

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. 15-218-GA-GCR
Duke Energy Ohio, Inc. and Related Matters.)	
In the Matter of the Audit of the)	
Uncollectible Expense Rider of Duke)	Case No. 15-318-GA-UEX
Energy Ohio, Inc., and Related Matters.)	
In the Matter of the Application of)	
Duke Energy Ohio, Inc. for Approval of an)	Case No. 15-418-GA-PIP
Adjustment to its Interim and Temporary)	
Percentage of Income Payment Plan Rider Case.)	

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.

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, 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 pursuant to 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, 2015, 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, 2015, in Response to Case No. 14-218-GA-GCR, prepared by Deloitte & Touche LLP, was filed with the Commission on November 13, 2015, 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 Duke Energy Ohio's gas procurement practices and policies for the audit period September 2012 through August 2015 was performed by Exeter Associates, Inc., (Exeter Report). The report was filed with the Commission on December 9, 2015, and shall be admitted into the record in this proceeding and identified as Commission-ordered Exhibit 2.
8. The specific findings presented in the Conclusions and Recommendations section of the Exeter Report 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 intends to address any conflict of interest issues involving personnel with responsibility for activities of both KO Transmission and Duke Energy Ohio by assuring that the personnel involved in filing the case are functionally separated from the personnel responsible for intervening on behalf of Duke Energy Ohio. The Rate

Department and Gas Resources will file the case on behalf of KO with the assistance of outside legal counsel and the Company's FERC Legal Department. Duke Energy Ohio's interests will be represented by OH/KY Regulated Legal Support, with technical assistance from the Gas Oil and Power Department located in the corporate offices in Charlotte and responsible for purchasing gas for electric generation. (Section 3.5.4)

- b. The Company agrees to reevaluate whether its current KO Transmission capacity entitlements are reasonable, and adjust those entitlements as appropriate. (Section 3.5.5)
- c. The Company agrees to develop a design day model that utilizes daily data, and to perform annual comparisons of forecasted and actual demands to refine its model. (Section 4.7.3)
- d. The Company agrees to assess the potential for loss of the two remaining propane facilities and evaluate the optimal interstate pipeline capacity portfolio that would be required to replace the loss of supply. (Section 4.7.6).
- e. The Company agrees to include \$237,245, representing the amount of avoided capacity assignment when the City of Cincinnati began purchasing gas from a third party supplier in 2012, in the Contract Commitment Cost Rider (CCCR) for one year beginning the quarter following approval of this stipulation. All revenue collected through the CCCR is credited to the GCR. The Company also agrees to investigate

modifying its tariff to address the potential for a supplier to avoid the assignment of capacity. (Section 6.5.1)

f. The Company agrees to reevaluate whether it could meet its firm customers' balancing requirements at reduced storage levels, taking into consideration the possibility that the propane plants may not be available. (Section 6.5.2)

g. The Company agrees to assess whether adopting daily balancing tolerances for IT service would improve the Company's ability to manage storage and/or reduce its contract storage capacity entitlements and to investigate making changes to the rates charged for interruptible monthly balancing service to provide a more significant contribution toward recovery of storage demand charges. (Section 6.5.3)

9. The Independent Accountants' Report on Applying Agreed-Upon Procedures detailing an audit by Deloitte & Touche, LLP, that was filed with the Commission in Case No.15-318-GA-UEX, on November 13, 2015, in relation to the uncollectible expense recovery mechanism for the 12-month period ended March 31, 2015 shall be admitted into the record in this proceeding and identified as Commission-ordered Exhibit 3.

10. The Independent Accountants' Report on Applying Agreed-Upon Procedures detailing an audit by Deloitte & Touche, LLP, that was filed with the Commission in Case No.15-418-GA-PIP, on November 13, 2015, in relation to the Percentage of Income Payment Plan rider for the 12-month period ended March 31, 2015

shall be admitted into the record in this proceeding and identified as Commission-ordered Exhibit 4.

11. This Stipulation shall be identified as Joint Exhibit 1, and shall be admitted into evidence in this proceeding.

The undersigned hereby stipulate and agree and each represents that he or she is authorized to enter into this Stipulation and Recommendation this 29th day of January, 2016.

DUKE ENERGY OHIO, INC.


By: Elizabeth H. Watts
Elizabeth H. Watts, Associate General Counsel

STAFF OF THE PUBLIC UTILITIES
COMMISSION OF OHIO

By: Natalia V. Messenger / EHW with permission
Natalia V. Messenger, Assistant Attorney General

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 29th day of January, 2016, to the following:



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Summary: Stipulation Stipulation and Recommendation electronically filed by Mrs. Kristen Ryan on behalf of Duke Energy Ohio and Watts, Elizabeth Mrs.