

BEFORE

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THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke Energy)
Ohio, Inc. for an Increase in Gas Rates.) Case No. 07-589-GA-AIR

In the Matter of the Application of Duke Energy)
Ohio, Inc. for Approval of an Alternative Rate) Case No. 07-590-GA-ALT
Plan for its Gas Distribution Service.)

In the Matter of the Application of Duke Energy)
Ohio, Inc. for Approval to Change Accounting) Case No. 07-591-GA-AAM
Methods.)

ENTRY

The Attorney Examiner finds:

- (1) On June 18, 2007, Duke Energy of Ohio, Inc. (Duke) filed a notice of intent to file an application for an increase in gas rates. On July 11, 2007, the Commission issued an entry establishing the date certain and test period for Duke's application. On July 18, 2007, Duke filed an application to increase its gas distribution rates, an application for authority to implement an alternative rate plan for its gas distribution services, and an application for approval to change accounting methods.
- (2) The Commission has caused an investigation to be made of the facts set forth in the applications in these cases, the exhibits attached thereto, and the matters connected with the applications. Written reports of the staff's investigation and the independent financial audit were filed on December 20, 2007.
- (3) Motions to intervene were filed by the Ohio Energy Group (OEG), the Kroger Company (Kroger), Interstate Gas Supply, Inc. (Interstate), the city of Cincinnati (City), the Office of the Ohio Consumer's Counsel (OCC), People Working Cooperatively, Inc. (PWC), Integrys Energy Services, Inc. (Integrys) and Direct Energy Services, LLC (DES). Each motion was timely filed and contends that the potential party has a real and substantial interest in these matters. Accordingly, the Attorney Examiner finds that the motions to intervene filed by OEG, Kroger, Interstate, the City, OCC, PWC, Integrys and DES are reasonable and should be granted.

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- (4) Objections to the staff report have been filed by several parties to these proceedings.
- (5) Section 4903.083, Revised Code, requires that the Commission hold at least one session of the public hearing within the applicant utility's service territory and, further, requires that at least one session of the hearing be held after 5:00 p.m.
- (6) Accordingly, local public hearings will be conducted on the dates:
 - (a) Thursday, February 21, 2008, at 6:30 p.m., at Mason Intermediate School, MI-45 Kiva, 6307 Mason-Montgomery Road, Mason, Ohio 45040.
 - (b) Monday, February 25, 2008, at 3:00 - 5:00 p.m., at Cincinnati City Council Chambers, 801 Plum Street, Conference Room 312, Cincinnati, Ohio 45202.
 - (c) Monday, February 25, 2008, at 6:30 p.m., at Cincinnati City Council Chambers, 801 Plum Street, Conference Room 300, Cincinnati, Ohio 45202.
- (7) The evidentiary hearing shall commence on Tuesday, February 26, 2008, at 10:00 a.m., in Hearing Room 11-C, on the 11th floor, at the office of the Commission, 180 East Broad St., Columbus, Ohio 43215.
- (8) Duke should publish notice of the local public hearings in a newspaper of general circulation in the affected service territory once each week for two consecutive weeks prior to the scheduled date of the local hearings. The notice should not appear in the legal notices section of the newspaper. The notice should read as follows:

LEGAL NOTICE

The Public Utilities Commission of Ohio has scheduled local public hearings in Case Nos. 07-589-GA-AIR, 07-590-GA-ALT, 07-591-GA-AAM, *In the Matter of the Application of Duke Energy Ohio, Inc. for an Increase in Gas Distribution Rates, for Approval of an Alternative Rate Plan for its Gas Distribution Services and for Approval to Change Accounting Methods*. The hearings are scheduled for the purpose of providing an opportunity for interested members of the public to testify in these proceedings. The local hearings will be held as follows:

- Thursday, February 21, 2008, at 6:30 p.m., at Mason Intermediate School, MI-45 Kiva, 6307 Mason-Montgomery Road, Mason, Ohio 45040;
- Monday, February 25, 2008, at 3:00 - 5:00 p.m., at Cincinnati City Council Chambers, 801 Plum Street, Conference Room 312, Cincinnati, Ohio 45202; and
- Monday, February 25, 2008, at 6:30 p.m., at Cincinnati City Council Chambers, 801 Plum Street, Conference Room 300, Cincinnati, Ohio 45202.

By its application, Duke seeks a rate increase which would generate approximately \$34,142,702 of additional revenue, or an increase of 5.71 percent over current revenue. After its review of the company's records and application, the staff of the Commission recommends an increase in revenue of between \$14,271,220 and \$20,050,312, or an increase of between 2.39 percent and 3.36 percent over current revenue.

The major issues in this case are as follows:

- (a) Revenue requirements
- (b) Rate base, including valuation of assets and analysis of plant and working capital components

- (c) Determination of operating income, including revenues and expenses
- (d) Rate of return, including appropriate return on equity
- (e) Rates and tariffs, including rate design, allocation of costs, trackers, customer charges, and customer classes
- (f) Other matters, including audit recommendations, customer service and customer assistance, weatherization, payment stations, riser replacement decoupling, accelerated main replacement and advance metering.

Further information may be obtained by contacting the Public Utilities Commission of Ohio, 180 East Broad Street, Columbus, Ohio 43215-3793, viewing the Commission's web page at <http://www.puc.state.oh.us> or contacting the Commission's hotline at 1-800-686-7826. The hearing impaired can reach the Commission via TTY at 1-800-686-1570 or, in Columbus, at 466-8180. Participants in the proceeding may request a sign language interpreter by calling the Commission's Consumer Services Department at any of the numbers listed above at least 48 hours before the hearing.

It is, therefore,

ORDERED, That the motions to intervene filed by OEG, Kroger, Interstate, the City, OCC, PWC, Integrys and DES are granted. It is, further,

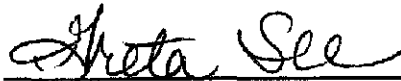
ORDERED, That local public hearings in these proceedings be held on Thursday, February 21, 2008, at 6:30 p.m., at Mason Intermediate School, MI-45 Kiva, 6307 Mason-Montgomery Road, Mason, Ohio 45040; Monday, February 25, 2008, at 3:00 - 5:00 p.m., at Cincinnati City Council Chambers, 801 Plum Street, Conference Room 312, Cincinnati, Ohio; and Monday, February 25, 2008, at 6:30 p.m., at Cincinnati City Council Chambers, 801 Plum Street, Conference Room 300, Cincinnati, Ohio. It is, further,

ORDERED, That the evidentiary hearing in these proceedings commence on Tuesday, February 26, 2008, at 10:00 a.m., Hearing Room 11-C, 11th floor, at the office of the Commission, 180 East Broad Street, Columbus, Ohio. It is, further,

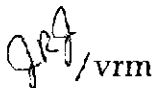
ORDERED, That notice of the local public hearings be published as set forth in finding (8). It is, further,

ORDERED, That a copy of this entry be served upon all parties of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO



By: Greta See
Attorney Examiner



Entered in the Journal

FEB 01 2008



Renee J. Jenkins
Secretary