

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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|--|---|-------------------------|
| In the Matter of the Annual Application | : | |
| of Duke Energy Ohio, Inc., for an | : | Case No. 21-1036-GA-RDR |
| Adjustment to Rider AMRP Rates to | : | |
| Recover Costs in 2021. | : | |
| | : | |
| In the Matter of the Application of Duke | : | Case No. 21-1037-GA-ATA |
| Energy Ohio, Inc., for Tariff Approval. | : | |

**COMMENTS AND RECOMMENDATIONS
SUBMITTED ON BEHALF OF THE STAFF OF
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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**On behalf of the Staff of
The Public Utilities Commission of Ohio**

March 23, 2022

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COMMENTS AND RECOMMENDATIONS

INTRODUCTION

In accordance with the Stipulations adopted in Case Nos. 07-589-GA-AIR and 12-1685-GA-AIR, the Staff of the Public Utilities Commission of Ohio (Staff) has conducted an investigation in the above-referenced matter and hereby submits its findings in these Comments to the Commission. The Comments were prepared by the Staff of the Commission's Rates and Analysis Department. The Comments detail Staff's investigation and recommendations concerning Duke's proposed adjustments to its Accelerated Main Replacement Program (AMRP) Rider rates. The Comments are the results of Staff's investigation and do not purport to reflect the views of the Commission, nor is the Commission bound in any manner by the representations and/or recommendations set forth herein.

BACKGROUND

Duke Energy Ohio, Inc. (Duke or Company) is a public utility under R.C. 4905 and a natural gas company pursuant to R.C. 4905.03 that is engaged in the business of distribution and sale of natural gas to approximately 448,000 customers in eight southwestern Ohio counties.

On May 30, 2002, the Commission approved a Stipulation (2002 Stipulation) resolving all outstanding issues associated with Case Nos. 01-1228-GA-AIR, 01-1478-GA-ALT, and 01-1539-GA-AAM including the establishment of Duke's (then known as The Cincinnati Gas & Electric Company) AMRP rider. Under this rider, rates were established for each year and for each class of service through 2007, with rates established in 2007 to continue until the effective date of the rates set in the Company's next base rate case. The purpose of the rider was to recover expenditures associated with the Company's ten-year replacement of all twelve inch and smaller cast iron and bare steel gas mains in its distribution system. Under the 2002 Stipulation, the Company agreed to file annual applications supporting proposed adjustments to its rates and Staff was directed to review and report on the viability of the proposed rates. In the Opinion and Order in Case No. 07-589-GA-AIR, et al., the Company's AMRP and Rider AMRP were reauthorized, including modification to the processes and timelines for the Company's annual Rider AMRP applications and related Staff and intervenor review. Additionally, the Company was authorized to create the Riser Replacement Program (RRP) in order to complete the replacement of field assembled service head adapter style risers by 2012 due to a high propensity to leak. The Company implemented the RRP in 2008 with the filing of Case

No. 08-1250-GA-UNC.

On June 7, 2012, in Case No. 12-1685-GA-AIR, *et al.*, Duke filed an application to increase its gas distribution rates, for authority to implement an alternative rate plan for its gas distribution services, and for approval to change accounting methods. On May 10, 2013, the parties to those cases filed a corrected joint stipulation (2013 Stipulation) addressing a number of issues including the AMRP. As part of the 2013 Stipulation, the parties agreed the incremental increase to residential customers for AMRP would be capped at \$1.00 annually on a cumulative basis through 2016. In addition, the Company would be allowed to include the amortization of deferred camera expense approved in Case No. 09-1097-GA-AAM over a five-year period beginning with the 2013 AMRP case. In addition, the Company was also permitted to include in the AMRP revenue requirement ongoing expenses for camera inspections. The parties also agreed the AMRP revenue requirement calculation and procedural timelines would remain the same as was approved in prior proceedings and the cost of capital used in future AMRP cases would be set at the amount approved in the case.

In accordance with prior approved schedules, on November 29, 2021, Duke filed a notice of intent to file an application to modify existing AMRP rider rates and establishing a test period of twelve months ending December 31, 2021, and a date certain for property valuation of December 31, 2021. In support of its notice, the Company also filed Schedules 1 through 14 containing 10 months of actual data through October 31, 2021, and two months of projected data for November and December 2021. On February 22, 2022, the Company filed its Application to modify AMRP rates along with supporting testimony and

schedules with actual data updated through December 31, 2021.

On March 2, 2022, the Attorney Examiner in this case issued an Entry establishing a procedural schedule for the case as follows:

- (a) March 23, 2022 – Deadline for filing of motions to intervene.
- (b) March 23, 2022 – Deadline for Staff and intervenors to file comments on the application.
- (c) March 30, 2022 – Deadline for Duke to file a statement, informing the Commission whether the issues raised in the comments have been resolved.
- (d) April 1, 2022 – Deadline for expert testimony by all parties.
- (e) In the event that some or all of the parties enter into a stipulation resolving some or all of the issues in these cases, the parties must file such a stipulation with the Commission by 10:00 a.m. on April 4, 2022.
- (f) In the event all of the issues are not resolved or the parties enter into a stipulation, a hearing shall commence on April 5, 2022, at 10:00 a.m., at the offices of the Commission, 180 East Broad Street, 11th Floor, Hearing Room 11-C, Columbus, Ohio 43215. The parties should register at the lobby desk and then proceed to the 11th floor to participate in the hearing. Any party requesting a continuance of the hearing must file a motion to continue the hearing with the Commission by 10:00 a.m. on April 4, 2022.

STAFF’S INVESTIGATION

Staff investigated the Company’s Application to evaluate the reasonableness of the proposed revenue requirement and the resulting decrease to the AMRP rider rate. Staff reviewed the Company’s Application, schedules, testimony, and related documentation and traced the data contained therein to supporting work papers and source data. In addition, Staff issued data requests, asked clarifying and follow-up questions, and performed

independent analyses where necessary.

AMRP PROGRESS

Duke completed the AMRP in 2015 and states that, as of 2016, it no longer has any bare steel or cast-iron mains in its system. However, it 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. 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.

DUKE'S PROPOSED RECOVERY

For collection beginning with the first billing cycle in May 2022, the Company proposes a revenue requirement of \$24,153,982.67 for the AMRP and \$220,206.29 for the RRP, resulting in a combined total revenue requirement of \$24,374,188.96. Utilizing the allocation percentages and billing determinants for the AMRP and RRP approved in Case No. 12-1685-GA- AIR, the Company proposes the Rider AMRP rate be set at \$2.72 per month for residential customers, \$26.10 for general service and firm transportation customers, and \$0.10/CCF for interruptible transportation customers.

STAFF RECOMMENDATIONS

Staff has completed its investigation of the Company's Rider AMRP application and recommends the Commission accept the Company's proposed Rider AMRP rates as proposed in its Application with one adjustment. During its review, Staff found a total of \$11.20 in expenses for employee incentive compensation associated with Camera Work

Expenses. Based on its investigation, Staff determined that 80 percent of this incentive compensation was based on a combination of earnings-per-share and other metrics not clearly within the scope that Staff would consider reasonable for recovery, such as metrics based on safety, reliability, or customer satisfaction. Therefore, Staff recommends disallowance of \$8.96 related to this incentive compensation. Although the amount is insignificant, and ultimately inconsequential to AMRP rider rates, Staff recommends the amount be excluded from the Company's proposed revenue requirement as Staff views such expenses to be inappropriate for recovery from ratepayers.

Respectfully submitted,

Dave Yost

Ohio Attorney General

John Jones

Section Chief

/s/ Thomas M. Shepherd

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On behalf of the Staff of

The Public Utilities Commission of Ohio

PROOF OF SERVICE

I hereby certify that a true copy of the foregoing Comments and Recommendations submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served via electronic mail upon the following Parties of Record, this 23rd day of March 2022.

/s/ Thomas M. Shepherd
Thomas M. Shepherd
Assistant Attorney General

Parties of Record:

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Case No(s). 21-1036-GA-RDR, 21-1037-GA-ATA

Summary: Comments and Recommendations Submitted on Behalf of the Staff of
the Public Utilities Commission of Ohio electronically filed by Mrs. Kimberly M.
Naeder on behalf of PUCO