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In the Matter of the Annual Application of Duke Energy Ohio for an Adjustment to Rider AMRP Rates)	Case No. 10-2788-GA-RDR ~~~	0
In the Matter of the Application of Duke Energy Ohio for Tariff Approval)	Case No. 10-2789-GA-ATA	

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 these cases 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 November 30, 2010, as well as the March 28, 2011, 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

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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, nor the Order approving the Stipulation, 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 or terminate and withdraw from the Stipulation by filing a notice with the Commission in this proceeding, including service to all the Parties. 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. 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 customers 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 these cases 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:

- Duke Energy Ohio shall receive an annualized revenue requirement under Rider AMRP of \$33,703,214.33 for the Accelerated Main Replacement Program (AMRP) and \$4,187,812.58 for the Riser Replacement Program (RRP), for a total revenue requirement of \$37,891,026.91, as calculated in the Company's application filed on February 28, 2011.
- The Parties agree to the revenue distribution, billing determinants, and calculated AMRP charges shown on Schedule 24 submitted by the Company with its Application on February 28, 2011.
- 3. Duke Energy Ohio committed, in the previous AMRP case, to provide 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. Subsequently, the Parties agree to reevaluate the continued use of the calculation methodology in an attempt to reach agreement on the guaranteed maintenance savings level for the 2012 AMRP test year and thereafter, and for the reasons set forth in Paragraph No. 5 below. For the purposes of determining the AMRP Annualized Revenue Requirement for the 2010 test year on Schedule 24 of the Company's application, the minimum main maintenance savings of \$387,624 from Stipulation Exhibit 1 was applied as this amount was greater than the actual savings amount during the 2010 test year. The minimum main maintenance savings of \$387,624 is included in the total revenue requirement of \$37,891,026.91, as a reduction to the total revenue requirement, for year 2010. This is the total revenue requirement amount upon which the calculated Rider AMRP charges on Schedule 24 in the Company's application are based.

- 4. The Parties agree that Duke Energy Ohio shall augment its AMRP program to include replacement of approximately thirty-three miles of larger than 12 inch diameter cast iron and bare steel pipe. Duke Energy Ohio has included in Stipulation Exhibit 2 to this Stipulation documentation that justifies augmenting its AMRP for inclusion of the replacement of approximately thirty-three miles of large diameter cast iron and bare steel pipe. The program to replace the large diameter pipe will begin with the construction season in summer of 2011 and continue through 2015.
- 5. The Parties agree that Duke Energy Ohio will file with the Commission a late filed exhibit ("Exhibit") that will memorialize the methodology by which the Company will calculate maintenance savings associated with the replacement of larger than 12 inch diameter pipe that serves as an offset to the AMRP Rider rate that customers will be asked to pay. The calculation of maintenance savings associated with the replacement of larger than 12 inch diameter pipe will be relevant for Duke Energy Ohio's 2013 AMRP Application (which addresses the 2012 test year), and as such has no bearing on the 2011 AMRP Rider Rate being approved by the Commission in this proceeding. Parties agree to use best efforts to complete and file the Exhibit no later than sixty days after the Commission's Opinion and Order in this proceeding.
- The Parties agree that Duke Energy Ohio shall continue its existing AMRP program, including the replacement of larger than 12 inch diameter pipe discussed in paragraph 4 through 2015
- Duke Energy Ohio shall wind down and terminate the AMRP as of December 31, 2015.
 By no later than February 28, 2016, Duke Energy Ohio shall file an AMRP Application

to true-up and complete the allowable recovery for capital additions related to the replacement of cast iron, bare steel, plastic and any other type of pipe scheduled for replacement under the AMRP. Capital additions under the AMRP will have been placed in-service by December 31, 2015 and the Company shall be allowed to seek recovery of costs incurred through the end of December 31, 2015. Any contemplated AMRP projects not completed by December 31, 2015, shall not be eligible for cost recovery through Rider AMRP. The purpose of the true-up will be to establish the cut off for plant additions and associated retirements under the AMRP. Duke Energy Ohio shall continue to file subsequent AMRP Application(s) on February 28 (annually between 2017 and the filling of its next natural gas base rate case); however, such Application(s) shall be devoid of any new main line, service line and riser replacement capital additions and associated retirements.

8. The Parties acknowledge, recognize and agree that Duke Energy Ohio shall be permitted to recover bare steel and cast iron mains replacement, service line (main to curb and curb to meter) replacement and riser replacement costs through the AMRP Rider up to the yearly residential rate cap stated in the Stipulation, dated February 28, 2008, between the Parties in Case Nos.07-589-GA-AIR, et al.. Any costs which exceed the yearly rate cap will be deferred for inclusion in the subsequent year so long as the recovery does not exceed the cumulative residential rate cap. The established annual caps for the remaining term of the AMRP are as follows: \$6.20 for 2012, \$7.20 for 2013, \$8.20 for 2014, \$9.20 for 2015. and \$10.20 for 2016.³

³ In re Duke Energy Ohio Rate Case ("Rate Case"), Case Nos. 07-589-GA-AIR, et al. Stipulation ("Rate Case Stipulation") Exhibit 4, Page 3 of 3.

- 9. The Parties agree that Duke Energy Ohio will complete its audit and provide, as part of its 2012 AMRP Application, a reconciliation and explanation of the discrepancy that has been identified between the Company's continuing property records and its mapping records for the remaining bare steel and cast iron mains to be replaced, as discussed in Gary Hebbeler's Direct Testimony filed in these cases. The reconciliation and explanation of said discrepancy shall include, but not be limited to, the miles of pipe, type of pipe, the vintage of the pipe, the value of the pipe carried in Duke Energy Ohio's continuing property records as of the date certain of Duke's most recent Rate Case and as of December 31, 2010.
- 10. Duke Energy Ohio shall implement the new 2011 rates for Rider AMRP pursuant to the terms and conditions set forth in the Rate Case Stipulation.
- 11. The Parties agree to the tariff attached as Stipulation Exhibit 3 and request that the Commission approve said tariff.
- 12. The Parties agree that this Stipulation and attachments thereto shall be tendered to the Commission and filed with the Commission and offered into evidence as a joint exhibit, with each Party expressly stating their consent to and approval of this Stipulation in its entirety.
- 13. 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 8th day of April 2011.

STAFF OF THE PUBLIC UTILITIES COMMISSION OF OHIO

By: Steven L. Beeler, Assistant Attorney General

DUKE ENERGY OHIO, INC.

By: Calette | Watte Elizabeth H. Watts, Associate General Counsel

THE OFFICE OF THE OHIO CONSUMERS' COUNSEL

By: <u>Navy</u> S. Saver EHW

Larry S. Saver, Assistant Consumers' Counsel

Stipulation Exhibit 1

Duke Energy Ohio Estimated Main Leak Repairs and Savings Wishman Main Maintenance Savings

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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	\$ 4.81/month
Rate RFT and RFTLI, Residential Firm Transportation Service	\$ 4.81/month
Rate GS-S and GS-L, General Service	\$36.81/month
Rate DGS, Distributed Generation Service	\$36.81/month
Rate FT-S and FT-L, Firm Transportation Service	\$36.81/month
Rate IT, Interruptible Transportation Service	\$ 0.015/CCF
Rate SSIT, Spark Spread Interruptible Transportation Rate	\$ 0.015/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. 10-2788-GA-RDR and 10-2789-GA-ATA
Issued:	Effective:

Issued by Julie Janson, President