DUKE ENERGY OHIO EXHIBIT ______

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke Energy Ohio, Inc., for an Increase in Electric Distribution Rates.)	Case No. 17-32-EL-AIR
In the Matter of the Application of Duke Energy Ohio, Inc., for Tariff Approval.)	Case No. 17-33-EL-ATA
In the Matter of the Application of Duke Energy Ohio, Inc., for Approval to Change Accounting Methods.)	Case No. 17-34-EL-AAM
In the Matter of the Application of Duke Energy Ohio, Inc., for Approval to Modify Rider PSR.)	Case No. 17-872-EL-RDR
In the Matter of the Application of Duke Energy Ohio, Inc., for Approval to Amend Rider PSR.)	Case No. 17-873-EL-ATA
In the Matter of the Application of Duke Energy Ohio, Inc., for Approval to Change Accounting Methods.)	Case No. 17-874-EL-AAM
In the Matter of the Application of Duke Energy Ohio, Inc., for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Revised Code, in the Form of an Electric Security Plan, Accounting Modifications and Tariffs for Generation Service.)	Case No. 17-1263-EL-SSO
In the Matter of the Application of Duke Energy Ohio, Inc., for Authority to Amend its Certified Supplier Tariff, P.U.C.O. No. 20.)	Case No. 17-1264-EL-ATA
In the Matter of the Application of Duke Energy Ohio, Inc., for Authority to Defer Vegetation Management Costs.)	Case No. 17-1265-EL-AAM
In the Matter of the Application of Duke Energy Ohio, Inc., to Establish Minimum Reliability Performance Standards Pursuant to Chapter 4901:1-10, Ohio Administrative Code.)	Case No. 16-1602-EL-ESS

SECOND SUPPLEMENTAL TESTIMONY

OF WILLIAM DON WATHEN JR.

IN SUPPORT OF STIPULATION

June 6, 2018

TABLE OF CONTENTS

I. INTRODUCTION AND PURPOSE

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is William Don Wathen Jr., and my business address is 139 East Fourth Street, Cincinnati, Ohio 45202.

Q. HAVE YOU FILED DIRECT TESTIMONY IN THESE PROCEEDINGS?

A. I have filed direct testimony in all of the cases listed in the caption except for Case No. 16-1602-EL-ESS. As it relates to that case, I am not filing any direct testimony but will address how it relates to the overall stipulation reached in all of these proceedings.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my Supplemental Direct Testimony is to sponsor and support various aspects of the Stipulation and Recommendation (Stipulation) filed on April 13, 2018. I provide testimony regarding the primary components of the Stipulation and how the Stipulation (1) is the product of serious bargaining among capable, knowledgeable parties; (2) as a package, benefits ratepayers and the public interest; and (3) does not violate any important regulatory principle or practice. Finally, I will address how the electric security plan (ESP) agreed to in the Stipulation compares to the expected results under R.C. 4928.142.

II. OVERVIEW OF STIPULATION

Q. DID YOU PARTICIPATE IN THE NEGOTIATIONS THAT LED TO THE STIPULATION?

A. Yes. From the first settlement discussion beginning in the summer of 2017 through the date the Stipulation was filed, I have participated in the settlement discussions held with all of the parties at the Commission's offices and with individual parties.

Q. WHICH PARTIES SIGNED THE STIPULATION?

A. In addition to the Company and the Commission Staff, the parties that signed and support the Stipulation include the (1) intervenors representing low-income residential customers, namely, the Ohio Partners for Affordable Energy (OPAE) and People Working Cooperatively (PWC); and, (2) intervenors representing customers or groups of customers, including the Ohio Energy Group (OEG), the Ohio Hospital Association (OHA), and the City of Cincinnati (Cincinnati). A number of other customer groups provided signatures agreeing not to oppose the Stipulation. Those intervenors were The Kroger Company (Kroger), Wal-Mart Stores East, LP, and Sam's East, Inc. (Wal-Mart), the Ohio Manufacturers' Association Energy Group (OMAEG), and the Industrial Energy Users - Ohio (IEU).

Q. PLEASE PROVIDE AN OVERVIEW AND DESCRIBE THE PRIMARY COMPONENTS OF THE STIPULATION.

A. The Stipulation represents a compromise reached by the signatory parties to settle the Company's pending ESP application, the Company's pending base electric distribution rate case application, the Company's application to populate its existing Price Stabilization Rider (Rider PSR), and the Commission's review of the Company's electric service standards for 2016. The Stipulation should be viewed as a global settlement of all of these cases and, for each signatory party, the individual concessions or benefits should not be viewed independently but, only as part of the global settlement. As is the case with settlements, compromises were made such that, as a whole, the signatory parties accepted the sum of the individual terms as a reasonable and acceptable compromise of all of the issues. The following section of my testimony provides a summary of most of the major components of the Stipulation.

A. TERM OF THE ELECTRIC SECURITY PLAN

Q. IF APPROVED, HOW LONG WILL THE COMPANY'S ESP BE IN EFFECT?

A. The Stipulation provides that the new ESP will be in effect the later of June 1, 2018, or the effective date of an order by the Commission approving this stipulation, through at least May 31, 2025. In light of the fact that June 1, 2018, has passed, the new ESP will be effective upon approval by the Commission, assuming the Commission makes no modifications to the Stipulation that cause the Company to reject the ESP.

Q. WHAT IS THE SIGNIFICANCE OF FACT THAT THE ESP INCLUDED IN THIS GLOBAL SETTLEMENT EXTENDS THROUGH MAY 31, 2025?

A. In approving the most recent ESP for AEP Ohio, Commission Chairman Asim Haque noted the importance of "stability for AEP customers." He went on to note that

> …the rates that will be set as a result of [the] decision will be in place until May 31, 2024. ESPs are big cases. They are time intensive and they are very litigious. To have stability in the AEP footprint until May 31, 2024, is a very good thing for AEP's

> current customers and for job creation in AEP's service territory. In fact, with this decision, and assuming that some form of universal settlement stipulation filed in the Duke service territory is approved this year, we will have rate stability for all four of our electric utilities until the mid-2020s. This will mark the longest period of rate stability in the state since the passage of the ESP statute.[1]

The proposed Stipulation will extend through May 31, 2025, and, consequently, will achieve all of the benefits described by Chairman Haque. The extended period of rate stability that will result from approval of the Stipulation is a "very good thing" for Duke Energy Ohio's current customers and for job creation in the Duke Energy Ohio's footprint.

The process for procuring power for Standard Service Offer (SSO) service for pricing SSO service, and reconciling the differences between revenue collected for SSO service and the cost to Duke Energy Ohio of procuring SSO service will be settled for at least the next seven years. In fact, the totality of the Stipulation contributes to the stability addressed by Chairman Haque in creating a regulatory construct that will foster such benefits through at least the mid-2020s.

B. <u>SSO PROCUREMENT AND PRICING</u>

Q. PLEASE DESCRIBE THE PROVISIONS OF THE SETTLEMENT THAT RELATE TO SSO PROCUREMENT AND PRICING.

A. Per the Stipulation, the Company will continue using an auction process for procuring generation and generation-related services as it has done since 2011. The process for converting the resulting wholesale auction price into separate retail prices for capacity and energy is also essentially unchanged. The template

[1] Comments of Asim Haque at the Commission's April 25, 2018, weekly meeting regarding approval of Case No. 16-1852-EL-SSO.

for converting wholesale SSO auction prices into retail prices for capacity (Rider RC) and energy (Rider RE) is outlined in Stipulation Attachment B.

In order to ensure that customers and the Company are made whole, the existing Supplier Cost Reconciliation Rider (Rider SCR) will continue. Rider SCR provides that the Company will refund or charge SSO customers the difference between the amounts collected under Rider RC and Rider RE, plus the costs incurred by Duke Energy Ohio with conducting the auctions. Currently, the costs related to the procurement of SSO service for Percentage Income Payment Plan (PIPP) customers is also collected in Rider SCR; however, this cost will no longer be collected in Rider SCR upon approval of the Stipulation.

Since the time the last ESP was approved, the Company began conducting a separate requests for proposal (RFPs) to procure power for customers served under the PIPP. Although the Stipulation provides for a continuation of that process, there will be a change in how the costs incurred by Duke Energy Ohio for conducting such requests will be recovered. Currently, the costs for conducting the PIPP RFPs are recovered via Rider SCR but, upon approval of the Stipulation, the costs for conducting the PIPP RFPs will be recovered via the non-bypassable rider for uncollectible expenses related to electric distribution service (Rider UE-ED).

C. BASE RATE REDUCTION

Q. WILL YOU DESCRIBE THE SIGNIFICANT COMPONENTS OF THE BASE RATE DECREASE?

A. Upon approval of the Stipulation, without modifications, the Company will file new tariffs to reflect an overall reduction in base distribution revenue of $19.17 million using the Billing Determinants shown in Stipulation Attachment E. The reduction in base revenues is to be allocated evenly across all rate classes such that each rate class will see, on average, an approximate 4 percent reduction in base distribution revenue. For all rate classes, except for Distribution Secondary (DS), the customer charge will be unchanged from current. For rate DS, the customer charge will be reduced from $229.92 per bill to $100.00 per bill to more closely align with the cost of service and the demand rate for Rate DS is adjusted upward to make the change to the customer charge revenue neutral.

The base rate reduction reflects (1) a return on equity of 9.84 percent; (2) an equity ratio of 50.75 percent; and (3) depreciation expense calculated at rates proposed by the Staff, including the amortization of existing meters and equipment related to the initial deployment of SmartGrid that will be retired early.

D. DISTRIBUTION CAPITAL INVESTMENT RIDER

Q. DOES THE STIPULATION ALLOW THE COMPANY TO CONTINUE ITS DISTRIBUTION INVESTMENT RIDER?

A. Yes. The Stipulation provides for the continuation of the Company's existing Distribution Capital Investment Rider (Rider DCI). Generally, the formula for calculating Rider DCI, the administrative process for filing the Rider DCI, and the audit process are the same as for the current Rider DCI. In addition, there are some modifications that I will discuss as well.

In its ESP Application and in its rate case application, the Company proposed to modify its Rider DCI to include recovery of incremental revenue requirements on distribution-related general, intangible, and common plant, in a manner consistent with what the Commission has approved for other Ohio electric distribution utilities.[2] As part of this settlement, the Company is foregoing its pursuit of this modification.

Q. ASSUMING THE COMMISSION APPROVES THE STIPULATION, WITHOUT MODIFICATION, WHEN WILL THE RIDER DCI BE MODIFIED TO REFLECT THE TERMS OF THE STIPULATION?

A. Upon approval of the Stipulation, the Company will file an updated Rider DCI to reflect the changes agreed to in the Stipulation and to update the "base amount" for measuring the incremental revenue requirement being calculated in the rider.

Q. HOW WILL THE COMPANY UPDATE THE BASE AMOUNT?

A. Because Rider DCI is designed to compare the revenue requirement on current distribution plant to the revenue requirement on the same categories of plant being recovered in base rates, the "base amount" will be updated to reflect the distribution rate base as of the date certain used in the test year, June 30, 2016. The current version of Rider DCI uses the date certain of March 31, 2012, from the previously approved rate case, Case No. 12-1682-EL-AIR.

Q. WHAT INVESTMENTS ARE ELIGIBLE TO BE INCLUDED IN RIDER DCI?

[2] *See In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company for Authority to Provide for a Standard Service Offer Pursuant to R.C. 4928.143 in the Form of an Electric Security Plan*, Case No. 14-1297-EL-SSO, Opinion and Order, at pp. 65-66, 92-93, 111, 120 (March 31, 2016).

A. As is currently the case, Rider DCI will calculate the capital-related revenue requirement on the actual rate base for the most recent quarter. For purposes of the Rider DCI calculation, the capital-related revenue requirement is the sum of the pre-tax return, depreciation expense, and property taxes. The capital-related revenue requirement for the most recent actual distribution rate base is then compared to the revenue requirement included in the current base rates for the same categories of rate base. The Stipulation provides that only rate base associated with plant classified as distribution under the FERC Uniform System of Accounts, *i.e.*, Accounts 360-374, are eligible to be included in Rider DCI.

The new Rider DCI will include all amounts in distribution FERC Accounts, where the current Rider DCI excluded rate base associated with the Company's initial SmartGrid deployment.

Q. HAVE YOU QUANTIFIED THE NEW BASE AMOUNT FOR THE NEW RIDER DCI?

A. Yes. From Stipulation Attachment D, the gross distribution plant and accumulated depreciation on distribution plant are easily defined. Per Attachment D, the gross distribution plant as of June 30, 2016, was $2,278,714,295, and the accumulated depreciation on distribution plant was $747,093,755. The only other component of rate base to be included in the Rider DCI calculation is the accumulated deferred income taxes (ADIT). The total ADIT balance at June 30, 2016, as shown in Attachment D, was $499,759,260; however, this amount includes ADITs attributable to more than just plant recorded in Accounts 360-374. Based on the Company's accounting data, the total amount of ADITs, as of June 30, 2016, attributable exclusively to distribution plant was $433,073,370. Therefore, the base amount of distribution rate base at June 30, 2016, for purposes of the Rider DCI calculation is:

Category	Balance at June 30, 2016
Gross Distribution Plant	$2,278,714,295
Accumulated Depreciation	(747,093,755)
Net Plant	$1,531,620,540
Accumulated Deferred Income Taxes	(433,073,370)
Distribution-Only Rate Base	$1,098,547,170

Q. DOES THE STIPULATION ADD ANY CONDITIONS FOR RIDER DCI?

A. Yes. The Stipulation includes a number of conditions regarding the Rider DCI including:

(1) Caps on the annual amount of revenue to be collected.

(2) Reliability targets.

(3) Capitalization policies and earnings-related incentive pay.

(4) Sunset provisions.

(5) Provisions for the potential inclusion of battery storage projects.

(6) Provisions for Commission audits and for recovery of associated costs.

Q. DESCRIBE HOW THE REVENUE CAPS WILL WORK.

A. The caps limit the amount of revenue that can be collected under Rider DCI and have been calculated in a manner consistent with how caps for EDUs were established. For the years 2019 and 2020, the magnitude of the revenue cap is also dependent on the Company's ability to meet reliability guidelines also provided for in the Stipulation creating an additional incentive for the Company to meet these guidelines.

Because of the timing of implementing the new ESP under the proposed Stipulation, the cap for 2018 is flexible as provided for in the Stipulation. Depending on when the new ESP is approved and the new Rider DCI is implemented, the cap for 2018 will be recalculated. Assuming the Stipulation is approved before 2019 and the new Rider DCI is implemented before that time, the caps for 2019 and future years, the caps provided for in the Stipulation will be in effect for those years.

Q. PLEASE DESCRIBE THE REQUIREMENTS RELATED TO CAPITALIZATION POLICIES.

A. The Stipulation requires that the Company, as part of its quarterly Rider DCI filings, provide an update of any changes to its capitalization policies that affect the jurisdictional (*i.e.*, distribution-related) revenue requirement. The update will include a quantification of the impact on the Rider DCI calculation as well.

Q. PLEASE EXPLAIN THE SUNSET PROVISION.

A. Simply put, the Stipulation requires the Company to file at least one new base rate case by May 31, 2024; otherwise, recovery of costs under Rider DCI will cease on June 1, 2024. If the Company does file at least one base distribution rate case between now and May 31, 2024, Rider DCI will continue through at least May 31, 2025, and there is a provision in the Stipulation that allows the Commission to extend Rider DCI. The Company is also required to file an updated depreciation study with its next rate case.

Q. PLEASE EXPLAIN THE PROVISION TO ALLOW BATTERY STORAGE PROJECTS TO BE INCLUDED IN RIDER DCI.

A. The Uniform System of Accounts for electric utilities includes an account identified as Distribution Plant that is for Battery Storage.

363 Energy Storage Equipment—Distribution
A. This account shall include the cost installed of energy storage equipment used to store energy for load managing purposes. Where energy storage equipment can perform more than one function or purpose, the cost of the equipment shall be allocated among production, transmission, and distribution plant based on the services provided by the asset and the allocation of the asset's cost through rates approved by a relevant regulatory agency. Reallocation of the cost of equipment recorded in this account shall be in accordance with Electric Plant Instruction No. 12, Transfers of Property. B. Labor costs and power purchased to energize the equipment are includible on the first installation only. The cost of removing, relocating and resetting energy storage equipment shall not be charged to this account but to Account 582.1, Operation of Energy Storage Equipment, and Account, 592.1, Maintenance of Energy Storage Equipment, as appropriate. C. The records supporting this account shall show, by months, the function(s) each energy storage asset supports or performs.
ITEMS: 1. Batteries/Chemical 2. Compressed Air 3. Flywheels 4. Superconducting Magnetic Storage 5. Thermal

Assuming a proposed battery storage project meets the criteria of the Uniform System of Accounts, it would be recorded in a distribution plant account, Account 363, and, therefore, it would be included in the Rider DCI revenue requirement calculation.

Q. EXPLAIN THE PROVISIONS FOR AUDITING RIDER DCI AND HOW THE COMPANY WILL RECOVER THE COST OF SUCH AUDITS.

A. Similar to the current process, Rider DCI will be audited annually. It is expected that each audit would be conducted pursuant to a new docket created by the Commission and by an independent auditor selected by the Commission. The Stipulation allows Duke Energy Ohio to recover the costs of such audits via the Rider DCI.

Q. HOW DOES THE TAX CUTS AND JOBS ACT IMPACT RIDER DCI?

A. The Tax Cuts and Jobs Act of 2017 (Tax Act) does not impact the "base" column at all as the effective date of the Tax Act was after the date certain and the test period in the rate case. Additionally, because the base column reflects rate base as of June 30, 2016, the ADITs offsetting rate base reflect all of the deferred taxes, as of that date, ultimately owed to customers.

The "current" column does reflect the impact of the lower federal income taxes by reducing the pre-tax return to be applied to current rate base. The cost rates for debt and equity are not different from the base period but, because the Tax Act reduced the federal income tax rate from 35 percent to 21 percent, the pre-tax return is different.

After the Tax Act was enacted, the Company, like all regulated utilities, reduced the balance of its ADITs to reflect the fact that the federal income tax rate would be lower in the future. For a regulated utility, all of the ADIT balance that existed before the Tax Act is still owed to customers; so, the reduction of the ADIT balance that resulted from the Tax Act was transferred to a regulatory liability. This new regulatory liability is called "excess" ADIT and, like the original ADIT that gave rise to the excess ADIT, it also represents amounts that are owed to customers. Consequently, the unamortized balance should continue to be an offset to rate base.

In order to appropriately give customers credit for the rate base offset attributable to the ADITs and the excess ADITs, the "current" rate base in Rider DCI will reflect both the ADITs recorded in Accounts 190, 282, and 283, plus the balance of excess ADITs recorded in Account 254.

E. POWERFORWARD RIDER

Q. PLEASE DESCRIBE THE PROVISIONS IN THE STIPULATION RELATED TO THE PROPOSED POWERFORWARD RIDER.

A. The Stipulation includes a rider that, if approved by the Commission, will facilitate the Company's efforts to continue modernizing the distribution grid and enhance the customer experience. The recent PowerForward review focused on those goals and this new rider will enhance the regulatory model so as to encourage investment in the types of programs the Commission envisions. The PowerForward Rider, Rider PF, will provide for recovery of operating and maintenance (O&M) expenses and capital-related costs associated with (1) specific programs outlined in the Stipulation; and (2) future expenditures that may be required as a result of any Commission directives emanating from its PowerForward Review.

Rider PF will be subject to certain cost caps and the calculation of the Rider PF revenue requirement and rates will follow the methodology used in similar riders. The rider will be subject to review before new rates are implemented and the Staff may audit the costs to be included in the rider.

The various components includable under Rider PF are divided into phases, and are described in greater detail in Attachment F to the Stipulation. Duke Energy Ohio witness Donald L. Schneider, Jr., described the Company's AMI transition, communication upgrades and the relation to the Commission's PowerForward initiative in his Direct Testimony submitted with the Company's ESP Application. Company witness Scott Nicholson discussed the access current access available to customer energy usage data (CEUD) in his direct testimony submitted in the Company's electric distribution rate case as well as his testimony in support of the Company's ESP Application. Importantly, as it relates to the Commission's PowerForward initiative, and the Company's goals (and Commission's stated desire) to modernize and enhance the distribution grid, this Stipulation provides a reasonable path forward that appropriately balances the interests in providing customers with greater control over and information regarding their energy usage at a reasonable rate, with the Company's need to achieve timely recovery of costs.

F. <u>CAPITALIZATION OF EARNINGS-RELATED INCENTIVE PAY</u>

Q. WHAT IS THE CAPITLIZED INCENTIVE PAY?

A. Duke Energy's capitalization policies follow Generally Accepted Accounting Principles (GAAP) and, among other things, provide for capitalization of a certain amount of labor costs associated with the construction of new plant. A portion of the labor costs being capitalized includes incentive compensation paid to employees. Some of the incentive pay is tied to issues such as safety, reliability, and retention, and some is tied to achievement of the Company's financial or earnings-related goals. The Staff objected to the inclusion of earnings-related pay in the Company's test year O&M expenses and, recently, expressed its objection to the inclusion of such pay in labor costs capitalized to plant.

Q. DESCRIBE THE PROVISION IN THE STIPULATION REGARDING CAPITALIZED INCENTIVE PAY.

A. Although Duke Energy Ohio believes it is reasonable and appropriate to include all of the costs associated with its <u>total</u> compensation package to recruit and retain its workforce, the Company agreed to a concession, as part of the overall settlement package, to begin excluding from the Rider DCI revenue requirement, any rate base associated with earnings-related incentives that are included in distribution rate base.

Because this is a significant departure from Duke Energy's existing accounting policies and because it would require a significant amount of work and expense to modify the corporate accounting system just for one of Duke Energy's multiple jurisdictions, the Stipulation provides that the Company will be allowed to leave the accounting system unchanged. In order to exclude the impacted rate base, an adjustment will be made to the revenue requirement calculations in Rider DCI and to Rider PF to eliminate the estimated impact of earnings-related incentives charged to new distribution plant added since June 30, 2016. Incentive pay that is not related to the financial performance of the Company will not be part of the adjustment.

G. VEGETATION MANAGEMENT

Q. PLEASE DESCRIBE HOW THE STIPULATION ADDRESSES THE COMPANY'S COST RECOVERY FOR DISTRIBUTION VEGETATION MANAGEMENT EXPENSES.

A. The Company provided extensive testimony in its ESP Application discussing the significant increase in its annual expenses for distribution vegetation management. Because the dramatic increase was not apparent when the Company filed its rate case, the test year expense for this important work was significantly lower than the amounts contractors are demanding now.

As a means to ensure that the Company can continue its vegetation management work while reducing the impact on its earnings, the Stipulation provides that the Company can implement a new rider, Electric Service Reliability Rider (Rider ESRR), to recover certain costs related to distribution vegetation management in excess of what will be recovered in base rates. Specifically, the costs at issue are for third-party contractor costs recorded in FERC Account 593. The Company's test year expense included revenue requirement shown on Schedule A of Stipulation Attachment D, is $10,720,877.

Rider ESRR will allow the Company to recover expenses for contractor costs recorded in Account 593, up to $20,720,877 per year, with up to $10 million recovered via the Rider and the remainder recovered in base rates. As part of the overall package, the Company also agreed to forgo its request for a deferral related to its distribution vegetation management costs for 2017.

Q. DOES THE STIPULATION INCLUDE ANY CONDITONS RELATED TO RIDER ESRR?

A. Yes. The costs must be prudently incurred. Because the contractors are selected through a competitive bid process, which will also be subject to Commission review, one would expect the costs to be reasonable and prudent. Importantly, the Stipulation also allows the Company to transition from a four-year cycle for distribution vegetation management to a five-year cycle. That will help to reduce the annual expenses and it is not expected that extending the cycle will have a material deleterious effect on distribution reliability.

Q. HOW WILL RIDER ESRR BE BILLED TO CUSTOMERS?

A. Per the Stipulation, Rider ESRR will be billed to customers by applying a percentage factor to the base distribution component of customers' bills. This is similar to how Rider DCI is charged to customers.

Q. ARE THERE AUDIT PROVISIONS ASSOCIATED WITH RIDER ESRR?

A. It is expected that the Commission Staff will periodically review the competitive bid process used to selected vendors and that the Staff will review the calculations of Rider ESRR accuracy.

H. <u>STORM RIDER</u>

Q. PLEASE DESCRIBE HOW THE STIPULATION ADDRESSES THE COMPANY'S FUTURE COST RECOVERY FOR STORM RESTORATION EXPENSES.

A. The currently effective ESP includes a provision that the Company will defer the difference between actual costs for major storms and the amount included in base rates in a regulatory asset. The regulatory asset would be debited if actual eligible costs for a year exceed amounts in base rates and credited actual eligible costs for a year are below the amount in base rates. The existing ESP only authorized the Company to begin flowing through dollars via a distribution storm rider (Rider DSR) if the accumulated balance of the regulatory asset exceeded a $5 million regulatory liability or a $5 million regulatory asset.

The Stipulation modifies the mechanism for Rider DSR by, first, updating the amount assumed to be in base rates. The Staff determined that $4.300 million be the amount included in base the distribution revenue requirement; therefore, once the Stipulation is approved, the basis for measuring incremental storm costs will be to compare the actual costs for major storms to a base amount of $4.300 million. The Stipulation also abandons the current model of a threshold trigger for flowing through differences between the actual costs and the amount in base rates and, instead, requires that the Company, beginning in 2019, annually update Rider DSR and begin flowing through the balance of the deferral (positive or negative) that exists on December 31st of the prior year.

Q. WILL THE STORM COST UPDATE BE PART OF A SEPARATE DOCKET AND SUBJECT TO AUDIT?

A. Yes. The filing will be made around March 31st each year at which time the Staff may audit the prior year's expenditures and, if so, will submit a report. To the extent the Commission uses outside auditors that are paid for by the Company, the expense of such audit will be recovered in the rider.

I. SMARTGRID RIDER

Q. WILL THE COMPANY'S RIDER FOR RECOVERY OF ITS INITIAL SMARTGRID DEPLOYMENT COSTS CONTINUE?

A. Once new base rates are implemented pursuant to an order by the Commission, the current rider for recovery of the Company's initial deployment of SmartGrid will be eliminated. From that point on, the costs currently being recovered in the Company's distribution reliability – infrastructure modernization rider (Rider DR-IM) - will be recovered in base distribution rates, eliminating the need for Rider DR-IM. Until that time, Rider DR-IM will continue recovering the Company's initial SmartGrid deployment costs. The current rates for Rider DR-IM were approved on March 21, 2018, in Case No. 17-1403-EL-RDR.

J. PRICE STABILITY RIDER

Q. DESCRIBE THE PROVISIONS IN THE SETTLEMENT RELATED TO THE COMPANY'S PROPOSED RIDER PSR.

A. The Stipulation provides that Duke Energy Ohio will implement Rider PSR to recover net costs related to its participation in the Intercompany Power Agreement (ICPA) with the Ohio Valley Electric Corporation (OVEC) for gains/losses starting January 1, 2018, through May 31, 2025.

The Stipulation provides that recovery under Rider PSR is subject to a number of conditions including (1) limitations related to periods of forced outages at OVEC's generating plants; (2) limitations related to capacity performance assessments from PJM; (3) provisions for audits to be conducted by Staff to review the Company's practices for liquidating the capacity, energy, and any other product it acquires from OVEC in the wholesale markets; (4) a requirement to continue pursuing a transfer of its entitlement under the ICPA, along with a requirement to provide an annual update on the Company's progress toward that end; and (5) the condition that there will be no carrying costs included in Rider PSR.

Q. HOW FREQUENTLY WILL RIDER PSR BE UPDATED?

A. Rider PSR will be updated on a quarterly basis with a projection of costs for the upcoming quarter and a reconciliation mechanism to true up for differences between actual historical net costs and actual historical Rider PSR revenue. The Staff's review will be done annually.

Q. THE STIPULATION INCLUDES A PROVISION RECOMMENDING THAT THE COMMISSION EVALUATE THE PRUDENCY OF THE COSTS INCURRED UNDER THE ICPA AND THE REASONABLENESS OF THE GENERATION REVENUE THAT MAY BE RECEIVED FROM LIQUIDATION OF ICPA ENTITLEMENTS IN A UNIFORM MANNER AMONG THE ELECTRIC DISTRIBUTION UTILITIES THAT ALSO HAVE CONTRACTUAL ENTITLEMENTS UNDER THE ICPA. WILL YOU EXPLAIN THE SIGNIFICANCE OF THAT PROVISION?

A. AEP Ohio and Dayton Power & Light (DP&L) are the other two electric distribution utilities (EDUs) that have entitlements under the ICPA, and their entitlement shares are roughly proportional to Duke Energy Ohio's share based on the relative sizes of each EDU. Every megawatt of capacity and every megawatt-hour of energy is sold at the same delivery point in the same market, and the costs allocable to each EDU are essentially the same on a unitized basis, all three EDUs with entitlements under the ICPA are approximately evenly impacted financially from participating in the ICPA.

Because the EDUs are similarly impacted by participating in the ICPA, it is important, in the interest of fairness and equity, that the Commission treat each EDU in a similar manner from a regulatory and cost recovery perspective. To allow for any difference necessarily means that the Commission is picking winners and losers, which should not be the case. Therefore, it is important that the Commission apply the concepts of reasonableness and prudency to all of the impacted EDUs in a "uniform manner."

K. BASE TRANSMISSION RIDER

Q. PLEASE DESCRIBE THE CHANGES TO THE COMPANY'S BASE TRANSMISSION RIDER AGREED TO IN THE STIPULATION.

A. The Company currently collects its costs for transmission-related service via its non-bypassable base transmission rider (Rider BTR). The costs to be collected under that rider are classified as either demand-related or energy-related depending on how they are billed to Duke Energy Ohio by PJM. For demand-related charges, the formula in Rider BTR has allocated costs among the rate classes based on the average of the 12 coincident peaks (12 CP) in the Duke Energy Ohio/Duke Energy Kentucky load zone. That allocation method is a legacy of the allocation used when Duke Energy Ohio was a member of the Midcontinent Independent System Operator (MISO) where the charges for network integrated transmission service (NITS) were billed based on the 12 CP method. In 2012, Duke Energy Ohio transitioned to PJM, which uses a 1 CP method for allocating NITS charges.

In order to better align the cost of transmission service with the basis for which costs are incurred, the Stipulation provides that demand-related charges in Rider BTR will be allocated to the rate classes based on their respective contribution to the 1 CP in Duke Energy Ohio's zone. Although this change will have the effect of increasing and decreasing various customer classes, it is an appropriate correction to the current allocation methodology and is consistent with traditional principles of cost causation.

L. CORPORATE SEPARATION

Q. PLEASE DESCRIBE THE CHANGES TO THE COMPANY'S CORPORATE SEPARATION PLAN AS AGREED UPON IN THE STIPULATION.

A. As part of the ESP, Duke Energy Ohio witness Mr. Whicker, through his Direct Testimony, supported the Company's existing Corporate Separation Plan and proposed modifications that would permit the Company to offer customers additional products and services, other than retail electric service. In addition, Company witness, Mr. Ziolkowski, as part of his Direct Testimony, supported changes to the Company's electric tariffs that would enable the Company to provide such products and services to customers. Similarly, as part of the Company's distribution rate case, Duke Energy Ohio witness Dr. Weintraub and Mr. Riddle made similar proposals.

Through this Stipulation, Duke Energy Ohio has agreed to withdraw from the referenced proceedings, those proposed modifications that would have enabled the Company to offer customers products and services, other than retail electric services. Stipulation paragraph 10 details the agreed-upon deletions to the Company's initial testimony, tariffs, and the Company's Sixth Amended Corporate Separation Plan to eliminate the proposed ability to offer these additional products and/or services. All other portions of the Corporate Separation Plan as filed in these proceedings and as supported by Mr. Whicker's direct testimony remain. Duke Energy Ohio is not prohibited from seeking modifications in the future through a subsequent proceeding.

M. <u>NET METERING</u>

Q. EXPLAIN THE PROVISION IN THE STIPULATION RELATED TO NET METERING.

A. There were recommendations made by the Company in its initial application in the ESP filing and by the Staff in its Staff Report filed for the Rate Case, modifying the manner in which credits for net metering are calculated and how the costs incurred by Duke Energy Ohio for such payments will be recovered.

The Stipulation settles these issues and complies with the Commission's recent order in Case No. 12-2050-EL-ORD related to this topic.[3] In summary, beginning with the effective date of an order approving this Stipulation, the Company will begin providing that credits for net metering will be available to customers taking service under SSO rates or from a competitive retail electric service (CRES) provider. The credit is limited to the then current rate for Rider

[3] *See* Finding and Order in Case No. 12-2050-EL-ORD, November 8, 2017.

RE, only. The cost incurred by Duke Energy Ohio to provide such credits will be recovered in Rider SCR.

N. PURCHASE OF ACCOUNTS RECEIVABLES AND UNCOLLECTIBLE EXPENSE

Q. DOES THE STIPULATION PROVIDE FOR ANY CHANGES TO THE COMPANY'S CURRENT PURCHASE OF RECEIVABLES PROGRAM?

A. The Stipulation does not include any changes to the mechanics of the purchase of accounts receivable (PAR) program or to the uncollectible rider for generation (Rider UE-GEN). The PAR program will continue unchanged from the current form and Rider UE-GEN will continue unchanged as well.

The Stipulation does include provisions to begin auditing elements of the Company's PAR program including (1) the sufficiency of internal processes and controls for ensuring that Duke Energy Ohio is only purchasing those receivables it is authorized to purchase under the PAR program; and (2) the sufficiency of internal process and controls for monitoring CRES providers' compliance with the Company's PAR program agreement. An independent auditor will conduct the review with the scope determined by the Staff. Duke Energy Ohio will be allowed to recover the cost of the audit via its Rider UE-GEN.

O. BACKUP DELIVERY POINT RIDER

Q. WHAT IS THE SERVICE BEING PROVIDED UNDER THE BACKUP DELIVERY POINT RIDER?

A. The Backup Delivery Point Rider (Rider BDP) is available to customers taking service under Distribution Primary (DP) and DS rate schedules who desire redundant feed service. These customers are allowed to contract for an amount of backup (or redundant) distribution service but, currently, must pay the prevailing base demand charges for the amount of the contracted-for load.

Q. PLEASE DESCRIBE THE PROVISIONS OF THE SETTLEMENT RELATED TO THE PROSPECTIVE PRICING OF BACKUP DELIVERY POINT (BDP) SERVICE.

A. As part of the Stipulation, the Company agreed to modify its rates for service under its Rider BDP. Upon approval of the Stipulation by the Commission, without modification, Rider BDP rates will be reduced in three steps from the current rates as outlined on page 23 of the Stipulation. The result of this modification is an overall reduction in the charges for this service to customers wishing to have enhanced reliability service through a redundant feed.

P. <u>CERTIFIED SUPPLIER TARIFF</u>

Q. PLEASE DESCRIBE HOW THE STIPULATION ADDRESSES THE COMPANY'S CERTIFIED SUPPLIER TARIFF.

A. The Stipulation provides that the Company's proposed modifications to its Certified Supplier Tariff as described in the Company's Amended ESP Application and the Direct Testimony of Company witness Mr. Nicholson will occur. The Stipulation lists several changes to the tariff, that include, but are not limited to: (1) adding language to the tariff to reflect the addition of supplier logos on consolidated bills; (2) providing a customer's electronic mail address; (3) provide future meter reading dates; (4) bulk indicator; account identifier; (5) PLC values for current and future periods with start and end dates, etc. The changes described in the Stipulation will go into effect upon approval of the Stipulation by the Commission.

Q. <u>OPERATIONAL SUPPORT PLAN</u>

Q. PLEASE DESCRIBE WHAT THE STIPULAITON PROVIDES REGARDING THE COMPANY'S OPERATIONAL SUPPORT PLAN.

A. The Stipulation provides that the Signatory Parties agree and recommend that the Commission determine that the Company has fulfilled its Operational Support Plan. Duke Energy Ohio witness Mr. Nicholson discusses the history of the Company's Operational Support Plan in his Direct Testimony submitted with the Company's ESP Application. The Company has not proposed any changes to its plan that has previously been approved by the Commission and the Company has been found to be fulfilling its obligations thereunder.[4]

R. <u>WITHDRAWAL OF PROPOSED RIDERS</u>

Q. PLEASE EXPLAIN THE PROVISION RELATED TO THE WITHDRAWAL OF RIDERS.

A. In its ESP Application and in the Rate Case Application, the Company proposed to establish a rider for the recovery of costs related to regulatory mandates (Rider RMR). As a concession in reaching the Stipulation, the Company agreed to withdraw its request to implement Rider RMR.

Similarly, in its ESP application, the Company proposed to implement a formula rate, an incentive ratemaking mechanism (Rider IRM), to simplify the

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[4] *In the Matter of the Application of Duke Energy Ohio, Inc., for Authority to Establish a Standard Service Offer Pursuant to R.C. 4928.143 in the Form of an Electric Security Plan, Accounting Modifications, and Tariffs for Generation Service*, Case No. 14-841-EL-SSO, *et al.*, Opinion and Order, at pg. 83 (April 2, 2015).

process of ensuring that earnings were sufficient to not create a financial crisis and not so high that customers were being harmed. As a concession in reaching the Stipulation, the Company agreed to withdraw the proposed Rider IRM as well.

S. SIGNIFICANTLY EXCESSIVE EARNINGS TEST

Q. PLEASE DESCRIBE THE PROVISIONS IN THE STIPULATION RELATED TO THE COMPANY'S SIGNIFICANTLY EXCESSIVE EARNINGS TEST (SEET).

A. As part of the Stipulation, the parties agreed to maintain the current formula for calculating the Company's return on equity (ROE) for purposes of the annual SEET review. This SEET formula was previously approved by the Commission as part of the Company's last ESP in Case No. 14-841-EL-SSO.[5] In addition, the Company commits in the Stipulation to initiate a proceeding mid-way through the term of the ESP to address the provisions in R.C. 4928.143(E) comparing the ESP to an MRO for the balance of the proposed ESP term.

T. LARGE CUSTOMER INTERRUPTIBLE LOAD PROGRAM

Q. PLEASE DESCRIBE THE PROVISION IN THE SETTLEMENT REGARDING POTENTIAL FOR RECOVERY OF COSTS RELATED TO REASONABLE ARRANGEMENT PROPOSALS THAT MAY BE APPROVED BY THE COMMISSION.

A. The Stipulation provides that Duke Energy Ohio's existing Large Customer Interruptible Load Program will terminate effective May 31, 2018, subject to any final reconciliation. However, so to properly balance the need for qualifying mercantile customers to enter into Commission-approved reasonable

[5] Id.

arrangements for their electric service with Duke Energy Ohio's interest in ensuring cost recovery and revenue neutrality for such customers receiving a Commission-approved unique arrangement for electric service, provision is made to strike that necessary balance. Any costs incurred by Duke Energy Ohio as a result of a Commission-approved reasonable arrangement between Duke Energy Ohio and a customer will be recovered via the Company's economic competitiveness fund rider (Rider ECF). The Stipulation also provides that any dollars to be collected under Rider ECF will be applied to customers' bills as a percentage of their monthly charge for base distribution service. This provision is consistent with similar rate structures of other EDUs that have been authorized by this Commission.

U. TAX CUTS AND JOBS ACT OF 2017

Q. PLEASE EXPLAIN HOW THE STIPULATION ADDRESSES THE IMPLICATIONS OF THE TAX CUTS AND JOBS ACT OF 2017.

A. As part of the Stipulation, the Company agrees to incorporate the reduced federal income tax rate in the calculation of all riders for electric distribution service that include a return on equity component. In fact, the Company has already begun flowing through to customers the benefit of the lower federal income tax rate in its existing Rider DCI and its Rider DR-IM. Beginning April 1, 2018, the revenue to be collected from retail customers under those riders has been reduced by over \$20 million on an annualized basis. Although there is a very small portion of jurisdictional rate base that will not flow through the riders automatically, the Company and the Signatory Parties acknowledge that there is an open docket initiated by the Commission through which additional impacts may be realized, including the return of excess ADITs recorded as of December 31, 2017.

On January 4, 2018, the Commission established a new case, Case No. 18-47-AU-COI, to "solicit public comment" regarding the impact of the Tax Act on jurisdictional utilities. The Commission asks for input regarding how the Tax Act affects revenue requirements, riders, and deferred taxes, among other things. It is unknown at this point in time how the Commission will ultimately resolve all of the issues related to the Tax Act in Case No. 18-47-AU-COI, or some other future docket, but the Stipulation provides that whatever the outcome of that proceeding, there may be impacts on the Company's rates for distribution service that are not already reflected in the Stipulation.

V. HOSPITAL WORKING GROUP

Q. DESCRIBE THE COMMITMENT MADE BY DUKE ENERGY OHIO TO THE OHIO HOSPITAL ASSOCIATION.

A. Adding to its current commitment to provide safe, reliable, and efficient service, Duke Energy Ohio has agreed to establish an internal working group to engage with the OHA on issues of reliability, maintenance, and load growth that may impact the OHA.

W. CITY OF CINCINNATI

Q. DESCRIBE THE PROVISIONS IN THE STIPULATION RELATED TO THE CITY OF CINCINNATI.

A. The Company and the City of Cincinnati have entered into a cooperation agreement that is set forth in Stipulation Attachment G. The terms of this agreement resolve issues surrounding the City's use of Rider BDP service for its Critical Facilities, as well as commitments to cooperate on matters of mutual and local concern including, but not limited to facility relocation, providing expertise to the City for its Solar initiative, and for battery storage. The resolution of the issue of BDP service will also result in the dismissal of a complaint between the City and Duke Energy Ohio that is currently pending before the Commission.

X. LOW INCOME ASSISTANCE

Q. DOES THE STIPULATION BENEFIT LOW INCOME CUSTOMERS?

A. Yes. The Stipulation, if approved without modifications, provides significant benefits to low-income customers. First, the base distribution rates will continue supporting $522,000 in annual funding for low-income programs administered by PWC. Second, assuming the Stipulation is approved, without modification, the Company will contribute $250,000, annually, to the City of Cincinnati for additional low-income programs. Third, the overall result of the Stipulation will have the effect of maintaining Duke Energy Ohio's relatively low rates for electric service. Finally, for those low-income customers who are also low-usage customers, the Stipulation, if approved, will keep the customer charge at a much lower rate than most other electric or gas utilities and will eliminate all of the other existing fixed charges.

III. BETTER IN THE AGGREGATE

Q. DOES THE ESP THAT RESULTS FROM THIS STIPULATION CONTINUE TO BE MORE FAVORABLE, IN THE AGGREGATE, THAN

THE EXPECTED RESULTS THAT WOULD OTHERWISE APPLY UNDER SECTION 4928.142 OF THE OHIO REVISE CODE?

A. Yes. The Company believes that the ESP, as filed in its initial Application in Case No. 17-1263-EL-SSO was already more favorable, in the aggregate, than the results that would otherwise apply under R.C. 4928.142 (*i.e.*, the market rate offer or "MRO"); however, the benefits derived from settling other pending cases as part of an overall global settlement tips the scales even further in favor of the ESP.

Because settlement of the ESP is a component of a larger global settlement involving other important cases, significant benefits accrue to customers, the Company, and other stakeholders that may otherwise not be realized but for the global settlement. The settlement must be viewed as a package and it must be assumed that at least some of the benefits derived from the package may not be available if each case were fully litigated independently. In other words, it cannot be assumed that benefits such as the $19.17 million base rate reduction would be realized if the base rate case was fully litigated rather than settled as part of the overall Stipulation. Similarly, the funding commitments for low income weatherization, cooperation agreements with various parties, withdrawal of various riders, reliability commitments, and spending caps, may not have been realized or at least acquiesced to absent this global compromise of multiple proceedings.

For all the reasons I described in my initial testimony in Case No. 17-1263-EL-SSO and because of the added benefits that come with settling other cases along with the ESP, it is clear that the ESP, as part of this overall package, is more favorable than the results that would be achieved under an MRO.

Q. PLEASE EXPLAIN THE SIGNIFICANCE OF THIS SETTLEMENT BEING A "GLOBAL SETTLEMENT" AS YOU INDICATED EARLIER IN YOUR TESTIMONY.

A. As I described earlier in my testimony, this Stipulation resolves several complex cases that are currently pending before this Commission. The willingness and ability of the stipulating parties to think creatively and consider all issues in these proceedings was what lead to the ability to reach a resolution in any of these cases. Reaching this agreement was not easy. It took nearly six months of negotiations to achieve this resolution. The Parties' willingness to compromise on issues of importance in one case was dependent upon achieving resolution of an issue of greater importance in another. This is particularly true for Duke Energy Ohio.

Q. IS IT POSSIBLE TO DISSECT THIS STIPULATION IN TERMS OF ISSUES RESOLVED IN THE SEPARATE CASES?

A. Again, the Stipulation, as a package, was negotiated in a comprehensive fashion with each of the referenced cases listed in Stipulation in mind. Indeed, there were many issues that overlap between the now consolidated cases. That is why the Company filed its April 13, 2018, motion to consolidate all of the cases resolved in the Stipulation. Nonetheless, the case-specific issues are apparent based upon the Company's Applications in the consolidated proceedings. Issues raised in the Company's electric distribution rate case and set forth in the Staff Report are attributed to that case. Similarly, issues raised as part of the Company's ESP and its PSR case were likewise attributable to those cases. Again, Duke Energy Ohio's willingness to agree to one provision is inextricably tied to the balance achieved in the settlement package as a whole.

Q. **IF THE STIPULATION SHOULD BE VIEWED AS AN ENTIRE PACKAGE THAT IS INEXTRICABLY LINKED BETWEEN AND AMONG THE SETTLED CASES, CAN YOU QUANTIFY THE IMPACT OF THE ENTIRE SETTLEMENT TO CUSTOMERS RATES?**

A. Yes. In fact, the Stipulating and non-stipulating parties were provided this information during the settlement discussions and the ability to evaluate the total impact was instrumental to allowing all Signatory Parties to achieve a balanced compromise. I discuss the bill impacts, including the various riders that are approved, populated, or renewed in this Stipulation in greater detail below.

IV. SUMMARY OF RIDERS AND BILL IMPACTS

Q. **WILL YOU PROVIDE A SUMMARY OF THE DUKE ENERGY OHIO'S RIDERS AS PROPOSED IN THE STIPULATION?**

A. In Supplemental Attachment WDW-1, I have summarized the Company's riders including those riders that will remain unchanged by the Stipulation, those that are being modified by the Stipulation, those that are being created by the Stipulation, those that are being eliminated, and those new riders that were proposed in these cases but are not being implemented.

Q. **HAVE YOU DEVELOPED AN ESTIMATE OF THE IMPACTS OF THE STIPULATION ON CUSTOMERS' BILLS?**

A. Yes. Attachment WDW-2 is a typical bill summary reflecting an estimate of the overall rate changes from the Stipulation and known changes in the SSO prices for various usage levels for all of the non-lighting rate schedules.

For purposes of this analysis, all bills are assumed to be for customers taking SSO service, that the current rates for SSO service are those that exist as of the date of this filing, and the proposed rates for SSO service are the rates have been approved by the Commission to be effective on June 1, 2018. For the proposed Rider ESRR and Rider DCI, I assumed that the rates reflect the maximum amount that could be charged under the caps. For Rider ECF, I assumed that the rider would be set to collect $4.6 million per year based on the amounts contemplated in the pending reasonable arrangement filing, Case No. 18-450-EL-AEC. For Rider PSR, I assumed that, for the first period, approximately $18 million would be charged to customers. The base distribution rates are those being proposed to flow through the $19.17 million base rate reduction agreed to in the Stipulation. For all other riders, the rates are at the rates that have been approved by the Commission at the time of this filing.

Q. DO YOU HAVE ANY OBSERVATIONS ABOUT HOW THE STIPULATION WILL IMPACT CUSTOMERS' BILLS?

A. Yes. Despite the numerous issues being resolved in this case and despite the fact that some new riders are being added, that some are being modified, and that some are being eliminated, the most significant observation is that customers' bills will not be changing much from current rates with approval of this Stipulation. Duke Energy Ohio's rates have been very low relative to its peers in

Ohio over the last ten years and, if the Stipulation is approved, it is likely that rates will rise at rates substantially less than inflation over the course of the ESP.

Recalling Chairman Haque's statement above about the significance of "stability," approval of the Stipulation will maintain the stability that Duke Energy Ohio's retail electric rates have experienced over the last decade and well into the future. And, that is a "very good thing" for customers and for job creation in Duke Energy Ohio's service territory.

V. <u>OBJECTIONS IN BASE RATE CASE</u>

Q. HOW DOES THE STIPULATION IMPACT THE COMPANY'S OBJECTIONS TO THE STAFF REPORT IN CASE NO. 17-32-EL-AIR?

A. Because the Stipulation is being opposed by certain parties in these proceedings, the Company believes it is necessary to support the Objections to the Staff Report it filed on October 26, 2017. Insofar as the opposing parties will be seeking to persuade the Commission to reject some of the Staff's recommendations in the Staff Report or to accept some of the findings that are not part of the Stipulation, the Company believes it is necessary for the record in these proceedings to fully reflect all of the evidence that the Commission may consider and not just the evidence from those parties opposing the Stipulation. Therefore, the Company is providing testimony to support the Objections to the Staff Report it filed on October 26, 2017.

It is important to note that the Company fully supports the Stipulation in its entirety. If the Commission chooses to modify the Stipulation such that it makes changes to the separate cases in the Stipulation, including to Case No. 17-

32-EL-AIR, it should only do so after weighing all of the evidence in the record for each of those cases. Again, the Company would not necessarily have agreed to a $19.17 million reduction in base distribution revenue requirement but for the fact that it is was one component of an overall agreement that on balance resulted in a reasonable balancing of interests among the signatory parties. Similarly, as the Stipulation represents the final resolution of the consolidated cases, the Company (as well as other signatory parties) negotiated many concessions on issues they would have pursued but for this comprehensive resolution.

VI. FINANCIAL INTEGRITY

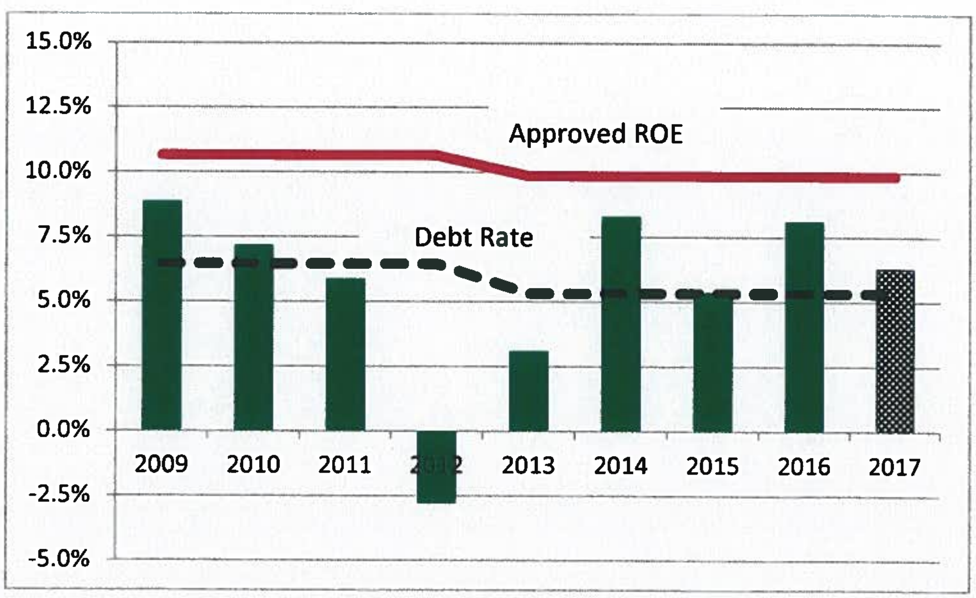
Q. IS THE FINANCIAL INTEGRITY OF DUKE ENERGY OHIO SOMETHING THE COMMISSION SHOULD CONSIDER IN EVALUATING THE STIPULATION?

A. Absolutely. The Commission has made it clear on a number of occasions that the financial integrity of the utility is an important factor it must weigh in evaluating regulatory outcomes for its regulated utilities. In numerous ESP cases in the last decade, the Commission has explicitly referenced the financial health of an EDU as a factor in its orders approving some sort of relief. The idea of financial integrity is important enough that "ensuring financial integrity" is a means of accomplishing the Commission's overall mission of "assur[ing] all residential and business consumer's access to adequate, safe and reliable utility services at fair prices, while facilitating an environment that provides competitive choices."[6]

[6] https://www.puco.ohio.gov/how-the-puco-works-for-you/mission-and-commitments/

Q. DOES APPROVAL OF THE STIPULATION ADVANCE THE COMMISSION'S GOAL OF ENSURING FINANCIAL INTEGRITY FOR DUKE ENERGY OHIO?

A. Yes. As Company witness John Sullivan discusses in his testimony, a primary focus of investors in assessing the financial integrity of Duke Energy Ohio is its cash flow. Cash flow is driven in part by earnings. Since the 2008, the Company has endured a number of headwinds undermining its ability to earn a reasonable rate of return. The columns in the chart below show the returns on equity (ROE) for each year as filed in the annual SEET review. The top line represents the prevailing ROE approved for base distribution rates. The dashed line represents the prevailing cost on debt approved for base distribution rates. The ROEs calculated in the SEET reviews for 2009 through 2016 have all been approved by the Commission. The figure for 2017 was filed on May 15, 2018, in Case No. 18-0568-EL-UNC.



The Stipulation, if approved without modification, includes elements that increase the Company's earnings (primarily Rider PSR and ESRR) and other elements that decrease the Company's earnings ($19.17 million base rate reduction). In total, the Stipulation will not significantly increase the Company's earnings from the levels experienced since the inception of the SEET. However, disallowing components of the Stipulation such as Rider PSR will further erode the Company's earnings that are already well below its authorized returns. The Commission has, in the past, frequently approved ESP provisions over concern about the financial integrity of the utility. As the chart above shows, Duke Energy Ohio's ROE for 2017 is well below 7 percent and has been below 7 percent for most of the years since the inception of the SEET.

Furthermore, as witness Sullivan discusses, approval of the Stipulation without modification is an important factor in maintaining the Company's cash flow coverages required to ensure access to capital markets. And, as the Commission has observed in the past, access to capital markets is an important factor in ensuring that EDUs can carry out the objectives of providing safe, reliable, and efficient electric distribution service and is integral to the goal of modernizing the electric grid.

VII. <u>STATUS OF THE EXISTING STANDARD SERVICE OFFER</u>

Q. IS THE COMPANY CURRENTLY OPERATING UNDER AN ESP?

A. Yes. The Company complied with the Commission's Order, in Case No. 14-841-EL-SSO, to file its next SSO application no later than June 1, 2017, one year before the end of its ESP approved in that case. R.C. 4928.143(C)(1) allows the

Commission two-hundred and seventy-five days to issue an order on an ESP application; therefore, the Company's adherence to the June 1, 2017 deadline should have afforded the Commission with enough time to adjudicate the Company's filing and issue an order before the end of the term of the ESP approved in Case No. 14-841-EL-SSO.

The Company, the Staff, and all of the Intervenors engaged in extensive negotiations dating back to last year in an effort to reach the Stipulation settling the proposed ESP, along with the other cases in the Stipulation. As the settlement discussions progressed, the Staff filed motions to extend the procedural schedule. In fact, there were seven such motions, all unopposed, delaying the procedural schedule. Ultimately, the procedural schedule was moved out to the point that there was no possibility that the Commission could approve a new ESP before the end of the existing ESP. Notwithstanding the Company's continued diligence in advancing its regulatory filings and good faith participation in settlement negotiations, it became readily apparent in March of this year that the ESP approved in Case No. 14-841-EL-SSO would expire by its terms unless the Commission intervened.

Q. DID THE COMPANY SEEK TO EXTEND THE PROVISIONS OF THE ESP APPROVED IN CASE NO. 14-841-EL-SSO?

A. Yes. As settlement negotiations were still underway, the Company filed a motion on March 9, 2018, seeking permission to continue all of the terms and conditions of the then existing ESP and seeking permission to extend its Rider DCI through July 31, 2018, anticipating that an order would be issued in its pending ESP by then. The Stipulation in this case was filed on April 13, 2018, and the Attorney Examiner issued an Entry setting a procedural schedule on May 9, 2018, establishing a hearing date of July 9, 2018.

With a hearing date of July 9, 2018, it became apparent that it would be impossible for the Commission to provide all parties with due process in these proceedings, and still get an order issued before August 1, 2018. Continuation of Rider DCI is vital to the Company's ability to proactively invest in the electric grid, while maintaining its financial integrity; therefore, the Company filed a new motion on May 11, 2018, seeking Commission authority to continue Rider DCI, without interruption, until the new ESP is approved.

Q. DID THE COMMISSION GRANT THE COMPANY'S REQUEST TO EXTEND THE TERMS OF THE CURRENT ESP AND TO CONTINUE RIDER DCI?

A. On May 30, 2018, the Commission approved the Company's request to continue the terms and conditions of the ESP approved in Case No. 14-841-EL-SSO, including Rider DCI. As written, the May 30, 2018, Entry permits Duke Energy Ohio, arguably, to continue Rider DCI until it has recovered $35 million or August 1, 2018, whichever is earlier. The Commission's Entry effectively denies the Company's ability to recover the incremental pre-tax return, depreciation expense, and property taxes on ALL of the Company's incremental investment made since March 31, 2012. Unless the Commission clarifies and modifies that decision, the Company will not be allowed to collect a significant portion of its cost of providing distribution service due to the extended delay in adjudicating this ESP and the extended delay is outside the Company's control.

Q. DID THE COMMISSION'S ENTRY SUGGEST THAT THE COMPANY COULD EVENTUALLY SEEK RECOVERY OF DISTRIBUTION CAPITAL INVESTMENTS?

A. Yes. The Entry states that the Commission may consider requests for recovery of capital investments made after August 1, 2018. But this statement in the Entry potentially undermines the Company's ability to recover incremental pre-tax return, depreciation expense, and property taxes on distribution capital to be made through July 31, 2018, thereby exposing Duke Energy Ohio to significant financial harm. The Rider DCI rates that will be effective in July 2018 will be based on the distribution plant as of March 31, 2018. Inasmuch as the Entry states that the Commission will consider investments made after August 1, 2018, it creates a significant gap in the ability to recover incremental investments from April 1, 2018, through July 31, 2018.

Q. ASSUMING THE COMMISSION DOES EVENTUALLY ALLOW FOR RECOVERY OF CAPITAL INVESTMENTS MADE AFTER AUGUST 1, 2018, WILL THIS PROVISION PROVIDE THE COMPANY WITH THE RELIEF IT NEEDS?

A. No. The Commission's Entry creates a significant timing and recovery issue for the Company. As the Commission is aware, the Company's Rider DCI is structured to recover the incremental revenue requirement on all distribution capital that has been invested since the date certain of the Company's last approved distribution rate case, March 31, 2012. The Rider DCI rate is adjusted quarterly for the new distribution capital rate base as of the previous quarter end (essentially one quarter lag). In other words, the Rider DCI revenue requirement in effect at the time of the filing of this testimony became effective on April 1, 2018, and recovers the difference in total distribution capital revenue requirement (property taxes, depreciation, pre-tax return) that exists between the level established in base rates (as of March 31, 2012) and the revenue requirement based on distribution plant balances as of December 31, 2017. Similarly, the Company's next quarterly DCI filing (to be effective July 1, 2018) will update the Rider DCI revenue requirement to include the difference between the distribution capital account balances between the date certain of March 31, 2012, and March 31, 2018. And so forth.

As a result, the Rider DCI rates that would be in effect on August 1, 2018, the deadline established by the Commission's May 30, 2018, Entry, will only be based on the Company's distribution "rate base" as of March 31, 2018. The revenue requirement for incremental investments in distribution plant made after August 1, 2018, would not appear in Rider DCI rates, under the current or proposed formula, until January 1, 2019 (assuming the new Rider DCI is approved by then). This is because the balances of the distribution capital accounts for the period covering August 1, 2018, would not be included in the formula for Rider DCI until the Company's filing in the fourth quarter of 2018 (December 31, 2018) filing that would be based on distribution rate base as of September 30, 2018.

The Commission's May 30, 2018, Entry invoking the hard cap and a deadline for the current Rider DCI means that the Company will no longer be recovering any of the incremental revenue requirement (pre-tax return, depreciation, and property taxes) on any of the incremental electric distribution plant invested by the Company between April 1, 2012, through at least March 31, 2018.

Abruptly shutting down Rider DCI, effective August 1, 2018, would mean that the Company would have only recovered one month of its incremental distribution capital revenue requirement for the period between March 31, 2012 through March 31, 2018. It also provides no recovery of any incremental distribution capital plant that has been invested on or after April 1, 2018, leaving the Company with no opportunity to recover these necessary investments that have already been made.

The distribution plant at issue has been spent; it already exists and is used and useful in providing distribution service. It represents a significant investment by the Company's shareholders and it is used and useful in the provision of electric distribution service. The Commission's May 30, 2018, Entry will deprive the Company from recovering any of the incremental revenue requirement on its investments since March 31, 2012, (the date certain in the most recent base rate case). The underlying costs incurred by the Company related to this plant do not go away; consequently, there will be a significant impact on the Company's financial condition.

Q. DOES THE STIPULATION ADDRESS THE CONTINGENCY REGARDING CONTINUATION OF THE CURRENT RIDER DCI?

A. Yes. Given the protracted nature of the negotiations that culminated in the April 13, 2018, Stipulation, it is readily apparent that the signatory parties understood – and agreed to support – the relief sought by the Company in its May 11, 2018, filing and through my testimony here. On page 11, footnote 8, the Stipulation provides that "Duke Energy Ohio may seek Commission approval to adjust the Revenue Cap in the event the effective date of the new Rider DCI is later than August 1, 2018, and the Signatory Parties support such adjustment." Again, the Company's May 11, 2018, motion to extend Rider DCI is precisely the issue addressed in this footnote. The effective date of the new Rider DCI will unquestionably be "later than August 1, 2018"; therefore, the Company sought Commission approval to extend Rider DCI beyond July 31, 2018, and adjust the revenue cap. Whether or not the Commission considered the "support" of the Signatory Parties for this relief, it is not apparent in the May 30, 2018, Order.

Q. WHY IS IT IMPORTANT TO CONTINUE RIDER DCI UNTIL THE NEW RIDER DCI IS IN EFFECT?

A. Rider DCI provides a means for the Company to recover a significant portion of the revenue requirement on incremental investments made in distribution plant since the date certain used in the last rate case, March 31, 2012. In the most recent Rider DCI filing, made on April 30, 2018, in Case No. 18-2088-EL-RDR, it is clear that the Company's investment in distribution plant has grown over those six years from around $982 million to $1,232 million (more than 25 percent increase). Allowing Rider DCI to be suspended puts the Company in a position of incurring all of the pre-tax carrying costs, depreciation expense, and property taxes on that incremental investment without any means of recovery. The annualized revenue requirement in the most recent Rider DCI filing is $53.1 million; so, on average, the Company will be collecting about $4.4 million per month. The expenses associated with that investment do not go away but suspending the Rider DCI will mean the revenue does resulting in an earnings impact of $4.4 million per month (on average).

It is difficult to conceive of how the Commission intends for the Company to "maintain essential electric service and continue proactive investment in the electric grid," without providing the Company with the means for funding such investment.

Q. DOES THE COMPANY HAVE A PROPOSE REMEDY?

A. Assuming the Commission has not already provided a remedy for the impact of abruptly ending Rider DCI on August 1, 2018, the Company suggests that the Commission act on the Company's request, as noted in footnote 8 of the Stipulation, and ensure that the Company is able to recover the incremental revenue requirement on its investments in distribution plant up to the time the new Rider DCI is approved. In this forum, the Commission can provide, in its order approving the Stipulation, which the Company may defer for future recovery the revenue requirement that would have been collected under Rider DCI if there was no hard cap for 2018.

Q. WHAT FACTORS SHOULD THE COMMISSION CONSIDER IN ALLOWING THE COMPANY TO DEFER FOR RECOVERY THE COMPANY'S UNRECOVERED COSTS IF RIDER DCI IS SUSPENDED?

A. Relying on the Commission's stated criteria for establishing deferrals, the Commission should consider that, without Rider DCI, Duke Energy Ohio's revenue are not sufficient to cover the related costs. It stands to reason that, if the rider exists to recover costs, eliminating the rider necessarily means there are no revenues to recover the costs.

The magnitude of the costs underlying the revenue requirement are quite material. On an annualized basis, the most recent Rider DCI recovers approximately $53 million in carrying costs, depreciation expense, and property tax. Collectively, that figure represents about 16 percent of the Company's operating expenses in its current base rates.

The reason for requesting such a deferral is absolutely outside the control of the Company. The procedural schedule has been delayed seven times at the request of the Commission Staff. The Company has no control over the procedural schedule.

Although the carrying costs, property taxes, and depreciation are ongoing expenses on existing and incremental plant, the loss of recovery of such costs is an atypical and infrequent event. It is or at least should be an atypical event for the Commission to take longer than two-hundred and seventy-five days, as allowed in R.C. 4928.143(C)(2) to issue an order in an ESP application. Furthermore, ESPs are filed on a fairly infrequent basis. So far, Duke Energy

Ohio has only filed an ESP once approximately every three years. If the Stipulation is approved, there will not be another SSO application until 2024.

Finally, the financial integrity of the Company will unquestionably suffer if Rider DCI is suspended abruptly, even if only for a couple of months. As Company witness Sullivan discusses in his testimony, the convergence of a number of issues has resulted in pressures on the Company's financial metrics that put its access to capital at risk. Suspending Rider DCI will add to the cash flow crisis but will also have a significant impact on the Company's earnings. The Company's currently allowed ROE and the ROE agreed to in the Stipulation is 9.84 percent. Every month without the revenue from Rider DCI will reduce the Company's earned ROE by over 60 basis points. The Commission can easily ensure that the Company avoids a financial crisis by ensuring that this important source of earnings and cash is not interrupted because of delays in approving the new ESP that were outside the control of the Company.

VIII. CONCLUSION

Q. WERE ATTACHMENTS WDW-1 THROUGH WDW-2 PREPARED BY YOU OR UNDER YOUR SUPERVISION?

A. Yes.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

Duke Energy Ohio
Summary of Electric Service Riders

New Riders	Abbreviation	Sheet No.
PowerForward Rider	Rider PF	100
Electric Service Reliability Rider	Rider ESRR	117

New Riders Proposed But Withdrawn	Abbreviation	Sheet No.
Regulatory Mandates Rider	Rider RMR	77
Incentive Rate Mechanism	Rider IRM	85

Riders Being Modified	Abbreviation	Sheet No.
Net Metering Rider - Hospitals	Rider NM-H	47
Net Metering Rider	Rider NM	48
Uncollectible Expense Electric Generation Rider	Rider UE-GEN	88
Distribution Capital Investment Rider	Rider DCI	103
Economic Competitiveness Fund Rider	Rider ECF	105
Uncollectible Expense - Electric Distribution Rider	Rider UE-ED	108
Price Stabilization Rider	Rider PSR	126

Riders Being Eliminated	Abbreviation	Sheet No.
Infrastructure Modernization Rider	Rider DR-IM	104
Load Factor Adjustment Rider	Rider LFA	114

Riders with No Changes	Abbreviation	Sheet No.
Development Incentive Rider	Rider DIR	71
Rider Temporary Service	Rider TS	72
Line Extension Policy	Rider X	74
Emergency Electric Procedures Rider	Rider EEPC	75
Load Management Rider	Rider LM	76
Thermal Energy Storage Rider	Rider TES	78
GoGreen Rider	Rider GP	79
Ohio Excise Tax Rider	Rider OET	83
Universal Service Fund Rider	Rider USR	86
Peak Load Management Rider	Rider PLM	87
Base Transmission Rider	Rider BTR	89
Backup Delivery Point Capacity Rider	Rider BDP	94
Meter Data Charges Rider	Rider MDC	95
Meter Service Charge Rider	Rider MSC	96
Regional Transmission Organization Rider	Rider RTO	97
Generation Service Support Rider	Rider GSS	98
Optional Summary Billing Service Pilot	Rider SBS	99
Distribution Storm Rider	Rider DSR	101
Alternative Energy Recovery Rider	Rider AER-R	110
Retail Capacity Rider	Rider RC	111
Retail Energy Rider	Rider RE	112
Supplier Cost Recovery Rider	Rider SCR	115
Energy Efficiency and Peak Demand Response Recovery Rate	Rider EE-PDRR	119
Energy Efficiency and Peak Demand Response Recovery Rider	Rider EE-PDR	120
Distribution Decoupling Rider	Rider DDR	122
Industrial Demand Management (Pilot)	Rider DM-I	123

DUKE ENERGY OHIO
TYPICAL BILL COMPARISON

				BILL DATA [1]			
LINE NO.	RATE CODE	LEVEL of DEMAND (A) (KW)	LEVEL of USE (B) (KWH)	CURRENT BILL (C) ($)	PROPOSED BILL (D) ($)	DOLLAR INCR/(DECR) (D - C) (E) ($)	PERCENT INCR/(DECR) (E / C) (F) (%)
1	RS	SUMMER					
2		NA	300	43.04	39.89	(3.15)	-7.33%
3		NA	400	53.47	50.99	(2.48)	-4.64%
4		NA	500	63.91	62.10	(1.80)	-2.82%
5		NA	800	95.21	95.43	0.22	0.23%
6		NA	1,000	116.08	117.65	1.57	1.35%
7		NA	1,500	167.98	172.92	4.94	2.94%
8		NA	2,000	219.87	228.19	8.32	3.78%
9	RS	WINTER					
10		NA	300	43.04	39.89	(3.15)	-7.33%
11		NA	400	53.47	50.99	(2.48)	-4.64%
12		NA	500	63.91	62.10	(1.80)	-2.82%
13		NA	800	95.21	95.43	0.22	0.23%
14		NA	1,000	116.08	117.65	1.57	1.35%
15		NA	1,500	158.11	163.05	4.94	3.13%
16		NA	3,000	283.72	298.79	15.07	5.31%
17		NA	6,000	534.50	569.81	35.32	6.61%
18	ORH	SUMMER					
19		NA	1,000	100.12	101.69	1.57	1.57%
20		NA	1,500	142.97	147.92	4.94	3.46%
21		NA	2,000	185.82	194.14	8.32	4.48%
22		NA	3,000	271.06	286.13	15.07	5.56%
23	ORH	WINTER					
24		20	1,000	104.27	101.35	(2.92)	-2.80%
25		20	2,000	164.53	163.52	(1.01)	-0.61%
26		20	3,000	224.32	225.22	0.90	0.40%
27		20	6,000	377.76	383.95	6.19	1.64%
28	RSLI	SUMMER					
29		NA	300	38.44	35.51	(2.93)	-7.62%
30		NA	400	48.88	46.62	(2.25)	-4.61%
31		NA	500	59.31	57.73	(1.58)	-2.66%
32		NA	800	90.61	91.06	0.45	0.49%
33		NA	1,000	111.48	113.28	1.80	1.61%
34		NA	1,500	163.38	168.55	5.17	3.17%
35		NA	2,000	215.27	223.82	8.55	3.97%
36	RSLI	WINTER					
37		NA	300	38.44	35.51	(2.93)	-7.62%
38		NA	400	48.88	46.62	(2.25)	-4.61%
39		NA	500	59.31	57.73	(1.58)	-2.66%
40		NA	800	90.61	91.06	0.45	0.49%
41		NA	1,000	111.48	113.28	1.80	1.61%
42		NA	1,500	153.51	158.68	5.17	3.37%
43		NA	3,000	279.12	294.42	15.30	5.48%
44		NA	6,000	529.90	565.44	35.54	6.71%

NERGY OHIO
LL COMPARISON

LINE NO.	RATE CODE	LEVEL of DEMAND (A) (KW)	LEVEL of USE (B) (KWH)	BILL DATA (1) CURRENT BILL (C) ($)	PROPOSED BILL (D) ($)	DOLLAR INCR/(DECR) (D - C) (E) ($)	PERCENT INCR/(DECR) (E / C) (F) (%)
1	CUR	SUMMER					
2		NA	300	42.71	39.56	(3.15)	-7.39%
3		NA	400	53.04	50.56	(2.48)	-4.68%
4		NA	500	63.36	61.56	(1.80)	-2.85%
5		NA	800	94.34	94.56	0.22	0.23%
6		NA	1,000	114.98	116.55	1.57	1.37%
7		NA	1,500	165.01	169.96	4.94	3.00%
8		NA	2,000	215.04	223.36	8.32	3.87%
9	CUR	WINTER					
10		NA	300	42.71	39.56	(3.15)	-7.39%
11		NA	400	53.04	50.56	(2.48)	-4.68%
12		NA	500	63.36	61.56	(1.80)	-2.85%
13		NA	800	94.34	94.56	0.22	0.23%
14		NA	1,000	114.98	116.55	1.57	1.37%
15		NA	1,500	158.65	163.59	4.94	3.12%
16		NA	3,000	289.17	304.24	15.07	5.21%
17		NA	6,000	549.76	585.07	35.32	6.42%
18	RS3P	SUMMER					
19		NA	300	45.91	42.62	(3.30)	-7.18%
20		NA	400	56.35	53.73	(2.62)	-4.65%
21		NA	500	66.78	64.84	(1.95)	-2.91%
22		NA	800	98.09	98.16	0.08	0.08%
23		NA	1,000	118.95	120.38	1.43	1.20%
24		NA	1,500	170.85	175.65	4.80	2.81%
25		NA	2,000	222.75	230.92	8.18	3.67%
26	RS3P	WINTER					
27		NA	300	45.91	42.62	(3.30)	-7.18%
28		NA	400	56.35	53.73	(2.62)	-4.65%
29		NA	500	66.78	64.84	(1.95)	-2.91%
30		NA	800	98.09	98.16	0.08	0.08%
31		NA	1,000	118.95	120.38	1.43	1.20%
32		NA	1,500	160.98	165.78	4.80	2.98%
33		NA	3,000	286.60	301.52	14.93	5.21%
34		NA	6,000	537.37	572.55	35.18	6.55%

DUKE ENERGY OHIO
TYPICAL BILL COMPARISON

				BILL DATA [1,2]			
LINE NO.	RATE CODE	LEVEL of DEMAND (A) (KW)	LEVEL of USE (B) (KWH)	CURRENT BILL (C) ($)	PROPOSED BILL (D) ($)	DOLLAR INCR/(DECR) (D - C) (E) ($)	PERCENT INCR/(DECR) (E / C) (F) (%)
1	DS	30	6,000	706	701	(5)	-0.76%
2		30	9,000	846	843	(3)	-0.30%
3		30	12,000	980	980	0	0.04%
4		50	10,000	1,136	1,134	(2)	-0.22%
5		50	15,000	1,369	1,371	2	0.17%
6		50	20,000	1,589	1,596	7	0.45%
7		75	15,000	1,673	1,675	1	0.07%
8		75	20,000	1,903	1,909	6	0.32%
9		75	30,000	2,349	2,364	16	0.66%
10		100	20,000	2,208	2,213	5	0.22%
11		100	30,000	2,667	2,682	14	0.54%
12		100	40,000	3,108	3,132	24	0.77%
13		300	60,000	6,483	6,517	34	0.53%
14		300	90,000	7,862	7,925	63	0.80%
15		300	120,000	9,185	9,276	92	1.00%
16		500	100,000	10,759	10,822	64	0.59%
17		500	200,000	15,261	15,421	159	1.04%
18		500	300,000	19,578	19,832	255	1.30%
19	EH						
20		NA	9,400	909	839	(70)	-7.67%
21		NA	23,600	2,184	2,023	(160)	-7.34%
22		NA	37,880	3,463	3,211	(251)	-7.26%

(2) CUSTOMER CHARGE IS BASED ON THREE PHASE SERVICE.

DUKE ENERGY OHIO
TYPICAL BILL COMPARISON

				BILL DATA [1,2]			
LINE NO.	RATE CODE	LEVEL of DEMAND (A) (KW)	LEVEL of USE (B) (KWH)	CURRENT BILL (C) ($)	PROPOSED BILL (D) ($)	DOLLAR INCR/(DECR) (D - C) (E) ($)	PERCENT INCR/(DECR) (E / C) (F) (%)
1	DM	SUMMER					
2		1	72	25.81	18.19	(7.62)	-29.52%
3		1	144	34.43	26.85	(7.58)	-22.02%
4		1	288	51.69	44.19	(7.50)	-14.52%
5		5	360	60.32	52.85	(7.47)	-12.38%
6		5	720	103.46	96.18	(7.28)	-7.03%
7		5	1,440	189.74	182.85	(6.90)	-3.64%
8		10	720	103.46	96.18	(7.28)	-7.03%
9		10	1,440	189.74	182.85	(6.90)	-3.64%
10		10	2,880	356.50	350.46	(6.04)	-1.70%
11		15	1,080	146.60	139.51	(7.09)	-4.83%
12		15	2,160	275.95	269.43	(6.52)	-2.36%
13		15	4,320	431.17	427.62	(3.54)	-0.82%
14		15	6,480	535.21	536.52	1.32	0.25%
15	DM	WINTER					
16		1	72	24.81	18.18	(6.64)	-26.75%
17		1	144	32.45	26.83	(5.62)	-17.32%
18		1	288	47.72	44.14	(3.58)	-7.51%
19		5	360	55.36	52.79	(2.56)	-4.63%
20		5	720	93.54	96.07	2.53	2.70%
21		5	1,440	169.90	182.62	12.71	7.48%
22		10	720	93.54	96.07	2.53	2.70%
23		10	1,440	169.90	182.62	12.71	7.48%
24		10	2,880	317.92	350.01	32.09	10.09%
25		15	1,080	131.72	139.34	7.62	5.78%
26		15	2,160	246.19	269.09	22.90	9.30%
27		15	4,320	392.58	427.17	34.59	8.81%
28		15	6,480	496.62	536.07	39.45	7.94%

(2) CUSTOMER CHARGE IS BASED ON SINGLE PHASE SERVICE.

DUKE ENERGY OHIO
TYPICAL BILL COMPARISON

				BILL DATA (1)			
LINE NO.	RATE CODE	LEVEL of DEMAND (A) (KW)	LEVEL of USE (B) (KWH)	CURRENT BILL (C) ($)	PROPOSED BILL (D) ($)	DOLLAR INCR/(DECR) (D - C) (E) ($)	PERCENT INCR/(DECR) (E / C) (F) (%)
1	DP	100	14,400	2,074	1,913	(160)	-7.74%
2		100	28,800	2,751	2,603	(148)	-5.37%
3		100	43,200	3,391	3,255	(135)	-3.99%
4		200	28,800	3,866	3,708	(159)	-4.11%
5		200	57,600	5,220	5,086	(133)	-2.56%
6		200	86,400	6,500	6,392	(108)	-1.66%
7		300	43,200	5,659	5,502	(157)	-2.78%
8		300	86,400	7,689	7,570	(119)	-1.55%
9		300	129,600	9,609	9,528	(81)	-0.84%
10		500	72,000	9,244	9,090	(154)	-1.66%
11		500	144,000	12,627	12,537	(90)	-0.71%
12		500	216,000	15,827	15,800	(27)	-0.17%
13		800	115,200	14,621	14,473	(149)	-1.02%
14		800	230,400	20,034	19,987	(47)	-0.23%
15		800	345,600	25,154	25,208	55	0.22%
16		1000	144,000	18,206	18,061	(145)	-0.80%
17		1000	288,000	24,972	24,954	(18)	-0.07%
18		1000	432,000	31,372	31,481	109	0.35%
19		1500	216,000	27,168	27,032	(137)	-0.50%
20		1500	432,000	37,318	37,372	54	0.14%
21		1500	648,000	46,917	47,161	244	0.52%
22		3000	432,000	54,055	53,944	(111)	-0.21%
23		3000	864,000	74,354	74,624	270	0.36%
24		3000	1,296,000	93,552	94,203	650	0.70%

DUKE ENERGY OHIO
TYPICAL BILL COMPARISON

LINE NO.	RATE CODE	LEVEL of DEMAND (A) (KVA)	LEVEL of USE (B) (KWH)	BILL DATA [(1)] CURRENT BILL (C) ($)	PROPOSED BILL (D) ($)	DOLLAR INCR/(DECR) (D - C) (E) ($)	PERCENT INCR/(DECR) (E / C) (F) (%)
1	TS	1,000	200,000	14,849	14,551	(298)	-2.01%
2		1,000	400,000	24,317	23,396	(921)	-3.79%
3		2,500	500,000	36,808	36,063	(744)	-2.02%
4		2,500	1,000,000	60,477	58,175	(2,301)	-3.81%
5		5,000	1,000,000	73,406	71,917	(1,489)	-2.03%
6		5,000	2,000,000	120,743	116,141	(4,603)	-3.81%
7		10,000	2,000,000	146,601	143,624	(2,978)	-2.03%
8		10,000	4,000,000	241,276	232,071	(9,205)	-3.82%
9		10,000	6,000,000	333,343	317,386	(15,957)	-4.79%
10		20,000	4,000,000	292,992	287,037	(5,955)	-2.03%
11		20,000	8,000,000	482,343	463,932	(18,411)	-3.82%
12		20,000	12,000,000	666,475	634,561	(31,914)	-4.79%
13		40,000	16,000,000	964,476	927,655	(36,821)	-3.82%
14		40,000	24,000,000	1,332,740	1,268,913	(63,828)	-4.79%
15		80,000	32,000,000	1,928,741	1,855,099	(73,642)	-3.82%
16		80,000	48,000,000	2,665,271	2,537,615	(127,655)	-4.79%
17		160,000	64,000,000	3,857,272	3,709,988	(147,284)	-3.82%
18		160,000	96,000,000	5,330,332	5,075,021	(255,311)	-4.79%

DUKE ENERGY OHIO
CASE NO. 17-32-EL-AIR

				BILL DATA (1)			
LINE NO.	RATE CODE	LEVEL of DEMAND (A)	LEVEL of USE (B)	CURRENT BILL (C)	PROPOSED BILL (D)	DOLLAR INCR/(DECR) (D - C) (E)	PERCENT INCR/(DECR) (E / C) (F)
		(KW)	(KWH)	($)	($)	($)	(%)
1	DS-RTP	100	20,000	2,421	2,242	(179)	-7.40%
2		100	30,000	3,137	2,883	(253)	-8.07%
3		100	40,000	3,833	3,506	(327)	-8.54%
4		300	60,000	6,482	5,996	(487)	-7.51%
5		300	90,000	8,628	7,920	(709)	-8.21%
6		300	120,000	10,718	9,788	(930)	-8.68%
7		500	100,000	10,543	9,749	(794)	-7.53%
8		500	200,000	17,603	16,070	(1,534)	-8.71%
9		500	300,000	24,477	22,203	(2,274)	-9.29%
10	DP-RTP	500	144,000	14,295	13,974	(321)	-2.25%
11		500	216,000	19,520	19,082	(438)	-2.24%
12		800	115,200	13,985	13,674	(311)	-2.22%
13		800	230,400	22,638	22,140	(498)	-2.20%
14		800	345,600	30,997	30,312	(685)	-2.21%
15		1,000	144,000	17,383	17,001	(382)	-2.20%
16		1,000	288,000	28,199	27,583	(616)	-2.19%
17		1,000	432,000	38,649	37,799	(850)	-2.20%
18		1,500	216,000	25,879	25,318	(561)	-2.17%
19		1,500	432,000	42,104	41,192	(912)	-2.17%
20		1,500	648,000	57,778	56,515	(1,263)	-2.19%
21		3,000	432,000	51,368	50,272	(1,096)	-2.13%
22		3,000	864,000	83,817	82,019	(1,798)	-2.15%
23		3,000	1,296,000	115,165	112,665	(2,500)	-2.17%
24	TS-RTP	10,000	6,000,000	333,468	317,511	(15,957)	-4.79%
25		20,000	4,000,000	293,117	287,162	(5,955)	-2.03%
26		20,000	8,000,000	482,468	464,057	(18,411)	-3.82%
27		20,000	12,000,000	666,600	634,686	(31,914)	-4.79%
28		40,000	16,000,000	964,601	927,780	(36,821)	-3.82%
29		40,000	24,000,000	1,332,865	1,269,038	(63,828)	-4.79%
30		80,000	32,000,000	1,928,866	1,855,224	(73,642)	-3.82%
31		80,000	48,000,000	2,665,396	2,537,740	(127,655)	-4.79%
32		160,000	64,000,000	3,857,397	3,710,113	(147,284)	-3.82%
33		160,000	96,000,000	5,330,457	5,075,146	(255,311)	-4.79%