

THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION OF
DUKE ENERGY OHIO, INC. FOR AN
ADJUSTMENT TO RIDER AMRP RATES
TO RECOVER COSTS INCURRED IN 2018.

CASE NO. 18-1452-GA-RDR

IN THE MATTER OF THE APPLICATION OF
DUKE ENERGY OHIO, INC. FOR TARIFF
APPROVAL.

CASE NO. 18-1453-GA-ATA

FINDING AND ORDER

Entered in the Journal on April 24, 2019

I. SUMMARY

{¶ 1} The Commission approves, subject to Staff's recommendations, the application filed by Duke Energy Ohio, Inc. regarding the adjustment of the company's accelerated main replacement program rider.

II. DISCUSSION

{¶ 2} Duke Energy Ohio, Inc. (Duke or Company) is a natural gas company as defined in R.C. 4905.03 and a public utility as defined in R.C. 4905.02, and, as such, is subject to the jurisdiction of this Commission.

{¶ 3} R.C. 4929.11 provides that the Commission may allow any automatic adjustment mechanism or device in a natural gas company's rate schedules that allows a natural gas company's rates or charges for a regulated service or goods to fluctuate automatically in accordance with changes in a specified cost or costs.

{¶ 4} On May 30, 2002, the Commission approved a stipulation, which included a provision establishing Duke's accelerated main replacement program (AMRP) rider (Rider AMRP). *In re The Cincinnati Gas & Elec. Co.*, Case No. 01-1228-GA-AIR, et al. (CG&E Rate Case), Opinion and Order (May 30, 2002). The purpose of Rider AMRP was to recover the expenditures associated with Duke's ten-year plan to replace all 12-inch and smaller cast

iron and bare steel gas mains in its distribution system. In accordance with the stipulation approved in the *CG&E Rate Case*, the rider was to be adjusted annually to account for any over- or under-recovery and Duke was to file applications annually supporting adjustments to the Rider AMRP rates.

{¶ 5} On May 28, 2008, the Commission approved a stipulation, which, inter alia, provided that the AMRP would be substantially completed by the end of 2019 and that the riser replacement program (RRP) would be completed by the end of 2012. In addition, the stipulation further defined the process for adjustments to Rider AMRP. *In re Duke Energy Ohio, Inc.*, Case No. 07-589-GA-AIR, et al., Opinion and Order (May 28, 2008).

{¶ 6} Subsequently, the Commission approved a stipulation in which the parties in the case agreed, in part, that the incremental increase to the AMRP for residential customers would be capped at \$1.00 annually on a cumulative basis through 2016. *In re Duke Energy Ohio, Inc.*, Case No. 12-1685-GA-AIR, et al. (2012 *Duke Rate Case*), Opinion and Order (Nov. 13, 2013).

{¶ 7} On April 25, 2018, the Commission approved Duke's current Rider AMRP rates and permitted the Company to recover AMRP costs incurred in 2017, as follows: residential customers - \$3.30 per month; general service and firm transportation customers - \$31.00 per month; and interruptible transportation customers - \$0.11 per thousand cubic feet (Mcf). *In re Duke Energy Ohio, Inc.*, Case No. 17-2318-GA-RDR, et al., Opinion and Order (Apr. 25, 2018).

{¶ 8} On November 28, 2018, Duke filed its prefiling notice in the above-captioned cases, requesting approval to recover the AMRP costs incurred for 2018. On February 25, 2019, Duke filed its application to adjust Rider AMRP for the recovery period January 1, 2018, through December 31, 2018. Duke proposes that the Rider AMRP rates for the Company's revenue requirement of \$26,943,121.66 be as follows:

Rate Class	Current Rates	Proposed Rates	Proposed Decrease
Residential	\$3.30 per month	\$3.08 per month	\$0.22 per month
General Service and Firm Transportation	\$31.00 per month	\$28.96 per month	\$2.04 per month
Interruptible Transportation	\$0.11 per Mcf	\$0.11 per Mcf	\$0.00 per Mcf

{¶ 9} In support of its application, Duke submitted schedules with its application and the testimony of Sarah E. Lawler, an employee of Duke Energy Business Services, LLC, an affiliate service company of Duke. The schedules and the supporting testimony detail costs associated with the AMRP. Schedules 1 and 2 provide the annualized revenue requirement for Duke's revised Rider AMRP rates. The information on these schedules is supported by Schedules 3 through 14.

{¶ 10} Ms. Lawler, Director, Rates and Regulatory Planning for Duke and Duke Energy Kentucky, Inc., explains, in her testimony, the supporting schedules filed by Duke in these proceedings for both the AMRP and the RRP. In addition, Ms. Lawler states her belief that Duke's request for revised Rider AMRP rates is fair and reasonable. She testifies that the costs of service are properly allocated to customer classes. Further, Ms. Lawler states that the proposed Rider AMRP rates are within the established rate caps and that the rate design was properly performed in accordance with the terms and conditions of the stipulation in the *2012 Duke Rate Case*.

{¶ 11} On January 8, 2019, the Ohio Consumers' Counsel (OCC) filed a motion to intervene in these proceedings. No party opposed the motion to intervene. The Commission finds that the motion complies with the requirements set forth in R.C. 4903.221 and Ohio Adm.Code 4901-1-11, and should, therefore, be granted.

{¶ 12} On March 8, 2019, the attorney examiner issued an Entry stating, in part, that Staff and intervenors may file comments on Duke's application by March 21, 2019. Additionally, the attorney examiner set a deadline of March 25, 2019, for Duke to file a

statement informing the Commission whether the issues raised in the comments have been resolved.

{¶ 13} On March 21, 2019, Staff filed comments on Duke's application. No other comments were filed.

{¶ 14} In its comments, Staff observes that Duke completed the AMRP in 2015 and that, as of 2016, it no longer has any bare steel or cast iron mains in its system. However, Staff notes that Duke will continue to incur costs related to the AMRP, such as depreciation and property tax expenses, and continue to reduce Rider AMRP by the annual operation and maintenance savings. Staff notes that, as a result, the Company will continue to file annual applications until the AMRP costs are included in its base rates in its next base rate case.

{¶ 15} Staff notes that Duke has incorporated the Tax Cuts and Jobs Act of 2017 (TCJA) and recognized Excess Accumulated Deferred Income Taxes (EDIT). Staff states that, in this filing, Duke has reduced the pre-tax rate of return from 10.60 percent to 9.16 percent and recognized the EDIT as a regulatory liability and reduced rate base by the balance.

{¶ 16} In its comments, Staff states that it has reviewed Duke's schedules and verified the accuracy of the EDIT balances and the computation of the reduced pre-tax rate of return. Staff confirmed Duke correctly incorporated into the revenue requirement the entire balances of EDIT associated with AMRP and RRP investments. Additionally, Staff recommends that the amortization of Rider AMRP-related EDIT be recognized in Rider AMRP, and that the amortization be grossed up for the prevailing federal tax rate. Further, Staff recommends that the balances of Normalized EDIT be amortized in accordance with the Average Rate Assumption Method, as required to conform to tax normalization rules, and that the balances of Non-Normalized EDIT be amortized over a period of 72 months.

{¶ 17} Duke proposes an AMRP revenue requirement of \$26,698,223.85 and \$244,897.81 for the RRP, for a total Rider AMRP revenue requirement of \$26,943,121.66. Staff recommends that the Commission approve Duke's application as filed and authorize Duke to implement the proposed Rider AMRP rates.

{¶ 18} On March 22, 2019, Duke filed a statement indicating that there are no outstanding issues to be resolved in these proceedings. Duke states that it agrees with Staff's recommendation and that the Rider AMRP-related EDIT will be amortized in accordance with the outcome in Case No. 18-1830-GA-UNC, et al., which pertains to the Company's implementation of the TCJA for its natural gas distribution operations.

{¶ 19} The Commission finds that Duke's application to adjust its Rider AMRP rates does not appear to be unjust or unreasonable and, thus, it is unnecessary to hold a hearing in these matters. Accordingly, the application should be approved, subject to Staff's recommendations, and Duke should be authorized to implement the proposed rates for Rider AMRP, consistent with this Finding and Order.

III. ORDER

{¶ 20} It is, therefore,

{¶ 21} ORDERED, That OCC's motion to intervene be granted. It is, further,

{¶ 22} ORDERED, That Duke's application to adjust its rates for Rider AMRP be approved, subject to Staff's recommendations. It is, further,

{¶ 23} ORDERED, That Duke is authorized to file tariffs, in final form, consistent with this Finding and Order. Duke shall file one copy in these case dockets and one copy in its TRF docket. It is, further,


{¶ 24} ORDERED, That the effective date of the new tariffs shall be a date not earlier than the date upon which the final tariff pages are filed with the Commission. It is, further,

{¶ 25} ORDERED, That Duke notify its customers of the changes to the tariffs via bill message or bill insert within 30 days of the effective date of the revised tariffs. A copy of the customer notice shall be submitted to the Commission's Service Monitoring and Enforcement Department, Reliability and Service Analysis Division at least ten days prior to its distribution to customers. It is, further,

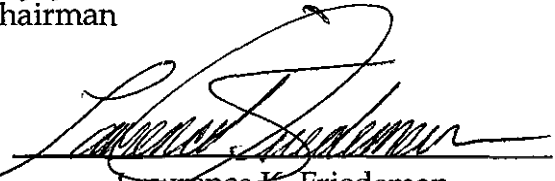
{¶ 26} ORDERED, That nothing in this Finding and Order shall be binding upon the Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

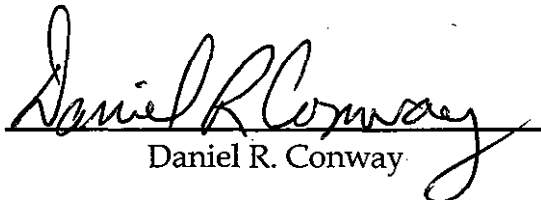
{¶ 27} ORDERED, That a copy of this Finding and Order be served upon each party of record.

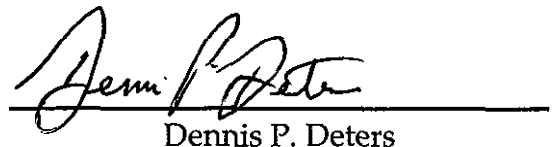
THE PUBLIC UTILITIES COMMISSION OF OHIO


Sam Randazzo, Chairman


M. Beth Trombold

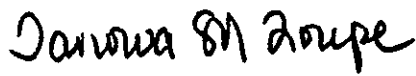

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