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September 16, 2016

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Docketing Division
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180 East Broad Street
Columbus OH 43215

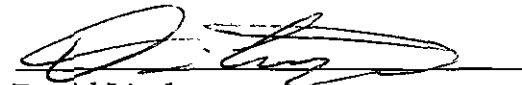
RE: *In the Matter of the Application of Duke Energy Ohio, Inc. to Adjust Rider DR-IM for 2015 Grid Modernization Costs, Case No. 16-1404-EL-RDR*

Dear Docketing Division:

Enclosed please find the Staff's Review and Recommendations regarding the application filed by Duke Energy Ohio, Inc. to adjust its Rider DR-IM in Case No. 16-1404-EL-RDR.



Tamara S. Turkenton
Chief, Regulatory Services Division
Public Utilities Commission of Ohio



David Liphtratt
Chief, Research and Policy Division
Public Utilities Commission of Ohio

Enclosure
Cc: Parties of Record

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Duke Energy Ohio, Inc.
Case No. 16-1404-EL-RDR (Rider DR-IM)

SUMMARY

On June 29, 2016, Duke Energy Ohio, Inc. (Duke or the Company) filed an application in Case No. 16-1404-EL-RDR for approval to update its Rider DR-IM. This application was to recover 2015 Operation and Maintenance (O&M) and capital-related expenses incurred for the Company's investment in grid modernization and related systems associated with electric service and is designed to recover approved costs incurred over the twelve-month period ending December 31, 2015 through a per-meter customer charge. The requested revenue requirement is approximately \$42.7 million. Subject to approval by the Commission, annually updated rider rates are intended to go into effect in the second quarter of each year.

STAFF REVIEW AND RECOMMENDATIONS

In its review, Staff examined the as-filed schedules for consistency with the Commission's Opinion and Orders in previous grid modernization cases and to ensure proper accounting treatment was applied. The audit consisted of a review of the financial statements regarding completeness, occurrence, presentation, valuation, allocation, and accuracy. Staff conducted this audit through a combination of document review, interviews, and interrogatories. Staff requested documentation as needed to determine that the costs were substantiated and jurisdictional or to conclude that an adjustment was warranted.

Staff recommends an adjustment for an invoice from Networked Energy Services Corporation, which provides software for the data concentrators and meters¹ for the Company's grid modernization initiative. Part of the invoice, \$17,880, was charged to the Company, but the invoice description says, "for Carolinas²." The Company agreed that it is not appropriate to include this charge and stated that this amount was credited in July 2016³; however, Staff concludes that the expense should not be included in 2015 Grid Modernization charges. Therefore, Staff recommends an adjustment of \$17,880 to this rider with the expectation that the Company reverse the correction in its 2016 Grid Modernization expenses. This adjustment, however, has no impact on the proposed rates of \$4.84/month for residential customers and \$7.20/month for non-residential customers.

CONCLUSION

Staff has completed its review of the filing and finds that, with the exception of the adjustment noted above, the Company has appropriately included in its Rider DR-IM

¹ Company response to Staff Data Request No. 3.

² Company response to Staff Data Request No. 2.

³ Company response to Staff Data Request No. 3.

only those costs that are incurred as a result of serving its retail customers in Ohio and recommends that the Application be approved and rates become effective on a bills-rendered basis beginning April, 2017.

The chart below shows the proposed monthly rate compared to the rate currently in effect:

Residential Current Rate	Residential Proposed Rate	Change
\$6.28	\$4.84	(\$1.44)
Non- Residential Current Rate	Non- Residential Proposed Rate	Change
\$9.35	\$7.20	(\$2.15)