

**BEFORE**

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Annual Application of )  
Duke Energy Ohio, Inc. for an Adjustment ) Case No. 17-2318-GA-RDR  
to Rider AMRP Rates. )

In the Matter of the Application of Duke )  
Energy Ohio, Inc. for Tariff Approval. ) Case No. 17-2319-GA-ATA  
)

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**SUPPLEMENTAL DIRECT TESTIMONY OF**

**SARAH E. LAWLER**

**ON BEHALF OF**

**DUKE ENERGY OHIO, INC.**

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April 5, 2018

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- Exhibit 1: Stipulation in Case No. 01-1228-GA-AIR, *et al.*
- Exhibit 2: Commission Staff Report in Case No. 12-1685-GA-AIR *et al.*, Schedule A-2
- Exhibit 3: Company Response to OCC-INT-01-003

**I. INTRODUCTION AND PURPOSE**

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

2 A. My name is Sarah E. Lawler and my business address is 139 East Fourth Street,  
3 Cincinnati, Ohio 45202.

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

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

10 **Q. ARE YOU THE SAME SARAH E. LAWLER WHO PREVIOUSLY**  
11 **SUBMITTED DIRECT TESTIMONY IN THESE PROCEEDINGS?**

12 A. Yes.

13 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL DIRECT**  
14 **TESTIMONY?**

15 A. My Supplemental Direct Testimony will describe and support the Company's  
16 responses to certain comments (OCC Comments) filed by the Office of the Ohio  
17 Consumers' Counsel (OCC) on March 28, 2018, and will also support the  
18 Stipulation and Recommendation (Stipulation) entered into by and between the  
19 Company and Staff of the Public Utilities Commission of Ohio (Commission) and  
20 filed on April 5, 2018.

## **II. RESPONSES TO OCC COMMENTS**

1   **Q.    REFERRING TO THE OCC COMMENTS, DO YOU AGREE WITH**  
2       **THE OCC’S ASSERTION THAT THE INCLUSION OF THE**  
3       **UNCOLLECTIBLE ACCOUNT EXPENSES IN THE**  
4       **CALCULATION OF THE GROSS REVENUE CONVERSION**  
5       **FACTOR (GRCF) IS INCONSISTENT WITH THE ANNUAL**  
6       **RECONCILIATION AND TRUE-UP OF RIDER AMRP?**

7    A.    No, OCC’s assertion is not correct. OCC argues that, because Rider AMRP is  
8       reconciled and trued up annually, there is nothing to account for as an uncollectible  
9       expense. But OCC is incorrect in its premise; there is no annual reconciliation and  
10      true-up in Rider AMRP. There has never been an annual reconciliation and true-up  
11      in the entire history of Rider AMRP.

12   **Q.    PARAPGRAPH 4 OF THE COMMISSION’S ORDER IN CASE NO. 16-2209-**  
13       **GA-RDR STATES THAT “IN ACCORDANCE WITH THE STIPULATION**  
14       **APPROVED IN THE CG&E RATE CASE, THE RIDER WAS TO BE**  
15       **ADJUSTED ANNUALLY TO ACCOUNT FOR ANY OVER- OR UNDER-**  
16       **RECOVERY.” HAS THE RIDER AMRP EVER BEEN ADJUSTED FOR**  
17       **ANY SUCH OVER- OR UNDER-RECOVERY?**

18    A.    No.

19    **Q.    PLEASE EXPLAIN.**

20    A.    The stipulation in the CG&E rate case (attached as Exhibit 1)<sup>1</sup> did not mention any  
21       provision for over- or under-recovery, other than an adjustment for over-recovery in  
22       the event the Company exceeded the cap for residential customers. That limited

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<sup>1</sup> Case No. 01-1228-GA-AIR.

1 provision requiring a correction in the event the cap was exceeded has absolutely  
2 nothing to do with the uncollectible expense factor. OCC's attempt to remove the  
3 uncollectible account expense factor from the calculation of the GRCF is therefore  
4 unjustified.

5 **Q. IS THE UNCOLLECTIBLE EXPENSE FACTOR ACTUALLY BAD DEBT**  
6 **EXPENSE?**

7 A. No, the expense included in the GRCF is not bad debt expense. Duke Energy  
8 Ohio sells its receivables to a third party. The amount for "uncollectible accounts  
9 expense" in the GRCF is directly tied to revenue (in this case, receivables) and  
10 includes a "collection fee" and a component for the time value of money. The  
11 collection fee and time value of money components are not recovered in the gas  
12 operations uncollectible rider (Rider UE-G).

13 **Q. HAS THE COMPANY CHANGED THE CALCULATION OF THE GRCF**  
14 **IN THIS RIDER FILING?**

15 A. Except for the change in the federal income tax (FIT) rate from 35% to 21%, the  
16 Company has not made any changes to the GRCF, nor is there any reason to do so.

17 I have attached, as Exhibit 2 to my testimony, Schedule A-2 from the  
18 Commission's Staff Report in the most recent base rate case,<sup>2</sup> in which case the  
19 Commission last approved the AMRP. This schedule clearly shows the inclusion of  
20 uncollectibles in the calculation of the GRCF in that case. The Stipulation and  
21 Recommendation in that case, which included OCC as a signatory party, relied on  
22 the Staff Report for resolution of all issues not addressed therein. As the stipulation

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<sup>2</sup> Case No. 12-1685-GA-AIR, *et al.*

1 said nothing about the calculation of the GRCF, the Staff Report schedule  
2 controlled.

3 That same GRCF calculation has been used in each annual adjustment of  
4 Rider AMRP rates since the Company's last gas distribution base rate case.

5 Duke Energy Ohio's response to an OCC interrogatory in this case (attached  
6 as Exhibit 3)<sup>3</sup> shows how the GRCF was calculated here. This schedule  
7 demonstrates that the uncollectible accounts expense was included in precisely the  
8 same manner in which it was included in 2012.

9 **Q. SHOULD THE REVENUE REQUIREMENT IN THIS RIDER AMRP**  
10 **FILING BE FURTHER REDUCED TO ACCOUNT FOR THE OVER-**  
11 **COLLECTION OF FEDERAL CORPORATE INCOME TAX (FIT) FROM**  
12 **JANUARY 1, 2018, TO APRIL 30, 2018?**

13 A. No. This matter should be addressed in Case No. 18-0047-AU-COI. Both the  
14 Company and OCC have filed comments in that docket. The outcome of that case  
15 will determine how these amounts are handled and will allow for consistency  
16 among all regulated utilities.

17 **Q. HAS THE COMPANY RECORDED A DEFERRED LIABILITY FOR THE**  
18 **ESTIMATED REDUCTION IN FIT RESULTING FROM THE TAX CUTS**  
19 **AND JOBS ACT (TCJA)?**

20 A. Yes. The Commission ordered the Company to do so in Case No. 18-0047-AU-  
21 COI.

22 **Q. HAS THE COMPANY RECORDED A DEFERRED LIABILITY FOR THE**  
23 **ESTIMATED EXCESS ACCUMULATED DEFERRED INCOME TAX**

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<sup>3</sup> OCC-INT-01-005, Attachment A, page 3 of 3.

1           **(ADIT) BALANCES RESULTING FROM THE TAX CUTS AND JOBS**  
2           **ACT (TCJA)?**

3    A.    Yes. The Commission ordered the Company to do so in Case No. 18-0047-AU-  
4           COI.

5    **Q.    HOW WILL EXCESS ADIT BALANCES BE ADDRESSED IN FUTURE**  
6           **AMRP FILINGS?**

7    A.    ADIT balances are currently shown on Schedule 1, Line 13, as a component of  
8           net rate base. When the Company recorded excess ADIT balances at December  
9           31, 2017, the excess ADITs were moved from a 282 account to a 254 account.  
10          Going forward, the excess ADIT balances recorded to the 254 account will still be  
11          included as a component of net rate base so that rate base is not impacted by this  
12          change until they begin being amortized. The amortization of those excess ADIT  
13          balances and associated refunds to customers will be addressed in Case No. 18-  
14          0047-AU-COI.

15   **Q.    HAS THE COMPANY REFLECTED GUARANTEED SAVINGS IN THIS**  
16          **RIDER AMRP FILING?**

17   A.    Yes. As noted on Schedule 10, guaranteed savings of \$929,670 were agreed to in  
18          Case No. 10-2788-GA-RDR. Schedule 10 also shows that \$617,138 of those total  
19          guaranteed savings are included in base rates, as a result of Case No. 12-1685-  
20          GA-AIR. Therefore, the Company has included an additional savings of  
21          \$312,532 in this Rider AMRP filing to ensure the full amount of guaranteed  
22          savings is being provided to customers. These savings are included in the revenue  
23          requirement as outlined on line 35 of Schedule 1.

1 **Q. DOES THE COMPANY BELIEVE ALL SAVINGS HAVE BEEN PASSED**  
2 **ON TO CUSTOMERS?**

3 A. Yes. As I stated above, savings of \$929,670 have been provided to customers  
4 either through base rates or through the proposed Rider AMRP rates. As noted on  
5 Schedule 10, total operational expenses to repair gas mains in base rates are  
6 \$3,661,102. Also outlined on this same schedule, total operational expenses to  
7 repair gas mains in 2017 were \$4,169,680. Thus, 2017 expenses were actually  
8 greater than amounts in base rates by \$508,578. There are no other savings the  
9 Company could provide.

10 **Q. DOES THE COMPANY BELIEVE A NEW GAS DISTRIBUTION BASE**  
11 **RATE CASE IS IN THE BEST INTEREST OF CUSTOMERS?**

12 A. No.

13 **Q. PLEASE EXPLAIN.**

14 A. As noted above, if the Company were to file a gas distribution base rate case, actual  
15 operational expenses would be greater than those included in base rates in the last  
16 gas distribution base rate case and, as a result, customers would experience an  
17 increase related to operational expenses, rather than the savings they are realizing  
18 currently. Additionally, as the AMRP program has been fully deployed since 2015,  
19 this rider filing and future rider filings will reflect a lower revenue requirement each  
20 year as the assets are depreciated. If the Company were to file a distribution rate  
21 case, the amount of net plant would be “locked in” in that rate case and future  
22 reductions in plant would not be realized by customers.



### III. DISCUSSION OF THE STIPULATION

1 **Q. PLEASE DESCRIBE THE STIPULATION.**

2 A. On April 5, 2018, Duke Energy Ohio and Staff (collectively, Signatory Parties)  
3 reached an agreement, set forth in the Stipulation, as to the resolution of all the  
4 issues in these proceedings, relating to the Accelerated Main Replacement  
5 Program.

6 **Q. IS THE STIPULATION THE PRODUCT OF SERIOUS BARGAINING  
7 AMONG CAPABLE, KNOWLEDGEABLE PARTIES?**

8 A. Yes, it is. Representatives of the Company met multiple times with both Staff and  
9 representatives of OCC. The parties in those discussions were represented by  
10 experienced, competent counsel and subject matter experts. All parties were  
11 provided with an opportunity to express their concerns and to respond to the  
12 concerns of others. For these reasons, I believe that the Stipulation resulted from  
13 thorough analysis, discussion, and understanding among capable parties with  
14 divergent interests and, therefore, represents the product of the efforts of capable,  
15 knowledgeable parties.

16 **Q. DOES THE STIPULATION VIOLATE ANY IMPORTANT  
17 REGULATORY PRINCIPLE OR PRACTICE?**

18 A. No. Based on the advice of counsel, my understanding is that the Stipulation  
19 complies with all relevant and important regulatory principles and practices.  
20 Based upon my experience with regulatory matters, my involvement in these  
21 proceedings, and my examination of the Stipulation, I have concluded that the  
22 Stipulation does not violate any regulatory ratemaking principle.

1 **Q. DOES THE STIPULATION BENEFIT RATEPAYERS AND THE PUBLIC**  
2 **INTEREST?**

3 A. Yes. The Stipulation demonstrates that stakeholders have examined information  
4 relevant to the Company's Rider AMRP and the rates to be charged thereunder.  
5 The public interest is served when such parties intervene and represent diverse  
6 interests in examining the record and ensuring that regulatory requirements are  
7 met.

8 **Q. IS THE STIPULATION A JUST AND REASONABLE RESOLUTION OF**  
9 **THE ISSUES?**

10 A. Yes. The Stipulation continues the ability of the Commission to encourage the  
11 improvement of pipeline safety in the state of Ohio and, thus, is beneficial to  
12 consumers and the public. It is consistent with (1) established regulatory  
13 principles and practices, (2) commitments made in prior Commission decisions  
14 involving the relevant issues, and prior Commission determinations as to Rider  
15 AMRP rates. It also represents a timely and efficient resolution of the issues  
16 raised in these proceedings, following thoughtful deliberation and discussion by  
17 the Signatory Parties.

18 **Q. DO YOU BELIEVE THE STIPULATION MEETS THE THREE-PART**  
19 **TEST REGARDING CONSIDERATION OF STIPULATIONS AND**  
20 **THEREFORE SHOULD BE ADOPTED BY THE COMMISSION?**

21 A. Yes, I do.

1 **Q. DOES THE STIPULATION RESOLVE ALL OF THE ISSUES IN THESE**  
2 **PROCEEDINGS?**

3 A. Yes, as among the Signatory Parties.

**IV. CONCLUSION**

4 **Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL DIRECT**  
5 **TESTIMONY?**

6 A. Yes.

*file*

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**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

**PUCO**

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 )

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 )

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**STIPULATION AND RECOMMENDATION**

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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.<sup>1</sup> 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

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<sup>1</sup> 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 17<sup>th</sup> day of April, 2002.

THE CINCINNATI GAS & ELECTRIC COMPANY

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STAFF OF THE PUBLIC UTILITIES  
COMMISSION OF OHIO

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PEOPLE WORKING COOPERATIVELY, INC.

By: Henry W. Eckhart  
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Columbus, Ohio 43215

Doc. no. 91406

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% (f)	9.34% (f)
(5) Required Operating Income (1) x (4)	\$ 43,104,761	\$ 36,840,724	\$ 38,832,227
(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
- (f) 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
<b>Total Residential</b>	<b>93,426,507</b>	<b>11,499,482</b>	<b>104,925,989</b>				
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)	10,751,263	-	10,751,263	2,180	16,500,968	\$ 595.86	\$ 0.4916
<b>Total Non-Residential</b>	<b>53,495,110</b>	<b>3,439,816</b>	<b>56,934,926</b>				
Late Payment Charges	3,749,543	124,011	3,873,554				
<b>Total</b>	<b>\$ 150,671,160</b>	<b>\$ 15,063,309</b>	<b>\$ 165,734,469</b>				

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

**Stipulation Exhibit 3**

**The Cincinnati Gas & Electric Company**

**Rider AMRP - Year 2002**

<u>Rate Class</u>	<u>Rate (1)</u>
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**

<u>Rate Class</u>	<u>Rate (1)</u>
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)				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Residential Service (RS)	\$ 2.00	\$ 3.00	\$ 4.00	\$ 5.00	\$ 6.00
Residential - Firm Transportation (RFT)	\$ 2.00	\$ 3.00	\$ 4.00	\$ 5.00	\$ 6.00
General Service (GS)	\$ 10.43	\$ 15.55	\$ 20.60	\$ 25.56	\$ 30.44
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

Doc. no. 91257

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 1of 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 Z  
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.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  
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(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

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  
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**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. Ficke ~~W. J. Grealis~~, President

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 2 of 2

**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. Ficke W. J. Grealis, President

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. 95-656-GA-AIR before the Public Utilities Commission of Ohio.

Issued: May 1, 1997

Effective: December 26, 1996

Issued by W. J. Grealis, President

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

Sheet No. 21.3  
Cancels and Supersedes  
Sheet No. 21.2  
Page 2 of 4

## 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

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

Sheet No. 21.3  
Cancels and Supersedes  
Sheet No. 21.2  
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 tab 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

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

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**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. Grealis, 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 Company 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. Grealis, President



### 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

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 3 of 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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**DUKE ENERGY OHIO, INC.**  
**CASE NO. 12-1685-GA-AIR**  
**COMPUTATION of GROSS REVENUE CONVERSION FACTOR**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012**

PUCO Case No. 17-2318-GA-RDR  
 Supp. Testimony of Sarah Lawler  
 Exhibit 2  
 Page 1 of 1

**SCHEDULE A-2**  
**PAGE 1 OF 1**

WORK PAPER REFERENCE NO(S): WPA-2a thru WPA-2e

LINE NO.	DESCRIPTION	PERCENT OF INCREMENTAL GROSS REVENUE
1	Operating Revenues	100.00000%
2		
3	Uncollectibles	0.5425%
4		
5	Income before Federal Income Tax (Line 1 - Line 3)	99.45750%
6		
7	Federal Income Tax (35% x 99.458%)	34.81013%
8		
9	Operating Income Percentage (Line 5 - Line 7)	64.64738%
10		
11	Gross Revenue Conversion Factor (100% / 64.647%)	1.5468532

**Duke Energy Ohio**  
**Case No. 17-2318-GA-RDR**  
**OCC First Set Interrogatories**  
**Date Received: March 9, 2018**

**OCC-INT-01-005**

**REQUEST:**

Please explain the calculations of the Approved Pre-tax Rate of Return of 9.16% referred in Line 15 of Schedule 1, Attachment A, Page 1 of 15.

**RESPONSE:**

The Approved Pre-tax Rate of Return used in this filing was calculated by taking the Gross Revenue Conversion Factor from the latest natural gas base rate case (PUCO Case No. 12-1685-GA-AIR) and updating the federal income tax rate from 35% to 21%. All other variables were kept constant. The change in the Gross Revenue Conversion Factor resulted in a lower Pre-tax Rate of Return

See OCC-INT-01-005 Attachment (A) for calculation of the Approved Tax Rate of Return of 9.16%.

**PERSON RESPONSIBLE:** Sarah E. Lawler

UPDATED FOR TAX CUT AND JOBS ACT OF 2017

	Order Date	Capital \$	%	Cost Rate	After Tax Rate of Return	Gross-up Factor	Pre Tax Rate of Return
<u>Gas Case No. 12-1685-GA-AIR</u>	12/1/2013						
Capital Structure							
Long Term Debt		2,532,502,631					
Short Term Debt		0					
Total Debt		2,532,502,631	46.70%	5.32%	2.48%	1.0000000	2.48%
Preferred Stock		0	0.00%	0.00%	0.00%	1.2727273	0.00%
Common Equity		2,890,859,857	53.30%	9.84%	5.25%	1.2727273	6.68%
Total Capitalization		5,423,362,488	100.00%		7.73%		9.16%
Rate Base		882,242,441					
Operating Income		68,197,341					

ORIGINAL

	Order Date	Capital \$	%	Cost Rate	After Tax Rate of Return	Gross-up Factor	Pre Tax Rate of Return
<u>Gas Case No. 12-1685-GA-AIR</u>	12/1/2013						
Capital Structure							
Long Term Debt		2,532,502,631					
Short Term Debt		0					
Total Debt		2,532,502,631	46.70%	5.32%	2.48%	1.0000000	2.48%
Preferred Stock		0	0.00%	0.00%	0.00%	1.5468532	0.00%
Common Equity		2,890,859,857	53.30%	9.84%	5.25%	1.5468532	8.11%
Total Capitalization		5,423,362,488	100.00%		7.73%		10.6%
Rate Base		882,242,441					
Operating Income		68,197,341					

DUKE ENERGY OHIO, INC.  
 CASE NO. 12-1685-GA-AIR  
 COMPUTATION of GROSS REVENUE CONVERSION FACTOR  
 FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

FEDERAL INCOME TAX RATE ADJUSTED FOR  
 TAX CUTS AND JOBS ACT OF 2017

LINE NO.	DESCRIPTION		<b>SETTLEMENT</b> PERCENT OF INCREMENTAL GROSS REVENUE
1	Operating Revenues		100.00000%
2			
3			
4	Less: Uncollectible Accounts Expenses	0.5425%	
5	PUCO Maintenance Assessment	0.0000%	
6	Consumers' Counsel Assessment	0.0000%	<u>0.54250%</u>
7			
8	Income before Federal Income Tax (Line 1 - Line 6)		99.45750%
9			
10	Federal Income Tax (21% x 99.458%)		<u>20.88608%</u>
11			
12	Operating Income Percentage (Line 8 - Line 10)		<u><u>78.57143%</u></u>
13			
14	Gross Revenue Conversion Factor (100% / 78.571%)		<u><u>1.2727273</u></u>

Note:

The Gross Revenue Conversion Factor (GRCF) above has been updated from the Gas Rate Case in 2012 to show the impact of the lower Federal Income Tax rate as a result of the Tax Cut and Jobs



DUKE ENERGY OHIO, INC.  
 CASE NO. 12-1685-GA-AIR  
 COMPUTATION of GROSS REVENUE CONVERSION FACTOR  
 FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

SCHEDULE A-2

LINE NO.	DESCRIPTION		<b>SETTLEMENT</b> PERCENT OF INCREMENTAL GROSS REVENUE
1	Operating Revenues		100.00000%
2			
3			
4	Less: Uncollectible Accounts Expenses	0.5425%	
5	PUCO Maintenance Assessment	0.0000%	
6	Consumers' Counsel Assessment	0.0000%	<u>0.54250%</u>
7			
8	Income before Federal Income Tax (Line 1 - Line 6)		99.45750%
9			
10	Federal Income Tax (35% x 99.458%)		<u>34.81013%</u>
11			
12	Operating Income Percentage (Line 8 - Line 10)		<u><u>64.64738%</u></u>
13			
14	Gross Revenue Conversion Factor (100% / 64.647%)		<u><u>1.5468532</u></u>

Note:

The Gross Revenue Conversion Factor (GRCF) above is from the Gas Rate Case in 2012.