THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION OF DUKE ENERGY OHIO, INC.'S DISTRIBUTION STORM RIDER.	CASE NO. 18-282-EL-RDR

FINDING AND ORDER

Entered in the Journal on February 20, 2019

I. SUMMARY

{¶ 1} The Commission approves, with modifications, Duke Energy Ohio, Inc.'s application for the update of its Distribution Storm Rider.

II. DISCUSSION

{¶ 2} Duke Energy Ohio, Inc. (Duke or the Company) is an electric distribution utility as defined by R.C. 4928.01(A)(6) and a public utility as defined in R.C. 4905.02, and, as such, is subject to the jurisdiction of this Commission.

{¶ 3} On April 2, 2015, The Commission modified and approved an application for an electric security plan (ESP) filed by Duke. *In re Duke Energy Ohio, Inc.*, Case No. 14-841-EL-SSO (*Duke ESP*), Opinion and Order (Apr. 2, 2015). The ESP, as approved, established a Distribution Storm Rider (Rider DSR) to enable Duke to defer major storm expenses as an asset or liability over or under $4.4 million dollars in a year. The approval also included that Duke is to file for recovery or refund when the asset or liability reached $5 million. Duke was also instructed to submit schedules of expenses to Staff for audit on a yearly basis until the balance of the asset or liability reached $5 million.

{¶ 4} On March 28, 2018, the Company submitted its schedule of expenses for 2017. Duke reported total major storm expense of $5,329,446, which is $929,446 over the $4.4 million threshold.

{¶ 5} On September 5, 2018, Staff filed its review and recommendation. Staff states it reviewed the provided schedules, including a transaction listing, for accuracy and recoverability. According to Staff, it conducted the audit through a combination of document review, interviews, interrogatories, and additional documentation as needed. Upon review, Staff recommends that Duke's request should be reduced by a total of $412,410. Specifically, Staff submits Duke incorrectly included: $855 for meals purchased while on non-travel status; $15,033 for invoices of expenses incurred out of state; $20,546 worth of expenses associated with missing receipts; $21,309 for safety incentive pay that should be removed because Duke did not meet its safety targets; and $354,668 for the non-incremental portion of expenses incurred as a part of mutual assistance the Company provided to Duke Energy Florida. Staff asserts that the accounting treatment for both internal and external mutual assistance should be effectively the same, therefore the reimbursement of services provided to affiliates should be recognized as revenue. Staff recommends that the Company evaluate its accounting treatment with its internal and external auditors along with Staff to ensure that the Company's books and records are maintained separately from its affiliates in accordance with the Commission's rule and that internal mutual assistance provided to the affiliates results in recognition of revenue.

{¶ 6} On October 17, 2018, the attorney examiner issued an entry setting a procedural schedule and directed comments to be filed in the docket.

{¶ 7} On November 14, 2018, Duke filed comments. Duke argues that Staff's disallowance of lodging expenses for employees restoring service should be disregarded. Duke contends that the costs of lodging employees was for the benefit of Duke Energy Ohio's customers and not for Duke Energy Kentucky's customers. Duke explains that when sourcing hotels for the purpose of storm restoration workers, Duke Energy sourcing agents make choices based upon least cost and what is available. In this instance, hotels directly across the Ohio River in Northern Kentucky contained reasonable and less expensive options for employees working in the Duke Energy Ohio service territory. Duke argues that the out-of-state lodging expenses incurred for storm restoration should be allowed. Duke further argues that Staff did not allow for the Company to remedy the problem regarding hotel stays with no receipts provided. Duke contends that Staff neglected to inform Duke that there was insufficient information. Duke notes they have provided the missing material to Staff. Additionally, Duke contends that Staff's recommended adjustment regarding mutual assistance is poor public policy. Duke argues that disallowing recovery of mutual assistance dis-incentivizes the Company to assists its affiliates in times of need. Duke states that that if the Florida Public Service Commission allows recovery of these costs, then the Ohio Commission must also allow recovery of costs that Duke Energy Ohio's affiliates may incur in the future if it has to call upon them for assistance with major storms in Ohio. Lastly, Duke contends that Staff's recommendation regarding the accounting method for mutual assistance is incorrect. Duke argues that the Company's corporate accounting research group has reviewed and documented Duke's accounting for mutual assistance and found it to be in accordance with the Generally Accepted Accounting Principles (GAAP). Duke states that their financial statements are correctly recorded and are regularly audited by internal and external auditors.

{¶ 8} On October 28, 2018, Staff filed reply comments. Staff states that the reason for the disallowance for out of state expenses was based on the fact that Staff was unable to determine if the lodging expenses were for storm restoration work performed in Ohio, not the location of the hotels. Staff recommends a disallowance of $15,033 for out of state expenses because it is unclear based on the allocations and the information provided by the Company that the costs associated with out-of-state lodging was for the benefit of Duke's customers. Further, Staff states that Duke provided $9,762 in receipts; however two receipts totaling $347 listed "guaranteed no show." The additional documentation reduces Staff's recommended disallowance associated to missing receipts to $9,212. Additionally, Staff reaffirmed its recommendation for an adjustment of $354,668 associated with providing mutual assistance outside of Ohio. Staff contends that these non-incremental costs represent costs which are already recovered in base rates, and without this adjustment, Ohio ratepayers would be paying for costs incurred by the Company in providing service outside of Ohio. Staff argues that costs which the Florida Public Service Commission (FPSC) permits for recovery are irrelevant, and if Duke Energy Florida is not permitted to recover mutual assistance costs incurred in Florida then this would need to be addressed with the FPSC. Lastly, Staff clarifies its recommendation that the Company recognize mutual assistance provided to affiliates as revenue. Staff states that it is not recommending an audit; rather it is recommending the Company review the accounting treatment with internal and external auditors in order to ensure it adheres to Ohio Adm.Code 4601:1-37-04.

{¶ 9} On January 11, 2019, the attorney examiner scheduled the matter for hearing beginning on February 20, 2019.

{¶ 10} On January 17, 2019, Duke filed a correspondence in the docket stating that no parties have filed for intervention in this proceeding and, moreover, that the Company does not wish to contest Staff's review and recommendation. Duke advised the attorney examiner that a hearing was not necessary.

{¶ 11} In sum, Staff recommends a final adjustment of $402,648, which would reduce the total major storm expenses for 2017 to $4,926,798. The adjusted amount is $526,798 over the $4.4 million threshold, resulting in a regulatory asset in that amount. Staff determined that Duke carried a $604,512 regulatory liability from major storm expenses in 2015 and 2016. Therefore, the combination of all three years results in a regulatory liability of $77,714.

{¶ 12} The Commission adopts Staff's recommended adjustment. As modified by Staff's recommendation, the Commission finds that Duke's application does not appear to be unjust or unreasonable and that it should be approved. Accordingly, the Commission finds that Duke should reduce its total major storm expenses for 2017 by

$402,648, and that the amount by which the total expenses exceeded the $4.4 million threshold for 2017 is $526,798. Based on Duke's January 17, 2019 communication, no hearing in this matter is necessary.

III. Order

{¶ 13} It is, therefore,

{¶ 14} ORDERED, That Duke's application be modified and approved as set forth in Paragraph 12. It is, further,

{¶ 15} ORDERED, That nothing in this Finding and Order shall be binding upon this Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule or regulation. It is further,

{¶ 16} ORDERED, that a copy of this Finding and Order be served upon all parties of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO

Asim Z. Haque, Chairman

M. Beth Trombold

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Secretary