

OCC EXHIBIT NO._____

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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

**DIRECT TESTIMONY
OF
STEVEN B. HINES**

**On Behalf of
The Office of the Ohio Consumers' Counsel**
*10 West Broad Street, Suite 1800
Columbus, Ohio 43215-3485*

February 25, 2013

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| SBH-B | Stipulation and Recommendation in Case No. 01-1228-GA-AIR |
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| SBH-E | Duke Response to OCC Interrogatory No. 249 |

1 **I. INTRODUCTION**

2

3 ***Q1. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND POSITION.***

4 ***A1.*** My name is Steven B. Hines. My business address is 10 West Broad Street, Suite
5 1800, Columbus, Ohio 43215-3485. I am employed by the Office of the Ohio
6 Consumers' Counsel ("OCC" or "Consumers' Counsel") as a Principal
7 Regulatory Analyst.

8

9 ***Q2. WHAT IS YOUR EDUCATIONAL BACKGROUND?***

10 ***A2.*** I earned a Master of Business Administration degree from Ashland University in
11 2000. I also earned a Master of Arts degree from The Ohio State University in
12 1981 and a Bachelor of Fine Arts degree from Ohio University in 1978.

13

14 ***Q3. PLEASE SUMMARIZE YOUR WORK EXPERIENCE.***

15 ***A3.*** I joined the OCC in April 1984 as an Investigator I. During the course of my
16 employment at OCC, I have held the positions of Investigator II, Utility Rate
17 Analyst III, Utility Rate Analyst Supervisor, Regulatory Analyst, Senior
18 Regulatory Analyst and Principal Regulatory Analyst. My current duties as a
19 Principal Regulatory Analyst include research, review and analysis of utility
20 applications for increases in rates through base rates, riders and gas cost recovery
21 filings. I also participate in special projects and investigations, and provide
22 training on technical issues when necessary.

23

1 **Q4. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY OR TESTIFIED**
2 **BEFORE THIS COMMISSION?**

3 **A4.** Yes. I have submitted testimony or testified before the Public Utilities
4 Commission of Ohio ("PUCO" or "Commission") in the cases listed in
5 Attachment SBH-A.
6

7 **Q5. WHAT DOCUMENTS HAVE YOU REVIEWED IN THE PREPARATION OF**
8 **YOUR TESTIMONY?**

9 **A5.** For the current case, I reviewed relevant parts of Duke Energy of Ohio's ("Duke"
10 or "Utility") Application, Standard Filing Requirements and associated
11 workpapers, Duke's testimony, the PUCO Staff Report of Investigation ("Staff
12 Report") and associated workpapers, and Duke's responses to PUCO Staff Data
13 Requests and OCC discovery. I also reviewed relevant documents and Opinions
14 and Orders from other proceedings.
15

16 **II. PURPOSE OF TESTIMONY**
17

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

20 **A6.** My testimony will support OCC Objection 31 to the Staff Report and address the
21 issues raised by that objection. Specifically, I will address OCC's objection to the
22 Staff Report related to the re-approval of the Accelerated Main Replacement
23 Program ("AMRP") addressed by the Staff on pages 69-71 of the Staff Report.

1 The AMRP is a program Duke charges customers for accelerating the
2 replacement of case iron and bare steel mains and services.

3
4 ***Q7. PLEASE SUMMARIZE YOUR RECOMMENDATIONS RELATED TO THIS***
5 ***ISSUE.***

6 ***A7.*** With regard to the re-approval of the Accelerated Main Replacement Program, I
7 recommend that the cumulative residential AMRP rate caps continue through Year
8 2016. Specifically the residential AMRP rate for the remaining term of the AMRP
9 should be no more than \$1.00 for 2012, \$2.00, for 2013, \$3.00 for 2014, \$4.00, for
10 2015 and \$5.00 for 2016.

11
12 **III. RIDER AMRP RESIDENTIAL RATE CAPS**

13
14 ***Q8. IS DUKE ASKING FOR RE-APPROVAL OF ITS ACCELERATED MAIN***
15 ***REPLACEMENT PROGRAM IN THIS CASE?***

16 ***A8.*** Yes. As stated in Duke's Application, the Utility is requesting the Commission
17 re-approve its AMRP with certain changes to its current Rider AMRP.¹

18
19 ***Q9. WHAT CHANGES IS DUKE PROPOSING TO ITS CURRENT RIDER***
20 ***AMRP?***

21 ***A9.*** Duke is proposing to make two changes to its current Rider AMRP. First, Duke
22 is proposing that it be allowed to charge customers for the costs of relocation of

¹ Application Volume 1 at 4 (July 9, 2012).

1 interior gas meters to a suitable exterior location. Second, Duke proposes to
2 eliminate the current caps that limit the AMRP rate each year that can be
3 recovered from residential and interruptible customers.²
4

5 ***Q10. DID THE STAFF REPORT ADDRESS EITHER OF THESE TWO***
6 ***CHANGES?***

7 ***A10.*** Yes. The PUCO Staff addressed the recovery of costs for the relocation of
8 interior gas meters to an exterior location, but the Staff did not address the
9 elimination of the current rate caps for residential and interruptible customers.³
10 The silence of the Staff on this issue is a tacit acquiescence to potential higher
11 rates for residential and interruptible customers of Duke.
12

13 ***Q11. DO YOU AGREE WITH THE STAFF'S RECOMMENDATION***
14 ***CONCERNING METER RELOCATIONS?***

15 ***A11.*** I do not object to the Staff's recommendation with regard to meter relocations.
16 The Staff specifically recommends that the cost of relocating inside meters be
17 eligible for collection from customers, through Rider AMRP, only in cases where
18 Duke plans to have the meter connected to a high pressure distribution system
19 within two years after moving the meter outside. Furthermore, this is a provision

² Id.

³ The Staff Report of Investigation at 70-71 (January 4, 2013).

1 that has been approved by the Commission in two other proceedings involving
2 Dominion East Ohio and Columbia Gas of Ohio, Inc.⁴

3
4 ***Q12. DO YOU AGREE WITH THE STAFF'S ACCEPTANCE OF DUKE'S***
5 ***PROPOSAL TO ELIMINATE THE CURRENT AMRP RATE CAPS?***

6 ***A12.*** No. I disagree with the Staff's failure to address Duke's proposal to eliminate the
7 current AMRP rate caps.

8
9 ***Q13. PLEASE DESCRIBE THE AMRP RESIDENTIAL RIDER RATE CAPS AND***
10 ***HOW AND WHEN THEY WERE PUT IN PLACE?***

11 ***A13.*** The establishment of the Rider AMRP residential rate caps were the result of a
12 Stipulation and Recommendation ("Stipulation") in Case No. 01-1228-GA-AIR
13 which gave rise to the initial AMRP program. Duke's AMRP has had a rate cap
14 since that first case. The Stipulation in Case No. 01-1228-GA-AIR, which was
15 approved by the Commission, dictated that the monthly AMRP rates for
16 residential customers would not increase more than a dollar (\$1.00) for each
17 program year from 2002 through 2007.⁵ (See Attachment SBH-B.)

18

⁴ *In re Dominion East Ohio Pipeline Infrastructure Replacement Program Extension*, Case No. 11-2401-GA-ALT, Opinion and Order at 4-5 (August 3, 2011); *See also In re Columbia Gas of Ohio, Inc. Infrastructure Replacement Program Extension*, Case No. 11-5515-GA-ALT, Opinion and Order at 7 (November 28, 2012).

⁵ *In the Matter of the Application of the Cincinnati Gas & Electric Company for an Increase in Gas Rates in its Service Area et al.*, Case No. 01-1228-GA-AIR, Stipulation and Recommendation at Stipulation Exhibits 3 and 4 (April 17, 2002).

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PUCO Case No. 12-1685-GA-AIR, et al.*

1 The Utility then filed another rate case in 2007, which reset the AMRP Rider rates
2 back to zero. The Stipulation and Recommendation in that case maintained the
3 concept of the rate caps but with a modification.⁶ The modification was that the
4 residential caps on the monthly AMRP rate were cumulative instead of
5 incremental. The result was that the cumulative residential AMRP rate was
6 capped at \$1.30 for 2008, \$2.60 for 2009, \$3.90 for 2010, and \$5.20 for 2011.
7 For each Year 2012 through 2018, the cumulative rate was scheduled to increase
8 by \$1.00 each year. Therefore, the AMRP rates for residential customers were
9 capped at \$6.20, \$7.20, 8.20, \$9.20, \$10.20, \$11.20, and \$12.20, respectively, for
10 each year 2012 through 2018. The change to cumulative caps allowed Duke to
11 defer any costs from prior years which exceeded the rate cap for recovery in the
12 subsequent year but retained the concept that the maximum AMRP rates each
13 year would be \$1.00 higher in each subsequent year. (See Attachment SBH-C.)
14 The Stipulation in Case No. 10-2788-GA-RDR reiterated that the annual caps for
15 the remaining term of the AMRP would be \$6.20, \$7.20, \$8.20, \$9.20 and \$10.20,
16 respectively for each year 2012 through 2016.⁷ (See Attachment SBH-D.)

⁶ *In the Matter of the Application of Duke Energy Ohio, Inc. for an Increase in Rates et al.*, Case No. 07-589-GA-AIR, Stipulation and Recommendation at Stipulation Exhibit 4 at 3 (February 28, 2008).

⁷ *In the Matter of the Annual Application of Duke Energy Ohio for an Adjustment to Rider AMRP Rates*, Case No. 10-2788-GA-RDR, Stipulation and Recommendation at 7 (April 8, 2011).

1 ***Q14. IN THE PENDING CASE TO ADJUST ITS RIDER AMRP RATES, WHAT IS***
2 ***DUKE PROPOSING WITH REGARD TO THE RATE CHARGED TO***
3 ***RESIDENTIAL CUSTOMERS?***

4 ***A14.*** In its pending AMRP case, Duke assumes that a decision in this rate case has
5 already been rendered re-approving the AMRP and rolling all previous AMRP
6 investment into base rates. Thus, Duke has reset the AMRP rate back to zero. In
7 its pending AMRP case, Duke is now proposing a \$1.08 per month charge for
8 residential customers to become effective May 1, 2013.⁸

9
10 ***Q15. WHY IS DUKE PROPOSING TO ELIMINATE THE AMRP RATE CAPS***
11 ***FOR ITS RESIDENTIAL CUSTOMERS?***

12 ***A15.*** None of Duke's witnesses explained in their testimony why Duke is proposing to
13 eliminate the AMRP Rate Caps. However, Duke's response to OCC discovery as
14 to why it is proposing to eliminate the current rate caps is that the Utility
15 anticipates completing its AMRP by December 31, 2015.⁹ This is in line with the
16 Stipulation in Case No. 10-2788-GA-RDR, which stated that Duke shall wind
17 down and terminate the AMRP as of December 31, 2015.¹⁰ In the response to
18 OCC discovery, Duke further responded that introducing arbitrary caps on the
19 rates under Rider AMRP may require an unnecessary delay in completing the

⁸ *In the Matter of the Annual Application of Duke Energy Ohio for an Adjustment to Rider AMRP Rates*, Case No. 12-3028-GA-RDR, Pre-Filing Notice, Tab 3 – PFN Exhibit 3 – Proposed Tariff Sheets (November 30, 2012).

⁹ Duke response to OCC Interrogatory No. 249.

¹⁰ *In the Matter of the Annual Application of Duke Energy Ohio for an Adjustment to Rider AMRP Rates*, Case No. 10-2788-GA-RDR, Stipulation and Recommendation at 6 (April 8, 2011).

1 program as the Utility may be required to limit activity in a given year to stay
2 under an arbitrary cap.¹¹ (See Attachment SBH-E.)
3

4 ***Q16. DO YOU AGREE WITH DUKE'S PROPOSAL TO ELIMINATE THE AMRP***
5 ***RATE CAPS?***

6 ***A16.*** No. The Stipulation in Duke AMRP Case No. 10-2788-GA-RDR states that Duke
7 shall be allowed to seek recovery of AMRP costs from customers through the end
8 of December 31, 2015, by way of capped annual AMRP rates for the remaining
9 term of the AMRP.¹² As stated in the Stipulation, Duke is required to file an
10 AMRP Application no later than February 28, 2016, to true-up and complete the
11 allowable recovery for capital additions related to replacements under the
12 AMRP.¹³
13

14 The Stipulation in Case No. 10-2788-GA-RDR was signed by the Staff, OCC and
15 Duke, and was filed on April 8, 2011. On pages 6 and 7 of the Stipulation, the
16 parties agreed that not only would the AMRP program be terminated by
17 December 31, 2015, but also that the \$1.00 difference in AMRP rate caps from
18 year to year should continue to be applied for each program year through Year
19 2016. Hence, the wind-down date of December 31, 2015, was already agreed to
20 by Duke when the current rate caps were in place. The Stipulation in the 2010

¹¹ Duke response to OCC Interrogatory No. 249.

¹² *In the Matter of the Annual Application of Duke Energy Ohio for an Adjustment to Rider AMRP Rates*, Case No. 10-2788-GA-RDR, Stipulation and Recommendation at 7 (April 8, 2011).

¹³ *In the Matter of the Annual Application of Duke Energy Ohio for an Adjustment to Rider AMRP Rates*, Case No. 10-2788-GA-RDR, Stipulation and Recommendation at 6 and 7 (April 8, 2011).

1 AMRP case shows that Duke was not only planning to wind down the AMRP by
2 December 31, 2015, but was also willing to adhere to the residential rate caps
3 established in Case No. 07-589-GA-AIR for the duration of the wind-down
4 period.

5
6 This Stipulation was approved by the Commission in its Opinion and Order filed
7 May 4, 2011. Based on the agreed upon limitations in that Stipulation, it is
8 inappropriate for Duke to propose that the AMRP be reauthorized without the
9 caps because this program has operated with caps since its inception.¹⁴ If the
10 Commission approves Duke's proposal in the pending rate case, Duke would be
11 in clear violation of the agreement that was approved in Case No. 10-2788-GA-
12 RDR. In addition, as a result of Duke's most recent rate case, the AMRP was re-
13 authorized by the PUCO with caps.¹⁵ Furthermore, I found no evidence in this
14 case that the program cannot be completed by December 31, 2015, with
15 continuation of the caps currently in place.

16
17 ***Q17. WHAT DO YOU RECOMMEND WITH REGARD TO THE RESIDENTIAL***
18 ***RATE CAPS?***

19 ***A17.*** I recommend that the Commission uphold the Stipulation and Recommendation it
20 approved and order Duke to retain the annual differential of \$1.00 in the
21 cumulative rate cap for residential customers through Year 2016 as is dictated by

¹⁴ Case No. 01-1221-GA-AIR Stipulation and Recommendation at Stipulation Exhibits 3 and 4 (April 17, 2002).

¹⁵ *In the Matter of the Application of Duke Energy Ohio, Inc. for an Increase in Rates et al.*, Case No. 07-589-GA-AIR, Stipulation and Recommendation at Stipulation Exhibit 4 at 3 (February 28, 2008).

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PUCO Case No. 12-1685-GA-AIR, et al.*

1 the Stipulation in Case No. 10-2788-GA-RDR.¹⁶ As I previously stated, this
2 Stipulation established the parties' agreement that the AMRP would terminate by
3 December 31, 2015, and that the residential rate caps established in Case No. 07-
4 589-GA-AIR would remain in place for the duration of the wind-down. I
5 specifically recommend that the AMRP be re-authorized with an initial monthly
6 AMRP rate for 2012 of up to a \$1.00 for residential customers and a maximum
7 monthly AMRP rate of \$2.00 for 2013, \$3.00 for 2014, \$4.00 for 2015 and \$5.00
8 for 2016, until the AMRP is terminated on December 31, 2015.

9
10 Therefore, the initial monthly AMRP rate for Duke's residential customers for
11 2012 should be, at the maximum, \$1.00 (instead of \$1.08 as Duke has proposed in
12 Case No. 12-3028-GA-RDR). Assuming that the initial monthly AMRP rate is
13 set at the maximum of \$1.00, the AMRP rate for 2013 should be no higher than
14 \$2.00. For 2014 the AMRP rate should be no higher than \$3.00. For 2015 the
15 AMRP rate should be no higher than \$4.00 and for 2016, the AMRP rate should
16 be no higher than \$5.00. Without this rate cap on the annual AMRP Rider
17 amount, there would be no limit on the AMRP Rider rates that Duke could
18 request in future AMRP Rider cases. For residential customers, a rate cap on the
19 annual AMRP Rider amount helps to balance the need to maintain reasonable
20 rates with the need to complete the AMRP program on a timely basis.

21

¹⁶ *In the Matter of the Annual Application of Duke Energy Ohio for an Adjustment to Rider AMRP Rates*,
Case No. 10-2788-GA-RDR, Stipulation and Recommendation at 7 (April 8, 2011).

1 **IV. CONCLUSION**

2

3 ***Q18. DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?***

4 ***A18.*** Yes. However, I reserve the right to incorporate new information that may
5 subsequently become available through outstanding discovery or otherwise. I
6 also reserve the right to supplement my testimony in the event that PUCO Staff
7 fails to support the recommendations made in the Staff Report and/or changes any
8 of its positions made in the Staff Report.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the *Direct Testimony of Steven B. Hines on Behalf of the Office of the Ohio Consumers' Counsel* was served on the persons stated below via electronic service this 25th day of day of February 2013.

/s/ Larry S. Sauer

Larry S. Sauer

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ATTACHMENT SBH-A

**UTILITY TESTIMONY OF
STEVEN B. HINES**

- *Establishment of an Appropriate Recovery Method for Percentage of Income Payment Plan Arrearages* – Case No. 87-244-GE-UNC*
- *Eastern Natural Gas Company* – Case No. 89-1714-GA-AIR*
- *Columbia Gas of Ohio, Inc.* – Case Nos. 91-195-GA-AIR, 92-18-GA-GCR and 94-987-GA-AIR*
- *Monongahela Power Company* – Case No. 91-1610-EL-AIR
- *Ohio American Water Company* – Case Nos. 92-2299-WW-AIR, 95-935-WW-AIR, 01-626-WW-AIR, 03-2390-WS-AIR, 06-433-WS-AIR, 07-1112-WS-AIR, 09-391-WS-AIR* and 11-4161-WS-AIR
- *East Ohio Gas Company* – Case No. 93-2006-GA-AIR*
- *Consumers Ohio Water Company* – Case No. 95-1076-WW-AIR
- *Cincinnati Gas & Electric Company* – Case Nos. 95-656-GA-AIR*, 03-218-GA-GCR*, 05-218-GA-GCR and 01-1228-GA-AIR Calendar Year 2005).
- *East Ohio Gas Company d/b/a Dominion East Ohio* – Case Nos. 02-219-GA-GCR, 05-474-GA-ATA* and 07-829-GA-AIR
- *Aqua Ohio, Inc.* – Case No. 07-564-WW-AIR, 09-560-WW-AIR and 09-1044-WW-AIR
- *Duke Energy Ohio, Inc.* – Case Nos. 07-589-GA-AIR and 08-1250-GA-UNC
- *Mohawk Utilities, Inc.* – Case No. 07-981-WW-AIR

* Cases where testimony before the Public Utilities Commission of Ohio was presented and subject to cross examination

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**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

IN THE MATTER OF THE APPLICATION)
OF THE CINCINNATI GAS & ELECTRIC) CASE NO. 01-1228-GA-AIR
COMPANY FOR AN INCREASE IN GAS)
RATES IN ITS SERVICE AREA)

PUCO

IN THE MATTER OF THE APPLICATION)
OF THE CINCINNATI GAS & ELECTRIC)
COMPANY FOR APPROVAL OF AN) CASE NO. 01-1478-GA-ALT
ALTERNATIVE RATE PLAN FOR ITS)
GAS DISTRIBUTION SERVICE)

IN THE MATTER OF THE APPLICATION)
OF THE CINCINNATI GAS & ELECTRIC) CASE NO. 01-1539-GA-AAM
COMPANY FOR APPROVAL TO CHANGE)
ACCOUNTING METHODS)

STIPULATION AND RECOMMENDATION

Rule 4901-1-30, Ohio Administrative Code (OAC) provides that any two or more parties to a proceeding may enter into a written stipulation covering the issues presented in such proceeding. The purpose of this document is to set forth the understanding of the parties who have signed below (Parties) and to recommend that the Public Utilities Commission of Ohio (Commission) approve and adopt, as part of its Opinion and Order in these proceedings, this Stipulation resolving all of the issues in the above captioned proceeding. This Stipulation is supported by adequate data and information; represents a just and reasonable resolution of all issues in this proceeding; violates no

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regulatory principle or precedent; and is the product of lengthy, serious bargaining among knowledgeable and capable parties in a cooperative process undertaken by the Parties to settle this case. While this Stipulation is not binding on the Commission, it is entitled to careful consideration by the Commission, where, as here, it is sponsored by Parties representing a wide range of interests, including the Commission's Staff.¹ For purposes of resolving all issues raised by these proceedings, the Parties stipulate, agree and recommend as set forth below.

Except for enforcement purposes, neither this Stipulation nor the information and data contained therein or attached, shall be cited as precedent in any future proceeding for or against any Party, or the Commission itself, if the Commission approves the Stipulation and Recommendation, other than a proceeding to enforce the terms of this Stipulation. This Stipulation and Recommendation is a compromise involving a balancing of competing positions, and it does not necessarily reflect the position that one or more of the Parties would have taken if these issues had been fully litigated.

The Parties believe that this Stipulation represents a reasonable compromise of varying interests. This Stipulation is expressly conditioned upon adoption in its entirety by the Commission without

¹ Staff will be considered a party for the purpose of entering into this Stipulation by virtue of O.A.C. Rule 4901-1-10(c).

material modification by the Commission. Should the Commission reject or materially modify all or any part of this Stipulation, the Parties shall have the right, within 30 days of issuance of the Commission's order, to file an application for rehearing. Upon the Commission's issuance of an entry on rehearing that does not adopt the Stipulation in its entirety without material modification, any Party may terminate and withdraw from the Stipulation by filing a notice with the Commission within 30 days of the Commission's entry on rehearing. Upon notice of termination or withdrawal by any Party, pursuant to the above provisions, the Stipulation shall immediately become null and void. In such event, a hearing shall go forward and the Parties shall be afforded the opportunity to present evidence through witnesses, to cross-examine all witnesses, to present rebuttal testimony, and to brief all issues which shall be decided based upon the record and briefs as if this Stipulation had never been executed.

All the Signatory Parties fully support this Stipulation and urge the Commission to accept and approve the terms hereof.

WHEREAS, the agreements herein represent a comprehensive solution to the issues raised in these proceedings;

WHEREAS, all of the issues and concerns raised by the Parties have been addressed in the substantive provisions of this Stipulation,

and reflect as a result of such discussions compromises by the Parties to achieve an overall reasonable resolution of all such issues;

WHEREAS, this Stipulation is the product of the discussions and negotiations of the Parties, and is not intended to reflect the views or proposals that any individual party may have advanced acting unilaterally, and this Stipulation represents an accommodation of the diverse interests represented by the Parties, and is entitled to careful consideration by the Commission;

WHEREAS, this Stipulation represents a serious compromise of complex issues and involves substantial benefits that would not otherwise have been achievable;

WHEREAS, the Parties believe that the agreements herein represent a fair and reasonable solution to the issues raised in these proceedings;

NOW, THEREFORE, the Parties stipulate, agree and recommend that the Commission make the following findings and issue its Opinion and Order in this proceeding in accordance with the following:

1. The Parties agree that CG&E shall receive a revenue increase of \$15,063,309, calculated as shown on Stipulation Exhibit 2.
2. The Parties agree to the revenue distribution, billing determinants, and rates shown on Stipulation Exhibit 2.

3. The Parties agree that CG&E shall amortize existing regulatory assets requested for recovery in its filing in these cases as recommended in the Staff Report of Investigation as filed on January 18, 2002, and as in the updated Staff Report of Investigation. The update to the Staff Report of Investigation is attached as Stipulation Exhibit 1.
4. The Parties agree that the initial charges for Rider AMRP, set for the period beginning on the effective date of rates in these cases until the effective date of the next Rider AMRP rate approved by the Commission, are as shown on Stipulation Exhibit 3. References herein, and in Stipulation Exhibit 3, to specific dates for Rider AMRP implementation, mean the first billing cycle of the applicable revenue month. It is the intention of the Parties that the Rider AMRP increases will be implemented on a bills rendered basis, except for IT customers for whom increases will be implemented on a service rendered basis, in the next billing cycle after the increase is approved, and will continue in effect until the next Rider AMRP increase becomes effective in the same manner. Such initial Rider AMRP rates are not subject to the requirements set forth in paragraph 5 of this Stipulation.
5. Subject to CG&E's obligation to defend continuation of the AMRP Rider as specified herein, the Parties agree that the rates for Rider

AMRP, from May 1, 2003, through May 1, 2007, shall be set subject to the rate caps shown on Stipulation Exhibit 4; however, notwithstanding the rate caps shown on Stipulation Exhibit 4, the fixed monthly charge for the residential class shall not be increased by more than an incremental \$1.00 in each of the years 2004, 2005, 2006, and 2007. CG&E shall refund to residential customers any annual over-recovery of the residential revenue requirement established in each annual proceeding to be filed by CG&E in accordance with paragraph 6 of this Stipulation. Any refund shall occur by an adjustment in the Rider AMRP fixed monthly charge assigned to residential customers in the subsequent year. The AMRP Rider rates set in the May 1, 2007 proceeding shall continue in effect until the effective date of the rates set in CG&E's next base rate case subject to Rider AMRP rate changes through annual updates as described in paragraph 6, but in no event shall such rates exceed the rate set in the May 1, 2007 proceeding. In any base rate case, filed subsequent to the effective date of rates established in the instant case, if CG&E wishes to continue Rider AMRP, it must specifically request such continuance, and any party is free to challenge such continuance.

6. CG&E will file an application annually, beginning November 2002, with a pre-filing notice demonstrating the justness and

reasonableness of the level of recovery of expenditures associated with the accelerated main replacement program (AMRP). The annual filing will support the adjustment to CG&E's revenue requirement for increases to Rider AMRP as set forth in this paragraph. The November pre-filing notice will consist of nine months of actual and three months of projected data, will set the then-current calendar year as the test year, and will set December 31 of the applicable year as the date certain. CG&E shall make its Application and file an update of full year actual data by February 28 of each year. Staff shall conduct an investigation of CG&E's filing and, unless Staff finds CG&E's filing to be unjust or unreasonable or if any other party granted intervention by the Commission files an objection that is not resolved by CG&E by April 1, of each year, the Staff shall recommend approval of CG&E's application for an increase of the Rider AMRP rate to the Commission to be effective with the first billing cycle for the May revenue month. If the Staff determines that CG&E's application to increase Rider AMRP is unjust or unreasonable, or if any other party granted intervention by the Commission files an objection that is not resolved by CG&E, the parties will not object to an expedited hearing process in order to effectuate, to the extent practicable, the implementation of Rider AMRP in the first billing

cycle for the May revenue month, or the first billing cycle of the revenue month following the Commission's decision. CG&E shall continue to make its Rider AMRP annual filing until the effective date of the Commission's order in CG&E's next base rate case. CG&E's revenue requirement calculation and Rider AMRP application filed with the Commission shall include the original cost and accumulated reserve for depreciation of property associated with the AMRP Program that is used and useful on December 31 of the prior year in the rendition of service as such property is associated with the AMRP Program, including capital expenditures for new plant (including but not limited to new mains and services), adjustments for the retirement of existing assets, calculated Post in Service Carrying Charges (PISCC) on net plant additions and related deferred taxes until included in rates for collection in Rider AMRP, a proper annual depreciation expense; and, any sums of money or property that CG&E may receive to defray the cost of property associated with the AMRP capital expenditures. The rate of return assigned to the recovery of all such net capital expenditures shall be at 9.10%, the midpoint of Staff's range on line 4 of Stipulation Exhibit 1. Neither the revenue distribution proposed by Rider AMRP, the accounting provisions contained in this paragraph 6, nor the allocation provision in

paragraph 7 below, shall have any precedential value in CG&E's next base rate case. Any gas cost savings resulting from the AMRP Program shall be realized through the GCR. CG&E shall use operations and maintenance savings resulting from the AMRP to reduce Rider AMRP as described in paragraph 10. CG&E shall include incremental property taxes associated with net plant additions, expenses associated with the cost of meter relocations and all customer owned service lines in accordance with the Staff report at page 80. All other components of CG&E's revenue requirement related to the AMRP Program shall continue as determined by the Commission's Order in these cases until the Commission's Order in CG&E's next base rate case. CG&E shall not oppose the right of any interested party to legally permissible discovery and/or a hearing in the annual Rider AMRP proceeding.

7. For each annual Rider AMRP update, CG&E will allocate the AMRP revenue requirement to each class based on the respective class' proportionate share of base revenues (not including Rider AMRP revenues) for each applicable test year set in the annual Rider AMRP update described in paragraph 6, and subject to the rate caps shown in Exhibit 4. This paragraph and the revenue distribution produced for Rider AMRP have no precedential value

concerning revenue allocation or cost of service in CG&E's next base rate case.

8. The Parties agree that to the extent necessary to accurately capture the Post in Service Carrying Charges associated with the AMRP Program for inclusion in the subsequent year's Rider AMRP in accordance with the Staff Report at page 80, CG&E is authorized to create the necessary regulatory assets. Such regulatory assets will be included in unique sub-accounts of Account 182.3, Other Regulatory Assets, and will be subject to review by all parties in the annual Rider AMRP filing. CG&E shall calculate the Post in Service Carrying Charges from the date that the applicable assets are used and useful until the next effective date of the AMRP Rider.
9. Concurrent with the filing of this Stipulation CG&E agrees to file a motion dismissing its pending alternative regulation application in Case No. 01-1478-GA-ALT, requesting that the Commission close that case, conditioned upon the Commission's issuance of a final non-appealable order approving this Stipulation in Cases No. 01-1228-GA-AIR and 01-1539-GA-AAM.
10. The Parties agree that CG&E shall maintain its commitments until the effective date of the Commission's order in the next base rate case, as listed in the Staff Report of Investigation filed January 18,

2002, at 72-73, notwithstanding the dismissal of Case No. 01-1478-GA-ALT.

11. Before implementing any further incremental rate increases related to the AMRP Program, other than Rider AMRP increases contemplated by this Stipulation under the rate caps shown on Stipulation Exhibit 4, CG&E will demonstrate the reasonableness of such further increases in a base rate proceeding initiated by CG&E or any other interested party. The Rider AMRP charges set under this Stipulation will continue until the implementation of revised rates, if any, after the Commission issues its final order in such case. Nothing in this Stipulation prevents any interested party from initiating at any time, a R. C. 4905.26 complaint case challenging the level of the Rider AMRP rate and seeking an adjustment to such rate, but not the existence and structure of Rider AMRP.
12. CG&E shall not file a base rate case before January 1, 2004, except attributable to circumstances directly resulting from an emergency as declared by a jurisdictional governmental authority or resulting from changes to existing statutory or administrative laws or regulations.
13. The Parties agree that CG&E shall file its tariffs in these cases such that individual customers will continue to be responsible for

the cost of initial installation of curb-to-meter services; thereafter, CG&E shall assume the financial responsibility for repair, replacement and maintenance of all curb-to-meter services. For this purpose, the Parties agree to the tariff amendments attached as Stipulation Exhibits 9 and 10, respectively.

14. CG&E agrees that prior to the implementation of Rider AMRP, it shall work in good faith to implement the following:
 - (a) Provide Staff and OCC a plan for general customer notification pursuant to the Commission's order in these cases and for consumer education and notification of the Rider AMRP program, including the change in curb-to-meter responsibility and how CG&E is planning to address any consumer complaints.
 - (b) Prior to printing and distributing to share with Staff and OCC the consumer education materials that CG&E plans to use.
 - (c) Schedule neighborhood meetings and inform Staff and OCC of such schedule so that representatives from Staff and OCC may participate and/or provide other materials.
15. The Parties agree that with respect to the Company's gas Underground Protection™ program, CG&E shall:
 - (a) Terminate the Underground Protection™ program related to gas on the date that rates are effective in these cases.
 - (b) Refund customers' money for any prepayments applicable to time periods after the date upon which rates are effective in these cases.
16. The Parties agree that CG&E shall implement the following PIPP arrearage-crediting program:

- CG&E shall credit to a zero balance, the PIPP Arrearages that are aged twelve months or more of gas customers who are enrolled in the PIPP program as either active or inactive PIPP customers on the effective date of rates in these cases, and of gas customers who are enrolled in the PIPP Arrears Crediting Program on the effective date of rates in these cases. Such crediting shall occur on or before December 31, 2002.
 - CG&E shall implement, no later than December 31, 2002, a one-time credit to a zero balance of all PIPP gas arrearages that are aged twelve months or more of gas customers whose PIPP accounts have been finalized. CG&E will not pursue collection efforts for such PIPP gas arrearages that are aged twelve months or more as of the date that the one-time credit is implemented (other than through the PIPP Rider). For PIPP gas arrearages that are aged less than twelve months or that a customer accumulates on a going-forward basis, CG&E reserves the right to pursue collection. CG&E will grant new service or reconnection of service even when a PIPP customer has PIPP arrearages if the customer is current on their PIPP installment(s) when the customer seeks to obtain new service or reconnection of service.
17. The Parties agree that, in addition to the weatherization commitment contained in paragraph 10 above, CG&E shall enter into contracts no later than July 1, 2002, with a combined total of no more than \$65,000 per year, prorated for 2002, for furnace replacement programs with the Clermont County Community Action Agency and Cincinnati-Hamilton County Community Action Agency. Such contracts shall continue in force until December 31, 2005, at which time CG&E shall continue annual funding of no more than \$65,000 toward weatherization programs through bid

contracts or until CG&E's next base rate case, whichever comes first. CG&E shall continue to fund no more than \$65,000 annually for weatherization projects until the Commission establishes by order an effective date for rates in CG&E's next gas base rate case.

18. CG&E agrees to maintain training standards developed and implemented on March 5, 2002, for its customer service representatives to ensure that CG&E's customer service representatives inform PIPP eligible customers of the PIPP program.
19. CG&E agrees to actively offer and promote all payment plans including the 1/3 payment plan option, currently known as the Special Winter Provision (SWP) payment plan option, to consumers in the manner shown on Stipulation Exhibit 5. CG&E will offer the 1/6 payment plan throughout the year and will offer the 1/3 payment plan during the winter months.
 - (a) CG&E shall provide Staff and OCC with statistics on the number of consumers on the 1/6 and the 1/3 payment plans for each winter heating season.
 - (b) Subsequent to the performance of 18(a) above, CG&E shall provide to Staff and OCC a quarterly report of the number of consumers on the 1/6 and 1/3 payment plans during each winter heating season until the next base rate case.
20. CG&E shall offer residential customers payment plans (of three equal installments) as shown on Stipulation Exhibit 6 for collection

of either new deposits or deposits required as a result of re-establishing financial responsibility.

21. The Parties agree that the tariff attached as Stipulation Exhibit 7 resolves all issues related to CG&E's main line extension policy.
22. CG&E will prepare and provide to Staff and OCC an annual assessment, in the form of a report or presentation, on the status of Automated Meter Reading (AMR) in CG&E's service territory. The first such assessment will be provided before January 1, 2003. The assessment will include technical alternatives that are being considered, potential emerging technologies, cost/benefit analysis, definition of a specific payback period and the number of AMR units installed since the last report, by customer class.
23. The Parties agree to CG&E's amended tariff attached as Stipulation Exhibit 8 concerning notice to tenants of landlords, where the landlord is the utility customer, prior to disconnection due to either non-payment or the request of the landlord-customer.
24. CG&E agrees that it shall amend the language in its gas tariffs to be consistent with its electric tariffs such that customers that choose a gas marketer and become delinquent are returned to gas system supply in the same enumerated time frame as customers that choose a CRES provider and become delinquent are returned to standard offer electric service.

25. The Parties agree that the updated Staff Report of Investigation resolves the following issues not otherwise specified in this Stipulation or the exhibits attached hereto: Rate DGS; Rate SSIT; Rate IDBS; Rate GS-AC; Rate RS-AC; Rate FTDC; Rate FTMC; Rate TOP Transportation; Rate FSTC; Rate ISTC; Schedules B-3.2 and B-3.2(A); and Rate FRAS except that CG&E agrees to maintain surety bonds as a credit option on Rate FRAS.
26. The Signatory Parties, with the exception of CG&E and Staff, agree to withdraw such Parties' objections and testimony.

The undersigned hereby stipulate and agree and each represents that it is authorized to enter into this Stipulation and Recommendation this 17th day of April, 2002.

THE CINCINNATI GAS & ELECTRIC COMPANY

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Stipulation Ex. 1, 1 of 2

SCHEDULE A-1

THE CINCINNATI GAS & ELECTRIC COMPANY
Case No. 01-1228-GA-AIR
Revenue Requirements

| | Applicant (a) | Staff | |
|---|------------------|----------------|----------------|
| | | Lower Bound | Upper Bound |
| (1) Rate Base (b) | \$ 457,102,454 | \$ 415,762,603 | \$ 415,762,603 |
| (2) Adjusted Operating Income (c) | \$ 27,400,942 | 29,352,735 | \$ 29,352,735 |
| (3) Rate of Return Earned (2) / (1) | 5.99% | 7.06% | 7.06% |
| (4) Rate of Return Recommended (d) | 9.43% | 8.86% (E) | 9.34% (E) |
| (5) Required Operating Income (1) x (4) | \$ 43,104,761 | \$ 36,840,724 | \$ 38,832,217 |
| (6) Income Deficiency (5) - (2) | \$ 15,703,819 | \$ 7,487,989 | \$ 9,479,492 |
| (7) Gross Revenue Conversion Factor (e) | 1.6425756 | 1.638030 | 1.638030 |
| (8) Revenue Increase Required (6) x (7) | \$ 25,794,710 | \$ 12,265,550 | \$ 15,527,692 |
| (9) Revenue Increase Recommended | 26,013,745 | 12,265,550 | 15,527,692 |
| (10) Adjusted Operating Revenue (c) | 458,331,387 | 411,203,196 | 411,203,196 |
| (11) Revenue Requirements (9) + (10) | \$ 484,345,132 | \$ 423,468,746 | \$ 426,730,888 |
| (12) Increase Over Current Revenue (9) / (10) | 5.68% | 2.98% | 3.78% |

- (a) Applicant's Second Supplemental Filing, Volume 8, (October 5, 2001)
- (b) Staff's Schedule B-1
- (c) Staff's Schedule C-2
- (d) Refer to Rate of Return Section
- (e) Staff's Schedule A-1.1
- (E) Settlement Response to Applicant's Objection 16a and 16b

Stipulation Exhibit 1, 2 of 2

THE CINCINNATI GAS & ELECTRIC COMPANY

Case No. 01-1228-GA-AIR

Staff's Update to Staff Report of Investigation

1. Schedule A-1-Revenue Requirements – Revise Rate of Return Recommended to 8.86% for Lower Bound and 9.34% for Upper Bound resulting from change in long-term debt component.
2. Schedule B-5-Working Capital – Revise payroll lead days from 45.64 to 28.07 to reflect one-half year vacation pay lead as discussed in Applicant's Objection 2a.
3. Schedule B-3.2a-Accrual Rate Comparison – Revised Account 376-2761 Mains–Cast Iron & Copper from an average service life of 60 to 58. Revised Account 380-2801 Services–Cast Iron & Copper from an average service life of 48 to 46. Both are in response to Applicant's Objection 12b.
4. Schedule C-4-Calculation of Federal Income Taxes – Revised weighted cost of debt from 3.62% to 3.68% taking into account the amortization period for individual debt issues. This is in response to Applicant's Objections 16a and 16b.
5. Schedule C-4-Calculation of Federal Income Taxes - Updated the calculation of federal income taxes to include an additional tax deferred depreciation of \$392,217 resulted from the Staff's recommended depreciation accrual rates. Also, to include other deferred taxes of \$19,524, which are being written back at tax rates other than 35%, or have permanent differences related to them. This is in response to Applicant's Objection 14.
6. Schedule B-6-Other Rate Base Items - Updated the calculation of deferred taxes in Accounts 190, 282, & 283 to include the date certain balances of these accounts as shown in the application, and to continue excluding the deferred balances of several miscellaneous items, which were excluded in Case No. 95-656-GA-AIR, and the deferred balance associated with Order 636. This is in response to Applicant's Objection 3.
7. Schedule C-3.13-Riser Inspection Program Expense – Revised amortization period to four years responding to Applicant's Objection 10b and 10c.
8. Schedule C-3.15-Rate Case Expense - Revised amortization period to four years responding to Applicant's Objection 11.

Stipulation Exhibit 2

The Cincinnati Gas & Electric Company

CG&E Gas Rate Case Settlement Proposal

| Rate Class | Current Base Revenue | Proposed Revenue Increase | Proposed Base Revenue | Billing Determinates (1) | | Proposed Rate Customer/ Administrative Charge | Per Mcf Charge |
|---|----------------------------|---------------------------------|-----------------------------|--------------------------|-------------|--|---|
| | | | | # of Bills | Sales (Mcf) | | |
| Residential Service (RS) | \$ 80,454,482 | \$ 9,894,405 | \$ 90,348,887 | 3,768,726 | 32,059,028 | \$ 6.00 | \$ 1.8591 |
| Residential - Firm Transportation (RFT) | 12,972,025 | 1,605,077 | 14,577,102 | 653,409 | 5,044,691 | \$ 6.00 | \$ 1.8591 |
| Total Residential | <u>93,426,507</u> | <u>11,499,482</u> | <u>104,925,989</u> | | | | |
| General Service (GS) | 24,853,897 | 2,276,796 | 27,130,693 | 301,474 | 11,649,376 | \$ 21.00 | \$ 1.6300 First 100 Mcf \$ 1.5700 Next 400 Mcf \$ 1.5400 Additional Mcf |
| Firm Transportation (FT) | 17,889,950 | 1,163,020 | 19,052,970 | 77,887 | 10,096,819 | \$ 21.00 | \$ 1.6300 First 100 Mcf \$ 1.5700 Next 400 Mcf \$ 1.5400 Additional Mcf |
| Interruptible Transportation (IT) | <u>10,751,263</u> | <u>-</u> | <u>10,751,263</u> | 2,180 | 16,500,968 | \$ 595.86 | \$ 0.4916 |
| Total Non-Residential | <u>53,495,110</u> | <u>3,439,816</u> | <u>56,934,926</u> | | | | |
| Late Payment Charges | <u>3,749,543</u> | <u>124,011</u> | <u>3,873,554</u> | | | | |
| Total | <u>\$ 150,671,160</u> | <u>\$ 15,063,309</u> | <u>\$ 165,734,469</u> | | | | |

Note: (1) From Company's Schedule E-4.

Stipulation Exhibit 3

The Cincinnati Gas & Electric Company

Rider AMRP - Year 2002

| Rate Class | Rate (1) |
|---|----------|
| Residential Service (RS) | \$ 1.00 |
| Residential - Firm Transportation (RFT) | \$ 1.00 |
| General Service (GS) | \$ 3.75 |
| Firm Transportation (FT) | \$ 3.75 |
| Interruptible Transportation (IT) | \$ 0.01 |

(1) Rate for IT is cents per Mcf subject to monthly \$500 cap. Rate for other classes is the fixed dollar amount per month.

Stipulation Exhibit 3

The Cincinnati Gas & Electric Company

Rider AMRP - Year 2002

| Rate Class | Rate (1) |
|---|----------|
| Residential Service (RS) | \$ 1.00 |
| Residential - Firm Transportation (RFT) | \$ 1.00 |
| General Service (GS) | \$ 3.75 |
| Firm Transportation (FT) | \$ 3.75 |
| Interruptible Transportation (IT) | \$ 0.01 |

(1) Rate for IT is cents per Mcf subject to monthly \$500 cap. Rate for other classes is the fixed dollar amount per month.

Stipulation Exhibit 4

The Cincinnati Gas & Electric Company

Rider AMRP - Years 2003 through 2007

| Rate Class | Rate Caps (1) | | | | |
|---|---------------|----------|----------|----------|----------|
| | 2003 | 2004 | 2005 | 2006 | 2007 |
| Residential Service (RS) | | | | | |
| Residential - Firm Transportation (RFT) | \$ 2.00 | \$ 3.00 | \$ 4.00 | \$ 5.00 | \$ 6.00 |
| General Service (GS) | | | | | |
| Firm Transportation (FT) | \$ 10.43 | \$ 15.55 | \$ 20.60 | \$ 25.56 | \$ 30.44 |
| Interruptible Transportation (IT) | \$ 0.02 | \$ 0.03 | \$ 0.03 | \$ 0.03 | \$ 0.03 |

(1) Rate for IT is cents per Mcf subject to monthly \$500 cap. Rate for other classes is the fixed dollar amount per month.

Stipulation Exhibit 5
CG&E Plan for Promoting Payment Plan Options

CG&E agrees to offer and promote its payment plans, including the 1/6 payment plan option and the 1/3 payment plan option (currently known as the Special Winter Provision payment plan), to consumers in the following manner:

- Annual bill inserts
- Brochures at walk-in offices
- Call Center training and help screens
- Disconnect notices
- Send materials on payment plan options to local community action agencies and other nonprofits providing energy services to consumers in CG&E's service territory
- Work through the Customer Collaborative and through separate meetings detailed in Paragraph 17 of the Stipulation to disseminate information on payment plan options to community action agencies and other nonprofits providing energy services to consumers
- Sponsor an annual training session for community action agencies and other nonprofits providing energy services to consumers on payment plan options for customers

Stipulation Exhibit 6

CG&E agrees to offer payment plans for collection of either new residential deposits or residential deposits required as a result of re-establishing financial responsibility due to the customer receiving notice of non-payment. Such payment plans shall be in three equal monthly installments. CG&E will not refuse to provide new service or disconnect existing service for nonpayment of a residential deposit as long as the residential customer is in compliance with his or her obligations under such payment plan for payment of the deposit in installments.

Doc. no. 91314

Stipulation Exhibit 7
Gas No. 18

P.U.C.O. |

The Cincinnati Gas & Electric Company
139 East Fourth Street
Cincinnati, Ohio 45202

Sheet No. 62.2
Cancels and Supersedes
Sheet No. 62.1
Page 1 of 2

(C)

RIDER X

MAIN EXTENSION POLICY

APPLICABILITY

Applicable to gas service supplied in accordance with provisions of the appropriate rate currently in effect, from the nearest available distribution main when, in the opinion of the Company, it is necessary to extend such main.

EXTENSION PLAN

1. Normal Extensions. An extension of one hundred (100) feet or less shall be made by the Company to an existing distribution main without charge for a prospective customer who shall apply for and contract to use service for one year or more.

2. Other Extensions.

- (a) Individual Customer. The Company may extend a main in excess of one hundred (100) feet without charge to an individual customer whose monthly volume shall be in excess of the minimum use as specified within the applicable tariff under which service will be provided and the Company has existing adequate peak demand capabilities, as required by the customer. In the event the Company's applicable tariff does not contain a minimum use volume, then the monthly minimum bill, exclusive of customer charges and the cost of purchased gas, shall be one and one-half percent (1.5%) of the cost of the main extension. The customer will be obligated to receive service for a minimum term which will allow the Company to recover the cost of the main extension. The customer shall be billed the minimum amount or volume for each month during the minimum term as specified in the agreement. In the event the customer terminates service prior to the expiration of the minimum term of service, the Company may charge the difference between the cost of the main extension and revenue received from the customer, exclusive of customer charges and the cost of purchased gas, as a termination charge.

- (b) Multiple Customer Extensions.

- (i) ~~Existing Subdivisions and New Non-Joint Trench Subdivisions. When an extension of the Company's main to serve an applicant, including an extension to a proposed real estate subdivision, amounts to more than one hundred (100) feet per customer, the Company may require the total cost of the footage in excess of one hundred (100) feet per customer to be deposited with the Company by the applicant based on the estimated cost per foot for main extensions. An applicant desiring an extension to a proposed real estate subdivision that amounts to less than one hundred (100) feet per customer, may be required to deposit the entire cost of the extension.~~

(T)

(C)

(T)

~~The applicant will be reimbursed under the following plan:~~

~~Each year for a period of up to but not exceeding ten (10) years, which begins on the effective date of the main extension contract, the Company shall refund to the customer who paid for the excess footage, the cost of the one hundred (100) feet of the extension in place for each additional customer connected during the year whose~~

Filed pursuant to an Entry dated
Commission of Ohio.

in Case No. 01-1228-GA-AIR before the Public Utilities

Issued:

Effective:

Issued by J. Joseph Hale, Jr., President

Stipulation Exhibit 7
Gas No. 18

P.U.C.O.]

The Cincinnati Gas & Electric Company
139 East Fourth Street
Cincinnati, Ohio 45202

Sheet No. 62.2
Cancels and Supersedes
Sheet No. 62.1
Page 2 of 2

(C)

service line is directly connected to the extension installed, but in no case shall the total amount refunded exceed the amount paid the Company. There shall be no refunds after the end of the said ten (10) year period

(ii) New Joint Trench Subdivisions. When an extension of the Company's approach and/or internal mains is necessary to serve a new subdivision, the Company will perform a net present value (NPV) analysis of the construction costs and the revenue to be received from each customer to be connected to the new mains. For purposes of the NPV calculation, the Company will assume that a complete build-out of the subdivision will occur in five years. If the NPV is positive, no deposit will be required for the new subdivision and the NPV will be credited toward the calculation of the deposit requirement for any approach main that may be required. If the NPV is negative, the amount of the NPV must be deposited for construction of the mains to serve the new subdivision. Any deposit made when the NPV is negative is eligible for a refund due to subsequent connections or extensions under the following plan:

In either event,

(T)

Filed pursuant to an Entry dated
Commission of Ohio.

in Case No. 01-1228-GA-AIR before the Public Utilities

Issued:

Effective:

Issued by J. Joseph Hale, Jr., President

Stipulation Exhibit 7

Gas No. 18

P.U.C.O. |

The Cincinnati Gas & Electric Company
139 East Fourth Street
Cincinnati, Ohio 45202

Sheet No. 62.2
Cancels and Supersedes
Sheet No. 62.1
Page 3 of 2

(C)

EXTENSION PLAN (Contd.)

~~(iii) Each year for a period of up to but not exceeding ten (10) years, which begins on the effective date of the main extension contract, the Company shall refund to the customer, who paid for the excess footage, the cost of the one hundred (100) feet of the extension in place for each additional customer connected during the year whose service line is directly connected to the extension installed, but in no case shall the total amount refunded exceed the amount paid the Company. There shall be no refunds after the end of the said ten (10) year period; and;~~

(C)

~~(iv) Each year for a period of up to but not exceeding ten (10) years, which begins on the effective date of the main extension contract, the Company shall refund to the customer who paid for the excess footage an amount reflecting the positive impact of subsequent connections or extensions to the main extension. The Company will determine the positive impact of a subsequent connection or extension by analyzing the estimated cost and corresponding revenues resulting from the subsequent connection or extension. This amount will be paid when the first customer is connected to the subsequent connection or extension.~~

(N)

3. Nothing contained herein shall be construed to prohibit the Company from making extensions under different arrangements provided such arrangements have been approved by the Public Utilities Commission of Ohio.
4. Nothing contained herein shall be construed as to prohibit the Company from making, at its expense, greater extensions than herein prescribed, should its judgment so dictate, provided like free extensions are made to other customers under similar conditions.

SERVICE REGULATIONS

The supplying of, and billing for, service and all conditions applying thereto, are subject to the jurisdiction of The Public Utilities Commission of Ohio, and to Company's Service Regulations currently in effect, as filed with The Public Utilities Commission of Ohio, as provided by law.

Doc. no. 91261

Filed pursuant to an Entry dated
Commission of Ohio.

in Case No. 01-1228-GA-AIR before the Public Utilities

Issued:

Effective:

Issued by J. Joseph Hale, Jr., President

**STIPULATION EXHIBIT 8
PAGE 1 OF 2**

The Cincinnati Gas & Electric Company
139 East Fourth Street
Cincinnati, Ohio 45202

P.U.C.O. Gas No. 18
Sheet No. 25.54
Cancels Sheet No. 25.43
Page 1 of 2

SECTION VI - DISCONNECTION FOR NONPAYMENT AND DEPOSIT PROVISIONS**1. Disconnection for Nonpayment: Residential Customers**

The Company will comply with the provisions of the disconnection rules set forth in Chapter 4901:1-18 O.A.C. (Ohio Administrative Code) as amended.

2. Disconnection for Nonpayment: Non-Residential Customers

An account will be considered delinquent and be subject to the Company's disconnection procedures for non-payment if any bill remains unpaid after the due date.

The Company will mail or otherwise give notice of impending disconnection for non-payment to the customer prior to disconnection.

3. Reconnection of Service

Reconnection of service that has been disconnected for nonpayment shall be made pursuant to the following provisions:

- (a) Upon payment or proof of payment, including any reconnection charge, for service that was previously disconnected, reinstatement of service shall be made by the close of the following regular Company working day.
- (b) If service is disconnected and the customer wishes to guarantee the reinstatement of service the same day on which payment is rendered, the customer must make payment in the Company's business office, or provide proof of payment, and notify the Company before 12:30 p.m. that reinstatement of service is requested the same day.
- (c) If a guarantor is required in order to re-establish service, the guarantor must sign an acknowledgment of willingness to accept the responsibility for payment of the customer's bill in case of the customer's default.

4. Charge for Reconnection of Service

The Company may charge and collect in advance the dollar amount specified on Tariff Sheet "Charge for Reconnection of Service," Sheet No. 82, for reconnecting a customer's service after service is disconnected because of nonpayment of the bill when due or when service is discontinued because of unauthorized or fraudulent use, tampering with Company equipment, or denial of access to the premises as set out in Section II Paragraph 9, Access to Premises, of these GAS SERVICE REGULATIONS.

Filed pursuant to an Entry dated February 12, 1997 in Case No. 95-656-GA-AIR and Case No. 97-34-GA-ATA before the Public Utilities Commission of Ohio.

Issued: April 11, 1997

Effective: February 12, 1997

Issued by Gregory C. Flicke W. J. Grealis, President

STIPULATION EXHIBIT 8
PAGE 2 OF 2

The Cincinnati Gas & Electric Company
139 East Fourth Street
Cincinnati, Ohio 45202

P.U.C.O. Gas No. 18
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SECTION VI - DISCONNECTION FOR NONPAYMENT AND DEPOSIT PROVISIONS (Contd.)

5. Residential Tenant Rights

The Company will comply with the provisions of the disconnection rules set forth in Chapter 4901:1-18 O.A.C. as amended. In addition, if a customer who is a Property Owner/Rental Agent at master-metered premises requests disconnection of service and there are remaining residential tenants at the premises, the Company is required to notify the tenants of the intended disconnection of service. This notification will be posted in a conspicuous place at the premises at least 10 working-days prior to the scheduled date for disconnection of service. The Property Owner/Rental Agent shall continue to be liable for all gas consumed during the 10-day notice period. This notice provision shall not preclude the Company from taking appropriate actions where safety or tampering issues are raised, including disconnection of service without notice in such circumstances.

(T)

If a customer who is a Property Owner/Rental Agent, but whose account is not a master-meter account, requests disconnection of service the Company will use reasonable means to determine whether non-customer residential tenants still reside at the premises. If the Company determines that non-customer residential tenants continue to reside at the premises, then the Company shall notify the tenants of the intended disconnection of service. This notification shall be by mail, and/or by posting in a conspicuous place at the premises, at least 10 days prior to the scheduled date for disconnection of service. The Property Owner/Rental Agent shall continue to be liable for all gas consumed during the 10-day notice period. This notice provision shall not preclude the Company from taking appropriate actions where safety or tampering issues are raised, including disconnection of service without notice in such circumstances.

(N)

The Company shall follow, for non-master metered accounts, the same procedures regarding disconnection for nonpayment of a customer who is a Property Owner/Rental Agent as it follows for disconnection at the request of the Property Owner/Rental Agent for non-master metered accounts, except that during the period of November 1 through April 15, of each year, the Company, in addition to notification by mail, if any, shall hand deliver the 10-day notice to the occupied premises.

(N)

6. Deposit Provision

The Company may require a Security Deposit of any customer, residential or non-residential, in addition to the requirement of payment for prior indebtedness, as set forth in Section II, 2. Supplying Service, in compliance with the provisions of Section 4933.17 of the Ohio Revised Code, and as to residential accounts only, the rules set forth in Chapter 4901:1-17 of the O.A.C., as amended. The Security Deposit may be requested prior to the rendering of utility service or at a later time.

Filed pursuant to an Entry dated February 12, 1997 in Case No. 95-656-GA-AIR and Case No. 97-34-GA-ATA before the Public Utilities Commission of Ohio.

Issued: April 14, 1997

Effective: February 12, 1997

Issued by Gregory C. FickeW. J. Grealis, President

Stipulation Exhibit 9

P.U.C.O. Gas No. 18

The Cincinnati Gas & Electric Company
139 East Fourth Street
Cincinnati, Ohio 45202

Sheet No. 21.3
Cancels and Supersedes
Sheet No. 21.2
Page 1 of 4

SECTION II - SUPPLYING AND TAKING OF SERVICE**1. Character of Service**

The Company by its present franchise requirements has agreed to furnish gas of the kind and quality from which its supply is procured. Said gas may be supplemented with other gases provided their quality is equivalent to the gas supplied by the Company's suppliers.

2. Supplying Service

Service is supplied under and pursuant to these GAS SERVICE REGULATIONS and any modifications or additions thereto lawfully made and approved by the Public Utilities Commission of Ohio. Nothing contained in the Company's tariffs shall relieve the Company of its duties and obligations under all applicable Federal and State gas pipeline safety laws and regulations.

Service is supplied under a given rate schedule at such points of delivery as are adjacent to the Company facilities which are, in the Company's judgment, adequate and suitable as to capacity and pressure, to supply such service; otherwise, special agreements between the customer and the Company may be required. Should the gas requirements of the customer change, as to capacity or use, the Company may require that the service be supplied from a different facility if the original facility is or becomes inadequate and unsuitable for its intended purpose. If special agreements between the customer and the Company are required, gas service will not be supplied until the agreements are executed by the customer and the Company.

The availability of service under this Tariff, P.U.C.O. Gas No. 18, to customers who have elected to relieve the Company of its obligation to provide commodity service under the Company's regulated GCR system supply shall be subject to the rules, regulations, and orders of the Public Utilities Commission of Ohio, including, without limitations, those contained within Case No. 85-800-GA-UNC, as may be modified from time to time.

Service will not be supplied to any premises if, at the time of application for service, the applicant is indebted to Company for service previously supplied at the same or other premises until payment of such indebtedness shall have been made. Unpaid balances of previously rendered Final Bills may be transferred and included on the initial or subsequent bill for a like service account. Such transferred Final Bills, if unpaid, will be a part of the past due balance of the transferee account and subject to the Company's collection and disconnection procedures which are governed by Chapter 4901:1-18 of the Ohio Administrative Code. The transfer of final bills is limited to like service, i.e., residential to residential, commercial to commercial, gas to gas, electric to electric, and combination to combination. The unpaid balances for electric and gas service in a combination account shall remain separate. The transfer of unpaid balances from a combination account to a transferee combination account is limited to like service, i.e., electric to electric and gas to gas. Any transfer of gas, electric or combination accounts shall not affect the residential customer's right to elect and maintain an extended payment plan for gas, electric or combination service under Rule 4901:1-18-11 of the Ohio Administrative Code.

Filed pursuant to an Entry dated December 24, 1996 Case No. 95-658-GA-AIR before the Public Utilities Commission of Ohio.

Issued: May 1, 1997

Effective: December 26, 1996

Issued by W. J. Grealis, President

Stipulation Exhibit 9

P.U.C.O. Gas No. 18

The Cincinnati Gas & Electric Company
139 East Fourth Street
Cincinnati, Ohio 45202

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SECTION II - SUPPLY AND TAKING OF SERVICE (Contd.)

Commercial and industrial service will not be supplied or continued to any premises if, at the time of application for service, the applicant is merely acting as an agent of a present or former customer who is indebted to the Company for service previously supplied at the same or other premises until payment of such indebtedness shall have been made. Commercial or industrial service will not be supplied or continued to any premises where the applicant is a partnership, corporation or limited liability company whose general partner, controlling stockholder or controlling member is a present or former customer who is indebted to the Company for service previously supplied at the same or other premises until payment of such indebtedness shall have been made.

3. Information Relative to Service

Information relative to the installation or relocation of service piping at a given location must be obtained from the Company. This information should be requested well in advance of the time of construction of the project to allow the necessary time required to determine the exact engineering details for the individual customer installation. Such information will be confirmed in writing if requested by the customer.

In any instance where the Company determines that a customer must sign a construction, maintenance, special equipment agreement, or any other written agreement in order to provide for the ongoing and overall service of the customer's gas requirements, all such agreements must be fully executed and received by the Company prior to supplying gas to the customer's system. The providing of gas on a temporary basis has no effect on the above requirements relating to permanent service.

4. Continuity of Service

The Company will make reasonable provisions to supply satisfactory and continuous gas service, but does not guarantee a constant or uninterrupted supply of gas and shall not be liable for any damage or claim of damage attributable to any interruption of service caused by accident or casualty, extraordinary action of the elements, action of any governmental authority, litigation, deficiency of supply or by any cause which the Company could not have reasonably foreseen and made provision against.

5. Suspension of Service for Repairs and Changes

When necessary to make repairs to or changes in the Company's plant, transmission or distribution system, or other property, the Company may, without incurring any liability therefor, suspend service for such periods as may be reasonably necessary and in such manner as not to inconvenience the customer unnecessarily. Customers will be given notice prior to any scheduled maintenance interruption in excess of six (6) hours duration.

Filed pursuant to an Entry dated December 24, 1996 Case No. 95-656-GA-AIR before the Public Utilities Commission of Ohio.

Issued: May 1, 1997

Effective: December 26, 1996

Issued by W. J. Grealis, President

Stipulation Exhibit 9

P.U.C.O. Gas No. 18

The Cincinnati Gas & Electric Company
139 East Fourth Street
Cincinnati, Ohio 45202

Sheet No. 21.3
Cancels and Supersedes
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Page 3 of 4

SECTION II - SUPPLY AND TAKING OF SERVICE (Contd.)**6. Use of Service**

Service is supplied directly to the customer through the Company's own meter and is to be used by customer only for the purposes specified in and in accordance with the provisions of the applicable rate schedule and these regulations and any service agreement. Service is for the customer's use only and under no circumstances may the customer or the customer's agent or any other individual, association or corporation install meters for the purpose of reselling or otherwise disposing of service supplied by the customer. The customer may install sub meters for the purposes of measuring consumption.

The customer will not install pipes under a street, alley, lane, court or avenue or other public space in order to obtain service for adjacent property through one meter even though such adjacent property is owned by the customer, without the prior written approval of the Company.

In case of unauthorized sale, use, extension or other disposition of service, the Company may discontinue the supplying of service to the customer until such unauthorized act is discontinued and full payment is made for all service supplied or used, billed on the proper classification and rate schedule, and reimbursement in full made to the Company for all extra expenses incurred, including expenses for clerical work, testing, and inspections. Failure of the Company to exercise its right to discontinue the supplying of service in the above situations does not affect its right to resort thereafter to such remedy for the same or any future default or breach by the customer.

7. Customer's and Company's Responsibility

~~The customer assumes all responsibility on the customer's side of the point of delivery (outlet side of the curb valve or at the curb or apparent curb when the shut off valve is not located near the curb) for the service supplied or taken, as well as for the installation, repair, and replacement of the service, appliances, and apparatus used in conjunction therewith, and will save the Company harmless from and against all claims for injury or damage to persons or property occasioned by or in any way resulting from such service or the use thereof on the customer's side of the point of delivery.~~

The customer assumes responsibility for the initial installation of the curb-to-meter service, for activities by the customer and customer's agents which cause damage to the Company's equipment or to the curb-to-meter service, and for appliances and apparatus used in conjunction therewith. The Company assumes responsibility for the repair, replacement and maintenance of the curb-to-meter service.

8. Right-of-Way

The customer, without reimbursement, will make or procure conveyance to the Company, right-of-way satisfactory to it across the property owned or controlled by the customer for the Company's lines or extensions thereof necessary or incidental to the supplying of service to the customer, or customers beyond the customer's property when such rights are limited to installations along dedicated streets and roads in the form of Grant or instrument customarily used by the Company for these facilities.

Filed pursuant to an Entry dated December 24, 1996 Case No. 95-656-GA-AIR before the Public Utilities Commission of Ohio.

Issued: May 1, 1997

Effective: December 26, 1996

Issued by W. J. Grealis, President

Stipulation Exhibit 9

The Cincinnati Gas & Electric Company
139 East Fourth Street
Cincinnati, Ohio 45202

P.U.C.O. Gas No. 18
Sheet No. 21.3
Cancels and Supersedes
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Page 4 of 4

SECTION II - SUPPLY AND TAKING OF SERVICE (Contd.)**9. Access to Premises**

The properly authorized agents of the Company shall at all reasonable hours have the right and privilege to enter the premises of the customer for the purpose of reading meters, testing or inspecting the customer's installation and examining, repairing, replacing, removing, or disconnecting the Company's meters, the curb-to-meter service, or for removing or disconnecting any or all of the Company's equipment, or other Company property, and for all other purposes incident to the supplying of service, and for such purposes the customer authorizes and requests his landlord, if any, to permit such access to the premises. Reasonable hours of access are the daylight hours except for emergencies, where requested by the customer, or with the customer's consent and except for disconnection for nonpayment of bills which hours of access are subject to the provisions under Section VI Paragraph 1, Disconnection for Nonpayment: Residential Customers, of these GAS SERVICE REGULATIONS.

Upon request, the Company's authorized agent will display his/her identification badge or Company pass and state the reasons for requiring access.

If, after the Company has made reasonable efforts to obtain access to the premises for the purpose described above, the customer fails to grant the Company access, the customer denying access shall be deemed in violation of these GAS SERVICE REGULATIONS pursuant to Section I Paragraph 3 herein, Company's Right to Refuse or to Disconnect Service.

Filed pursuant to an Entry dated December 24, 1996 Case No. 95-656-GA-AIR before the Public Utilities Commission of Ohio.

Issued: May 1, 1997

Effective: December 26, 1996

Issued by W. J. Grealls, President

Stipulation Exhibit 10
The Cincinnati Gas & Electric Company
139 East Fourth Street
Cincinnati, Ohio 45202

Sheet No. 22.3
Cancels and Supersedes
Sheet No. 22.2
Page 1 of 3

SECTION III - CUSTOMER'S AND COMPANY'S INSTALLATIONS

1. Nature and Use of Installation

All equipment furnished by the customer, on the premises or connecting the premises with the Company's service, shall be suitable for the purposes thereof, and shall be installed by the customer and maintained, repaired and replaced by the customer at all times in conformity with the safety requirements of the accredited agency having jurisdiction and with the rules and regulations of the Company.

The piping and fittings for the distribution of gas after it has passed the meter, may be installed by any competent gas fitter employed by the customer or proprietor of the premises, subject, however, to the inspection and approval of the Company which requires an inspection and test of all such piping.

An application for inspection and test must be made to the Company when the piping work has been completed, but prior to its concealment by plastering, flooring or other materials.

All piping shall be installed in accordance with applicable building codes and the rules and regulations of the Company.

2. Installation of Meters

Gas will be measured by a meter or meters to be installed by the Company upon the customer's premises at an agreed upon point convenient for the Company's service. Meters for new single-family residences are to be located outside the residence.

3. Installation, Repair and Replacement of Lines

Except as otherwise provided in these GAS SERVICE REGULATIONS, in service agreements or rate schedules, the Company will install and maintain its lines and equipment on its side of the point of delivery, (outlet side of the curb valve or at the curb or apparent curb when the shut off valve is not located near the curb), its meters and service regulators and maintain service piping without cost to the customer, except that customer is responsible for initial installation costs of service piping from curb to meter, but shall not be required to install, repair or replace any lines or equipment, except meters and service regulators, on the customer's side of the point of delivery without cost to the customer. Only the Company's agents are authorized to connect the Company's service to the customer's service.

All meters and equipment furnished by and at the expense of the Company, which may at any time be on said premises, shall, unless otherwise expressly provided herein, be and remain the property of the Company, and the customer shall protect such property from loss or damage. No one except an agent of the Company shall be permitted to remove or handle same.

Filed pursuant to an Entry dated December 24, 1996 in Case No. 95-656-GA-AIR before the Public Utilities Commission of Ohio.

Issued: December 26, 1996

Effective: December 26, 1996

Issued by W. J. Grealls, President

Stipulation Exhibit 10
The Cincinnati Gas & Electric Company
139 East Fourth Street
Cincinnati, Ohio 45202

Sheet No. 22.3
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SECTION III - CUSTOMER'S AND COMPANY'S INSTALLATIONS (Contd.)

The point of delivery will be located as near to the curb line as practicable. Upon receipt of an application for new gas service, where said service will be installed to provide primary heating for an existing structure previously heated through consumption of a non-regulated energy source, the Company may install the gas service pipe extending from the point of delivery to the inlet of the meter connection at its expense. For all other applicants for new gas service or for existing customers the portion of the gas service pipe extending from the point of delivery to the inlet of the meter connection may be installed by the Company at its prevailing prices. The customer or the customer's agent, at the customer's expense, may install said portion upon proper execution of an order of notification subject to the Company's rules, regulations and current specifications, subject to inspection and test by the Company, provided that a distribution main of adequate capacity is adjacent to the premises to be served. The service piping from the point of delivery to the inlet of the meter connection shall be owned, repaired and replaced at the expense of the ~~customer~~ Company or landlord regardless of whether it was originally installed at the Company's expense. The service pipe will end at the inlet of the meter connection. If it should be necessary to extend the service pipe beyond the point of entry, such extension shall be encased.

Only one gas service will be installed into any individual dwelling, building or building units, unless the units are sectionalized by acceptable fire separation such as firewalls, regardless of the number of customers to be served therein.

The customer's gas service line shall be as short as practicable, but not limited to a specific length. The proposed size, length, and direction of the gas service pipe and proposed meter location shall be subject to the Company's approval.

No connection or work of any kind shall be done on a gas main or the Company's piping by anyone who is not an authorized representative of the Company, except that the customer's agent may, at the Company's option, be designated as an authorized representative of the Company upon request.

When repairs on, or replacement of, the ~~customer's~~ service piping is required between point of delivery and the inlet to the meter, such work will be done at the ~~customer's~~ Company's expense ~~by the Company, the customer, or the customer's agent~~ only after the gas has been shut off and the piping has been disconnected by the Company. An application for inspection and test must be made to the Company when piping work has been completed by the customer or the customer's agent.

The cost of the Company inspections and test of piping installed by the customer or the customer's agent will be borne by the customer.

Filed pursuant to an Entry dated December 24, 1996 in Case No. 95-656-GA-AIR before the Public Utilities Commission of Ohio.

Issued: December 26, 1996

Effective: December 26, 1996

Issued by W. J. Grealis, President

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Cincinnati, Ohio 45202

Sheet No. 22.3
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SECTION III - CUSTOMER'S AND COMPANY'S INSTALLATIONS (Cont'd.)

4. Change in Installations

As the Company's facilities used in supplying service to the customer have a limited capacity, the customer must give reasonable advance notice to the Company and obtain the Company's consent before making any material changes or increases in the customer's installation. After receipt of such notice, the Company will give its written approval of the proposed change or increase, or it will inform the customer of the prerequisites to receipt of service for such change or increase.

The customer shall be solely responsible for all damages sustained by the Company or any person due to the customer's failure to give reasonable advance notice to the Company of such changes in the customer's installation.

Filed pursuant to an Entry dated December 24, 1996 in Case No. 95-656-GA-AIR before the Public Utilities Commission of Ohio.

Issued: December 26, 1996

Effective: December 26, 1996

Issued by W. J. Grealis, President

CERTIFICATE OF SERVICE

I, the undersigned, hereby certify that a copy of the foregoing Stipulation and Recommendation was served on the following, via hand delivery, e-mail, or overnight delivery, postage prepaid on April 17, 2002.



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BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

| | |
|---|------------------------|
| In the Matter of the Application of) Duke Energy Ohio, Inc. for an) Increase in Rates) | Case No. 07-589-GA-AIR |
| In the Matter of the Application of) Duke Energy Ohio, Inc. for Approval) of an Alternative Rate Plan for its) Gas Distribution Service) | Case No. 07-590-GA-ALT |
| In the Matter of the Application of) Duke Energy Ohio, Inc. for Approval) to Change Accounting Methods) | Case No. 07-591-GA-AAM |

STIPULATION AND RECOMMENDATION

Rule 4901-1-30, Ohio Administrative Code ("OAC") provides that any two or more parties to a proceeding may enter into a written stipulation covering the issues presented in such proceeding. The purpose of this document is to set forth the understanding of the parties who have signed below ("Parties") and to recommend that the Public Utilities Commission of Ohio ("Commission") approve and adopt, as part of its Opinion and Order in these proceedings, this Stipulation resolving all of the issues in the above-captioned proceeding.¹ This Stipulation is supported by adequate data and information; and as an integrated complete document represents a just and reasonable resolution of all

¹ The Parties expressly agree that the issue of fixed vs. volumetric rate design and/or a sales decoupling rider is not intended to be resolved through this Stipulation and will be decided by the Commission following the hearing, as noted in footnote 7.

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issues in this proceeding; violates no regulatory principle or precedent; and is the product of lengthy, serious bargaining among knowledgeable and capable parties in a cooperative process undertaken by the Parties to settle this case. While this Stipulation is not binding on the Commission, it is entitled to careful consideration by the Commission, where, as here, it is sponsored by Parties representing a wide range of interests,² including the Commission's Staff.³ For purposes of resolving all issues raised by these proceedings, the Parties stipulate, agree and recommend as set forth below.

Except for enforcement purposes, neither this Stipulation nor the information and data contained therein or attached, shall be cited as precedent in any future proceeding for or against any Party, or the Commission itself, if the Commission approves the Stipulation and Recommendation. This Stipulation and Recommendation is a careful compromise involving a balancing of competing positions, and it does not necessarily reflect the position that one or more of the Parties would have taken if these issues had been fully litigated.

² In addition to the Company and the Staff, the residential customers are represented by the Office of the Ohio Consumers' Counsel ("OCC") and the City of Cincinnati, also representing various City-owned and/or operated governmental facilities; Ohio Partners for Affordable Energy ("OPAE") and as a provider of weatherization and essential infrastructure services to the low income residential consumers within DE-Ohio's service territory, People Working Cooperatively ("PWC"); industrial customers are represented by the Ohio Energy Group ("OEG"); and the natural gas marketers consist of Interstate Gas Supply, Inc. ("IGS"), Integrys Energy Services, Inc. ("Integrys"), Direct Energy Services, Inc. ("Direct") and Stand Energy Corporation ("Stand").

³ Staff will be considered a party for the purpose of entering into this Stipulation by virtue of O.A.C. Rule 4901-1-10(c).

The Parties believe that this Stipulation represents a reasonable compromise of varying interests. This Stipulation is expressly conditioned upon adoption in its entirety by the Commission without material modification by the Commission. Should the Commission reject or materially modify all or any part of this Stipulation, the Parties shall have the right, within 30 days of issuance of the Commission's order, to file an application for rehearing. Upon the Commission's issuance of an entry on rehearing that does not adopt the Stipulation in its entirety without material modification, any Party may terminate and withdraw from the Stipulation by filing a notice with the Commission within 30 days of the Commission's entry on rehearing. Other Parties to this Stipulation agree to defend and shall not oppose the withdrawal and termination of the Stipulation by any other Party.⁴ Upon notice of termination or withdrawal by any Party, pursuant to the above provisions, the Stipulation shall immediately become null and void. In such event, a hearing shall go forward, and the Parties shall be afforded the full opportunity to file and present evidence through witnesses, to cross-examine all witnesses, to present rebuttal testimony, and to brief all issues which shall be decided based upon the record and briefs as if this Stipulation had never been executed.

⁴ Any signatory Party has the right, in its sole discretion, to determine what constitutes a "material" change for the purposes of that Party withdrawing from the Stipulation.

All the Signatory Parties fully support this Stipulation and urge the Commission to accept and approve the terms hereof.

WHEREAS, the agreements herein represent a comprehensive solution to the issues raised in these proceedings;

WHEREAS, all of the issues and concerns raised by the Parties (excluding issues not covered by the Stipulation) have been addressed in the substantive provisions of this Stipulation, and reflect as a result of such discussions compromises by the Parties to achieve an overall reasonable resolution of all such issues;

WHEREAS, this Stipulation is the product of the discussions and negotiations of the Parties, and is not intended to reflect the views or proposals that any individual party may have advanced acting unilaterally, and this Stipulation represents an accommodation of the diverse interests represented by the Parties, and is entitled to careful consideration by the Commission;

WHEREAS, the Stipulation is supported by DE-Ohio's application, standard filing requirements and all of DE-Ohio's testimony and objections; testimony and objections of the signatory parties; the financial audit by Blue Ridge Consulting Services, Inc.; and the Staff Report of Investigation filed December 20, 2007 ("Staff Report");

WHEREAS, this Stipulation represents a serious compromise of complex issues and involves substantial benefits that would not otherwise have been achievable;

WHEREAS, the Parties believe that the agreements herein represent a fair and reasonable solution to those issues raised in these proceedings that are addressed in this Stipulation;

NOW, THEREFORE, the Parties stipulate, agree and recommend that the Commission make the following findings and issue its Opinion and Order in this proceeding in accordance with the following:

1. **Revenue increase.** The Parties agree that DE-Ohio shall receive a revenue increase of \$18,200,000, calculated as shown on Stipulation Exhibit 1, which is a revised Schedule A-1.⁵
2. **Revenue distribution, billing determinants and rates.** The Parties agree to the revenue distribution, billing determinants, and rates shown on Stipulation Exhibit 2. The rates reflect elimination of \$6,000,000 of what the Company claims is a subsidy/excess,⁶ phased-in over two years, and calculated on the basis of the agreed revenue requirement and DE-Ohio's updated cost of service study.⁷

⁵ DE-Ohio is not required to file the 60-day update filing of actual financial data for the test year.

⁶ In signing this Stipulation, OCC and OP&E are not agreeing to the Company's characterization of this amount as a subsidy.

⁷ The Parties expressly note that the OCC and OP&E oppose the Staff Report's recommendation relating to fixed straight variable rate design. The City of Cincinnati takes no position with respect to this issue. The issue of fixed vs. volumetric rate design and/or a sales decoupling rider is not resolved through this Stipulation and will be decided by the Commission following the evidentiary hearing.

3. **Amortization of Deferred Expenses.** The Parties agree that DE-Ohio shall amortize deferred rate case expenses requested for recovery in its filing in these cases as recommended in the Staff Report.
4. **Depreciation Rates.** DE-Ohio will implement new depreciation rates as shown on Stipulation Exhibit 5. The new rates represent the mid-point between DE-Ohio's rates as proposed in its original application and the rates proposed in the Staff Report.
5. **Common Plant Allocation Factor.** For purposes of this settlement, the allocation of common plant related to the provision of gas distribution service will be based on an updated allocation factor 18.29% that excludes the generation plant assets contributed to DE-Ohio by Duke Energy North Americas, LLC.
6. **Rider AMRP -2008 Rates.** DE-Ohio will file by February 29, 2008 the actual data to support a Rider AMRP adjustment for the last nine months of 2007. The Rider AMRP revenue requirement will be modified to include deferred curb-to-meter expense and riser expense, net of maintenance savings, for calendar year 2007. Such net deferred expense shall be capitalized with carrying charges at an annual rate of 5.87%, representing the Company's long-term debt rate, and recovered through Rider AMRP, beginning in this filing. DE-Ohio may elect to recover this expense in any

annual Rider AMRP filings, provided that the recovery does not exceed the Rider AMRP cumulative residential rate caps. If this deferred expense causes DE-Ohio to exceed the Rider AMRP cumulative rate cap in any year, then DE-Ohio may recover that portion of the deferred expense that exceeds the rate cap in a subsequent year as long as the recovery does not exceed the cumulative rate cap. The new Rider AMRP residential rates shall be limited on a cumulative basis as shown on Stipulation Exhibit 4, page 3 of 3, and shall be recoverable pursuant to the Rider AMRP revenue allocation as described in paragraph 9, *infra*. DE-Ohio may implement these rates, effective with the beginning of the first billing cycle following issuance of the Commission's order, adjusted as necessary to permit the Company full recovery of the revenue increase through May 1, 2009, subject to refund, upon Commission approval of this Stipulation. The Commission Staff and parties may investigate, file objections, and hold a hearing on these rates as part of the next annual Rider AMRP proceeding as discussed below. If the Commission finds that DE-Ohio over-collected on the 2008 Rider AMRP rates, then DE-Ohio shall refund the over-collected amount with interest calculated at the same interest rate that DE-Ohio earns for the Rider AMRP riser expense deferrals.

7. **Rider AMRP – Procedure.** Following the implementation of new Rider AMRP rates discussed in paragraph 6, above, DE-Ohio will file a pre-filing notice and application annually to implement subsequent adjustments to Rider AMRP, beginning in November 2008.⁸ The Company will bear the burden of proof in its annual Rider AMRP filings and the Company's annual pre-filing notice shall demonstrate the justness and reasonableness of the level of recovery of expenditures associated with the Accelerated Main Replacement Program ("AMRP") and riser replacement program that the Company proposes. The annual filing will support the adjustment to DE-Ohio's revenue requirement for increases to Rider AMRP. The November pre-filing notice will consist of actual data through September 2008 and three months of projected data, will set the then-current calendar year as the test year, and will set December 31 of the applicable year as the date certain. DE-Ohio shall make its application and file an update of year-end actual data by the following February 28 of each year. Staff shall conduct an investigation of DE-Ohio's filing and, unless Staff finds DE-Ohio's filing to be unjust or unreasonable or if any other party files an objection that is not resolved by DE-Ohio by April 1 of each year, the Staff shall issue its recommendation regarding DE-Ohio's

⁸ Annual filings by DE-Ohio shall be made in the docket of this proceeding (Case No. 07-589-GA-AIR).

application for an increase of the Rider AMRP rate to the Commission to be effective, on a bills rendered basis, with the first billing cycle for the May revenue month. If the Staff determines that DE-Ohio's application to increase Rider AMRP is unjust or unreasonable, or if any other party that filed for intervention files an objection that is not resolved by DE-Ohio, then the parties will not object to a hearing process in order to effectuate, to the extent practicable and as long as consistent with there being full and reasonable discovery that provides for an expedited response time (*i.e.*, ten days), the implementation of Rider AMRP in the first billing cycle for the May revenue month, or the first billing cycle of the revenue month following the Commission's decision. DE-Ohio shall continue to make its Rider AMRP annual filing until the effective date of the Commission's order in DE-Ohio's next base rate case. DE-Ohio shall not oppose the right of any interested party to permissible discovery and/or a hearing in the annual Rider AMRP proceeding.

8. **Rider AMRP - Components/Methodology.** DE-Ohio's revenue requirement calculation and Rider AMRP application filed with the Commission shall include the post-March 31, 2007 (the date certain in this proceeding) original cost and accumulated reserve for depreciation of property associated with the AMRP Program

that is used and useful on December 31 of the prior year in the rendition of service as such property is associated with the AMRP and riser replacement programs, including capital expenditures for new plant (including but not limited to new mains, services and risers), adjustments for the retirement of existing assets, calculated Post-In-Service Carrying Charges ("PISCC") on net plant additions and related deferred taxes until included in rates for collection in Rider AMRP, a proper annual depreciation expense; and, any sums of money or property that DE-Ohio may receive to defray the cost of property associated with the AMRP capital expenditures. The return assigned to the recovery of all such net capital expenditures shall be at a pre-tax weighted average cost of capital of 11.7%.⁹ Neither the revenue distribution proposed by Rider AMRP, the accounting provisions contained in this paragraph 8, nor the allocation provision in paragraph 9 below, shall have any precedential value in DE-Ohio's next base rate case. DE-Ohio shall use operations and maintenance savings resulting from the AMRP, as compared to test year operation and maintenance expense, to reduce Rider AMRP. DE-Ohio shall include incremental property taxes associated with net plant additions, expenses associated with the cost of meter relocations and all service lines and risers. The service lines and risers shall

⁹ This rate of return is based on a 10.4% return on equity.

be capitalized. Appropriate adjustments for plant retirements reflected in the annual AMRP filings should include, but not be limited to, property taxes and depreciation expense. DE-Ohio may also include sections of plastic pipe that are replaced during the AMRP Program, to the extent that it is more economic to replace such plastic pipe than to tie into the existing sections of plastic pipe. All other components of DE-Ohio's revenue requirement related to the AMRP Program shall continue as determined by the Commission's Order in these cases until the Commission's Order in DE-Ohio's next base rate case.

9. **Rider AMRP – Revenue Allocation**. For each annual Rider AMRP update, DE-Ohio will allocate the AMRP revenue requirement to each class as follows: Rate Classes RS and RFT = 55%; GS and FT = 37%; and IT = 8%, and DE-Ohio will allocate the riser replacement revenue requirement to each class as follows: Rate Classes RS and RFT = 92%; GS and FT = 8%; and IT = 0%. This paragraph and the revenue distribution produced for Rider AMRP have no precedential value concerning revenue allocation or cost of service in DE-Ohio's next base rate case.
10. **Rider AMRP – Regulatory Assets**. The Parties agree that to the extent necessary to accurately capture the Post-in-Service Carrying Charges ("PISCC") associated with the AMRP Program for inclusion

in the subsequent year's Rider AMRP, DE-Ohio is authorized to create the necessary regulatory assets. Such regulatory assets will be included in unique sub-accounts of Account 182.3, Other Regulatory Assets, and will be subject to review by all parties in the annual Rider AMRP filing. DE-Ohio shall calculate the PISCC from the date that the applicable assets are used and useful until the next effective date of the AMRP Rider.

11. **Construction Schedule for AMRP and Riser Replacement**

Programs. DE-Ohio will substantially complete the AMRP Program by the end of 2019 and will complete the riser replacement program by the end of 2012. If DE-Ohio fails to substantially complete the AMRP by the end of 2019, DE-Ohio will file an application with the Commission requesting continuation of this program.

12. **Alternative Regulation Commitments.** The Parties agree that DE-Ohio shall maintain its commitments until the effective date of the Commission's order in the next base rate case, as listed in the Staff Report of Investigation filed December 20, 2007, at p. 49, except that the incremental \$1 million in funding for weatherization shall be funded through base rates.¹⁰

¹⁰ OCC agrees with DE-Ohio's incremental \$1 million weatherization funding; however, OCC does not agree that this out-of-test period expenditure should be collected through base rates, and asserts that this amount should instead be collected through a rider.

DE-Ohio agrees to continue an open and transparent competitive bidding process to distribute the \$3 million in funding ("Funding") for gas weatherization projects, consulting with the Duke Energy Community Partnership ("Collaborative") and keeping the Collaborative informed of its decisions.¹¹

DE-Ohio will continue to provide its regular annual audit reports to Staff, OCC and other interested parties, and will continue to provide at least an annual report¹² to the Collaborative showing: (1) that DE-Ohio had in the prior year contracted for and/or distributed the Funding collected in customer rates for weatherization services; and (2) the amount expended by the weatherization service providers consistent with the awarded contracts.

If, for any reason, DE-Ohio does not expend the \$3 million weatherization Funding amount in any year, the amount not expended will be carried over to the following year and added to the annual \$3 million Funding to be available for distribution to weatherization projects during that year. If a weatherization service provider does not meet its contract requirements, including

¹¹ The members of the Collaborative include DE-Ohio personnel and representatives of the OCC, Staff, the Hamilton County Cincinnati Community Action Agency, City of Cincinnati, and PWC.

¹² As part of the regular agenda of Collaborative meetings, PWC and others report to the Collaborative about issues in which Collaborative members are interested, such as, in PWC's case, reports on its DE-Ohio-funded weatherization projects, its use of dollars awarded to it by DE-Ohio for gas weatherization projects, the demand for its services in DE-Ohio's service territory.

its failure to meet deadlines, following consultation with the Collaborative, DE-Ohio will re-program the remaining Funding to a different project and/or assign it to another weatherization service provider so that the Funding dollars can be spent expeditiously and productively as soon as is possible.

13. **Ownership of Curb-to-Meter Service.** The Parties agree that DE-Ohio shall take over ownership of the curb-to-meter service, including riser, whenever a new service line or riser is installed or whenever an existing curb-to-meter service or riser is replaced. DE-Ohio shall file its tariffs in these cases such that DE-Ohio will be responsible for the cost of initial installation, repair, replacement and maintenance of all curb-to-meter services, including risers, except that consumers shall pay the initial installation costs related to the portion of service lines in excess of 250 feet. In 2008, DE-Ohio will begin capitalizing rather than expensing the costs currently described as "Customer Owned Service Line Expense." For this purpose, DE-Ohio will submit proposed tariff changes to Staff for review and approval, with a copy to parties, prior to filing the revised sheets to the Commission. Such capitalized costs shall be recoverable through Rider AMRP.¹³

¹³ Neither Direct Energy Services, LLC, Interstate Gas Supply, Inc. nor Integrys Energy Services, Inc. endorses paragraph 13 of the Stipulation and Recommendation.

14. **Rider AU - Deployment Plan.** Within 60 days of the Commission's final order in this proceeding, DE-Ohio will file a deployment plan for 2008-2009 for its Utility of the Future Program, which is DE-Ohio's plan to install a smart grid system. The deployment plan will include supporting testimony and will show: (a) the equipment/systems/locations that DE-Ohio plans to deploy in 2008-2009; (b) DE-Ohio's costs, net of DE-Ohio's benefits, for which DE-Ohio seeks recovery through Rider AU; (c) customer and societal benefits (which will not be reflected as DE-Ohio's benefits in Rider AU) that are expected from the Utility of the Future program; and (d) an estimated revenue requirement for 2008 and 2009. Any party may intervene and seek discovery relating to any deployment plan. Staff shall conduct an investigation of any of DE-Ohio's deployment plan(s) and, if Staff finds DE-Ohio's deployment plan to be unjust or unreasonable or if any other party that filed for intervention files an objection that is not resolved by DE-Ohio within 60 days after filing the deployment plan, the Commission will schedule a hearing. DE-Ohio will file its deployment plan for 2010 by August 1, 2009 and annually thereafter. Parties may intervene and participate in expedited discovery (i.e., ten-day response turn-around) in the annual Rider

AU update proceedings pursuant to the same procedure outlined above.

15. **Right to File Complaints.** Nothing in this Stipulation prevents any interested party from initiating at any time, a R. C. 4905.26 complaint case challenging the level of any rider, including, but not limited to, the Rider AMRP or Rider AU, and seeking an adjustment to such rate, but the Parties agree not to challenge the existence of Rider AMRP or Rider AU, or the structure of Rider AMRP.
16. **Gas Storage Carrying Costs.** The Parties acknowledge that DE-Ohio's base rates do not include any amount for gas storage carrying costs. On a going forward basis, DE-Ohio will recover its actual gas storage carrying costs through its Rider GCR mechanism. No reduction to DE-Ohio's rate base, shown on Stipulation Exhibit 1, will be required. Carrying charges associated with the actual monthly balances of Current Gas in Storage shall be accrued at a 10% annual rate for purposes of determining the delivered cost of natural gas that will be subject to recovery through DE-Ohio's GCR. Attached, as Stipulation Exhibit 3, is an illustration of the impact on the Company's Rider GCR rates from moving carrying costs on gas storage into the GCR. The Parties agree that the Commission should: (a) approve the methodology for the calculation of the storage carrying costs for

inclusion in the GCR demonstrated in Stipulation Exhibit 3; (b) find that such an adjustment to DE-Ohio's rates is not an increase in base rates; and (c) approve recovery of such costs in DE-Ohio's next GCR filing following the Commission's order in this proceeding. The Stipulating Parties agree to the methodology for calculating the storage carrying costs as shown on Stipulation Exhibit 3. Nothing in this Stipulation shall prevent any party from objecting to the calculation of carrying charge amounts or the monthly balances of Current Gas in Storage, for purposes of applying carrying charges in subsequent GCR cases associated with the actual monthly balances of Current Gas in Storage.

17. **Rider AMRP Residential Rate Caps.** The residential rate caps on Stipulation Exhibit 4 apply to Rider AMRP. DE-Ohio may establish deferrals for the expenses of the riser replacement program if these expenses cause DE-Ohio to exceed the cumulative rate cap, including a carrying cost of 5.87%. The rate caps shall be cumulative rather than annual caps such that if the rate increase is below the annual cap in a given year, the unused portion of the cap may be carried forward to future years but can never exceed the cumulative cap. If the deferred curb-to-meter expense or the deferred riser replacement program expense cause DE-Ohio to exceed the cumulative rate cap in any year, then DE-Ohio may

recover that portion of the deferred expense that exceeds the cumulative rate cap in a subsequent year as long as the recovery does not exceed the cumulative rate cap. This paragraph does not apply to the other tracking mechanisms established by this Stipulation.

18. **Service Company Allocations.** DE-Ohio shall conduct an internal audit of its method and process for allocating service company charges to DE-Ohio no later than 2009, and will provide the audit report to Staff and the OCC.
19. **Customer Deposits for Percentage Income Payment Plan.** DE-Ohio shall meet with Staff and other interested Parties to discuss eliminating customer deposits for Percentage Income Payment Plan ("PIPP") customers and shall eliminate such deposits if Staff agrees.
20. **Payment Plans.** DE-Ohio shall review and fully consider the merits of adopting any new payment plans submitted by any Party and, if DE-Ohio elects not to implement such new payment plan, DE-Ohio shall respond to the stakeholder in writing of the reasons for its decision.
21. **Use of Payday Lenders as Authorized Payment Stations.** DE-Ohio shall review its use of payday lenders as authorized payment stations and will use its best efforts to eliminate using payday

lenders as authorized payment stations if other suitable locations for the payment stations are available in the same geographic area. DE-Ohio shall provide a list of all payday lenders utilized as authorized payment stations to Staff and other interested Parties annually.¹⁴

22. **Non-Authorized Payment Stations.** DE-Ohio shall communicate with its customers to educate them about the difference between authorized and non-authorized payment stations. DE-Ohio shall work with members of the Collaborative to develop the educational materials and communication strategy.
23. **Use of Participants Test for Demand Side Management/Energy Efficiency Programs.** DE-Ohio shall continue to use the Participants Test as one of the methods for evaluating its Demand Side Management/Energy Efficiency programs as appropriate; however, DE-Ohio shall continue to use other cost/benefit tests as the Collaborative deems appropriate.
24. **Staff Report Resolves Other Issues.** The Parties agree that the Staff Report of Investigation resolves the remaining issues not addressed in this Stipulation and Recommendation.¹⁵ DE-Ohio

¹⁴ The annual payday lenders list is to be provided initially on May 1, 2008, and on May 1, each year thereafter.

¹⁵ The Parties expressly agree that the issue of fixed vs. volumetric rate design and/or a sales decoupling rider is not intended to be resolved through this Stipulation

shall submit all proposed tariff changes discussed in this Stipulation to Staff and the Parties for review and resolution prior to filing the revised tariff sheets to the Commission.

25. **Pilot Low Income Program.** In order to provide incentives for low income customers to conserve and to avoid penalizing low-income customers who wish to stay off of programs such as PIPP, DE-Ohio will implement a pilot tariff for the first 5,000 eligible customers. Eligible customers shall be non-PIPP low usage customers verified at or below 175% of poverty level. DE-Ohio will design a tariff that adjusts the fixed monthly charge for eligible customers as shown on Stipulation Exhibit 2. These rates may be adjusted if the Commission does not approve the fixed customer charge as shown in Stipulation Exhibit 2. DE-Ohio will develop the details for this program in consultation with Staff and the Parties. DE-Ohio shall evaluate the program after the first winter heating season to determine, following consultation with Staff and the Parties, whether the program should be continued to all eligible low income customers, including considerations of program demand and cost.
26. **Workshop to Consider Wholesale Auction Process.** DE-Ohio shall convene a working group or collaborative process for the purpose of exploring the merits of implementing an auction to

and will be decided by the Commission following the hearing, as noted in Footnote 7, above.

supply the standard service offer not later than 60 days after approval of this Stipulation by the Commission. The working group or collaborative process shall be open to Staff, the OCC, Marketers and other interested stakeholders. DE-Ohio shall inform the Commission by written report docketed no later than one year after approval of this Stipulation of the findings of the working group or collaborative including the facts and arguments which support and or oppose implementation of an auction process. The working group or collaborative process shall also review whether the present allocation of 80% of the net revenues from DE-Ohio's asset management agreement should continue to flow to GCR customers only, or should be changed to flow to GCR customers and choice customers.

27. **Implementation of Sharing Mechanism for Net Revenues from Off-System Transactions.** DE-Ohio shall revise its GCR tariff to implement a sharing mechanism for sharing of net revenues from off-system transactions.¹⁶ Such sharing mechanism shall be effective if DE-Ohio does not have an asset management agreement transferring management responsibility for its gas commodity, storage and transportation contracts to a third-party, and shall provide for sharing of the net revenues from off-system

¹⁶ Off-system transactions are defined to include but are not limited to Off-System Sales Transactions, Capacity Release Transactions, Park Transactions, Loan Transactions, Exchange Transactions, and any other similar, but yet unnamed transactions.

transactions to be allocated 80% to GCR and choice customers and 20% to DE-Ohio shareholders. The revenue sharing percentage proposed by implementation of the sharing mechanism in this Stipulation is expressly limited to gas-related sales transactions, and shall not have precedential value in establishing the sharing percentages for similar electric sales transactions by DE-Ohio. This sharing mechanism, but not the 80%/20% revenue allocation, shall be subject to review in future GCR cases.¹⁷

28. **Withdrawal of Testimony and Objections.** Effective upon approval of the Stipulation by the Commission, the Signatory Parties, with the exception of DE-Ohio, Staff and OCC agree to withdraw, and hereby withdraw, such Parties' objections and testimony, except that any objections and testimony by the OCC and OP&E relating to rate design shall not be withdrawn and shall be resolved at hearing.¹⁸

The undersigned hereby stipulate and agree and each represents that it is authorized to enter into this Stipulation and Recommendation this 28th day of February, 2008. This Stipulation and Recommendation may be signed in counterparts.

¹⁷ This paragraph does not change the allocation contained in the current sharing mechanism for revenues received under DE-Ohio's asset management agreement.

¹⁸ Except as noted in Footnote 7, the signatory Parties agree not to challenge any issues in the case at the Commission hearing on whether to approve the Stipulation.

DUKE ENERGY OHIO, INC.

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Its Attorney

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COMMISSION OF OHIO

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PEOPLE WORKING COOPERATIVELY, INC.

By: Mary W. Christensen / by JTF per telephone
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Authorization 2/27/08

Stipulation Exhibit 1
Schedule A-1
Page 1

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
OVERALL FINANCIAL SUMMARY - STIPULATION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

| LINE NO. | DESCRIPTION | JURISDICTIONAL PROPOSED TEST YEAR |
|-------------|---|---|
| 1 | Rate Base | \$649,964,874 |
| 2 | Current Operating Income | \$43,274,872 |
| 3 | Earned Rate of Return (Line 2 / Line 1) | 6.66% |
| 4 | Requested Rate of Return (at 10.50% ROE) | 8.45% |
| 5 | Required Operating Income (Line 1 x Line 4) | <u>\$54,922,032</u> |
| 6 | Operating Income Deficiency (Line 5 - Line 2) | \$11,647,160 |
| 7 | Gross Revenue Conversion Factor | <u>1.5641209</u> |
| 8 | Revenue Deficiency (Line 6 x Line 7) | \$18,217,566 |
| 9 | Adjusted Operating Revenues | \$597,573,805 |
| 10 | Revenue Requirements (Line 9 + Line 10) | \$615,791,371 |
| 11 | Revenue Increase Requested/Recommended | <u><u>\$18,217,566</u></u> |
| 12 | Percent Increase | 3.05% |

Stipulation Exhibit 2
Page 1 of 2

Duke Energy Ohio
Gas Rate Case Settlement Proposal
Case No. 07-599-GA-LTR
Year 1 - \$3 Million Subsidy/Excess Elimination

| Rate Class | Current Base Revenue | Proposed Revenue Increase | Proposed Base Revenue | Billing Determinants | | Proposed Rates | | |
|--|----------------------------|---------------------------------|-----------------------------|----------------------|-----------------------|--------------------|-----------------------------------|-------------------------------------|
| | | | | # of Bills | Sales (Mcf) | Customer Charge | First 40 MCF Per MCF Charge | Additional MCF Per MCF Charge |
| Residential (RS / RFT / Low Income) | \$122,355,339 | \$15,578,432 | \$146,933,770 | 4,711,185 | 31,824,437 | | | |
| Low Income RS / RFT | | | 1,542,697 145,391,072 | 60,000 4,651,185 | 400,000 31,424,437 | \$16.25 \$20.25 | \$1.07044 \$1.07044 | \$1.07044 \$1.71544 |

| | Proposed Rates | |
|--------------------------------------|--------------------|--------------------------|
| | Customer Charge | Per MCF Charge |
| Non-Residential (GS / PT) | | |
| Annual CCF <= 4000 | 394,568 | 22,043,252 |
| Annual CCF > 4000 | 295,460 99,108 | 12,190,333 10,852,319 |
| Interruptible Transportation (IT) | 1,920 | 15,599,722 |
| Total | \$208,718,387 | \$18,217,556 |

\$208,718,387 \$18,217,556 \$226,935,943

Notes - Residential Low Income
Low Income Savings Including Excise Tax (\$600 Customers) \$251,736

Stipulation Exhibit 2
Page 2 of 2

Duke Energy Ohio
Gas Rate Case Settlement Proposal
Case No. 07-589-GA-AIR
Year 2 - \$6 Million Subsidy/Excess Elimination

| Rate Class | Current Base Revenue | Proposed Revenue Increase | Proposed Base Revenue | Billing Determinants # of Bills | Sales (MCF) | Proposed Rates | | |
|--|----------------------------|---------------------------------|-----------------------------|------------------------------------|-------------|--------------------|-----------------------------------|-------------------------------------|
| | | | | | | Customer Charge | First 40 MCF Per MCF Charge | Additional MCF Per MCF Charge |
| Residential (RS / RFT / Low Income) | \$131,355,119 | \$18,578,434 | \$149,933,773 | 4,711,185 | 31,824,437 | | | |
| Low Income RS / RFT | | | 1,584,586 | 60,000 | 400,000 | \$21.33 | \$0.40828 | \$0.40828 |
| | | | 148,349,187 | 4,651,185 | 31,424,437 | \$25.33 | \$0.40828 | \$1.05278 |

| | Current Base Revenue | Proposed Revenue Increase | Proposed Base Revenue | Billing Determinants # of Bills | Sales (MCF) | Proposed Rates | | |
|--------------------------------------|----------------------------|---------------------------------|-----------------------------|------------------------------------|-------------|--------------------|-----------------------------------|-------------------------------------|
| | | | | | | Customer Charge | First 40 MCF Per MCF Charge | Additional MCF Per MCF Charge |
| Non-Residential (GS / FT) | \$66,944,782 | -\$447,161 | \$66,497,621 | 394,568 | 23,043,252 | | | |
| Annual CCF <= 4000 | | | | 295,460 | 12,190,933 | \$45.00 | \$1.07552 | |
| Annual CCF > 4000 | | | | 99,108 | 20,852,319 | \$180.00 | \$1.12310 | |
| Interruptible Transportation (IT) | \$10,418,276 | \$86,292 | \$10,504,569 | 1,920 | 25,599,722 | \$595.86 | | \$0.52690 |

Total \$208,719,397 \$18,217,566 \$226,935,963

Notes - Residential Low Income
Low Income Savings Including Excise Tax (5000 Customers) \$251,716

Stipulation Exhibit 3

Duke Energy Ohio
Case No. 07-589-GA-AIR
Impact of Including Carrying Costs on Gas Stored Underground on Price to Compare

| Line No. | Description | Schedule Reference | Per Filing |
|----------|--|--------------------|------------------|
| 1 | Gas Stored Underground - 13-Month Avg. | B-5 | \$49,347,048 |
| 2 | Requested Rate of Return | (1) | <u>10.00%</u> |
| 3 | Operating Income (Line 1 x Line 2) | | \$4,934,705 |
| 4 | Gross Revenue Conversion Factor | C-10 | <u>1.0166786</u> |
| 5 | Revenue Requirement (Line 3 x Line 4) | | \$5,017,009 |
| 6 | MCF Sales Subject to GCR | E-4 (2) | 41,173,449 |
| 7 | Impact of Gas Storage Investment per MCF (Line 5 / Line 6) | | \$0.1219 |
| 8 | Gas Cost Rate from Filing per MCF (3) | | \$8.727 |
| 9 | Increase in GCR Rates (i.e., Price to Compare) | | 1.4% |

(1) Per Stipulation, carrying costs accrued at annual rate of 10% per O.A.C. 4901:1-14-05.

(2) Includes Line 8, Total Sales Service, Line 15, Interdepartmental and Line 22, Street Lighting.

(3) Represent average GCR rate used in production of Schedule E-4.

Stipulation Exhibit 4
Page 1 of 3Duke Energy Ohio
Ohio AMRP Cap Calculation
Annualized Revenue Requirement

| No. | | Estimate At 12/31/2007 | Estimate At 12/31/2008 | Estimate At 12/31/2009 | Estimate At 12/31/2010 | Estimate At 12/31/2011 | Estimate At 12/31/2012 | Estimate At 12/31/2013 | Estimate At 12/31/2014 | Estimate At 12/31/2015 | Estimate At 12/31/2016 | Estimate At 12/31/2017 |
|-----|--|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| 1 | Return on Investment | | | | | | | | | | | |
| 2 | Plant In-Service | | | | | | | | | | | |
| 3 | Additions: | | | | | | | | | | | |
| 4 | Mains | 42,573,922 | 90,063,248 | 137,552,570 | 171,928,274 | 206,365,978 | 240,682,582 | 275,059,385 | 308,436,050 | 343,812,784 | 378,185,498 | 412,566,202 |
| 5 | M-C Services | 5,073,470 | 18,115,055 | 27,164,640 | 33,712,583 | 40,260,526 | 46,809,489 | 53,355,412 | 59,904,355 | 66,452,238 | 73,000,241 | 79,548,184 |
| 6 | C-M Services | - | 7,038,216 | 14,076,432 | 18,171,276 | 24,266,120 | 29,360,954 | 34,455,808 | 39,550,652 | 44,645,486 | 49,740,340 | 54,835,184 |
| 7 | Risers | - | - | - | - | - | - | - | - | - | - | - |
| 8 | Total Additions | 51,647,392 | 115,220,517 | 178,793,642 | 224,813,133 | 270,892,624 | 316,852,115 | 362,871,606 | 408,891,057 | 454,910,598 | 500,890,079 | 546,949,570 |
| 9 | Original Cost Retired: | | | | | | | | | | | |
| 10 | Mains | (2,822,064) | (3,816,087) | (4,810,110) | (5,807,379) | (6,804,648) | (7,801,917) | (8,799,186) | (9,796,455) | (10,793,724) | (11,790,993) | (12,788,262) |
| 11 | M-C Services | (4,411,336) | (8,262,716) | (12,041,205) | (15,824,433) | (19,607,661) | (23,390,889) | (27,174,117) | (30,957,345) | (34,740,573) | (38,523,801) | (42,307,029) |
| 12 | Total Original Cost Retired | (7,233,400) | (12,078,803) | (16,851,315) | (21,648,812) | (26,412,309) | (31,192,806) | (35,963,303) | (40,753,800) | (45,534,297) | (50,324,794) | (55,114,291) |
| 13 | Total Plant In-Service | 44,413,992 | 103,141,714 | 161,942,327 | 204,821,321 | 247,700,315 | 289,578,309 | 333,458,303 | 378,137,257 | 419,216,281 | 462,065,285 | 504,974,279 |
| 14 | Less: Accumulation Provision for Depreciation | | | | | | | | | | | |
| 15 | Depreciation Expense | 387,761 | 2,113,359 | 3,760,978 | 5,181,126 | 6,373,807 | 7,596,488 | 8,759,169 | 9,951,846 | 11,144,532 | 12,337,214 | 13,529,894 |
| 16 | Cost of Removal | (523,897) | (961,783) | (1,388,509) | (1,672,154) | (1,954,789) | (2,237,443) | (2,520,089) | (2,802,733) | (3,085,378) | (3,368,023) | (3,650,668) |
| 17 | Original Cost Retired | (7,233,400) | (12,078,803) | (16,851,315) | (21,648,812) | (26,412,309) | (31,192,806) | (35,963,303) | (40,753,800) | (45,534,297) | (50,324,794) | (55,114,291) |
| 18 | Total Accumulated Provision for Depreciation | (7,368,516) | (10,947,227) | (14,479,848) | (18,482,840) | (22,943,301) | (27,986,731) | (33,442,261) | (38,504,684) | (43,566,063) | (48,627,447) | (53,688,843) |
| 19 | Net Regulatory Asset-Post In-Service Carrying Cost | 888,200 | 2,739,407 | 4,560,953 | 5,798,943 | 7,007,476 | 8,181,005 | 9,319,529 | 10,423,048 | 11,461,562 | 12,547,158 | 13,616,105 |
| 20 | Net Deferred Tax Balance-PISOC | (310,891) | (968,782) | (1,592,833) | (2,029,630) | (2,452,617) | (2,863,352) | (3,261,835) | (3,648,067) | (4,022,047) | (4,391,506) | (4,756,537) |
| 21 | Deferred Taxes on Liberalized Depreciation | (698,513) | (2,097,924) | (4,428,953) | (7,427,906) | (10,855,432) | (14,651,125) | (18,753,073) | (23,108,050) | (27,718,219) | (32,588,261) | (36,243,977) |
| 22 | Net Rate Base | 51,862,364 | 113,751,632 | 174,951,312 | 217,645,558 | 260,112,043 | 302,188,588 | 343,937,146 | 385,408,912 | 426,804,731 | 467,517,259 | 509,676,835 |
| 23 | Proposed Pre-tax Rate of Return | 11.67% | 11.67% | 11.67% | 11.67% | 11.67% | 11.67% | 11.67% | 11.67% | 11.67% | 11.67% | 11.67% |
| 24 | Net Deferred Expense - Curr to Meter & Maint Savings | 8,352,387 | 5,283,658 | 4,234,825 | 3,176,184 | 2,117,463 | 1,068,732 | - | - | - | - | - |
| 25 | Average cost of debt | 5.87% | 5.87% | 5.87% | 5.87% | 5.87% | 5.87% | 5.87% | 5.87% | 5.87% | 5.87% | 5.87% |
| 26 | Annualized Return on Rate Base | 6,401,883 | 13,585,553 | 20,665,408 | 25,585,680 | 30,479,370 | 35,327,874 | 40,137,465 | 44,977,220 | 49,784,772 | 54,559,284 | 59,479,287 |
| 27 | Operating Expenses | | | | | | | | | | | |
| 28 | Annualized Provision for Depreciation For Additions | | | | | | | | | | | |
| 29 | Mains | 948,380 | 1,991,256 | 3,034,121 | 3,789,033 | 4,543,945 | 5,298,858 | 6,053,771 | 6,808,683 | 7,563,596 | 8,318,508 | 9,073,420 |
| 30 | M-C Services | 341,162 | 681,276 | 1,021,390 | 1,267,595 | 1,513,796 | 1,759,988 | 2,006,201 | 2,252,404 | 2,498,606 | 2,744,809 | 2,991,012 |
| 31 | C-M Services | - | 264,637 | 529,274 | 720,840 | 912,406 | 1,103,972 | 1,295,538 | 1,487,105 | 1,678,671 | 1,870,237 | 2,061,803 |
| 32 | Risers | - | - | - | - | - | - | - | - | - | - | - |
| 33 | Current Year Provision | 1,289,552 | 2,837,169 | 4,584,785 | 5,777,468 | 6,970,148 | 8,182,828 | 9,355,510 | 10,648,192 | 11,740,873 | 12,933,554 | 14,126,235 |
| 34 | Annualized Reduction in Depreciation For Retirements | | | | | | | | | | | |
| 35 | Mains | (63,264) | (85,831) | (108,377) | (127,821) | (147,265) | (166,709) | (186,152) | (205,596) | (225,039) | (244,483) | (263,927) |
| 36 | M-C Services | (159,335) | (289,737) | (416,338) | (493,244) | (570,151) | (647,057) | (723,963) | (800,869) | (877,776) | (954,683) | (1,031,589) |
| 37 | Total | (222,600) | (375,568) | (524,715) | (621,065) | (717,416) | (813,766) | (910,115) | (1,006,466) | (1,102,815) | (1,199,166) | (1,295,515) |
| 38 | Annualized Amortization of PISOC | 17,807 | 66,164 | 114,521 | 149,525 | 184,529 | 219,533 | 254,537 | 289,541 | 324,545 | 359,549 | 394,553 |
| 39 | Amortization of Deferred Expenses | 1,046,731 | 1,058,731 | 1,068,731 | 1,068,731 | 1,068,731 | 1,068,731 | 1,068,731 | 1,068,731 | 1,068,731 | 1,068,731 | 1,068,731 |
| 40 | Water Relocation Expenses | - | 136,500 | 143,325 | 150,491 | 158,016 | 165,917 | 174,213 | 182,924 | 192,070 | 201,674 | 211,748 |
| 41 | Annualized Property Tax Expense | 987,464 | 2,244,386 | 3,447,555 | 4,248,270 | 5,015,157 | 5,751,474 | 6,453,485 | 7,122,688 | 7,770,143 | 8,445,676 | 9,084,133 |
| 42 | Achieved Reduction in Mains-Maintenance Expense | - | (216,179) | (409,600) | (580,287) | (728,178) | (853,334) | (955,794) | (1,035,378) | (1,082,267) | (1,128,400) | (1,173,779) |
| 43 | Annualized Revenue Requirement | 9,542,818 | 19,436,757 | 29,080,010 | 35,788,831 | 42,421,357 | 49,019,057 | 54,609,371 | 61,078,722 | 67,617,321 | 74,175,151 | 80,866,673 |

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2/27/2008

AMRP Summary

Stipulation Exhibit 4
Page 2 of 3Duke Energy Ohio
Ohio Riser Cap Calculation
Annual Revenue Requirement

| No. | | Estimate At 12/31/2008 | Estimate At 12/31/2010 | Estimate At 12/31/2011 | Estimate At 12/31/2012 | Estimate At 12/31/2013 | Estimate At 12/31/2014 | Estimate At 12/31/2015 | Estimate At 12/31/2016 | Estimate At 12/31/2017 |
|-----|--|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| 1 | Return on Investment | | | | | | | | | |
| 2 | Plant In-Service | | | | | | | | | |
| 3 | Additions: | | | | | | | | | |
| 4 | Mains | - | - | - | - | - | - | - | - | - |
| 5 | M-C Services | - | - | - | - | - | - | - | - | - |
| 6 | C-M Services | - | - | - | - | - | - | - | - | - |
| 7 | Risers | 5,042,517 | 16,808,390 | 28,574,263 | 40,340,136 | 40,340,136 | 40,340,136 | 40,340,136 | 40,340,136 | 40,340,136 |
| 8 | Total Additions | 5,042,517 | 16,808,390 | 28,574,263 | 40,340,136 | 40,340,136 | 40,340,136 | 40,340,136 | 40,340,136 | 40,340,136 |
| 9 | Original Cost Retired: | | | | | | | | | |
| 10 | Mains | - | - | - | - | - | - | - | - | - |
| 11 | M-C Services | - | - | - | - | - | - | - | - | - |
| 12 | Total Original Cost Retired | - | - | - | - | - | - | - | - | - |
| 13 | Total Plant In-Service | 5,042,517 | 16,808,390 | 28,574,263 | 40,340,136 | 40,340,136 | 40,340,136 | 40,340,136 | 40,340,136 | 40,340,136 |
| 14 | Less: Accumulation Provision for Depreciation | | | | | | | | | |
| 15 | Depreciation Expense | 94,799 | 410,797 | 853,194 | 1,295,591 | 1,516,789 | 1,516,789 | 1,516,789 | 1,516,789 | 1,516,789 |
| 16 | Cost of Removal | - | - | - | - | - | - | - | - | - |
| 17 | Original Cost Retired | - | - | - | - | - | - | - | - | - |
| 18 | Total Accumulated Provision for Depreciation | 94,799 | 410,797 | 853,194 | 1,295,591 | 1,516,789 | 1,516,789 | 1,516,789 | 1,516,789 | 1,516,789 |
| 19 | Net Regulatory Asset—Post In-Service Carrying Cost | 147,998 | 489,616 | 820,723 | 1,138,846 | 1,084,138 | 1,009,620 | 965,102 | 920,584 | 876,086 |
| 20 | Net Deferred Tax Balances—PISCC | (51,799) | (171,365) | (287,252) | (398,595) | (368,947) | (353,366) | (337,785) | (322,204) | (308,523) |
| 21 | Deferred Taxes on Liberalized Depreciation | (33,003) | (171,058) | (441,991) | (824,223) | (1,220,791) | (1,547,787) | (2,019,578) | (2,186,599) | (2,288,771) |
| 22 | Net Rate Base | 5,010,914 | 18,544,786 | 27,812,549 | 38,960,573 | 38,316,684 | 37,960,751 | 37,437,086 | 37,255,128 | 37,108,019 |
| 23 | Proposed Pre-tax Rate of Return | 11.67% | 11.67% | 11.67% | 11.67% | 11.67% | 11.67% | 11.67% | 11.67% | 11.67% |
| 24 | Annualized Return on Rate Base | 584,774 | 1,930,777 | 3,245,724 | 4,546,698 | 4,471,557 | 4,396,990 | 4,366,908 | 4,347,673 | 4,330,272 |
| 25 | Operating Expenses | | | | | | | | | |
| 26 | Annualized Provision for Depreciation For Additions | | | | | | | | | |
| 27 | Mains | - | - | - | - | - | - | - | - | - |
| 28 | M-C Services | - | - | - | - | - | - | - | - | - |
| 29 | C-M Services | - | - | - | - | - | - | - | - | - |
| 30 | Risers | 189,599 | 631,995 | 1,074,392 | 1,516,789 | 1,516,789 | 1,516,789 | 1,516,789 | 1,516,789 | 1,516,789 |
| 31 | Current Year Provision | 189,599 | 631,995 | 1,074,392 | 1,516,789 | 1,516,789 | 1,516,789 | 1,516,789 | 1,516,789 | 1,516,789 |
| 32 | Annualized Reduction in Depreciation For Retirements | | | | | | | | | |
| 33 | Mains | - | - | - | - | - | - | - | - | - |
| 34 | M-C Services | - | - | - | - | - | - | - | - | - |
| 35 | Total | - | - | - | - | - | - | - | - | - |
| 36 | Annualized Amortization of PISCC | 5,565 | 18,549 | 31,533 | 44,517 | 44,517 | 44,517 | 44,517 | 44,517 | 44,517 |
| 37 | Meter Relocation Expenses | - | - | - | - | - | - | - | - | - |
| 38 | Customer Owned Service Line Expense | - | - | - | - | - | - | - | - | - |
| 39 | Annualized Property Tax Expense | 108,372 | 357,601 | 598,341 | 830,482 | 801,120 | 771,757 | 742,285 | 683,561 | 654,088 |
| 40 | Achieved Reduction in Mains—Maintenance Expense | - | - | - | - | - | - | - | - | - |
| 41 | Annualized Revenue Requirement | 888,310 | 2,938,922 | 4,949,990 | 6,933,983 | 6,763,083 | 6,699,581 | 6,643,137 | 6,587,540 | 6,545,866 |

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2/27/2008

Risers

Stipulation Exhibit 4
Page 3 of 3

Duke Energy Ohio
Case No. 07-589-GA-AIR
Rider AMRP Residential Rate Cap ^(a)

| Year ^(b) | Incremental Rate Cap ^(c) | Cumulative Rate Cap ^(c) |
|----------------------------|--|---|
| 2008 | \$1.30 | \$1.30 |
| 2009 | 1.30 | 2.60 |
| 2010 | 1.30 | 3.90 |
| 2011 | 1.30 | 5.20 |
| 2012 | 1.00 | 6.20 |
| 2013 | 1.00 | 7.20 |
| 2014 | 1.00 | 8.20 |
| 2015 | 1.00 | 9.20 |
| 2016 | 1.00 | 10.20 |
| 2017 | 1.00 | 11.20 |
| 2018 | \$1.00 | \$12.20 |

Note: ^(a) Includes riser replacement program.

^(b) Indicates year of recovery for Rider AMRP based on investment in AMRP and Risers Replacements through December 31 of prior year.

^(c) Per bill.

Stipulation Exhibit 5

Page 1 of 4

DUKE ENERGY OHIO
CASE NO. 07-588-GA-AIR
DEPRECIATION ACCRUAL RATES
BY ACCOUNTS, FUNCTIONAL CLASS OR MAJOR PROPERTY GROUP
AS OF MARCH 31, 2007

MANUFACTURED GAS PRODUCTION PLANT

DATA: "X" ACTUAL ESTIMATED
TYPE OF FILING: "X" ORIGINAL UPDATED REVISED
WORK PAPER REFERENCE NO(S):

| LINE NO. (A) | F.E.R.C. ACCT. NO. (B-1) | COMPANY ACCT. NO. (B-2) | ACCOUNT TITLE OR MAJOR PROPERTY GROUPING (C) | COMPANY PROPOSED ACCRUAL RATE (F) | STAFF'S PROPOSED ACCRUAL RATE (F) | AVERAGE OF COMPANY AND STAFF |
|--------------------|-----------------------------------|----------------------------------|---|---|---|--|
| | | | | % | % | |
| 1 | 304 | 2040 | Land and Land Rights | | | |
| 2 | 304 | 2041 | Rights of Way | 2.00 | 2.00 | 2.00 |
| 3 | 305 | 2050 | Structures & Improvements | 2.10 | 2.00 | 2.05 |
| 4 | 311 | 2110 | Liquefied Petroleum Gas Equipment | 2.53 | 2.50 | 2.57 |
| 5 | 320 | 2200 | Other Equipment | 7.14 | 7.14 | 7.14 |
| 6 | | 108 | Retirement Work In Progress | | | |
| 7 | | | Total Manufactured Gas Production Plant | | | |

Stipulation Exhibit 5

Page 2 of 4

DUKE ENERGY OHIO
CASE NO. 07-689-GA-AIR
DEPRECIATION ACCRUAL RATES
BY ACCOUNTS, FUNCTIONAL CLASS OR MAJOR PROPERTY GROUP
AS OF MARCH 31, 2007

DISTRIBUTION PLANT

DATA: "X" ACTUAL ESTIMATED
TYPE OF FILING: "X" ORIGINAL UPDATED REVISED
WORK PAPER REFERENCE NO(S):

| LINE NO. (A) | F.E.R.C. ACCT. NO. (B-1) | COMPANY ACCT. NO. (B-2) | ACCOUNT TITLE OR MAJOR PROPERTY GROUPING (C) | COMPANY PROPOSED ACCRUAL RATE (F) | STAFF'S PROPOSED ACCRUAL RATE (F) | AVERAGE OF COMPANY AND STAFF |
|--------------------|-----------------------------------|----------------------------------|---|---|---|--|
| | | | | % | % | |
| 1 | 374 | 2740 | Land and Land Rights | 0.00 | 0.00 | 0.00 |
| 2 | 374 | 2741 | Rights of Way | 1.54 | 1.54 | 1.54 |
| 3 | 374 | 2742 | City Gate Check Station | 0.00 | 0.00 | 0.00 |
| 4 | 375 | 2750 | Structures & Improvements | 2.30 | 2.00 | 2.15 |
| 5 | 376 | 2761 | Mains - Cast Iron & Copper | 2.72 | 2.17 | 2.45 |
| 6 | 376 | 2762 | Mains - Steel | 1.92 | 1.54 | 1.73 |
| 7 | 376 | 2763 | Mains - Plastic | 2.27 | 1.82 | 2.05 |
| 8 | 376 | 2765 | Mains - Feeder | 1.92 | 1.54 | 1.73 |
| 9 | 378 | 2780 | System Meas. & Reg. Station Equipment | 2.44 | 2.22 | 2.33 |
| 10 | 378 | 2781 | System Meas. & Reg. Station Equipment-Elec | 7.00 | 6.87 | 6.84 |
| 11 | 378 | 2782 | District Regulating Equipment | 2.30 | 2.00 | 2.15 |
| 12 | 379 | 2790 | Meas. & Reg. - City Gate | 10.00 | 10.00 | 10.00 |
| 13 | 380 | 2801 | Services- Cast Iron & Copper | 3.24 | 2.70 | 2.97 |
| 14 | 380 | 2802 | Services-Steel | 3.16 | 2.63 | 2.90 |
| 15 | 380 | 2803 | Services-Plastic | 3.75 | 3.13 | 3.44 |
| 16 | 381 | 2810,2811 | Meters | 2.22 | 2.22 | 2.22 |
| 17 | 382 | 2820,2821 | Meter Installations | 2.17 | 2.17 | 2.17 |
| 18 | 383 | 2830 | House Regulators | 2.00 | 2.00 | 2.00 |
| 19 | 384 | 2840 | House Regulator Installations | 2.22 | 2.22 | 2.22 |
| 20 | 385 | 2850 | Large Industrial Meas. & Reg. Equipment | 3.14 | 2.86 | 3.00 |
| 21 | 385 | 2851 | Large Industrial Meas. & Reg. Equipment - Comm | 3.14 | 2.86 | 3.00 |
| 22 | 387 | 2870 | Other Equipment - Other | 7.69 | 7.69 | 7.69 |
| 23 | 387 | 2871 | Street Lighting Equipment | 2.88 | 2.38 | 2.62 |
| 24 | | 108 | Retirement Work In Progress | | | |
| 25 | | | Gas ARO | | | |
| 26 | | | Total Distribution Plant | | | |

Stipulation Exhibit 5
Page 3 of 4

DUKE ENERGY OHIO
CASE NO. 07-588-GA-AIR
DEPRECIATION ACCRUAL RATES
BY ACCOUNTS, FUNCTIONAL CLASS OR MAJOR PROPERTY GROUP
AS OF MARCH 31, 2007

GENERAL PLANT

DATA: "X" ACTUAL ESTIMATED
TYPE OF FILING: "X" ORIGINAL UPDATED REVISED
WORK PAPER REFERENCE NO(S):

| LINE NO. (A) | F.E.R.C. ACCT. NO. (B-1) | COMPANY ACCT. NO. (B-2) | ACCOUNT TITLE OR MAJOR PROPERTY GROUPING (C) | COMPANY PROPOSED ACCRUAL RATE (E) | STAFF'S PROPOSED ACCRUAL RATE (F) | AVERAGE OF COMPANY AND STAFF |
|--------------------|-----------------------------------|----------------------------------|---|---|---|--|
| | | | | % | % | |
| 1 | 000 | 2030 | Miscellaneous Intangible Plant | Various | Various | |
| 2 | 388 | 2890 | Land | | | |
| 3 | 390 | 2900 | Structures & Improvements | 3.33 | 3.33 | 3.33 |
| 4 | 391 | 2910 | Office Furniture & Equipment | 5.00 | 5.00 | 5.00 |
| 5 | 391 | 2911 | Electronic Data Processing Equipment | | | |
| 6 | 392 | 2920 | Transportation Equipment | | | |
| 7 | 392 | 2921 | Trailers | | | |
| 8 | 394 | 2940 | Tools, Shop & Garage Equipment | 4.00 | 4.00 | 4.00 |
| 9 | 395 | 2950 | Laboratory Equipment | 6.67 | 6.67 | 6.67 |
| 10 | 396 | 2960 | Power Operated Power Equipment | | | |
| 11 | 397 | 2970 | Communication Equipment | 6.67 | 6.67 | 6.67 |
| 12 | | 108 | Retirement Work in Progress | | | |
| 13 | | | Total General Plant | | | |
| 14 | | | Total Gas Plant | | | |

Stipulation Exhibit 5

Page 4 of 4

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
DEPRECIATION ACCRUAL RATES
BY ACCOUNTS, FUNCTIONAL CLASS OR MAJOR PROPERTY GROUP
AS OF MARCH 31, 2007

COMMON PLANT

DATA: "X" ACTUAL ESTIMATED
TYPE OF FILING: "X" ORIGINAL UPDATED REVISED
WORK PAPER REFERENCE NO(S):

| LINE NO. (A) | F.E.R.C. ACCT. NO. (B-1) | COMPANY ACCT. NO. (B-2) | ACCOUNT TITLE OR MAJOR PROPERTY GROUPING (C) | COMPANY PROPOSED ACCRUAL RATE (F) | STAFF'S PROPOSED ACCRUAL RATE (F) | AVERAGE OF COMPANY AND STAFF |
|--------------------|-----------------------------------|----------------------------------|---|---|---|--|
| | | | | % | % | |
| 1 | | 1030 | Miscellaneous Intangible Plant | Various | Various | |
| 2 | | 1890 | Land and Land Rights | | | |
| 3 | | 1891 | Rights of Way | | | |
| 4 | | 1900 | Structures & Improvements | 2.91 | 2.91 | 2.91 |
| 5 | | 1900 | Structures & Improvements - Atrium II | 25.37 | 25.37 | 25.37 |
| 6 | | 1900 | Structures & Improvements - Clopay 4th 5th 6th Floor | 0.00 | 0.00 | 0.00 |
| 7 | | 1900 | Structures & Improvements - Clopay Bldg | 0.00 | 0.00 | 0.00 |
| 8 | | 1910 | Office Furniture & Equipment | 5.00 | 5.00 | 5.00 |
| 9 | | 1911 | Electronic Data Processing Equipment | | | |
| 10 | | 1920 | Transportation Equipment | | | |
| 11 | | 1921 | Trailers | | | |
| 12 | | 1930 | Stores Equipment | 5.00 | 5.00 | 5.00 |
| 13 | | 1940 | Tools, Shop & Garage Equipment | 4.00 | 4.00 | 4.00 |
| 14 | | 1950 | Laboratory Equipment | 6.67 | 6.67 | 6.67 |
| 15 | | 1960 | Power Operated Equipment | | | |
| 16 | | 1970 | Communication Equipment | 6.67 | 6.67 | 6.67 |
| 17 | | 1980 | Miscellaneous Equipment | 6.67 | 6.67 | 6.67 |
| 18 | | 108 | Retirement Work In Progress | | | |
| 19 | | | Total Common Plant | | | |

(1) Fully Depreciated

FILE

18

RECEIVED-DOCKETING DIV
2011 APR -8 PM 3:54

PUCO

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

| | | |
|---|---|-------------------------|
| In the Matter of the Annual Application of Duke Energy Ohio for an Adjustment to Rider AMRP Rates |) | Case No. 10-2788-GA-RDR |
| |) | |
| In the Matter of the Application of Duke Energy Ohio for Tariff Approval |) | Case No. 10-2789-GA-ATA |
| |) | |

STIPULATION AND RECOMMENDATION

Rule 4901-1-30, Ohio Administrative Code, provides that any two or more parties to a proceeding may enter into a written stipulation covering the issues presented in such a proceeding. The purpose of this document is to set forth the understanding and agreement of the parties that have signed below (hereinafter, the Parties) and to recommend that the Public Utilities Commission of Ohio (Commission) approve and adopt this Stipulation and Recommendation (Stipulation), which resolves all of the issues raised by Parties in these cases relative to adjusting Duke Energy Ohio, Inc.'s (Duke Energy Ohio or Company) Rider AMRP and tariff approval. This Stipulation is supported by adequate data and information including, but not limited to Duke Energy Ohio's Application, supporting schedules and testimony filed on November 30, 2010, as well as the March 28, 2011, Comments and Recommendations of Staff of the Commission (Staff) and Comments of the Office of the Ohio Consumers' Counsel (OCC).

The Stipulation represents a just and reasonable resolution of the issues raised in this proceeding, violates no regulatory principle or precedent, and is the product of lengthy, serious bargaining among knowledgeable and capable Parties in a cooperative process, encouraged by this Commission and undertaken by the Parties representing a wide range of interests, including the Commission's Staff, to resolve the aforementioned issues. Although this Stipulation is not

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binding on the Commission, it is entitled to careful consideration by the Commission. For purposes of resolving all issues raised by this proceeding, the Parties stipulate, agree and recommend as set forth below.

Except for purposes of enforcement of the terms of this Stipulation, neither this Stipulation, nor the information and data contained therein or attached, nor the Order approving the Stipulation, shall be cited as precedent in any future proceeding for or against any Party or the Commission itself. The Signatory Parties' agreement to this Stipulation, in its entirety, shall not be interpreted in a future proceeding before this Commission as their agreement to only an isolated provision of this Stipulation. More specifically, no specific element or item contained in or supporting this Stipulation shall be construed or applied to attribute the results set forth in this Stipulation as the results that any Signatory Party might support or seek, but for this Stipulation in these proceedings or in any other proceeding. This Stipulation is a reasonable compromise involving a balancing of competing positions and it does not necessarily reflect the position that one or more of the Parties would have taken if these issues had been fully litigated.

This Stipulation is expressly conditioned upon its adoption by the Commission in its entirety and without material modification. Should the Commission reject or materially modify all or any part of this Stipulation, the Parties shall have the right, within thirty days of issuance of the Commission's Order, to file an application for rehearing or terminate and withdraw from the Stipulation by filing a notice with the Commission in this proceeding, including service to all the Parties. The Parties agree they will not oppose or argue against any other Party's application for rehearing that seeks to uphold the original, unmodified Joint Stipulation and Recommendation. Should the Commission, in issuing an Entry on Rehearing, not adopt the Stipulation in its entirety and without material modification, any Party may terminate and withdraw from the

Stipulation. Such termination and withdrawal shall be accomplished by filing a notice with the Commission, including service to all Parties, in the docket within thirty days of the Commission's Entry on Rehearing. Other Parties to this Stipulation agree to defend and shall not oppose the termination and withdrawal of the Stipulation by any other Party.¹ Upon the filing of a notice of termination and withdrawal, the Stipulation shall immediately become null and void.

Prior to the filing of such a notice, the Party wishing to terminate agrees to work in good faith with the other Parties to achieve an outcome that substantially satisfies the intent of the Stipulation and, if a new agreement is reached that includes the Party wishing to terminate, then the new agreement shall be filed for Commission review and approval. If the discussions to achieve an outcome that substantially satisfies the intent of the Stipulation are unsuccessful in reaching a new agreement that includes all signatory Parties to the present Stipulation, the Commission will convene an evidentiary hearing such that the Parties will be afforded the opportunity to present evidence through witnesses and cross-examination, present rebuttal testimony, and brief all issues that the Commission shall decide based upon the record and briefs as if this Stipulation had never been executed.

All the Signatory Parties fully support this Stipulation in its entirety and urge the Commission to accept and approve the terms herein.

This Stipulation is the product of an open process in which all Parties were represented by able counsel and technical experts. The Stipulation represents a comprehensive compromise of issues raised by Parties with diverse interests. Duke Energy Ohio, Staff,² and the OCC have signed the Stipulation and adopted it as a reasonable resolution of all issues. The Signatory

¹ Any signatory Party has the right, in its sole discretion, to determine what constitutes a "material" change for the purposes of that Party withdrawing from the Stipulation.

² The Commission Staff is a party for the purpose of entering into this Stipulation by virtue of O.A.C. 4901-1-10(C).

Parties believe that the Stipulation that they are recommending for Commission adoption presents a fair and reasonable result.

The Signatory Parties agree that the settlement and resulting Stipulation are a product of serious bargaining among capable, knowledgeable Parties and that the settlement, as a package, benefits customers and is in the public interest. The Signatory Parties agree that the settlement package does not violate any important regulatory principle or practice.

WHEREAS, all of the related issues and concerns raised by the Parties have been addressed in the substantive provisions of this Stipulation, and reflect, as a result of such discussions and compromises by the Parties, an overall reasonable resolution of all such issues;

WHEREAS, this Stipulation is the product of the serious bargaining and negotiations between capable and knowledgeable Parties and is not intended to reflect the views or proposals that any individual Party may have advanced acting unilaterally;

WHEREAS, this Stipulation represents an accommodation of the diverse interests represented by the Parties and is entitled to careful consideration by the Commission;

WHEREAS, this Stipulation represents a serious compromise of complex issues and involves substantial benefits that would not otherwise have been achievable; and

WHEREAS, the Parties believe that the agreements herein represent a fair and reasonable solution to the issues raised in these cases set forth above concerning Duke Energy Ohio's Application to adjust Rider AMRP and for tariff approval;

NOW, THEREFORE, the Parties stipulate, agree and recommend that the Commission make the following findings and issue its Opinion and Order in these proceedings approving this Stipulation in accordance with the following:

1. Duke Energy Ohio shall receive an annualized revenue requirement under Rider AMRP of \$33,703,214.33 for the Accelerated Main Replacement Program (AMRP) and \$4,187,812.58 for the Riser Replacement Program (RRP), for a total revenue requirement of \$37,891,026.91, as calculated in the Company's application filed on February 28, 2011.
2. The Parties agree to the revenue distribution, billing determinants, and calculated AMRP charges shown on Schedule 24 submitted by the Company with its Application on February 28, 2011.
3. Duke Energy Ohio committed, in the previous AMRP case, to provide its natural gas customers with guaranteed maintenance savings attributed to the AMRP on an annual basis. For the 2009, 2010 and 2011 AMRP test years, the Parties agree to the guaranteed minimum maintenance savings calculation methodology. Subsequently, the Parties agree to reevaluate the continued use of the calculation methodology in an attempt to reach agreement on the guaranteed maintenance savings level for the 2012 AMRP test year and thereafter, and for the reasons set forth in Paragraph No. 5 below. For the purposes of determining the AMRP Annualized Revenue Requirement for the 2010 test year on Schedule 24 of the Company's application, the minimum main maintenance savings of \$387,624 from Stipulation Exhibit 1 was applied as this amount was greater than the actual savings amount during the 2010 test year. The minimum main maintenance savings of \$387,624 is included in the total revenue requirement of \$37,891,026.91, as a reduction to the total revenue requirement, for year 2010. This is the total revenue requirement amount upon which the calculated Rider AMRP charges on Schedule 24 in the Company's application are based.

4. The Parties agree that Duke Energy Ohio shall augment its AMRP program to include replacement of approximately thirty-three miles of larger than 12 inch diameter cast iron and bare steel pipe. Duke Energy Ohio has included in Stipulation Exhibit 2 to this Stipulation documentation that justifies augmenting its AMRP for inclusion of the replacement of approximately thirty-three miles of large diameter cast iron and bare steel pipe. The program to replace the large diameter pipe will begin with the construction season in summer of 2011 and continue through 2015.
5. The Parties agree that Duke Energy Ohio will file with the Commission a late filed exhibit ("Exhibit") that will memorialize the methodology by which the Company will calculate maintenance savings associated with the replacement of larger than 12 inch diameter pipe that serves as an offset to the AMRP Rider rate that customers will be asked to pay. The calculation of maintenance savings associated with the replacement of larger than 12 inch diameter pipe will be relevant for Duke Energy Ohio's 2013 AMRP Application (which addresses the 2012 test year), and as such has no bearing on the 2011 AMRP Rider Rate being approved by the Commission in this proceeding. Parties agree to use best efforts to complete and file the Exhibit no later than sixty days after the Commission's Opinion and Order in this proceeding.
6. The Parties agree that Duke Energy Ohio shall continue its existing AMRP program, including the replacement of larger than 12 inch diameter pipe discussed in paragraph 4 through 2015
7. Duke Energy Ohio shall wind down and terminate the AMRP as of December 31, 2015. By no later than February 28, 2016, Duke Energy Ohio shall file an AMRP Application

to true-up and complete the allowable recovery for capital additions related to the replacement of cast iron, bare steel, plastic and any other type of pipe scheduled for replacement under the AMRP. Capital additions under the AMRP will have been placed in-service by December 31, 2015 and the Company shall be allowed to seek recovery of costs incurred through the end of December 31, 2015. Any contemplated AMRP projects not completed by December 31, 2015, shall not be eligible for cost recovery through Rider AMRP. The purpose of the true-up will be to establish the cut off for plant additions and associated retirements under the AMRP. Duke Energy Ohio shall continue to file subsequent AMRP Application(s) on February 28 (annually between 2017 and the filing of its next natural gas base rate case); however, such Application(s) shall be devoid of any new main line, service line and riser replacement capital additions and associated retirements.

8. The Parties acknowledge, recognize and agree that Duke Energy Ohio shall be permitted to recover bare steel and cast iron mains replacement, service line (main to curb and curb to meter) replacement and riser replacement costs through the AMRP Rider up to the yearly residential rate cap stated in the Stipulation, dated February 28, 2008, between the Parties in Case Nos.07-589-GA-AIR, et al.. Any costs which exceed the yearly rate cap will be deferred for inclusion in the subsequent year so long as the recovery does not exceed the cumulative residential rate cap. The established annual caps for the remaining term of the AMRP are as follows: \$6.20 for 2012, \$7.20 for 2013, \$8.20 for 2014, \$9.20 for 2015. and \$10.20 for 2016.³

³ *In re Duke Energy Ohio Rate Case ("Rate Case")*, Case Nos. 07-589-GA-AIR, et al. Stipulation ("Rate Case Stipulation") Exhibit 4, Page 3 of 3.

9. The Parties agree that Duke Energy Ohio will complete its audit and provide, as part of its 2012 AMRP Application, a reconciliation and explanation of the discrepancy that has been identified between the Company's continuing property records and its mapping records for the remaining bare steel and cast iron mains to be replaced, as discussed in Gary Hebbeler's Direct Testimony filed in these cases. The reconciliation and explanation of said discrepancy shall include, but not be limited to, the miles of pipe, type of pipe, the vintage of the pipe, the value of the pipe carried in Duke Energy Ohio's continuing property records as of the date certain of Duke's most recent Rate Case and as of December 31, 2010.
10. Duke Energy Ohio shall implement the new 2011 rates for Rider AMRP pursuant to the terms and conditions set forth in the Rate Case Stipulation.
11. The Parties agree to the tariff attached as Stipulation Exhibit 3 and request that the Commission approve said tariff.
12. The Parties agree that this Stipulation and attachments thereto shall be tendered to the Commission and filed with the Commission and offered into evidence as a joint exhibit, with each Party expressly stating their consent to and approval of this Stipulation in its entirety.
13. The Parties expressly agree to waive cross-examination of any witnesses who may offer testimony in support of this Stipulation and attachments thereto.

The undersigned Parties hereby stipulate and agree and each represents that it is authorized to enter into this Stipulation and Recommendation this 8th day of April 2011.

STAFF OF THE PUBLIC UTILITIES
COMMISSION OF OHIO

By: Steven L. Beeler / EHW
Steven L. Beeler, Assistant Attorney General

DUKE ENERGY OHIO, INC.

By: Elizabeth H. Watts
Elizabeth H. Watts, Associate General Counsel

THE OFFICE OF THE OHIO CONSUMERS' COUNSEL

By: Larry S. Sauer / EHW
Larry S. Sauer, Assistant Consumers' Counsel

PUCO Case No. 03-0305-04-000

Stipulation Exhibit 1

**Duke Energy Ohio
Refurbished Main Leak Repairs and Savings
Minimum Main Maintenance Savings**

| | Accrued in Millions Dollars | |
|--|-----------------------------|-------------------|
| | Actual 2008 | Estimated 2011 |
| Percentage Reduction in Main Leaks Reported, excluding third party damage (1) | 20% | 20% |
| Ohio Main Leaks Reported, excluding third party damage (2) | 486 | 487 |
| Reduction in the number of Main Leaks Reported, excluding third party damage (3) | 97 | 97 |
| Accrued Main Maintenance Savings, excluding third party damage (4) | \$ 228,200 | \$ 228,200 |
| | | \$ 475,152 |

Average Cost to Repair Main Leak - 2008

\$3,126

- (1) Average reduction achieved during 8 year cycle.
 (2) Four-year Main Leaks Reported (adjusted for percentage reduction).
 (3) Four-year Main Leaks Reported less current year Main Leaks Reported.
 (4) Settlement amount that will be submitted from the ASEP revenue requirement calculation each year.
 (5) Amounts must be recalculated after each five year rate case.



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[illegible]

[illegible]

Agency/Agency Office - 3210000000

[illegible]

Duke Energy Ohio
139 East Fourth Street
Cincinnati, Ohio 45202

P.U.C.O. Gas No. 18
Sheet No. 65.9
Cancels and Supersedes
Sheet No. 65.8
Page 1 of 1

RIDER AMRP

ACCELERATED MAIN REPLACEMENT PROGRAM RIDER

APPLICABILITY

Applicable to all customers receiving service under the Company's sales and transportation rate schedules.

ACCELERATED MAIN REPLACEMENT PROGRAM FACTORS

All customers receiving service under Rate RS, Rate RS - Low Income, Rate RFT, Rate RFT - Low Income, Rate GS - Small, Rate GS - Large, Rate FT and Rate DGS shall be assessed a monthly charge in addition to the Customer Charge component of their applicable rate schedule that will enable the Company to complete the bare steel/cast iron main replacement program and the riser replacement program. Customers receiving service under Rate IT and Rate SSIT will be assessed a throughput charge in addition to their commodity delivery charge for that purpose.

Rider AMRP will be updated annually, in order to reflect the impact on the Company's revenue requirements of net plant additions as offset by operations and maintenance expense reductions during the most recent twelve months ended December. Such adjustments to the Rider will become effective with the first billing cycle of May. The allocation of the AMRP revenue requirement will be in accordance with Paragraph 9 of the Stipulation and Recommendation approved by the Commission in Case No. 07-589-GA-AIR (55% to RS, RSLI, RFT and RFTLI, 37% to GS-S, GS-L, FT-S, FT-L and DGS, and 8% to IT and SSIT). The allocation of the riser replacement revenue requirement will also be in accordance with Paragraph 9 of the Stipulation and Recommendation approved by the Commission in Case No. 07-589-GA-AIR (92% to RS, RSLI, RFT and RFTLI, 8% to GS-S, GS-L, FT-S, FT-L and DGS).

The charges for the respective gas service schedules are:

| | |
|---|---------------|
| Rate RS and RSLI, Residential Service | \$ 4.81/month |
| Rate RFT and RFTLI, Residential Firm Transportation Service | \$ 4.81/month |
| Rate GS-S and GS-L, General Service | \$36.81/month |
| Rate DGS, Distributed Generation Service | \$36.81/month |
| Rate FT-S and FT-L, Firm Transportation Service | \$36.81/month |
| Rate IT, Interruptible Transportation Service | \$ 0.015/CCF |
| Rate SSIT, Spark Spread Interruptible Transportation Rate | \$ 0.015/CCF |

These monthly charges shall remain in effect until changed by order of the Public Utilities Commission of Ohio.

Filed pursuant to an Order dated _____ in Case Nos. 10-2788-GA-RDR and 10-2788-GA-ATA before the Public Utilities Commission of Ohio.

Issued:

Issued by Julie Janson, President

Effective:

**Duke Energy Ohio
Case No. 12-1685-GA-AIR
OCC Sixth Set of Interrogatories
Date Received: September 28, 2012**

OCC-INT-06-249

REQUEST:

Referring to page 4 of the Company's Application regarding Rider AMRP, why is the Company proposing to eliminate the current rate caps that limit recovery from residential and interruptible customers?

RESPONSE:

The rate caps are arbitrary and add an unnecessary complexity and constraint on the Company to successfully manage the implementation of the program. Insofar as the program is expected to continue at consistent levels of spending, it is not expected that eliminating the cap will have any meaningful impact on customers' bills vs. imposing an arbitrary cap.

Furthermore, as described in the Testimony of Company witness Gary J. Hebbeler, Duke Energy Ohio anticipates completing its accelerated main replacement program by December 31, 2015. Introducing arbitrary caps on the rates under Rider AMRP, for residential customers or for other customers, may require an unnecessary delay in completing the program as the Company may be required to limit activity in a given year to stay under an arbitrary cap.

PERSON RESPONSIBLE: William Don Wathen Jr.

This foregoing document was electronically filed with the Public Utilities

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in

Case No(s). 12-1685-GA-AIR, 12-1686-GA-ATA, 12-1687-GA-ALT, 12-1688-GA-AAM

Summary: Testimony Direct Testimony of Steven B. Hines on Behalf of the Office of the Ohio Consumers' Counsel electronically filed by Patti Mallarnee on behalf of Sauer, Larry S.