

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application	)	
of Duke Energy Ohio, Inc. to	)	Case No. 15-883-GE-RDR
Adjust Rider DR-IM and Rider	)	
AU for 2014 SmartGrid Costs.	)	

STIPULATION AND RECOMMENDATION

Rule 4901-1-30, Ohio Administrative Code (O.A.C.), provides that any two or more parties to a proceeding may enter into a written stipulation covering the issues presented in such a proceeding. The purpose of this document is to set forth the understanding and agreement of the parties that have signed below (Signatory Parties or Parties) and to recommend that the Public Utilities Commission of Ohio (Commission) approve and adopt this Stipulation and Recommendation (Stipulation), which resolves all of the issues raised by the Parties in this case relative to Duke Energy Ohio, Inc.'s (Duke Energy Ohio or the Company) Application to Adjust Rider DR-IM and Rider AU for 2014 SmartGrid Costs (Application). This Stipulation is supported by adequate data and information including, but not limited to, Duke Energy Ohio's Application and testimony filed on June 4, 2015, and the Attachments filed therewith, and the testimony of James D. Williams filed by the Office of the Ohio Consumers' Counsel (OCC), on December 9, 2015.

The Stipulation represents a just and reasonable resolution of the issues raised in these proceedings, violates no regulatory principle or precedent, and is the product of lengthy, serious bargaining among knowledgeable and capable parties in a cooperative process, encouraged by this Commission and undertaken by the Parties representing a wide range of interests, including

the Commission's Staff (Staff), to resolve the aforementioned issues. Although this Stipulation is not binding on the Commission, it is entitled to careful consideration by the Commission. For purposes of resolving all issues raised by these proceedings, the Parties stipulate, agree, and recommend as set forth below.

This Stipulation is a reasonable compromise that balances diverse and competing interests and does not necessarily reflect the position that any one or more of the Parties would have taken had these issues been fully litigated. This Stipulation represents an agreement by all Parties to a package of provisions rather than an agreement to each of the individual provisions included within the Stipulation. The Signatory Parties' agreement to this Stipulation, in its entirety, shall not be interpreted in a future proceeding before this Commission as their agreement to only an isolated provision of this Stipulation.

This Stipulation is submitted for purposes of these proceedings only, and neither this Stipulation nor any Commission Order considering this Stipulation shall be deemed binding in any other proceeding nor shall this Stipulation or any such Order be offered or relied upon in any other proceedings, except as necessary to enforce the terms of this Stipulation, including, but not limited to terms that will affect future proceedings.

The Signatory Parties agree that the settlement and resulting Stipulation are a product of serious bargaining among capable, knowledgeable Parties. This Stipulation is the product of an open process in which all Parties were represented by able counsel and technical experts. The Stipulation represents a comprehensive compromise of issues raised by Parties with diverse interests. The Signatory Parties, including Duke Energy Ohio, Staff, OCC and Ohio Partners for Affordable Energy (OPAE),¹ have signed the Stipulation and adopted it as a reasonable

¹ The Staff of the Public Utilities Commission of Ohio will be considered a party for the purpose of entering into this Stipulation pursuant to Ohio Administrative Code Sections 4901-1-10(C) and 4901-1-30.

resolution of all issues. The Signatory Parties believe that the Stipulation that they are recommending for Commission adoption presents a fair and reasonable result.

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

This Stipulation is expressly conditioned upon its adoption by the Commission in its entirety and without material modification. If the Commission rejects or materially modifies all or any part of this Stipulation,² each and every Signatory Party shall have the right, within thirty days of issuance of the Commission's Order, to file an application for rehearing or to terminate and withdraw the Stipulation by filing a notice with the Commission. The Signatory Parties agree they will not oppose or argue against any other Signatory Party's notice of termination or application for rehearing that seeks to uphold the original, unmodified Stipulation. If, upon rehearing, the Commission does not adopt the Stipulation in its entirety and without material modification, any Signatory Party may terminate and withdraw from the Stipulation. Termination and withdrawal from the Stipulation shall be accomplished by filing a notice with the Commission, including service to all Signatory Parties in this proceeding, within thirty days of the Commission's Order or ruling on rehearing that does not adopt the Stipulation in its entirety and without material modification. Other Signatory Parties to this Stipulation agree to not oppose the termination and withdrawal of the Stipulation by any other Signatory Party. Upon the filing of a notice of termination and withdrawal, the Stipulation shall immediately become null and void.

² Any Signatory Party has the right, at its sole discretion, to determine what constitutes a "material" change for the purposes of that Party withdrawing from the Stipulation.

Prior to the filing of such a notice, the Signatory Party wishing to terminate agrees to work in good faith with the other Signatory Parties to achieve an outcome that substantially satisfies the intent of the Stipulation and, if a new agreement is reached that includes the Signatory Party wishing to terminate, then the new agreement shall be filed for Commission review and approval. If the discussions to achieve an outcome that substantially satisfies the intent of the Stipulation are unsuccessful in reaching a new agreement that includes all Signatory Parties to the present Stipulation, the Commission will convene an evidentiary hearing such that the Signatory Parties will be afforded the opportunity to present evidence through witnesses and cross-examination, present rebuttal testimony, and brief all issues that the Commission shall decide based upon the record and briefs as if this Stipulation had never been executed.

WHEREAS, all of the related issues and concerns raised by the Parties have been addressed in the substantive provisions of this Stipulation, and reflect, as a result of such discussions and compromises by the Parties, an overall reasonable resolution of all such issues;

WHEREAS, in the Company's first Electric Security Plan (ESP) proceeding, Case No. 08-920-EL-SSO, *et al.*, (ESP I), the Commission approved Duke Energy Ohio's proposal to deploy a SmartGrid program for electric and gas customers; and

WHEREAS, in ESP I, Duke Energy Ohio agreed that as part of the annual due process related to 2010 costs net of benefits, the Company would include a mid-deployment program summary and review with the second quarter 2011 filing, outlining its progress in deploying the SmartGrid program through 2010; and

WHEREAS, during the mid-deployment review of the Company's progress in deploying the SmartGrid program, the parties reached a Stipulation and Recommendation that was adopted and approved by the Commission in Case No. 10-2326-GE-RDR; and

WHEREAS, that stipulation resolved certain issues for future rider cases related to SmartGrid, including, *inter alia*, that Duke Energy Ohio shall reduce its revenue requirement by an amount equal to the value of operational benefits, levelized over four years, and for cost recovery associated with the year 2014, that amount is a reduction of \$6.24 million in the revenue requirement for Rider DR-IM that electric customers pay; and

WHEREAS, Duke Energy Ohio agreed, in Case No. 12-1685-GA-AIR, *et al.*, that it would continue recovering incremental costs associated with deployment of SmartGrid for its gas distribution business and that Duke Energy Ohio will include in its Rider AU revenue requirement and not in base rates, amounts related to deferred SmartGrid, operation and maintenance (O&M), carrying costs, incremental O&M savings, and gas furnace program incentive payments and administrative expense; and

NOW THEREFORE, it is agreed that:

I. FINANCIAL AND ACCOUNTING

- A. The Signatory Parties agree that Duke Energy Ohio should collect from customers \$55 million associated with the revenue requirement for Rider DR-IM and \$6.4 million associated with the revenue requirement for Rider AU for SmartGrid investments and associated expenses made through December 31, 2014.³ The revenue increases convert to a rate of \$6.28 per bill per month for residential electric customers and \$9.35 per bill per month for non-residential electric customers under Rider DR-IM.⁴ The revenue increase results in a rate of \$1.30

³ The Signatory Parties are not agreeing that Duke's SmartGrid, or any component thereof, is "used and useful," or that any related expenses are appropriate for ratemaking, for purposes of the rate case that Duke must file by October 22, 2016, per the stipulation and Commission Order in Case No. 10-2326-GE-RDR.

⁴ These figures assume that Rider DR-IM rates go into effect on April 1, 2016. If the effective date is different, rates would change accordingly.

per meter per month under Rider AU; gas-only customers will receive a \$1.14 credit per meter per month.

The following table summarizes the proposed rates as compared to the rates currently in place:

Rider DR-IM (Electric)		
Residential Current Rate	Residential Proposed Rate	Change
\$6.07	\$6.28	\$0.21
Non- Residential Current Rate	Non- Residential Proposed Rate	Change
\$9.01	\$9.35	\$0.34

Rider AU (Gas)		
Current Monthly Rate	Proposed Monthly Rate	Change
\$1.46	\$1.30	(\$0.16)
Current Credit	Proposed Credit	Change
(\$1.28)	(\$1.14)	\$0.14

- B. The Signatory Parties recognize and agree that the monthly charge per residential customer under Rider DR-IM revenue requirement for the applicable period is below the applicable cap established in the Stipulation and Recommendation approved by the Commission in Case No. 13-1141-GE-RDR.
- C. The Signatory Parties further agree that the revenue requirements are based upon rates of return of 7.73% (approved by the Commission in Case Nos. 12-1682-EL-AIR, *et al.* and 12-1685-GA-AIR, *et al.*). Duke Energy Ohio agrees to continue its commitment to include the electric distribution share of operational savings derived from the MetaVu Report. The total savings reduce the amount to be collected from customers by \$8.8 million.
- D. In order to mitigate the impact of the rate increases attributable to Rider DR-IM and to better balance the SmartGrid investment risk between Duke Energy Ohio

and its customers, the Company previously agreed to defer recovery of all or a portion of the following expenses, normally collected through Rider DR-IM, for 2011 and 2012: O&M, depreciation, and/or property taxes.⁵ Such deferrals are incremental to the normal deferral process used in the Rider DR-IM calculations. The amount of the incremental deferrals attributable to costs incurred in 2014 is \$4.43 million. Duke Energy Ohio shall be allowed to collect \$4.43 million from customers through Rider DR-IM for the deferred costs incurred in 2014 to recover the expenses deferred from the 2011 and 2012 recovery periods.

- E. The Company agrees to remove expenses for Allocated Supervision & Engineering (Allocated S&E) totaling \$62,253.41 from the amount to be collected from electric customers through Rider DR-IM and \$465.59 from the amount to be collected from gas customers through Rider AU, as recommended by Staff in its Review and Recommendation filed on November 13, 2015.
- F. The Company agrees to remove expenses for costs associated with Repairs Out of Warranty, as recommended by Staff, totaling \$152,950 from the amount to be collected from electric customers through Rider DR-IM.
- G. The Company agrees to remove expenses for various expense items, as recommended by Staff, totaling \$32,835.95 from the amount to be collected from electric customers through Rider DR-IM and \$8,583.74 from the amount to be collected from gas customers through Rider AU.

⁵ *In the Matter of the Application of Duke Energy Ohio, Inc. to Adjust and Set Its Gas and Electric Recovery Rate for 2010 SmartGrid Costs Under Riders AU and Rider DR-IM and Mid-deployment Review of AMI/SmartGrid Program*, Case No. 10-2326-GE-RDR, Stipulation and Recommendation, February 24, 2012, at 5, Section II.

II. SELF-HEALING TEAMS

A. The Company will include the following in the SmartGrid Non-Financial Metrics report starting with the 2015 annual report, provided in accordance with the Stipulation and Recommendation approved by the Commission in Case No. 10-2326-GE-RDR:

- Number of successful self-healing team operations during Major Event Days (MEDs)
- Number of unsuccessful self-healing team operations during MEDs

B. For purposes of reporting self-healing team operational data in the SmartGrid Non-Financial Metrics report, a successful operation is defined as follows: when the self-healing team is called upon to operate, every device that comprises the team operates as designed. A failed operation is defined as follows: when the self-healing team is called upon to operate, any single device that comprises the team failed to operate as designed, even if some customer outages were still prevented (due to successful operation of other devices that comprise the team).

IN WITNESS THEREOF, the undersigned Parties agree to this Stipulation and Recommendation as of this 6th day of January, 2016. The undersigned Parties respectfully request the Commission to issue its Opinion and Order approving and adopting this Stipulation.

On Behalf of Duke Energy Ohio, Inc.



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