BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Review of Duke Energy Ohio, Inc.'s Distribution Capital Investment Rider.	)))	Case No. 19-1287-EL-RDR

STIPULATION AND RECOMMENDATION

Under Ohio Adm. Code 4901-1-30, 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 Duke Energy Ohio, Inc. (Duke Energy Ohio or the Company) and the Staff of the Public Utilities Commission of Ohio (Staff) (which, for the purpose of entering into this Stipulation and Recommendation, will be considered a party by virtue of Ohio Adm. Code 4901-1-10(C)) (collectively, the Signatory Parties) and to recommend that the Public Utilities Commission of Ohio (Commission) approve and adopt this Stipulation and Recommendation (Stipulation), which resolves all the issues raised by the Signatory Parties in this case.

The Stipulation is supported by adequate data and information, represents a just and reasonable resolution of the issues raised in this proceeding; is in the public interest; violates no regulatory principle or precedent; and is the product of cooperative, voluntary, and serious bargaining among knowledgeable and capable parties that represent various interests and are represented by experienced counsel and technical experts. Although this Stipulation is not binding on the Commission, it is entitled to careful consideration by the Commission. For purposes of resolving all issues raised by this proceeding, the Signatory Parties stipulate, agree and recommend as set forth below.

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

This Stipulation is expressly conditioned upon its adoption by the Commission in its entirety and without material modification by the Commission; provided, however, that each Signatory Party has the right, in its sole discretion, to determine whether the Commission's approval of this Stipulation constitutes a "material modification" thereof. Should the Commission reject or materially modify all or any part of this Stipulation, the Signatory Parties shall have the right, within thirty days of issuance of the Commission's Order, to file an application for rehearing, or to terminate and withdraw from the Stipulation by filing a notice with the Commission in this proceeding and serving all parties. Should the Commission, in issuing an Entry on Rehearing, not adopt the Stipulation in its entirety and without material modification, any Signatory Party may terminate and withdraw from the Stipulation. Such termination and withdrawal shall be accomplished by filing a notice with the Commission, including service to all parties, in the docket within thirty days of the Commission's Entry on Rehearing.

Prior to filing a notice of withdrawal, the Signatory Party wishing to 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, then the Signatory Party wishing to terminate may proceed with termination of and withdrawal from the Stipulation. Other Signatory Parties to this Stipulation agree to defend and shall not oppose the termination and withdrawal from 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. In such event, this proceeding shall go forward at the procedural point at which this Stipulation was filed, and the parties will be afforded the opportunity to present evidence through witnesses, cross-examine all witnesses, present rebuttal testimony, and brief all issues that shall be decided based upon the record and briefs as if this Stipulation had never been executed. Any of the Signatory 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 Stipulation represents a comprehensive compromise of issues raised by Signatory Parties with diverse interests. The Signatory Parties have signed the Stipulation and adopted it as a reasonable resolution of all issues. The Signatory Parties believe that the Stipulation that they are recommending for Commission adoption presents a fair and reasonable result.

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

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

WHEREAS, this Stipulation is the product of the discussions and negotiations of the Signatory 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 Signatory 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 Signatory Parties believe that the agreements herein represent a fair and reasonable solution to the issues raised in this matter;

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

1. Duke Energy Ohio's Distribution Capital Investment Rider, Rider DCI, was adopted and approved by the Public Utilities Commission of Ohio in Case No. 14-841-EL-SSO on April 2, 2015.

2. Pursuant to that case, the Commission accepted Staff's recommendations as to filing requirements and directed the Company to submit filings on the first of the month.

3. On July 31, 2019, the Commission approved the selection of Rehmann Consulting to assist the Commission with the review of Duke Energy Ohio's Distribution Capital Investment Rider charges to consumers.

4. The Compliance Audit for July 1, 2018 to June 30, 2019, Duke Energy Ohio Distribution Capital Investment Rider, prepared by Rehmann Consulting, was filed with the Commission on December 13, 2019, and shall be admitted into the record in this proceeding and identified as Commission-ordered Exhibit 1.

5. No later than the 1st quarterly Rider DCI filing after the Commission Order approving this Stipulation, the Company will reduce the Total Rider DCI Revenue Requirement, which reduces the total charges to consumers, in future Rider DCI filings as follows:

	1st Quarterly Filing after Commission Order in this Case	
Classifying Transmission Plant as Distribution Plant	$	(67,787)
Depreciation Expense Lag from Unposted Retirements	$	(311,135)
On top Accumulated Depreciation Entry Lag	$	109,064
Contributions in Aid of Construction not Recorded	$	(562,933)
Tree Trimming Charged to Capital	$	(2,692)
Transmission Plant Unitized to Distribution Plant	$	45,927
FERC 105 Correction Made in December 31, 2018 DCI Filing	$	(70,969)
Incentive Pay (increase Offset)	$	(19,527)
Total	$	(880,052)

6. No later than the 1st quarterly Rider DCI filing after the Commission Order approving this Stipulation, Duke Energy Ohio has or will make these corrections to

its records regarding the Transmission Plant, Depreciation Expense Lag from Unposted Retirements, Accumulated Depreciation Entry Lag, contributions in aid of construction (CIAC), Tree Trimming, Transmission Plant Unitized to Distribution Plant, and FERC 105 recommendations in accordance with the Auditor's respective recommended adjustments, as depicted in Table 11 in Exhibit 1, page 38.

7. The Company will reduce its revenue requirement to be charged to consumers by reducing incremental plant by the amount of earnings-based incentive pay charged to the distribution plant cost of removal account. The earnings based incentive pay reduction will be adjusted by the factor (t/Book Life), where "t" equals the time in years and quarters from the current filing minus the date certain (currently June 30, 2016), and the book life will be calculated from the approved composite depreciation rate of distribution assets (currently 39.37 years) from the Company's most recent base rate case, Case No. 17-32-EL-AIR. This reduction to incremental plant will be applied to the first rider filing following an order from the Commission but shall include an adjustment calculated from the audit test period beginning July 1, 2019, going forward. This adjustment shall remain unless or until changed pursuant to a Commission Order.

8. The Company will implement a process change, to ensure consumers are correctly charged, whereby each project that charges a distribution plant work order and has a correlated transmission plant work order, will receive a second review to ensure that no distribution charges have been erroneously applied to transmission work orders and vice versa. This second review will be documented in writing.

9. By September 1, 2021, to ensure consumers are charged correctly, the Company will perform an operational audit of contractor charges for the period of work completed from January 1, 2020 to June 30, 2020 to determine the following:

   a. Competitive bids are being obtained;
   b. Contractors are materially complying with their bid specifications;
   c. Material contract terms are being adhered to;
   d. Duplicate payments are not made; and
   e. Contractor time sheets and equipment hours are being monitored by Duke Energy Ohio.

   Any detected undercharges or overcharges would be corrected within the plant balances when detected. The impact of any such undercharges or overcharges would be addressed in the next Rider DCI filing on or before November 1, 2021.

10. The Company will implement a process change, to ensure consumers are charged correctly, whereby Duke Energy Ohio Area Operations Directors and Project Managers will review and approve (or disapprove) requests from contractors to complete additional work beyond the hours estimated by Maximo, the Company's work management system. Such approvals shall document the specific reason for the additional work beyond the hours estimated by Maximo.

11. The Company will continue to comply with the Automatic Rules for Closing (ARC) rules and the Work Order Estimation Process Document created on September 30, 2019 in order to ensure plant unitization within one year.

12. The Company will perform an operational audit of hazard trees beginning July 2020 moving forward, pursuant to the process laid out in Appendix 1. The audit is

intended to ensure consumers are charged correctly and to demonstrate the Company's compliance with its Capitalization Guidelines, as pertaining to vegetation management. Any hazard tree removals that are found not to qualify for capitalization under the Company's Capitalization Guidelines will be disallowed. Additionally, any tree included as capital in Rider DCI, that is capitalized because "due to its proximity, shape, type or size otherwise endangers these assets" as per the Company's Capitalization Guidelines shall have additional picture or video and written documentation as to why it was removed.

13. The Company will implement a process change, such that a Tree Trimming Supervisor will reject any invoices with incorrect accounting and request a corrected invoice from the vendor.

14. In the next annual Rider DCI audit, the auditor will be able to review a sample of tree-trimming invoices of the auditor's selection, as well as a sample of Distribution Tree Removal Forms. The auditor will have discretion to increase the size of the sample if the auditor identifies issues of concern.

15. The Company will implement a process change, whereby all CIAC entries will be posted to work orders immediately upon invoicing, to accrue when the project is placed into service.

16. By September 1, 2021 the Company will perform an assessment and verification for all CIAC postings unrecorded in work orders from July 1, 2018 to June 30, 2019. Any unrecorded CIAC will be quantified in a report by the Company's internal audit staff and the revenue impact will be applied to the earliest possible Rider DCI filing.

The undersigned **Signatory Parties** hereby stipulate and agree and each represents that he or she is authorized to enter into this Stipulation and Recommendation this 25th day of August 2020.

DUKE ENERGY OHIO, INC.

By: /s/ Larisa M. Vaysman
Larisa M. Vaysman (0090290)
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STAFF OF THE PUBLIC UTILITIES COMMISSION OF OHIO

By: /s/ *Steven L. Beeler*, signed per authority by LMV, August 25, 2020.
Steven L. Beeler
Assistant Attorney General – Public Utilities Section

APPENDIX 1

Hazard Tree Audit Process for Duke Energy Ohio Distribution

1. The Contract Forester will identify hazard trees based on Duke Energy Ohio criteria on selected circuits where routine maintenance will not be performed during the calendar year (Off-Circuit Hazard Trees). Suppliers will identify hazard trees on circuits where they are completing routine maintenance (On-Circuit Hazard Trees).

2. The Distribution Tree Removal Forms shall be retained for at least 3 years.

3. At least 10% of the inventoried hazard trees will be randomly selected for pre-auditing before any mitigation is performed.

4. Pre-auditing will include quality control to ensure that the subject tree is eligible for its removal to be capitalized under the Company's Capitalization Guidelines.[1] The pre-audit will also include recording the estimated height of the tree and estimated distance from the line. Tree mitigation or vegetation activity located within the already-established right-of-way shall be expensed.

5. Duke Energy Ohio personnel will monthly pre-audit hazard trees identified by Contract Foresters. Contract Foresters or Duke Energy Ohio Personnel will monthly pre-audit hazard trees identified by Suppliers completing the mitigation. There shall be 4 weeks between the period of the pre-identification of the trees and the pre-audit such that PUCO personnel may either obtain and independently audit the list of pre-identified trees, or accompany the personnel conducting the pre-audit.

6. Any identified tree that does not meet the criteria to be capitalized under the Company's Capitalization Guidelines will be removed from the inventory and brought to the attention of the personnel who identified the tree for training purposes.

7. Annually at the end of the pre-audit period, the Company will determine the approval rate. If the approval rate of the pre-audited trees is less than 95%, the Company will remove the equivalent percentage of the test year capital costs associated with the Hazard Tree Program from recovery in the DCI. For illustrative purposes, if the approval rate of the pre-audited trees

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[1] *See* "Duke Energy Regulated Electric and Gas Capitalization Guidelines", dated January 1, 2019, as provided in response to Rehmann-DR-01-019 CONF Attachment in Case No. 19-1287-EL-RDR. Any changes to the Company's capitalization guidelines, including changes to definitions relevant to vegetation management, will be made in accordance with the process laid out in the Commission's December 19, 2018 Opinion and Order in the consolidated proceedings, Case Nos. 17-32-EL-AIR, *et al.*, ¶ 113. In no event will changes made to the Company's vegetation management programs, submitted pursuant to O.A.C. 4901:1-10-27, constitute approval of a change in definitions or accounting policies in the Duke Capitalization Guidelines. For purposes of this Stipulation the term "Hazard Tree" includes only trees which would conform with the definition of the term "Danger Tree" as defined in the Duke Capitalization Guidelines. At any given time, the Company will follow and audit for compliance to the most current version of the Capitalization Guidelines in effect.

for the 10% of trees pre-audited is 85%, the company shall remove from plant in service 15% of the plant in service associated with tree removals.

8. A post-audit of hazard tree mitigation will also be performed. 25% of felled hazard trees will be randomly selected for the audit. This is a quality control audit to be completed by Contract Foresters.

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Case No(s). 19-1287-EL-RDR

Summary: Stipulation Duke Energy Ohio, Inc. hereby submits its Stipulation and Recommendation electronically filed by Mrs. Debbie L Gates on behalf of Duke Energy Ohio Inc. and Vaysman, Larisa and D'Ascenzo, Rocco O. Mr. and Kingery, Jeanne W