

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Duke)
Energy Ohio, Inc., for Authority to Abandon) Case No. 21-986-GA-ABN
Certain Propane-Air Facilities.)

In the Matter of the Application of Duke)
Energy Ohio, Inc., for Authority to Change) Case No. 21-1035-GA-AAM
Accounting Methods.)

STIPULATION AND RECOMMENDATION

INTRODUCTION

Rule 4901-1-30, Ohio Administrative Code (O.A.C.), provides that any two or more parties to a proceeding may enter into a written stipulation covering the issues presented in such proceeding. The purpose of this document is to set forth the understanding and agreement of the parties that have signed below (the Signatory Parties) and to recommend that the Public Utilities Commission of Ohio (Commission) approve and adopt the Stipulation and Recommendation (Stipulation), as part of its Opinion and Order in these proceedings, resolving all of the issues.

The Stipulation is supported by adequate data and information, represents a just and reasonable resolution of the issues raised in these proceedings; is in the public interest; violates no regulatory principle or precedent; and is the product of cooperative, voluntary, and serious bargaining among knowledgeable and capable parties that represent various interests and are represented by experienced counsel and technical experts. Although this Stipulation is not binding on the Commission, it is entitled to careful consideration by the Commission. For purposes of resolving all issues raised by this proceeding, the Signatory Parties stipulate, agree and recommend as set forth below. Except for purposes of enforcement of the terms of this Stipulation, neither this

Stipulation, nor the information and data contained therein or attached, shall be cited as precedent in any future proceeding for or against any Signatory Party or the Commission itself. This Stipulation is a reasonable compromise involving a balancing of competing positions and it does not necessarily reflect the position that one or more of the Signatory Parties would have taken if these issues had been fully litigated.

The Stipulation represents a comprehensive compromise of issues raised by Signatory Parties with diverse interests. The Signatory Parties have signed the Stipulation and adopted it as a reasonable resolution of all issues. The Signatory Parties believe that the Stipulation that they are recommending for Commission adoption presents a fair and reasonable result.

The Signatory Parties agree that the settlement, as a package, benefits ratepayers and is in the public interest. The Signatory Parties agree that the settlement does not violate any regulatory principle or practice.

WHEREAS, since the late 1950's/early 1960's Duke Energy Ohio Inc., (Duke Energy Ohio or the Company) has used manmade caverns to store liquified propane and related propane air facilities located at three plants: 1) East Works plant in Hamilton County, Ohio; 2) Dick's Creek plant in Butler County, Ohio; and 3) Erlanger plant in Kenton County, Kentucky, (collectively, the Propane Facilities) to supplement natural gas during peak usage periods and as otherwise needed.

WHEREAS, the Company determined that these Propane Facilities should be replaced by alternative methods to provide reliable natural gas distribution service.

WHEREAS, on November 21, 2019, the Ohio Power Siting Board issued an Opinion, Order and Certificate for the construction and operation of a new pipeline known as the Central Corridor Pipeline. A major purpose of the Central Corridor Pipeline's construction was to enable the retirement of the Propane Facilities.

WHEREAS, on October 7, 2021, Duke Energy Ohio filed an application requesting authorization for abandonment and authority for the accounting treatment to record and defer approximately \$39 million in costs resulting from the retirement of Propane Facilities (Application). The Company's Application included a request to defer the remaining net book value (NBV) of the Propane Facilities, decommissioning costs, and costs associated with remaining propane inventories.

WHEREAS, on January 6, 2022, the Staff of the Public Utilities Commission of Ohio (Staff) issued its Review and Recommendations in these proceedings (Staff Report). Among other things, the Staff Report supported deferral of approximately \$12.6 million associated with remaining propane inventories at East Works and Erlanger and decommissioning-related costs for the East Works and Dick's Creek plants. The Staff Report did not recommend deferral for decommissioning costs or the remaining NBV associated with Ohio's share of the Erlanger plant or for the remaining NBV of the East Works and Dick's Creek plants.

WHEREAS, on March 7, 2022, the Company filed "Comments of Duke Energy Ohio, Inc., Regarding Staff's Review and Recommendations" (Company Comments), which among other things, supported the reasonableness of its deferral request for all costs associated with the Propane Facilities.

WHEREAS, the Central Corridor Pipeline construction was completed and commenced commercial operation on March 14, 2022.

NOW, THEREFORE, the Signatory Parties stipulate, agree and recommend that the Commission make the following findings and issue its Opinion and Order in these proceedings approving this Stipulation in accordance with the following:

1. The Signatory Parties recommend that the Company's request to abandon certain propane-air facilities be approved as filed.
2. The Signatory Parties recommend approval of the Company's request to create regulatory assets for deferral and for recovery of certain costs as described in the Company's Application and as discussed in the Staff Report, and outlined as follows:
 - a. The Commission should permit deferral into a FERC 182 regulatory asset account of the following (Authorized Deferral):
 - i. The remaining NBV of the East Works and Dick's Creek propane caverns and related propane-air facilities. The amount deferred will be the remaining NBV of the assets at the time of the retirement less the amount currently being recovered in base rates until new base rates are effective as a result of the Company's next natural gas base rate case;
 - ii. An estimate of costs incurred to decommission the East Works and Dick's Creek propane caverns and related propane-air facilities less any amounts already included in Cost of Removal. This estimate will be trued-up to actual costs incurred not to exceed \$7.1 million;
 - iii. The delta between the propane inventory cost and the cost the Company will charge its customers through the GCR mechanism for the remaining propane inventories and as applicable, any other revenue generated from the remaining propane inventories;
 - iv. A credit for any operations and maintenance (O&M) savings associated with O&M currently included in base rates for the operation of the propane caverns from the time Central Corridor Pipeline was placed into service

until new base rates are effective as a result of the Company's next natural gas base rate case.

- b. The Signatory Parties agree that the Company should not be authorized to defer the remaining NBV of the Erlanger cavern or Ohio's share of the decommissioning costs associated with the Erlanger cavern.
3. The Signatory Parties agree that the Company shall seek recovery of the Authorized Deferral through its next natural gas base rate case proceeding, at which time the Company shall propose an amortization period of no less than ten years and will bear the burden of demonstrating prudence of such costs. The true-up to actual costs incurred for the decommissioning costs included in the regulatory asset would be reflected in a future rate proceeding if the actual costs are not known at the time of the Company's next natural gas base rate case proceeding.
4. The Signatory Parties agree that when the Company seeks to recover the costs related to the deferrals of the remaining NBV for East Works and Dick's Creek incremental to the amounts reflected in the Company's current natural gas base rates:
 - a. In establishing the prudence of the investments made at the East Works and Dick's Creek plants, the Company shall include an independent engineering study, funded by Duke Energy Ohio, that analyzes the necessity and prudence of the incremental investments made at the plants since March 31, 2012, the date certain of the Company's last natural gas base rate case.¹
 - b. The Signatory Parties agree that Duke Energy Ohio shall not seek to earn a return on the Deferred Amounts.

¹ *In the Matter of the Application of Duke Energy Ohio, Inc., for an Increase in its Natural Gas Distribution Rates, Case No. 12-1685-GA-AIR, et al.*

- c. The Signatory Parties agree that in the Company's next natural gas base rate proceeding, Duke Energy Ohio shall ensure that its rate case test period O&M shall not include any amounts related to ongoing operations of the Propane Facilities prior to their abandonment and retirement.
 - d. The Signatory Parties agree that as part of its next natural gas base rate case test year, the Company shall include an annualized amount of allocated O&M related to the operation of its Central Corridor Pipeline to serve Ohio customers.
5. The Signatory Parties Stipulate to the admission of the following documents into the evidentiary record of these proceedings:
- a. Duke Energy Ohio Exhibit 1, The Company's Application, filed October 7, 2021;
 - b. Duke Energy Ohio Exhibit 2, Company Comments filed March 7, 2022;
 - c. Duke Energy Ohio Exhibit 3, Direct Testimony of Sarah E. Lawler, Supporting the Stipulation and Recommendation, filed contemporaneously with this Stipulation;
 - d. Staff Exhibit 1, The Staff Report January 6, 2022; and
 - e. Joint Exhibit 1, Stipulation.

PROCEDURAL ISSUES

This Stipulation is expressly conditioned upon its adoption by the Commission in its entirety and without material modification by the Commission; provided, however, that each Signatory Party has the right, in its sole discretion, to determine whether the Commission's approval of this Stipulation constitutes a "material modification" thereof. Should the Commission reject or materially modify all or any part of this Stipulation, the Signatory Parties shall have the right, within thirty days of issuance of the Commission's Order, to file an application for rehearing. Should the Commission, in issuing an Entry on Rehearing, not adopt the Stipulation in its entirety

and without material modification, any Signatory Party may terminate their status as a Signatory Party and withdraw from the Stipulation. Such termination and withdrawal shall be accomplished by filing a notice with the Commission, including service to all parties, in the docket within thirty days of the Commission's Entry on Rehearing.

Prior to filing a notice of withdrawal, the Signatory Party wishing to withdraw agrees to work in good faith with the other Signatory Party to achieve an outcome that substantially satisfies the intent of the Stipulation and, if a new agreement is reached that includes the Signatory Party wishing to withdraw, then the new agreement shall be filed for Commission review and approval. If the discussions to achieve an outcome that substantially satisfies the intent of the Stipulation are unsuccessful in reaching a new agreement that includes all Signatory Parties to the present Stipulation, then the Signatory Party wishing to withdraw may proceed with withdrawal from the Stipulation. The other Signatory Party to this Stipulation shall not oppose the withdrawal from the Stipulation by any other Signatory Party.

Upon the filing of a notice of withdrawal, the Commission will convene an evidentiary hearing to afford the withdrawing party the opportunity to contest the Stipulation by presenting evidence through witnesses, cross-examining all witnesses, presenting rebuttal testimony, and briefing all issues that shall be decided based upon the record and briefs.

The Signatory Parties fully support this Stipulation in its entirety and urge the Commission to accept and approve the terms herein as promptly as possible.

IN WITNESS WHEREOF, this Stipulation has been signed by the authorized agents of
the undersigned Parties, this 27th day of April, 2022.

STAFF OF THE PUBLIC UTILITIES
COMMISSION OF OHIO

By: /s/ Robert Eubanks
Senior Assistant Attorney General
its Attorney
(by email authorization 4/27/2022)

DUKE ENERGY OHIO, INC.

By: /s/ Rocco O. D'Ascenzo
Rocco O. D'Ascenzo
Deputy General Counsel
its Attorney

**This foregoing document was electronically filed with the Public Utilities
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in

Case No(s). 21-0986-GA-ABN, 21-1035-GA-AAM

Summary: Stipulation Duke Energy Ohio, Inc. Stipulation and Recommendation electronically filed by Mrs. Debbie L. Gates on behalf of Duke Energy Ohio Inc. and D'Ascenzo, Rocco O. Mr.