Ohio | Public Utilities Commission
Asim Z. Haque, Chairman



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FILE

August 10, 2017



Docketing Division
Public Utilities Commission of Ohio
180 East Broad Street
Columbus OH 43215

RE: *In the Matter of the Application of Duke Energy Ohio, Inc.'s Distribution Storm Rider, Case No. 17-1468-EL-RDR*

Dear Docketing Division:

Enclosed please find the Staff's Review and Recommendations in regard to the application filed by Duke Energy Ohio for the update of its Distribution Storm Rider in Case No. 17-1468-EL-RDR.

Tamara S. Turkenton
Chief, Regulatory Services Division
Public Utilities Commission of Ohio

David Lipthratt
Chief, Research and Policy Division
Public Utilities Commission of Ohio

Enclosure
Cc: Parties of Record

**Duke Energy Ohio**
**Case No. 17-1468-EL-RDR**
**2015 Major Storms and 2016 Major Storms**

## SUMMARY

In Duke Energy Ohio's (Duke or the Company) last ESP, Case No. 14-841-EL-SSO, the Company was granted approval to defer major storm expenses as an asset or liability over or under $4.4 million dollars in a year. The approval also included that the Company is to file for recovery or refund when the asset or liability reached $5 million. The Company was also instructed to submit schedules of expenses to Staff for audit on a yearly basis until the balance of the asset or liability reaches $5 million.

On March 24, 2016, the Company submitted schedules to show the amount spent for repair for two major storms in 2015 (which occurred in July 2015 and September 2015). The schedules show an accumulation of $4,051,650 in major storm expenses in 2015, which when subtracted from the baseline of $4.4 million, amounts to a regulatory liability of $348,350.

On March 8, 2017, the Company submitted schedules to show the amount spent for repair for seven major storms in 2016. These storms occurred in April, June (2), July (2), August and September of 2016. The Company reported total major storm expenses in 2016 of $4,729,562, or $329,562 over the $4.4 million threshold.

On July 10, 2017, the Company filed the schedules under a new case (Case No., 17-1468-EL-RDR) that was established for the 2015 and 2016 storms, which was intended to establish a new baseline as part of the Company's base rate case (Case No. 17-32-EL-AIR). The total amount requested for 2015 and 2016 was $8,227,147[1], which is $572,853 under the two-year combined baseline of $8.8 million.

This Staff Letter presents the results of Staff's audit of these expenses for 2015 and 2016.

## STAFF REVIEW & RECOMMENDATION

In its review, Staff examined the as-submitted schedules for consistency with the Commission's Opinion and Order in the ESP and to ensure proper accounting treatment was applied. The audit consisted of a review of the provided schedules, including a transaction listing, for accuracy and recoverability. Staff conducted this audit through a

[1] This amount is $554,066 less than the amount submitted on March 24, 2016.

combination of document review, interviews, and interrogatories. Staff requested documentation as needed to determine that the costs were substantiated or to conclude that an adjustment was warranted.

Incentive Pay - In the filing, the Company states that $14,684 was included in the rider in 2015 and $26,805 was included in 2016 for safety incentive pay, which the Company calculated by multiplying the amount of labor in the rider by 3%. In response to a Staff data request[2], the Company states that the safety targets were not met in 2015, and the union employees received no safety incentive pay. Therefore, Staff recommends removal of the $14,684 in incentive pay for 2015. Furthermore, for 2016, eligible employees either received a safety incentive payout of 0.5% (cash balance pension plan) or 1.25% (traditional pension plan), depending on the pension plan in which the employee participated. Also, 80% of the Company employees participate in the cash balance plan and 20% participate in the traditional plan. Based on these facts, Staff calculated an adjustment of $16,975 for 2016.

## CONCLUSION

Staff recommends an adjustment of $31,659 for 2015 and 2016, which would reduce the total storm expenses for 2015 and 2016 to $8,195,488, resulting in a regulatory liability after two years of $604,512. According to the procedures currently in place, this deferred liability amount will carry over to the next year; however, in order to correctly adjust the Company's storm baseline in its current rate case (Case No. 17-0032-EL-AIR), Staff recommends that the deferred liability be refunded to customers.

[2] Staff Data Request Number 11.