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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke)
Energy Ohio, Inc., for Approval of an)
Alternative Rate Plan Pursuant to Section) Case No. 14-1622-GA-ALT
4929.05, Revised Code, for an Accelerated)
Service Line Replacement Program.)

APPLICATION FOR APPROVAL OF
AN ALTERNATIVE RATE PLAN FOR AN
ACCELERATED SERVICE LINE REPLACEMENT PROGRAM

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Exhibit A: Proposed Tariff Sheet No. 61

I. Introduction

Much of the nation's natural gas pipeline infrastructure was installed many decades ago and, although this infrastructure continues to supply residential and commercial customers, some of it was constructed with material that is now obsolete. Maintaining the safety and reliability of this infrastructure is of utmost importance. Indeed, the federal government has imposed upon local distribution companies regulations designed to ensure that infrastructure is fit for service. The federal government has also, in response to then-recent pipeline safety incidents, announced a "pipeline safety action plan," calling for pipeline operators, including local distribution companies, to accelerate their efforts to replace pipeline facilities and take other actions to enhance the integrity of network facilities.¹

Ohio is similarly focused. The General Assembly has recently acted to enhance the safety of natural gas lines, with its overwhelming support for more stringent underground damage prevention legislation. In December 2014, Amended Substitute Senate Bill 378 was passed unanimously by the Ohio Senate and almost unanimously by the Ohio House of Representatives, just six days later. With Governor Kasich's signature, it is indisputable that Ohio's leadership recognizes the critical nature of natural gas safety issues.

But even before imposition of these federal and state requirements, the Public Utilities Commission of Ohio (Commission) understood the importance of natural gas pipeline safety. A forerunner in the regulatory arena, the Commission has encouraged the efficient and accelerated replacement of outdated natural gas infrastructure throughout Ohio, with the start of that process occurring in 2001 in Duke Energy Ohio's service territory, with the Accelerated Main Replacement Program (AMRP). The Commission's prudence has resulted in the Company's

¹ United States Department of Transportation, Briefing Room, April 4, 2011 (<http://www.dot.gov/briefing-room/us-transportation-secretary-ray-lahood-announces-pipeline-safety-action-plan>)(accessed January 8, 2015).

ability to upgrade approximately 1,100 miles of cast iron and bare steel natural gas mains² far earlier than could have otherwise been possible. The AMRP will conclude on December 31, 2015, consistent with prior Commission authorizations.³

This foresight should now be directed to service lines – the natural gas piping located in the closest proximity to homes and businesses. Without acceleration, the critically important replacement of these lines will take many decades. Thus, in response to federal and state priorities and intending to build upon the beneficial programs previously implemented under the Commission's direction, Duke Energy Ohio submits its Application for Approval of an Alternative Rate Plan for an Accelerated Service Line Replacement Program (Application).

II. Ohio Law Does Not Just Allow, but Encourages, Approval of the Accelerated Service Line Replacement Program.

1. The policy statements included by the legislature in the laws governing natural gas utilities could not be more clear. Safety is important. The policies of the state, as set forth in R.C. 4929.02, seek the availability of adequate, reliable, and reasonably priced service; the development of innovative programs for cost-effective supply-side services; the implementation of flexible regulatory treatment; and the efficient upgrading of distribution systems, thereby yielding safer and more reliable service to customers.

2. To effectuate these policies, the legislature has deemed it appropriate to allow the approval of alternative rate plans that, among other things, allow natural gas companies to pursue alternative rate plans for purposes of implementing important initiatives – such as infrastructure improvement – and enabling meaningful benefits.

² The AMRP also allowed for the replacement of approximately 105,000 service lines attached to the targeted mains, as will be more fully explained herein.

³ See, e.g., *In the Matter of the Application of Duke Energy Ohio, Inc., for an Adjustment to Rider AMRP Rates to Recover Costs Incurred in 2010*, Case No. 10-2788-GA-RDR, *et al.*, Opinion and Order, at pp. 10-11 (May 4, 2011).

3. In 2011, the 129th General Assembly passed Amended Substitute House Bill 95 (H.B. 95), in order to reform the regulatory process and enable natural gas companies to implement beneficial programs even more efficiently. The statutory revisions resulting from H.B. 95 were intended to enable targeted focus on specific programs that can provide benefits to ratepayers and the natural gas company, reduce the number of costly base rate case proceedings, and provide incentive for innovative proposals designed to increase investment, economic development, and long-term value for ratepayers, all while retaining the Commission's regulatory oversight of natural gas companies. And the legislature specifically affirmed that such a plan can be approved outside of a rate case application.

III. Service Line Safety Can be Efficiently Enhanced Through an Accelerated Replacement Program.

4. Pipeline safety regulations have existed for decades, first taking effect in 1970. However, a continuing series of catastrophic events has caused the Pipeline and Hazardous Material Safety Administration (PHMSA) to promulgate additional federal regulations, including Distribution Integrity Management Program (DIMP) regulations. The DIMP regulations, which were first imposed upon local distribution companies such as Duke Energy Ohio in 2011, are intended to enhance safety through the identification of and reduction in pipeline integrity risks. In short, the current federal regulations, including those addressing distribution integrity management, require detailed data analysis to identify and prioritize risks and to analyze threats to the Company's natural gas distribution system. Significantly, once an elevated risk is identified, Duke Energy Ohio, as a prudent operator, **must** undertake reasonable measures to mitigate it.

5. Duke Energy Ohio's focus on the safety and reliability of its distribution infrastructure pre-dated federal integrity management regulations. Indeed, in 1987, the Company

developed programs aimed at addressing its aging main infrastructure. Over time, these programs evolved to include risks associated with service lines.

6. The natural gas service lines situated in the Duke Energy Ohio service territory are comprised of various materials (*e.g.*, steel, copper, cast iron, plastic), based on the general operating practices of the relevant time. Certain of these materials, although standard and widely accepted as safe and reliable at the time of installation, are now considered obsolete. For example, cast iron is subject to cracking and breaking and is influenced by large temperature deviations and ground movement. Corrosion is a concern for metallic pipe; a concern that has been addressed through mitigation efforts, mostly in the form of cathodic protection. But because cathodic protection was not mandated until the 1970s, there are existing metallic service lines that are not so protected.

7. A failure in a service line can have significant safety consequences, which consequences can be magnified given that service lines are located in close proximity to inhabited structures. It is also worth noting that, in most cases, service lines, such as are proposed to be addressed through the ASRP, operate at the same pressure as the main to which they are attached. The Commission appreciates these facts, having previously concluded:

[W]hile service line leaks are generally not catastrophic, they are often times categorized as hazardous and can present significant safety hazards and do have the potential to cause catastrophic damage to the customer's property and neighboring properties.⁴

8. Historically, the Company replaced failed service lines only after becoming aware of such a failure. And this practice continues to this day. These responses are site-specific (*i.e.*,

⁴ *In the Matter of the Application of Columbia Gas of Ohio, Inc., for Approval of Tariffs to Recover, Through an Automatic Adjustment Clause, Costs Associated with the Establishment of an Infrastructure Replacement Program and for Approval of Certain Accounting Treatment*, Case No. 07-478-GA-UNC, *et al.*, Opinion and Order, at pg. 29 (April 9, 2008).

concern only the premises at which the failed service line is located) and can involve premium labor dollars given that the circumstances give rise to an urgent situation. Additionally, whether through internal programs or as a result of increased federal scrutiny, Duke Energy Ohio annually replaces a limited number of service lines. The costs associated with both of these approaches are recovered through the Company's base rates.

9. Realizing the need to accelerate the replacement of service lines prior to their failure, Duke Energy Ohio began, through its AMRP, addressing the risk posed by service lines that were either of a vintage earlier than 1971 and thus not cathodically protected or comprised of other, unprotected metallic material. Specifically, where the main-to-curb and curb-to-meter segments of a service line fell under either of these categories and were connected to the cast iron or bare steel mains being replaced under the AMRP, those segments were also replaced under the AMRP. That is, a discrete group of service lines have been addressed on an accelerated basis, under the AMRP, until that program concludes at the end of 2015. And upon replacement of such service lines, Duke Energy Ohio assumes ownership of the new lines, thereby removing from individual customers the obligation to arrange and pay for what are often expensive repair services.⁵ The AMRP, therefore, has enabled Duke Energy Ohio to efficiently upgrade components of its natural gas delivery system in order to improve safety and reliability. The costs associated with the replacement of those service lines that are within the scope of the AMRP are recovered through Rider AMRP.

10. Upon the conclusion of its AMRP, Duke Energy Ohio will not have replaced all natural gas service lines in its territory that pose a potential risk as result of their composition or

⁵ See *In the Matter of the Application of Duke Energy Ohio, Inc. for an Increase in Rates*, Case No. 07-589-GA-AIR, et al., Opinion and Order, pg. 16 (May 28, 2008)(authorizing Company's assumption of ownership and noting that ownership of service lines by utility advances public interest and safety).

age. Rather, the Company estimates, on the basis of available main-to-curb data, that approximately 58,000 pre-1971, steel and other unprotected metallic service lines will remain in its natural gas system when AMRP ends. Absent implementation of an accelerated program, the removal and replacement of targeted service lines would continue proactively under the Company's standard capital replacement program pursuant to the federal DIMP requirements or, on an emergency basis, upon discovery of a leak. However, the standard program has allowed for the replacement of approximately 200 service lines per year. Under that schedule, it could reasonably take Duke Energy Ohio more than 200 years to replace this aging infrastructure. But such an outcome is antithetical to PHMSA's regulations, as well as the Commission's own objective of ensuring safe and reliable natural gas distribution service. Indeed, proactive measures – to identify and replace hazards – are now required and the same authorizations issued by the Commission years ago are equally applicable now so that the next risk may be mitigated.

11. In response to federal mandates, adhering to the policies of the state as implemented by the Commission, and intending a near seamless transition, Duke Energy Ohio proposes here an alternative rate plan in the form of an ASRP to implement a new service that identifies, addresses, and accelerates these main-to-curb and associated curb-to-meter service lines. Under the ASRP, Duke Energy Ohio will, in a systematic approach like that followed in the AMRP, methodically replace pre-1971, steel and other unprotected metallic service lines.

IV. The Attributes of the ASRP Are Just and Reasonable.

12. On the basis of available data, it appears that the proposed ASRP would result in the replacement of approximately 14 percent of the Company's existing service lines and would, thereby, eliminate the potential for most, if not all, of the corrosion, natural forces, and material/weld leaks on the Company's system, resulting in a reduction of approximately 25 percent of the total current service leaks on the system. However, the Company is aware that available data is not comprehensive, due to the fact that it does not currently own all service lines in its service territory. Therefore, as part of the ASRP, the Company will seek to identify the age and material of approximately 28,000 curb-to-meter service lines for which available data may be unreliable or incomplete. This reconnaissance effort will involve an initial records review and then, as necessary, physical visits to expose service lines and confirm their composition. Once the analysis has been completed, Duke Energy Ohio will provide the results and proposed next steps to the Commission.

13. Duke Energy Ohio will use objective criteria, such as operating pressure, material type, and year of installation, to assist in the prioritization of replacement work. Geographical areas will also be reviewed so as to optimize and coordinate efforts toward scheduling and completing the necessary work. The structure of the ASRP, therefore, borrows from the organized structure that has contributed to the successful AMRP.

14. The ASRP reflects a systematic approach to accelerating the replacement of both pre-1971, steel service lines and, also, other unprotected metallic service lines currently integrated into the Company's natural gas distribution system, through coordination with qualified, outside contractors and Company crews that will reduce overall program costs and minimize disruption to and outages for customers.

15. The Company's ASRP responds to a class of hazardous risks inherent in a category of service lines that have been identified as having a high propensity to leak. Duke Energy Ohio's proposal is based upon analysis that shows that, once the AMRP is complete and absent any proactive measures, leak rates on service lines will increase. It should also be noted that the ASRP will also have the positive effect of expanding the Company's ownership of service lines – an outcome that has been determined by the Commission to be positive.⁶

16. The ASRP would also allow an opportunity, where possible and allowed, to efficiently and economically relocate meters that are currently inside a structure to a suitable external location, where such meters are associated with a service line being replaced. By relocating these natural gas meters, the Company will be able to avoid some future costs associated with the operation and maintenance (O&M) of inside meters related to compliance with the mandatory inspections and surveys on inside jurisdictional piping. Specifically, as federal rules mandate triennial inspections on inside jurisdictional piping, the Company will be able to exclude from the scope of such inspections that piping associated with meters that have been relocated to an exterior location under the ASRP. As a result, the triennial inspections will involve a lesser amount of indoor piping, allowing for the ability to perform those inspections using fewer hours of labor. In addition, relocating meters to an external location will substantially reduce customer inconvenience and will improve the customer's experience, as the Company will no longer have to enter a customer's premises to, among other things, conduct mandatory atmospheric corrosion inspections and leak surveys. Further incorporating this

⁶ See *In the Matter of the Application of Duke Energy Ohio, Inc. for an Increase in Rates*, Case No. 07-589-GA-AIR, *et al.*, Opinion and Order, pg. 16 (May 28, 2008) and *In the Matter of the Application of Columbia Gas of Ohio, Inc., for Approval of Tariffs to Recover, Through an Automatic Adjustment Clause, Costs Associated with the Establishment of an Infrastructure Replacement Program and for Approval of Certain Accounting Treatment*, Case No. 07-478-GA-UNC, *et al.*, Opinion and Order, at pg. 29 (April 9, 2008).

relocation activity into a larger, planned program is an economical approach. Indeed, the scale of the program will enable the efforts related to meter relocations to realize savings and avoid fragmented, expensive relocations in the future.

17. Duke Energy Ohio proposes that the ASRP be implemented over an accelerated period of ten years, beginning in 2015. Over the ten-year period, the Company projects the total capital and O&M expenditures under the ASRP to be approximately \$320 million, assuming 3 percent inflation and including moving applicable meters outside and the reconnaissance costs on an additional 28,000 service lines. If, alternatively, the service lines at issue were only replaced on an ad hoc basis based upon failure of the lines or under current programs, the Company projects that the total capital expenditures would be approximately \$360 million, in 2015 dollars, without even considering the potential increase in O&M expenses resulting from requirements applicable to inside meters or the increased hazard that comes with being reactive rather than proactive concerning the safety and reliability of the natural gas distribution system. Approval of the proposed recovery mechanism for the ASRP will avoid the need for and expense associated with filing successive base rate cases, which would otherwise be necessary to avoid the earnings lag caused by an accelerated capital improvement program.

18. Consistent with the AMRP, Duke Energy Ohio proposes to assume ownership of the service lines replaced under the ASRP. The benefits to all stakeholders of having the utility own the lines instead of the customer have been acknowledged by the Commission, as indicated

above. This will yield a consistent result among customers and further “shift responsibility for maintenance and repair of service lines” to the Company.⁷

19. In connection with the ASRP, Duke Energy Ohio is also seeking approval of Rider ASRP, which will allow the Company to track and recover the costs of this system improvement effort in a manner that is consistent with, but avoids the administrative and financial burden of, annual rate cases. Specifically, the Company proposes to provide the Commission, on an annual basis, with the following: (1) the proposed reconnaissance work for the coming year; (2) the proposed construction plans for the coming year; (3) the proposed meter relocation work for the coming year; (4) the actual service line construction results and corresponding costs for the prior year; (5) the actual meter relocation results and corresponding costs for the prior year; (6) the actual reconnaissance results and corresponding costs for the prior year; and (7) a calculation to derive a monthly customer charge. Duke Energy Ohio will apply these charges to customers’ bills until the charges are updated for the following year. The proposed tariff language for Rider ASRP is attached hereto as Exhibit A.

20. The Company seeks initial Commission approval of Rider ASRP, set at zero. On December 1, 2015, the Company will submit a pre-filing notice, reflecting its intent to establish initial rates under Rider ASRP. The pre-filing notice will reflect actual costs incurred as of October 31, 2015, and estimated costs for the balance of the year. An application will then be filed in the same docket by March 1, 2016, identifying actual costs incurred in 2015 and the initial rates for inclusion in Rider ASRP. Duke Energy Ohio further proposes that this process, along with an annual reconciliation and rider true-up, continue until the ASRP is fully integrated

⁷ *In the Matter of the Application of Columbia Gas of Ohio, Inc., for Approval of Tariffs to Recover, Through an Automatic Adjustment Clause, Costs Associated with the Establishment of an Infrastructure Replacement Program and for Approval of Certain Accounting Treatment*, Case No. 07-478-GA-UNC, *et al.*, Opinion and Order, pg. 29 (April 9, 2008).

into base rates, with the final filing to be made in the year following full completion of the ASRP-related infrastructure replacement, as determined by the Company. Notwithstanding this proposal, Duke Energy Ohio appreciates that there may exist, independent of the capital expenditures to be made in connection with the ASRP, a need for a base rate case adjustment during the course of the proposed ASRP term. Such a base rate case and the associated, detailed review would enable the Commission, through its staff, to examine the overall financial structure of the Company and, therefore, Duke Energy Ohio commits to filing at least one natural gas base rate case during the term of the ASRP. At such time, the then-existing investment in the ASRP will be incorporated into base rates and Rider ASRP will be reset to \$0.00.

21. Duke Energy Ohio also recognizes that the benefits afforded customers as a result of the ASRP will have a financial impact. This financial impact, which will predominately affect residential customers, will involve both capital and O&M costs as well as anticipated capital savings and, with regard only to meter relocations, O&M savings. To balance these factors and in an effort to lessen the overall rate impact, Duke Energy Ohio proposes residential caps applicable to Rider ASRP in the amount of \$1 per month, per bill. Such caps are limited only to Rider ASRP and do not implicate any other rates or riders, whether currently in place or implemented in the future.

V. The Proposed ASRP Meets the Statutory Definition of an Alternative Rate Plan.

22. According to R.C. 4929.01, an alternative rate plan is a natural gas company's plan, alternate to the standard approach set forth in R.C. 4909.15, for determining rates and charges. Such a plan may include, but is not limited to, methods that:

- [P]rovide adequate and reliable natural gas services and goods in the state;
- [M]inimize costs and time expended in the regulatory process;

- [T]end to assess the costs of any natural gas service or goods to the entity, service, or goods that cause such costs to be incurred;
- [A]fford rate stability;
- [P]romote and reward efficiency, quality of service, or cost containment by a natural gas company; or
- [P]rovide sufficient flexibility and incentives to the natural gas industry to achieve high quality, technologically advanced, and readily available natural gas services and goods at just and reasonable rates.⁸

23. Duke Energy Ohio is an Ohio corporation engaged in the business of supplying natural gas to approximately 426,000 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.

24. By minimizing the unnecessary risk of service line failures, the proposed ASRP will enhance the Company's ability to provide adequate, safe, and reliable service to customers.

25. By allowing the Company to track and recover the costs of improvements to the service lines outside of standard rate case filings, the proposed ASRP will minimize the costs and time spent on the regulatory process.

26. By allowing costs to be passed on to customers in a gradual fashion, the proposed ASRP will afford a level of rate stability.

27. The proposed ASRP fits squarely within the statutory definition of an alternative rate plan.

VI. The Proposed ASRP Meets the Three Statutory Requirements for Approval of an Alternative Rate Plan.

28. Under the provisions of R.C. 4929.05, as amended by H.B. 95, the Commission shall authorize an alternative rate plan if the natural gas company had demonstrated, and the Commission finds that the company has met the following three conditions:

⁸ R.C. 4929.01(A) (formatting altered).

- a. The natural gas company is in compliance with section 4905.35 of the Revised Code and is in substantial compliance with the policy of this state specified in section 4929.02 of the Revised Code.
- b. The natural gas company is expected to continue to be in substantial compliance with the policy of this state specified in section 4929.02 of the Revised Code after implementation of the alternative rate plan.
- c. The alternative rate plan is just and reasonable.⁹

As shown in this Application, the Company's proposal meets each one of these requirements.

29. Duke Energy Ohio is in compliance with R.C. 4905.35 and will continue to be in compliance with this provision subsequent to approval of the ASRP. Indeed, the Company does not provide any undue or unreasonable preference or advantage to any person or entity; nor does it subject any person or entity to any undue or unreasonable prejudice or disadvantage. The Company operates consistent with its Commission-approved tariffs and applies the terms and conditions thereunder in a uniform manner. Specific to the ASRP, Duke Energy Ohio will employ competitive procurements for qualified resources and/or Company resources, with the objective of realizing a cost-effective program. In this regard, there can be no undue advantage or disadvantage created. Furthermore, Duke Energy Ohio offers its regulated services to all similarly situated customers, under comparable terms and conditions, and does not offer a bundled service comprising both regulated and non-regulated products or services. Additionally, the Company does not condition the taking of any regulated service on a requirement to also purchase unregulated products or service or on the basis of the identity of the supplier offering such other products and services.

30. Duke Energy Ohio is, and expects to remain, in substantial compliance with the policies of the state as set forth in R.C. 4929.02. Indeed, certain of the state's policies are further

⁹ R.C. 4929.05(A).

advanced by the implementation of the ASRP and its related collections mechanism, Rider ASRP. For example, the ASRP promotes the availability of adequate, reliable, and reasonably priced service under R.C. 4929.02(A)(1) because, as Duke Energy Ohio replaces the pre-1971, steel and other unprotected metallic service lines, its distribution system will become safer and more reliable, and its services more reasonably priced due to anticipated capital savings. Furthermore, with the planned relocation of inside meters, the Company anticipates O&M savings. The ASRP reflects an innovative program for cost-effective supply-side services, as contemplated under R.C. 4929.02(A)(4) that, consistent with the intent behind H.B. 95, allows Duke Energy Ohio to replace infrastructure in an efficient and accelerated manner and to pass cost savings to customers at regular intervals outside of a series of frequent and potentially litigious rate cases. Consistent with R.C. 4929.02(A)(6), the ASRP will enable Duke Energy Ohio to support distributed generation, thereby recognizing the continuing emergence of competitive natural gas markets through the development and implementation of flexible regulatory treatment. The ASRP enables competition, as discussed in R.C. 4929.02(A)(8), in that there are no subsidies associated with the program. The policy objective of R.C. 4929.02(A)(10) is advanced through the ASRP in that the program will provide Duke Energy Ohio with the ability to upgrade its distribution system in an efficient manner, thereby yielding safer and more reliable service to customers.

31. As discussed herein, Duke Energy Ohio's proposed ASRP is just and reasonable and should be approved by the Commission. The ASRP builds upon the Company's already successful AMRP and responds to PHMSA's deliberate focus on system integrity and pipeline safety. Further, the ASRP is consistent with the Commission's long-standing recognition of the

need for safe and reliable natural gas service and mechanisms aimed at allowing timely recovery of the associated costs.

VII. This Application for the Proposed ASRP Is Not an Application for a Rate Increase; thus, the Application Meets All Filing Requirements.

32. The Commission has also promulgated a rule addressing filing requirements for alternative rate plans. O.A.C. 4901:1-19-06 provides filing requirements for applications seeking approval of such plans. Paragraphs (A) and (B) of that rule apply to all alternative rate plan applications. Paragraph (C), however, differentiates between applications that seek increases in rates and those that do not. Therefore, before determining what requirements are applicable to the Company's Application, it must be determined whether it is for a rate increase.

33. Paragraph (C) of O.A.C. 4901:1-19-06 provides the parameters for that distinction: "An alternative rate plan application that proposes infrastructure investment shall be considered to be for an increase in rates if the proposed rates . . . are not based upon the billing determinants and cost allocation methodology utilized by the public utilities commission in the applicant's most recent rate case proceeding."

34. This Application is made pursuant to R.C. 4929.05 and R.C. 4909.18 for approval of an alternative rate plan for a new service, 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. Rates for Rider ASRP are proposed to be calculated using the same billing determinants as used in the most recent rate case proceeding. That is, just as in the most recent rate case, the billing determinants for Rider ASRP will be the natural gas throughput and the number of bills issued. Such rates are also proposed to be based on the same cost allocation

factors used in the last rate proceeding. Thus, pursuant to the terms of the applicable rule, this Application is properly treated as one not seeking an increase in rates.

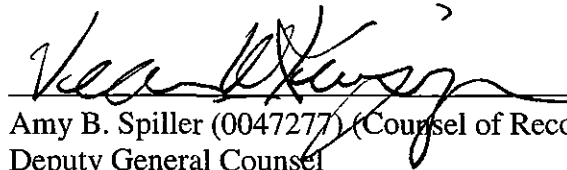
35. Furthermore, R.C. 4909.18, which addresses applications for tariff changes such as this one, specifically provides that an application for a new service may be approved by the Commission without a hearing, where it is not found that it may be unjust or unreasonable. There is not now, nor has there ever been, a Duke Energy Ohio service specifically directed at identifying and proactively replacing, on an accelerated basis, at-risk service lines that are unconnected with mains that are otherwise being addressed. Thus, this is a new service and, again, therefore not for an increase in rates.

36. Pursuant to O.A.C. 4901:1-19-06, Notice of Intent to File was served upon the director of the utilities department and the director of the service monitoring and enforcement department of the Commission on September 17, 2014, more than thirty days prior to the filing of this Application. There are no issues of alleged or actual cross subsidization created as a result of the ASRP. The program concerns a regulated service – the replacement of distribution-related infrastructure – the costs of which will be allocated among all natural gas customers. Consequently, the structure of the plan itself addresses subsidies, as identified in O.A.C. 4901:1-19-06(C)(4), in that it excludes the potential for same.

37. As demonstrated herein, all requirements have been satisfied and the proposed alternative rate plan, which is just and reasonable, should be approved.

Respectfully submitted,

DUKE ENERGY OHIO, INC.

A handwritten signature in black ink, appearing to read "Jeanne W. Kingery", is written over a horizontal line.

Amy B. Spiller (0047277) (Counsel of Record)

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Jeanne W. Kingery (0012172)

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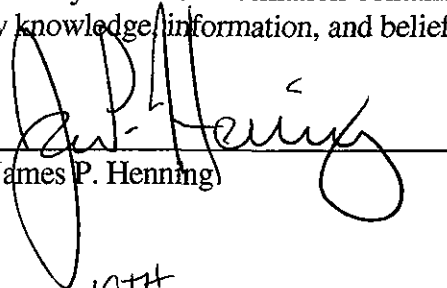
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VERIFICATION

STATE OF OHIO)
)
COUNTY OF HAMILTON)

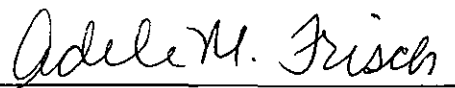
I, James P. Henning, President of Duke Energy Ohio, Inc., and Duke Energy Kentucky, Inc., being first duly sworn, hereby verify that the information contained in this Application is true and correct to the best of my knowledge, information, and belief.



James P. Henning

Sworn to and subscribed in my presence this 19th day of January, 2015.

ADELE M. FRISCH
Notary Public, State of Ohio
My Commission Expires 01-05-2019




Notary Public

My commission expires: 1/5/2019

VERIFICATION

STATE OF NORTH CAROLINA)
)
COUNTY OF MECKLENBURG)

I, Stephen G. De May, Senior Vice President and Treasurer of Duke Energy Corporation, and Treasurer of Duke Energy Ohio, Inc., being first duly sworn, hereby verify that the information contained in this Application is true and correct to the best of my knowledge, information, and belief.



Stephen G. De May

Sworn to and subscribed in my presence this 19 day of January, 2015.



Notary Public



My commission expires: 2-26-2018

EXHIBIT A

RIDER ASRP

ACCELERATED SERVICE LINE REPLACEMENT PROGRAM RIDER

APPLICABILITY

Applicable to all customers receiving service under the Company's sales and transportation rate schedules.

ACCELERATED SERVICE LINE REPLACEMENT PROGRAM FACTORS

All customers receiving service under Rate RS, Rate RS - Low Income, Rate RFT, Rate RFT - Low Income, Rate GS - Small, Rate GS - Large, Rate FT and Rate DGS shall be assessed a monthly charge in addition to the Customer Charge component of their applicable rate schedule that will enable the Company to complete the service line replacement program. Customers receiving service under Rate IT and Rate GGIT will be assessed a throughput charge in addition to their commodity delivery charge for that purpose. Rider ASRP will be updated annually.

The charges for the respective gas service schedules are:

Rate RS and RSLI, Residential Service	\$ 0.00 per month
Rate RFT and RFTLI, Residential Firm Transportation Service	\$ 0.00 per month
Rate GS-S and GS-L, General Service	\$ 0.00 per month
Rate DGS, Distributed Generation Service	\$ 0.00 per month
Rate FT-S and FT-L, Firm Transportation Service	\$ 0.00 per month
Rate IT, Interruptible Transportation Service	\$ 0.000 per CCF
Rate GGIT, Gas Generation Interruptible Transportation Rate	\$ 0.000 per CCF

These monthly charges shall remain in effect until changed by order of the Public Utilities Commission of Ohio.

Filed pursuant to an Order dated _____ in Case No.14-1622-GA-ALT before the Public Utilities Commission of Ohio.

Issued: _____

Effective: _____, _____

Issued by James P. Henning, President