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COMPLIANCE STATUS REPORT

This portfolio status report represents Duke Energy Ohio, Inc.'s, (Duke Energy Ohio) ninth filing of a status report on the load impacts achieved through implementation of its energy efficiency and demand response programs pursuant to Rule 4901:1-39-05 (C), O.A.C. This report is composed of the following two sections: (1) Compliance Benchmarks which provide information on load impact achievements relative to the baseline and (2) Program Performance Assessment which summarizes program activities and evaluation, measurement, and verification information. Following this report are ten appendices that fulfill the remaining requirements set forth in the Commission's regulations.

Compliance Benchmarks

4901:1-39-05 (A) and (B) Initial Benchmark Report

Pursuant to Rule 4901:1-39-05 (A), O.A.C., Duke Energy Ohio must file the following information in a benchmark report:

- (1) The energy and demand baselines for kilowatt-hour sales and kilowatt demand for the reporting year; including a description of the method of calculating the baseline, with supporting data.
- (2) The applicable statutory benchmarks for energy savings and electric utility peak-demand reduction.

In compliance with 4901:1-39-05(B), in preparing the baseline, Duke Energy Ohio is required to adjust the sales and/or demand baseline for normal weather as well as for changes in numbers of customers, sales, and peak demand to the extent such changes are outside its control.

This benchmark update report provides information related to two topics. The first topic involves the baseline for 2017, including a discussion of adjustments made to normalize for weather and to adjust for changes in numbers of customers, sales, and peak demand, where those changes are outside the control of Duke Energy Ohio. The second topic involves an estimate of the statutory benchmarks for energy savings and electric utility peak-demand reduction.

In estimating the baseline for Duke Energy Ohio for the year 2017, the Company uses the three-year average of the actual level of total energy sold and peak demand, adjusted for differences from normal weather. Table 1 provides the historical level of total energy (kWh) and demand (kW) for the years 2006 to 2016, the amount of the weather adjustment, and the weather normalized level of total energy.

Table 1 - Duke Energy Ohio Baseline and Benchmark for 2017¹

Year	Total Energy (MWh)	Weather Normalization Adjustment (MWh)	Weather Normal Level of Total Energy (MWh)	Baseline: Three Year Average (MWh)	Cumulative Benchmark Percentage	Cumulative Benchmark Requirement (MWh)	Incremental Benchmark Percentage	Incremental Benchmark Requirement (MWh)
2009	20,405,122	320,494	20,725,616	22,553,819	0.3%	67,661	0.3%	67,661
2010	22,545,823	(621,454)	21,924,369	21,907,173	0.8%	177,197	0.5%	109,536
2011	20,238,172	(207,407)	20,030,765	21,633,024	1.5%	328,628	0.7%	151,431
2012	22,560,245	(15,568)	22,544,678	20,893,583	2.3%	495,777	0.8%	167,149
2013	21,339,163	92,375	21,431,537	21,499,937	3.2%	689,277	0.9%	193,499
2014	19,874,459	173,384	20,047,842	21,335,660	4.2%	902,633	1.0%	213,357
2015	19,552,288	(14,513)	19,537,775	21,341,352	5.2%	1,116,047	1.0%	213,414
2016	20,187,099	(211,689)	19,975,410	20,339,051	6.2%	1,319,437	1.0%	203,391
2017			20,025,527	19,853,676	7.2%	1,517,974	1.0%	198,537

¹ Calculated in accordance with Sec. 4928.66 A(2)(a)(i – iii)

Year	Peak Demand (MW)	Weather Normalization Adjustment (MW)	Weather Normal Level of Peak Demand (MW)	Baseline: Three Year Average (MW)	Cumulative Benchmark Percentage	Cumulative Benchmark Requirement (MW)	Incremental Benchmark Percentage	Incremental Benchmark Requirement (MW)
2009	4,002	476	4,478	4,460	1.00%	44.6	1.00%	44.6
2010	4,114	330	4,444	4,423	1.75%	77.8	0.75%	33.2
2011	4,398	(28)	4,370	4,461	2.50%	111.2	0.75%	33.5
2012	4,295	300	4,595	4,431	3.25%	144.5	0.75%	33.2
2013	4,378	76	4,454	4,470	4.00%	178.0	0.75%	33.5
2014	4,013	177	4,191	4,473	4.75%	211.5	0.75%	33.5
2015	4,001	204	4,205	4,413	5.50%	244.6	0.75%	33.1
2016	4,128	(6)	4,122	4,283	6.25%	276.8	0.75%	32.1
2017			4,131	4,172	7.00%	308.1	0.75%	31.3

The Company employs the following process to normalize kWh and kW for differences in the weather: Using econometric equations for each customer class, from the load forecast process discussed in the Long-Term Forecast Report filing, the adjustment process for kWh is performed as follows:

Let: $KWH(N) = f(W(N))g(E)$

$$KWH(A) = f(W(A))g(E)$$

Where: $KWH(N)$ = electric sales - normalized

$W(N)$ = weather variables - normal

E = economic variables

$KWH(A)$ = electric sales - actual

$W(A)$ = weather variables – actual

Then: $KWH(N) = KWH(A) * f(W(N))g(E)/f(W(A))g(E)$

$$= KWH(A) * f(W(N))/f(W(A))$$

With this process, weather-normalized sales are computed by scaling actual monthly sales for each class by a factor from the econometric equation that accounts for the impact of deviations from monthly normal weather. Similarly, using an econometric equation for peak, the adjustment process for kW is performed as follows:

Let: $KW(N) = f(W(N))g(E)$

$$KW(A) = f(W(A))g(E)$$

Where: $KW(N)$ = electric peak demand - normalized

$W(N)$ = weather variables - normal

E = economic variable

$KW(A)$ = electric peak demand - actual

$W(A)$ = weather variables - actual

$$\begin{aligned} \text{Then: } KW(N) &= KW(A) * f(W(N))g(E)/f(W(A))g(E) \\ &= KW(A) * f(W(N))/f(W(A)) \end{aligned}$$

With this process, weather-normalized peak demand is computed by scaling actual peak demand by a factor from the econometric equation that accounts for the impact of deviations from normal weather.

Once total energy and peak demand have been adjusted for normal weather, the computation of the baseline for 2017 is the arithmetic mean of the historical values for the three years 2014 to 2016. The baseline values for energy and demand are provided above in Table 1.

4901:1-39-05(C)(1)(a)-(c) Portfolio Status Report and Compliance Demonstration

In accordance with 4901:1-39-05(C)(1)(a), with the establishment of the baseline energy and peak demand, the level of the statutory benchmark is computed by applying the appropriate incremental percentage of achievement, as established in Substitute Senate Bill 221 (S.B. 221) and modified in Senate Bill 310 (S.B. 310), to the baseline. The computation of the benchmark achievement level for 2017 is provided above on Table 1. The baseline for energy is 198,537 MWH and the baseline for peak loads is 31.3 MW. While the Company's calculation of the 2016 benchmark requirement is consistent with the requirements established by S.B. 221, the passage of S.B. 310 effectively established a freeze to the benchmarks for 2015 and 2016, and

therefore the actual requirement was to simply maintain the cumulative savings that were required at the end of 2014, which was 4.20% and 4.75% for energy efficiency and peak demand respectively. Since the Company's cumulative energy savings and peak demand reduction were above the required amounts, under S.B. 310, the Company had interpreted that its annual benchmarks for 2016 was zero for both energy and peak demand reductions. The Commission Staff informed the Company that since it elected to operate its existing portfolio plan during the freeze that the S.B. 221 annual benchmarks would apply to both energy and demand savings.

Duke Energy Ohio respectfully submits that this information is responsive to all of the baseline and benchmark calculations as set forth in Rule 4901:1-39-05(A), O.A.C., and requests that the Commission approve these baseline and benchmark calculations as submitted.

Pursuant to 4901:1-39-05(C)(1)(b), O.A.C., which requires a comparison of the applicable benchmark of actual energy savings and peak-demand reductions achieved, as a result of the Company's 2017 efforts to promote customer participation in its energy efficiency and demand response programs, the Company has achieved incremental energy and demand impacts in 2017 as summarized below in Table 2.

Details of impacts for each program are provided in **Appendix A**.

Table 2: Incremental Energy Efficiency and Demand Response Program Impact Summary				
		Participants / Measures	MWH	MW
<u>Demand Response Programs</u>				
Power Manager				64.5
PowerShare®				51.1
Total Demand Response Programs				115.6
<u>Energy Efficiency Programs</u>				
Residential Programs		740,679	111,151	26.7
Non-Residential Programs		17,481,526	200,587	36.0
Total EE Programs		18,222,205	311,738	62.6
<u>Additional Impacts Under SB310</u>				
T&D Infrastructure - 2017			133,022	
Total Additional Impacts			133,022	0.0
Prior Bank per SB-310			1,713,134	359.7
Total Load Impacts			2,157,894	537.9

Table 3 below provides a comparison of the impacts relative to the benchmarks previously mentioned. This indicates that the Company has complied with the S.B. 310 statutory benchmarks for the year 2017.

Table 3: Comparison of Achieved Impacts to the 2017 Benchmark			
	2017 Benchmark	Achievement	Variance Over / (Under)
MWH	198,537	2,157,894	1,959,357
MW	31.3	537.9	506.6

In addition, since the Company's cumulative efforts continue to exceed the cumulative benchmark requirement, there is still a residual amount of load impacts that carry forward to support achievement of the benchmarks for 2018 and beyond.

In compliance with 4901:1-39-05(C)(1)(c), an affidavit indicating that the reported performance complies with the statutory benchmarks is provided in **Appendix B**.

4901:1-39-05(C)(2), O.A.C. Program Performance Assessment

In compliance with the Commission's Order, after reviewing the market potential study conducted by Forefront Economics Inc., Duke Energy Ohio filed its three-year portfolio plan for 2014-2016 with the Commission on April 15, 2013. The Commission approved the new portfolio proposed by the Company in its Opinion and Order in Case No. 13-0431-EL-POR on December 4, 2013. In June 2016, Duke Energy Ohio filed a new three-year portfolio² plan for 2017 – 2019. This portfolio application was amended and resubmitted with updates on October 14, 2016 to incorporate the results of the market potential study conducted by Nexant. On September 27, 2017 the amended stipulation was approved by The Commission with modifications. Because the Commission's Order was issued in September of 2017, the Commission recognized that the Company's spending for 2017 might exceed the cap imposed. Therefore, the Commission stated that it might permit the Company to exceed the cap but would not permit shared savings for 2017. The Commission also stated that the Company should not exceed the Portfolio Plan budget for programs for calendar year 2017 absent obtaining a waiver from the Commission. On October 12, 2017 Duke Energy Ohio requested a waiver and the waiver was approved on November 21, 2017. Consistent with the amended stipulation that the Commission had approved, until the Company received approval of the 2017 – 2019 portfolio the programs, it continued to operate under the 2016 portfolio guidelines.

² Case No. 16-0576-EL-POR

Program Performance Assessment

Program descriptions and key activities for its current portfolio are provided below.

4901:1-39-05 (C)(2)(a)(i), O.A.C. Program Descriptions and Key Activities

Residential Programs

Smart Saver[®] Residential Program

The Smart Saver[®] Residential program offers a variety of programs and measures that allow customers to take action and reduce energy consumption. The program is available to residential customers served by Duke Energy Ohio.

Free LED Program

The Free LED Program is designed to increase the energy efficiency of residential customers by offering customers LEDs to install in high-use fixtures within their homes. The LEDs are offered through an on-demand ordering platform, enabling eligible customers to request LEDs and have them shipped directly to their homes. Eligibility is based on past campaign participation (i.e. coupons, Business Reply Cards (BRCs) and other Duke Energy Ohio programs distributing free bulbs). Bulbs are available in 3, 6, 8, 12 and 15 pack kits that contain 9-watt bulbs that are the equivalent of a 60-watt incandescent. The maximum number of bulbs available for each customer is 15, but customers may choose to order less.

Customers have the flexibility to order and track their shipment through three separate channels:

1) Telephone:

Customers may call a toll-free number to access the Interactive Voice Response (IVR) system which provides prompts to facilitate the ordering process. Both

English and Spanish-speaking customers may easily validate their account, determine their eligibility and place their LED order over the phone.

2) Duke Energy Web Site:

Customers can go online to complete the ordering process. Eligibility rules and frequently asked questions are also available.

3) Online Services (OLS):

Customers who participate in the Online Services program are encouraged to order their LEDs through the Duke Energy Ohio web site if they are eligible.

The benefits of providing these three distinct channels include:

- Improved customer experience
- Advanced inventory management
- Simplified program coordination
- Enhanced reporting
- Increased program participation
- Reduced program costs

Customers continue to utilize the simple ordering process and the convenience of bulbs being shipped directly to their home. Over 36,000 orders were placed in 2017; resulting in over 221,000 bulbs distributed.

The overall strategy of the program is to reach residential customers who have not adopted LED bulbs. Duke Energy Ohio will continue to educate customers on the benefits of LEDs while addressing barriers for consumers who have not participated in the program. Additionally, the ease of program participation will also be highlighted to encourage use of the on-demand ordering platform.

In regards to marketing, the Free LED program utilized a BRC (Business Reply Card) to engage with customers. The Duke Energy website contains pages explaining the program and portal through which the customer can check their eligibility and order free bulbs. Duke Energy also has the ability to turn on intercepts for customers calling or accessing their account online that informs them if they are eligible for the program and allows them to order. Duke Energy Ohio will continue to market the LED program through various channels including email and direct mail. Response of each channel is tracked and monitored. Cross-promotion with the online Savings Store will also be utilized to help offer lighting for specialty applications and promote LED technology to customers who are eligible for both lighting programs.

Online Savings Store

Duke Energy Ohio expanded its lighting offer to include specialty bulbs such as recessed lights, candelabras, globe, three-way bulbs, capsules and dimmable bulbs. Purchase limits are at the account level (36 bulbs for the lifetime of the account). However, customers may purchase additional bulbs without incentives if they choose. The web based ecommerce store provides discounted specialty lights and ships directly to the home.

Utilizing the existing on-demand efficient lighting platform, customers may participate in the online Saving Store via:

1) Duke Energy Web Site

Customers may go to the Savings Store landing page to learn more about the program, review frequently asked questions and CFL recycling information.

2) Online Services (OLS)

Customers who participate in the Online Services program are encouraged to visit the Savings Store to order discounted LED bulbs through the Duke Energy Ohio web site if they are eligible.

3) Order by Phone

Duke Energy offers phone ordering as an option for customers to order bulbs from the Duke Energy Savings Store. Customers may call the vendor directly for assistance in placing orders for discounted lighting.

4) Mail in Order

In October of 2015, Duke Energy tested a mail in order offer to customers. Customers receive a direct mail piece allowing them to choose specialty bulbs and mail their order and payment directly to the vendor, EFI. This channel will continue to be offered

periodically with special marketing campaigns. The program will continue to review the effectiveness of these mail in orders.

Customers who choose to shop at the Savings Store will see a wide variety of discounted LED bulbs for different fixtures around their home. Bulbs are available in single and multi-pack sizes (for special promotions) and various wattages. A shopping assistant is available to help customers select the right bulb types for various applications, as well as resources to understand the difference between lumens versus watts and how to compare them.

The Savings Store is managed by Energy Federations Incorporated (EFI). Customers can view special promotions and feature products as well as track order history. EFI handles inquiries regarding products, payments, shipping and warranties.

Over 11,000 orders were placed in 2017; resulting in over 141,800 bulbs purchased. 14% of orders were placed through OLS and 86% of orders were placed through the Duke Energy Ohio web site. The top five categories purchased on the Savings Store include; LED Reflectors, LED General Purpose LED Decorative, LED Globes, and LED 3 Way bulbs.

Duke Energy Ohio marketed the online Savings Store program through various channels including Email, Direct Mail, Printed Collateral, and other Duke Energy Program collaboration efforts. Response of each channel is tracked and monitored. Special shipping promotions occurred throughout 2017 to increase customer's participation such as promotions including \$5 flat rate shipping and free shipping.

Savings Store Program Potential Changes

For 2018, the Savings Store is considering several enhancements that are centered around improving the overall customer experience and communication path.

General Lighting Program Potential Changes

The Company continually evaluates the effectiveness of its overall lighting program to consider the addition of new delivery channels, in order to capture the potential customers who may not be prone to utilize the existing channels. In 2018, the lighting program management team is considering the addition of a retail channel to provide incentives to its customers to purchase LEDs and other specialty bulbs.

Multifamily Energy Efficiency Program

The Multifamily Energy Efficiency Program provides apartment complexes with free and installed lighting and water measures. Eligible units are Duke Energy Ohio served apartments on a residential rate. Traditionally, the properties targeted have four or more units. Franklin Energy is the program administrator. Franklin Energy is in charge of all aspects of the program which include outreach, direct installations and customer care.

The program helps property managers upgrade lighting with energy efficient bulbs and also save energy by offering water measures such as bath and kitchen faucet aerators, water saving showerheads and pipe wrap. The water measures are available to eligible customers with electric water heating. The Program filed in 2016 to adopt LED lighting technology and now offers as of 2018, LED A-lines, Globes, and Candelabras with no limits on the number of

lighting measures installed in apartments. These measures assist with reducing maintenance costs while improving tenant satisfaction by lowering energy bills.

The program offers properties the option of DI (direct install) service by Franklin Energy crews. However, Property Managers also have the ability to have their own property maintenance crews complete the installations, upon request.

The LEDs and water measures are installed during scheduled direct install visits by Franklin Energy crews or routine maintenance visits by property personnel. In the case of direct installs, crews carry tablets to keep track of what is installed in each apartment. In the case of installations that are self-installed, the property maintenance crew tracks the number of measures installed and reports them back to Franklin Energy. Franklin Energy then validates this information and uploads the results to Duke Energy.

After installations are completed, Quality Assurance (QA) inspections are conducted on 20% of properties that completed installations in a given month. The QA inspections are conducted by an independent third party.

Franklin Energy uses outbound calling as the primary tactic to solicit initial interest in the program from property managers in Duke Energy Ohio. On-site visits by appointment are also used as a way to attract properties to participate in the program.

In addition to proactively marketing the program using the above methods, a Multifamily Energy Efficiency promo and public website landing page was developed for managers to learn more about the program. Here, a program brochure and a frequently asked question sheet are available for download. Once enrolled, Franklin Energy provides property managers with a variety of marketing tools to create awareness of the program to their tenants. This includes letters to each tenant informing them of what is being installed and when the installation will

take place. In addition, tenants are provided an educational leave-behind brochure when the installation is complete. This provides additional detail on the installed measures as well as tear-off customer satisfaction survey to fill out and mail back to Duke Energy to provide valuable program feedback.

In 2017, the Program completed installations at 1 multifamily property in Ohio during third quarter. From a measure perspective, these units accounted for 1,243 CFLs, 318 bath and kitchen aerators, 285 showerheads and 555 FT of pipe wrap

Multifamily Energy Efficiency Program- Potential Changes

The company will consider removing the four conjoined unit limit to allow all units managed by the Property to be served by the program.

Save Energy and Water Kit Program (SEWKP)

The Save Energy and Water Kit Program was launched in April of 2014 and is designed to increase the energy efficiency of residential customers by offering customers High Efficiency, Low Flow Water Fixtures and Insulated Pipe Tape to install in high-use fixtures within their homes. These energy saving devices are offered through a Direct Mail Campaign, enabling eligible customers to request to have these devices shipped directly to their homes, free of charge. To be eligible, customers must live in a resident owned single family home and own an electric water heater. Customers must not have participated in past campaigns including this program and any other programs offering low flow water measures that Duke Energy has offered to Ohio customers. Customers receive a kit with varying amounts of the following devices: low flow bath and kitchen aerators, low flow shower heads and insulated pipe tape. Kit size eligibility is based on the total square footage of the customer's home. The kit also includes directions and items to help with installation.

4,349 kits were shipped to Ohio customers in 2017; resulting in 14,070 bathroom aerators, 4,349 kitchen aerators, 7,035 shower heads and 21,745 feet of insulated pipe wrap being distributed.

The overall strategy of the program is to reach residential customers who have not adopted low flow water devices and hot water pipe insulation. Duke Energy Ohio will continue to educate customers on the benefits of using high efficiency, low flow water devices and saving the energy used to heat water, while addressing barriers for consumers who have not participated in the program.

Duke Energy Ohio will continue to market the program through Direct Mail and the response will continue to be tracked and monitored.

Save Energy and Water Kit Program Potential Changes

Targeted marketing campaigns and tactics will be utilized to improve awareness for hard to reach and late adopter³ customers. In 2018, an online platform will allow customers to redeem kits online and choose upgrades to kit items. The launch of this program will enable the launch of email and online marketing efforts.

Heat Pump Water Heater Program

The Heat Pump Water Heater Program is designed to encourage the adoption of energy efficient water heating in new or existing residences. Duke Energy Ohio served homeowners currently residing in or building a single family residence, condominium, or duplex home, with electric water heating, are eligible for this program. Installation of a high efficiency heat pump water heater will result in a \$350 incentive. Duke Energy program personnel establish relationships with home builders, plumbing contractors, and national home improvement

³ Customers who are slow to start using or buying a new product, technology, or idea.

retailers who interface directly with residential customers. All incentives are paid directly to customers upon approval of a completed application.

During 2017, program personnel focused on developing the contractor network, along with consumer awareness and education. A training workshop for plumbers was conducted to recruit and educate contractors on the technology and energy-saving benefits. In addition, customer awareness campaigns included direct mail and targeted email leveraging Energy Star's promotional awareness month, bill inserts, product page on Duke Energy website, and in-store signage at home improvement retailers. While heat pump water heaters are a proven technology, adoption, and therefore market share, represents only approximately 2% of overall water heater sales.

Heat pump water heaters are one of the most efficient technologies for domestic water heating, providing an energy and cost savings of up to 50 percent for the typical family over the life of the unit. Duke Energy Ohio will continue to educate customers on the benefits of heat pump water heaters, while addressing barriers for consumers who have not participated in the program.

Variable-Speed Pool Pump Program

The Variable-Speed Pool Pump Program is designed to encourage the adoption of energy efficient, variable-speed pool pumps for the main filtration of in-ground residential swimming pools. Duke Energy Ohio served homeowners currently residing in, or building, a single family residence with an in-ground swimming pool are eligible for this program. Installation of a high efficiency, variable-speed pool pump will result in a \$300 incentive. Duke Energy program personnel establish relationships with home builders and pool professionals who interface

directly with residential customers. All incentives are paid directly to customers upon approval of a completed application.

During 2017, program personnel focused on developing the contractor network, along with consumer awareness and education. A training workshop for pool professionals was conducted to recruit and educate contractors on the program and energy-saving benefits. In addition, customer awareness campaigns included direct mail, targeted email, bill inserts, product page on Duke Energy website, and in-store signage at participating retailer locations. The Program processed over 240 customer rebates during 2017, a two-fold increase over prior year as a result of increased marketing and customer awareness. Duke Energy Ohio will continue to educate customers on the benefits of variable-speed pool pumps through awareness campaigns and in-store signage to promote program adoption during 2018.

Residential Heating, Ventilation and Air Conditioning (HVAC) Program

Duke Energy Ohio served homeowners currently residing in, or building, a single family residence, condominium, duplex or mobile home are eligible for this program. Installation of a high efficiency heat pump or air conditioner will result in a \$300 incentive. Blackhawk Engagement Solutions serves as the back office support for the program while Duke Energy program personnel establish relationships with home builders and HVAC contractors who interface directly with residential customers. These trade allies adhere to program requirements and submit the incentive application on behalf of the customer. Once the application is processed, incentives are disbursed. For replacement of an existing system, a Duke Energy Ohio customer receives \$200 and the HVAC contractor receives the remaining \$100. For new home construction, the home builder receives the full \$300 incentive but has the option to pass the incentive on to the customer. For the additional complimentary measures offered through the

HVAC program, eligible customers will receive a \$50 incentive for tuning up a heat pump or air conditioner, \$250 for the installation of attic insulation and completion of air sealing, \$75 for the installation of duct insulation, and \$100 for the completion of duct sealing. All incentives for these complimentary measures are paid directly to customers upon approval of a completed application.

Duke Energy Ohio has formed strong relationships with trade allies and continues to develop relationships with trades serving the new measures. These partnerships help application fulfillment and prompt payment of incentives as well as maintain top-of-mind awareness of the program and its benefits. The buy-in and participation of the trade ally network is vital to the success of the HVAC segment of the Program. During 2017 over 3,500 HVAC incentives, and 165 complimentary measures were processed for Duke Energy Ohio customers through a network of over 120 active trade ally companies.

Residential HVAC Program Updates

With the approval of the 2017-2019 portfolio, Duke Energy Ohio will be offering new HVAC equipment measures effective in 2018. The HVAC incentives have been modified to include a tiered incentive structure, based on the efficiency rating of the new unit installed, along with an add-on optional smart thermostat measure customers can choose to combine with equipment replacement for additional efficiency savings. Customers can receive up to \$525 for replacement of an HVAC with a high efficient unit combined with a qualifying smart thermostat. The full incentive is to be paid to the customer, removing incentive payments to the Trade Ally.

Residential Energy Assessments Program

The Residential Energy Assessments program currently consists of one assessment, the Home Energy House Call (HEHC). HEHC targets residential customers that own a

single family home with at least four months of billing history. HEHC is a free in-home assessment designed to help customers reduce energy usage and save money. Duke Energy Ohio partners with several key vendors to administer the program in which an energy specialist completes a 60 to 90 minute walk through assessment of the home and analyzes energy usage to identify energy saving opportunities. The Building Performance Institute (BPI) certified energy specialist discusses behavioral and equipment modifications that can save energy and money with the customer. A customized report is provided to the customer that identifies actions the customer can take to increase their home efficiency. Example recommendations might include the following:

- Turning off vampire load equipment when not in use
- Turning off lights when not in the room
- Using energy efficient lighting in light fixtures
- Using a programmable thermostat to better manage heating and cooling usage
- Replacing older equipment/appliances
- Adding insulation and sealing the home

Customers receive an Energy Efficiency Starter Kit with a variety of measures that can be directly installed by the energy specialist. The kit includes measures such as energy efficient lighting, energy efficient showerhead, low flow faucet aerators, outlet/switch gaskets, weather stripping and energy saving tips booklet.

The Duke Energy Ohio Residential Energy Assessment Program conducted 2,124 assessments in 2017 and installed 8,483 additional LEDs. The program continues to explore enhancements to the program as well as test and consider new marketing channels to increase participation.

HEHC Program Potential Changes

- Upgrade kit to include chrome showerheads.
- Implement pilot to include Home Energy Score in partnership with the Greater Cincinnati Energy Alliance and Department of Energy.
- Remove four month usage eligibility requirement.
- Include eligibility for audit for townhomes/condos.
- Implement post audit follow up with reminders of recommendations/referrals.
- Develop a plan for post audit Q/A check to gain insights from customers to proactively obtain customer feedback and identify improvement or EM&V opportunities.
- Evaluate tiered audit option.

Energy Efficiency Education Program for Schools

The Energy Efficiency Education Program for Schools Program is an energy conservation program available in Ohio. The Energy Efficiency Education Program is available to K-12 students enrolled in public and private schools and who reside in households served by Duke Energy Ohio.

The Program provides principals and teachers with an innovative curriculum that educates students about energy, electricity, ways energy is wasted and how to use our resources wisely. The centerpiece of the curriculum is a live interactive theatrical production delivered by two professional actors to students in kindergarten through eighth grade. Performances differ for elementary and middle school students. Teachers also received educational materials focused on concepts such as energy, renewable fuels, and energy efficiency for classroom and student take home assignments. All workbooks, assignments and activities meet state curriculum requirements.

School principals are the main point of contact and will schedule the performance at their convenience for the entire school. Once the principal has confirmed the performance date and time, two weeks prior to the performance, all materials are delivered to the principal's attention for distribution. Materials include school posters, teacher guides, classroom and family activity books.

Students are encouraged to complete a home energy survey with their family (found in their activity book), so they can receive an Energy Efficiency Starter Kit. The kit contains specific energy efficiency measures to reduce home energy consumption. It is available at no cost to all student households at participating schools, including customers and non-customers.

Since 2011, The National Theatre for Children has partnered with Duke Energy Ohio to engage students in the Ohio service territory on energy and energy efficiency through live theatrical performances. For the 2017-2018 school year, two new productions were launched. Elementary schools will learn how to measure the energy we use and how we can reduce the energy we waste while watching Lorraine Quiche realize her dream of opening her own restaurant *Kilowatt Kitchen*. In this 25-minute educational play, Lorraine learns how to use energy wisely and saves the day for her Kilowatt Kitchen! *The E-Team* is a 40 minute, live show for grades six through nine. The program consists of two actors with two goals. The first goal is to highlight how we measure energy, the uses of energy, how energy is wasted and renewable resources. The second goal is to make the middle school students laugh so hard that they forget they are learning. The show is a series of improvised comedy sketches between characters in all sorts of hilarious situations. Before each scene, actors interact with the audience and get ideas that will be used during the sketch, such as their favorite band or a household pet. The ideas are incorporated into the show and may change the course of a scene.

From January through December 2017, there were 390 participating schools hosting 623 performances to reach over 121,000 students.

Duke Energy Ohio continues to enhance the program by:

- Leveraging the program webpage at duke-energy.com to showcase the program and bring awareness to employees and other stakeholders
- Partnering with Duke Energy Account and District Managers to leverage existing relationships in the community and develop positive communications
- Offering school, classroom and family contests for kit sign ups to create additional excitement in the schools and classrooms throughout the school year
- Utilizing social media to encourage awareness and participation
- Offering teacher satisfaction survey evaluations after the performances for both the elementary and middle school shows. Average survey data from 2017 indicated 94% of the teacher surveys had very high satisfaction ratings.

Now in its seventh year, the Program has effectively increased school participation. School outreach has focused on non-participating schools by making in person visits to the schools, which resulted in new schools participating. Enhanced communications before and after the performances throughout the year have encouraged participation. Additionally, after the performances, some classrooms in grades 3-5 receive follow up visits by actors in the classroom to reinforce the educational points from the curriculum and to encourage kit sign ups with the students and teachers.

The Program is reviewing how to enhance the offering by providing enhanced and prolonged engagement for all student households, including families that have already received

the current Energy Efficiency Starter Kit. This will improve customer satisfaction and provide additional energy savings, particularly for those customers that would otherwise have been excluded from the kit offering but want to participate in energy saving measures.

Low Income Services Program

The Low Income Services Program provides assistance to low income customers by providing funding for energy efficiency measures. The upfront costs of high efficiency equipment are an especially difficult barrier for low income customers to overcome. The Weatherization and Refrigerator Replacement program is available to all customers within Duke Energy Ohio's service territory, with a household income up to 200% of the federal poverty level and who have not participated in the program within the past 10 years.

The Electric Maintenance Service program is available for low-income elderly and disabled customers up to 175% of poverty level. This program offers low-cost solutions for energy efficiency. Customers may receive energy efficiency products and services such as energy efficient lighting, water saving showerheads and aerators, water heater wraps, HVAC cleaning, HVAC filters, and energy efficiency education.

The Electric Pilot program is offered to customers residing in the Duke Energy Ohio service territory. The program is offered through a partnership with People Working Cooperatively (PWC). The program targets low income customers and focuses on energy efficiency. Customers receive whole-house weatherization services which include installation of energy efficiency measures and education. Duke Energy Ohio will purchase and recognize the energy and demand savings achieved through the whole-home weatherization in the Duke Energy Ohio service territory that are currently funded by leveraged funds, funding from sources other than Duke that are not explicitly tied to efficiency. The pilot is intended to allow the

Company to recognize efficiency impacts that were previously unrecognized, achieve these impacts in a cost-effective manner, and create a new funding stream for additional whole-home weatherization to be performed in the Duke Energy Ohio Service Territory. The pilot ended in December of 2017. The program was filed and approved for state-wide implementation, which is planned to occur in the 1st quarter of 2018.

These programs are promoted through, but not limited to, Community Action Agencies, Non-Governmental Organizations (NGO's), and direct mail to customers.

My Home Energy Report

My Home Energy Report (MyHER) is a periodic comparative usage report that compares a customer's energy use to similar residences in the same geographical area based upon the age, size and heating source of the home. Specific energy saving recommendations are included in the report to encourage energy saving behavior.

The reports are distributed up to 12 times per year (delivery may be interrupted during the off-peak energy usage months in the fall and spring). The report delivers energy savings by encouraging customers to alter their energy use. The monthly and annual energy usage of each home is compared to the average home (top 50%) in their area as well as the efficient home (top 25%). Suggested energy efficiency improvements given the usage profile for that home are also provided. In addition, measure-specific offers, rebates or audit follow-ups from other Company offered programs are offered to customers, based on the customer's energy profile.

Target customers reside in individually-metered, single-family residences with active account and 12 months of usage history. Analyzing only single-family residences eliminates the possibility of erroneous data caused by thermal transfer between adjacent units in multi-family structures.

MyHER customers also have access to the Interactive portal which was made available in March 2015. The portal allows customers to see how they use energy, set and track energy saving goals, interact with calculators and ask an expert for advice. The portal also includes weekly email challenges. The portal was promoted on the paper report as well as email campaigns.

The Company has developed a report for customers living in multifamily dwellings that was ready for implementation in December 2016. This program is part of the new portfolio filed by the Company. Due to the delay in approving the new 2017-2018 portfolio plan, the multifamily program was not rolled out in 2017. However, it will be rolled out in Q1 2018 now that approvals have been received. Eligible customers living in multifamily dwellings with the appropriate amount of usage history as well as a registered email address on file with the Company will receive four printed reports and eight electronic reports delivered throughout the year. Eligible customers without a registered email address on file with the Company will receive six printed reports with a strong call to action to provide their email address to receive even more information on their home usage through the Interactive Portal.

As a means to further the customer engagement, The Company has also developed a dual fuel report for Ohio customers that receive both their electricity and gas from the Company. Fifty percent of eligible customers will receive their first dual fuel report in February 2018. The Company wants to ensure that providing this full energy perspective does not affect electric savings behaviors before rolling the report out to the full eligible population.

Low Income Neighborhood Program

The Low Income Neighborhood Program (“Program”), officially known as the Neighborhood Energy Saver (NES) Program assists low-income customers in reducing energy

costs through energy education and installation of energy efficient measures to qualified customers. The primary goal of this Program is to empower low income customers to better manage their energy usage.

Duke Energy Ohio transitioned program implementation from GoodCents to Honeywell starting January of 2016. The program also transitioned to LEDs (from CFLs) starting in June of 2017.

The Program targets neighborhoods with a significant low income customer base using a grassroots marketing approach to interact on an individual customer basis and gain trust. Participation is driven through a neighborhood kick-off event that includes community leaders supporting the benefits of the Program. The purpose of the kick-off event is to rally the neighborhood around energy efficiency and provide thorough and pertinent information on how the program will operate in their neighborhood. Customers will have the option to sign-up for an energy assessment at the time of the event.

In addition to the kick-off event, Honeywell/Duke Energy uses the following channels to inform potential customers about the Program:

- Direct mail
- Door hangers
- Press releases
- Community presentations and partnerships
- Inclusion in community publications such as newsletters, etc.

Customers participating in the Program receive an energy assessment to identify energy efficiency opportunities in their home and one-on-one education on energy efficiency techniques. Additionally, the customer receives a comprehensive package of up to sixteen

energy efficient measures, installed by professionally trained technicians. Measures received are based on each home's individual walk-through assessment. For customers receiving furnace filters as part of their comprehensive kit, they will be provided a year's supply, including the initial installation.

The Program is available only to individually-metered residential customers in neighborhoods selected by Duke Energy Ohio, at its sole discretion, which are considered low-income based on third party data, which includes income level and household size. Areas targeted for participation in this Program will have approximately 50% of the households at an income equal to or less than 200% of the federal poverty level as established by the Department of Energy.

In 2017, a total of 1,120 homes were serviced through the program.

There are no program changes planned at this time.

Power Manager[®] Program

The Power Manager Program provides incentives to residential consumers who allow the company to turn their air conditioner's outdoor compressor and fan on or off during peak energy periods between May and September. Participating customers of the Company who have a functioning outdoor A/C unit are eligible for the program.

Participants in the Power Manager program allow Duke Energy Ohio to control their air conditioners during peak summer demand periods. Customers receive a one-time enrollment incentive of \$25 or \$35 depending on the Power Manager option they choose. In addition, they receive credits each month of the Power Manager event season. Customers receive a total seasonal minimal credit amount of \$5 or \$8 depending on the option they enrolled in. The \$5 minimal event season credit is paid out as \$1 per month during event season (May – September)

and the \$8 minimal event season credit is paid out as \$1.60 per month during event season (May – September). Any additional credits are paid on the customer’s October bill.

The Power Manager program manager evaluates conditions to activate a Power Manager event including temperature, heat index, humidity and market conditions as communicated by the regional transmission organization, PJM. In 2017 Duke Energy Ohio activated the Power Manager program on 8 separate occasions (1 time in June, 3 times in July and 4 times in September) in addition to the required 1 hour PJM test on September 7, 2017. In all the 8 events totaled 14 hours of reduced demand and helped Duke Energy Ohio meet peak summertime demand needs and contribute to the stability of the electric grid.

The Power Manager program was promoted in 2017 through outbound calling and targeted email offers along with the company website. Marketing efforts yielded approximately 1,600 new participants in 2017. Approximately 1,000 participants requested to have their switch removed. All device installations and removals on customers’ AC units were completed by a third party vendor.

In addition, Duke Energy Ohio implemented a Move-out/Move-in communication and process for customer premises with a Power Manager control device. When a participating customer moves out of a residence, the control device is deactivated. The new tenant receives a letter that informs them of their opportunity to participate in the program and is given 30 days to contact Duke Energy Ohio if they do not wish to participate. If the new tenant does not contact Duke Energy Ohio after 30 days, the Power Manager control device is reactivated. The impact of this new process and limiting marketing efforts in Q4 in an effort to reduce program spend resulted in a reduction in the annual net number of Duke Energy Power Manager participants of 772 in 2017.

Power Manager Program Changes

Duke Energy Ohio filed to add water heater control to Power Manager in 2017 and create a separate program focused on demand response in Residential Apartment units. While these requests were approved by PUCO, Duke Energy Ohio has determined that they will not be moving forward with these program additions in an effort to manage overall program portfolio spending.

Duke Energy Ohio also received approval to increase participating customers' seasonal participation incentives. The new incentives are \$18 or \$12 depending on the option the customer is enrolled in.

Non-Residential Programs

Smart Saver[®] Non-Residential Prescriptive Program

The Smart Saver[®] Non-residential Prescriptive Incentive Program provides incentives to commercial and industrial consumers to install energy efficient equipment in applications involving new construction, retrofit, and replacement of failed equipment. The program also uses incentives to encourage maintenance of existing equipment in order to reduce energy usage. Incentives are provided based on Duke Energy Ohio's cost effectiveness modeling to assure cost effectiveness over the life of the measure.

Commercial and industrial consumers can have significant energy consumption, but may lack knowledge and understanding of the benefits of high efficiency alternatives. Duke Energy Ohio's program provides financial incentives to customers to reduce the cost differential between standard and high efficiency equipment, offer a quicker return on investment, save money on customers' utility bills that can be reinvested in their business, and foster a cleaner environment.

In addition, the Program encourages dealers and distributors (or market providers) to stock and provide these high efficiency alternatives to meet increasing demand for the products.

The program promotes prescriptive incentives for the following technologies – lighting, HVAC, pumps, variable frequency drives, food services, process equipment, and information technology equipment. Equipment and incentives are predefined based on current market assumptions and Duke Energy’s engineering analysis. The eligible measures, incentives and requirements for both equipment and customer eligibility are listed in the applications posted on Duke Energy’s website.

All non-residential customers served by Duke Energy and pay the EE rider in Ohio are eligible for the Smart Saver[®] program.

The program has developed multiple approaches to reaching the very broad and diverse audience of business customers. In 2017 this consisted of incentive payment applications, with paper and online options, and instant incentives offered through the midstream marketing channel and the Online Energy Savings Store. The 2017 results improved upon 2016 due to several key factors:

- Customers showed high interest in energy efficiency and had significant funds to invest in efficiency along with the requested rebates which offset a portion of the cost. The program saw the following increases in 2017 incentive payments over 2016:
 - Foodservice 67% increase
 - HVAC 49% increase
 - Lighting 40% increase
 - Pumps and motors 75% increase

- Process equipment 78% increase
- IT equipment remained of little interest to customers
- More applicants used the online application, an easier way to apply
- Midstream marketing channel continued to attract more distributors to the program
- Outreach continued to develop relationships with Trade Allies working with the program
- Targeted marketing reached out to customers and Trade Allies
- High levels of customer service were provided by a dedicated team of representatives answering customer questions via phone and email
- Large account management and business energy advisors provided large and medium businesses with personalized relationships to identify and support new EE projects.

Many changes for the program are taking place in 2018. More information is provided in the section “2018 Program Changes.”

Paper and Online Applications

During 2017, 2,338 applications, consisting of 5,922 measures, were paid for Duke Energy Ohio prescriptive incentives. New application activity last year was 10% higher than in 2016. During 2017, 52% of applications were submitted via the new online application portal (compared to 43% in 2016). The average payment per paid application was \$7,314.

Many Trade Allies participating in the application process reduce the customer’s invoice by the amount of the Smart Saver[®] Prescriptive incentive and then receive reimbursement from Duke Energy. Customers often prefer this rather than paying the full equipment cost upfront and

receiving an incentive check from Duke Energy. More information is provided on the next page, as to how the program engages with Trade Allies.

As of 1/1/2016, the program applications are no longer administered by a third party. Duke Energy has developed an internal database that allows the program to self-administer and analyze program data more efficiently for better performance.

Midstream Marketing Channel

The midstream marketing channel provides instant incentives to eligible customers at a participating distributor's point of purchase. Approved midstream distributors validate eligible customers and selected lighting, HVAC, food service and IT products through an online portal, and use that information to show customers the incentive-reduced price of high efficiency equipment. Upon purchase, the distributor reduces the customer's invoice for eligible equipment by the amount of the Smart Saver[®] Prescriptive incentive. Distributors then provide the sales information to Duke Energy electronically for reimbursement. The incentives offered through the midstream channel are consistent with current program incentive levels.

In 2016, Duke Energy launched major improvements to this marketing channel by partnering with the third-party Energy Solutions. Energy Solutions provides the online portal for distributors to manage the paperless validation and incentive application, which is expected to help this channel grow significantly. In 2017, approximately 37% of the Smart Saver[®] impacts were from participation through the midstream marketing channel (more than double the 2016 results). At the end of 2017, Duke Energy had 27 distributors located in Ohio. Duke Energy will not continue the midstream channel in 2018. More information is provided in the section "2018 Program Changes."

Online Energy Savings Store

Duke Energy Ohio also offers the Business Savings Store on the Duke Energy website, with orders fulfilled by the third-party EFI. The site provides customers the opportunity to take advantage of a limited number of incentive measures by purchasing qualified products from an on-line store and receiving an instant incentive that reduces the purchase price of the product. In 2016, the Savings Store had 106 unique customers; 36% of which were repeat customers. The incentives offered in the store are consistent with current program incentive levels.

Trade Ally Management

Over the years, the program has worked closely with Trade Allies (TA) to promote the program to our business customers at the critical point in time when customers are considering standard or high efficiency equipment options. Currently, there are 871 energy-efficiency equipment vendors, contractors, engineers, architects and energy services providers who are based in Ohio and registered as a TA with the Smart Saver[®] Non-residential programs (prescriptive and custom). The Smart Saver[®] outreach team builds and maintains relationships with TAs associated with the technologies in and around Duke Energy's service territory. Existing relationships continue to be cultivated while recruitment of new TAs also remains a focus. Duke Energy's efforts to engage TAs include the following activities:

- Trade Ally Search tool located on the Smart Saver[®] website
- Inspections of a sample of all projects to ensure quality control
- Trade Ally co-marketing including information about the Smart Saver[®] program in the TA's marketing efforts
- Online application portal training and support

- Midstream channel support
- Trade Ally year-end awards
- Trade Ally newsletter and monthly emails
- Technology- and segment-specific marketing collateral
- Trade Ally discussion group (20 trade allies that give input on program)
- Trade Ally training
- Sponsorship of trade ally events
- Online collateral toolkit for access to marketing materials

The TA outreach team educates TAs on the program rules and the Smart Saver[®] program expectations for TA conduct. The Company continues to look for ways to engage the TAs in promotion of the Program as well as more effective targeting of TAs based on market opportunities.

Marketing

Non-residential customers are informed of programs via targeted marketing material and communications. Campaigns during 2017 were limited due to concerns about the high program costs during the year. During part of the year, social media, paid media and other online strategies promoted the program in general and specifically high efficiency HVAC equipment. Two direct email campaigns were conducted promoting the online application portal and energy efficiency opportunities for HVAC equipment.

The internal marketing channel is comprised of assigned Large Business Account Managers, small and medium Business Energy Advisors, and Local Government and Community Relations, who all identify potential opportunities as well as distribute program collateral and informational

material to customers and Trade Allies. Duke Energy has two business energy advisors who perform outreach to unassigned small and medium business customers. The business energy advisors follow up on customer leads to assist with program questions and steer customers to the trade ally search tool. In addition, the business energy advisors are contacting customers with revenue between \$60,000 and \$250,000 to promote the Smart Saver[®] programs.

2018 Program Changes

In past years, the Smart Saver[®] program has operated without caps on program expenditures. This has allowed the program to fulfill all customers' requests for incentives on eligible energy efficiency equipment. In some years, requests were lower than expected and program expenditures fell short of expectations. However, in the past two years, program expenditures have significantly exceeded expectations. This high level of participation and the recently Commission-imposed portfolio spending cap has prompted a shift towards capping the program expenditures, including incentive payments. In 2018, the program operations are designed to stay within defined limitations. The program changes being implemented include the following:

- Measure additions and removals: In order to identify a program offer that would help stay within capped program costs, and have the best chance of achieving kWh goals, the program team analyzed the list of measures offered by the program. The analysis results identified those measures that are highly cost effective, provide the greatest potential for achieving kWh goals, and have lower costs. 165 existing measures will remain in the program based on this selection criterion; 19 of these measures have reduced incentive amounts due to updated data on equipment costs. 221 existing measures are removed from

the program based on this criterion. Prior to the planned program changes, the program team worked with a consultant to identify new cost effective measures. Of those identified, 36 new measures were selected for addition to the program, bringing the total number of measures offered to 201. All technology groups are represented in this list, with the exception of information technology measures.

- Policy for measure updates: In the past, the program operated with a “grace period” policy for changes to incentive level and changes to equipment eligibility. The past grace period allowed customers to purchase equipment up to 90 days after the change and qualify for the previous, higher incentive. Demand for rebates has surged during past grace periods due to new projects being sold during the period to meet the old rebate and/or eligibility. The new policy for changes to incentives and/or equipment eligibility will implement an effective date for all changes. The lower incentive (or changed eligibility requirement) will apply to all equipment purchased on and after the effective date.
- Reservation system: In order to ensure that program expenditures will not exceed the cap, a reservation system will be implemented in 2018. Customers and trade allies seeking a prescriptive reservation should submit a pre-application in advance of starting an energy efficiency project. The pre-application will determine equipment qualification and reserve program funds, if available. A waiting list will be established when funds become fully subscribed. Applications received that were not previously reserved will be reviewed and paid if unreserved funds are available.
- Application forms: In light of the 2018 program changes, new application forms will be available in mid-January.

- Scaled-back marketing: Due to the significant decrease in program funds for 2018, program marketing efforts will be significantly scaled back in 2018. There is likely more than enough residual momentum in the market to spend all program funds. Application volume will be carefully watched and marketing efforts will be increased again if the forecast appears to be downward.
- Midstream channel ended: In light of the need to cap program expenditures, the growth provided by the midstream channel was determined to be unsustainable and the channel is being ended. Customers that purchase from distributors that participated in midstream can still work with the distributor to submit an application for incentives.

Smart Saver[®] Custom Rebate Program

Duke Energy Ohio's Smart Saver[®] Non-residential Custom Incentive Program offers financial assistance to qualifying commercial, industrial and institutional customers (that have not opted out) to enhance their ability to adopt and install cost-effective electrical energy efficiency projects.

The Smart Saver[®] Custom Incentive program is designed to meet the needs of Duke Energy Ohio non-residential customers with electrical energy saving projects involving more complicated or alternative technologies, or those measures not covered by standard Prescriptive Smart Saver[®] Incentives.

The Custom Incentive application is appropriate for projects that are not listed on the applications for Smart Saver[®] Prescriptive Incentives. Unlike the Prescriptive Incentives, Custom Incentives require approval prior to the customer's decision to implement the project. Proposed energy efficiency measures may be eligible for Custom Incentives if they clearly reduce

electrical consumption and/or demand. There are two approaches for applying for Custom Incentives, “Classic Custom” and “Custom to Go”. Applications vary slightly. The difference between the two approaches focuses on the method by which energy savings are calculated.

Currently the following applications are located on the Duke Energy Ohio website under the Smart Saver[®] Incentives (Business and Large Business tabs).

- Custom Application – Administrative Information
- Energy Savings Calculations & Basis
 - Classic Custom approach (> 700,000 kWh or no Applicable Custom to Go calculator)
 - Variable Frequency Drives
 - Energy Management Systems
 - Compressed Air
 - Lighting
 - General
 - Custom to Go Calculators (< 700,000 kWh and Applicable Custom to Go Calculator)
 - HVAC (including Energy Management Systems)
 - Lighting
 - Compressed Air
 - Process VFDs

The program is promoted through, but not limited to the following;

- Trade ally outreach

- Duke Energy Ohio Business Relations Managers
- Duke Energy Ohio segment specific workshops
- Company website

Smart Saver[®] Custom Rebate Program Changes

The Custom program experiences significant reductions in program funding and associated impact savings goals for 2018. Due to the limited nature of program funding, a reservation system will be put into place starting in 2018 for the Custom program. Customers will be required to maintain an approved reservation for their offer in order to ensure incentive payment. The reservation system will be coordinated with the Prescriptive program.

The “Custom to Go” suite of calculation tools will experience significant improvement in 2018 as it will be capable of providing incentive values for Custom as well as Prescriptive lighting measures.

Additionally, previously-considered program enhancements, such as Performance Incentives, Fast Track Processing, and Calculation Assistance, while approved in the Company’s most recent application for a new portfolio, no longer have a planned launch date as a result of program funding reductions.

Non-Residential Energy Assessments Program

The purpose of the Non-Residential Energy Assessment Program is to assist non-residential customers in assessing their energy usage and providing recommendations for more efficient use of energy. The program will also help identify those customers who could benefit from other Duke Energy Ohio Energy Efficiency non-residential programs.

Duke Energy Ohio offers various types of on-site assessments wherein an assessor will spend one or more days at a customer's site identifying opportunities for increased energy efficiency. The various types of assessments include those defined by the American Society of Heating, Refrigerating, and Air-Conditioning Engineers (Level II and Level III) as well as assessments focused on specific market segments or systems (i.e. commercial real estate, data centers, hospitals, compressed air systems, and industrial refrigeration systems). After the audit is completed, the customer receives a written report of the audit findings as well as assistance applying for Smart Saver[®] incentives if desired. The cost of the on-site assessment varies depending on the complexity, size of the facility, and length of time required. Customers determined eligible will receive financial assistance for the cost of the service. Impacts captured as a result of Energy Assessment recommendations are recorded in Duke Energy Ohio's non-residential incentive programs.

Non-Residential Energy Assessment Program Changes

Due to program funding limits created by the Commission imposed portfolio cost cap, the Non-Residential Energy Assessments program will not be offered in 2018.

Mercantile Self-Direct Rebates Program

Mercantile Self-Direct Rebates Program

The Duke Energy Ohio Mercantile Self-Direct program was enacted in accordance with Public Utilities Commission of Ohio (Commission) Rule 4901:1-39-05(G).A.C., and the Commission's Opinion and Order in Case No. 10-834-EL-POR. Customers who use 700,000 kWh or greater annually and national accounts are eligible for the program.

A mercantile self-direct customer may elect to commit energy savings or demand reductions from projects completed in the prior three calendar years that did not receive Smart \$aver[®] incentives, to Duke Energy Ohio's benchmark achievements. In return, Duke Energy Ohio will assist the customer in filing an application with Commission for approval of a portion of the incentive the customer would have received had they participated in Duke Energy Ohio's standard Smart \$aver[®] Non-Residential programs.

Any customers that paid a reduced rider amount as the result of a negotiated settlement and wish to receive a self-direct rebate will be invoiced for the differential from the date of project completion until the last effective date of the negotiated settlement.

The marketing channels for Mercantile Self-Direct project applications closely resemble those of the Smart \$aver[®] Prescriptive and Smart \$aver[®] Custom programs, based on applicability, as described in previous sections of this filing.

Rebates for self-direct projects eligible for a cash rebate reasonable arrangement will be a maximum of 50% of the dollar amount that would apply to the same project if evaluated in the Smart \$aver[®] Prescriptive & Custom programs.

Self-Direct Prescriptive Program

The Self-Direct Prescriptive program provides rebates for mercantile customers who implement energy efficiency and/or demand reductions projects to install higher efficiency equipment. Major categories include lighting, motors, pumps, variable frequency drives (VFDs), food service, information technology, HVAC and process equipment. Eligible measures are reflective of the Smart \$aver[®] Prescriptive Incentive portfolio. While many of the measures

recorded under the Smart Saver[®] Prescriptive program will remain prescriptive in nature under the Self-Direct program, in accordance with Commission rules and orders on the mercantile program, certain measures may be evaluated under the Self-Direct Custom program to enable the use of as-found baseline. In 2018, the Self-Direct Prescriptive program will have limited funding due to the portfolio and will likely utilize a reservation system to manage program expenditures.

Self-Direct Custom Program

The Self-Direct Custom program offers rebates for completed mercantile projects involving more complicated scopes, or unique technologies that resulted in improvements upon facility electrical energy efficiency. A proposed energy efficiency measure may be eligible for a Self-Direct Custom rebate if it clearly reduces electrical consumption and/or demand. Unlike the Smart Saver[®] Custom program, measurable and verifiable behavioral and operational measures are eligible in the Mercantile Self Direct program. In 2018, the Self-Direct Custom program will have limited funding due to the portfolio and will likely utilize a reservation system to manage program expenditures.

PowerShare[®] Program

The PowerShare[®] program is Duke Energy Ohio's demand side management (or demand response) program geared toward commercial and industrial customers. The primary offering under PowerShare[®] is named CallOption and it provides customers a variety of offers that are based on their willingness to shed load during times of peak system usage. In this program, credits are received regardless of whether an event is called or not. Energy credits are also available for participation (shedding load) during curtailment events. The notice to curtail under

these offers is between 30 minutes (emergency) and day-ahead (economic) and there are penalties for non-compliance during an event.

The program is promoted through but not limited to the following;

- Duke Energy Ohio Business Relations Managers
- Email to customers
- Duke Energy Ohio website

Customer targets continue to be large manufacturers, water/wastewater facilities and school systems. The market is very competitive with other Curtailment Service Providers acquiring customers that had previously been PowerShare[®] participants.

PowerShare[®] Program Potential Changes

For 2017-2018 program year, there are no changes to the program structure. PJM rules will require a shift to meet their “Capacity Performance” construct starting in 2018-2019 planning year, which will require a change program parameters (such as removing the maximum number of interruption) and may impact future participation. Duke Energy Ohio program management staff is working with customers to explore ways to navigate these future changes.

PJM Interconnection, Inc. Pilot Program

All eligible⁴ and cost effective⁵, PJM approved MW resources were bid into the 2020/2021 BRA. This resulted in 41.9 Capacity Performance MWs of energy efficiency, 30 MWs of Capacity Performance DR and 14.2 MW of Summer-Only DR (that was paired with wind resources elsewhere in PJM) clearing in the 2020/2021 auction.

⁴ “Eligible” is defined as existing and planned energy efficiency savings and demand response that comply with PJM Manuals 18 and 18b

⁵ “Cost effective” is defined as the projected auction revenues are greater than the projected costs for existing and planned energy efficiency and demand response, where the phrase “projected auction revenues” is defined as the estimated kW multiplied by the previous BRA clearing price for the Duke zone and “projected costs” are defined as the costs necessary to fully qualify and bid the resources into the PJM capacity auctions.

Clearing MW revenue is allocated back to programs after all administrative and EM&V costs are covered. Revenue offset is allocated back to program based on percentage of MWs clearing each auction and customer class.

Duke Energy Ohio continues to keep the Duke Energy Community Partnership (the Collaborative) updated regarding the auction process.

Small Business Energy Saver Program

The purpose of Duke Energy's Small Business Energy Saver program is to reduce energy usage through the direct installation of energy efficiency measures within qualifying small non-residential Duke Energy Ohio customer facilities. All aspects of the program are administered by a single Company-authorized vendor. Program measures address major end-uses in lighting, refrigeration, and HVAC applications.

Program participants receive a free, no-obligation energy assessment of their facility followed by a recommendation of energy efficiency measures to be installed in their facility along with the projected energy savings, costs of all materials and installation, and up-front incentive amount from Duke Energy. Upon receiving the results of the energy assessment, if the customer decides to move forward with the proposed energy efficiency project, the customer makes the final determination of which measures will be installed. The energy efficiency measure installation is then scheduled at a convenient time for the customer and the measures are installed by electrical subcontractors of the Duke Energy-authorized vendor.

The Program is designed as a pay-for-performance offering, meaning that the Duke Energy-authorized vendor administering the program is only compensated for energy savings produced through the installation of energy efficiency measures.

The Small Business Energy Saver Program is available to existing Duke Energy Ohio non-residential customer accounts with an actual average annual electric demand of 180 kilowatts (kW) or less. An individual business entity's participation is limited to no more than five premises on the Company's system during a calendar year.

SmartWatt Energy Inc. (SmartWatt), a company that specializes in administering utility energy efficiency programs nationwide, similar to Small Business Energy Saver, is the Duke Energy-authorized program administration vendor in Ohio. SmartWatt is also the program administrator for the Small Business Energy Saver program in Duke Energy's Kentucky and Indiana service territories.

2017 was the third full year in which the Program was in operation in Duke Energy Ohio, after launching in late 2014. There were 649 Small Business Energy Saver projects completed for eligible Duke Energy Ohio customers in 2017.

Small Business Energy Saver Program Potential Changes

In order to broaden the Small Business Energy Saver Program offering to more small and medium business customers who would benefit from the direct install model and turn-key program process, the Company proposed to expand program availability to include all existing non-residential customer accounts with an average annual demand of 180 kW or less, which is an increase from the current eligibility limit of 100 kW annual average demand per account. This eligibility expansion proposal was included in the 2017-19 Portfolio filing, which was approved on September 27, 2017.

In 2018, the Company will continue to evaluate the opportunity to add incentivized measures suitable for the small and medium business market to the approved program which fit the direct install program model.

The Company would ultimately like to ensure that small business customers are given the opportunity to maximize their energy savings by being offered comprehensive energy efficiency projects through the Program wherever possible.

4901:1-39-05(C)(2)(a)(i), O.A.C. Continued:

Number and Type of Participants and Comparison of Forecasted Savings to Achieved Savings

The number of participants or measures installed by customer type is summarized above in Table 2. Details on participation by measure are provided in Appendix A. Table 4 provides a comparison of achieved impacts for 2017 as well as the forecasted impacts for 2018.

Table 4: Comparison of Achievement to Forecasted Impacts and Trend Projection Through 2018								
	Achieved Load Impacts		Forecasted Load Impacts					
	MWH 2017	MW 2017	MWH 2017	MWH 2018	MWH Total	MW 2017	MW 2018	MW Total
Other Programs								
Low Income Weatherization	1,710	0.5						
Residential Programs								
Energy Efficiency Education Program for Schools	4,191	1.1	3,210	3,210	6,419	0.9	0.9	1.7
Home Energy Comparison Report	81,532	20.8	97,847	98,463	196,310	25.0	25.2	50.2
Low Income Neighborhood Program	501	0.2	600	603	1,203	0.2	0.2	0.4
Low Income Weatherization - Pay for Performance	545	0.1	5,679	2,714	8,393	1.2	0.6	1.8
Residential Energy Assessments	2,098	0.3	2,051	2,972	5,023	0.2	0.4	0.6
Smart Saver Residential	20,573	3.7	37,620	58,254	95,874	4.2	6.6	10.8
Power Manager®	0	64.5	0	0	0	48.6	64.3	112.9
Power Manager® for Apartments	0	0.0	0	0	0	0.1	0.0	0.1
Non Residential Programs								
Power Manager® for Business - EE	0	0.0	63	677	739	0.0	0.2	0.3
Small Business Energy Saver	16,558	3.3	26,258	23,368	49,626	5.9	4.4	10.3
Smart Saver Non Residential Custom	33,825	4.4	23,557	29,076	52,633	2.7	3.3	6.0
Smart Saver Non Residential Performance Incentive Program	0	0.0	631	0	631	0.1	0.0	0.1
Smart Saver Non Residential Prescriptive	140,987	27.1	44,236	61,279	105,515	6.2	13.1	19.3
Power Manager® for Business - DR	0	0.0	0	0	0	0.2	2.9	3.2
PowerShare®	0	51.1	0	0	0	46.2	44.5	90.7
Mercantile Self-Direct	9,217	1.1	8,316	9,951	18,266	0.9	1.1	2.1
Total for All Programs	311,738	178	250,067	290,565	540,632	143	168	310

This table indicates that the achieved MWH impacts through 2017 are above the 2017 forecasted load impacts.

4901:1-39-05(C)(2)(a)(ii) O.A.C., Energy Savings Counted Toward Benchmark as a Result of Mercantile Customers

The energy savings counted towards the benchmark for 2017 as a result of energy efficiency improvements and implemented by mercantile customers and committed to the Company are 9,217 MWH.

4901:1-39-05(C)(2)(a)(iii) O.A.C., Peak Demand Reduction Counted Toward Benchmark as a Result of Mercantile Customers

The peak-demand reductions counted towards the benchmark for 2017 as a result of energy efficiency improvements and implemented by mercantile customers and committed to the Company are 1.1 MW.

4901:1-39-05(C)(2)(a)(iv) O.A.C., Peak-Demand Reductions Claimed Due to Transmission and Distribution Infrastructure Improvements

Consistent with S.B. 310, the Company's verified savings now reflect Duke Energy Ohio impacts from transmission and distribution infrastructure improvements. The associated net benefits will not be counted in the calculation of shared savings during the course of its 2017-2019 portfolio plan.

4901:1-39-05(C)(2)(b) O.A.C., Evaluation, Measurement, and Verification (EM&V)

In its Entry in Case Number 09-512-GE-UNC, July 31, 2013, the Commission stated an intention to treat the 2010 Draft Technical Reference Manual (TRM) and those comments agreed to by Vermont Energy Investment Corporation (VEIC) as a "safe harbor" rather than a mandate. As a result, Duke Energy Ohio has directed third-party evaluators to consider

guidelines presented by the TRM in evaluations going forward into the 2017 program evaluation year. For the current compliance filing, the independent EM&V was generally conducted consistent with the most current draft of the TRM. It should be noted however, that the TRM provides no specific methodologies for behavior programs or direct load control.

Energy savings and peak-demand reduction values are documented in the individual program EM&V studies in the appendices. The following studies have been completed.

Power Manager Impact and Process Evaluation Report (March 2017)	Appendix D
PowerShare Impact and Process Evaluation Report (February 14, 2017)	Appendix E
Small Business Energy Saver Impact and Process Evaluation Report (April 7, 2017)	Appendix F
Smart Saver HVAC Impact and Process Evaluation Report (September 11, 2017)	Appendix G
Neighborhood Energy Saver Impact and Process Evaluation Report (November 17, 2017)	Appendix H
Save Water and Energy Kit Impact and Process Evaluation Report (November 20, 2017)	Appendix I

Appendix C provides an up-to-date summary of EM&V methodologies and protocols. Any new programs or measures that will be offered in the future have not been included in Appendix C.

The cost effectiveness of the current programs is provided below in Table 5.

TABLE 5:

SB310 - 2017

Cost Effectiveness Test Results

Program Name		UCT	TRC (1)	RIM	PCT
Residential Programs					
Energy Efficiency Education Program for Schools		3.88	5.53	1.93	
Home Energy Comparison Report		3.99	4.11	2.07	
Low Income Neighborhood Program		0.77	1.71	0.65	
Residential Energy Assessments		2.79	3.16	1.58	
Smart \$aver Residential		3.86	2.73	1.95	3.50
Low Income Weatherization - Pay for Performance		1.28	5.50	0.90	
Power Manager®		14.64	27.89	14.64	
Total		4.31	4.06	2.36	5.84
Non-Residential Programs					
Power Manager® for Business		0.00	0.00	0.00	
Smart \$aver Non Residential Custom		5.31	1.52	2.42	2.03
Smart \$aver Non Residential Performance Incentive Program		0.00	0.00	0.00	
Smart \$aver Non Residential Prescriptive		2.68	1.50	1.95	1.64
Small Business Energy Saver		4.07	2.38	2.68	2.63
PowerShare®	2	5.00	N/A	5.00	
Total		3.15	1.67	2.16	1.76
Other Programs					
Mercantile Self-Direct		8.61	1.25	4.00	1.20
Total		8.61	1.25	4.00	1.20
Overall Portfolio Total		3.47	1.88	2.25	1.93

1 - TRC Scores include Avoided Gas Production where applicable

2 - Due to applied credits from the PJM auctions, the TRC calculation for PowerShare is not applicable

4901:1-39-05(C)(2)(c) O.A.C., Continuation of Programs

Based on the success of the programs and positive response from customers and trade allies, Duke Energy Ohio proposes to continue with the existing portfolio of programs with modifications and additional measures as filed in Case No. 16-0576-EL-POR. The portfolio is subject to annual adjustments for changes in efficiency levels or market conditions.

The Company is continually researching other energy efficiency opportunities for both the residential and non-residential customer classes. Also, based on such factors as changing market conditions, customers' efficiency needs, etc., the Company modifies and otherwise manages existing programs as needed given contemporaneous experience. This allows it to meet its annual energy efficiency benchmarks as required.

The Company's portfolio plan, including its shared savings incentive mechanism, was approved incorporating the same banking principles that were established by the Commission's rules with respect to its energy efficiency benchmark compliance. As approved by the Commission, the Company does not double count the net benefit of energy savings achieved in a particular year for the purposes of calculating the incentive. Once energy savings are recognized in determining the Company's allowed shared savings percentage, the impacts are exhausted for the purpose of determining its annual incentive achievement level in the future. Duke Energy Ohio has entered into a stipulation related to its approved application of a new portfolio that does not allow it to earn an incentive in any year in which it does not meet its required benchmark savings and clarifies what net benefits should not be included in the calculation of shared savings in 2017 and beyond.⁶

⁶ *In the Matter of the Application of Duke Energy Ohio, Inc., for Approval of its Energy Efficiency and Peak Demand Reduction Program Portfolio Plan*, Case No.16-576-EL-POR, Amended Stipulation and Recommendation, (January 27, 2017), at paragraphs 5 and 7.

4901:1-39-05(D) O.A.C., Independent Program Evaluator Report

Appendix C, provides an up-to-date summary of EM&V methodologies and protocols. Individual reports have been provided as appendices D through I.

4901:1-39-05 (E)(1) and (2)(a-b) O.A.C., Peak Demand Reductions

Duke Energy Ohio has satisfied its peak-demand reduction benchmarks through energy efficiency and peak-demand response programs implemented by the Company and programs implemented on mercantile customer sites where the mercantile program is committed to the electric utility.

4901:1-39-05(F) and (G)(1-5) O.A.C., Mercantile Customers

Duke Energy Ohio's Mercantile Self Direct program is the avenue through which mercantile customers commit energy and demand impacts from their energy efficiency projects to Duke Energy Ohio in exchange for cash rebates or commitment payments. The program uses the constructs for calculating and deeming energy and demand savings that are present in the Custom Incentive and Prescriptive Incentive programs, respectively.

Upon approval of the customer's application, Duke Energy Ohio tenders an offer letter agreement to the customer which outlines the cash rebate or commitment payment offered. After the customer signs the offer letter agreement, Duke Energy Ohio submits a mercantile application to the Commission on behalf of the customer. Upon Commission approval of the application or the passing of 60 days, Duke Energy Ohio remits payment to the customer for the agreed dollar amount.

The offer letter provided to applicants pursuant to each project submitted to Duke Energy Ohio requires the customer to affirm its intention to commit and integrate the energy efficiency projects listed in the offer into Duke Energy Ohio's peak demand reduction, demand response

and/or energy efficiency programs. The offer letter agreement also requires the customer to agree to serve as joint applicant in any future filings necessary to secure approval of this arrangement as required by the Commission and to comply with any information and reporting requirements imposed by rule or as part of that approval. Noncompliance by the customer with the terms of the commitment is not applicable at this time.

The offer letter agreement template, used for each mercantile application provides for formal declaration. Additionally, the application documents located on Duke Energy Ohio's website request that the applicant allow Duke Energy Ohio to share information only with vendors associated with program administration. The release is limited to use of the information contained within the application and other relevant data solely for the purposes of reviewing the application, providing a rebate offer, submitting documentation to the Commission for approval and payment of the rebate. All program administration vendor contracts strictly prohibit the sharing of customer information for other purposes.

Upon customer request, Duke Energy Ohio will agree, as it is able to do so, to provide information to the Commission in the proper format such that confidential customer information is redacted from the public record.

With regard to the customers in Duke Energy's Ohio territory who have undertaken self-directed energy efficiency projects, these initiatives will not be evaluated by the Company's independent evaluation contactor. These efforts have been implemented in the past and were self-directed by our mercantile customers without involvement in Duke Energy Ohio's energy efficiency or demand reduction programs under Duke Energy Ohio's Shared Savings Cost Recovery mechanism. As a result they will not be included in the evaluations of Duke Energy Ohio programs.

As of December 31, 2017, only one customer was exempted from the rider in exchange for commitment of energy and demand savings to Duke Energy Ohio.

4901:1-39-05(H), O.A.C. Prohibition Against Counting Measures Required by Law Toward Meeting the Statutory Benchmark

Duke Energy Ohio did not count, in meeting its statutory benchmark, the adoption of measures that were required to comply with energy performance standards set by law or regulation, including but not limited to, those embodied in the Energy Independence and Security Act of 2007, or an applicable building code.

4901:1-39-05 (I) and (J), O.A.C. Benchmarks Not Reasonably Achievable

The above referenced sections are not applicable to Duke Energy Ohio since it has met its statutory benchmarks.

Conclusion

With this status report, Duke Energy Ohio has demonstrated that it is in compliance with the statutory load impact requirements as measured and reported in its Benchmark Report. Duke Energy Ohio respectfully requests that the Commission find that the Company has met its compliance requirements for the 2017 compliance year.

Respectfully submitted,

DUKE ENERGY OHIO, INC.

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