

BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)	
Duke Energy Ohio, Inc., to Adjust)	
Rider DR-IM for 2016 Grid)	Case No. 17-1403-EL-RDR
Modernization Costs.)	

**APPLICATION OF DUKE ENERGY OHIO, INC.,
TO ADJUST RIDER DR-IM FOR 2016 GRID MODERNIZATION COSTS**

1. Duke Energy Ohio, Inc., (Duke Energy Ohio or the Company) is an Ohio corporation engaged in the business of supplying electric transmission, distribution, and generation service in Adams, Brown, Butler, Clinton, Clermont, Hamilton, Montgomery, and Warren Counties in Southwestern Ohio to approximately 710,000 electric customers.

2. Duke Energy Ohio is a “public utility” as defined by Sections 4905.02 and 4905.03, Revised Code, and an “electric distribution company,” “electric light company,” “electric supplier,” and “electric utility” as defined by Section 4928.01, Revised Code.

3. In this Application, the Company requests approval to adjust its distribution reliability - infrastructure modernization rider (Rider DR-IM) to allow for recovery of 2016 costs for the deployment of its grid modernization and related systems. Rider DR-IM was originally submitted for approval in Case No. 08-920-EL-SSO, *et al.*, (Electric Security Plan (ESP) Case), respectively. Duke Energy Ohio also hereby requests such tariff approval and accounting authority as may be required for recovery.

4. Duke Energy Ohio filed an electric security plan for approval by the Commission in July 2008. This proceeding was resolved by a stipulation that was adopted and approved by

the Commission on December 17, 2008. The Commission's Opinion and Order accepting the stipulation included the authority for Duke Energy Ohio to commence deployment of grid modernization in its southwestern Ohio service area, and contained provisions for Duke Energy Ohio to create Rider DR-IM, which was initially set at zero, to recover costs for grid modernization deployment on a cost-per-meter basis, with applicable performance targets and caps on costs to customers. Duke Energy Ohio agreed to accrue post-in-service carrying charges at the most recent approved weighted cost of long-term debt and to defer depreciation and operating costs from the date expenditures are incurred until they are included for recovery in Rider DR-IM. The parties to the stipulation further agreed to regulatory asset accounting treatment for replaced meters, for which recovery was to be made through existing depreciation rates as amended from time to time. The stipulation also sets forth a requirement that Duke Energy Ohio file for annual second quarter approval of Rider DR-IM adjustments, subject to due process, including a hearing. The stipulation further provided that the Company would include a mid-deployment program summary and review with its 2010 grid modernization cost recovery application.¹

5. In June 2009, in Case No. 09-543-GE-UNC, Duke Energy Ohio submitted its first annual second quarter application for approval of the costs it incurred during 2008 for its deployment of grid modernization. This case was also resolved through a stipulated settlement in November of 2009, and that stipulation was approved by the Commission in May 2010.²

6. In July 2010, in Case No. 10-867-GE-RDR, Duke Energy Ohio submitted its second annual second-quarter application for approval of the costs it incurred during 2009 for its

¹ *In the Matter of the Application of Duke Energy Ohio for Approval of an Electric Security Plan*, Case No. 08-920-EL-SSO, et al., (Stipulation and Recommendation, October 27, 2009).

² *In the Matter of the Application of Duke Energy Ohio to Adjust and Set its Gas and Electric Recovery Rate for SmartGrid Deployment Under Rider AU and Rider DR-IM*, Case No. 09-543-GE-UNC (Stipulation and Recommendation, November 19, 2009).

deployment of grid modernization. Like the Company's Gas Distribution Rate Case, ESP Case, and Case No. 09-543-GE-UNC, Case No. 10-867-GE-RDR was also resolved by means of a stipulated settlement, which was approved by the Commission in March 2011.³

7. On October 27, 2010, in Case No.10-2326-GE-RDR, the Commission issued an entry that included a request for proposals to perform an audit that includes both an operational audit and an operational benefits assessment of Duke Energy Ohio's overall grid modernization implementation. The Commission subsequently selected MetaVu, Inc., (MetaVu) to conduct the audit. MetaVu's final audit report was filed with the Commission on June 30, 2011. That proceeding was resolved by a stipulation and recommendation that was submitted to the Commission for its approval on February 24, 2012. The Stipulation and Recommendation was approved by the Commission on June 13, 2012.

8. In June 2012, in Case No. 12-1811-GE-RDR, Duke Energy Ohio submitted its fourth annual second-quarter application for approval of the costs it incurred during 2011 for its deployment of grid modernization. Like the Company's Gas Distribution Rate Case, ESP Case, and Case No. 09-543-GE-UNC, this case was also resolved by means of a stipulated settlement, which was approved by the Commission in March 2013.

9. In June 2012, in Case No. 12-1685-GA-AIR, Duke Energy Ohio filed for an increase to its base gas rates. In this case the gas smart grid capital investment as of March 31, 2012 was included in base rates. There was a partial settlement reached in the case, which was approved by the Commission in November 2013.

10. In June 2013, in Case No. 13-1141-GE-RDR, Duke Energy Ohio submitted its fifth annual second-quarter application for approval of the costs it incurred during 2012 for its

³ *In the Matter of the Application of Duke Energy Ohio to Adjust Rider DR-IM and Rider AU for 2009 SmartGrid Costs*, Case No. 10-867-GE-RDR (Stipulation and Recommendation, February 14, 2011).

deployment of grid modernization. This case was also resolved by means of a stipulated settlement, which was approved by the Commission in April 2014.

11. In June 2014, in Case No. 14-1051-GE-RDR, Duke Energy Ohio submitted its sixth annual second-quarter application for approval of the costs it incurred during 2013 for its deployment of grid modernization. A hearing was held in February 2015. The Commission issued its order in April 2015.

12. In June 2015, in Case No. 15-0883-GE-RDR, Duke Energy Ohio submitted its seventh annual second-quarter application for approval of the costs it incurred during 2014 for its deployment of grid modernization. A hearing was held in January 2016. The Commission issued its order in March 2016.

13. In June 2016, in Case No. 16-1404-EL-RDR, Duke Energy Ohio submitted its eighth annual second-quarter application for approval of the costs it incurred during 2015 for its deployment of grid modernization. In November, 2017 the Company filed a letter accepting the Staff's review and recommendations in the case. No hearing was held.

14. Duke Energy Ohio hereby files its Application to adjust Rider DR-IM to recover 2016 costs for the deployment of its grid modernization and related systems. In support of its Application, Duke Energy Ohio submits the testimony of Peggy A. Laub. Duke Energy Ohio witness Peggy A. Laub will provide details regarding the Company's expenditures and revenue requirement for grid modernization deployment for 2016 with supporting schedules for the Company's request consistent with stipulations agreed to in prior cost recovery cases. She also provides information related to the 2016 Distribution System Loading Report and Distribution Efficiency Metrics. If the Company receives an order in Case No. 17-032-EL-AIR which includes recovery for these same smart grid costs the Company will withdraw its application in

this case as of the effective date of the new rates implemented in the 17-032-EL-AIR case. If new base rates are not approved before April 1, 2018, the Rider DR-IM rates proposed here would take effect on that day. The Company will continue to make Rider DR-IM filings, updating the rates, until the Commission approves new base rates that include the SmartGrid investment.

Conclusion

As discussed in the testimony filed in this case, the Company has worked to actively deploy its grid modernization and advanced technologies, to promote its programs, and to engage customers in order to make the programs successful. The Company continues to provide additional functionality and efficiency to its system to benefit its customers and to provide safer, more reliable, affordable energy.

Additionally, as supported by the testimony of the Duke Energy Ohio witness filed herewith, the Company respectfully requests that the Commission approve its Application, subject to the terms outlined herein.

Respectfully submitted,

Duke Energy Ohio, Inc.

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Summary: Application electronically filed by Ms. Emily Olive on behalf of Duke Energy Ohio and Spiller, Amy B. Ms. and Watts, Elizabeth H. Ms.