

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke)
Energy Ohio, Inc., for Approval of a) Case No. 11-5905-EL-RDR
Distribution Decoupling Rider.)

FINDING AND ORDER

The Commission finds:

- (1) Duke Energy Ohio, Inc. (Duke or the Company) is an electric distribution utility as defined in R.C. 4928.01(A)(6) and a public utility as defined in R.C. 4905.02, and, as such, is subject to the jurisdiction of this Commission.
- (2) R.C. 4928.141 provides that an electric distribution utility shall provide consumers within its certified territory a standard service offer (SSO) of all competitive retail electric services necessary to maintain essential electric services to customers, including a firm supply of electric generation services. The SSO may be either a market rate offer in accordance with R.C. 4928.142 or an electric security plan (ESP) in accordance with R.C. 4928.143.
- (3) In Case No. 11-3549-EL-SSO, et al, the Commission approved a stipulation filed by various parties, which provided for Duke to offer an ESP. Among other terms, the stipulation provided that Duke would file an application for approval of a distribution revenue decoupling mechanism. A revenue decoupling mechanism separates (or decouples) the utility's fixed amount of authorized recovery from the amount of electricity it actually sells. This stabilizes the utility's revenues, which are no longer affected by changes in energy sales. Therefore, there is no incentive for the utility to sell more electricity nor any disincentive to promote energy efficiency. *In re Duke Energy Ohio, Inc.*, Case No. 11-3549-EL-SSO, et al., Opinion and Order (Nov. 22, 2011).
- (4) By Finding and Order issued in this case on May 30, 2012, the Commission approved Duke's December 8, 2011 application to implement a three-year distribution revenue decoupling pilot through rider distribution decoupling (Rider DDR) that runs

from January 1, 2012, through December 31, 2014.¹ The rate classes that the rider is approved for are: the Residential Class; Optional Rate for Electric Space Heating (Rate EH); and Secondary Distribution Service-Small (Rate DM). Rider DDR rates are determined by comparing authorized distribution revenues to revenues actually collected, on a monthly basis, for each rate class, with Duke accruing the positive or negative difference in a balancing account specific to each rate class. As approved by the Commission, Rider DDR was initially set at \$0.00 and is to be updated on a yearly basis. Rider DDR is subject to a three percent cap on the annual adjustment, with balances carrying forward at the long-term cost of debt. After the conclusion of the pilot, Duke is to file a report discussing the results of the pilot and justifications for extending or terminating the program.

- (5) On February 25, 2015, Duke filed an application to adjust and set Rider DDR based upon the distribution revenues collected in 2014 and Duke's forecasted 2015 sales. Duke calculates that Rider DDR should be set for the following customer classes as follows:

- (a) Residential Class: The total amount of the overcollected distribution revenues was \$536,423. Therefore, the rate should be decreased from the current rate of \$0.000168 per kilowatt hour (kWh) to \$(0.000085)² per kWh, resulting in a credit to customers.
- (b) Rate EH: The total amount of the overcollected distribution revenues was \$172,956. This was subtracted from the prior years' unrecovered decoupling balance, leaving the current balance at \$787,490. The three percent cap is \$58,158; therefore, Duke is only permitted to recover \$58,158 from this rate class. Thus, the rate should be increased from the current rate of \$0.000678 per kWh to \$0.000744 per kWh.

¹ The Commission continued Rider DDR beyond 2014 when it approved Duke's most recent ESP in *In re Duke Energy Ohio, Inc.*, Case No. 14-841-EL-SSO, et al., Opinion and Order (April 2, 2015).

² Numbers in parentheses indicate a negative amount.

- (c) Rate DM: The total amount of the overcollected distribution revenues was \$154,822; therefore, Duke should increase the current credit provided to those customers. Thus, the rate would change from \$(0.001151) per kWh to \$(0.00231) per kWh.
- (6) Staff filed comments on May 1, 2015 and was the only party to file comments. Staff avers that the rates appear to be calculated appropriately and that Staff supports approval of the rates as filed.

Staff also notes that Duke was ordered to file a set of metrics by which the pilot program would be evaluated, which the Company did on November 29, 2012, in *In re Aligning Electric Distribution Utility Rate Structure*, Case No. 10-3126-EL-UNC. Further, Staff states the results of the evaluation are to be completed and filed after the conclusion of the third year of the program, which occurred on December 31, 2014. Staff requests that Duke be ordered to file those results and include in its analysis whether the program achieved in decoupling distribution revenues from sales volume and in removing disincentives to offer energy efficiency. This will allow Staff, interveners, and the Commission to properly review and comment on the program.

- (7) Upon review of Duke's February 25, 2015 application, the Commission finds that the proposed rates for Rider DDR do not appear to be unjust or unreasonable, and, therefore, we find it unnecessary to hold a hearing in this matter. Accordingly, the Commission authorizes Duke to file revised tariffs to implement the adjusted Rider DDR rates.

Pursuant to the Commission's May 30, 2012, Finding and Order in this case, as the pilot program has been in affect for three years, Duke is directed to file the results of the pilot program evaluation no later than August 28, 2015.

It is, therefore,

ORDERED, That the application filed by Duke on February 25, 2015, be approved.
It is, further,

ORDERED, That Duke file the results of the pilot program evaluation by August 28, 2015. It is, further,

ORDERED, That Duke be authorized to file tariffs, in final form, consistent with this Finding and Order. Duke shall file one copy in this case docket and one copy in its TRF docket. It is, further,

ORDERED, That the effective date of the new tariffs shall be a date not earlier than the date of this Finding and Order and the date upon which the final tariffs are filed with the Commission. It is, further,

ORDERED, That Duke notify all affected customers of the changes to the tariffs via a bill message or via a bill insert within 30 days of the effective date of the tariffs. A copy of the customer notice shall be submitted to the Commission's Service Monitoring and Enforcement Department, Reliability and Service Analysis Division, at least 10 days prior to its distribution to customers. It is, further,

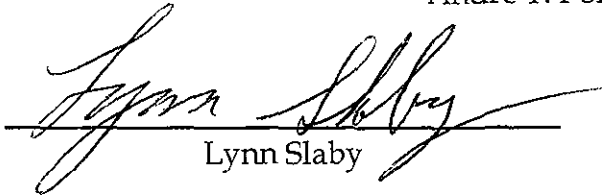
ORDERED, That nothing in this Finding and Order shall be binding upon this Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

ORDERED, That a copy of this Finding and Order be served upon all interested persons of record in this case.

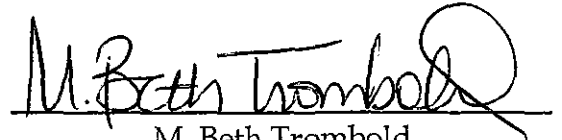
THE PUBLIC UTILITIES COMMISSION OF OHIO



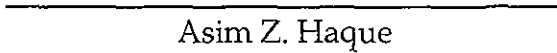
Andre T. Porter, Chairman



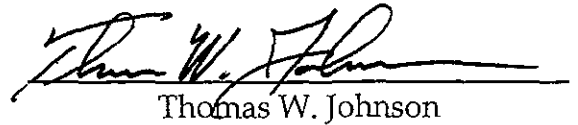
Lynn Slaby



M. Beth Trombold



Asim Z. Haque

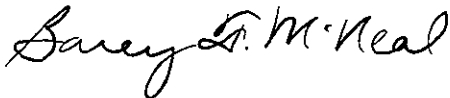


Thomas W. Johnson

NW/vrm

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JUL 08 2015



Barcy F. McNeal
Secretary