

FILE

BEFORE THE

PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Annual Application)
of Duke Energy Ohio, Inc. for an)
Adjustment to Rider AMRP Rates)

Case No. 10-2788-GA-UN

In the Matter of the Application of)
Duke Energy Ohio, Inc. for Tariff)
Approval)

Case No. 10-2789-GA-ATA

P.U.C.O.

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APPLICATION OF
DUKE ENERGY OHIO, INC.
FOR AN ADJUSTMENT TO RIDER AMRP GAS RATES
AND FOR TARIFF APPROVAL

TO THE HONORABLE
THE PUBLIC UTILITIES COMMISSION OF OHIO:

1. Duke Energy Ohio, Inc. (Duke Energy Ohio) is an Ohio corporation engaged in the business of supplying natural gas to approximately 425,000 customers in Southwestern Ohio, all of whom will be affected by this Application, and is a public utility as defined by R. C. 4905.02 and 4905.03.
2. This Application is made pursuant to R. C. 4909.18 and related sections of the Ohio Revised Code for authority to make changes and increases in gas rates applicable in incorporated communities and unincorporated territory within Duke Energy Ohio's entire service area, which includes all or part of Adams, Brown, Butler, Clinton, Clermont, Hamilton, Montgomery, and Warren Counties in Ohio. The gas rates that Duke Energy Ohio seeks to change in its tariff, P.U.C.O. Gas No. 18, are as follows:

Rider AMRP, Accelerated Main Replacement Program Rider, Sheet No. 65.

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3. The Notice of Intent to File was served on the mayor and legislative authority of each municipality affected by this Application on November 30, 2010, and filed with the Public Utilities Commission of Ohio (Commission) on November 30, 2010, pursuant to R.C. 4909.43(B) and in compliance with the Commission's Standard Filing Requirements set forth in OAC 4901-7-1.
4. Duke Energy Ohio proposes a test year consisting of the twelve-month period ending December 31, 2010, and the date certain for property valuation of December 31, 2010.
5. Duke Energy Ohio estimates that the rate changes proposed herein, if granted in full and factoring in the applicable rate caps approved by the Commission, would increase gross revenues by \$8.3 million or 1.7 % annually over the estimated test period gross revenues generated from providing service to customers.
6. Duke Energy Ohio is filing this Application pursuant to the terms and conditions of a Stipulation and Recommendation filed with the Commission on February 28, 2008 in *In the Matter of the Application of Duke Energy Ohio, Inc. for an Increase in Rates*, Case No. 07-589-GA-AIR, and approved by the Commission in its Opinion and Order dated May 28, 2008. The Stipulation and Recommendation states:

7. Rider AMRP – Procedure. Following the implementation of new Rider AMRP rates discussed in paragraph 6, above, Duke Energy Ohio will file a pre-filing notice and application annually to implement subsequent adjustments to Rider AMRP, beginning in November 2008. The Company will bear the burden of proof in its annual Rider AMRP filings and the Company's annual pre-filing notice shall demonstrate the justness and reasonableness of the level of recovery of expenditures associated with the Accelerated Main Replacement Program ("AMRP") and riser replacement program that the Company proposes. The annual filing will support the adjustment to Duke Energy Ohio's revenue requirement for increases to Rider AMRP. The November pre-filing notice will consist of actual data through September 2008 and three months of projected data, will set the then-current calendar year as the test year, and will set December 31 of the applicable year

as the date certain. Duke Energy Ohio shall make its application and file an update of year-end actual data by the following February 28 of each year. Staff shall conduct an investigation of Duke Energy Ohio's filing and, unless Staff finds Duke Energy Ohio's filing to be unjust or unreasonable or if any other party files an objection that is not resolved by Duke Energy Ohio by April 1 of each year, the Staff shall issue its recommendation regarding Duke Energy Ohio's application for an increase of the Rider AMRP rate to the Commission to be effective, on a bills rendered basis, with the first billing cycle for the May revenue month. If the Staff determines that Duke Energy Ohio's application to increase Rider AMRP is unjust or unreasonable, or if any other party that filed for intervention files an objection that is not resolved by Duke Energy Ohio, then the parties will not object to a hearing process in order to effectuate, to the extent practicable and as long as consistent with there being full and reasonable discovery that provides for an expedited response time (i.e., ten days), the implementation of Rider AMRP in the first billing cycle for the May revenue month, or the first billing cycle of the revenue month following the Commission's decision. Duke Energy Ohio shall continue to make its Rider AMRP annual filing until the effective date of the Commission's order in Duke Energy Ohio's next base rate case. Duke Energy Ohio shall not oppose the right of any interested party to permissible discovery and/or a hearing in the annual Rider AMRP proceeding.

(Stipulation and Recommendation at 8-9.)

7. Duke Energy Ohio has filed with its Pre-Filing Notice, and incorporates herein by reference, as required by R.C. 4909.18 and the Commission's Standard Filing Requirements, the current Rider AMRP and the proposed new Rider AMRP. Duke Energy Ohio also filed the following schedules with the Commission on or about November 30, 2010, in accordance with the Stipulation and Recommendation, and Duke Energy Ohio incorporates such schedules by reference:
 - (a) Schedule 1, AMRP Annualized Revenue Requirement;
 - (b) Schedules 2, Riser Replacement Revenue Requirement;

- (c) Schedules 3-A and 3-B, AMRP Plant Additions by Month;
- (d) Schedules 4-A and 4-B, Riser Additions by Month;
- (e) Schedules 5-A and 5-B, Cost of Removal by Month;
- (f) Schedules 6-A, 6-B, AMRP Original Cost Retired by Month;
- (g) Schedules 7-A and 7-B, AMRP Provision for Depreciation;
- (h) Schedules 8-A, 8-B, Riser Provision for Depreciation;
- (i) Schedules 9-A and 9-B, AMRP Net Regulatory Assets – Post In-Service Carrying Cost;
- (j) Schedules 10-A and 10-B, AMRP Net Deferred Tax Balance – PISCC;
- (k) Schedules 11-A and 11-B, Riser Net Regulatory Assets – Post In-Service Carrying Cost;
- (l) Schedules 12-A and 12-B, Riser Net Deferred Tax Balance – PISCC;
- (m) Schedule 13-A and 13-B, AMRP Deferred Taxes on Liberalized Depreciation;
- (n) Schedule 14, Riser Deferred Taxes on Liberalized Depreciation;
- (o) Schedules 15-A and 15-B, AMRP Annualized Depreciation Associated with Additions;
- (p) Schedules 16-A and 16-B, Riser Annualized Depreciation Associated with Risers;
- (q) Schedules 17-A and 17-B, AMRP Annualized Reduction in Depreciation for Retirements;
- (r) Schedules 18-A and 18-B, AMRP Annualized Amortization of PISCC;
- (s) Schedules 19-A and 19-B, Riser Annualized Amortization of PISCC;
- (t) Schedule 20, AMRP Meter Relocation Expense;

- (u) Schedule 21, AMRP Gas Maintenance Accounts Savings;
- (v) Schedule 22, AMRP Annualized Property Tax Expense Calculation;
- (w) Schedule 23, Riser Annualized Property Tax Expense Calculation;
- (x) Schedule 24, AMRP Cap Calculation by Rate Class;
- (y) Schedule 25, Aged Survivors of Mains and Services as of September 30, 2009; and
- (z) Schedule 26, Annual AMRP Rider Filing – Calculation of Depreciation Expense and Accumulated Depreciation.

8. At the time of filing this Application, no municipal corporation has in effect any ordinance or franchise that does, or will, regulate the rates or charges to any customer affected by this Application.

WHEREFORE, since the rates, prices, charges and other provisions in the current rate schedules do not yield just and reasonable compensation to Duke Energy Ohio for supplying gas service to the customers to which they are applicable, do not yield a just and reasonable return to Duke Energy Ohio on the value of the property used for furnishing gas service to such customers, and result in the taking of Duke Energy Ohio's property for public use without compensation and without due process of law, Duke Energy Ohio respectfully prays that this Honorable Commission:

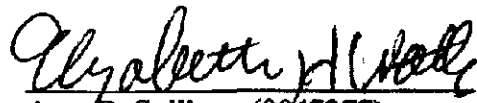
- (a) Accept this Application for filing;
- (b) Find that this Application and the schedules incorporated by reference herein are in accordance with R. C. 4909.18 and the Rules of the Commission;
- (c) Find that the current rates, prices and charges for gas service are unjust, unreasonable and insufficient to yield reasonable compensation to Duke Energy Ohio for the gas service rendered;
- (d) Find that the proposed rates, prices, and charges are just and reasonable based upon the test period for the twelve months ending December 31,

2010, and approve such schedules in the form tendered herewith or incorporated by reference herein;

- (e) Find that Duke Energy Ohio is in compliance with R. C. 4905.35;
- (f) Approve the proposed notice for newspaper publication attached hereto as Attachment A or, in the alternative, make a finding that no newspaper publication is required, because Duke Energy Ohio published newspaper notification of all proposed Rider AMRP increases when it filed the original application in the proceeding resulting in the Opinion and Order that initiated this filing.
- (g) Approve Duke Energy Ohio's Application for Approval to Change Accounting Methods consistent with proposed Rider AMRP; and
- (h) Fix the date on or after which deliveries made are subject to the proposed rates.

Respectfully submitted,

Duke Energy Ohio



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PROPOSED NOTICE FOR NEWSPAPER PUBLICATION

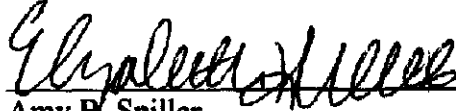
Please take notice that, pursuant to Ohio Revised Code Section 4909.18, Duke Energy Ohio ("Duke Energy Ohio") has filed an application with the Public Utilities Commission of Ohio ("Commission") for an increase in its gas rates. The purpose of the application is to allow Duke Energy Ohio to recover the costs it incurred in 2010 related to its Accelerated Main Replacement Program ("AMRP") and Riser Replacement Program ("RRP"). Under these programs, Duke Energy Ohio is replacing cast iron and bare steel gas mains and service lines and risers on an accelerated basis, in order to improve the safety and reliability of its distribution system. Under the RRP, Duke Energy Ohio is replacing certain gas service risers through as accelerated program, in order to improve the safety and reliability of its distribution system. The Commission approved the AMRP and the RRP in an Opinion and Order dated May 28, 2008 in Case No. 07-589-GA-AIR.

Duke Energy Ohio estimates that the rate changes proposed herein, if granted in full, would increase gross revenues by \$8.3 million or 1.7 % annually over the estimated test period gross revenues generated from providing service to customers. The average percentage increase that a typical residential customer will bear should the increase be granted in full is 1.5% based on December 2010 billings. The proposed Rider AMRP charges applicable to Duke Energy Ohio tariffed gas rates are as follows: Rate RS and RSLI -- \$4.81 per month; Rate RFT and RFTLI -- \$4.81 per month; Rate GS-S and GS-L -- \$36.82 per month; Rate FT-S and FT-L -- \$36.82 per month; Rate DGS -- \$36.82 per month; and, Rates IT and SSIT -- \$0.15 per Mcf.

Any person, firm, corporation, or association may file, pursuant to Ohio Revised Code Section 4909.19, an objection to such increase that may allege that such application contains proposals that are unjust and discriminatory or unreasonable.

CERTIFICATE OF SERVICE

I, the undersigned, hereby certify that a copy of the foregoing Application was served on the following parties of record by first class, U.S. mail, postage prepaid or via overnight delivery this 28th day of February, 2011.


Amy B. Spiller

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