18 expense from consumers. In other words, if Duke filed another rate case expense  
19 before the three-year amortization had expired, there would need to be an adjustment  
20 in the next rate case to assure collection of the unamortized rate case expense from  
21 consumers. Given that Duke is essentially guaranteed full collection of its rate case

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<sup>35</sup> See PUCO Staff Report, page 15.

<sup>36</sup> See direct testimony of Duke witness Jay B. Brown, page 21, lines 21-22.

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expense from consumers, it is only fair that consumers should be permitted the same regulatory treatment if rate case expenses are fully recovered and Duke has not filed a rate case.

**Q26. CAN YOU PROVIDE AN EXAMPLE DESCRIBING WHAT YOU ARE PROPOSING?**

**A26.** Yes. In the example below, I have assumed two scenarios. In the first scenario, the implementation of new rates from a filing of Duke's next rate case corresponds to the exact amortization period proposed by the PUCO Staff and OCC (five years). In the second scenario, Duke does not implement new rates from a rate case for seven years.

TABLE 1					
<u>Recovery of Rate Case Expense</u>					
Rate Case Expense: \$1,198,500					
Annual Recovery of Rate Case Expense: \$239,700					
<u>Scenario 1</u>	<u>Annual Recovery</u>	<u>Unrecovered Rate Rate Case Expense \$1,198,500</u>	<u>Scenario 2</u>	<u>Annual Recovery</u>	<u>Unrecovered Rate Rate Case Expense \$1,198,500</u>
Year 1	\$239,700	\$958,800	Year 1	\$239,700	\$958,800
Year 2	\$239,700	\$719,100	Year 2	\$239,700	\$719,100
Year 3	\$239,700	\$479,400	Year 3	\$239,700	\$479,400
Year 4	\$239,700	\$239,700	Year 4	\$239,700	\$239,700
Year 5	\$239,700	\$0	Year 5	\$239,700	\$0
Year 6			Year 6	\$239,700	(\$239,700)
Year 7			Year 7	\$239,700	(\$479,400)

As can be seen from Table 1, if Duke files a rate case after the five-year amortization period, consumers will be paying in rates an expense that has been fully recovered. Note that if Duke filed a rate case prior to the five-year amortization period, it would still seek collection from consumers for the unamortized balance of the rate case.

1       However, if Duke stays out longer than five years, it generates enhanced profits from  
2       consumers paying for rate case expense in excess of what the Company incurred.

3  
4       It is simply fair to provide a consumer protection mechanism that allows for  
5       recognition of over-recovery of rate case expense. Therefore, the OCC proposes to  
6       establish a regulatory liability if Duke waits longer than the five years to implement  
7       new rates in a future rate case.

8  
9       **OCC Objection No. 6 - Property Taxes**

10  
11    ***Q27. PLEASE SUMMARIZE THE POSITIONS OF DUKE, PUCO STAFF, AND OCC***  
12    ***REGARDING THE COLLECTION OF PROPERTY TAX EXPENSE FROM***  
13    ***CONSUMERS.***

14    ***A27.*** Duke has proposed to collect from consumers approximately \$39.2 million in property  
15       taxes for this rate case. This level of property tax is based on plant in service at  
16       March 31, 2022. Duke has proposed a property valuation of 12.59% and average tax  
17       rate per \$1,000 valuation of \$103.548. Using these inputs, Duke has estimated its  
18       property tax liability to be approximately \$39.2 million. Subtracting this total from the  
19       test year level of property tax expense results in a reduction of approximately \$4.5  
20       million to Duke's cost of service.<sup>37</sup>

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<sup>37</sup> See Duke's workpaper WPC-3.8a.

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1 The PUCO Staff employed a similar approach to the annualization of property tax  
2 expense. The PUCO Staff also based its property tax expense on plant in service at  
3 March 31, 2022. However, the PUCO Staff broke out its property tax calculation  
4 between personal and real property. The PUCO Staff proposed a property tax  
5 valuation of 13.28% for personal property and 18.48% for real property. The PUCO  
6 Staff used the same average tax rate per \$1,000 valuation as Duke proposed for  
7 personal property of \$103.548. The PUCO Staff used an average tax rate of 7.84% per  
8 \$1,000 valuation for real property. Totaling both the personal and real property tax  
9 calculations proposed by the PUCO Staff resulted in a total annual property tax bill of  
10 approximately \$41.4 million. Utilizing this level of property tax expenses results in a  
11 reduction of approximately \$2.3 million to Duke's cost of service.<sup>38</sup>

12  
13 To protect consumers, the OCC opposes both Duke's and the PUCO Staff's proposed  
14 methodology for annualizing property taxes. Both Duke and the PUCO Staff have  
15 included plant investments that will result in property tax payments significantly  
16 beyond the test year in this rate case. By including those levels of plant investments,  
17 both Duke and the PUCO Staff have potentially included excessive amounts of  
18 property taxes that are due to be paid during the test year in this rate case. Accepting  
19 either Duke's or the PUCO Staff's proposal would be unreasonable and harm  
20 consumers.

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<sup>38</sup> See PUCO Staff's workpaper WPC-3.8a.

1 **Q28. PLEASE EXPLAIN THE PROPERTY TAX PROCESS AS YOU UNDERSTAND**  
2 **IT.**

3 **A28.** Property taxes are calculated from the true value of taxable property. For utilities, the  
4 taxable property is that plant that is physically located in Ohio as of December 31 of  
5 the preceding year; in this case, the property in service at December 31, 2021. That  
6 property at December 31 is then assessed at various percentages of true value. Finally,  
7 tax rates are applied to the assessed values. Tax rates vary by taxing jurisdiction.  
8 Property tax payments are due on December 31 of the taxable year and June 20 of the  
9 year following the tax year, with the requirement that at least 50% of the tax payment  
10 must be made by December 31 of the tax year.<sup>39</sup>

11  
12 **Q29. WHY DO YOU OBJECT TO THE INCLUSION OF PLANT IN SERVICE**  
13 **THROUGH MARCH 31, 2022?**

14 **A29.** By including plant in service through March 31, 2022, Duke is attempting to collect  
15 property taxes that will not be due to be paid until December 31, 2023 and June 30,  
16 2024. These tax payments are significantly beyond the test year in this rate case.

17  
18 **Q30. WHAT IS YOUR PROPOSAL FOR PROPERTY TAXES FOR THIS RATE CASE?**

19 **A30.** I have a preferred position and an alternative position to address property taxes. My  
20 preferred position is to reflect in rates the actual property tax bill for payments in  
21 December 31, 2022 and June 30, 2023. These payments will reflect plant in service at

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<sup>39</sup> See Attachment GRM-4, Guidelines for Filing Ohio Public Utility Tax Reports, page 20.

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1 December 31, 2021. These payments will represent the actual property tax liability for  
2 Duke during the test year.

3  
4 My alternative position would be to replicate the PUCO Staff's property tax  
5 calculation but use plant in service balances at December 31, 2021. This alternate  
6 approach more closely estimates the property tax bill that would be payable during the  
7 test year.

8  
9 ***Q31. WHAT IS THE REVENUE REQUIREMENT IMPACT FROM YOUR***  
10 ***PREFERRED APPROACH AND THE ALTERNATIVE APPROACH?***

11 ***A31.*** I do not have access to Duke's actual property tax bill for 2022. However, I am sure  
12 this would not be a difficult expense to obtain from Duke's accounting records.  
13 Therefore, I cannot at this time provide an impact to Duke's or the PUCO Staff's  
14 revenue requirement.

15  
16 In addressing the alternative approach, I have determined that approach results in an  
17 annualized level of 2022 property taxes of approximately \$39.0 million. That total  
18 would decrease Duke's filed revenue requirement by approximately \$263K. The  
19 impact to the PUCO Staff's revenue requirement would be a decrease of  
20 approximately \$2.5 million.

**OCC Objection No. 7 - Customer Connect Expense Amortization**

***Q32. PLEASE SUMMARIZE THE POSITIONS OF DUKE, PUCO STAFF, AND OCC REGARDING THE AMORTIZATION OF CUSTOMER CONNECT EXPENSES.***

***A32.*** Duke proposes to amortize deferred Customer Connect expenses over a five-year period.

The PUCO Staff has disallowed any amortization of deferred Customer Connect expenses, claiming that Duke never was granted authority from the PUCO to defer those costs. The PUCO Staff argues that until such time as Duke requests deferral accounting treatment, no recovery of past Customer Connect expenses should be reflected in cost of service.

The OCC agrees with the PUCO Staff that no collection of past Customer Connect expenses from consumers should be included in Duke's current cost of service.

However, in order to protect the interest of consumers, the OCC proposes that if for some reason the amortization of these deferred expenses are included in cost of service, the amortization period be no shorter than 15 years.

***Q33. WHEN WAS THE LAST CUSTOMER INFORMATION SYSTEM ("CIS") PLACED IN SERVICE FOR DUKE?***

***A33.*** Duke witness, Retha Hunsicker, on page 3 of her direct testimony states the following:

The prior CIS (legacy CIS) for Duke Energy Ohio was developed more than thirty years ago, beginning in 1987, and was placed in service in 1993.

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1           Therefore, the current CIS system has been in service for approximately 30 years.

2           Clearly, an amortization period for expenses and investment should be no shorter than  
3           15 years.

4  
5   ***Q34. YOU MENTIONED INVESTMENT. DO YOU KNOW THE LEVEL OF***  
6   ***INVESTMENT INCLUDED IN DUKE'S COST OF SERVICE?***

7   ***A34.*** I have not been able to determine the total level of investment that Duke has included  
8           in its proposed cost of service. Ms. Hunsicker, on page 10 of her direct testimony,  
9           states that the Customer Connect investment totaled approximately \$29 million, of  
10          which "\$3 million of net plant in service related to the functionality of the CIS  
11          system."

12  
13   ***Q35. WOULD YOU SUPPORT AN AMORTIZATION OF THE CIS INVESTMENT***  
14   ***OVER A PERIOD SHORTER THAN 15 YEARS?***

15   ***A35.*** No. Duke should be required to validate how much Customer Connect investment is in  
16          rate base and reveal the amortization period of that investment. If Duke is requesting  
17          an amortization period shorter than 15 years, then OCC would object to the recovery  
18          of the investment over that short period of time. Duke has demonstrated that these CIS  
19          investments have a long operating life. To amortize these investments over a short  
20          period of time (less than 15 years) is unfair to Duke's consumers.



1 ***Q36. IS YOUR ARGUMENT FOR THE EXPENSE AMORTIZATION THE SAME AS***  
2 ***IT IS FOR THE INVESTMENT IN CUSTOMER CONNECT?***

3 ***A36.*** Yes. However, I want to be very clear. At this point in time, the OCC agrees with the  
4 PUCO Staff that since Duke has not requested deferral accounting treatment for those  
5 Customer Connect expenses, recovering those expenses is premature. Also, OCC's  
6 alternative 15-year amortization of those expenses should not be viewed as an  
7 acceptance of the amortization of those expenses in the future. The OCC is simply  
8 providing a consumer protection position in case it is determined that those expenses  
9 should be amortized in Duke's current cost of service.

10  
11 ***Q37. BY PROPOSING AN ALTERNATE 15-YEAR AMORTIZATION PERIOD, IS***  
12 ***THE OCC SUGGESTING THAT COLLECTION OF THESE EXPENSES FROM***  
13 ***CONSUMERS IN THE FUTURE SHOULD BE GRANTED?***

14 ***A37.*** Absolutely not. The OCC reserves its right to argue for or denial of the prior expenses  
15 associated with the implementation of Customer Connect in any future Duke case  
16 requesting deferred accounting treatment of Customer Connect expenses.

17  
18 **OCC Objection No. 13 - Interest Expense Deductible**

19  
20 ***Q38. PLEASE SUMMARIZE THE POSITIONS OF DUKE, PUCO STAFF, AND OCC***  
21 ***REGARDING THE INTEREST EXPENSE DEDUCTIBLE ADJUSTMENT.***

22 ***A38.*** Duke proposed an interest expense deductible adjustment consistent with its proposed  
23 rate of return, rate base, and capital structure.

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1       The PUCO Staff also proposed an expense deductible adjustment consistent with its  
2       proposed rate of return, rate base, and capital structure.

3  
4       The OCC has recommended a different rate of return and capital structure for setting  
5       just and reasonable rates. Consistent with its rate of return and capital structure  
6       recommendation, the interest expense deductible adjustment will correspond with the  
7       overall rate of return.

8  
9       ***Q39. WHY IS THE INTEREST DEDUCTIBLE ADJUSTMENT NECESSARY?***

10      ***A39.*** The interest deductible adjustment is also commonly referred to as interest  
11      synchronization. Interest synchronization provides a consumer protection that the  
12      interest expense paid for by consumers in rates is equal to the interest expense  
13      included in the income tax calculation.

14  
15      ***Q40. GIVEN THAT DUKE, THE PUCO STAFF, AND THE OCC ALL HAVE***  
16      ***DIFFERENT OVERALL RATES OF RETURN, IS THE INTEREST EXPENSE***  
17      ***DEDUCTIBLE GOING TO BE DIFFERENT?***

18      ***A40.*** Yes. That is why the OCC has proposed its own interest expense deductible  
19      adjustment. The interest expense deductible adjustment sponsored by the OCC reduces  
20      the PUCO Staff's cost of service by \$756,999.

**IV. SPECIAL REGULATORY MECHANISMS – OVERVIEW**

***Q41. PLEASE DESCRIBE YOUR UNDERSTANDING OF A SPECIAL REGULATORY MECHANISM.***

***A41.*** A special regulatory mechanism is a process that allows the utility to defer or change the collection timeframe of an expense or revenue stream. Typically, a utility's cost of service is measured at one specific point in time and considers all relevant factors of the utility operations. Special regulatory mechanisms permit certain portions of the utility operations to recognize cost/revenue changes outside the current rate case environment. Special regulatory mechanisms also allow for the recovery of an expense incurred during the test year to be collected over an extended period of time. I have listed a sample of special regulatory mechanisms I have addressed in prior utility rate cases.

- Fuel Adjustment Clauses
- Gas Cost Recovery Clauses
- Accounting Authority Orders
- Amortizations/Normalizations
- Vegetation Management Programs
- Trackers
- Infrastructure Recovery Programs
- Revenue Requirement Factor-up provisions - Commission expenses, bad debts
- Consumer Protection Plans

1       Note that this is a partial list. There are many more special regulatory mechanisms in  
2       effect for different utilities across the United States.

3  
4       ***Q42. WHY ARE THESE SPECIAL REGULATORY MECHANISMS INCLUDED IN A***  
5       ***UTILITY'S PORTFOLIO?***

6       ***A42.*** Some of these special regulatory mechanisms are used because of the nature of  
7       expenses involved and the potential impact for consumer rates. For example,  
8       amortizations are commonly used to spread the collection of a certain expense from  
9       consumers over several years. As an illustration, rate case expense may be amortized  
10      over a four-year period to match the expected timeframe when the utility is likely to  
11      seek another rate increase. In this instance, the special ratemaking mechanism is  
12      preferable to collecting the rate case expenses over one year when they are incurred  
13      and then having to adjust rates again after the rate case expenses have been collected  
14      from ratepayers.

15  
16      Amortizations also can address the situation where an expense is incurred in the test  
17      year but would not be incurred again the year rates are in effect. In the rate case  
18      example, a large portion of the rate case expenses could be incurred during the test  
19      year of the case. Those same expenses would not be incurred again the year rates from  
20      the rate case are in effect. The amortization method allows for the recovery of those  
21      costs even though they will not be a recurring expense of the utility.

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1 Accounting Authority Orders (“AAO”) are another form of a special regulatory  
2 mechanism. An AAO allows the deferral of extraordinary expenses for potential  
3 collection from consumers in a future rate case. An example of an AAO would be the  
4 deferral of costs incurred by the utility to repair the utility system from the effects of  
5 an extraordinary storm. Instead of requiring the utility to quickly file a rate case to  
6 address the collection of these expenses from consumers, the utility is allowed to defer  
7 those costs for possible collection from consumers in the utility’s next rate case. In  
8 other words, the storm costs are deferred for possible future recovery in customer  
9 rates.

10  
11 Other special regulatory mechanisms are allowed because the regulator has  
12 determined that the costs are uncontrollable by the utility and therefore more current  
13 collection of these costs from consumers are appropriate. A prime example of this  
14 situation is the adoption by many regulatory commissions of purchased gas recovery  
15 adjustment clauses (“PGA”). A PGA generally allows a utility to change rates in  
16 between rate cases for changes in the gas costs incurred to serve utility retail  
17 consumers.

18  
19 Other special regulatory mechanisms are adopted by regulatory commissions to  
20 address concerns expressed by utilities regarding regulatory lag. Regulatory lag is the  
21 amount of time in between when a cost is incurred by the utility and the expense is  
22 collected from consumers. For example, several utilities have argued that new plant  
23 investment creates regulatory lag since the utility loses money from the time the utility

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1 places an investment in service until the time that plant is included in rate base in a  
2 rate case.

3  
4 Note that regulatory lag can be both positive and negative. Negative regulatory lag  
5 exists when a certain cost decreases and the time from when that decreased cost is  
6 included in customer rates. A prime example of negative regulatory lag is the decline  
7 in legacy rate base once rates are established in a rate case. Legacy rate base is  
8 predominantly comprised of Plant In Service, Accumulated Depreciation Reserve and  
9 Deferred Income Taxes. The net balance from summing these three items will decline  
10 each year after rates are established from what was included in consumer rates. It is  
11 imperative to capture this decline in rate base if other aspects of the rate base are to be  
12 singled out for recovery outside the context of a rate case. If such offsets are not  
13 captured, the profits of the utility will be greatly enhanced with no benefit provided to  
14 consumers.

15  
16 ***Q43. DO YOU BELIEVE THAT SPECIAL REGULATORY MECHANISMS ARE***  
17 ***GENERALLY MORE BENEFICIAL TO UTILITY SHAREHOLDERS THAN***  
18 ***UTILITY CONSUMERS?***

19 ***A43.*** Yes, without a doubt. I recognize that certain regulatory mechanisms are needed to  
20 allow a utility to collect costs from consumers for the provision of service. For  
21 example, the extraordinary storm I previously discussed. But, for the most part, the  
22 special regulatory mechanisms I have seen proposed by utilities are for the overall  
23 benefit of the utility shareholders and provide for more certainty in cost recovery.

1 **Q44. ARE YOU AWARE OF ANY COMMISSION CONCERNS WITH THE USE OF**  
2 **TRACKER/RIDERS?**

3 **A44.** Yes. I am aware that the Missouri Public Service Commission (“MO PSC”) has  
4 discussed the use of trackers/riders in the following Commission Orders.

- 5 • In the MO PSC Case No. ER-2012-0166, the MO PSC stated the following:

6 In general, the Commission remains skeptical of proposed tracking  
7 mechanisms. There is a legitimate concern that a tracker can reduce a  
8 company’s incentive to control costs.<sup>40</sup>

- 9 • In Case No. ER-2014-0258, the MO PSC clarified that:

10 Tracker mechanisms can be a useful regulatory tool in the correct  
11 circumstances, but they should be used sparingly because they can  
12 reduce the incentive of the utility to closely control its costs.<sup>41</sup>

13  
14 **Q45. PLEASE DESCRIBE THE SPECIAL REGULATORY MECHANISMS THAT**  
15 **DUKE CURRENTLY HAS IN EFFECT.**

16 **A45.** Duke currently has the following special regulatory mechanisms listed in its Ohio gas  
17 tariffs:

- 18 • Enhanced Firm Balancing Service –Rider EFBS
- 19 • Default Recovery Rider- Rider DRR
- 20 • Gas Tax Cuts and Jobs Act Rider- Rider GTCJA
- 21 • Main Extension Policy- Rider X
- 22 • Percentage of Income Payment Plan- Rider PIPP
- 23 • Ohio Excise R Tax Liability Rider- Rider ETR

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<sup>40</sup> Report and Order in Case No. ER-2012-0166, issued 12/12/22, page 96.

<sup>41</sup> Report and Order in Case No. ER-2015-0258, issued 4/29/15, page 50.

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- 1       •       Accelerated Main Replacement Program Rider- Rider AMRP<sup>42</sup>
- 2       •       Gas Surcredit Rider- Rider GSR
- 3       •       Uncollectible Expense Rider- Rider UE-G
- 4       •       State Tax Rider- Rider STR
- 5       •       Gas Cost Recovery- Rider GCR
- 6       •       Firm Balancing Service- Rider FBS
- 7       •       Contract Commitment Cost Recovery Rider- Rider GCCR
- 8       •       Optional Summary Billing Service Pilot- Rider SBS
- 9       •       Capital Expenditure Program Rider- Rider CEP
- 10      •       Firm Transportation Development Cost Rider – Rider FTDC
- 11      •       Infrastructure Development Rider- Rider IDR

12

13   ***Q46. PLEASE COMMENT ON THE NUMBER OF RIDERS DUKE HAS IN EFFECT.***

14   ***A46.*** Duke has an abundance of riders in effect. As discussed above, an abundance of riders  
15       will reduce the incentive for cost control by the utility. Furthermore, an abundance of  
16       riders decreases the scope of rate cases when all relevant factors are audited for  
17       determining just and reasonable rates.

18

19       With an abundance of riders, review of utility costs may be curtailed since collection  
20       from consumers is shifted away from base rates. An abundance of riders will be more  
21       beneficial to shareholders and will not provide the heightened consumer protection of

---

<sup>42</sup> In this current rate case Duke has requested discontinuation of this rider.



utility cost control. Given the abundance of riders in the Duke tariff, the PUCO should review each rider to determine if it is truly needed to provide safe and adequate service at just and reasonable rates. The PUCO should determine who is benefiting the most from each rider. If it is found that the riders are predominantly benefiting Duke shareholders, a decreased return on equity should be considered by the PUCO.

**OCC Objections No. 22, 23, 24 and 25 - Rider CEP**

***Q47. PLEASE SUMMARIZE THE POSITIONS OF DUKE, PUCO STAFF, AND OCC REGARDING THE DEPRECIATION OFFSET FOR THE CAPITAL EXPENDITURE PROGRAM ("CEP") CHARGE.***

***A47.*** Duke proposes to eliminate the depreciation offset from the CEP charge.

The PUCO Staff Report indicates that the PUCO Staff is supportive of the elimination of the depreciation offset so long as Duke files another rate case within five years.

To protect consumers, the OCC recommends that the depreciation offset remain in effect so long as Duke seeks to require Duke's consumers to pay for new investment via the CEP charge in between rate cases. Utilizing the depreciation offset reduces the enhanced profits that Duke would recognize if the depreciation offset is not included in the CEP charge calculation.

***Q48. PLEASE DESCRIBE YOUR UNDERSTANDING OF HOW THE CEP CHARGE WORKS.***

***A48.*** The CEP allows Duke to charge consumers in between rate cases for new investment placed into service. This special regulatory mechanism requires Duke's consumers to

1 pay for new investment without looking at all of the relevant factors of Duke's  
2 operations. The CEP captures the main costs of placing new investments in rate base  
3 (return on investment, depreciation, and property taxes).

4  
5 ***Q49. HAS THE CEP ALLOWED FOR SIGNIFICANT INVESTMENT IN PLANT IN***  
6 ***SERVICE?***

7 ***A49.*** Yes. Duke witness Brown states on page 7 of his direct testimony that the CEP has  
8 allowed approximately \$716 million in gross plant in service to be invested.

9  
10 ***Q50. PLEASE DISCUSS THE DEPRECIATION OFFSET THAT CURRENTLY***  
11 ***EXISTS IN THE CEP CHARGE CALCULATION.***

12 ***A50.*** The depreciation offset accounts for the depreciation from the legacy plant that was  
13 included in Duke's previous rate base. The depreciation offset properly recognizes that  
14 the legacy plant from Duke's last rate case has declined during the period of time that  
15 the CEP investments have been placed in service. The depreciation offset is used to  
16 reduce the return component on the newly invested plant.

17  
18 ***Q51. DO YOU SUPPORT THE DEPRECIATION OFFSET BEING INCLUDED AS***  
19 ***PART OF THE CEP?***

20 ***A51.*** Absolutely. To protect consumers, the depreciation offset is necessary to keep Duke's  
21 shareholders from enjoying enhanced profits from the new investment subject to CEP  
22 collection from consumers.

1 **Q52. COULD YOU PROVIDE AN EXAMPLE SHOWING HOW PROFITS COULD BE**  
2 **ENHANCED WITHOUT A DEPRECIATION OFFSET?**

3 **A52.** Yes. Assume the following conditions:

- 4 • Duke just completed a rate case with rates effective January 1, 2023.
- 5 • In that rate case, it was determined that Duke had Net Plant in Service
- 6 (Original Plant in Service less Accumulated Depreciation Reserve) of
- 7 \$100,000,000.
- 8 • Duke's annual depreciation included in rates was 5%, or \$5,000,000.
- 9 • Duke invested in new plant and filed a Rider CEP request after one year of
- 10 new rates effective from the rate case totaling \$20,000,000.
- 11 • Duke's rate of return is 10%.

12  
13 Given these assumptions, if Duke filed CEP charges after the first year to recover the  
14 \$20 million of new investments, the effect of the depreciation offset can be seen in  
15 Tables 2, 3, and 4, below.

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TABLE 2		
<u>Scenario 1 - No Depreciation Offset</u>		
<u>Line</u>	<u>Description</u>	<u>Amount</u>
1	Existing Plant	\$100,000,000
2	Assumed Rate of Return	<u>10%</u>
3	Return Included in Existing Rates (Line 1 x Line 2)	\$10,000,000
4	New CEP Investment	\$20,000,000
5	Assumed Rate of Return	<u>10%</u>
6	Return on New CEP Investment (Line 4 x Line 5)	\$2,000,000
7	Total Return (Line 3 + Line 6)	<u>\$12,000,000</u>

1 As can be seen from Table 2, without a depreciation offset the costs to consumers  
2 would be \$12 million.

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<b>TABLE 3</b>		
<b><u>Scenario 2 - With Depreciation Offset</u></b>		
<b><u>Line</u></b>	<b><u>Description</u></b>	<b><u>Amount</u></b>
1	Existing Plant	\$100,000,000
2	Assumed Rate of Return	10%
3	Return Included in Existing Rates (Line 1 x Line 2)	\$10,000,000
4	New CEP Investment	\$20,000,000
5	Assumed Depreciation of 5% on Existing Plant (Line 1 x 5%)	\$5,000,000
6	CEP Investment Net of Depreciation Offset (Line 4 - Line 5)	\$15,000,000
7	Assumed Rate of Return	10%
8	Return on New CEP Investment Net of Depreciation Offset (Line 6 x Line 7)	\$1,500,000
9	Total Return (Line 3 + Line 8)	\$11,500,000

1 Table 3 shows the charges to consumers with the depreciation offset to be \$11.5 million.

<b>TABLE 4</b>		
<b><u>Scenario 2 Mimics Rate Case Treatment of Plant</u></b>		
<b><u>Line</u></b>	<b><u>Description</u></b>	<b><u>Amount</u></b>
1	Existing Plant	\$100,000,000
2	Less: A Year of Depreciation Expense at 5% Rate	(5,000,000)
3	Plus: New Investment	20,000,000
4	Net Rate Base Under Scenario 2 (Sum Lines 1 Through 3)	\$115,000,000
5	Assumed Rate of Return in Scenario 2	10%
6	Return on Rate Base After One Year (Line 4 x Line 5)	\$11,500,000

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1 Table 4 shows what the costs would be to consumers if measured one year from the  
2 rate effective date of a Duke rate case. Table 4 shows that the depreciation offset more  
3 closely approximates the cost to consumers as shown in Table 3. The depreciation  
4 offset is necessary to protect consumers from paying too much and restricting the  
5 harmful effects of enhanced profits to Duke's shareholders.

6  
7 As can be seen from the above example, in exchange for allowing Duke to charge  
8 consumers in between rate cases for new investment, it is only fair for consumers to  
9 offset the return component of the CEP investment by the depreciation offset. By  
10 adopting the depreciation offset, consumers are only required to provide the true return  
11 on legacy and new investments. If the depreciation offset is not utilized, Duke's  
12 shareholders will recognize enhanced profits of \$500,000 in this example. The  
13 depreciation offset is needed to protect consumers by preventing enhanced profits for  
14 Duke's shareholders. Therefore, the OCC supports the continuation of the depreciation  
15 offset.

16  
17 It should also be noted that Duke has previously stated that the CEP allowed for \$716  
18 million of investment to be collected via the CEP charge. Those investments will  
19 continue to decline in value during the period of new CEP filings. It is only fair to  
20 consumers to capture that decline in value in between rate cases to offset increased  
21 CEP charges from new investment.

1 ***Q53. DO YOU SUPPORT THE PUCO STAFF'S RECOMMENDATION TO ALLOW***  
2 ***THE DEPRECIATION OFFSET IF DUKE DOES NOT FILE A RATE CASE***  
3 ***FOR FIVE YEARS?***

4 ***A53.*** No. The depreciation offset should remain in effect regardless of the filing duration. I  
5 have reviewed Schedule 11 of Duke's filing. In that schedule, Duke has identified  
6 annual depreciation amounts totaling between \$31.4 million and \$36.7 million from  
7 the last five years, with a five-year total of \$132.4 million. These depreciation totals  
8 are too great to ignore, even for the five-year period suggested by the PUCO Staff.

9  
10 **OCC Objection No. 2 - Bad Debt Factor-Up**

11  
12 ***Q54. PLEASE SUMMARIZE THE POSITIONS OF DUKE, PUCO STAFF, AND OCC***  
13 ***REGARDING THE USE OF A BAD DEBT FACTOR-UP FOR PURPOSES OF***  
14 ***THIS RATE CASE.***

15 ***A54.*** Duke proposes to increase the revenue requirement by factoring-up the increased  
16 revenue for the potential future increase in bad debt expense (uncollectible expense).  
17 In its case, Duke has proposed to increase the revenue requirement (increase revenue)  
18 by \$210,520 to reflect increased uncollectible expense.<sup>43</sup>

19  
20 The PUCO Staff Report also included a provision to increase the revenue requirement  
21 for the bad debt factor-up provision. PUCO Staff proposed to increase the revenue  
22 requirement by \$130,292 at the midpoint rate of return.<sup>44</sup> The difference between

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<sup>43</sup> See Attachment GRM-1, page 14.

<sup>44</sup> *Ibid.*

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1 Duke's and the PUCO Staff's allowance for bad debts is attributable to the lower  
2 revenue requirement proposed by the PUCO Staff.

3  
4 The OCC opposes the bad-debt factor-up for several reasons that I discuss next.

5  
6 ***Q55. DO YOU BELIEVE THE BAD-DEBT FACTOR-UP IS A KNOWN AND***  
7 ***MEASURABLE CHANGE?***

8 ***A55.*** No. Using a bad debt factor-up violates the known and measurable principles, and  
9 simply estimates what bad debts may be incurred in the future. No one can say with  
10 certainty that those increased revenues will lead to an increase in bad debts  
11 (uncollectible expense).

12  
13 ***Q56. DO YOU BELIEVE THE USE OF A BAD DEBT FACTOR-UP VIOLATES THE***  
14 ***TEST YEAR CONCEPT?***

15 ***A56.*** Most definitely. If these increased bad debts did occur, which I believe at this point in  
16 time is speculative, they will actually materialize several months beyond the test year.  
17 In my experience, a consumer will not be declared an uncollectible expense for several  
18 months (60-90 days) beyond the provision of utility service. For example, assume a  
19 consumer is not declared uncollectible for 90 days beyond initial service. In this  
20 instance, the write-off of the consumer's usage to uncollectible expense will be  
21 approximately four months from the time new rates are established in the rate case.  
22 And, in this case, that would be a full seven months beyond the test year in this rate



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1 case.<sup>45</sup> Note that a 60-90 day period for writing off a consumer's account to  
2 uncollectible expense is quite quick. I have seen much longer periods of time before a  
3 write-off that would only stretch further the time period beyond the test year in a rate  
4 case.

5  
6 ***Q57. DOES DUKE HAVE A MECHANISM TO CAPTURE INCREASES IN***  
7 ***UNCOLLECTIBLE EXPENSE?***

8 ***A57.*** Yes. Duke has a special regulatory mechanism, namely an Uncollectible Expense  
9 charge. The Uncollectible Expense charge tariff describes the charge in the following  
10 manner:

11 This Rider enables the recovery of costs associated with uncollectible  
12 accounts arising from those customers responsible for paying the  
13 Uncollectible Expense Rider.  
14

15 It is obvious that Duke already has special regulatory mechanisms to collect from  
16 consumers actual variances from uncollectible expense and, therefore, it is  
17 unnecessary to inflate the revenue requirement for a potential future increase in  
18 uncollectible expense. To protect consumers, the OCC therefore objects to the bad  
19 debt factor-up in this rate case.

---

<sup>45</sup> Assuming that rates go into effect for service rendered after April 1, 2023, the first month of service would end as of May 1, 2023. Sixty days beyond this would be June 30, 2023 before uncollectibles under new rates would potentially be written-off. This is a full six months after the test year. Using a 90-day write-off period would move that date to July 30, 2023. This is almost a full seven months beyond the test year.

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1    ***Q58. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?***

2    ***A58.***    Yes, it does. However, I reserve the right to supplement my testimony if additional  
3               testimony is filed, or if new information or data in connection with this proceeding  
4               becomes available.

*Appendix A to the Direct Testimony of Greg R. Meyer  
On Behalf of the Office of the Ohio Consumers' Counsel  
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1    ***Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.***

2    ***A1.***    Greg R. Meyer. My business address is 16690 Swingley Ridge Road, Suite 140,  
3            Chesterfield, MO 63017.

5    ***Q2. PLEASE STATE YOUR OCCUPATION.***

6    ***A2.***    I am a consultant in the field of public utility regulation and a Principal with the firm  
7            of Brubaker & Associates, Inc. (“BAI”), energy, economic and regulatory consultants.

9    ***Q3. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND***  
10 ***EXPERIENCE.***

12 ***A3.***    I graduated from the University of Missouri in 1979 with a Bachelor of Science Degree  
13            in Business Administration, with a major in Accounting. Subsequent to graduation I  
14            was employed by the Missouri Public Service Commission. I was employed with the  
15            Commission from July 1, 1979 until May 31, 2008.

17            I began my employment at the Missouri Public Service Commission as a Junior  
18            Auditor. During my employment at the Commission, I was promoted to higher  
19            auditing classifications. My final position at the Commission was an Auditor V, which  
20            I held for approximately ten years.

22            As an Auditor V, I conducted audits and examinations of the accounts, books, records  
23            and reports of jurisdictional utilities. I also aided in the planning of audits and  
24            investigations, including staffing decisions, and in the development of staff positions

*Appendix A to the Direct Testimony of Greg R. Meyer  
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1 in which the Auditing Department was assigned. I served as Lead Auditor and/or Case  
2 Supervisor as assigned. I assisted in the technical training of other auditors, which  
3 included the preparation of auditors' workpapers, oral and written testimony.

4  
5 During my career at the Missouri Public Service Commission, I presented testimony in  
6 numerous electric, gas, telephone and water and sewer rate cases. In addition, I was  
7 involved in cases regarding service territory transfers. In the context of those cases  
8 listed above, I presented testimony on all conventional ratemaking principles related to  
9 a utility's revenue requirement. During the last three years of my employment with the  
10 Commission, I was involved in developing transmission policy for the Southwest  
11 Power Pool as a member of the Cost Allocation Working Group.

12  
13 In June of 2008, I joined the firm of Brubaker & Associates, Inc. as a Consultant.  
14 Since joining the firm, I have presented testimony and/or testified in the state  
15 jurisdictions of Florida, Idaho, Illinois, Indiana, Iowa, Maryland, Missouri, New  
16 Mexico, Utah, Washington, Wisconsin and Wyoming. I have also appeared and  
17 presented testimony in Alberta and Nova Scotia, Canada. In addition, I have filed  
18 testimony at the Federal Energy Regulatory Commission ("FERC"). These cases  
19 involved addressing conventional ratemaking principles focusing on the utility's  
20 revenue requirement. The firm Brubaker & Associates, Inc. provides consulting  
21 services in the field of energy procurement and public utility regulation to many  
22 clients including industrial and institutional customers, some utilities and, on occasion,  
23 state regulatory agencies. More specifically, we provide analysis of energy

*Appendix A to the Direct Testimony of Greg R. Meyer  
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1 procurement options based on consideration of prices and reliability as related to the  
2 needs of the client; prepare rate, feasibility, economic, and cost of service studies  
3 relating to energy and utility services; prepare depreciation and feasibility studies  
4 relating to utility service; assist in contract negotiations for utility services, and  
5 provide technical support to legislative activities.

6  
7 In addition to our main office in St. Louis, the firm also has branch offices in Corpus  
8 Christi, Texas; Detroit, Michigan; Louisville, Kentucky and Phoenix, Arizona.

## **CERTIFICATE OF SERVICE**

I hereby certify that a true copy of the foregoing *Direct Testimony of Greg R. Meyer on Behalf of the Office of the Ohio Consumers' Counsel* was served via electronic transmission to the persons listed below on this 28<sup>th</sup> day of April 2023.

/s/ William J. Michael

William J. Michael  
Assistant Consumers' Counsel

The PUCO's e-filing system will electronically serve notice of the filing of this document on the following parties:

### **SERVICE LIST**

[thomas.lindgren@ohioago.gov](mailto:thomas.lindgren@ohioago.gov)  
[robert.eubanks@ohioago.gov](mailto:robert.eubanks@ohioago.gov)  
[sarah.feldkamp@ohioago.gov](mailto:sarah.feldkamp@ohioago.gov)  
[mkurtz@BKLawfirm.com](mailto:mkurtz@BKLawfirm.com)  
[kboehm@BKLawfirm.com](mailto:kboehm@BKLawfirm.com)  
[jkylercohn@BKLawfirm.com](mailto:jkylercohn@BKLawfirm.com)

Attorney Examiners:

[Nicholas.Walstra@puco.ohio.gov](mailto:Nicholas.Walstra@puco.ohio.gov)  
[Matthew.sandor@puco.ohio.gov](mailto:Matthew.sandor@puco.ohio.gov)

[Rocco.dascenzo@duke-energy.com](mailto:Rocco.dascenzo@duke-energy.com)  
[Jeanne.kingery@duke-energy.com](mailto:Jeanne.kingery@duke-energy.com)  
[Larisa.vaysman@duke-energy.com](mailto:Larisa.vaysman@duke-energy.com)  
[Elyse.akhbari@duke-energy.com](mailto:Elyse.akhbari@duke-energy.com)  
[Ebrama@taftlaw.com](mailto:Ebrama@taftlaw.com)  
[kverhalen@taftlaw.com](mailto:kverhalen@taftlaw.com)  
[michael.nugent@igs.com](mailto:michael.nugent@igs.com)  
[evan.betterton@igs.com](mailto:evan.betterton@igs.com)  
[Stacie.cathcart@igs.com](mailto:Stacie.cathcart@igs.com)  
[mjsettineri@vorys.com](mailto:mjsettineri@vorys.com)  
[glpetrucci@vorys.com](mailto:glpetrucci@vorys.com)  
[cpirik@dickinsonwright.com](mailto:cpirik@dickinsonwright.com)  
[todonnell@dickinsonwright.com](mailto:todonnell@dickinsonwright.com)  
[mmcdonnell@dickinsonwright.com](mailto:mmcdonnell@dickinsonwright.com)

### **Attachments to Direct Testimony of Greg R. Meyer**

- Attachment GRM-1: Calculation of OCC's Proposed Revenue Requirement and supporting Workpapers Pages GRM-1. (11 pages)
- Attachment GRM-2: Relevant pages from Duke Energy Ohio 2021 FERC Form 2, submitted to the PUCO. Downloaded from <https://community.puco.ohio.gov/p/s/filing-view-detail?id=a028y000001BDytAAG>. (6 pages)
- Attachment GRM-3: Relevant pages from Duke Energy Ohio FERC Form 1, submitted to the FERC. Downloaded from S&P Capital IQ, but also available from the FERC at [https://elibrary.ferc.gov/eLibrary/filelist?accession\\_number=20220520-8021](https://elibrary.ferc.gov/eLibrary/filelist?accession_number=20220520-8021). (2 pages)
- Attachment GRM-4: Guidelines for Filing Ohio Public Utility Tax Reports dated February 2022. Provided via email from Ohio Department of Taxation | Excise & Energy Tax | Public Utilities. (26 pages)

OCC Revenue Requirement Comparison  
Duke Energy Ohio, Inc.  
Case No. 22-0507-GA-AIR, et al.  
Test Period December 31, 2022

Line	Description	OCC Page Reference	Duke Filing	Staff Report Midpoint Filing	OCC Adjusted
1	Rate Base	Page 2	\$1,911,461,483	\$1,895,500,693	\$1,895,500,693
2	Current Operating Income	Page 5	\$101,767,522	\$107,627,819	\$112,633,422
3	Earned Rate of Return (Line 2 / Line 1)		5.32%	5.68%	5.94%
4	Requested Rate of Return	Page 4	7.33%	6.93%	6.67%
5	Required Operating Income (Line 1 x Line 4)		\$140,110,127	\$131,358,198	\$126,429,896
6	Operating Income Deficiency (Line 5 - Line 2)		\$38,342,605	\$23,730,379	\$13,796,474
7	Gross Revenue Conversion Factor	Page 10	1.2713133	1.2713133	1.2658228
8	Revenue Deficiency (Line 6 x Line 7)		<u>\$48,745,464</u>	<u>\$30,168,747</u>	<u>\$17,463,892</u>
9	Revenue Increase Requested		\$48,745,468	\$30,168,747	\$17,463,892
10	Adjusted Operating Revenues		\$499,668,871	\$500,186,067	\$500,186,067
11	Revenue Requirements (Line 9 + Line 10)		<u><u>\$548,414,339</u></u>	<u><u>\$530,354,814</u></u>	<u><u>\$517,649,959</u></u>



**OCC Rate Base Comparison**  
**Duke Energy Ohio, Inc.**  
**Case No. 22-0507-GA-AIR, et al.**  
**Test Period December 31, 2022**

Line	Description	OCC Page Reference	Duke Filing (See Co Sched. B-1)	Staff Report Midpoint Filing	OCC Adjusted
1	Plant In Service	Page 3	\$3,001,403,133	\$2,998,348,282	\$2,998,348,282
2	Reserve for Accumulated Depreciation	Page 3	<u>(\$859,685,975)</u>	<u>(\$859,356,980)</u>	<u>(\$859,356,980)</u>
3	Net Plant In Service (Line 1+ Line 2)		\$2,141,717,158	\$2,138,991,302	\$2,138,991,302
4	Construction Work in Progress		\$0	\$0	\$0
5	Cash Working Capital Allowance		\$0	\$0	\$0
6	Material and Supplies	Page 3	\$3,666,084	\$0	\$0
7	Other Items:				
8	Customer Advances for Construction		(\$5,308,995)	(\$5,308,995)	(\$5,308,995)
9	Customer Service Deposits		(\$11,080,519)	(\$11,080,519)	(\$11,080,519)
10	Contributions in Aid of Construction		\$0	\$0	\$0
11	Postretirement Benefits		(\$16,100,816)	(\$16,100,816)	(\$16,100,816)
12	Investment Tax Credits		(\$287)	(\$287)	(\$287)
13	Excess Deferred Income Taxes		(\$109,030,054)	(\$109,030,054)	(\$109,030,054)
14	Deferred Income Taxes	Page 3	(\$279,302,767)	(\$288,871,617)	(\$288,871,617)
15	Other Rate Base Adjustments (CEP & PISCC Balances)		<u>\$186,901,679</u>	<u>\$186,901,679</u>	<u>\$186,901,679</u>
16	Jurisdictional Rate Base (Line 3 thru Line 15)		<u><u>\$1,911,461,483</u></u>	<u><u>\$1,895,500,693</u></u>	<u><u>\$1,895,500,693</u></u>

**OCC Rate Base Adjustments**  
**Duke Energy Ohio, Inc.**  
**Case No. 22-0507-GA-AIR, et al.**  
**Test Period December 31, 2022**

Line	Description	Source	Amount
1	Test Year Total Company Plant	Staff Sch. B-2.1	\$3,281,582,951
2	<u>Accept the Following Staff Plant Adjustments:</u>		
3	Staff adj - Plant withdrawn by the Company	Staff Report p. 9	(\$40,326)
4	Staff adj - Meals, Entertainment, & Travel Expense Capitalized	Staff Report p. 9	(\$10,211)
5	Staff adj - Erroneously Charged Sales Tax	Staff Report p. 10	(\$964)
6	Staff adj - Fitness Centers	Staff Report p. 10	(\$4,077,203)
7	Staff adj - Missing Documentation	Staff Report p. 10	(\$402)
8	Staff adj - Improper Accounting	Staff Report p. 10	(\$790)
9	Staff adj - Prior Rate Case Adjustments - Common Plant	Staff Report pp. 10-11	(\$745,159)
10	Staff adj - Assets No Longer in Service	Staff Report p. 11	(\$199,751)
11	Staff adj - Excess Glycol Coolant	Staff Report p. 11	(\$20,650)
12	Staff adj - Capitalized Incentive Compensation	Staff Report p. 11	(\$2,337,386)
13	Staff adj - Remove AROs	Staff Sch. B-2.2	(\$22,871,654)
14	Staff adj - Allocation (calculated here)	Staff Report p. 13	(\$252,930,173)
15	Total Staff / OCC Plant		\$2,998,348,282
16	Test Year Depreciation Reserve	Staff Sch. B-3	\$974,417,689
17	<u>Accept the Following Staff Depreciation Reserve Adjustments:</u>		
18	Staff adj - Adjustments Associated w/ Plant Adjustments	Staff Report p. 12 / Staff Sch. B-3.1	(\$6,905,369)
19	Staff adj - Allocation (calculated here)	Staff Report p. 13	(\$108,155,340)
20	Total Staff / OCC Depreciation Reserve		\$859,356,980
21	<u>Accept the Following Staff Other Rate Base Adjustments:</u>		
22	Staff adj - Remove Materials & Supplies (juris level)	Staff Report p. 12 / Staff Sch. B-3	(\$3,666,084)
23	Test Year Deferred Taxes	Sch. B-6	(\$273,969,905)
24	Staff adj - Other Rate Base Items (ADIT et al.)	Staff Report p. 13 / Staff Sch. B-3	(\$14,901,712)
25	<u>Make the Following Additional Plant Adjustments:</u>	None	
26	<u>Make the Following Additional Depreciation Reserve Adjustments:</u>	None	
27	<u>Make the Following Additional Other Rate Base Adjustments:</u>	None	

**Rates of Return OCC, Company, & Staff**  
**Duke Energy Ohio, Inc.**  
**Case No. 22-0507-GA-AIR, et al.**  
**Test Period December 31, 2022**

<u>Line</u>	<u>Component</u>	<u>Weight</u>	<u>Cost</u>	<u>Weighted Cost</u>
<u>OCC Witness Joseph Buckley Direct Testimony, page 7</u>				
1	Debt	52.39%	4.07%	2.13%
2	Equity	<u>47.61%</u>	9.54%	<u>4.54%</u>
3	Total	100.00%		6.67%

Staff Midpoint, Staff Schedule D-1

4	Debt	47.68%	4.07%	1.94%
5	Equity	<u>52.32%</u>	9.54%	<u>4.99%</u>
6	Total	100.00%		6.93%

Company Proposed, Company Schedule D-1

7	Debt	47.66%	4.07%	1.94%
8	Equity	<u>52.34%</u>	10.30%	<u>5.39%</u>
9	Total	100.00%		7.33%

OCC Pro Forma Income Statement  
Duke Energy Ohio, Inc.  
Case No. 22-0507-GA-AIR, et al.  
Test Period December 31, 2022

Line	Description	OCC Page Reference	Duke Filing (Co Sch. C-1)	Staff Report Midpoint Filing	OCC Adjusted
1	Operating Revenues	Page 6	\$499,668,871	\$500,186,067	\$500,186,067
2	Operating Expense	Page 6	\$380,705,067	\$373,720,978	\$368,342,998
3	Federal Income Tax	Page 6	<u>\$17,196,282</u>	<u>\$18,837,270</u>	<u>\$19,209,647</u>
4	Net Income		<u><u>\$101,767,522</u></u>	<u><u>\$107,627,819</u></u>	<u><u>\$112,633,422</u></u>

## OCC Net Income Adjustments

Duke Energy Ohio, Inc.

Case No. 22-0507-GA-AIR, et al.

Test Period December 31, 2022

Line	Description	Source	Revenue Amount	Expense Amount	Fed Income Tax Impact	Net Income Impact
1	<b>Test Year Income Levels</b>	Staff Sch. C-2	\$529,665,045	\$406,552,991	\$19,234,836	\$103,877,218
2	Accept Staff's Revenue Annualization	Staff Sch. C-3	(\$67,977)	(140,168)	\$15,160	\$57,031
3	Accept Staff's Annualization of Test Year Wages, Payroll Taxes, Pensions, and Benefits	Staff Sch. C-3		(6,371,188)	\$1,337,949	\$5,033,239
4	Accept Staff's Interest on Customer Deposits	Staff Sch. C-3		277,270	(\$58,227)	(\$219,043)
5	Accept Staff's Ohio Excise Tax Adjustment	Staff Sch. C-3	(18,698,879)	(23,156,416)	\$936,083	\$3,521,454
6	Accept Staff's Elimination of PIPP Rev/Exp	Staff Sch. C-3	(1,813,631)	(1,797,805)	(\$3,323)	(\$12,503)
7	Accept Staff's Elimination of State Tax Rider	Staff Sch. C-3	(8,203,243)	(8,418,960)	\$45,301	\$170,416
8	Accept Staff's Elimination of Non-Juris Expense	Staff Sch. C-3		(997,985)	\$209,577	\$788,408
9	Accept Staff's Annualization of PUCO and OCC Assessments	Staff Sch. C-3		15,558	(\$3,267)	(\$12,291)
10	Accept Staff's Adjustment of Uncollect Expense	Staff Sch. C-3	(4,246,968)	(4,773,206)	\$110,510	\$415,728
11	Accept Staff's Elimination of GTCJA	Staff Sch. C-3	3,034,524		\$637,250	\$2,397,274
12	Accept Staff's Misc. Expenses Adjustment	Staff Sch. C-3		(19,770)	\$4,152	\$15,618
13	Accept Staff's Adjustment for Customer Connect Expenses	Staff Sch. C-3		(1,512,354)	\$317,594	\$1,194,760
14	Accept Staff's Kellogg Training Center Adjustment	Staff Sch. C-3	359,796		\$75,557	\$284,239
15	Accept Staff's Annualization of Weatherization Programs	Staff Sch. C-3		49,603	(\$10,417)	(\$39,186)
16	Accept Staff's Public Service Advertising & Customer Education Adjustment	Staff Sch. C-3			\$0	\$0
17	Accept Staff's Propane & Central Corridor Pipeline Adjustment	Staff Sch. C-3		(3,913,680)	\$821,873	\$3,091,807
18	Accept Staff's Rate Case Expense Calculation	Staff Sch. C-3		\$239,700	(\$50,337)	(\$189,363)
19	Accept Staff's Depreciation Expense	Staff Sch. C-3		\$4,767,224	(\$1,001,117)	(\$3,766,107)
20	Accept Staff's Gas Sur Credit	Staff Sch. C-3	\$157,400		\$33,054	\$124,346
21	Accept Staff's Integrity Management Adjustment	Staff Sch. C-3		\$6,656,809	(\$1,397,930)	(\$5,258,879)
22	Accept Staff's PISCC Amortization Adjustment	Staff Sch. C-3		\$741,936	(\$155,807)	(\$586,129)
23	Accept Staff's CEP Deferral Depreciation Elimination	Staff Sch. C-3		\$2,801,046	(\$588,220)	(\$2,212,826)
24	Accept Staff's CEP Amortization	Staff Sch. C-3		\$2,117,762	(\$444,730)	(\$1,673,032)
25	<u>Make the Following Additional Adjustments:</u>					
26	OCC Property Tax Adjustment	Page 7		(\$4,775,369)	\$1,002,827	\$3,772,541
27	OCC Propane Cavern Amortization	OCC Witness Adkins		\$0	\$0	\$0
28	OCC Interest Calculation	Page 9			(\$1,858,702)	\$1,858,702
29	<b>OCC Net Income</b>		<u>\$500,186,067</u>	<u>\$368,342,998</u>	<u>\$19,209,647</u>	<u>\$112,633,422</u>
30	<u>Non-Accepted Staff Adjustments</u>					
31	Propane Amort	Staff Sch. C-3		\$2,894,182	(\$607,778)	(\$2,286,404)
32	Property Tax	Staff Sch. C-3		(\$2,291,571)	\$481,230	\$1,810,341
33	Interest Expense Deductible Adjustment	Staff Sch. C-3			(1,101,703)	\$1,101,703

OCC Property Tax Adjustment  
Duke Energy Ohio, Inc.  
Case No. 22-0507-GA-AIR, et al.  
Test Period December 31, 2022

Line	Description	Reference	Jurisdictional Amount
1	Original Cost @ December 31, 2021 (Less Real Property)	Page 8	\$2,653,382,236
2	Ohio Materials & Supplies - December 2021	Staff tab WPB, cell BI215	7,344,332
3	Total Non-Real Property		2,660,726,568
4	Estimated Valuation Percent	Staff WPC-3.8b	13.28%
5	Property Valuation		\$353,277,724
6	Average Tax Rate Per \$1,000 Valuation	Staff WPC-3.8C	\$103.548
7	Personal Property Tax - Ohio		\$36,581,202
8	<u>Real Property</u>		
9	Original Cost @ December 31, 2021		\$164,537,885
10	Estimated Valuation Percentage	Staff WPC-3.8b	18.48%
11	Real Property Valuation		\$30,414,744
12	Average Tax Rate Per \$1,000 Valuation	Staff WPC-3.8a (DR #43)	7.84%
13	Real Property Tax		\$2,383,178
14	Total Property Taxes - Gas Operations		\$38,964,379
15	Less: Test Year Property Tax Expense	Co Sch C-2.1	\$43,739,748
16	Annualization Adjustment to Property Tax		(\$4,775,369)

OCC Property Tax Adjustment - Plant Subject to Property Tax  
Duke Energy Ohio, Inc.  
Case No. 22-0507-GA-AIR, et al.  
Test Period December 31, 2022

FERC Form 2 Data - See Attachment GRM-2			Staff Adjustments to Plant Staff Schd B-2.1	Net of Adjustments	From Staff Calc Staff WPC-3.8a, formula for Ln 15 Treatment		
Account	Description	12/31/2021 Balance					
303	Misc. Intangible	63,513,362	(949)	63,512,413			
MGP	Manufactured Gas Plant	8,950,046		8,950,046	Partially Real Property	Real Piece =	536,761
374	Land and Land Rights	55,499,465	(139)	55,499,326	Real		
375	Structures and Improvements	20,373,919		20,373,919	Real		
376	Mains	1,453,695,545	(8,623)	1,453,686,922			
378	Measuring and Regulating Station Equipment-General	105,067,278	(38,019)	105,029,259			
379	Measuring and Regulating Station Equipment-City Gate	67,901,048	(4,875)	67,896,173			
380	Services	678,480,195	(638)	678,479,557			
381	Meters	85,885,912	(534)	85,885,378			
382	Meter Installations	25,939,454		25,939,454			
383	House Regulators	22,856,858		22,856,858			
384	House Regulator Installations	16,791,089		16,791,089			
385	Industrial Measuring and Regulating Station Equipment	3,798,960		3,798,960			
387	Other Equipment	1,287,175		1,287,175			
388	Asset Retirement Costs for Distribution Plant	22,719,857	(22,719,857)	-			
390	Structures and Improvements	13,962,167	(933,918)	13,028,249	Real		
391	Office Furniture and Equipment	7,552,947	(483)	7,552,464			
392	Transportation Equipment	764,474		764,474			
394	Tools, Shop, and Garage Equipment	12,470,828	(19,886)	12,450,942			
396	Power Operated Equipment	3,946,192		3,946,192			
397	Communication Equipment	48,731,523	(16,439)	48,715,084			
398	Miscellaneous Equipment	41,970		41,970			
Multiple	Capitalized Financial Incentives		(2,065,871)	(2,065,871)			

FERC Form 1 Data - Page 356 - See Attachment GRM-3			Staff Allocations Staff Schd. B-2.1	Allocated	Staff Adjustments to Plant Staff Schd B-2.1	Incorporating Staff Adj	Treatment
	TC Amount						
Organization	60,936	0.304407898	18,549			18,549	
Misc Intangible Plant	50,838,799	0.304407898	15,475,732			15,475,732	
Land and Land Rights	2,645,323	0.333865845	883,183		(71,093)	812,090	Real
Structures and Improvement	223,345,753	0.337501802	75,379,594		(1,092,054)	74,287,540	Real
Office Furniture & Equip	8,325,807	0.36094733	3,005,178		(62,933)	2,942,245	
Electronic Data Processing	1,984,360	0.304407898	604,055			604,055	
Transportation Equipment	90,343	0.304407898	27,501			27,501	
Stores Equipment	469,805	0.304407898	143,012			143,012	
Tools, Shop & Garage Equip	2,554,256	0.304407898	777,536			777,536	
Laboratory Equipment	-	0.304407898	-			-	
Power Operated Equipment	111,852	0.304407898	34,049			34,049	
Communication Equipment	88,801,739	0.317427845	28,188,145		(131,813)	28,056,332	
Miscellaneous Equipment	1,349,086	0.304407898	410,672		(11)	410,661	
Common AMI Meters	78,660	0.376501668	29,616		(29,616)	-	
Capitalized Financial Incentives					(89,214)	(89,214)	
Asset Retirement Obligation	151,797	0.304407898	46,208		(46,208)	-	

From Staff tab WPB, cell BI215		
December 2021 Materials and Supplies	7,344,332	

OCC Interest Expense Deductible  
Duke Energy Ohio, Inc.  
Case No. 22-0507-GA-AIR, et al.  
Test Period December 31, 2022

Line	Description	Reference	Amount
1	Rate Base	Page 2	\$1,895,500,693
2	OCC Weighted Cost of Long-Term Debt	Page 4	<u>2.13%</u>
3	Adjusted Annualized Interest Deduction ( Line 1 x Line 3 )		<u>\$40,374,165</u>
4	Adjusted Annualized Interest Deduction		(\$40,374,165)
5	Interest Deductions per Books:	Co WPC-4.1a, Line 3	<u>\$31,523,202</u>
6	Total Interest Deduction Adjustment ( Line 4 + Line 5 )		<u>(\$8,850,963)</u>
7	Federal Income Tax Effect @ 21.00% (Line 6 x 21%)		<u>(\$1,858,702)</u>



**OCC Gross Revenue Conversion Factor**  
**Duke Energy Ohio, Inc.**  
**Case No. 22-0507-GA-AIR, et al.**  
**Test Period December 31, 2022**

<u>Line</u>	<u>Description</u>	<u>Company &amp; Staff</u>	<u>OCC Proposed</u>
1	Operating Revenues	100.00%	100.00%
2	Less:		
3	Uncollectibles <sup>1</sup>	<u>0.4319%</u>	<u>0.0000%</u>
4	Income Before Federal Income Tax (Line 1 - Line 3)	99.5681%	100.0000%
5	Federal Income Tax (21% x Line 4)	20.9093%	21.0000%
6	Operating Income Percentage (Line 4 - Line 5)	<u>78.6588%</u>	<u>79.0000%</u>
7	Gross Revenue Conversion Factor (1/Line 6)	<u><u>1.2713133</u></u>	<u><u>1.2658228</u></u>

Sources:

<sup>1</sup>Schedule A2 for both Company and Staff

OCC Impact of Uncollectibles included in the Gross Revenue Conversion Factor  
Duke Energy Ohio, Inc.  
Case No. 22-0507-GA-AIR, et al.  
Test Period December 31, 2022

Line	Description	Company	Staff (at Midpoint ROR)
1	Operating Deficiency - See Page 1	\$38,342,605	\$23,730,379
2	Gross Revenue Conversion Factor without Uncollectibles - See Page 10	1.2658228	1.2658228
3	Revenue Deficiency Recalculated (Line 1 x Line 2)	\$48,534,944	\$30,038,455
4	Revenue Deficiency with Uncollectibles in the Gross Revenue Conversion Factor - See Page 1	\$48,745,464	\$30,168,747
5	Impact of Uncollectibles in the Gross Revenue Conversion Factor (Line 4 - Line 3)	\$210,520	\$130,292

Item 1: ☒ An Initial (Original) Submission OR ☐ Resubmission No.



**FERC FINANCIAL REPORT**  
**FERC FORM No. 2: Annual Report of**  
**Major Natural Gas Companies and**  
**Supplemental Form 3-Q: Quarterly**  
**Financial Report**

These reports are mandatory under the Natural Gas Act, Sections 10(a), and 16 and 18 CFR Parts 260.1 and 260.300. Failure to report may result in criminal fines, civil penalties, and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider these reports to be of a confidential nature.

Exact Legal Name of Respondent (Company)

Duke Energy Ohio, Inc

Year/Period of Report:  
End of: 2021/ Q4

FERC FORM NO. 2 (02-04)

Name of Respondent: Duke Energy Ohio, Inc		This report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Date of Report: 04/29/2022	Year/Period of Report: End of: 2021/ Q4		
Gas Plant in Service (Accounts 101, 102, 103, and 106)							
<div>1. Report below the original cost of gas plant in service according to the prescribed accounts. 2. In addition to Account 101, Gas Plant in Service (Classified), this page and the next include Account 102, Gas Plant Purchased or Sold, Account 103, Experimental Gas Plant Unclassified, and Account 106, Completed Construction Not Classified-Gas. 3. Include in column (c) and (d), as appropriate corrections of additions and retirements for the current or preceding year. 4. Endorse in parenthesis credit adjustments of plant accounts to indicate the negative effect of such accounts. 5. Classify Account 106 according to prescribed accounts, on an estimated basis if necessary, and include the entries in column (c). Also to be included in column (c) are entries for reversals of tentative distributions of prior year reported in column (b). Likewise, if the respondent has a significant amount of tentative distributions of prior year's unclassified retirements. Include in column (d) a tentative distribution of such retirements, on an estimated basis, with appropriate contra entry to the account for accumulated depreciation provision. Include also in column (d) reversals of plant retirements which have not been classified to primary accounts at the end of the year, include in column (f) the additions or reductions of these tentative classifications in columns (c) and (d), including the reversals of the above instructions and the texts of Account 101 and 106 will avoid serious omissions of respondents reported amount for plant actually in service at end of year. 6. Show in column (f) reclassifications or transfers within utility plant accounts. Include also in column (f) the additions or reductions of primary account classifications arising from distribution of amounts initially recorded in Account 102. In showing the clearance of Account 102, include in column (e) the amounts with respect to accumulated provision for depreciation, acquisition adjustments, etc., and show in column (f) only the offset to the debits or credits to primary account classifications. 7. For Account 399, state the nature and use of plant included in this account and if substantial in amount submit a supplementary statement showing subaccount classification of such plant conforming to the requirements of these pages. 8. For each amount comprising the reported balance and changes in Account 102, state the property purchased or sold, name of vendor or purchaser, and date of transaction. If proposed journal entries have been filed with the Commission as required by the Uniform System of Accounts, give date of such filing.</div>							
Line No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)
1	INTANGIBLE PLANT						
2	301 Organization						
3	302 Franchise and Consents						
4	303 MiscellaneousIntangiblePlant	58,733,613	15,345,257	10,615,582		50,074	63,513,362
5	Total Intangible Plant (Total of lines 2 thru 4)	58,733,613	15,345,257	10,615,582		50,074	63,513,362
6	PRODUCTION PLANT						
7	Natural Gas Production and Gathering Plant						
8	325.1 Producing Lands						
9	325.2 Producing Leaseholds						
10	325.3 Gas Rights						
11	325.4 Rights-of-Way						
12	325.5 Other Land and Land Rights						
13	326 Gas Well Structures						
14	327 Field Compressor Station Structures						
15	328 Field Measuring and Regulating Station Structures						
16	329 Other Structures						
17	330 Producing Gas Wells-Well Construction						
18	331 Producing Gas Wells-Well Equipment						
19	332 Field Lines						
20	333 Field Compressor Station Equipment						
21	334 Field Measuring and Regulating Station Equipment						







[illegible]



FERC Form

Page 1 of 205

Document Accession #: 20220520-8021

Filed Date: 05/20/2022

THIS FILING IS
Item 1: <input type="checkbox"/> An Initial (Original) Submission OR <input checked="" type="checkbox"/> Resubmission No.

**FERC FINANCIAL REPORT**  
**FERC FORM No. 1: Annual Report of**  
**Major Electric Utilities, Licensees**  
**and Others and Supplemental**  
**Form 3-Q: Quarterly Financial Report**

These reports are mandatory under the Federal Power Act, Sections 3, 4(a), 304 and 309, and 18 CFR 141.1 and 141.400. Failure to report may result in criminal fines, civil penalties and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider these reports to be of confidential nature

<b>Exact Legal Name of Respondent (Company)</b> Duke Energy Ohio, Inc.	<b>Year/Period of Report</b> End of: 2021/ Q4
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FERC FORM NO. 1 (REV. 02-04)

FERC Form

Page 162 of 205

Document Accession #: 20220520-8021

Filed Date: 05/20/2022

Name of Respondent: Duke Energy Ohio, Inc.	This report is: (1) <input type="checkbox"/> An Original (2) <input checked="" type="checkbox"/> A Resubmission	Date of Report: 04/18/2022	Year/Period of Report End of: 2021/ Q4																																																																																																																														
<b>COMMON UTILITY PLANT AND EXPENSES</b>																																																																																																																																	
<p>1. Describe the property carried in the utility's accounts as common utility plant and show the book cost of such plant at end of year classified by accounts as provided by Electric Plant Instruction 13, Common Utility Plant, of the Uniform System of Accounts. Also show the allocation of such plant costs to the respective departments using the common utility plant and explain the basis of allocation used, giving the allocation factors.</p> <p>2. Furnish the accumulated provisions for depreciation and amortization at end of year, showing the amounts and classifications of such accumulated provisions, and amounts allocated to utility departments using the common utility plant to which such accumulated provisions relate, including explanation of basis of allocation and factors used.</p> <p>3. Give for the year the expenses of operation, maintenance, rents, depreciation, and amortization for common utility plant classified by accounts as provided by the Uniform System of Accounts. Show the allocation of such expenses to the departments using the common utility plant to which such expenses are related. Explain the basis of allocation used and give the factors of allocation.</p> <p>4. Give date of approval by the Commission for use of the common utility plant classification and reference to the order of the Commission or other authorization.</p>																																																																																																																																	
<p>1. COMMON UTILITY PLANT COMMON PLANT IN SERVICE</p> <table><thead><tr><th>Account Title</th><th>Balance Beginning of Year</th><th>Additions (A)</th><th>Retirements</th><th>Transfers (B)</th><th>Balance End Of Year</th></tr></thead><tbody><tr><td>-----</td><td>-----</td><td>-----</td><td>-----</td><td>-----</td><td>-----</td></tr><tr><td>Organization</td><td>60,936</td><td>—</td><td>—</td><td>—</td><td>60,936</td></tr><tr><td>Misc Intangible Plant</td><td>51,255,580</td><td>(416,781)</td><td>—</td><td>—</td><td>50,838,799</td></tr><tr><td>Land and Land Rights</td><td>2,279,688</td><td>365,635</td><td>—</td><td>—</td><td>2,645,323</td></tr><tr><td>Structures and Improvements</td><td>218,400,948</td><td>10,747,919</td><td>(5,803,114)</td><td>—</td><td>223,345,753</td></tr><tr><td>Office Furniture &amp; Equip</td><td>7,546,615</td><td>917,816</td><td>(138,624)</td><td>—</td><td>8,325,807</td></tr><tr><td>Electronic Data Processing</td><td>1,984,386</td><td>(26)</td><td>—</td><td>—</td><td>1,984,360</td></tr><tr><td>Transportation Equipment</td><td>90,343</td><td>—</td><td>—</td><td>—</td><td>90,343</td></tr><tr><td>Stores Equipment</td><td>469,805</td><td>—</td><td>—</td><td>—</td><td>469,805</td></tr><tr><td>Tools, Shop &amp; Garage Equip</td><td>2,640,036</td><td>—</td><td>(85,780)</td><td>—</td><td>2,554,256</td></tr><tr><td>Laboratory Equipment</td><td>—</td><td>—</td><td>—</td><td>—</td><td>—</td></tr><tr><td>Power Operated Equipment</td><td>111,852</td><td>—</td><td>—</td><td>—</td><td>111,852</td></tr><tr><td>Communication Equipment</td><td>95,328,854</td><td>167,517</td><td>(6,694,632)</td><td>—</td><td>88,801,739</td></tr><tr><td>Miscellaneous Equipment</td><td>1,381,934</td><td>(32,848)</td><td>—</td><td>—</td><td>1,349,086</td></tr><tr><td>Common AMI Meters</td><td>78,660</td><td>—</td><td>—</td><td>—</td><td>78,660</td></tr><tr><td>Asset Retirement Obligation</td><td>151,797</td><td>—</td><td>—</td><td>—</td><td>151,797</td></tr><tr><td>-----</td><td>-----</td><td>-----</td><td>-----</td><td>-----</td><td>-----</td></tr><tr><td>Total Common Plant in Service</td><td>381,781,434</td><td>11,749,232</td><td>(12,722,150)</td><td>—</td><td>380,808,516</td></tr><tr><td>Construction Work in Progress</td><td>10,372,039</td><td>(4,146,950)</td><td>—</td><td>—</td><td>6,225,089</td></tr><tr><td>Acquisition Adjustment</td><td></td><td></td><td></td><td></td><td></td></tr></tbody></table>				Account Title	Balance Beginning of Year	Additions (A)	Retirements	Transfers (B)	Balance End Of Year	-----	-----	-----	-----	-----	-----	Organization	60,936	—	—	—	60,936	Misc Intangible Plant	51,255,580	(416,781)	—	—	50,838,799	Land and Land Rights	2,279,688	365,635	—	—	2,645,323	Structures and Improvements	218,400,948	10,747,919	(5,803,114)	—	223,345,753	Office Furniture & Equip	7,546,615	917,816	(138,624)	—	8,325,807	Electronic Data Processing	1,984,386	(26)	—	—	1,984,360	Transportation Equipment	90,343	—	—	—	90,343	Stores Equipment	469,805	—	—	—	469,805	Tools, Shop & Garage Equip	2,640,036	—	(85,780)	—	2,554,256	Laboratory Equipment	—	—	—	—	—	Power Operated Equipment	111,852	—	—	—	111,852	Communication Equipment	95,328,854	167,517	(6,694,632)	—	88,801,739	Miscellaneous Equipment	1,381,934	(32,848)	—	—	1,349,086	Common AMI Meters	78,660	—	—	—	78,660	Asset Retirement Obligation	151,797	—	—	—	151,797	-----	-----	-----	-----	-----	-----	Total Common Plant in Service	381,781,434	11,749,232	(12,722,150)	—	380,808,516	Construction Work in Progress	10,372,039	(4,146,950)	—	—	6,225,089	Acquisition Adjustment					
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Department of  
Taxation

# **GUIDELINES FOR FILING OHIO PUBLIC UTILITY TAX REPORTS**

**VALUATION PROCEDURES AND ASSESSMENT PERCENTAGES**

**FOR USE IN FILING PUBLIC UTILITY TAX REPORTS**

February 2022

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## **Department of Taxation**

### **General**

This booklet is published to apprise persons of the way certain taxes are levied in Ohio. It was prepared to convey general information about the public utility companies' property taxes and the public utility excise tax. The booklet does not apply to all situations and is not intended as a substitute for the law itself or for professional advice.

### **Ohio Department of Taxation (ODT) Contact**

If you have any questions or concerns about the valuation of a public utility, please contact the Excise and Energy Tax Division:

Phone: 855-466-3921 (option 5)  
Fax: 614-728-1806

Ohio Department of Taxation  
Excise and Energy Division  
Public Utility Tax  
P.O. Box 530  
Columbus, OH 43216-0530

Email contact: [publicutility@tax.state.oh.us](mailto:publicutility@tax.state.oh.us)

### **Disclaimer**

Practices and policies explained within this publication are subject to change. While efforts have been made to assure accuracy of the information, errors may exist. Please contact the Department of Taxation, Public Utility Tax Section, if you find an error within this publication.

### **General Taxpayers**

General taxpayer means any person doing business in Ohio, but that does not meet the definition of a public utility as defined by R.C. 5727.01. General taxpayers do not file the forms covered in this publication; however, they are subject to the Commercial Activity Tax.

# Valuation of Public Utility Property

## Introduction

This publication discusses the methods for determining the true value of taxable property. It also provides certain guidelines for use by public utilities in preparing personal property (and real property used in railroad operations) tax reports and briefly discusses the public utility excise tax. The information contained in this publication is not intended as a substitute for the law, nor should it be construed in any manner as relieving a taxpayer from its statutory obligations.

As used throughout this publication, the term

- **“Public utility”** includes electric, energy, heating, natural gas, pipeline, railroad, rural electric, water transportation, water works, and combined companies as defined in R.C. 5727.01.
- **“Public utility property lessor”** means any person other than a public utility that leases personal property to a public utility. See R.C. 5727.01 (M).
- **“Taxpayer”** means companies defined as public utilities in R.C. 5727.01, whether or not regulated by the Public Utility Commission of Ohio (PUCO).
- **“Lien date”** means the close of business on December 31.
- **“Federal Regulatory Agency”** means the Federal Energy Regulatory Commission (FERC).
- **“Ohio property”** means all real and tangible personal property that was owned, or leased pursuant to a sale leaseback transaction, and physically located and used in business in the state of Ohio.
- **“Sale and leaseback transaction”** means a transaction in which a public utility company sells any tangible personal property to a person other than a public utility company and leases that property back from the buyer. See R.C. 5727.01(I).
- **“Tax year”** refers to the year for which property is subject to assessment.
- **“Vintage year”** refers to the calendar year in which taxable property was first capable of being used by the taxpayer required to report such property.
- **“Used in business”** includes property capable of use and part of a system capable of use whether being used or not, and leasehold improvements that if removed would damage the real property. The leasehold improvements should be reported by the lessee even if the ownership of the leasehold improvement will revert to the owner of the real property being leased at the end of the lease.

Public utilities companies file the forms prescribed for their class as listed in this publication, **PU Tax Forms** based on **PU Valuation Methods & Assessment Percentages**. The Tax Commissioner is required to use the information contained in these reports to determine the taxable value of personal property (and real property used in railroad operations) in Ohio and issue assessments.



## Scope of Valuation Methods

These valuation methods apply to the taxable property of all public utility companies described above.

They also apply to any property required to be listed by a general taxpayer when such property is:

- Leased to a public utility and used directly in the rendition of a public utility service as defined in R.C. 5739.01(P) **or**,
- Used to generate or distribute electricity a portion of which was not used by the person generating or distributing such electricity.

## Methods of Valuing Taxable Property of a Public Utility (except Railroad) Company

R.C. 5727.11 of the Ohio Revised Code sets forth **four methods** to determine the true value of taxable property of all public utilities, except railroads. The methods vary depending on the utility class or kind of property.

### ***Valuation Method #1***

**The valuation method applicable to most taxable property** of a public utility company is set forth in R.C. 5727.11(A). It is like the “302 computation” that was used by general taxpayers in determining the true value of their taxable property. Under this method, the true value is determined by taking the cost as capitalized on the public utility’s books and records of the property less composite annual allowances prescribed by the tax commissioner. If application of this method does not result in the determination of true value of the taxable property, the Tax Commissioner may use another method of valuation.

A table of ten useful lives ranging from five to fifty years and the composite annual allowances for each is included in this publication, **Composite Annual Allowances**. A letter and number have been assigned to each useful life: Class C-5 for a five-year useful life, Class C-10 for a ten-year useful life, etc. The annual allowances are expressed as percent good and decrease with the age of the property. The minimum percent good for taxable property in any class is 15%. The true value is determined by multiplying the cost of taxable property for each year by the applicable percent good.

One or more property groups have been established for each public utility class. Each property group contains properties that have integrated functions. The Tax Commissioner has assigned a class life to each property in the group. The class life represents a composite of the various useful lives of the properties in the group. **In general, segregation of short-lived property for the purpose of using a different class life is not permitted.** A listing of the property groups for each class of public utility company together with a description of the properties in each group and the class life is included in this publication.

The property group and class life assigned to each group as set forth in this publication reflect conclusions developed by the Department of Taxation in which utility companies from each class participated.

***Valuation Method #2***

**The second valuation method** applies to natural gas stored underground. The true value of current gas stored underground is the average cost of that gas shown on the book and records of the public utility on hand at the end of each calendar month in the calendar year preceding the tax year. (R.C. 5727.11(B)(2)).

The true value of noncurrent gas stored underground is 35% of its cost of that gas shown on the books and records of the public utility on the thirty-first day of December of the preceding year. (R.C. 5727.11(C))

***Valuation Method #3***

**The third valuation method** applies to the production equipment of an electric company acquired on or before October 4, 1999, and all taxable property of a rural electric company. Under this method, the true value of such property is determined by taking the taxable cost of the property less 50% of the cost as an allowance for depreciation and obsolescence. R.C. 5727.11(D)(1).

***Valuation Method #4***

**The fourth valuation method** applies to watercraft owned or operated by a water transportation company. The true value of watercraft is determined by multiplying the true value determined under R.C. 5727.11 by a factor that uses revenue-earning miles traveled in Ohio waters to revenue earning miles traveled in all waters. R.C. 5727.11(F).

The described methods do not address the valuation of materials, supplies, fuel, merchandise held for sale, and certain other depreciable and non-depreciable property. As a rule, short-lived property that is not depreciated is valued at cost. Property that is normally depreciated will be valued based on the type of property and other relevant facts.

**Methods of Valuing Taxable Property of Railroads**

R.C. 5727.12 sets forth **two valuation methods** for determining the true value of the taxable property of a railroad company. These methods are based on whether the property is used in railroad operations or not used in railroad operations.

***Valuation Method #1***

**The first method** determines the true value of all real and personal property owned or operated or leased by a railroad company and used in railroad operation. The true value is determined by the unitary method in which a railroad company's system as a whole is valued. Some factors that may be considered are the cost approach and the income approach, which are given appropriate weightings.

***Valuation Method #2***

**The second method** determines the true value of all real and personal property owned by a railroad and not used in railroad operations. The true value of real property not used in operations is determined by the County Auditor. The County Auditor uses the most current market information available. The true value of personal property not used in operations is the net book value.

## Report Schedule Details

### TP-ID: Taxpayer Identification

Current year taxpayer identification. The information provided on this document is used for filing and communicating with the taxpayer.

### Schedule A: Reporting the Company Balance Sheet

Each public utility company must file a balance sheet reflecting the entire system assets and liabilities either by completing the prescribed balance sheet contained in the Annual Report or by inserting a copy of the balance sheet from the Annual Report filed with the federal regulatory agency.

### Schedule B: Listing of Ohio Property

Complete schedule B listing only Ohio property. Be sure beginning balances reconcile with prior year filings. Any discrepancies should be explained on the declaration page at the end of the report.

### Schedule C: Reporting the True Value of Taxable Property

The Annual Reports prescribed for each public utility class contain schedules for reporting taxable property. The true value of taxable property subject to the composite annual allowance method must be reported in Schedule C. A separate schedule is required for each property group. The Tax Commissioner determines the true value of other kinds of taxable property from the information reported in Schedule B in the Annual Report.

#### Use the following instructions to complete Schedule C:

All information is for property physically located in Ohio as of December 31 of the preceding year, except for water transportation companies. Water transportation companies must report all watercraft operated in Ohio during the year, whether located in Ohio or not as of December 31.

All amounts must be reported by vintage year.

- Column (a) - this column reflects the vintage year.
- Column (b) - enter by vintage year, the cost of Ohio property in the group. Do not net current year additions against current year retirements when completing this schedule.
- Column (c) through column (g) are for reporting property that is exempt from personal property taxes. The cost of exempt property is limited to the extent such cost is reported in Column (b).
- Column (c) - enter by vintage year, the cost of property certified exempt as a pollution control facility and the cost of property included in pending applications for air, water, and noise pollution control facilities or a qualified energy project.
- Column (d) - enter by vintage year, the cost of property certified as real property. Do not enter cost of real property already reported in Column (c).

- Column (e) - enter by vintage year, the cost of motor vehicles registered and licensed in the name of the owner. Cost does not include equipment affixed to a motor vehicle that is not inherently motor vehicle equipment (even if it has been included in the weight of the vehicle for licensing purposes because of Ohio's participation in the International Registration Plan). Do not enter any cost of such property already reported in Column (c) or (d).
- Column (f) - for each vintage year, enter the cost of capitalized interest. Do not enter any cost of such property already reported in Columns (c), (d) or (e).
- Column (g) - enter by vintage year, the cost of organization, franchises and consents, miscellaneous intangible plant, land rights, rights of way, and property acquired or constructed with bonds issued by the Ohio Air Quality Development Authority or the Ohio Water Development Authority. Do not enter any cost of such property already reported in Columns (c), (d), (e) or (f).
- Column (h) - for each vintage year, enter the sum of the costs reported in Columns (c) through (g).
- Column (i) - for each vintage year, subtract the cost reported in Column (h) from the cost reported in Column (b) and enter the result.

The sum of the amounts shown in Column (k) is the true value of the taxable property in the group.

## Property Groups

### Energy

Account references are contained in the Code of Federal Regulations, Conservation of Power and Water Resources, Title 18, Chapter I Subchapter C Part 101.

#### ***Production Plant – Class C-30***

- Property used in the generation of electricity and described in FERC Accounts 310 through 348. Examples include structures and improvements classified as personal property, boiler and reactor plant equipment, engines, engine driven generators and turbo-generator units. Water wheels, turbines and generators, fuel holders, products and accessories, prime movers, generators, accessory electric equipment, miscellaneous power plant equipment, roads, railroads, and bridges.

#### ***Transmission Plant- Class C-30***

- Property used in the transmission of electricity and described in FERC Accounts 350 through 359. Examples include structures and improvements classified as personal property, station equipment, towers and fixtures, poles and fixtures, overhead and underground conductors and devices, and underground conduit.

#### ***Distribution Plant - Class C-25***

- Property used in the distribution of electricity and described in FERC Accounts 360 through 373. Examples include structures and improvements classified as personal property, station equipment, storage battery equipment, poles, towers, fixtures, overhead

and underground conductors and devices, underground conduit, line transformers, services and meters including installation, street lighting, and signal systems.

***General Plant - Class C-15***

- Property used in general operations and described in FERC Accounts 389 through 399. Examples include structures and improvements classified as personal property, office furniture and equipment, transportation equipment, stores equipment, tools, shop and garage equipment, laboratory equipment, power operated equipment, communications equipment, and miscellaneous equipment.

***Stand-Alone Computers - Class C-5 (SAC)***

- Stand Alone Computers including related hardware and peripheral equipment used for general business purposes such as data processing, payroll, tracking sales data, maintaining accounting information and tracking orders.

## **Electric**

Account references are contained in the Code of Federal Regulations, Conservation of Power and Water Resources, Title 18, Chapter I Subchapter C Part 101.

***Production Plant***

- Production equipment that was in service prior to October 4, 1999 is valued at 50% of cost. All other production plant equipment uses Class C-30. This includes property used in the generation of electricity and described in FERC Accounts 310 through 348. Examples include structures and improvements classified as personal property, boiler and reactor plant equipment, engines, engine driven generators, turbo-generator units, water wheels, turbines and generators, fuel holders, products and accessories, prime movers, generators, accessory electric equipment, miscellaneous power plant equipment, roads, railroads, and bridges.

***Transmission Plant- Class C-30***

- Property used in the transmission of electricity and described in FERC Accounts 350 through 359. Examples include structures and improvements classified as personal property, station equipment, towers and fixtures, poles and fixtures, overhead and underground conductors and devices, and underground conduit.

***Distribution Plant - Class C-25***

- Property used in the distribution of electricity and described in FERC Accounts 360 through 373. Examples include structures and improvements classified as personal property, station equipment, storage battery equipment, poles, towers, fixtures, overhead and underground conductors and devices, underground conduit, line transformers, services and meters including installation, street lighting, and signal systems.

**General Plant - Class C-15**

- Property used in general operations and described in FERC Accounts 389 through 399. Examples include structures and improvements classified as personal property, office furniture and equipment, transportation equipment, stores equipment, tools, shop and garage equipment, laboratory equipment, power operated equipment, communications equipment, and miscellaneous equipment.

**Stand-Alone Computers - Class C-5 (SAC)**

- Stand Alone Computers including related hardware and peripheral equipment used for general business purposes such as data processing, payroll, tracking sales data, maintaining accounting information and tracking orders.

## Heating

**Production Plant- Class C-30**

- Property used in the production of steam. Examples include structures and improvements classified as personal property, boiler plant equipment, engines and engine driven generators, turbo generator units, accessory electric equipment, and miscellaneous power plant equipment.

**Distribution Plant - Class C-30**

- Property used to deliver steam. Examples include structures and improvements classified as personal property, mains, underground pipes and devices, meters, leasehold improvements, and interruptible hookups.

**General Plant - Class C-15**

- Property used in the general operations of the heating company. Examples include structures and improvements classified as personal property, office furniture and fixtures, transportation equipment, stores equipment, tools, shop and garage equipment, laboratory equipment, power operated equipment, communications equipment, and miscellaneous equipment.

**Stand-Alone Computers - Class C-5 (SAC)**

- Stand-Alone computers including related hardware and peripheral equipment used for general business purposes such as data processing, payroll, tracking sales data, maintaining accounting information and tracking orders.

## Natural Gas

Account references are contained in the Code of Federal Regulations, Conservation of Power and Water Resources, Title 18, Chapter I Subchapter F Part 201.

**Production Plant- Class C-25**

- Property used in the manufacture, production, gathering and extraction of gas and described in FERC Accounts 304 through 347. Examples include structures and improvements classified as personal property, boiler plant equipment, coke ovens, producer and liquefied petroleum gas equipment, water and oil gas generating equipment, coal, coke, ash handling equipment, catalytic cracking equipment, purification equipment, residual refining equipment, gas mixing equipment, producing leaseholds, field compressor, field measuring and regular station structures, producing gas wells

construction and equipment, field lines, field compressor station equipment, field measuring and regulator station equipment, drilling and cleaning equipment, purification equipment, extraction, storage and refining equipment, pipe lines, compressor equipment, and gas measuring and regulator equipment.

***Storage Plant - Class C-30***

- Property used in the storage of gas described in FERC Accounts 350.1 through 364.8. Examples include structures and improvements classified as personal property, wells, storage leaseholds, reservoirs, non-recoverable gas, lines, compressor station equipment, measuring and regulator equipment, purification equipment, gas holders, liquefaction and vaporizing equipment, LNG processing terminal and transportation equipment, and communication equipment.

***Transmission Plant - Class C-30***

- Property used in the transmission of gas and described in FERC Accounts 365.1 through 371. Examples include structures and improvements classified as personal property, mains, compressor station equipment, measuring and regulatory equipment, and communication equipment.

***Distribution Plant - Class C-30***

- Property used in the distribution of gas and described in FERC Accounts 374 through 387. Examples include structures and improvements classified as personal property, mains, compressor station equipment, measuring regulator station equipment, services, meters, house regulators, industrial measuring and regulator station equipment, and property on customer premises.

***General Plant - Class C-15***

- Property used in general operations and described in FERC Accounts 389 through 399. Examples include structures and improvements classified as personal property, office furniture and equipment, transportation equipment, stores equipment, tool, shop and garage equipment, laboratory equipment, power operated equipment, communication equipment, and miscellaneous equipment.

***Stand-Alone Computers - Class C-5 (SAC)***

- Stand-Alone computers including related hardware and peripheral equipment used for general business purposes such as data processing, payroll, tracking sales data, maintaining accounting information and tracking orders.

***Current Gas Stored Underground***

- Taxable property in this group is valued at cost.

***Noncurrent Gas Stored Underground***

- Taxable property in this group is valued at 35% of cost.



## Pipeline – Natural Gas

Account references are contained in the Code of Federal Regulations, Conservation of Power and Water Resources, Title 18, Chapter I Subchapter F Part 201.

### ***Production Plant- Class C-25***

- Property used in the manufacture, production, gathering and extraction of gas and described in FERC Accounts 304 through 347. Examples include structures and improvements classified as personal property, boiler plant equipment, coke ovens, producer and liquefied petroleum gas equipment, water and oil gas generating equipment, coal, coke, ash handling equipment, catalytic cracking equipment, purification equipment, residual refining equipment, gas mixing equipment, producing leaseholds, field compressor, field measuring and regular station structures, producing gas wells construction and equipment, field lines, field compressor station equipment, field measuring and regulator station equipment, drilling and cleaning equipment, purification equipment, extraction, storage and refining equipment, pipe lines, compressor equipment, and gas measuring and regulator equipment.

### ***Storage Plant - Class C-30***

- Property used in the storage of gas described in FERC Accounts 350.1 through 364.8. Examples include structures and improvements classified as personal property, wells, storage leaseholds, reservoirs, non-recoverable gas lines, compressor station equipment, measuring and regulator equipment, purification equipment, gas holders, liquefaction and vaporizing equipment and LNG processing terminal and transportation equipment.

### ***Transmission Plant - Class C-30***

- Property used in the transmission of gas and described in FERC Accounts 365.1 through 371. Examples include structures and improvements classified as personal property, mains, compressor station equipment, measuring and regulatory equipment, and communication equipment.

### ***Distribution Equipment - Class C-30***

- Property used in the distribution of gas and described in FERC Accounts 374 through 387. Examples include structures and improvements classified as personal property, mains, compressor station equipment, measuring regulator station equipment, services, meters, house regulators, industrial measuring and regulator station equipment, and property on customer premises.

### ***General Plant - Class C-15***

- Property used in the general operations and described in FERC Accounts 389 through 399. Examples include structures and improvements classified as personal property, office furniture and equipment, transportation equipment, stores equipment, tool, shop and garage equipment, laboratory equipment, power operated equipment, communication equipment, and miscellaneous equipment.

### ***Stand-Alone Computers - Class C-5 (SAC)***

- Stand-Alone computers including related hardware and peripheral equipment used for general business purposes such as data processing, payroll, tracking sales data, maintaining accounting information and tracking orders.



***Current Gas Stored Underground***

- Taxable property in this group is valued at cost.

***Noncurrent Gas Stored Underground***

- Taxable property in this group is valued at 35% of cost.

## **Pipeline – Oil**

Account references are contained in the Code of Federal Regulations, Conservation of Power and Water Resource, Title 18 Chapter I Subchapter Q Part 352.

***Gathering Lines - Class C-25***

- Property used in the gathering of oil and described in FERC Accounts 101 through 116. Examples include line pipe, line pipe fittings, pipeline construction, buildings classified as personal property, boilers, pumping equipment, machine tools and machinery, station equipment, oil tanks, delivery facilities, communication system, office furniture and equipment, vehicles and work equipment.

***Trunk Lines – Class C-30***

- Property used in the transportation of oil and described in FERC Accounts 151 through 166. Examples include line pipe, line pipe fittings, pipeline construction, buildings classified as personal property, boilers, pumping equipment, machine tools and machinery, station equipment, oil tanks, delivery facilities, communication systems, office furniture and equipment, vehicles and work equipment.

***General Plant - Class C-10***

- Property used in general operations and described in FERC Accounts 171 through 187. Examples include buildings classified as personal property, machine tools and machinery, communications equipment, office furniture and equipment, vehicles, work equipment, and construction work in progress.

***Stand-Alone Computers - Class C-5 (SAC)***

- Stand-Alone computers including related hardware and peripheral equipment used for general business purposes such as data processing, payroll, tracking sales data, maintaining accounting information and tracking orders.

## **Railroad**

- Account information is contained in the Code of Federal Regulations, Transportation. Title 49, Part 1200 to End.
- All taxable property in this group used in railroad operations is valued under the Unitary Appraisal Method.

## **Rural Electric**

- Account information is contained in the Code of Federal Regulations, Agriculture, Title 7, Subtitle B Chapter XVII Part 1700.

- All taxable property in this group is valued at 50% of cost, except production and energy conversion equipment placed in service after October 5, 1999 which is valued using the cost as capitalized on the company's books and records less composite annual allowances.

## Water Transportation

### ***Vessels - Class C-25***

- Property used in the transportation of property or passengers on waterways. Examples include ferries, tugboats, water taxis, air boats and barges, excluding the engines for such vessels.

### ***Engines - Class C-15***

- All engines used to propel boats.

### ***General & Auxiliary Plant - Class C-10***

- Property used in the general operations of the water transportation company. Examples include structures and improvements classified as personal property, radios, compasses, radar, sonar, plumbing, heating and air conditioning, fuel tanks, machinery, firefighting and lifesaving equipment, anchors, life rafts and jackets, ring buoys, fire hoses, fire extinguishers, sanitation devices, portable water tanks, bulkheads, furniture and fixtures, transportation equipment, tools, shop and repair equipment, power operated and miscellaneous equipment.

### ***Stand-Alone Computers – Class C-5 (SAC)***

- Stand-alone computers including related hardware and peripheral equipment used for general business purposes such as data processing, payroll, tracking sales data, maintaining accounting information and tracking orders.

## Water Works

Account references are contained in the National Association of Regulatory Utility Commissioners Uniform System of Accounts for Water Utilities.

### ***Supply Plant – Class C-25***

- Property used in collecting water from the source and described in NARUC Accounts 310 through 317. Examples include structures and improvements classified as personal property, collecting and impounding reservoirs, lake, river and other intakes, wells and springs, infiltration galleries and tunnels, and supply mains.

### ***Pumping Plant - Class C-25***

- Property used in pumping water and described in NARUC Accounts 320 through 328. Examples include structures and improvements classified as personal property, boiler plant equipment, power production equipment, steam pumping equipment, electric pumping equipment, diesel pumping equipment, and hydraulic pumping equipment.

### ***Water Treatment Plant- Class C-30***

- Property used in the treatment of water and described in NARUC Accounts 330 through 332. Examples include structures and improvements classified as personal property, and

water treatment equipment.

***Transmission & Distribution Plant – Class C-50***

- Property used in the transmission and distribution of water and described in NARUC Accounts 340 through 349. Examples include structures and improvements classified as personal property, distribution reservoirs and standpipes, transmission and distribution mains, fire mains, services, meter installations, and hydrants.

***General Plant - Class C-15***

- Property used in general operations and described in NARUC Accounts 389 through 399. Examples include structures and improvements classified as personal property, office furniture and fixtures, transportation equipment, stores equipment, tools, shop and garage equipment, laboratory equipment, power operated equipment, communication equipment, and miscellaneous equipment.

***Stand-Alone Computers - Class C-5 (SAC)***

- Stand-Alone computers including related hardware and peripheral equipment used for general business purposes such as data processing, payroll, tracking sales data, maintaining accounting information and tracking orders.

## **Assessment Percentages**

R.C. 5727.111 requires the taxable property of public utilities to be assessed at various percentages of true value. R.C. 5727.06 requires a public utility lessor to list taxable property that is leased to a public utility and used directly in the rendition of a public utility service at the same percentage used by the public utility.

***Energy Companies***

- All taxable production equipment is valued at 24% of true value. All other property is valued at 85%.

***Electric Companies***

- All taxable transmission and distribution property and energy conversion equipment are assessed at 85% of true value. All other property is assessed at 24% of true value.

***Rural Electric Companies***

- All transmission and distribution property and energy conversion equipment are assessed at 50% of true value. All other property is assessed at 25% of true value.

***Heating, Pipeline, and Water Works Companies***

- All taxable property is assessed at 88% of true value. Taxable property of a water works company first subject to taxation in Ohio for tax year 2017 and thereafter is assessed at 25% of true value.

### ***Natural Gas Companies***

- All taxable property is assessed at 25% of true value.

### ***Water Transportation Companies***

- All taxable property is assessed at 25% of true value.

### ***Railroad Companies***

- Operating real property is assessed at 35% of true value and taxation of personal property has been phased out.

## **Reconciliation**

This schedule reconciles the information reported in Schedule B to the information reported in Schedule C and Schedule C Supplement. Discrepancies should be fully explained on the Declaration page in the Notes and Comments section.

## **Schedule D: Exempt Facilities**

This schedule documents applications for exempt facilities and facilities that are certified exempt.

## **Schedule E: Other Exempt Property**

This schedule is for explaining the exemptions for organization, franchises and consents, miscellaneous intangible plant, land rights, rights of way, construction work in progress, and property acquired or constructed with bonds issues by the Ohio Air Quality Development Authority or the Ohio Water Development Authority.

## **Qualified Energy Project Tax Exemption**

### ***Overview***

The Qualified Energy Project Tax Exemption provides owners (or lessees) of renewable, clean coal, advanced nuclear, and cogeneration energy projects with an exemption from the public utility tangible personal property tax.

### ***For Whom***

In order to qualify, the owner or lessee subject to sale leaseback transaction must apply to Department of Development. Refer to R.C. 5727.75 for QEP application deadline and cutoff dates by type of technology.

Large projects (20 mega-watts or greater) require approval from each Board of County Commissioners in which the project is located. In addition, these large projects require agreements to train and equip local emergency responders, as well as repair roadway infrastructure following the construction of the project.

### ***Additional Information***

Additional information can be found at <https://development.ohio.gov/business/state-incentives/qualified-energy-project-tax-exemption>.

## **Schedule F: Property Leased from Others**

This schedule is for reporting information on property you lease that is located in Ohio on lien day. Enter the name and address of the lessor, gross annual rent, description of the leased property, and whether or not the leased property was used in the rendition of a public utility service as defined in R.C. 5739.01(P).

## **Schedule G: True Value as Reported by Taxpayer**

This schedule is for calculating the Total Taxable Value based on the information supplied in the report.

## **Schedule H: County and Tax District Recap Reconciliation**

This schedule is for reconciling the information in the Annual Report to the information in the County and Taxing District Recap. All discrepancies should be explained on the Declaration page in the Notes and Comments section.

## **Declaration**

For notes and comments pertinent for the current year filing. Signature, date and title of authorized person responsible for the tax report.

## **Apportionment of Value**

Taxable personal property values of all utilities are apportioned among the taxing districts as follows:

Natural gas, heating, pipeline, water works, rural electric, water transportation and combined companies: taxable value is apportioned according to the cost of all taxable personal property physically located in each taxing district as a proportion of the total cost of all such taxable personal property physically located in the state.

Electric and energy companies: for production equipment, the total taxable value is apportioned to the taxing district in which the property is physically located.

All other property, the taxable value is apportioned according to the cost of this property physically located in each taxing district as a proportion of the total cost of all such taxable personal property physically located in the state.

## County and Taxing District Recap

The County and Taxing District Recap is separate from but still considered a part of the Annual Report. It is for reporting each taxing district in which certain kinds of property were physically located as of lien date. This information is used to apportion the total value among the various taxing districts in the state. Each taxpayer is responsible for accurately completing or updating the Recap. If you are in doubt as to the exact taxing district, contact the auditor of the county in which the property is located.

New taxpayers should contact the Public Utility Tax Section with any questions concerning the completion of the County and Taxing District Recap.

County Auditor information can be found at <http://caao.org/auditors-directory/>.

### **Tax Rates (R.C. 319.30, 319.301, 5705.02 – .05, 5705.19).**

Tax rates vary by taxing jurisdiction. The total tax rate is the sum of all levies enacted by legislative authority or approved by voters for all taxing jurisdictions in which the property is located or to which it is apportioned. Examples of taxing jurisdictions include counties, townships, municipal corporations, school districts, joint vocational school districts, and special service districts. These total rates, or gross tax rates, apply to personal property.

### **Exemptions and Credits (R.C. 319.302, 5701.03, 5709.111, 5709.25, 5709.61 - .63, 5727.01, 5727.05, 5727.75).**

The following types of public utility property are exempt:

- municipally owned utilities.
- certified air, water, and noise pollution control facilities.
- licensed motor vehicles.
- tangible personal property under construction; and
- real and personal property of nonprofit corporations and political subdivisions used exclusively in the treatment, distribution, and sale of water to consumers.

An allowance is available for funds used during construction and interest used during construction. This does not apply to electric company and rural electric company property first placed into service after December 31, 2000, with the exclusion of transmission and distribution property. It also does not apply to the taxable property a person purchases, which includes transfers, if that property was used in business by the seller prior to the purchase. Also, tangible personal property may qualify for a property tax exemption if subject of an enterprise zone agreement.

Renewable energy facilities that are not financed through the Ohio Air Quality Development Authority can be exempt from the tangible personal property tax if certified by the Director of Development as a “qualified energy project.” Such a facility will require a payment in lieu of taxes based on each megawatt of production capacity. To be certified as a “qualified energy project,” among other requirements, energy must be produced by January 1, 2026 (or January 1, 2021, for nuclear, clean coal and cogeneration projects).

**Reporting, Certification, and Payment Dates (R.C. 323.12, 323.17, 5727.08, 5727.10, 5727.23, 5727.48).**

Annual reports are due by March 1, but the Tax Commissioner may grant an extension of up to 30 days. The Tax Commissioner notifies utilities and county auditors of values on or before the first Monday in October. Tax payments, which are made to the county auditor, are due according to the same first-and second-half due dates for real property taxes. According to statute, at least one half of a real property tax bill is due by December 31, with the balance due by June 20. In practice, these deadlines may be extended by 45 days, or even longer in certain circumstances, on a county-by-county basis.

**Public Utilities Gross Receipts Tax****General Information**

Classes of public utilities liable for the tax include natural gas, heating, pipeline, water transportation and water works companies. Companies liable for this excise tax do not pay the commercial activity tax. Taxpayers include heating, pipeline (excluding businesses primarily consisting of producing or gathering natural gas -rather than supplying or distributing natural gas to consumers -or producing, refining, or marketing petroleum products), water transportation, water works and natural gas companies.

The tax is measured by taxable gross receipts. The tax rate is 6.75 percent for pipeline companies and 4.75 percent for all other taxpayers. A minimum tax of \$50 applies each tax year.

**Exemptions and deductions (R.C. 5727.02 and 5727.33)**

Public utilities owned by municipal corporations are exempt from the tax. Also exempt are all telephone companies, inter-exchange telecommunications companies, electric companies, rural electric companies, nonprofit water companies, and railroads.

All companies receive a standard annual deduction of \$25,000. Natural gas companies paying quarterly receive a \$6,250 deduction on each return. Additionally, the following gross receipts are exempt from the tax:

- receipts derived wholly from interstate business.
- receipts from business done for or with the federal government.
- receipts from the sale of merchandise.
- receipts from sales to other public utilities for resale; and
- receipts billed on behalf of other entities by natural gas companies.

**Credits (R.C. 5727.29 and 5727.241)**

Natural gas and combined electric and natural gas companies may claim a refundable venture capital investment credit against the tax imposed. The credit amount and tax year in which the credit may be claimed must be listed on a tax credit certificate issued by the Ohio Venture Capital Authority.



**Filing and Payment Dates (R.C. 5727.25, 5727.31, 5727.38, 5727.42, 5727.48)**

Company annual statements (returns) are due to the tax commissioner by August 1 for the tax year ending April 30. Taxpayers may request an extension of up to 30 days.

Tax assessments - By the first Monday in November, the tax commissioner may assess the amount of tax due for the year and certifies that amount to the company.

Advance payments - Companies with a tax liability of \$1,000 or more during the preceding year are required to make three advance payments, each in an amount equal to one-third of the previous year's certified tax liability. These advance payments are due to the treasurer of state on October 15, March 1 and June 1.

Final payments - When the current year's total tax liability exceeds the sum of the three advance payments, there is a deficiency, and the tax commissioner will issue an assessment by the first Monday in November. A refund is issued when advance payments exceed the total liability certified by the tax commissioner.

Natural gas and combined electric and gas companies - Companies that exceeded \$325,000 in annual liability pay the excise tax quarterly. Quarterly payments are due 45 days after the end of each calendar quarter. Companies below the \$325,000 threshold for the preceding calendar year pay 45 days after the thirty-first day of December.

**Tax Payments by EFT (R.C. 5727.311 and 5727.25)**

Public utilities subject to the excise tax are generally required to remit the tax by electronic funds transfer ("EFT") to the treasurer of state under the following circumstances:

- Natural gas companies or combined companies for the gross receipts from operating as a natural gas company – all quarterly taxpayers are required to remit payment by EFT. Annual taxpayers are not required to remit the tax due by EFT.
- All other public utilities subject to the tax – required to remit estimated payments by EFT if tax liability exceeds \$50,000 beginning in the second ensuing and each succeeding year.

A public utility required to remit taxes by EFT may apply to the Tax Commissioner to be excused from the requirement for good cause shown. Failure to remit taxes by EFT could result in an additional charge equal to five percent of the tax required to be paid by EFT, not exceeding \$5,000.

The link, <https://eft.tos.ohio.gov/> provides for registration and making payments to the Ohio Treasurer of State.



**PUBLIC UTILITY VALUATION METHODS AND ASSESSMENT PERCENTAGES**

<b><u>Class/Property</u></b>	<b><u>Valuation Method</u></b>	<b><u>Assessment %</u></b>
<b>Energy</b>		
<i>Production Plant</i>	<i>Class C-30 – 30 years</i>	<i>24%</i>
<i>Transmission Plant</i>	<i>Class C-30 – 30 years</i>	<i>85%</i>
<i>Distribution Plant</i>	<i>Class C-25 – 25 years</i>	<i>85%</i>
<i>General Plant</i>	<i>Class C-15 – 15 years</i>	<i>85%</i>
<i>Other Taxable Property</i>	<i>Cost or Net Book Value</i>	<i>85%</i>
<b>Electric</b>		
<i>Production Plant</i>		
<i>(on or before 10/5/99)</i>	<i>50% of Cost (1)</i>	<i>24%</i>
<i>(after 10/5/99)</i>	<i>Class C-30 – 30 years</i>	<i>24%</i>
<i>Transmission Plant</i>	<i>Class C-30 – 30 years</i>	<i>85%</i>
<i>Distribution Plant</i>	<i>Class C-25 – 25 years</i>	<i>85%</i>
<i>General Plant</i>	<i>Class C-15 – 15 years</i>	<i>24%</i>
<i>Other Taxable Property</i>	<i>Cost or Net Book Value</i>	<i>24%</i>
<b>Heating</b>		
<i>Production Plant</i>	<i>Class C-30 – 30 years</i>	<i>88%</i>
<i>Distribution Plant</i>	<i>Class C-30 – 30 years</i>	<i>88%</i>
<i>General Plant</i>	<i>Class C-15 – 15 years</i>	<i>88%</i>
<i>Other Taxable Property</i>	<i>Cost or Net Book Value</i>	<i>88%</i>
<b>Natural Gas</b>		
<i>Production Plant</i>	<i>Class C-25 – 25 years</i>	<i>25%</i>
<i>Storage Plant</i>	<i>Class C-30 – 30 years</i>	<i>25%</i>
<i>Transmission Plant</i>	<i>Class C-30 – 30 years</i>	<i>25%</i>
<i>Distribution Plant</i>	<i>Class C-30 – 30 years</i>	<i>25%</i>
<i>General Plant</i>	<i>Class C-15 – 15 years</i>	<i>25%</i>
<i>Current Gas Stored</i>	<i>100% of Cost (1)</i>	<i>25%</i>
<i>Noncurrent Gas Stored</i>	<i>35% of Cost (1)</i>	<i>25%</i>
<i>Other Taxable Property</i>	<i>Cost or Net Book Value</i>	<i>25%</i>
<b>Pipeline (Natural Gas)</b>		
<i>Production Plant</i>	<i>Class C-25 – 25 years</i>	<i>88%</i>
<i>Storage Plant</i>	<i>Class C-30 – 30 years</i>	<i>88%</i>
<i>Transmission Plant</i>	<i>Class C-30 – 30 years</i>	<i>88%</i>
<i>Distribution Plant</i>	<i>Class C-30 – 30 years</i>	<i>88%</i>
<i>General Plant</i>	<i>Class C-15 – 15 years</i>	<i>88%</i>
<i>Current Gas Stored</i>	<i>100% of Cost (1)</i>	<i>88%</i>
<i>Noncurrent Gas Stored</i>	<i>35% of Cost (1)</i>	<i>88%</i>
<i>Other Taxable Property</i>	<i>Cost or Net Book Value</i>	<i>88%</i>

<b><u>Class/Property</u></b>	<b><u>Valuation Method</u></b>	<b><u>Assessment %</u></b>
<b><i>Pipeline Oil</i></b>		
<i>Gathering Lines</i>	<i>Class C-25 – 25 years</i>	<i>88%</i>
<i>Trunk Lines</i>	<i>Class C-30 – 30 years</i>	<i>88%</i>
<i>Non-Carrier Property</i>	<i>Class C-15 – 15 years</i>	<i>88%</i>
<i>General Plant</i>	<i>Class C-10 – 10 years</i>	<i>88%</i>
<i>Other Taxable Property</i>	<i>Cost or Net Book Value</i>	<i>88%</i>
<b><i>Railroad</i></b>		
<i>All Taxable Property</i>	<i>Unitary Appraisal</i>	<i>(2)</i>
<b><i>Rural Electric</i></b>		
<i>Production (on or before 10/5/99)</i>	<i>50% of Cost (1)</i>	<i>25%</i>
<i>(after 10/5/99)</i>	<i>Class C-30 – 30 years</i>	<i>25%</i>
<i>Transmission &amp; Distribution</i>	<i>50% of Cost (1)</i>	<i>50%</i>
<i>All Other Taxable Property</i>	<i>50% of Cost (1)</i>	<i>25%</i>
<b><i>Water Transportation (4)</i></b>		
<i>Vessels</i>	<i>Class C-25 – 25 years</i>	<i>25%</i>
<i>Engines</i>	<i>Class C-15 – 15 years</i>	<i>25%</i>
<i>General &amp; Auxiliary Plant</i>	<i>Class C-10 – 10 years</i>	<i>25%</i>
<i>Other Taxable Plant</i>	<i>Cost or Net Book Value</i>	<i>25%</i>
<b><i>Water Works (3)</i></b>		
<i>Supply Plant</i>	<i>Class C-25 – 25 years</i>	<i>88%</i>
<i>Pumping Plant</i>	<i>Class C-25 – 25 years</i>	<i>88%</i>
<i>Water Treatment Plant</i>	<i>Class C-30 – 30 years</i>	<i>88%</i>
<i>Transmission &amp; Distribution</i>	<i>Class C-50 – 50 years</i>	<i>88%</i>
<i>General Plant</i>	<i>Class C-15 – 15 years</i>	<i>88%</i>
<i>Other Taxable Property</i>	<i>Cost or Net Book Value</i>	<i>88%</i>

***(1) Valuation method fixed by statute. For more information on the valuation of current and noncurrent gas stored underground, please see “Valuation Method #2” on the top of page 7 of this document.***

***(2) Real property is assessed at 35%. Personal Property tax has been phased out.***

***(3) Taxable property of a water works company first subject to taxation for tax year 2017 and thereafter is assessed at 25%.***

***(4) For more information on the valuation of watercraft, see “Valuation Method #4” on page 7 of this document.***

***Public Utility Lessors are to use the same valuation method and assessment percentage that the lessee is required to use.***

Age	C-5	C-7.5	C-10	C-15	C-20	C-25	C-30	C-35	C-40	C-45	C-50
1	90.0	93.3	95.0	96.7	97.5	98.0	98.3	98.6	98.8	98.9	99.0
2	70.0	80.0	85.0	90.0	92.5	94.0	95.0	95.7	96.3	96.7	97.0
3	50.0	66.6	75.0	83.3	87.5	90.0	91.7	92.9	93.8	94.4	95.0
4	31.7	53.3	65.0	76.7	82.5	86.0	88.3	90.0	91.3	92.2	93.0
5	15.0	40.0	55.0	70.0	77.5	82.0	85.0	87.1	88.8	90.0	91.0
6		30.0	45.0	63.3	72.5	78.0	81.7	84.3	86.3	87.8	89.0
7		20.0	35.0	56.7	67.5	74.0	78.3	81.4	83.8	85.6	87.0
8		15.0	28.3	50.0	62.5	70.0	75.0	78.6	81.3	83.3	85.0
9			21.7	43.3	57.5	66.0	71.7	75.7	78.8	81.1	83.0
10			15.0	36.7	52.5	62.0	68.3	72.9	76.3	78.9	81.0
11				31.3	47.5	58.0	65.0	70.0	73.8	76.7	79.0
12				27.2	42.5	54.0	61.7	67.1	71.3	74.4	77.0
13				23.1	37.5	50.0	58.3	64.3	68.8	72.2	75.0
14				19.1	32.5	46.0	55.0	61.4	66.3	70.0	73.0
15				15.0	29.6	42.0	51.7	58.6	63.8	67.8	71.0
16					26.7	38.0	48.3	55.7	61.3	65.6	69.0
17					23.7	34.0	45.0	52.9	58.8	63.3	67.0
18					20.8	30.9	41.7	50.0	56.3	61.1	65.0
19					17.9	28.6	38.3	47.1	53.8	58.9	63.0
20					15.0	26.3	35.0	44.3	51.3	56.7	61.0
21						24.1	31.7	41.4	48.8	54.4	59.0
22						21.8	29.8	38.6	46.3	52.2	57.0
23						19.5	28.0	35.7	43.8	50.0	55.0
24						17.3	26.1	32.9	41.3	47.8	53.0
25						15.0	24.3	30.6	38.8	45.6	51.0
26							22.4	29.1	36.3	43.3	49.0
27							20.6	27.5	33.8	41.1	47.0
28							18.7	26.0	31.3	38.9	45.0
29							16.9	24.4	29.9	36.7	43.0
30							15.0	22.8	28.5	34.4	41.0
31								21.3	27.2	32.2	39.0
32								19.7	25.8	30.5	37.0
33								18.1	24.5	29.3	35.0
34								16.6	23.1	28.1	33.0
35								15.0	21.8	26.9	31.0
36									20.4	25.7	29.9
37									19.1	24.5	28.9
38									17.7	23.4	27.8
39									16.4	22.2	26.7
40									15.0	21.0	25.7
41										19.8	24.6
42										18.6	23.5
43										17.4	22.5
44										16.2	21.4
45										15.0	20.3
46											19.3
47											18.2
48											

***PUBLIC UTILITY TAX FORMS***

The Public Utility Tax Division administers two separate taxes, a property tax (PUPP) and an excise tax (PUET), for which tax forms must be filed. Each class of public utility company is listed with the corresponding property tax and excise tax forms that must be filed. Forms are available on our website at [www.tax.ohio.gov](http://www.tax.ohio.gov).

<b><u>Class</u></b>	<b><u>Property Tax Form</u></b>	<b><u>Excise Tax Form</u></b>
<b><i>Energy</i></b>	<b><i>U-EN</i></b>	<b><i>None*</i></b>
<b><i>Electric</i></b>	<b><i>U-EL</i></b>	<b><i>None*</i></b>
<b><i>Heating</i></b>	<b><i>U-HE</i></b>	<b><i>U-GR-HTG-WT-WW</i></b>
<b><i>Natural Gas</i></b>	<b><i>U-NG</i></b>	<b><i>U-GR NG (Q or Annual)</i></b>
<b><i>Natural Gas Pipeline</i></b>	<b><i>U-PL</i></b>	<b><i>U-GR PL</i></b>
<b><i>Oil Pipeline</i></b>	<b><i>U-OP</i></b>	<b><i>U-GR PL</i></b>
<b><i>Railroad: Class 1</i></b>	<b><i>U-R1</i></b>	<b><i>None*</i></b>
<b><i>Non-Class 1</i></b>	<b><i>U-R2</i></b>	<b><i>None*</i></b>
<b><i>Rural Electric</i></b>	<b><i>U-RE</i></b>	<b><i>None*</i></b>
<b><i>Water Transportation</i></b>	<b><i>U-WT</i></b>	<b><i>U-GR-HTG-WT-WW</i></b>
<b><i>Water Works</i></b>	<b><i>U-WW</i></b>	<b><i>U-GR-HTG-WT-WW</i></b>
<b><i>Public Utility Lessor</i></b>	<b><i>U-PUL</i></b>	<b><i>None*</i></b>

\* Subject to the commercial activity tax (CAT) and are not required to file the excise tax return.

**This foregoing document was electronically filed with the Public Utilities  
Commission of Ohio Docketing Information System on**

**4/28/2023 4:53:12 PM**

**in**

**Case No(s). 22-0507-GA-AIR, 22-0508-GA-ALT, 22-0509-GA-ATA, 22-0510-GA-AAM**

Summary: Testimony Direct Testimony and Attachments of Greg R. Meyer on  
Behalf of Office of The Ohio Consumers' Counsel electronically filed by Mrs. Tracy  
J. Greene on behalf of Michael, William J..