BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Review of Duke Energy Ohio's Distribution Capital Investment Rider.	)))	Case No. 20-1205-EL-RDR

STIPULATION AND RECOMMENDATION

Under Ohio Adm. Code 4901-1-30, any two or more parties to a proceeding may enter into a written stipulation covering the issues presented in such a proceeding. The purpose of this document is to set forth the understanding and agreement of Duke Energy Ohio, Inc. (Duke Energy Ohio or the Company), the Office of the Ohio Consumers' Counsel (OCC), and the Staff of the Public Utilities Commission of Ohio (Staff) (which, for the purpose of entering into this Stipulation and Recommendation, will be considered a party by virtue of Ohio Adm. Code 4901-1-10(C)) (collectively, the Signatory Parties) and to recommend that the Public Utilities Commission of Ohio (Commission) approve and adopt this Stipulation and Recommendation (Stipulation), which resolves all the issues raised by the Signatory Parties in this case.

The Stipulation is supported by adequate data and information, represents a just and reasonable resolution of the issues raised in this proceeding; is in the public interest; violates no regulatory principle or precedent; and is the product of cooperative, voluntary, and serious bargaining among knowledgeable and capable parties that represent various interests and are represented by experienced counsel and technical experts. Although this Stipulation is not binding

on the Commission, it is entitled to careful consideration by the Commission. For purposes of resolving all issues raised by this proceeding, the Signatory Parties stipulate, agree and recommend as set forth below.

Except for purposes of enforcement of the terms of this Stipulation, neither this Stipulation, nor the information and data contained therein or attached, shall be cited as precedent in any future proceeding for or against any Signatory Party or the Commission itself. This Stipulation is a reasonable compromise involving a balancing of competing positions and it does not necessarily reflect the position that one or more of the Signatory Parties would have taken if these issues had been fully litigated.

This Stipulation is expressly conditioned upon its adoption by the Commission in its entirety and without material modification by the Commission; provided, however, that each Signatory Party has the right, in its sole discretion, to determine whether the Commission's approval of this Stipulation constitutes a "material modification" thereof. Should the Commission reject or materially modify all or any part of this Stipulation, the Signatory Parties shall have the right, within thirty days of issuance of the Commission's Order, to file an application for rehearing. Should the Commission, in issuing an Entry on Rehearing or effectively denying rehearing by operation of law, not adopt the Stipulation in its entirety and without material modification, any Signatory Party may terminate their status as a Signatory Party and withdraw from the Stipulation. Such termination and withdrawal shall be accomplished by filing a notice with the Commission, including service to all parties, in the docket within thirty days of the Commission's Entry on Rehearing or effective denial of rehearing by operation of law.

Prior to filing a notice of withdrawal, the Signatory Party wishing to withdraw agrees to work in good faith with the other Signatory Parties to achieve an outcome that substantially

satisfies the intent of the Stipulation and, if a new agreement is reached that includes the Signatory Party wishing to withdraw, then the new agreement shall be filed for Commission review and approval. If the discussions to achieve an outcome that substantially satisfies the intent of the Stipulation are unsuccessful in reaching a new agreement that includes all Signatory Parties to the present Stipulation, then the Signatory Party wishing to withdraw may proceed with withdrawal from the Stipulation. Other Signatory Parties to this Stipulation shall not oppose the withdrawal from the Stipulation by any other Signatory Party.

Upon the filing of a notice of withdrawal, the Commission will convene an evidentiary hearing to afford the withdrawing party the opportunity to contest the Stipulation by presenting evidence through witnesses, cross-examining all witnesses, presenting rebuttal testimony, and briefing all issues that shall be decided based upon the record and briefs.

The Signatory Parties fully support this Stipulation in its entirety and urge the Commission to accept and approve the terms herein.

The Stipulation represents a comprehensive compromise of issues raised by Signatory Parties with diverse interests. The Signatory Parties have signed the Stipulation and adopted it as a reasonable resolution of all issues. The Signatory Parties believe that the Stipulation that they are recommending for Commission adoption presents a fair and reasonable result.

The Signatory Parties agree that the settlement, as a package, benefits ratepayers and is in the public interest. The Signatory Parties agree that the settlement does not violate any regulatory principle or practice.

WHEREAS, Duke Energy Ohio's Distribution Capital Investment Rider ("Rider DCI") was adopted and approved by the Commission in Case No. 14-841-EL-SSO on April 2, 2015, and extended by the Opinion and Order in Case No. 17-0032-EL-AIR, *et al.* on December 19, 2018.

WHEREAS, in the Commission's December 19, 2018, Opinion and Order in Case Nos. 17-32-EL-AIR, et al., the Commission approved a Stipulation extending Rider DCI through May 31, 2025, and ordered that quarterly Rider DCI filings "be made on or about January 31, April 30, July 31, and October 31 of each year."

WHEREAS, pursuant to the Opinion and Order in Case No. 17-0032-EL-AIR, Rider DCI is "subject to annual audits, at the Commission's discretion."[1]

WHEREAS, on August 12, 2020, the Commission approved the selection of Rehmann Consulting to "assist the Commission and Staff with the audit of Duke's distribution capital investment rider costs for the period of July 1, 2019, through June 30, 2020."[2]

WHEREAS, the Compliance Audit of Duke Energy Ohio's Distribution Capital Investment Rider covering the July 1, 2019 to June 30, 2020 period was performed by Rehmann Consulting and was filed with the Commission on January 8, 2021. It shall be admitted into the record in this proceeding and identified as Exhibit 1.[3]

WHEREAS, the Signatory Parties have considered the Audit Report, Staff's Review and Recommendation, and the parties' filed Comments.

WHEREAS, On November 20, 2020, the Staff of the Commission issued its Amended Staff Review and Recommendation (Staff Report) that, among other things, recommended approval of the Company's Application, subject to several adjustments and recommendations.

WHEREAS, all the related issues and concerns raised by the Signatory Parties have been addressed in the substantive provisions of this Stipulation, and reflect, as a result of such

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[1] Case No. 17-0032-EL-AIR et al., Opinion and Order, p. 70 (Dec. 19, 2018).
[2] Entry, p. 4 (August 12, 2020).
[3] Case No. 20-1205-EL-RDR, Rehmann Consulting Compliance Audit of the July 1, 2019 to June 30, 2020 Distribution Capital Investment Rider (Rider DCI) Duke Energy Ohio (January 8, 2021) (Audit Report).

discussions and compromises by the Signatory Parties, an overall reasonable resolution of all such issues;

WHEREAS, this Stipulation is the product of the discussions and negotiations of the Signatory Parties and is not intended to reflect the views or proposals that any individual Party may have advanced acting unilaterally;

WHEREAS, this Stipulation represents an accommodation of the diverse interests represented by the Signatory Parties and is entitled to careful consideration by the Commission;

WHEREAS, this Stipulation represents a serious compromise of complex issues and involves substantial benefits that would not otherwise have been achievable; and

WHEREAS, the Signatory Parties believe that the agreements herein represent a fair and reasonable solution to the issues raised in this matter;

NOW, THEREFORE, the Signatory Parties stipulate, agree and recommend that the Commission make the following findings and issue its Opinion and Order in this proceeding approving this Stipulation in accordance with the following:

The Signatory Parties recommend approval of the Company's Application, as addressed and modified by the Audit Report, and further adjusted by the terms and agreements below:

1. **Revenue Requirement Adjustments**: The impact of stipulated recommendations from this year's Rider DCI Audit Report were run through the most applicable quarterly Rider DCI filing and resulted in a total one quarter increased revenue requirement of $1,369,460 from the recommendations' impact throughout the audit period. This stipulated amount of $1,369,460, reflects a reduction of ($214,554) from the auditor's original recommended upward adjustment of $1,584,014 as recommended in Table 12 of the Audit Report. In other words, the revenue requirement will be $214,554 less

than it would have been under the Audit Report recommendations alone. The revenue requirement impacts are summarized below:

Recommendation	**1st Quarterly Filing After Commission Order in this case**
Adjustments Reducing Revenue Requirement	
Understating Accumulated Depreciation September 2019	($349,989)
Understating Accumulated Depreciation March 2020	($570,808)
Land Held for Future Use	($289,161)
Plant not Ready for Service	($155,094)
Unitization Transfer to Non-plant Account	($68,232)
Unitization Transfer to RWIP	($3,096)
CIAC not Recorded	($1,272)
Total Reduction	($1,437,652)
Adjustments Increasing Revenue Requirement	
Deferred Tax Clerical Errors	$1,384,361
Deferred Tax Plant-in-Service Reconciliation	$1,422,751
Deferred Tax CWIP Adjustment	$0
Total Increase	$2,807,112
Total Revenue Requirement Adjustment	**$1,369,460**

a. The revenue requirement will be reduced by ($349,989) for the stale data in the accumulated depreciation balance and reduced by ($570,808) for the incorrect Retirement Work in Progress (RWIP) offset thereby reducing the Rider DCI revenue requirement for consumers.

b. The revenue requirement will be reduced a total of ($289,161) for the Land Held for future use thereby reducing the Rider DCI revenue requirement for consumers.

c. The revenue requirement will be reduced for the plant that was not ready for service when it was included in the Rider DCI, by ($155,094) thereby reducing the Rider DCI revenue requirement for consumers.

d. The revenue requirement will be decreased by ($68,232) for the length of time that un-unitized amounts resided in distribution plant-in-service but that never should have been recorded in distribution plant-in-service.

e. The revenue requirement will be decreased a total of ($3,096) to adjust for the length of time that un-unitized Retirement Work in Progress (RWIP) amounts resided in distribution plant-in-service but should have been recorded in Retirement Work in Progress.

f. All Contributions in Aid of Construction (CIAC) entries will be posted to work orders immediately upon invoicing. The revenue requirement will be reduced for the missing CIAC entry by ($1,272).

g. The revenue requirement will be increased a total of $1,384,361 for the clerical errors on the deferred tax schedule.

h. The revenue requirement will be increased by a total of $1,422,751 to adjust for the fact that PowerTax used an incorrect plant-in-service balance to calculate deferred taxes for four quarters. Future Rider DCI filings will have deferred taxes calculated on and reconciled to the plant-in-service balance reported in the Rider DCI.

i. The Rider DCI revenue requirement will not be adjusted (increased) by a total of $214,554 for one quarter relating to the four quarters that Construction Work in Progress (CWIP) Adjustments included in accumulated deferred income taxes were included in the Rider DCI. Furthermore, the Signatory parties agree that future Rider DCI filings exclude the CWIP Adjustments, but recognize that this would create inconsistency between Rider DCI filings and base rates. Therefore, this should be implemented in the Company's currently filed base case, and then

removed from Rider DCI in the first rider filing subsequent to the Commission's approval of that base rate case in order to maintain consistency.

2. **Process and Transparency Improvements**:

   a. Contractor Charges: As previously agreed in Case No.19-1287-EL-RDR, Duke Energy Ohio will perform, by September 1, 2021, an operational audit of contractor charges for the period of work completed January 1, 2020 to June 30, 2020. The audit will determine whether competitive bids are being obtained, contractors are materially complying with their bid specifications, material contract terms are being adhered to, duplicate payments are not made, and contractor time sheets and equipment hours are being monitored by Duke Energy Ohio. Any detected overcharges, undercharges, and operational improvements should be quantified in a report for the revenue requirement impact and the impact applied to the next quarterly (after completion of the operational audit) Rider DCI filing.

   b. Construction Unit: Effective October 2019, the Company has updated the labor component of its Construction Unit (CU) to be a blended rate (i.e., a blend of internal and external labor), which will be analyzed and updated annually. The Auditor in the next DCI Audit shall report its findings regarding whether Duke's update of the labor component of its Construction Unit (CU) as a blended rate significantly improved the correlation between work order estimates and actual costs incurred, as compared to the previous audit period prior to the labor component update.

   c. Contractor Request Form: Duke Energy Ohio will implement a "Contractor Request Form" that will be attached to each work order to document adders

requested post-design. These additional costs will be required to be approved by Duke Energy personnel in order to proceed. The Auditor in the next DCI Audit shall report its findings regarding whether Duke's implementation of the "Contractor Request Form" has significantly improved documentation and improved cost control of project site adders.

d. Un-unitized Work Orders: In the next audit of Rider DCI, the auditor shall report its findings regarding whether all of the remaining $44,396,214 of un-unitized work orders, plus any 2019 un-unitized work orders with an in-service date of on or before October 23, 2019, were unitized by October 23, 2020.In the next audit of Rider DCI, the auditor shall report its findings regarding whether all of the remaining $14,147,581 of un-unitized Retirement Work In Progress work orders, plus any 2019 un-unitized work orders with an in-service date of on or before October 23, 2019, were unitized by October 23, 2020.

e. The Rider DCI September 30, 2020 quarterly filing will be amended to reflect an adjustment to plant-in-service for the $2,718 CIAC overcharge. The Company has already made this adjustment, but it did so in its January 26, 2021, filing rather than the September 30, 2020, filing.

f. Work Orders with a Contribution in Aid of Construction (CIAC) requirement: In order to detect when customer agreements are not on file to support Rider DCI filings, Duke Energy Ohio will implement the following process: When Designers include a CIAC requirement to a work order, they will use the Customer Agreement pre-requisite, which is a Maximo work management system attribute that requires a response before the work order may progress, and will attach a signed customer

agreement in Maximo. The appropriate Customer Agreement will vary based on the job type and/or conditions, and, in some instances, such an agreement will not list specific costs to the Customer. According to the outside Audit Report from January 6, 2021, the use of the pre-requisite should address the problem of missing customer agreements when it comes to work orders with a CIAC requirement. The Auditor in the next annual DCI audit will report its findings regarding Duke's improvements in tracking and maintaining Customer Agreements related to work orders with CIAC requirements in support of Rider DCI filings.

g. Publicly-filed Annual DCI Work Plan: The Company agrees to publicly file a copy of the Annual DCI Work Plan each year until a new electric security plan (ESP) is approved for Duke Energy Ohio.

h. Internal Contact: The Company agrees to designate an internal contact for up to four sessions of up to 30 minutes each, of informal discussion, accompanied by Company counsel, with OCC regarding the Annual DCI Work Plan after the Annual DCI Work Plan is filed each year.

The undersigned Signatory Parties hereby stipulate and agree and each represent that he or she is authorized to enter into this Stipulation and Recommendation this 14th day of January, 2022.

On Behalf Of Duke Energy Ohio, Inc.:

By: /s/ Larisa M. Vaysman
Rocco D'Ascenzo (0077651)
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Larisa M. Vaysman (0090290)
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On Behalf Of Staff Of The Public Utilities Commission Of Ohio:

By: */s/ Kyle Kern by e-mail authorization 1/14/22*
Assistant Attorney General

On Behalf of the Office Of The Ohio Consumers' Counsel:

By */s/ Amy Botschner O'Brien by e-mail authorization 1/14/22*
Assistant Consumers' Counsel

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Summary: Stipulation Stipulation and Recommendation of Duke Energy Ohio, Inc. electronically filed by Mrs. Debbie L. Gates on behalf of Duke Energy Ohio Inc. and D'Ascenzo, Rocco O. Mr. and Vaysman, Larisa and Kingery, Jeanne W