

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Regulation of the)	
Purchased Gas Adjustment Clauses)	
Contained within the Rate Schedules of)	Case No. 12-218-GA-GCR
Duke Energy Ohio, Inc., and Related Matters.)	

In the Matter of the Audit of the)	
Uncollectible Expense Rider of Duke)	Case No. 12-318-GA-UEx
Energy Ohio, Inc., and Related Matters.)	

STIPULATION AND RECOMMENDATION

Rule 4901-1-30, Ohio Administrative Code 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 (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 Parties in these cases relative to the rate schedules of Duke Energy Ohio, Inc. (Duke Energy Ohio or Company) and related matters. This Stipulation is supported by adequate data and information.

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 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, 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 this proceeding, the Parties stipulate, agree and recommend as set forth below.

Except for purposes of enforcement of the terms of this Stipulation, neither this Stipulation, nor the information and data contained therein or attached, shall be cited as precedent in any future proceeding for or against any Party or the Commission itself. This Stipulation is a reasonable compromise involving a balancing of competing positions and it does not necessarily reflect the position that one or more of the Parties would have taken if these issues had been fully litigated.

This Stipulation is expressly conditioned upon its adoption by the Commission in its entirety and without material modification. Should the Commission reject or materially modify all or any part of this Stipulation, the Parties shall have the right, within thirty days of issuance of the Commission's Order, to file an application for rehearing. Should the Commission, in issuing an Entry on Rehearing, not adopt the Stipulation in its entirety and without material modification, any Party may terminate and withdraw from the Stipulation. Such termination and withdrawal shall be accomplished by filing a notice with the Commission, including service to all Parties, in the docket within thirty days of the Commission's Entry on Rehearing. Other Parties to this Stipulation agree to defend and shall not oppose the termination and withdrawal from the Stipulation by any other Party. Upon the filing of a notice of termination and withdrawal, the Stipulation shall immediately become null and void.

Prior to the filing of such a notice, the Party wishing to terminate agrees to work in good faith with the other Parties to achieve an outcome that substantially satisfies the intent of the Stipulation and, if a new agreement is reached that includes the 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 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. Either of the Parties may submit a new agreement to the Commission for approval if the discussions achieve an outcome they believe substantially satisfies the intent of the present Stipulation.

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

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 only parties to the proceeding, Duke Energy Ohio, the Office of the Ohio Consumers' Counsel and the Commission Staff¹, have signed the Stipulation and adopted it as a reasonable resolution of all issues. The Signatory Parties believe that the Stipulation that they are recommending for Commission adoption presents a fair and reasonable result.

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

¹ The Commission Staff is a party for the purpose of entering into this Stipulation by virtue of O.A.C. 4901-1-10(C).

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, this Stipulation is the product of the discussions and negotiations of the Parties and is not intended to reflect the views or proposals that any individual Party may have advanced acting unilaterally;

WHEREAS, this Stipulation represents an accommodation of the diverse interests represented by the Parties and is entitled to careful consideration by the Commission;

WHEREAS, this Stipulation represents a serious compromise of complex issues and involves substantial benefits that would not otherwise have been achievable; and

WHEREAS, the Parties believe that the agreements herein represent a fair and reasonable solution to the issues raised in this matter;

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

1. Duke Energy Ohio's Gas Cost Recovery (GCR) rates for the twelve month period ending August 28, 2012, were fairly determined by the Company in accordance with the provisions of O.A.C. Chapter 4901-1-14 and related appendices of the Ohio Administrative Code during the audit period by the Company.
2. The GCR rates were accurately computed and the costs reflected in the GCR rates were properly incurred.
3. Duke Energy Ohio's GCR rates were accurately applied to customer bills during the audit period.

4. A financial audit was conducted by Deloitte & Touche LLP in accordance with the objectives outlined in 4901:1-14-07, Ohio Administrative Code (O.A.C.).
5. The Independent Accountants' Report on the Uniform Purchased Gas Adjustment for the 12-Month Period Ended August 28, 2012, in Response to Case No. 12-218-GA-GCR, prepared by Deloitte & Touche LLP, was filed with the Commission on November 14, 2012, and shall be admitted into the record in this proceeding and identified as Commission-ordered Exhibit 1.
6. The specific findings presented in the "Summary of Findings" of the Deloitte Audit are reasonable and should be adopted by the Commission.
7. A management and performance audit of gas purchasing practices and policies was conducted by Exeter Associates, Inc., in accordance with the objectives outlined in 4901:1-14-07, O.A.C.
8. The Report to the Public Utilities Commission of Ohio on the Management and Performance Audit of Gas Purchasing Practices and Policies of Duke Energy Ohio, Inc., prepared by Exeter Associates, Inc., was filed with the Commission on November 15, 2012, and shall be admitted into the record in this proceeding and identified as Commission-ordered Exhibit 2.
9. The specific findings of Exeter Associates, Inc. as set forth in "Conclusions and Recommendations," Sections 3.6, 4.7, and 5.8 are reasonable and should be adopted by the Commission. Specifically, the Company agrees to the following recommendations:
 - a. In the event that KO Transmission files with FERC for an increase in base rates, the Company agrees to file a letter with Commission Staff

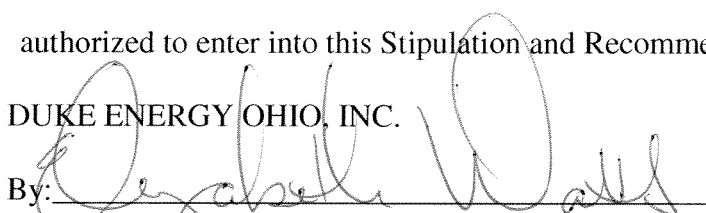
identifying the estimated increase which may result for Duke Energy Ohio and explaining how the Company intends to address any conflict of interest issues involving personnel with responsibility for activities of both KO Transmission and Duke Energy Ohio. (Section 3.6.4)

- b. The Company agrees to perform an annual comparison of its actual peak day demands with the demand forecasted by the design peak day model using actual observed peak day weather data, and will use this comparison to determine if refinements to the Company's model are necessary. (Section 4.7.1)
 - c. The Company agrees to re-evaluate the level of peak day coverage used for capacity planning to determine the optimal percentage level of coverage, taking into consideration new capacity options that may become available. (Section 4.7.2)
 - d. The Company agrees to analyze its current day prior to and day after percentages based on actual temperature differences to develop more reasonable criteria. (Section 4.7.3)
 - e. The Company agrees to prepare a summary of its findings regarding the Lost and Unaccounted-For Gas for the 12 months ended June 2012 for review by the Company's next management performance auditor. (Section 5.8.3)
10. The gas uncollectible expense rider, Rider UE-G had a monthly credit that was approved in Case Nos. 11-318-GA-UEX and 11-3226-GA-UEX.

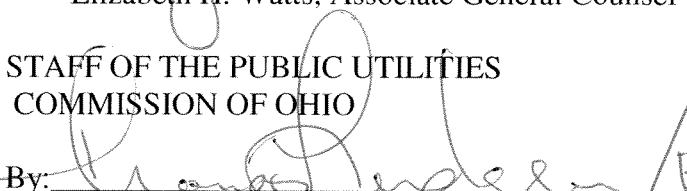
11. Bad Debts Written off–Net of Customer Recoveries for the period from January 1, 2011 through December 31, 2011, was presented originally as totaling \$4,272,385, but was understated by \$12,402 and should have totaled to \$4,284,787. The Company discovered this error in 2012 and included the correction in its July 2012 update filing in Case No. 12-318-GA-UEx. The error in the filing stemmed from an error in the source document that was used to prepare the filing document. To prevent this error in future filings, the Company intends to cross check the data used in the filing with data from other internal sources, where possible.
12. This Stipulation shall be identified as Joint Exhibit 1 and shall be admitted into evidence in this proceeding. The Parties expressly waive any right to cross examine witnesses on the merits of the Stipulation and further waive any objection to the admissibility of the Stipulation.

The undersigned hereby stipulate and agree and each represents that he or she is authorized to enter into this Stipulation and Recommendation this 14th day of January, 2013.

DUKE ENERGY OHIO, INC.

By: 
Elizabeth H. Watts, Associate General Counsel

STAFF OF THE PUBLIC UTILITIES
COMMISSION OF OHIO

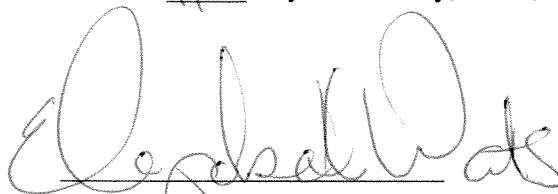
By:  / EAW
Thomas G. Lindgren, Assistant Attorney General

OFFICE OF THE OHIO CONSUMERS' COUNSEL

By: _____
Joseph P. Serio, Assistant Consumers' Counsel

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing was delivered via U.S. mail (postage prepaid), personal, or electronic mail delivery on this the 14 day of January, 2013, to the following:



Elizabeth H. Watts

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Case No(s). 12-0218-GA-GCR, 12-0318-GA-UEX

Summary: Stipulation Stipulation and Recommendation electronically filed by Carys Cochern
on behalf of Watts, Elizabeth H. Ms.