

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke )  
Energy Ohio, Inc. for an Adjustment to ) Case No. 14-2051-GA-RDR  
Rider AMRP Rates to Recover Costs )  
Incurred in 2014. )

In the Matter of the Application of Duke ) Case No. 14-2052-GA-ATA  
Energy Ohio, Inc. for Tariff Approval. )

FINDING AND ORDER

The Commission finds:

- (1) Duke Energy Ohio, Inc. (Duke or Company) is a natural gas company, as defined by R.C. 4905.03, and a public utility, as defined by R.C. 4905.02, and, as such, is subject to the jurisdiction of the Commission pursuant to R.C. 4905.04, 4905.05, and 4905.06. Duke provides natural gas distribution service to approximately 426,000 customers in southwestern Ohio.
- (2) On May 30, 2002, the Commission approved a stipulation, which included a provision establishing Duke's accelerated main replacement program (AMRP) rider (Rider AMRP). *In re The Cincinnati Gas & Elec. Co.*, Case No. 01-1228-GA-AIR, et al. (CG&E Rate Case), Opinion and Order (May 30, 2002). The purpose of Rider AMRP was to recover the expenditures associated with Duke's 10-year plan to replace all 12-inch and small cast iron and bare steel gas mains in its distribution system. In accordance with the stipulation approved in the CG&E Rate Case, the rider was to be adjusted annually to account for any over- or under-recovery and Duke was to file applications annually supporting adjustments to the Rider AMRP rates.
- (3) On May 28, 2008, the Commission approved a stipulation, which, inter alia, provided that the AMRP would be substantially completed by the end of 2019 and that the riser replacement program (RRP) would be completed by the end of 2012. In addition, the stipulation further defined the process for adjustments to Rider AMRP. *In re Duke Energy Ohio, Inc.*,

Case No. 07-589-GA-AIR, et al., Opinion and Order (May 28, 2008).

- (4) Subsequently, the Commission approved a stipulation in which the parties in the case agreed, in part, that the incremental increase to the AMRP for residential customers would be capped at \$1.00 annually on a cumulative basis through 2016. *In re Duke Energy Ohio, Inc.*, Case No. 12-1685-GA-AIR, et al. (2012 Duke Rate Case), Opinion and Order (Nov. 13, 2013).
- (5) On April 23, 2014, the Commission approved a stipulation that established the current Rider AMRP rates and that permitted Duke to recover AMRP costs incurred in 2013, as follows: residential \$2.36 per month; general service and firm transportation \$21.32 per month; and interruptible transportation \$0.08 per thousand cubic feet (Mcf). *In re Duke Energy Ohio, Inc.*, Case No. 13-2231-GA-RDR, et al., Opinion and Order (Apr. 23, 2014).
- (6) On November 26, 2014, Duke filed its prefiling notice in the above-captioned cases, requesting approval to recover the AMRP costs incurred for 2014. On February 24, 2015, Duke filed its application to adjust Rider AMRP for the recovery period January 1, 2014, through December 31, 2014. Duke proposes that the Rider AMRP rates for the Company's revenue requirement of \$27,504,006.72 be as follows: residential \$3.00 per month; general service and firm transportation \$29.90 per month; and interruptible transportation \$0.12 per Mcf.

In support of its application, Duke submitted schedules with its application and the testimony of Gary J. Hebbeler and Peggy A. Laub, employees of Duke Energy Business Services LLC (DEBS), an affiliate service company of Duke. The schedules and the supporting testimony detail costs associated with the AMRP. Schedules 1 and 2 provide the annualized revenue requirement for Duke's revised Rider AMRP rates. The information on these schedules is supported by Schedules 3 through 22.

- (7) In his testimony, Mr. Hebbeler, General Manager, Gas Field and Systems Operations for DEBS, describes Duke's AMRP, the status of pipe replacement, the benefits identified in 2014,

AMRP planning, and projected costs. Mr. Hebbeler also discusses certain other issues, such as competitive bidding and unit-based pricing for the AMRP, Duke's Integrity Management Programs for hazardous materials, and the selection of areas for module work under the AMRP in 2014.

- (8) Ms. Laub, Director, Rates and Regulatory Planning for DEBS, explains, in her testimony, the supporting schedules filed by Duke in these proceedings for both the AMRP and the RRP. In addition, Ms. Laub states her belief that Duke's request for revised Rider AMRP rates is fair and reasonable. She testifies that the costs of service are properly allocated to customer classes. Further, Ms. Laub states that the proposed Rider AMRP rates are within the established rate caps and that the rate design was properly performed in accordance with the terms and conditions of the stipulation in the *2012 Duke Rate Case*.
- (9) On March 4, 2015, the attorney examiner issued an Entry stating, in part, that Staff and intervenors may file comments on Duke's application by March 23, 2015. Additionally, the attorney examiner set a deadline of March 27, 2015, for Duke to file a statement informing the Commission whether the issues raised in the comments have been resolved.
- (10) On March 23, 2015, Staff filed comments on Duke's application. No other comments were filed.
- (11) In its comments, Staff observes that, according to Duke, the Company replaced 56 miles of cast iron and bare steel mains in 2014, and has now replaced approximately 1,117 miles, or approximately 93 percent, of all bare steel and cast iron mains in its system. Staff also observes that Duke estimates that it has approximately 28 miles of bare steel and cast iron mains left to replace. In addition, Staff notes that Duke reports that it has replaced approximately 110,928 main-to-curb service lines through 2014. (Staff Comments at 6.)
- (12) Staff notes that Duke proposes an AMRP revenue requirement of \$27,504,006.72 and \$300,727.07 for the RRP, for a total Rider AMRP revenue requirement of \$27,804,733.79. Staff, however, identified two exceptions to Duke's proposed revenue

requirement for the AMRP. Both exceptions are related and involve employee meal expenses charged to the AMRP. Staff states that it was unable to verify that \$433.53 in meal expenses charged to the plant additions on Schedule 3-B and \$204.11 charged to the cost of removal on Schedule 4-B are properly recoverable via Rider AMRP. Therefore, Staff recommends that the Commission disallow these expenses and reduce the Company's proposed AMRP revenue requirement from \$27,504,006.72 to \$27,503,939.13 to reflect the disallowances. (Staff Comments at 7-9.)

- (13) Staff states that, when its recommended Rider AMRP revenue requirement is added to Duke's proposed revenue requirement for the RRP, the revised total Rider AMRP revenue requirement that Staff recommends is \$27,804,666.20. Staff states that this amount is not materially different than the original Rider AMRP revenue requirement that Duke proposed in its application; therefore, there is no impact on the AMRP rates that the Company proposes. The Staff agrees with Duke that the proposed AMRP rates should be \$3.00 per month for residential customers, \$29.90 per month for general service and firm transportation customers, and \$0.12 per Mcf for interruptible transportation customers. (Staff Comments at 9-10.)
- (14) Staff identified no other exceptions or concerns with the Company's application and, therefore, recommends that it be approved as modified by Staff's recommendations (Staff Comments at 10).
- (15) On March 27, 2015, Duke filed a statement indicating that there are no outstanding issues to be resolved in these proceedings. Specifically, Duke notes that, without addressing the substance of Staff's proposed disallowances, the Company agrees to reduce the total Rider AMRP revenue requirement as recommended by Staff. Duke also agrees with Staff that the reduction will have no impact on the AMRP rates proposed in the application.
- (16) The Commission finds that Duke's application to adjust its Rider AMRP rates does not appear to be unjust or unreasonable and, thus, it is unnecessary to hold a hearing in

these matters. Subject to Staff's recommendations, the application should be approved, such that the total AMRP revenue requirement should be reduced to \$27,804,666.20. Accordingly, Duke should be authorized to implement the proposed rates for Rider AMRP, consistent with this Finding and Order.

It is, therefore,

ORDERED, That, with the modifications set forth in this Finding and Order, Duke's application to adjust its rates for Rider AMRP be approved. It is, further,

ORDERED, That Duke is authorized to file tariffs, in final form, consistent with this Finding and Order. Duke shall file one copy in these case dockets and one copy in its TRF docket. It is, further,

ORDERED, That the effective date of the new tariffs shall be a date not earlier than the date upon which the final tariff pages are filed with the Commission. It is, further,

ORDERED, That Duke notify its customers of the changes to the tariffs via bill message or bill insert within 30 days of the effective date of the revised tariffs. A copy of the customer notice shall be submitted to the Commission's Service Monitoring and Enforcement Department, Reliability and Service Analysis Division at least 10 days prior to its distribution to customers. It is, further,

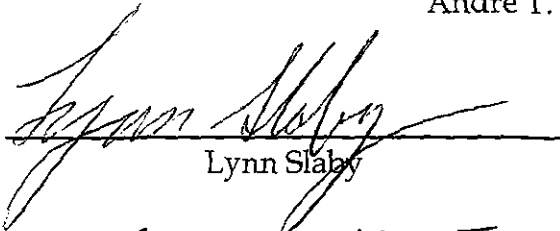
ORDERED, That nothing in this Finding and Order shall be binding upon the Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

ORDERED, That a copy of this Finding and Order be served upon each party of record.

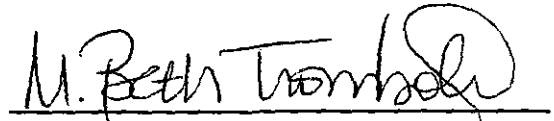
THE PUBLIC UTILITIES COMMISSION OF OHIO



Andre T. Porter, Chairman



Lynn Slaby



M. Beth Trombold



Asim Z. Haque

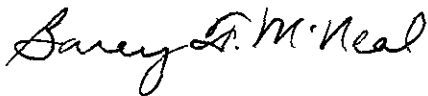


Thomas W. Johnson

KKS/vrm

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**APR 22 2015**



Barcy F. McNeal  
Secretary