

**COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of the Application of )  
Duke Energy Kentucky, Inc. for Authority ) Case No. 2016-00159  
to Establish a Regulatory Asset )

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**PETITION OF DUKE ENERGY KENTUCKY, INC.  
FOR CONFIDENTIAL TREATMENT OF INFORMATION  
CONTAINED IN ITS RESPONSES TO COMMISSION STAFF'S FIRST SET OF  
DATA REQUESTS ISSUED MAY 13, 2016**

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Duke Energy Kentucky, Inc. (Duke Energy Kentucky or Company), pursuant to 807 KAR 5:001, Section 13, respectfully requests the Commission to classify and protect certain information provided by Duke Energy Kentucky in its response to Data Request No. 3(b), as requested by Commission Staff (Staff) in this case on May 13, 2016. The information that Staff seeks through discovery and for which Duke Energy Kentucky now seeks confidential treatment (Confidential Information) includes a copy of the Duke Energy U.S. Regulated Electric & Gas Capitalization Guidelines (Capitalization Policy) for Duke Energy Corporation. More specifically, the Capitalization Policy applies to all of Duke Energy Corp.'s regulated utility operating companies, including Duke Energy Kentucky, and contains sensitive information, the disclosure of which would injure Duke Energy Kentucky, as well as its sister utilities, and their competitive positions and business interests. The sensitive information details instructions on how Duke Energy Kentucky and its sister utilities capitalize electric plant in service, which is only for internal use.

In support of this Petition, Duke Energy Kentucky states:

1. The Kentucky Open Records Act exempts from disclosure certain commercial information. KRS 61.878(1)(c). To qualify for this exemption and, therefore, maintain the

confidentiality of the information, a party must establish that disclosure of the commercial information would permit an unfair advantage to competitors of that party. Public disclosure of the information identified herein would, in fact, prompt such a result for the reasons set forth below.

2. Disclosure of the factors underlying the Capitalization Policy would damage the competitive positions and business interests of Duke Energy Kentucky and its sister utilities. If the Commission grants public access to the information requested in No. 3(b) Confidential Attachment, potential competitors could attempt to construct offers in such a way that would cause detriment of our customers. The Capitalization policy contains instructions on how Duke Energy Corp's regulated utility operations across six jurisdictions capitalizes electric plant in service. Access to this information, along with other companies' accounting policies, could tailor competitors' offers in the future thereby manipulating the market and undermining the Company's ability to manage costs. Summary accounting policies are disclosed publicly in Duke Energy's 10-K but are not provided in such great detail as is set forth in Attachment No. 3(b) provided.

3. The information in response to Data Request No. 3(b) was developed internally by Duke Energy Corporation personnel, is not on file with any public agency, and is not available from any commercial or other source outside Duke Energy Kentucky or its applicable regulated utility affiliates. The aforementioned information is distributed within Duke Energy Corporation only to those employees who must have access for business reasons, and is generally recognized as confidential and proprietary in the energy industry.

4. Duke Energy Kentucky does not object to limited disclosure of the confidential information described herein, pursuant to an acceptable protective agreement,

the Staff or other intervenors with a legitimate interest in reviewing the same for the purpose of participating in this case.

5. This information was, and remains, integral to Duke Energy Kentucky's effective execution of business decisions, not to mention that of its sister utilities across six state jurisdictions. And such information is generally regarded as confidential or proprietary. Indeed, as the Kentucky Supreme Court has found, "information concerning the inner workings of a corporation is 'generally accepted as confidential or proprietary.'" *Hoy v. Kentucky Industrial Revitalization Authority*, Ky., 904 S.W.2d 766, 768 (Ky. 1995).

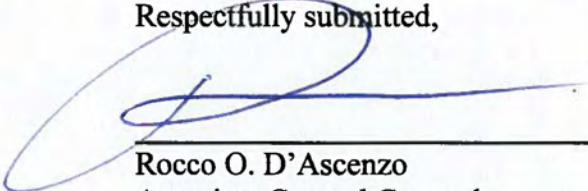
6. In accordance with the provisions of 807 KAR 5:001, Section 13(3), the Company is filing one copy of the Confidential Information separately under seal, and one copy without the confidential information included.

7. Duke Energy Kentucky respectfully requests that the Confidential Information be withheld from public disclosure for a period of ten years. This will assure that the Confidential Information – if disclosed after that time – will no longer be commercially sensitive so as to likely impair the interests of the Company or its customers if publicly disclosed.

8. To the extent the Confidential information becomes generally available to the public, whether through filings required by other agencies or otherwise, Duke Energy Kentucky will notify the Commission and have its confidential status removed, pursuant to 807 KAR 5:001 Section 13(10)(a).

WHEREFORE, Duke Energy Kentucky, Inc., respectfully requests that the Commission classify and protect as confidential the specific information described herein.

Respectfully submitted,




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Amy B. Spiller  
Deputy General Counsel  
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Amy.Spiller@duke-energy.com

*Counsel for Duke Energy Kentucky, Inc.*

**CERTIFICATE OF SERVICE**

This is to certify that a copy of the foregoing Petition of Duke Energy Kentucky, Inc. has been served via electronic mail to the following party on this 23<sup>rd</sup> day of May 2016.



\_\_\_\_\_

Rocco O. D'Ascenzo

Rebecca W. Goodman  
Executive Director  
Office of Rate Intervention  
Office of the Attorney General  
1024 Capital Center Drive  
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Frankfort, KY 40601-8204  
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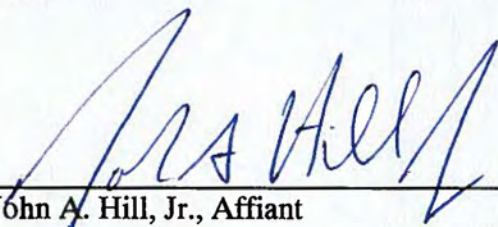
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**VERIFICATION**

STATE OF OHIO )  
 ) SS:  
COUNTY OF HAMILTON )

The undersigned, John A. Hill, Jr., Director, Integrity Management, Engineering and Growth, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing data requests, and that the answers contained therein are true and correct to the best of his knowledge, information and belief.

  
\_\_\_\_\_  
John A. Hill, Jr., Affiant

Subscribed and sworn to before me by John A. Hill, Jr. on this 23<sup>rd</sup> day of May, 2016.

  
\_\_\_\_\_  
NOTARY PUBLIC

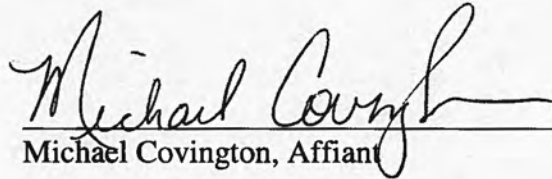
**ADELE M. FRISCH**  
Notary Public, State of Ohio  
My Commission Expires 01-05-2019

My Commission Expires: 1/5/2019

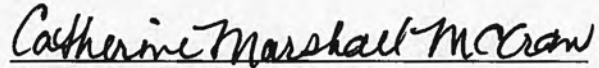
**VERIFICATION**

STATE OF NORTH CAROLINA         )  
  )     SS:  
COUNTY OF MECKLENBURG         )

The undersigned, Michael Covington, Director of Midwest and Florida Regulatory Accounting, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing data requests, and that the answers contained therein are true and correct to the best of his knowledge, information and belief.

  
Michael Covington, Affiant

Subscribed and sworn to before me by Michael Covington on this 23<sup>rd</sup> day of May, 2016.

  
NOTARY PUBLIC

My Commission Expires: 7-6-2020

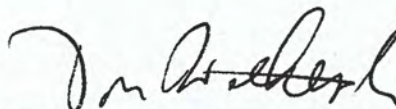




VERIFICATION

STATE OF OHIO )  
 ) SS:  
COUNTY OF HAMILTON )

The undersigned, Don Wathen, Director Rates & Regulatory Strategy – Ohio and Kentucky, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing data requests, and that the answers contained therein are true and correct to the best of his knowledge, information and belief.



Don Wathen., Affiant

Subscribed and sworn to before me by Don Wathen on this 23<sup>rd</sup> day of May, 2016.



NOTARY PUBLIC

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

My Commission Expires: 1/5/2019

**STAFF-DR-01-001**

**REQUEST:**

Refer to Item 4 of the application where the Pipeline Safety Act of 2011 and the Pipeline and Hazardous Materials Safety Administration (“PHMSA”) are discussed. On May 4, 2016, the PHMSA proposed new safety regulations for natural gas transmission pipelines. Identify and explain any effects the proposed regulation will have on Duke Kentucky and whether this could affect its proposed regulatory asset in the current proceeding.

**RESPONSE:**

As the new rule related to Safety of Gas Transmission and Gathering Pipelines is not finalized, Duke Energy Kentucky has not yet quantified impacts to its operations. The proposed rule as it is written includes significant changes to the existing Transmission Integrity rules as well as other regulatory requirements related to transmission pipelines. Some specific areas that will likely impact Duke Energy Kentucky include the addition of moderate consequence areas (MCA), material verification, Maximum Allowable Operating Pressure (MAOP) determination/verification, risk modeling and records. At this time, Duke Energy Kentucky does not anticipate any effect on the proposed regulatory asset in the current proceeding.

**PERSON RESPONSIBLE:** John A. Hill, Jr.

**STAFF-DR-01-002**

**REQUEST:**

Refer to Item 8 of the application where it states that Duke Kentucky must conduct pressure testing along three miles of transmission pipeline AM07.

- a. Confirm that this is the only section of the transmission pipeline upon which Duke Kentucky intends to conduct pressure testing.
- b. Explain what actions Duke Kentucky must take if the testing on the pipeline reveals defects. (I.e., will the entire pipeline be replaced, or will the defects be cured?)
- c. Identify the records that Duke Kentucky had in its possession with respect to transmission pipeline AM07 prior to its determination that transmission pipeline AM07 needed to be pressure tested.
- d. Identify the historic Maximum Allowable Operating Pressure (“MAOP”) of transmission pipeline AM07.
- e. Identify all records for transmission pipeline AM07 which Duke Kentucky has determined are necessary, but are incomplete and insufficient to provide traceable, verifiable, and complete documentation to support the existing MAOP of the pipeline.
- f. Explain if any segment to be pressure tested of transmission pipeline AM07 is located in a High Consequence Area as defined in 49 CFR § 192.903.

- g. Explain if any segment to be pressure tested of transmission pipeline AM07 is located in a Class 3 or Class 4 location as defined in 49 CFR § 192.5.
- h. Explain if Duke Kentucky considered conducting any methods other than pressure testing to obtain traceable, verifiable, and complete documentation supporting the existing MAOP of its transmission pipelines.

**RESPONSE:**

- a. This is the only section of transmission pipeline that Duke Energy Kentucky knows that pressure testing is necessary in 2016. Subject to changes in regulatory requirements or technology, additional testing may be required in the future, but the Company does not know the extent of such requirements today.
- b. Depending on what type of defect (if any) is found during the pressure test, Duke Energy Kentucky would repair or replace based on actual pipeline conditions.
- c. Duke Energy Kentucky purchased the pipeline from Columbia Gas Transmission decades ago, and at that time Duke Energy Kentucky received general pipeline attribute data (location, size, material, etc.) as well as some operating and repair history. Duke Energy Kentucky has attempted to obtain additional information from Columbia Gas Transmission, including sending Duke Energy Kentucky personnel to Columbia facilities to conduct record examinations.
- d. Duke Energy Kentucky records indicate a historic MAOP of 392 pounds per square inch (psig), with a current MAOP of 370 psig.
- e. Pressure test documentation as described in CFR Part 192 Subpart J.
- f. There are approximately 2.2 miles to be tested that are located in High Consequence Areas.

- g. There approximately 2.4 miles to be tested located in Class 3 locations. There are none located in Class 4 locations.
- h. No. It is our understanding that a valid pressure test record per CFR Part 192 Subpart J is required to support the MAOP.

**PERSON RESPONSIBLE:** John A. Hill, Jr.

**PUBLIC STAFF-DR-01-003**

**REQUEST:**

Refer to Item 9 of the application regarding the estimated cost of conducting the pressure testing.

- a. Explain how the cost estimates were developed.
- b. State or provide Duke Kentucky's capitalization policy.
- c. Provide the account number to which each category of costs will be assigned.
- d. Describe all work included in the contract labor item of the budget estimate.
- e. Describe the materials included in the budget estimate.
- f. Describe all work included in the company labor item of the budget estimate.
- g. Explain in detail what assumptions are made in determining the contingency amount.

**CONFIDENTIAL PROPRIETARY TRADE SECRET (As to Attachment Only)**

**RESPONSE:**

- a. The estimated \$2 million project cost provided in the Company's application was based upon the best available information at the time of the filing. The initial cost estimates were developed using bid pricing received for the project as well as historical Duke Energy Kentucky project costs. As additional information is learned, such as new and additional work streams or processes are required, the actual costs could change. Currently, the Company is estimating that project costs, including overheads and indirect loading allocations, could exceed \$2 million.

The initial estimate provided inadvertently excluded Company loadings and indirect cost allocations that are necessary. The revised estimate for the project and requested deferral is \$2.2 million.

The following revised estimate has been developed related to the proposed gas work:

**Contract labor \$1,698,390**  
**Material \$55,500**  
**Company labor \$69,777.50**  
**Contingency \$361,713**  
**Total \$2,185,380.50**

- b. This response is being provided under a petition for confidential treatment.
- c. Assuming deferral treatment is granted, these costs will be deferred in a regulatory asset account, FERC account 182.3. A specific account on Duke Energy's financial system will be established, once approval has been communicated.

Absent deferral treatment, these costs will be charged to account 0863000, FERC account 863, which is defined as "Maintenance of Mains." This account is intended to include all labor, materials and expenses incurred in the maintenance of mains. Within Duke Energy's financial system, different system attributes, generally resource types, are assigned to distinguish the nature of the expense.

- d. Work generally includes engineering consulting, pipeline pigging, test water procurement and handling, temporary compressed natural gas to maintain service to affected customers, installation and removal of temporary test fittings and apparatuses, erosion control and all associated tasks.

- e. Materials generally include temporary test fittings and apparatuses, cleaning pigs, and erosion control materials.
- f. Work generally includes connection and monitoring of temporary compressed natural gas, construction management and inspection, engineering, disconnection and reconnection of system stations, removal of natural gas from the transmission line prior to test and all associated tasks.
- g. As with most underground projects of this nature, there are issues that arise that may cause delays and/or additional costs.

**PERSON RESPONSIBLE:** John A. Hill, Jr. (a), (d)-(g)  
Michael Covington (b)-(c)



**CONFIDENTIAL TREATMENT HAS  
BEEN REQUESTED FOR  
STAFF-DR-003(b) ATTACHMENT**

**Duke Energy Kentucky  
Case No. 2016-00159  
Staff First Set Data Requests  
Date Received: May 13, 2016**

**STAFF-DR-01-004**

**REQUEST:**

Refer to Item 12 of the application where it states, "The reclassification of an expense to a capital item allows the utility the opportunity to request recovery in future rates of the amount capitalized." When does Duke Kentucky intend to file its next natural gas base rate case?

**RESPONSE:**

The Company continuously reviews the need for filing a natural gas base rate case. The current budget assumes a deferral of these costs and the Company currently has no plans to file a gas base rate case. Thus, the timing of the Company's next gas base rate case is unknown at this time.

**PERSON RESPONSIBLE:** William Don Wathen, Jr.

**STAFF-DR-01-005**

**REQUEST:**

Has Duke Kentucky or have any of its affiliates encountered a situation in which a transmission pipeline had to be tested to ensure compliance with PHMSA requirements? If so, provide that information, including any events in which a regulatory asset was requested and whether it was approved.

**RESPONSE:**

Duke Energy Kentucky tests all newly constructed pipeline segments prior to placing them into service. The test of AM07 will be the first large scale test of an existing transmission line conducted by Duke Energy Kentucky. Duke Energy Kentucky's parent, Duke Energy Ohio, Inc. is performing similar testing and has requested additional deferral authority from the Public Utilities Commission of Ohio in Case No. 16-387-GA-AAM. Please see Attachment Staff-DR-01-005a Attachment for the Duke Energy Ohio Application. In addition, KO Transmission (a Duke Energy Ohio subsidiary) is conducting similar hydrostatic pressure tests this year on its AM00 line located in Kentucky and will be requesting recovery through the FERC regulatory process.

Duke Energy Kentucky is aware of other gas utilities in Ohio requesting similar deferral authority for compliance with PHMSA requirements. See e.g. 16-552-GA-AAM, 15-1741-GA-AAM, and 14-1615-GA-AAM.

Links to the other application request can be found here:

<http://dis.puc.state.oh.us/TiffToPDF/A1001001A16C11B65215H03232.pdf>

<http://dis.puc.state.oh.us/TiffToPDF/A1001001A15J09B71131G02593.pdf>

<http://dis.puc.state.oh.us/TiffToPDF/A1001001A14I12B61219F17324.pdf>

Please see Staff-DR-01-005b Attachment for PUCO Order approving the deferral request in Case NO. 14-1615-GA-AAM.

**PERSON RESPONSIBLE:** John A. Hill, Jr.

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of )  
Duke Energy Ohio, Inc., for Approval to ) Case No. 16-0387-GA-AAM  
Change Accounting Methods. )

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**APPLICATION OF DUKE ENERGY OHIO, INC.  
FOR AUTHORITY TO ESTABLISH A REGULATORY ASSET**

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Pursuant to R.C. 4905.13, Duke Energy Ohio, Inc. (Duke Energy Ohio or the Company), by counsel, files this Application with the Public Utilities Commission of Ohio (Commission) for authority to establish a regulatory asset and defer, for accounting and financial reporting purposes, the related expenditures to be incurred by Duke Energy Ohio under its new pipeline integrity management initiatives, which are designed to further improve the safety of its natural gas distribution system. In support of this Application, the Company states as follows:

1. Duke Energy Ohio is a natural gas company within the meaning of R.C. 4905.02(A) and 4905.03(E), and as such, is a public utility subject to the jurisdiction of the Commission.
2. R.C. 4905.13 authorizes the Commission to establish systems of accounts to be kept by public utilities and to prescribe the manner in which these accounts shall be kept. The Federal Energy Regulatory Commission (FERC) has established a Uniform System of Accounts (USOA) for gas utilities. This system of accounts is applicable to Ohio's regulated gas utilities only to the extent it has been adopted by the Commission, such adoption which results from O.A.C. 4901:1-13-01.

3. In December 2009, the U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration (PHMSA) amended the Federal Pipeline Safety Regulations, 49 C.F.R. 192, to include a new subpart, Subpart P "Gas Distribution Pipeline Integrity Management." This federal regulation requires operators of gas distribution pipelines to develop and implement a gas Distribution Integrity Management Program (DIMP) that includes a written integrity management plan. The DIMP approach was designed to promote continuous improvement in pipeline safety by requiring operators to identify and implement appropriate risk control measures.

4. Duke Energy Ohio has developed an internal organization whose role is to lead, develop and support a program that addresses specific criteria as required by PHMSA including: (a) knowledge of the Company's natural gas distribution system; (b) threat identification; (c) risk evaluation and ranking; (d) implementation of measures to address risk; (e) measurement of performance, monitoring results, and evaluating effectiveness; (f) periodic evaluation and improvement; and (g) reporting results. When fully matured, the execution of the resulting individual integrity management programs become every employee's responsibility, much like personal safety.

5. The state of Ohio adopted SB 378 in December 2014. This new regulation provides for enforcement of Ohio's existing underground damage prevention law. As such, it emphasizes the importance of underground damage prevention and encourages effective damage prevention programs by operators. Currently, third-party damages to Duke Energy Ohio's pipeline system is the single largest threat. The passage of this important regulation illustrates Ohio's commitment to, and understanding of, the importance of pipeline integrity.

6. At the recommendation of the National Transportation Safety Board, the American Petroleum Institute (API) developed a comprehensive framework for the development of "Pipeline Safety Management Systems" for pipeline operators. As a result, the API's Recommended Practice 1173 (RP 1173) – Pipeline Safety Management Systems was issued in July 2015. RP 1173 identifies safety management system requirements as guidance "and leaves the details associated with implementation and maintenance of the requirements to the individual pipeline operators." (RP 1173 at 1). This again illustrates both the importance of integrity management and the requirement to continuously improve.

7. In response to federal regulation and in accordance with the RP 1173 process, Duke Energy Ohio has developed a continuous process to review, analyze and assess the integrity of its natural gas delivery systems. This process has resulted in six pipeline integrity initiatives to target identified threats to Duke Energy Ohio's system. The initiatives involve both distribution (DIMP) and transmission (TIMP) and will assist Duke Energy Ohio in improving risk management tools and processes required to enhance pipeline integrity. The DIMP initiatives are focused on: 1) enhancing risk assessment and analysis; 2) improving records; 3) training; and 4) damage prevention. The transmission integrity management program (TIMP) initiatives are focused on: 1) inline inspection and pressure testing techniques; and 2) Maximum Allowable Operating Pressure (MAOP) verification. A detailed description of each of these programs is attached hereto as Attachment A.

8. The costs of implementing these pipeline integrity initiatives reflect prudent and necessary business expenses to be incurred by Duke Energy Ohio in

compliance with PHMSA's regulations. The incurrence of these costs may result in a significant and unavoidable negative impact on Duke Energy Ohio's earnings. Additionally, these programs, planned to be implemented in 2016, were not in place at the time of the Company's last natural gas base rate case and, therefore, such costs are not recovered in Duke Energy Ohio's current base rates. Although the aforementioned PHMSA regulations did exist at the time of the Company's last rate case, the initiatives described above are new and will be implemented beginning in 2016. These new pipeline integrity initiatives were identified as being necessary as a consequence of the actions that the Company has taken since its last general base natural gas rate case in direct response to these PHMSA regulations. Indeed, this iterative continuous improvement process is precisely the intent and design of PHMSA's regulations.

9. Duke Energy Ohio requests that the Commission authorize Duke Energy Ohio to revise its accounting procedures and permit Duke Energy Ohio to defer income statement recognition of these incremental costs for DIMP and TIMP initiatives incurred by Duke Energy Ohio after December 31, 2015. The recovery of the deferred amount will be addressed through a separate proceeding or in Duke Energy Ohio's next natural gas base rate case proceeding. Duke Energy Ohio also requests authority to recover carrying charges on the deferred balance, computed at its actual long-term cost of debt. Duke Energy Ohio proposes to record all costs as a regulatory asset on its balance sheet in Account 182.3, Other Regulatory Assets.

10. Although the foregoing initiatives are prudent, reasonable, and reflective of currently available information, the pipeline integrity initiatives are intrinsically forward looking and thus subject to further development. Such development could be in



response to planned investigations or in response to changing conditions or regulations. In response to such contingencies, Duke Energy Ohio may develop new initiatives and it intends to measure the effectiveness of all initiatives, which may reveal that various initiatives should be enhanced or scaled back. Given the dynamic nature of this process, the results of new and ongoing investigations and evaluations, and any proposed changes to the program, the actual costs may change. The deferral mechanism allows for needed flexibility in this area, and smooths the regulatory process.

11. Duke Energy Ohio proposes to incorporate the following provisions into its program: (a) Duke Energy Ohio will use its best efforts to identify and implement efficiencies and cost saving measures to reduce deferrals; (b) Duke Energy Ohio will use a risk-based approach throughout the initiatives; (c) Duke Energy Ohio will develop specific performance measures for each of its proposed safety initiatives and establish baseline performance measurements; and (d) Duke Energy Ohio will work with Staff to determine a threshold for discontinuance of the pipeline integrity initiatives deferrals.

12. The activities currently proposed by Duke Energy Ohio represent prudent and necessary business expenses to enhance safety and reliability throughout the communities it serves and to promote compliance with both Ohio's and federal regulations, as well as industry best practices. Duke Energy Ohio's core duty is to operate a safe and reliable natural gas system and the approval of this deferral by the Commission is integral to support that goal.

13. These deferred expenses will remain in Account 182.3 and will be amortized when recovery is approved. At that time, Duke Energy Ohio will reduce the new regulatory asset and charge the applicable expense account. The annual increase in

Account 182.3, beginning with approval of this Application, will not exceed \$4 million per calendar year.

14. Duke Energy Ohio anticipates that the eventual recovery of the deferred costs would best be accomplished through a discrete rider. The establishment of a rider may be accomplished in a separate proceeding or in Duke Energy Ohio's next base rate case and will provide for recovery of these prudent and necessary business expenses on a dollar-for-dollar basis with no possibility of over-recovery from customers. This rider will be applicable to customers served under all rate schedules.

15. Upon approval of this Application, Duke Energy Ohio commits to file an annual report, June 1 of each year, beginning in 2017 for calendar year 2016, which sets forth the pipeline integrity initiative expenses on an annual and cumulative basis. This pipeline integrity initiative report will include monthly expenditures for each component of pipeline integrity initiatives deferred by Duke Energy Ohio on an annual basis. This report shall further include an audit report prepared by Duke Energy Ohio's external auditor that includes a summary of its findings with respect to the verification of the accuracy of Duke Energy Ohio's accounting for expenditures related to its pipeline integrity initiatives.

16. Duke Energy Ohio proposes that Staff annually review all reported program expenses, with a report to be filed by Staff no later than 90 days subsequent to Duke Energy Ohio's filing of the annual report. Under this proposal, Staff's report would set forth those expenditures, if any, that it recommends should not be deferred for future recovery. Staff's review of Duke Energy Ohio's pipeline integrity initiatives expenses, for which deferral treatment is requested, should include a detailed examination and a

determination that the deferred costs are properly recorded on Duke Energy Ohio's books. Duke Energy Ohio shall have 30 days after the filing of Staff's report to accept the Staff's recommendations or file objections thereto. If Duke Energy Ohio files objections to Staff's findings, the Commission shall establish a procedural schedule for the filing of testimony and for an evidentiary hearing.

17. The pipeline integrity initiatives are being launched by Duke Energy Ohio to accelerate risk reduction across its distribution system. The activities proposed by Duke Energy Ohio represent prudent and necessary business expenses to be performed on behalf of its customers to enhance safety throughout the communities it serves, and promote compliance with PHMSA directives on the use of integrity management programs to continually monitor system risk. Ensuring a safe and reliable natural gas system is paramount to Duke Energy Ohio's operation. The Company is not alone in this position as recently evidenced by the Chairman of this Commission, who stated that "[p]ipeline safety is of the utmost importance to the PUCO."<sup>1</sup> Therefore, the approval of this deferral by the Commission is integral to support the common goal of ensuring safety across Duke Energy Ohio's natural gas pipeline system. In order to expedite the review process and to support Duke Energy Ohio's development and implementation of these important safety measures, Duke Energy Ohio proposes the following procedural schedule to implement its pipeline integrity initiatives:

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<sup>1</sup> See Press Release, Public Utilities Commission of Ohio, PUCO fines Columbia Gas of Ohio following Upper Arlington home explosion (January 20, 2016) available at: <http://www.puco.ohio.gov/puco/index.cfm/media-room/media-releases/puco-fines-columbia-gas-of-ohio-following-upper-arlington-home-explosion/#sthash.14Lofabd.dpbs>

April 1, 2016 – Staff Comments due  
April 18, 2016 – Reply Comments due  
May 2, 2016 – Final Opinion and Order

18. The requested change in accounting procedure does not result in any increase in any rate or charge and the Commission can therefore approve this Application without a hearing.

**WHEREFORE**, for the reasons stated herein, Duke Energy Ohio respectively requests the Commission grant the accounting authority requested in this Application.

Respectfully submitted,



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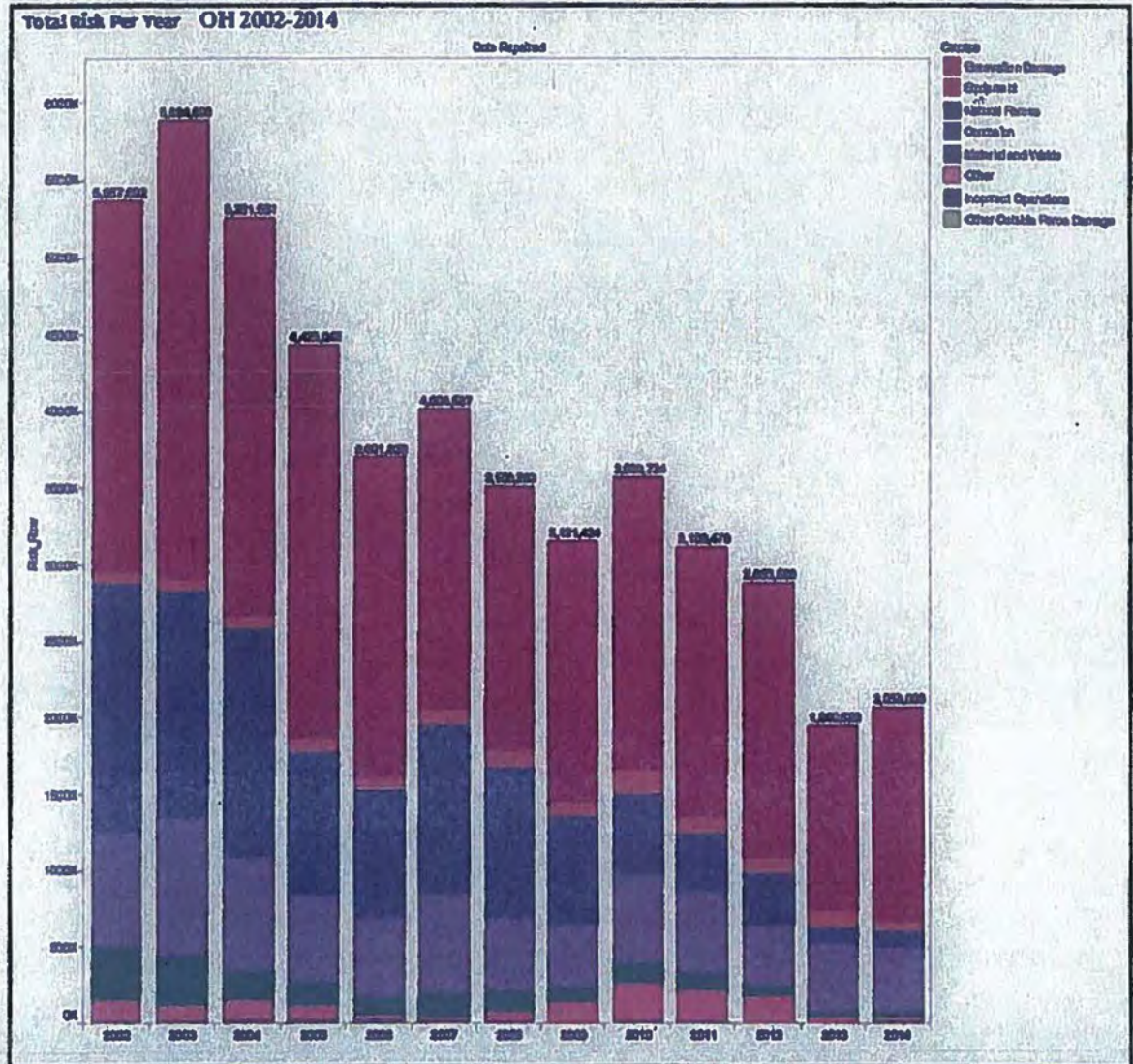
## **Duke Energy Ohio, Inc. Deferral – Attachment A**

### **Introduction**

Duke Energy Ohio, Inc. (Duke Energy Ohio or the Company) created the Distribution Integrity Management Program (DIMP) in June of 2011 in response to regulation 49 CFR 192 Part P. A major component to the DIMP includes identifying and evaluating risks to the gas distribution system. The nature of the DIMP is a dynamic process that requires continuous evaluation and improvement to identify and address system risks. Duke Energy Ohio has over 5,000 miles of distribution main and roughly 400,000 gas service lines. The Pipeline Integrity department within Duke Energy Ohio is responsible for managing the DIMP.

Through the DIMP, threats are identified and risks are evaluated and ranked in order to identify appropriate actions that should be taken to reduce risks on the gas distribution system. Up to this point, Duke Energy Ohio has focused attention on programs designed to eliminate third party damage and accelerated infrastructure replacement programs, most notably the Accelerated Main Replacement Program (AMRP), which removed cast iron and bare steel mains along with associated services from the Duke Energy Ohio distribution system. As shown in Figure 1, the AMRP, which was completed in 2015, has addressed what was previously considered a significant risk in the system, leaks and failures on cast iron and bare steel gas main pipelines caused by natural forces and corrosion.

Figure 1 – Total System Risk 2002-2014



Duke Energy Ohio also takes a similar approach to monitoring and controlling the transmission system. Its Transmission Integrity Management Program (TIMP) took effect in 2004 to meet requirements identified in the CFR Title 49 Part 192 Subpart O and the American Society of Mechanical Engineering (ASME) B31.8S-2001. This plan incorporates several key elements, including understanding the risks, a thorough assessment of each risk, a mitigation/remediation process to address each risk, and a continuous integrity assessment

process. Like the DIMP, the TIMP evaluation is also dynamic and strives for continuous system evaluation and improvement.

This document describes the next set of initiatives developed by Duke Energy Ohio to address the current risks identified through its Integrity Management Program (IMP). The document first discusses DIMP followed by TIMP.

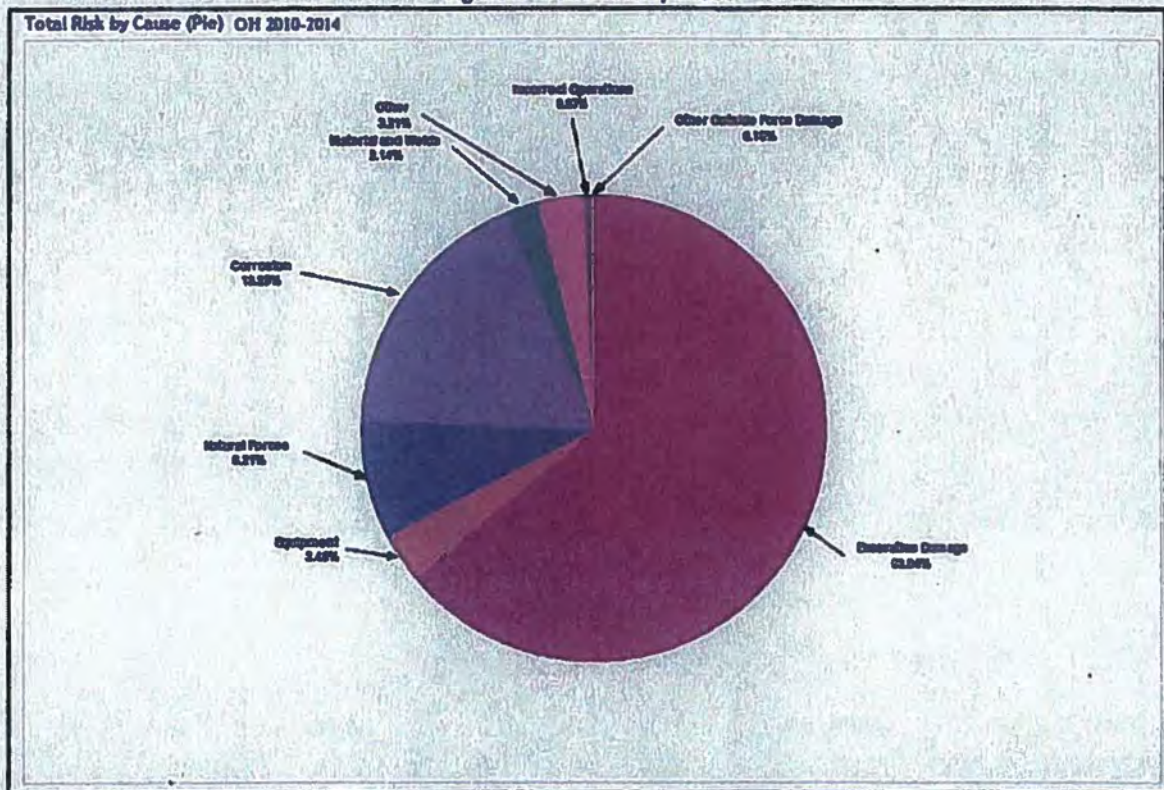
### DIMP Background

Duke Energy Ohio's DIMP has seven key elements to aid in monitoring and evaluating the gas distribution system, which include: 1) knowledge of the system, 2) threat identification, 3) evaluate and rank risks, 4) identify and implement measures to address risk, 5) measure performance and evaluate effectiveness, 6) periodic evaluation and improvement, and 7) report results. The purpose of the plan is to formalize the procedures, guidelines, and organizational support that will minimize the risk to people, property, and the environment through managing the integrity of natural gas distribution pipelines. It also includes details on the roles, responsibilities, and qualifications of the personnel involved in various components. This systematic approach is intended to guide the Company in finding ineffective measures or gaps that would otherwise not be addressed by current integrity management programs. The American Petroleum Institute (API) practice Pipeline Safety Management System has a similar approach using the "Plan, Do, Check, Act" Cycle.

As data is reviewed on an annual basis, risks are identified and prioritized to focus attention on this highest priority threats. Figure 2 shows the most recent analysis completed in 2015 (using full year calendar year data from 2010-2014) and identifies the top three system risks as excavation damages, corrosion, and natural forces. The method used to determine the risk is based on the relative risk associated with repaired leaks. This risk is then aggregated for

the entire system. Risk is calculated for each repaired leak, along with the inclusion of facility and location data. Individual leak risk is then summed up to develop risk scores at a system level. Threats with the highest total risk scores are then reviewed to determine appropriate measures to reduce and/or eliminate the risk.

Figure 2 - Total Risk by Cause



As shown in Figure 1, Duke Energy Ohio's various programs completed to date have yielded quantifiable benefits in terms of risk reduction, as well as safety and reliability. To continue this work, Duke Energy Ohio began accelerating service line replacements in 2015 and, as part of Case No. 14-1622-GA-ALT, filed an Application requesting that the Public Utilities Commission of Ohio (Commission) authorize the Company to begin cost recovery of its Accelerated Service Replacement Program (ASRP) through a discrete rider commencing in 2016. The ASRP was designed to address one of the most significant integrity risks to the Company's natural gas delivery system, and one which the Company can control through a



systematic and targeted replacement strategy. The risk associated with the failure rate of services due to material and corrosion is a major cause of hazardous leaks on the Company's system. The ASRP is a key component of the Company's overall DIMP, which includes many other initiatives designed to improve reliability, integrity management, and the safety of Duke Energy Ohio's natural gas delivery operations.<sup>1</sup>

Duke Energy Ohio is also implementing a strategy to enhance the overall effectiveness of its DIMP and accelerate risk reduction on its gas distribution system. This program targets the following areas: 1) risk assessment and analysis, 2) records, 3) training, and 4) damage prevention.

#### TIMP Background

TIMP consists of seven main steps: 1) High Consequence Area (HCA) identification, 2) data integration, 3) risk analysis, 4) assessment, 5) repair, 6) minimize risk, and 7) improve. As a whole, this is a continuous evaluation and assessment process. As stated in 49 CFR 192, "An operator's initial integrity management program begins with a framework and evolves into a more detailed and comprehensive integrity management program, as information is gained and incorporated into the program. An operator must make continual improvements to its program."<sup>2</sup>

Pipeline and Hazardous Materials Safety Administration (PHMSA) emphasizes the importance of the operator's management responsibility to fully understand and acknowledge the implications of these program evaluations and to take the necessary steps to address deficiencies and make continuous program improvements. Program evaluation is one of the key required program elements established in the Integrity Management (IM) rules. Additionally, operator senior management is required to certify the IMP performance information submitted annually to

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<sup>1</sup> The treatment of costs of the ASRP initiative were the subject of Case No. 14-1622-GA-ALT which is currently pending before this Commission. As a result, the ASRP-related costs are not subject to this deferral request.

<sup>2</sup> 49 C.F.R. 192.911.

PHMSA. Recently, Duke Energy Ohio performed a major TIMP review using an outside consultant. This included a review of plans and procedures, as well as documentation supporting the implementation of the program. Based on this review, Duke Energy Ohio is implementing a strategy to enhance the overall effectiveness of its TIMP.

This program targets the following areas: 1) Inline Inspection (ILI) and pressure testing techniques, and 2) Maximum Allowable Operating Pressure (MAOP) verification.

**Initiative Summary**

As part of its requirement to periodically evaluate and improve its IMP, Duke Energy Ohio has identified areas that require additional focus. The initiatives indicated above address the threats in a manner that will increase the effectiveness of IM and reduce risks to the public. Duke Energy Ohio has historically executed, and will continue to execute, IM practices, follow regulation guidelines, manage training qualifications, and repair leaks; nonetheless, these initiatives will be above the costs reflected in the base rates and the Company thus proposes deferral on only these items. Table 1 shows the approximate cost estimate for years 2016-2020.

**Table 1 – Cost Estimates for 2016-2020**

<b>Duke Energy Ohio</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>DIMP</b>					
Risk Assessment and Analysis	850,000	850,000	850,000	850,000	850,000
Records	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Training	200,000	200,000	200,000	200,000	200,000
Damage Prevention	750,000	750,000	750,000	750,000	750,000
<b>TIMP</b>					
ILI and Pressure Test		1,000,000	1,000,000	1,000,000	1,000,000
MAOP Verification	1,000,000				
<b>Total</b>	<b>4,000,000</b>	<b>4,000,000</b>	<b>4,000,000</b>	<b>4,000,000</b>	<b>4,000,000</b>

### Enhanced Risk Assessment and Analysis

Having an effective IMP is a valuable and integral part of maintaining a safe and reliable system. PHMSA has long recognized and communicated the critical importance of operator self-evaluation as part of an effective safety program. PHMSA emphasizes the importance of the operator's management responsibility to fully understand and acknowledge the implications of these program evaluations and to take the necessary steps to address deficiencies and make necessary program improvements. The National Transportation and Safety Board (NTSB) also recommends evaluating and improving IMP by evaluating the effectiveness of the approved risk assessment approaches for IMPs; developing minimum professional qualification criteria for all personnel involved in IMPs; and improving data collection and reporting, including geospatial data, to support the development of probabilistic risk assessment models and the evaluation of IMPs by state and federal regulators. A good working program will allow the risks to drive any infrastructure replacement projects.

Improvements to risk modeling and threat analysis will allow Duke Energy Ohio to more effectively identify risk and threat mitigation by moving from relative to probabilistic means. This process is gradual and requires other improvements besides a software modeling tool. The first step is to include more data in the relative risk ranking model and analysis tool for mains and services. Additional information will be added such as environmental factors, construction details, population, and other system data. Enhancements to the geographic information system (GIS) are necessary for supporting such a means of risk analysis, which also includes improvement of data quality discussed above. In addition, improvements to data collection must be reviewed to support a quality risk model.

### Records Improvement

Duke Energy Ohio has recognized opportunities to improve its records to better support the IMP. Its team, composed of Leadership, Engineers, Field Inspectors, and back office support (Compliance and GIS/Document Management staff), is reexamining processes and procedures to improve how the Company designs, builds, and records its information. This will include change management, training, new technologies, and assessing resource support needs.

This initiative will implement new technologies designed to reduce human errors and risks associated with data collection, providing more accurate data from the field. This requires total input from every portion of the “project life cycle” with an understanding of the importance of traceable, verifiable, and complete data. API recommended practice 1173 – Pipeline Safety Management Systems will aid in this change management process.

### Training Development and Implementation

Training is an essential aspect to maintaining and installing a safe reliable system. The foundation to protect assets, essentially reducing the overall risks, is having well trained and qualified personnel. The amount of new infrastructure being installed has increased in recent years due to accelerated replacement efforts and an increase in new customers. Compounding this, the aging workforce has created an increase in hiring and is expected to continue for several years. Maintaining a high quality system starts with ensuring the training initiatives are adequate, and keeping up with the state and federal safety regulations.

The most recent rulemaking affecting training departments was published by PHMSA in March of 2015 titled “Pipeline Safety: Miscellaneous Changes to Pipeline Safety Regulations.” This rule includes additional requirements for plastic pipe joiners and increased training. It is

expected that additional rulemakings in the near future will produce the need for new and increased refresher courses and additional qualification requirements for inspections.

As a result of understanding the need for improved workforce training, an assessment of the training needs was conducted. Looking at employee roles and the amount of risks involved in each role and the method of training currently utilized, Duke Energy Ohio was able to identify areas for improvement. Program enhancement include changes to core curriculum, increases in human performance fundamentals, increases in hands-on evaluations, improvements to training facilities, and increases in training personnel.

This new approach to training will take advantage of current best practices in training. Developing a model that will include the entire project life cycle is essential to employees fully understanding the regulations and policies. Creating an environment where employees will be exceptionally proficient in their technical field, as well as supporting business roles will create a safer and more reliable system. To accomplish this, employees must understand the importance of safe work practices, customer interaction, and data collection and documentation. The training initiative goal is having a workforce better prepared to be the front line of the Company being able to support the growth and safety for a reliable system.

#### Damage Prevention

As the number one risk to Duke Energy Ohio's system, addressing excavation damages is essential to improving reliability and safety. Root cause analysis on excavation damages was conducted that showed the number of damages per 1000 tickets is decreasing. But the rate at which it is decreasing needs to improve, which is why the damage prevention initiative is critical. As a result of the root cause analysis, several mitigation recommendations were reviewed aiding in the development of the damage prevention initiative processes. This program

will execute historical research efforts, add damage claims investigators to increase monitoring of contractor activity and communication efforts, add a program leader to increase public awareness efforts, as well as manage damage prevention activities, and increase efforts to reduce untenable facilities.

DIMP excavation damage root cause analysis resulted in a historical research effort that will be conducted as part of this program. The first is a policy change to curb services that account for about ten percent of total damages. This new policy also addresses issues with inadequate data on the job control forms that Duke Energy Ohio uses for each service. The second involves improving the records access given to the Company's contractors performing the locating service. Finally, in conjunction with Ohio Senate Bill 378, Duke Energy Ohio will implement an investigation fee, in addition to damages billed to at-fault parties.

The need to increase the presence of Duke Energy Ohio personnel for investigating damages, as well as monitoring activities, will bring increased awareness of safety practices. Duke Energy Ohio personnel will meet with contractors performing work and develop actions to prevent future damages. Increase in public awareness starts with increasing Duke Energy Ohio's personnel monitoring its system.

Along with these efforts to increase the general public's awareness of gas safety practices, additional programs will be added. To maintain an effective and efficient damage prevention program, additional dedicated personnel are needed. Managing all damage prevention initiatives includes being the "face" of Duke Energy Ohio's natural gas safety, meeting with the public, sending literature, sponsorships, and handling all other damage prevention initiatives.

Further investigation into untoneable locates will help prevent damages resulting from incorrect markings. Accurate marking of service lines is occasionally difficult due to inadequate data, discussed above, as well as field issues that range from buried curb boxes to bad (or no) tracer wire. New processes are necessary to locate these lines to prevent excavation damages. Duke Energy Ohio intends to develop a better process for locating untoneables, which includes using an investigator to verify if the service is truly untoneable and use reasonable means to successfully locate the line.

#### Inline Inspection and Pressure Test

As discussed above, PHMSA has long recognized and communicated the critical importance of operator self-evaluation as part of an effective safety program. PHMSA has promoted and required the development, implementation, and documentation of processes to perform program evaluations, including the regular monitoring and reporting of meaningful metrics to assess operator performance. PHMSA emphasizes the importance of the operator's management responsibility to fully understand and acknowledge the implications of these program evaluations and to take the necessary steps to address deficiencies and make necessary program improvements. The NTSB also recommends evaluating and improving gas transmission pipeline integrity assessment methods, including increasing the use of ILI and eliminating the use of direct assessment as the sole integrity assessment method. Other recommendations include: (1) evaluating the effectiveness of the approved risk assessment approaches for IMPs, (2) developing minimum professional qualification criteria for all personnel involved in IMPs, and (3) improving data collection and reporting, including geospatial data, to support the development of probabilistic risk assessment models and the

evaluation of IMPs by state and federal regulators. A good working program will allow the risks to drive any infrastructure replacement projects.

Currently, Duke Energy Ohio uses direct assessment techniques as the primary method of integrity assessments. The data collected from these methods are limited and do not cover all potential threats. Increasing the percent of ILI and pressure test assessment methods to align with known threats provides more data for detecting defects and is a requirement of federal regulations and prudent operations. An ILI/Hydrotest capability study which will aid in determining how to retrofit existing pipelines for ILI is necessary and will be completed by the end of 2016.

#### Maximum Allowable Operating Pressure (MAOP) Verification

In compliance with Pipeline Safety Act of 2011 (Public Law 112-90), to maintain the integrity of its natural gas delivery system, and to ensure that it continues to operate the system at the appropriate MAOP, Duke Energy Ohio conducted a very thorough segment-by-segment review for all transmission pipelines and facilities. Gaps were identified in records that are used to support MAOP's for the pipelines that resulted in pressures being adjusted and projects developed to bring the system back to full operating pressure. Pressure testing of some existing transmission pipeline segments must be performed in order to provide traceable, verifiable, and complete documentation to support all MAOP pursuant to CFR Title 49 Part 192.619 and 192.501. This was specifically emphasized in the Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011 passed by Congress on December 13, 2011, in response to the gas pipeline incident that occurred in San Bruno, California in 2010. In addition, pressure testing addresses the requirement in CFR Title 49 Part 192, Subpart O, which covers Transmission Integrity Management, to assess unstable manufacturing and construction defects.



Using the data from the review, Duke Energy Ohio has developed work plans for addressing each segment with inadequate records. The verification process includes developing a plan segment by segment, ranking the importance of each segment, planning a schedule for the work to be conducted based on importance and resource logistics, and execution of the work. During this work, no major interruptions are planned to service to Duke Energy Ohio customers and the Company will be doing due-diligence to inform stakeholders of the work.

### Conclusion

Integrity Management programs are continuous in themselves, as conditions change, the programs must adapt. Duke Energy Ohio monitors risks and appropriately addresses them according to the data and subject matter input. As the risks are eliminated, other risks heighten or new risks appear. The initiatives described are designed to enhance the overall effectiveness and accelerate risk reduction on its gas distribution system. These initiatives will be above the costs reflected in the base rates and the Company thus proposes deferral on only these items.

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

**Commission of Ohio Docketing Information System on**

**2/19/2016 11:49:25 AM**

**in**

**Case No(s). 16-0387-GA-AAM**

**Summary: Application Application of Duke Energy Ohio, Inc. for Authority to Establish a Regulatory Asset electronically filed by Mrs. Adele M. Frisch on behalf of D'Ascenzo, Rocco O and Spiller, Amy B and Duke Energy Ohio, Inc.**

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of )  
Columbia Gas of Ohio, Inc., for Approval ) Case No. 14-1615-GA-AAM  
to Change Accounting Methods. )

FINDING AND ORDER

The Commission finds:

- (1) Columbia Gas of Ohio, Inc. (Columbia or Company), is a natural gas company within the meaning of R.C. 4905.03 and, as such, is subject to the jurisdiction of the Commission.
- (2) R.C. 4905.13 authorizes the Commission to establish systems of accounts to be kept by public utilities and to prescribe the manner in which these accounts will be kept. Pursuant to Ohio Adm.Code 4901:1-13-01, the Commission adopted the Uniform System of Accounts (USOA), which was established by the Federal Energy Regulatory Commission (FERC), for gas utilities in Ohio. For Ohio regulatory purposes, the system of accounts is only applicable to the extent that it has been adopted by the Commission. Therefore, the Commission may modify the USOA prescribed by FERC as it applies to Ohio utilities.
- (3) On September 12, 2014, Columbia filed an application seeking authority to establish a regulatory asset and defer, for accounting and financial reporting purposes, the related expenditures for its new pipeline safety program (PSP).
- (4) On September 29, 2014, Ohio Partners for Affordable Energy (OPAE) filed a motion to intervene in this proceeding, as well as a motion to dismiss.
- (5) By Entry issued October 3, 2014, a procedural schedule was set requiring motions to intervene and initial comments on the application by November 17, 2014, and reply comments by December 2, 2014.
- (6) On October 14, 2014, Columbia filed a memorandum contra OPAE's motion to intervene and to dismiss. Thereafter, on

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October 21, 2014, OP&A filed a reply to Columbia's memorandum contra.

- (7) On November 12, 2014, Ohio Consumers' Counsel (OCC) filed a motion to intervene and memorandum in support. No one filed memorandum contra OCC's motion to intervene.
- (8) Initial comments were filed by OP&A, the Commission's Staff, and OCC. Reply comments were filed by OP&A, OCC, and Columbia.

#### Summary of the Application

- (9) In its application, Columbia explains that its proposed PSP is designed to improve the safety of its distribution system. Columbia explains that, in December 2009, the U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration (PHMSA) amended the Federal Pipeline Safety Regulations in the Code of Federal Regulations to include a new subpart. Columbia asserts that the new federal regulations require operators of gas distribution pipelines to develop and implement a gas distribution integrity management program (DIMP) and that, in response, Columbia developed the PSP. According to Columbia, the PSP consists of four initiatives designed to target threats to Columbia's system: (1) the Cross Bore Safety Initiative; (2) the Damage Prevention Technology Initiative; (3) the Advanced Workforce Training Initiative; and (4) the Enhanced Public Awareness Initiative.
- (10) Columbia explains in the application that the Cross Bore Safety Initiative is intended to systematically identify, investigate, and remediate potentially dangerous cross bores on Columbia's system, which occur when the intersection of one underground utility or structure and another compromises structural integrity, most commonly occurring with storm or sewer infrastructure. The Damage Prevention Technology Initiative is intended to implement new technologies and damage prevention activities designed to reduce system risks associated with excavation damage, including targeting gaps in and improving the accuracy of Columbia's infrastructure records and strategizing responses

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using a risk assessment tool. The Advanced Workforce Training Initiative provides for the development of a new training center with classroom training, technology labs, and a gas simulation facility, as well as a training curriculum for employees. Finally, the Enhanced Public Awareness Initiative involves increased funding to prepare a comprehensive pipeline safety public campaign targeting the general public, construction contractors, first responders, and municipalities, using a third-party marketing firm to ensure spending is utilized effectively.

- (11) Columbia further explains that incurrence of costs associated with these initiatives may result in a significant and unavoidable negative impact on Columbia's earnings, which is not recoverable in Columbia's current base rates. Consequently, Columbia requests authorization to revise its accounting procedures and defer its income statement recognition of the PSP costs incurred after December 31, 2014. Columbia notes that the recovery of the deferred amount will be addressed either in a separate proceeding or in Columbia's next base rate case proceeding. Columbia further requests authority to recover carrying charges on the deferred balance. Columbia concludes that Commission approval for this deferral accounting treatment is necessary for Columbia to assert probability of recovery of such expenditures under generally accepted accounting principles. Columbia represents that, if the application is approved, it will file an annual report setting forth the PSP expenses on an annual and cumulative basis, including the monthly expenditures for each component of the PSP deferred on an annual basis. Finally, Columbia submits that the requested change in accounting procedure will not result in an increase in any rate or charge. Therefore, Columbia claims that the Commission may approve the application without a hearing.

#### Motions to Intervene

- (12) In support of its motion to intervene, OPAE asserts that it is a corporation that advocates for affordable energy policies for low- and moderate-income Ohioans; its members include Columbia ratepayers and organizations located in the service area that will be affected by the application; and its

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interest in this case lies in protecting the interests of its members who will be paying the rider set forth in the application.

- (13) In its memorandum contra OP&A's motion to intervene, Columbia asserts that OP&A's arguments about protecting its members who will be paying the rider are incorrect, as Columbia is not seeking to establish a rider in its application. Columbia maintains that its application simply seeks permission to change its accounting procedures to defer income statement recognition of the incremental costs related to the PSP. Further, Columbia claims that OP&A has not demonstrated how it meets the requirements for intervention set forth in R.C. 4903.221, as it does not discuss why its participation is necessary to resolution of this case and how it is adversely affected. Finally, Columbia notes that, in other cases seeking only a modification of accounting procedures that do not address ratemaking, the Commission has denied motions to intervene.
- (14) In its reply to Columbia's memorandum contra, OP&A contends that recent Commission precedent recognizes OP&A's unique ability to represent the interests of ratepayers that could be negatively affected if the application is granted. Further, OP&A asserts that the Commission has permitted intervention in a number of cases involving an accounting application to authorize the deferral of expenses.
- (15) In support of its motion to intervene, OCC argues that its interest lies in representing the residential customers of Columbia, as the proposed PSP could cost consumers up to \$15 million per year. OCC further asserts that its position in this case is that rates should be no more than what is reasonable and lawful.
- (16) Ohio Adm.Code 4901-1-11(B) provides that, in determining whether to permit intervention, the Commission shall consider: "(1) The nature and extent of the prospective intervenor's interest[;] (2) The legal position advanced by the prospective intervenor and its probable relation to the merits of the case[;] (3) Whether the intervention by the prospective intervenor will unduly prolong or delay the proceedings[;]"

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- (4) Whether the prospective intervenor will significantly contribute to full development and equitable resolution of the factual issues; and] (5) The extent to which the person's interest is represented by existing parties."
- (17) The Commission finds that, notwithstanding Columbia's memorandum contra, the motions to intervene meet the criteria set forth in Ohio Adm.Code 4901-1-11(B), are reasonable, and should be granted. This is particularly so given that the Supreme Court of Ohio has held that statutes and rules governing intervention should be "generally liberally construed in favor of intervention." *Ohio Consumers' Counsel v. Pub. Util. Comm.*, 111 Ohio St.3d 384, 2006-Ohio-5853, 856 N.E.2d 940, ¶ 16, quoting *State ex rel. Polo v. Cuyahoga Cty. Bd. of Elections*, 74 Ohio St.3d 143, 144, 656 N.E.2d 1277 (1995).

OPAE's Motion to Dismiss

- (18) In support of its motion to dismiss, OPAE asserts that Columbia's application is intended to create a regulatory asset that will allow for recovery of expenses through a rider outside of base rates. OPAE claims that there is no basis to believe that Columbia cannot incur these expenses and maintain pipeline safety without special accounting treatment and recovery through a rider. OPAE further asserts that recovery through riders outside of base rates should only be permitted for costs that are large, volatile, and outside of the utility's control, which has not been demonstrated here. Next, OPAE claims that Columbia should be required to show that its financial integrity would be compromised if the costs were collected only through base rates, and that Columbia has not shown that it has a revenue deficiency. OPAE maintains that the creation of a rider for cost recovery outside of base rates will lead to collection of costs from customers and increase utility revenues even where the utility has no revenue deficiency. Consequently, OPAE asserts that Columbia's application should be dismissed.
- (19) In its memorandum contra OPAE's motion to dismiss, Columbia first asserts that Columbia's application does not request approval of any ratemaking treatment associated

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with the accounting changes. Columbia points out that the Supreme Court of Ohio has held that an accounting application for a deferral does not constitute ratemaking and that, simply by considering an application for deferral, the Commission is not determining what, if any, costs may be appropriate for recovery in the next base rate proceeding, citing *Elyria Foundry Co. v. Pub. Util. Comm.*, 114 Ohio St.3d 305, 2007-Ohio-4164, 871 N.E.2d 1176. Further, Columbia argues that OPAE's argument that riders should only be used to recover large, volatile costs that are outside of the utility's control are unsupported and irrelevant, as Columbia is not even seeking a recovery mechanism in this application.

- (20) Next, Columbia asserts that costs associated with the PSP are incremental operating and maintenance costs not included in base rates. Columbia further argues that there are no financial integrity standards associated with the use of such riders in applicable statutes or prior Commission decisions. Columbia also points out that it is not currently recovering costs related to the PSP in its current base rates. Finally, Columbia asserts that the primary tenet of the PSP is safety, and that deferral will allow flexibility to comply with the PHMSA mandate, while mitigating the greatest risks to the system, but that many of the costs are unknown and will vary. Consequently, Columbia urges the Commission to permit deferral of the costs as appropriate, and asserts that recoverability can be addressed in a future proceeding.
- (21) Upon consideration of OPAE's motion to dismiss, the Commission initially points out that, as argued by Columbia, the Supreme Court of Ohio has held that deferrals do not constitute ratemaking. See *Elyria Foundry Co.*, supra. Through this application, Columbia solely requests the authority to modify its accounting procedures to reflect the deferral of costs related to its PSP, along with associated carrying charges. The Commission finds that OPAE's motion addresses the possibility that Columbia may request recovery of the deferred costs in a future rate proceeding. By considering this application, the Commission is not determining what, if any, of these costs may be appropriate for recovery in Columbia's rates.



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Therefore, the Commission finds that OP&E's motion to dismiss this case should be denied.

Comments

- (22) In its comments, OP&E first argues that Columbia's base distribution rates already compensate Columbia for maintaining and operating a safe distribution pipeline system. More specifically, OP&E asserts that, in Columbia's most recent base distribution rate approval case, *In re Columbia*, Case No. 08-72-EL-AIR, Columbia's application noted that Columbia developed a group of employees to implement a program addressing threat identification, risk evaluation and ranking, and implementation of measures to address risk. Additionally, OP&E points out that Columbia has been engaged in an accelerated main replacement program and replacement of risers. Consequently, OP&E argues that the expenses associated with implementing measures to address risk and monitoring and evaluating the results is already included in Columbia's base distribution rates. OP&E argues that, to the extent base rates do not provide adequate revenue for this purpose, the remedy is a base rate case.
- (23) Next, OP&E contends that the issuance of amendments to existing regulations is not a unique event that justifies deferral for future recovery. OP&E elaborates that the new PHMSA rules do not justify "huge additional one-time expenditures," but that the rules have been in existence for a long time and presumably Columbia has been complying with them. OP&E reiterates its argument that compliance with safety rules is not an expenditure that is large, volatile, and outside of Columbia's control, the criteria that OP&E purports should apply to a deferral. OP&E asserts that the expenses for which Columbia seeks deferrals are typical expenditures of a distribution utility. OP&E specifies that none of the four programs Columbia has described in its application represents an extraordinary expenditure if Columbia is properly managing its distribution business.
- (24) In its comments, OCC first argues that Columbia failed to demonstrate that it meets any of the Commission's standards for deferral authority. OCC specifies that

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Columbia has failed to demonstrate that exigent circumstances exist that would warrant the need for the requested deferrals, but has merely noted that regulations require a DIMP. Further, OCC contends that Columbia failed to demonstrate that its financial integrity would be impacted without the deferral authority, arguing that Columbia's reference to maximum expenses of \$15 million is unsupported, nor is it significant when compared to annual operating revenues and expenses. OCC also asserts that Columbia has failed to demonstrate that the PSP expenses are not already included in its base rates. OCC also urges the Commission to require PSP expenses to be vetted fully in Columbia's next distribution rate case, with Columbia demonstrating that the spending is reasonable and prudent.

- (25) OCC next asserts that the Cross Bore Safety Initiative expenses should not be approved for deferral. OCC contends that the application should not be approved on the basis that there is no showing that the initiative is necessary, as Columbia has identified that only one cross bore situation currently exists, and argues that risks associated with unmarked lines should not be borne by customers.
- (26) OCC's next argument is that the Damage Prevention Technology Initiative should not be approved for deferral. According to OCC, Columbia has failed to explain with any data or specificity how compiling a more accurate and complete infrastructure record is necessary to achieve its objective of reducing system risks associated with excavation damage. OCC also points out that Columbia's application identifies three root causes among the system risks, but argues that all three of the root causes are not customers' fault or responsibility.
- (27) Next, OCC contends that the Advanced Workforce Training Initiative expenses are unnecessary and should not be approved for deferral. OCC specifies that the expenses associated with constructing a training center and training employees about natural gas operations should be categorized as general costs a utility must endure in the normal course of business that should be reviewed and addressed in a general distribution rate base case. OCC asserts that the Commission has never approved deferral of

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such expenses and eventual cost recovery through a rider. OCC also claims that Columbia has failed to demonstrate that it is not currently collecting similar costs in existing base rates.

- (28) OCC goes on to assert that the Enhanced Public Awareness Initiative expenses should not be approved for deferral because the application does not explain why current expenditures are insufficient or explain how spending more money can address excavation incidents.
- (29) In its final argument, OCC claims that the Commission has generally opposed deferral requests and should, therefore, deny Columbia's request. OCC cites *In re Application of Columbus S. Power Co.*, Case No. 11-346-EL-SSO, et al., Opinion and Order (Aug. 8, 2012) at 36 in support. OCC further reiterates its argument that Columbia has not supported its deferral request with an explanation of exigent circumstances or a demonstration of good reason why the expenses should be entitled to special deferral treatment.
- (30) In its comments, Staff explains that it reviewed Columbia's application and the proposed PSP to determine if the application and PSP comport with sound ratemaking principals regarding utility cost deferrals for potential future recovery. Additionally, Staff states that it takes no position on the future recoverability of deferred amounts associated with the PSP. Staff makes seven primary comments and recommendations.
- (31) In its first recommendation, Staff asserts that the Commission should adopt Columbia's recommendation for regular meetings between Staff and the Company as the PSP progresses. Staff specifically recommends meeting, at minimum, biannually to review and discuss the progress of the PSP, the results of new and ongoing investigations, and any changes.
- (32) Secondly, Staff urges the Commission to adopt Columbia's recommendation that it file an annual report on the PSP and related deferrals, but also asserts that the report should not be limited to the items specified in the application. Staff recommends the report should include not only expenses,

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related deferrals, and Columbia's auditor's findings, but it should also include the PSP's progress toward reducing risks to the system, the results of ongoing and future investigations, any mid-term adjustments to the PSP, and the Company's efforts toward identifying inefficiencies and implementing cost-saving measures. Staff asserts that the specific contents and presentation of the report should be determined in the regular meetings between Staff and the Company.

- (33) In its third comment, Staff does not object to Columbia's proposal that Staff file a report to the Commission regarding proposed PSP deferrals within 90 days of the Company's annual report, but comments that the report should not be construed as Staff's support for future recovery. Additionally, Staff asserts that it expressly reserves the right to investigate and make determinations and recommendations to the Commission regarding ultimate recovery of amounts deferred pursuant to the PSP in future recovery proceedings.
- (34) In its fourth recommendation, Staff urges the Commission to direct Columbia to use its best efforts to identify and implement efficiencies and cost-saving measures to reduce PSP deferrals and the ultimate amount recovered from customers.
- (35) Fifthly, Staff recommends that the Commission direct Columbia to use a risk-based approach for determining the potential sewer mains and lateral cross-bores that should be investigated via camera. While Staff agrees that Columbia should use cameras to ensure it did not bore through at-risk sewer lines, Staff states that it does not believe all sewer lines associated with Columbia's legacy cross-bores should be inspected with cameras. Staff asserts that, in some situations, the risk of cross-boring a sewer line is so low that camera inspection is unnecessary, and urges the Commission to require Columbia to research its records and use experience to develop a risk-based approach including specific criteria to determine when lines should be inspected, subject to review at the regular meetings with Staff.

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- (36) In its sixth recommendation, Staff recommends that the Commission direct Columbia to develop specific performance measures for each of its proposed safety initiatives and establish baseline performance measurements for each measure so that risk reduction resulting from the PSP can be tracked. Staff adds that Columbia should review and discuss the measures and baseline measurements with Staff in the regular meetings, as well as report progress of the PSP initiatives in the annual report.
- (37) In its seventh and final recommendation, Staff comments that, as the PSP initiatives are completed or continue to progress, and risks are reduced and eliminated on Columbia's system, Staff and Columbia should recommend a threshold for discontinuing the PSP deferrals. Staff points out that a number of the PSP initiatives involve projects and related tasks that will be completed at some point in the future and, consequently, the Commission should direct Staff and Columbia to use the regular meetings to develop the threshold. Staff proposes that, if Staff and Columbia cannot agree on a threshold spending level, Staff will make recommendations to the Commission in a Staff report filed in response to Columbia's annual report, with an evidentiary hearing if necessary.

#### Reply Comments

- (38) In its reply comments, OP&AE first argues that Staff has failed in its comments to require a demonstration that costs of implementing the PSP are not covered by existing rates. OP&AE reiterates its argument that deferrals are appropriate in situations where costs are extraordinary, large, and volatile, and that Columbia has failed to make such a showing here. Further, OP&AE claims that new federal regulations do not justify recovery for costs that Columbia is already incurring or paying for work already done. OP&AE complains that Staff's comments fail to address this issue.
- (39) Next, OP&AE responds to Staff's comment regarding regular meetings between Staff and Columbia by pointing out that the costs of these meetings are already covered in existing rates, as Staff and Columbia already meet regularly regarding safety and reliability issues. OP&AE also criticizes

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Staff's recommendation that Columbia include additional information in its annual report, arguing again that Staff has not required Columbia to show that the proposed expenses are incremental to those already included in the base rates.

- (40) Next, OPAE notes its approval of Staff's clarification that Staff's report reviewing Columbia's annual report on PSP deferrals should not be construed as support for future recovery, and expresses support for Staff's recommendation regarding risk-based investigations and performance measurements and tracking. However, OPAE argues that Staff's comments urging Columbia to use its best efforts to identify efficiency and cost savings to reduce deferrals are insufficient, as they do not recommend that the Commission require efficiencies to be credited against the deferrals and because Staff does not indicate that it will review whether the costs are already included in rates.
- (41) Finally, in its reply comments, OPAE argues that Staff's proposal that Columbia work with Staff to eliminate the proposed deferrals once the PSP is implemented and achieved its goals, implies that Staff views the costs of the plan as incremental. OPAE complains that Columbia has conducted no investigations and does not know what it will cost to implement the plan. Further, OPAE reiterates its argument that Columbia has failed to indicate how these expenses exceed the amounts already provided in base rates.
- (42) In its reply comments, OCC first argues that Staff's comments fail to consider whether Columbia's application meets the standards for deferral authority. More specifically, OCC argues that Staff's comments reflect that Columbia has failed to demonstrate exigent circumstances, as Columbia does not know and cannot claim that a significant or dangerous problem exists, and that the PSP is not directly related to safety improvements.
- (43) Secondly, OCC argues on reply that Staff's comments fail to address whether each of the four initiatives in the proposed PSP meets the standards for deferral authority. OCC argues that Columbia has failed to show that the PSP is necessary, as it cited only one past safety incident, and that all identified risks were situations where Columbia or a third

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party was in error. OCC further argues that Staff's comments fail to explain why it supports Columbia's Advanced Workforce Training Initiative or how sponsoring public service announcements will remedy the problems claimed by Columbia.

- (44) Thirdly, OCC contends that, if the Commission decides to approve Columbia's application, the Commission should direct Staff and Columbia to implement several modifications proposed by Staff in its comments. OCC specifies that it agrees with Staff's comments that the Commission should direct Columbia to identify and implement efficiencies and cost-saving measures; to use a risk-based approach for determining mains and bores that need to be investigated via camera; to develop specific performance measures for each of its proposed safety initiatives; to recommend, as PSP initiatives are completed or progress, a threshold expense level for discontinuing the deferrals along with Staff; and to file an annual report that includes the additional information recommended by Staff in its comments. Finally, OCC agrees that Staff should file a report with the Commission regarding Columbia's proposed PSP deferrals within 90 days of the filing of Columbia's annual report.
- (45) In reply to Staff's comments, Columbia states that it agrees with Staff's recommendations and will develop and implement the PSP with Staff's recommendations incorporated.
- (46) In reply to OCC's and OPAB's comments, Columbia initially argues that the standard of review suggested by these parties is misleading. Columbia explains that OPAB has cited no legal authority for its standard of review, and OCC has erroneously relied on a 2005 case that is factually distinguishable from this matter and has not been subsequently cited by the Commission in any order approving a regulatory asset. Columbia also points out that the Commission has approved numerous regulatory assets and deferrals without relying on the standards of review proffered by OCC and OPAB. Finally, Columbia argues that, even if OCC's proposed standard of review was applicable, Columbia's application meets the standard.

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Columbia explains that, in its application and comments, it has detailed good reason and exigent circumstances to justify the proposed deferral, including that the program allows Columbia to perform additional pipeline safety work that will reduce the risk of a significant event and increase safety pursuant to the federal requirement.

- (47) Columbia next addresses OCC's and OP&A's arguments that the operation and maintenance expenses of Columbia's proposed PSP are currently included in Columbia's base rates. Columbia initially points out that, as explained in its application and response to OP&A's motion to dismiss, PHMSA's mandated development of a DIMP plan was not finalized until 2009, while Columbia's last base rate proceeding was in 2008. Consequently, Columbia could not recover PSP costs in its current base rates. Further, Columbia disputes OP&A's assertion that the PHMSA's rules are not new and do not impose extraordinary responsibility on utilities, but emphasizes that the PHMSA amended the Code of Federal Regulations to include an entirely new section requiring the DIMP plan, which was not enacted until 2009. Finally, Columbia reiterates that the new initiatives proposed in the PSP will create new costs of approximately \$15 million per year that are not recovered in base rates and that its financial integrity will be at risk if it cannot defer the expenses.
- (48) Next, Columbia responds to OCC's argument that it should not be permitted to defer the expenses, but should seek recovery through a base rate proceeding. Columbia points out that R.C. 4905.13 authorizes the Commission to establish a system of accounts to be kept by public utilities and to prescribe the manner in which the accounts are kept, making deferral of these expenses permissive and appropriate at this juncture. Columbia argues that this is particularly so given the finite nature of some of the incremental costs.
- (49) Columbia goes on to emphasize that the four initiatives of the PSP are necessary to comply with federal mandates and to ensure the continued safety and reliability of the system. Consequently, Columbia argues that there is no merit to OCC's assertion that potentially dangerous situations due to cross bores are not compelling because Columbia has shown



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only one such situation. To the contrary, Columbia asserts that it has identified approximately 40 such situations, one of which resulted in a reportable incident by the Department of Transportation. Columbia asserts that, contrary to OCC's assertion, it should not be required to wait until a catastrophic event occurs to remediate this issue.

- (50) Next, Columbia addresses OCC's argument that Columbia should not be permitted to require customers to pay for errors for which Columbia or third parties were responsible. Columbia initially asserts that it is in favor of accountability; however, emphasizes that the program to which OCC refers is called the *Damage Prevention Technology Initiative* and is focused on *preventing* these types of errors and ensuing events. Further, Columbia asserts that OCC misunderstands the *Advanced Work Force Training Initiative*, as Columbia is not asking for deferral of all training costs incurred in the ordinary course of business, but only costs associated with the program that are incremental to costs included in base rates, which are not expenditures provided for in the test year for the most recent base rate proceeding.
- (51) Finally, Columbia disputes OCC's assertion that increased expenses for public awareness are unnecessary. Columbia points out that 57 percent of all damages during excavations in Ohio result from excavators failing to follow recommended construction practices or failure to use the 811 system and argues that, consequently, its customers and the public will benefit from a comprehensive evaluation of its public safety awareness efforts.

#### Commission Decision

- (52) The Commission initially will address OCC's and OPAE's arguments that Columbia's application does not meet the standards for deferral authority. The Commission disagrees with OPAE's proposed standard, and finds that the application at issue is factually distinguishable from the case cited by OCC for the reasons set forth by Columbia. Finally, the Commission agrees with Columbia that, even if OCC's proposed standard were used, the Commission would nevertheless find that the application meets the standard of good reason and exigent circumstances, as it seeks to

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implement a program to minimize unnecessary risk and increase safety pursuant to a federal requirement, and Columbia attests that the approximate costs of \$15 million per year, if not recoverable, would compromise its financial integrity.

- (53) Next, the Commission will address OCC's and OP AE's arguments that Columbia's existing base rates should already compensate Columbia for operating and maintaining a safe distribution pipeline system, or that Columbia has failed to demonstrate that they do not. The Commission notes, initially, that Columbia has asserted the PSP will create new costs of approximately \$15 million per year that are not recoverable in existing base rates. Further, as pointed out by Columbia, Columbia's most recent base rate proceeding took place in 2008, while the PHMSA amendments requiring a DIMP plan were not finalized until 2009. Moreover, the Commission notes that the issue posed in this case is whether Columbia has demonstrated through its application sufficient justification for the Commission to determine that it is appropriate and reasonable to allow the Company to establish a regulatory asset and defer, for accounting and financial reporting purposes, the related expenditures for the PSP. Thus, contrary to the assertions of OCC and OP AE, the issue of whether Columbia has demonstrated that it is not currently recovering costs of the PSP through current base distribution rates is not at issue in this case. If Columbia wishes to recover any deferred costs, it will need to file an appropriate case with the Commission requesting authority to recover such costs. It is at that time, in that subsequent case, that the issues raised by OCC and OP AE would be reviewed.
- (54) Similarly, the Commission notes that OCC and OP AE allege that Columbia should be required to seek relief through a base distribution rate case, not through a deferral. Initially, the Commission notes that, as pointed out by Columbia, R.C. 4905.13 gives the Commission authority to establish a system of accounts to be kept by public utilities, as well as to prescribe the manner in which the accounts are kept. Consequently, the Commission may permit deferrals as requested by Columbia. Further, the Commission notes that

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the application and Staff's comments indicate that some of the incremental costs requested have a finite nature, making deferral appropriate. As we emphasized previously, recovery of deferred amounts is not being addressed in this proceeding, but will be addressed in an appropriate subsequent proceeding. In such future proceeding, as noted in Staff's comments, Staff will investigate and make recommendations to the Commission regarding recovery.

- (55) Next, the Commission will address OCC's argument that the Cross Bore Safety Initiative expenses should not be approved for deferral on the basis that Columbia has identified that only one cross bore situation exists. Initially, the Commission points out that Columbia has asserted that this initiative is necessary to comply with federal mandates and to ensure the continued safety and reliability of the system. Further, Columbia has clarified that only one cross bore situation has resulted in a reportable incident, but that Columbia has identified approximately 40 cross bore situations. The Commission agrees that safety to both persons and property is paramount; therefore, minimization of unnecessary risk is preferred to waiting for an imminent safety threat. Further, the Commission finds Staff's recommendation that Columbia be required to research its records and use its experience to develop a risk-based approach to determine when to inspect sewer lines should be adopted. Likewise, Staff's recommendation that Columbia develop specific performance measures for this safety initiative and establish baseline performance criteria in order to track risk reduction is reasonable and should be adopted. Accordingly, with the adoption of Staff's recommendations, the Commission finds that the Cross Bore Safety Initiative expenses should be approved for deferral.
- (56) The Commission notes that OCC has also commented that the Commission should not approve the Damage Prevention Technology Initiative for deferral because Columbia has failed to explain how this program is necessary to achieve its objective of reducing risk or why these costs should be customers' responsibility. Columbia responded that this program is intended to prevent damage from excavation errors and ensuing events. As stated previously, the

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Commission agrees that minimization of unnecessary risk and prevention is preferred to waiting for an imminent safety threat. Additionally, as with the previous initiative, the Commission finds that Staff's recommendation for the development of specific performance measures for this initiative and establishment of baseline performance criteria to track risk reduction is appropriate and should be adopted. Consequently, with Staff's recommendation, the Commission finds that the Damage Prevention Technology Initiative expenses should be approved for deferral.

- (57) OCC further commented in opposition to the Advanced Workforce Training Initiative on the basis that the expenses associated with training are unnecessary, as they should already be categorized and recovered as general costs endured in the normal course of business. However, as clarified by Columbia, the Company does not seek deferral of all training costs incurred in the ordinary course of business, but only costs that are associated with the program that are incremental to the costs already included in base rates. Further, as with the previous two initiatives, Staff's recommendation for the development of specific performance measures and baseline performance criteria to track reductions in risk should be adopted. As such, with Staff's recommendation, the Commission finds that the Advanced Workforce Training Initiative expenses should be approved for deferral.
- (58) Next, the Commission will address OCC's argument that the Enhanced Public Awareness Initiative expenses should not be approved for deferral because Columbia does not explain why current expenditures are insufficient or how additional spending can address excavation incidents. The Commission notes that Columbia stated in its reply comments that more than half of all damages during excavations result from failure to follow recommended practices or failure to use the 811 system. The Commission agrees that customers and the public may benefit from a comprehensive evaluation of Columbia's public safety awareness efforts. Further, as with the previous three initiatives, the Commission finds that Staff's recommendation for the development of specific

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performance measures and baseline performance criteria in order to track risk reductions should be adopted. Consequently, with Staff's recommendation, the Commission finds that the Enhanced Public Awareness Initiative expenses should be approved for deferral.

- (59) The Commission finds that the recommendations set forth by Staff in its comments are reasonable and appropriate and should be adopted in their entirety. Therefore, for the reasons set forth above, upon consideration of the application and the comments submitted, the Commission concludes that Columbia's application seeking to establish a regulatory asset and defer the related expenditures for the PSP should be approved, as modified by the recommendations set forth in Staff's comments. Additionally, Columbia is authorized to accrue carrying charges on all deferred amounts between the dates the costs were incurred and the date recovery commences. The carrying charge rate shall be determined annually based on Columbia's embedded debt-only interest rate. The rate shall be exclusive of the equity component and there will be no compounding.
- (60) Finally, the Commission finds that, since the requested authority to change Columbia's accounting procedures does not result in any increase to the Company's rates or charges, the Commission may approve this application without a hearing. As previously discussed in our consideration of OPAE's motion to dismiss, the Supreme Court of Ohio has held that deferrals do not constitute ratemaking. *See Elyria Foundry Co, supra*. As a result, recovery of any deferred amounts is not guaranteed. Recovery of the deferred amounts will be addressed in a subsequent appropriate proceeding.

It is, therefore,

ORDERED, That OPAE's and OCC's motions to intervene are granted. It is, further,

ORDERED, That OPAE's motion to dismiss is denied. It is, further,

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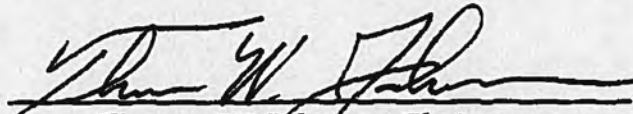
ORDERED, That Columbia's application, as modified herein by Staff's recommendations, be approved, subject to the Commission's review of the Company's annual informational filings. It is, further,

ORDERED, That Columbia be granted the necessary and appropriate accounting authority to implement the PSP, consistent with this Finding and Order. It is, further,


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,

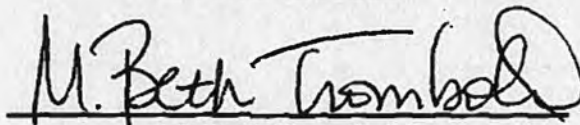
ORDERED, That a copy of this Finding and Order be served upon all parties of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO

  
Thomas W. Johnson, Chairman

  
Steven D. Lesser

  
Lynn Slaby


  
M. Beth Trombold

  
Asim Z. Haque

MWC/sc

Entered in the Journal

**DEC 17 2014**

  
Barcy F. McNeal  
Secretary