

FILE

16

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Annual Application of Duke Energy Ohio for an Adjustment to Rider AMRP Rates) Case No. 09-1849-GA-RDR

In the Matter of the Application of Duke Energy Ohio for Tariff Approval) Case No. 09-1850-GA-ATA

PUCO

2010 APR 16 AM 9:29

RECEIVED-DOCKELING CIV

STIPULATION AND RECOMMENDATION

Rule 4901-1-30, Ohio Administrative Code, provides that any two or more parties to a proceeding may enter into a written stipulation covering the issues presented in such a proceeding. The purpose of this document is to set forth the understanding and agreement of the parties that have signed below (hereinafter, the Parties) and to recommend that the Public Utilities Commission of Ohio (Commission) approve and adopt this Stipulation and Recommendation (Stipulation), which resolves all of the issues raised by Parties in this case relative to adjusting Duke Energy Ohio, Inc.'s (Duke Energy Ohio or Company) Rider AMRP and tariff approval. This Stipulation is supported by adequate data and information including, but not limited to Duke Energy Ohio's Application, supporting schedules and testimony filed on February 26, 2010, as well as the April 2, 2010, Comments and Recommendations of Staff of the Commission (Staff) and Comments of the Office of the Ohio Consumers' Counsel (OCC).

The Stipulation represents a just and reasonable resolution of the issues raised in this proceeding, violates no regulatory principle or precedent, and is the product of lengthy, serious bargaining among knowledgeable and capable Parties in a cooperative process, encouraged by this Commission and undertaken by the Parties representing a wide range of interests, including the Commission's Staff, to resolve the aforementioned issues. Although this Stipulation is not

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business.
Technician SM Date Processed APR 16 2010

binding on the Commission, it is entitled to careful consideration by the Commission. For purposes of resolving all issues raised by this proceeding, the Parties stipulate, agree and recommend as set forth below.

Except for purposes of enforcement of the terms of this Stipulation, neither this Stipulation nor the information and data contained therein or attached, shall be cited as precedent in any future proceeding for or against any Party or the Commission itself. The Signatory Parties' agreement to this Stipulation, in its entirety, shall not be interpreted in a future proceeding before this Commission as their agreement to only an isolated provision of this Stipulation. More specifically, no specific element or item contained in or supporting this Stipulation shall be construed or applied to attribute the results set forth in this Stipulation as the results that any Signatory Party might support or seek, but for this Stipulation in these proceedings or in any other proceeding. This Stipulation is a reasonable compromise involving a balancing of competing positions and it does not necessarily reflect the position that one or more of the Parties would have taken if these issues had been fully litigated.

This Stipulation is expressly conditioned upon its adoption by the Commission in its entirety and without material modification. Should the Commission reject or materially modify all or any part of this Stipulation, the Parties shall have the right, within thirty days of issuance of the Commission's Order, to file an application for rehearing. The Parties agree they will not oppose or argue against any other Party's application for rehearing that seeks to uphold the original, unmodified Joint Stipulation and Recommendation. Should the Commission, in issuing an Entry on Rehearing, not adopt the Stipulation in its entirety and without material modification, any Party may terminate and withdraw from the Stipulation. Such termination and withdrawal shall be accomplished by filing a notice with the Commission, including service to

all Parties, in the docket within thirty days of the Commission's Entry on Rehearing. Other Parties to this Stipulation agree to defend and shall not oppose the termination and withdrawal of the Stipulation by any other Party.¹ Upon the filing of a notice of termination and withdrawal, the Stipulation shall immediately become null and void.

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

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

This Stipulation is the product of an open process in which all Parties were represented by able counsel and technical experts. The Stipulation represents a comprehensive compromise of issues raised by Parties with diverse interests. Duke Energy Ohio, Staff,² and the OCC have signed the Stipulation and adopted it as a reasonable resolution of all issues. The Signatory

¹ Any signatory Party has the right, in its sole discretion, to determine what constitutes a "material" change for the purposes of that Party withdrawing from the Stipulation.

² The Commission Staff is a party for the purpose of entering into this Stipulation by virtue of O.A.C. 4901-1-10(C).

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 and resulting Stipulation are a product of serious bargaining among capable, knowledgeable Parties and that the settlement, as a package, benefits ratepayers and is in the public interest. The Signatory Parties agree that the settlement package does not violate any important regulatory principle or practice.

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

WHEREAS, this Stipulation is the product of the serious bargaining and negotiations between capable and knowledgeable Parties and is not intended to reflect the views or proposals that any individual Party may have advanced acting unilaterally;

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

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

WHEREAS, the Parties believe that the agreements herein represent a fair and reasonable solution to the issues raised in the case set forth above concerning Duke Energy Ohio's Application to adjust Rider AMRP and for tariff approval;

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

1. The calculation of the Provision for Depreciation in the Riser Replacement Program (RRP) shall be decreased by \$5,719 to correct a mathematical error, which results in an increase in the rate base of \$5,719. This adjustment also causes a \$667.41 increase in the revenue requirement for the RRP.
2. Duke Energy Ohio shall receive an annualized revenue requirement under Rider AMRP of \$27,463,510.28 for the Accelerated Main Replacement Program (AMRP) and \$2,150,079.83 for the RRP, for a total revenue requirement of \$29,613,590.11, calculated as shown on Stipulation Exhibit 1.
3. The Parties agree to the revenue distribution, billing determinants, and calculated AMRP charges shown on Stipulation Exhibit 1.
4. Duke Energy Ohio commits to providing its natural gas customers with guaranteed maintenance savings attributed to the AMRP on an annual basis. For the 2009, 2010 and 2011 AMRP test years, the Parties agree to the guaranteed minimum maintenance savings calculation methodology as provided on Stipulation Exhibit 2. Subsequently, the Parties agree to reevaluate the continued use of the calculation methodology as set forth in Stipulation Exhibit 2 in an attempt to reach agreement on the guaranteed maintenance savings level for the 2012 AMRP test year and thereafter. Through this reevaluation, the Parties acknowledge that the continued use of the calculation methodology as set forth in Stipulation Exhibit 2 is an available option insofar as determining minimum maintenance savings for 2012 and future program years is concerned; however, the Parties expressly reserve the right to propose modifications or alternatives to said calculation methodology. In the event the actual maintenance savings – as reflected in Accounts 885000, 887000

and 892000 – for a program year exceed the minimum, guaranteed savings for that same year, customers shall receive the benefit of the higher, actual savings in that year. For purposes of determining the actual maintenance savings, the expense included in base rates on Schedule 21 of the Rider AMRP filing will be reduced by \$276,515 to eliminate the Integrity Management Program (IMP) expense. In addition, the actual expenses for the program year will be reduced by the amount of expense for the IMP as well as expenses for any additional regulatory programs Duke Energy Ohio is directed to undertake that are recorded in the accounts included on Schedule 21 of Stipulation Exhibit 1. The Parties acknowledge that the minimum, guaranteed savings reflected in Stipulation Exhibit 2 were developed, in part, on the assumption that Duke Energy Ohio does not file a base rate case prior to the completion of the AMRP. The Parties thus agree that the minimum, guaranteed savings reflected in Stipulation Exhibit 2 are subject to revision if a base rate case is filed prior to the completion of the AMRP.

5. Duke Energy Ohio shall eliminate \$350,272.96 from the actual main maintenance expense for the 2009 program year related to its IMP.
6. For the purposes of determining the AMRP Annualized Revenue Requirement for the 2009 test year on Revised Schedule 1 in Stipulation Exhibit 1, the minimum main maintenance savings of \$328,230 from Stipulation Exhibit 2 was applied as there were no actual main maintenance savings exceeding the minimum during the 2009 test year. The minimum main maintenance savings of \$328,230, and the revenue requirement correction of \$667.41 as a result of the riser depreciation correction mentioned in Paragraph 1 of this Stipulation, are included in the total revenue requirement of \$29,613,590.11 for year

2009. This is the total revenue requirement amount upon which the calculated Rider AMRP charges on Revised Schedule 24 in Stipulation Exhibit 1 are based

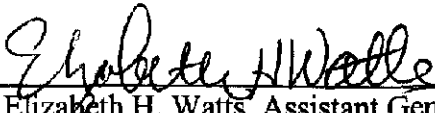
7. Duke Energy Ohio shall continue to evaluate the availability of stimulus funding under the American Recovery and Reinvestment Act of 2009 for AMRP- or RRP-related projects. If such funding is available, Duke Energy Ohio will apply for same. Duke Energy Ohio further agrees to include in its next Rider AMRP filing a statement reflecting its efforts to obtain federal stimulus funding that may be available for AMRP- and RRP-related projects.
8. Duke Energy Ohio shall implement the new rates for Rider AMRP pursuant to the terms and conditions set forth in the Stipulation and Recommendation filed in Case No. 07-589-GA-AIR, *et al.* on February 28, 2008 (2008 Stipulation).
9. The Parties agree to the tariff attached as Stipulation Exhibit 3 and request that the Commission approve said tariff.
10. The Parties agree that this Stipulation and attachments thereto shall be tendered to the Commission and filed as a joint exhibit, with each Party expressly stating their consent to and approval of this Stipulation in its entirety.
11. The Parties expressly agree to waive cross examination of any witnesses who may offer testimony in support of this Stipulation and attachments thereto.

The undersigned Parties hereby stipulate and agree and each represents that it is authorized to enter into this Stipulation and Recommendation this 16th day of April 2010.

STAFF OF THE PUBLIC UTILITIES
COMMISSION OF OHIO

By: /s/ William L. Wright (per 4/15/10 telephone authorization)
William L. Wright, Assistant Attorney General
its Attorney

DUKE ENERGY OHIO, INC.

By: 
Elizabeth H. Watts, Assistant General Counsel
its Attorney

THE OFFICE OF THE OHIO CONSUMERS' COUNSEL

By: /s/ Larry S. Sauer (per 4/15/10 telephone authorization)
Larry S. Sauer, Assistant Consumers' Counsel
its Attorney

Duke Energy Ohio
Ohio AMRP Gap Calculation
Annualized Revenue Requirement

Line No.	Description	Actual Thru		Actual 4th Quarter 2009	Total	Schedule Reference
		December 31, 2009	September 30, 2009			
1	Return on Investment					
2	Plant in-Service					
3	Additions	113,491,835.76	28,032,097.92	37,041,541.76	179,565,465.34	Schedule 3-A, 3-B, Ln. 27
4	Original Cost Retired	(8,661,880.28)	(2,389,345.97)	(2,767,452.26)	(13,718,458.53)	Schedule 8-A, 8-B, Ln. 24
5	Total Plant in-Service	104,830,178.48	25,642,741.85	34,274,089.48	165,647,006.81	
6	Less: Accumulation Provision for Depreciation					
7	Depreciation Expense	2,071,804.30	2,119,824.94	866,278.50	5,057,807.74	Schedule 7-A, 7-B, Ln. 15
8	Cost of Removal	(666,613.29)	(122,414.16)	(196,587.76)	(985,515.23)	Schedule 8-A, 8-B, Ln. 23
9	Original Cost Retired	(6,961,690.29)	(2,369,345.97)	(2,767,452.26)	(13,718,458.53)	Schedule 8-A, 8-B, Ln. 24
10	Total Accumulated Provision for Depreciation	(7,155,269.27)	(981,836.23)	(2,096,791.54)	(9,844,188.02)	
11	Net Regulatory Asset—Post In-Service Carrying Cost	2,620,308.13	563,114.28	342,182.13	3,426,802.54	Schedule 9-A, 9-B, Ln. 44
12	Net Deferred Tax Balance—PISCC	(662,107.15)	(197,069.99)	(118,793.75)	(1,188,960.89)	Schedule 10-A, 10-B, Ln. 4
13	Deferred Taxes on Liberalized Depreciation	(2,361,878.16)	(7,987,475.04)	(6,272,245.92)	(18,621,597.12)	Schedule 13, Ln. 25
14	Net Rate Base	111,372,087.57	18,403,126.31	30,321,023.48	161,096,217.26	
15	Approved Pre-tax Rate of Return	11.87%	11.87%	11.87%	11.87%	
16	Net Deferred Expense - Carb to Meter & Maint. Savings	1,367,710.92	(1,048,283.19)	(349,427.72)	-	
17	Average Cost of Debt	5.87%	5.87%	5.87%	5.87%	
18	Annualized Return on Rate Base & Deferred Expense	13,079,165.92	2,202,810.62	3,517,952.03	18,799,926.57	
19	2009 Savings Based on Rate Filing					
20	Operating Expenses					
21	Mains—Plastic	2,093,898.21	613,783.05	813,783.05	2,707,481.26	Schedule 15-A, 15-B, Ln. 18
22	Mains—Steel	180,404.59	4,573.65	4,573.65	184,978.24	Schedule 15-A, 15-B, Ln. 19
23	Main to Curb Services—Plastic	714,655.67	116,738.88	116,738.88	831,394.55	Schedule 15-A, 15-B, Ln. 22
24	Main to Curb Services—Steel					Schedule 15-A, 15-B, Ln. 23
25	Curb to Meter Services	355,585.13	113,437.26	113,437.26	474,022.44	Schedule 15-A, 15-B, Ln. 26
26	Current Year Provision	3,324,843.44	838,633.12	838,633.12	4,179,178.56	
27	Annualized Reduction in Depreciation For Refinements					
28	Mains—Cast Iron & Copper	(48,112.96)	(27,528.19)	(27,528.19)	(73,941.05)	Schedule 17-A, 17-B, Ln. 18
29	Mains—Steel	(18,808.46)	(8,891.93)	(8,891.93)	(27,400.39)	Schedule 17-A, 17-B, Ln. 17
30	Mains—Plastic	(7,381.08)	(7,087.76)	(7,087.76)	(14,368.84)	Schedule 17-A, 17-B, Ln. 18
31	Main to Curb Services—Cast Iron & Copper	(82,328.60)	(2,816.31)	(2,816.31)	(85,244.91)	Schedule 17-A, 17-B, Ln. 21
32	Main to Curb Services—Steel	(20,188.46)	(1,412.72)	(1,412.72)	(21,578.17)	Schedule 17-A, 17-B, Ln. 22
33	Main to Curb Services—Plastic	(200,824.13)	(22,632.93)	(22,632.93)	(223,457.06)	Schedule 17-A, 17-B, Ln. 23
34	Total	(925,817.67)	(70,888.29)	(70,888.29)	(996,705.96)	
35	Annualized Amortization of PISCC	92,444.58	7,867.97	7,867.97	100,312.55	Schedule 19-A, 19-B, Ln. 28
36	Amortization of Deferred Expense	1,048,283.19	349,427.73	349,427.73	1,397,710.92	Schedule 20, Ln. 2
37	Meter Relocation Expense	54,789.63	44,594.15	44,594.15	109,383.78	Schedule 22, Ln. 12
38	Annualized Property Tax Expense	2,847,224.91	794,747.00	794,747.00	3,641,971.91	Schedule 21, Ln. 13 (a)
39	Achieved Reduction in Mains—Maintenance Expense					
40	Annualized Revenue Requirement	19,079,165.92	8,214,689.62	8,169,755.74	27,463,610.28	

(a) Minimum guaranteed savings used.

Duke Energy Ohio
 Riser Replacement Cap Calculation
 Annualized Revenue Requirement

Line No.	Actual Thru December 31, 2008	Activity Thru September 30, 2009	Actual 4th Quarter 2009	Total	
1					
2					
3	1,281,579.03	7,229,947.48	5,462,532.63	13,974,059.12	Schedule 4-A, 4-B, Ln. 2
4					
5	1,281,579.03	7,229,947.48	5,462,532.63	13,974,059.12	
6					
7	6,744.48	77,687.69	86,684.94	172,397.09	Schedule 8, Ln. 4
8					
9	6,744.48	77,687.69	86,684.94	172,397.09	
10					
11	16,006.77	88,952.98	101,111.26	184,070.01	Schedule 11-A, 11-B, Ln. 17
12	(6,802.02)	(23,433.64)	(36,388.94)	(64,424.50)	Schedule 12-A, 12-B, Ln. 4
13	(19,384.56)	(1,341,008.39)	(874,588.57)	(2,334,940.45)	Schedule 14, Ln.
14	1,263,873.74	5,854,489.88	4,468,003.44	11,686,367.06	
15	11.97%	11.97%	11.97%	11.97%	
16	147,464.06	863,216.97	521,416.00	1,332,128.03	
17					
18					
19					
20					
21	147,464.06	1,167,868.16	834,627.62	2,150,079.83	Schedule 18-A, 18-B, Ln. 4 Schedule 18-A, 18-B, Ln. 10 Schedule 23, Ln. 11

Duke Energy Ohio
Riser Replacement Cap Calculation
Provision for Depreciation

Schedule B
Revised

Line No.		10/31/09	11/30/09	12/31/09	Oct.-Dec. 2009	Actual Balance at 12/31/09
1	[REDACTED]					
2	[REDACTED]					
3	Riser Replacement	24,400.19	26,844.78	34,339.97	85,684.94	172,987.09
4	Total	24,400.19	26,844.78	34,339.97	85,684.94	172,987.09
5	Cumulative Provision for Depreciation	111,112.34	138,057.12	172,397.09		172,987.09

Duke Energy Ohio
Ohio AMRP Cap Calculation--Projection
Cap Calculation By Rate Class

Schedule 24
 Revised

Rate Class	Allocated AMRP Revenue Requirement (1)	Allocated Riser Revenue Requirement (2)	Total Allocated Revenue Requirement	Billing Determinates # of Bills	Sales (Mcts)	Calculated AMRP Change
Total Residential	15,104,930.86	1,878,073.44	17,083,004.10	4,673,997	N/A	\$3.65
Total General Service & Firm Transportation	10,161,488.80	172,008.39	10,333,505.19	366,839	N/A	\$28.96
Interruptible Transportation	2,197,080.82	-	2,197,080.82	N/A	16,063,185	\$0.14
Total Revenue	27,463,510.28	2,160,079.83	29,613,590.11			
	27,463,510.28	2,160,079.83	29,613,590.11			

(1) AMRP Revenue Requirement
 Allocated on the Following Basis:

- Residential 55%
- General Service & Firm Transportation 37%
- Interruptible Transportation 8%

(2) Riser Revenue Requirement
 Allocated on the Following Basis:

- Residential 92%
- General Service & Firm Transportation 8%
- Interruptible Transportation 0%

2009 Savings Based on Rate Filing

**Duke Energy Ohio
 Estimated Main Leak Repairs and Savings
 Minimum Main Maintenance Savings**

	Accepted as Minimum Savings	
	Actual	Estimated
2008	2009	2010
591	486	4%
	105	467
		19
		28
	\$ 328,230	\$ 387,624
		\$ 475,152

2009	2010	2011	2012
105	105	105	105
28	28	28	28
467	467	467	467
486	486	486	486
328,230	328,230	328,230	328,230
387,624	387,624	387,624	387,624
475,152	475,152	475,152	475,152

Average Cost to Repair Main Leak - 2009

\$9,126

- (1) Average reduction realized during 3 year cycle.
- (2) Prior year Main leaks repaired reduced by percentage reduction.
- (3) Prior year Main leaks repaired less current year Main leaks repaired.
- (4) Minimum amount that will be subtracted from the AMRP revenue requirement calculation each year.
- (5) Amounts must be recalculated after next Gas base rate case.

Duke Energy Ohio
139 East Fourth Street
Cincinnati, Ohio 45202

P.U.C.O. Gas No. 18
Sheet No. 65.8
Cancels and Supersedes
Sheet No. 65.7
Page 1 of 1

RIDER AMRP

ACCELERATED MAIN REPLACEMENT PROGRAM RIDER

APPLICABILITY

Applicable to all customers receiving service under the Company's sales and transportation rate schedules.

ACCELERATED MAIN REPLACEMENT PROGRAM FACTORS

All customers receiving service under Rate RS, Rate RS - Low Income, Rate RFT, Rate RFT - Low Income, Rate GS - Small, Rate GS - Large, Rate FT and Rate DGS shall be assessed a monthly charge in addition to the Customer Charge component of their applicable rate schedule that will enable the Company to complete the bare steel/cast iron main replacement program and the riser replacement program. Customers receiving service under Rate IT and Rate SSIT will be assessed a throughput charge in addition to their commodity delivery charge for that purpose.

Rider AMRP will be updated annually, in order to reflect the impact on the Company's revenue requirements of net plant additions as offset by operations and maintenance expense reductions during the most recent twelve months ended December. Such adjustments to the Rider will become effective with the first billing cycle of May. The allocation of the AMRP revenue requirement will be in accordance with Paragraph 9 of the Stipulation and Recommendation approved by the Commission in Case No. 07-589-GA-AIR (55% to RS, RSLI, RFT and RFTLI, 37% to GS-S, GS-L, FT-S, FT-L and DGS, and 8% to IT and SSIT). The allocation of the riser replacement revenue requirement will also be in accordance with Paragraph 9 of the Stipulation and Recommendation approved by the Commission in Case No. 07-589-GA-AIR (92% to RS, RSLI, RFT and RFTLI, 8% to GS-S, GS-L, FT-S, FT-L and DGS).

The charges for the respective gas service schedules are:

Rate RS and RSLI, Residential Service	\$ 3.65/month
Rate RFT and RFTLI, Residential Firm Transportation Service	\$ 3.65/month
Rate GS-S and GS-L, General Service	\$28.96/month
Rate DGS, Distributed Generation Service	\$28.96/month
Rate FT-S and FT-L, Firm Transportation Service	\$28.96/month
Rate IT, Interruptible Transportation Service	\$ 0.014/CCF
Rate SSIT, Spark Spread Interruptible Transportation Rate	\$ 0.014/CCF

These monthly charges shall remain in effect until changed by order of the Public Utilities Commission of Ohio.

Filed pursuant to an Order dated _____ in Case Nos. 09-1849-GA-RDR and 09-1850-GA-ATA before the Public Utilities Commission of Ohio.

Issued:

Effective:

Issued by Julie Janson, President