

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Duke)	
Energy Ohio, Inc., for Approval to)	Case No. 13-2417-GA-UNC
Implement a Capital Expenditure Program.)	
)	
In the Matter of the Application of Duke)	
Energy Ohio, Inc., for Approval to)	Case No. 13-2418-GA-AAM
Change Accounting Methods.)	

**APPLICATION OF DUKE ENERGY OHIO, INC.,
FOR APPROVAL OF A CAPITAL EXPENDITURE
PROGRAM AND TO CHANGE ACCOUNTING METHODS**

Pursuant to R.C. 4909.18 and 4929.111, Duke Energy Ohio, Inc., (Duke Energy Ohio or Company) respectfully requests approval from the Public Utilities Commission of Ohio (Commission) to implement an information technology capital expenditure program (IT-CEP) and for accounting authority to: (1) capitalize post-in-service carrying costs (PISCC) on investments under the IT-CEP for assets placed in service but not yet reflected in rates; (2) defer depreciation expense and property tax expense directly attributable to the IT-CEP; and (3) establish a regulatory asset to which PISCC, depreciation expense, and property tax expense will be deferred for recovery in a subsequent, separate proceeding. In support of this Application, Duke Energy Ohio states as follows:

1. Duke Energy Ohio is an Ohio corporation engaged in the business of providing natural gas services to customers in southwest Ohio and, as such, is a natural gas company as defined by R.C. 4905.0(A)(5) and a public utility as defined by R.C. 4905.02.
2. R.C. 4929.111(A) authorizes a natural gas company to file an application with the Commission, under R.C. 4909.18, R.C. 4929.05, or R.C. 4929.11, to implement a capital

expenditure program. R.C. 4929.111(A) further provides that the capital expenditure program may be for any of the following:

- a. “[a]ny infrastructure expansion, infrastructure improvement, or infrastructure replacement program”;
- b. “[a]ny program to install, upgrade, or replace information technology systems”; or
- c. “[a]ny program reasonably necessary to comply with any rules, regulations, or orders of the [C]ommission or other governmental entity having jurisdiction.”

3. Pursuant to R.C. 4909.18 and R.C. 4929.111, Duke Energy Ohio files the present Application to implement a capital expenditure program applicable to one of the three categories of programs contemplated by R.C. 4929.111(A). Specifically, Duke Energy Ohio seeks to implement an information technology capital expenditure program, or IT-CEP, to install, upgrade, or replace information technology systems. Said IT-CEP involves substantial redesign of and upgrades to the Company’s existing information technology systems that are utilized by Duke Energy Ohio in the provision of natural gas service to its customers. The redesign and upgrades will enable improved operational efficiencies through, *inter alia*, mobile activity such as mapping and work management and additional automated processes in respect of electronic form submission, quality assurance review, and enhanced regulatory and management reporting capabilities. The IT-CEP is presently anticipated to be a five-year program and, consistent therewith, Duke Energy Ohio seeks to implement an IT-CEP, as requested through this Application, for the period beginning in 2013 and ending in approximately 2018. Further, consistent with R.C. 4929.111(A), the Company expressly retains the right to submit applications for capital expenditure programs not covered by this Application.

4. Consistent with R.C. 4929.111(B), Duke Energy Ohio hereby submits that the total cost of the IT-CEP, exclusive of carrying costs, is expected to be between \$20 million and \$25 million. Attached hereto as Exhibit 1 are the estimated total costs for the IT-CEP. The actual cost could vary, due to the Company's management of its capital expenditure budget and the stages in which the information system will be redesigned and upgraded.

5. R.C. 4929.111(C) provides that the Commission shall approve an application where it "finds that the capital expenditure program is consistent with the natural gas company's obligation under [R.C. 4905.22] to furnish necessary and adequate services and facilities, which services and facilities the [C]ommission finds to be just and reasonable."

6. The IT-CEP will enable Duke Energy Ohio to enhance its information technology systems, thereby allowing it to provide information consistent with the current compliance rules and regulations and its obligation to furnish necessary and adequate services and facilities.

7. Duke Energy Ohio proposes to make annual informational filings in respect of its IT-CEP. Said filings, which shall be made by April 30 of each year, will detail the amount of capital expenditures for the prior calendar year. The Company proposes to make the first filing on April 30, 2014, with the final filing made on April 30 of the year following the completion of the information system redesign and upgrades contemplated for inclusion in the IT-CEP. Duke Energy Ohio further proposes that Commission Staff and intervenors be required to file comments within thirty days of each annual informational filing. If no comments are filed in such period, the Company's IT-CEP and related, ongoing deferral authority would be deemed approved. If comments are filed, Duke Energy Ohio would be permitted fifteen days in which to file reply comments, prior to Commission review.

8. Any accrual for deferral of PISCC, depreciation expense, and property tax expense associated with the IT-CEP shall be recorded in accordance with the system of accounts established by the Commission under R.C. 4905.13, consistent with R.C. 4029.111(E). Duke Energy Ohio adheres to the FERC Unified System of Accounts Prescribed for Natural Gas Companies and Generally Accepted Accounting Principles when accounting for the actual costs of capital projects, which is considered just and reasonable. PISCC will be based upon the Company's cost of long-term debt as approved by the Commission in Duke Energy Ohio's then most recent natural gas distribution base rate case. The Company's most recent rate case was filed under Case No. 12-1685-GA-AIR, *et al.*, and approved via an Opinion and Order issued on November 13, 2013.

9. Through this Application, Duke Energy Ohio is seeking approval of the implementation of the IT-CEP and authority for the accounting treatment, both of which are described herein. Duke Energy Ohio further submits that the recovery of amounts deferred pursuant to an order approving this Application shall be addressed in a separate proceeding assessing the prudence and reasonableness of the amounts so deferred. Consistent with R.C. 4929.111(E), Duke Energy Ohio shall not request recovery of costs under the IT-CEP that is the subject of this Application more than one time in each calendar year.

10. This Application will not result in an increase in any rate, joint rate, toll, classification, charge, or rental. Therefore, it is not an application for an increase in rates under R.C. 4909.18 and the Commission may thus approve this Application without a hearing.

WHEREFORE, for the reasons set forth herein, Duke Energy Ohio respectfully requests Commission approval to implement the IT-CEP, as described herein, and authorization for the creation of a regulatory asset and deferral of PISCC on investments under the IT-CEP, depreciation expense, and property tax expense.

Respectfully submitted,



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DUKE ENERGY OHIO, INC.
INFORMATION TECHNOLOGY CAPITAL EXPENDITURE PROGRAM
PROJECTED PROGRAM COSTS
(In Millions)

<u>Category</u>	<u>Investment</u>
Implementation/Hardware	\$9 - \$10
System Integration/Enhancements	\$8 - \$10
Data Availability/Reporting	\$3 - \$5
Total Project Cost	\$20 - \$25 ¹

¹ The actual total program costs of the IT-CEP may vary from the projected costs.

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Case No(s). 13-2417-GA-UNC, 13-2418-GA-AAM

Summary: Application of Duke Energy Ohio, Inc., for Approval of a Capital Expenditure Program and to Change Accounting Methods electronically filed by Dianne Kuhnell on behalf of Duke Energy Ohio, Inc. and Spiller, Amy B. and Rocco D'Ascenzo