

28th ANNUAL OHIO

Energy Savings & Management

C O N F E R E N C E

Tuesday, February 27, 2024

1:30 p.m. to 2:30 p.m.

6 Interactive & Concurrent Workshops *continued*

K. Duke Energy Ohio: Significant Developments Impacting Electric Rates & Smart Grid Technology

Priceless insights into developments affecting electric tariffs and rates in Duke Energy Ohio's service territory, including Duke Energy's most recent distribution rate case; changes and updates to Duke's riders; changes to Standard Service Offers (SSO) load auctions & rates; update on Duke's smart grid deployment; and rate-related updates on legislative & regulatory issues.

Anthony J. Smith, *Category Manager-Energy Supply*, **Marathon Petroleum Company**, Findlay; Jody Kyler Cohn, *Partner*, **Boehm, Kurtz, & Lowry**, Cincinnati; and David F. Proaño, *Regulatory Counsel*, **Ohio Energy Leadership Council (OELC)** and *Partner*, **BakerHostetler LLP**, Cleveland

Workshop Presenters



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Jody Kyler Cohn

Partner

Jody provides counsel to industrial and commercial utility customers in state and federal regulatory proceedings throughout the country, with the majority of her practice centered on Ohio and Kentucky. She represents clients in both regulated and deregulated jurisdictions on a variety of energy-related issues, including special contract cases, and participates in appellate proceedings before the Supreme Courts of Ohio and Kentucky. Her experience also includes representation of utilities and distributed generation developers.

Prior to joining Boehm, Kurtz & Lowry, Jody served as an Assistant Consumers' Counsel with the Office of the Ohio Consumers' Counsel. In that role, she represented residential customers in a wide range of matters, focusing primarily on issues arising before the Federal Energy Regulatory Commission.

Workshop Presenters



Katie Emling

Energy Analyst



Katie Emling is responsible for reporting and communicating bill analyses and Ohio energy regulations and regulatory issues that affect the quality and cost of energy. She monitors activity at PJM Interconnection, the Public Utilities Commission of Ohio, and the state legislature, and then identifies issues that may impact clients' energy costs. Katie also analyzes customers' usage and billing data to ensure accuracy and identify opportunities to save on Ohio [commercial](#) and [industrial energy costs](#).

Katie joined Brakey Energy in January 2018. Prior to Brakey Energy, Katie spent five years as an Energy Efficiency Engineer in Michigan for DNV GL and Consumers Energy. Her work included managing the Michigan utility's New Construction Energy Efficiency Rebate Program for commercial and industrial customers and assisting in the launch and operation of the utility's commercial and industrial demand response program. Katie is a Certified Energy Manager® through the Association of Energy Engineers. She holds a M.S. in Civil Engineering from Carnegie Mellon University and a B.S. in Engineering Physics from John Carroll University.

Workshop Presenters



David Proaño

David Proaño represents clients in the utility and energy industries on regulatory compliance, commission investigations, retail energy contracts, commercial disputes, and business issues, and has years of experience with multiple facets of the retail energy industry. David routinely appears and practices before the Public Utilities Commission of Ohio on regulatory and litigated matters.



DUKE ENERGY OHIO REGULATORY UPDATE

*Energy Savings & Management
Conference*

February 27, 2024

Jody Kyler Cohn, Partner
Boehm, Kurtz & Lowry



MOST RECENT BASE RATE CASE (21-887-EL-AIR)



- ▶ On October 1, 2021, Duke filed an Application requesting a \$54.7 million (approximately 10%) increase effective July 2022, incorporating a 10.3% return on equity.
- ▶ Duke also sought the following revenue caps for its Delivery Capital Investment (DCI) Rider - \$12 million for the last six months of 2022, \$46 million for 2023, \$75 million for 2024, and \$40 million for the first five months of 2025.
- ▶ Duke proposed a number of new riders and to modify some of its existing riders, including its Electric Service Reliability Rider, Distribution Decoupling Rider, and Development Incentive Rider.

MOST RECENT BASE RATE CASE (21-887-EL-AIR)

- ▶ Duke's cost of service study reflected that the residential class was being subsidized by most of the other rate classes. Consequently, Duke proposed moving the allocation closer to cost of service while still preserving some level of residential subsidy.

Table 1
Cost of Service Results
Rate of Return

Rate Class	Current ROR		Applicant Proposed ROR		Staff Proposed ROR	
	%	Index	ROR	Index	ROR	Index
Residential	3.08%	0.59	5.12%	0.71	5.76%	0.80
Dist Large-Secondary DS	8.83%	1.70	10.87%	1.51	9.77%	1.35
Dist Large-Secondary EH	5.84%	1.13	7.88%	1.09	7.68%	1.06
Dist Small-Secondary DM	11.14%	2.15	13.18%	1.82	11.38%	1.57
Dist Small-Secondary GSFL	7.41%	1.43	9.45%	1.31	8.78%	1.21
Distribution Primary DP	10.20%	1.97	12.25%	1.70	10.72%	1.48
Transmission	37.88%	7.31	39.93%	5.53	30.02%	4.16
Lighting	20.75%	4.00	22.79%	3.16	18.08%	2.50
Total	5.18%	1.00	7.22%	1.00	7.22%	1.00

- ▶ Duke proposed increasing its monthly residential customer charge from \$6 to \$12.

MOST RECENT BASE RATE CASE (21-887-EL-AIR)

- ▶ PUCO Staff issued its required Report on May 19, 2022, recommending a base rate increase between \$1.86 million and \$15.28 million (incorporating an ROE between 8.84% to 9.85%).
- ▶ Staff recommended the following DCI revenue caps: \$17 million for 2022 (prorated based upon PUCO Order date), \$34 million for 2023, \$51 million for 2024, \$28 million for the first five months of 2025.
- ▶ Staff recommended that the Commission reject a couple of the new proposed riders and supported many of the proposed changes to existing riders.
- ▶ Staff recommended moving rates closer to cost of service among the rate classes while again preserving some level of residential subsidy.
- ▶ Staff recommended a \$7.32 monthly residential customer charge.



MOST RECENT BASE RATE CASE (21-887-EL-AIR)



- ▶ After many meetings, a settlement was reached among all parties to the case except for the Ohio Consumers' Counsel (OCC).
- ▶ The Settlement recommended a \$22.6 million increase (incorporating an ROE of 9.5%), capped the DCI rider at \$20.7 million in 2022, \$41.5 million in 2023, \$62.2 million in 2024, and \$34.6 million in 2025 subject to Duke satisfying certain reliability standards, reset the levels of several other existing riders, moved rates closer to cost of service, and included a monthly residential customer charge of \$8.

MOST RECENT BASE RATE CASE (21-887-EL-AIR)

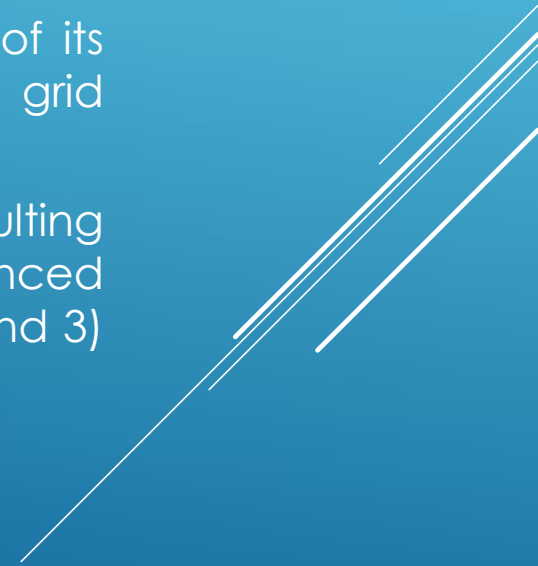
- ▶ OCC contested the Settlement and the case went to hearing on October 4, 2022.
- ▶ After briefing of the issues, the PUCO issued its Order on December 14, 2022.
- ▶ The Commission rejected all of OCC's arguments, finding that those arguments were either inconsistent with Commission precedent or unsupported by record evidence.
- ▶ OCC filed an Application for Rehearing on January 13, 2023.
- ▶ The PUCO has not yet issued its final Entry on Rehearing in the case.



GRID MODERNIZATION CASES (19-1750-EL-UNC, 20-666-EL-RDR, 21-12-EL-RDR)



- ▶ Like many other Ohio utilities, Duke is in the process of modernizing its distribution system.
- ▶ In its 2017 Base Rate Case, Duke received approval of its Power Future Initiatives Rider (Rider PF) to recover grid modernization costs.
- ▶ Rider PF has 3 Components: 1) incremental costs resulting from the PUCO's PowerForward initiative; 2) Advanced Metering Infrastructure (AMI) and data access costs; and 3) infrastructure modernization plan costs.



GRID MODERNIZATION CASES (19-1750-EL-UNC, 20-666-EL-RDR, 21-12-EL-RDR)

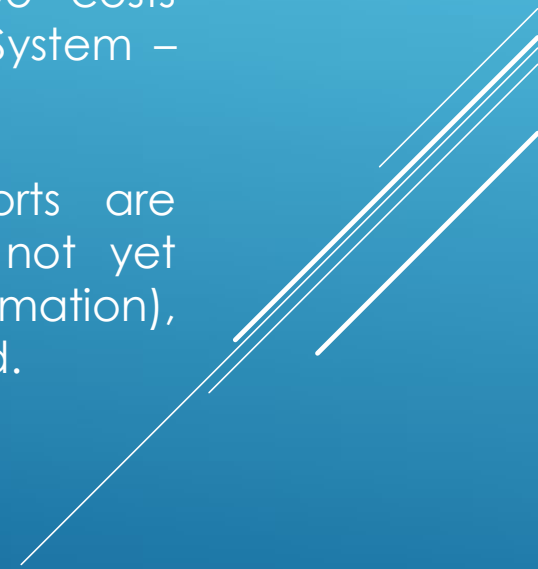
Phase (Scope & Functionality)	Timeline	Estimated Cost
Phase I: Add methods to identify customers who have billing-quality interval CEUD. <ul style="list-style-type: none"> Will include all customers with AMI meters, certified on MDM, with VEE performed on interval CEUD. Information to be included on sync lists, pre-enrollment list, and the portal. 	Within 6 months of an Opinion & Order in the current case.	\$1.5 million
Phase II: Modify the CRES portal to allow CRES providers to upload customer information release consent forms for residential customers in bulk and allow customers to self-authorize the release of AMI data through the authenticated Duke Energy website, in accordance with Chapter 4901:1-10 of the O.A.C.	Within 12 months of an Opinion & Order in the current case.	\$1.0 million
Phase III: <ul style="list-style-type: none"> Modify the Company's systems for billing to increase ability for larger volumes of interval AMI CEUD to flow through electronic data interchange (EDI) transactions and for CRES providers to receive interval AMI CEUD. Enable CRES providers to calculate charges associated with interval AMI data and provide the billing amount to the Company, so it can be placed on the bill using "Bill Ready" billing. Any billing system modifications shall recognize the billing requirements in accordance with Chapter 4901:1-10 and Chapter 4901:1-21 of the O.A.C. 	Within 24 months of an Opinion & Order in the current case.	\$3.0 million
Phase IV: Enhance the systems needed to accommodate the increased data from AMI meters that will flow through electronic data interchange (EDI) transactions for billing purposes and allow CRES providers to access interval AMI CEUD via EDI transactions. Interval (hourly, "bill-quality") AMI CEUD will be made available to CRES providers the day after it is delivered, i.e. "Next Day" usage, via EDI transaction.	Within 12 months, following the completion of Phase III.	\$3.5 million
Phase V: (V.A. & V.B.): Enhancements to the PJM settlement systems and processes, such that actual interval CEUD will be used to calculate the peak load contribution (PLC) and network service peak load (NSPL) values, instead of load profiles.	V.A.: Actual PLC and NSPL values will be available for 100,000 AMI meters within 12 months of an Opinion & Order in the current case. V.B.: Actual PLC and NSPL values will be available for all AMI meters within 24 months of an Opinion & Order in the current case.	V.A.: \$1,662,500 V.B.: \$1,918,750

- ▶ Component 1 is now moot because the PUCO PowerForward initiative has ended.
- ▶ Component 2 recovery was divided into five phases, the costs of which Duke has been seeking to recover from customers over the last several years.
- ▶ To date, Duke has completed all five phases of Component Two, at a total estimated cost of approximately \$12.6 million.

GRID MODERNIZATION CASES (19-1750-EL-UNC, 20-666-EL-RDR, 21-12-EL-RDR)



- ▶ Duke recently received approval to recover approximately \$37 million in Component Three costs associated with the new Customer Information System – Customer Connect.
- ▶ Because other utility grid modernization efforts are ongoing and include additional technologies not yet incorporated in Duke's plan (e.g. distribution automation), future Duke grid modernization filings are expected.



NEW DSM/EE PLAN (24-45-EL-POR)



- ▶ On January 22, 2024, Duke filed an application at the Commission for approval of a 2024-26 Energy Efficiency and Demand Side Management (“EE/DSM”) program portfolio and approval to reestablish its previous Rider DSM to recover associated costs.
- ▶ While Ohio's statutory energy efficiency mandates ended after 2020, Duke claims that its proposed EE/DSM portfolio is necessary to meet needs that are not and cannot be met through market-based approaches.
- ▶ The total proposed program cost is \$76 million, with a cap of \$28 million collected annually.

NEW DSM/EE PLAN (24-45-EL-POR)

- ▶ The proposed portfolio includes six residential programs and two non-residential programs:
- ▶ Residential Programs:
 - *Smart \$aver* – energy efficient appliances, HVAC equipment & services, save water and energy kits, and multi-family products and services
 - *Residential Energy Assessments* – in-home assessments to help reduce energy usage
 - *Energy Education for Schools*
 - *Home Energy Reports*
 - *Income-Qualified Neighborhood Energy Saver Program* – direct installation of energy efficiency measures in low-income customer homes
 - *Power Manager* – residential load control reducing air conditioning during peak periods
- ▶ Non-Residential Programs:
 - *Business Energy Saver* – direct installation of energy efficiency measures within qualifying facilities
 - *PowerShare* – offers monthly capacity and energy credits in exchange for curtailing load during PJM emergencies

NEW DSM/EE PLAN (24-45-EL-POR)

- ▶ As proposed, the resurrected Rider DSM would recover: 1) program costs; 2) lost distribution revenues from certain non-residential rate classes (Rates DS, DP, and TS) that are not currently subject to Duke's decoupling rider; and 3) a "*Joint Benefits Recognition Mechanism*" of 9.5% (after-tax) of the total avoided transmission and distribution cost savings resulting from participation in the portfolio programs.
- ▶ Stakeholder reactions to Duke's proposal are not yet known since the case is only in its initial stages.

NEW ELECTRIC SECURITY PLAN (???)

- ▶ Duke's current Electric Security Plan is approved through May 31, 2025.
- ▶ Duke is expected to file its Application for a new ESP in mid-year 2024.
- ▶ No indication as to what will be in the filing, but given recent ESP cases, parties will likely continue ongoing debates as to Standard Service Offer auction design, rider recovery, rate design, utility energy efficiency programs, and how to address newer technologies such as electric vehicles.



Duke Distribution



Current Base Distribution Charges

Rate Schedule	Mpnthly Customer Charge	Demand Charge (\$/kW)	Energy Charge (\$/kWh)
Secondary - Small (DM)	\$12.00 (Single Phase), \$24.00 (Three Phase)	N/A	First 2,800 kWh: \$0.048863 All over 2,800 kWh: \$0.004339
Secondary (DS)	\$23.00 (Single Phase), \$46.00 (Three Phase)	\$6.9678	N/A
Primary (DP)	\$100.00	\$5.5511	N/A
Transmission (TS)	\$197.00	N/A	N/A

Duke's Demand Provisions

- The billed demand shall be the highest
 - 15-minute kW during the billing period, adjusted for Power Factor,
 - 85% of the highest monthly kW (or kVA) demand as established in the summer period (June – September) and effective for the next succeeding eleven (11) months,
 - 1 kW for each single-phase meter, 5 kW for each three-phase secondary and primary meter, or 1,000 kVA for transmission.

January 2024 USR Rates

- Duke’s Universal Service Fund Rider (USR) Tier 1 rider rate decreased significantly on January 2, 2024.
 - The USR rider provides funding for the state’s Percentage of Income Payment Plan (PIPP) program and low-income customer energy efficiency programs.
 - Established under Section 4928.51 of the Ohio Revised Code

<u>Previous USR Rates ¢/kWh</u>		<u>2024 USR Rates ¢/kWh</u>		% CHANGE IN TIER 1 RATES
FIRST 833,000 KWH	ALL KWH OVER 833,000	FIRST 833,000 KWH	ALL KWH OVER 833,000	
0.2127	0.0469	0.11025	0.0469	-48%

January 2024 LGR and SGF Rates

- Legacy Generation Rider (LGR) and Solar Generation Fund (SGF) rider were updated on January 1, 2024
- LGR rate (for first 833,000 kWh) is updated semi-annually
 - Ohio Revised Code Section 4928.148 (House Bill 6)

<i>Legacy Generation Rider</i>			
	July 1, 2023	January 2, 2024	Change
\$	0.0001670	\$ 0.0018010	978%

- SGF rate (for first 833,000 kWh) is updated annually
 - Ohio Revised Code Section 4928.148 (House Bill 6) and 3706.46 (House Bill 128)

<i>Solar Generation Fund Rider</i>			
	January 1, 2023	January 2, 2024	Change
\$	0.0002850	\$ 0.00029051	2%

Distribution Capital Investment

- Duke's Distribution Capital Investment Rider (Rider DCI) recovers revenue requirement associated with incremental distribution capital costs incurred by Duke.
- January 2, 2024 rate is 10.927% of base distribution charges.
- Rider DCI is not applicable to customers served at Transmission voltage (Rate TS)

Other Notable Distribution Riders

- Energy Efficiency and Peak Demand Response Recovery Rate (EE-PDRR) – Sep. 1, 2023 last update
 - \$0.000788 per kWh for non-residential on DS, DP, TS, and RTP
 - \$0.000768 per kWh for all other non-residential rates
- Distribution Storm Rider (DSR) – Nov. 1, 2023 last update
 - \$0.97 per month for Rate DM, \$0.2811 per kW for Rates DS and DP
- Electric Service Reliability Rider (ESRR)
 - Jan. 30, 2024 proposal: increase from 0.17% to 0.78% of base distribution charges
- Electric Tax Cuts and Jobs Act Rider (ETCJA)
 - Credit of 2.01% of base distribution charges effective Mar. 1, 2024



Duke Transmission

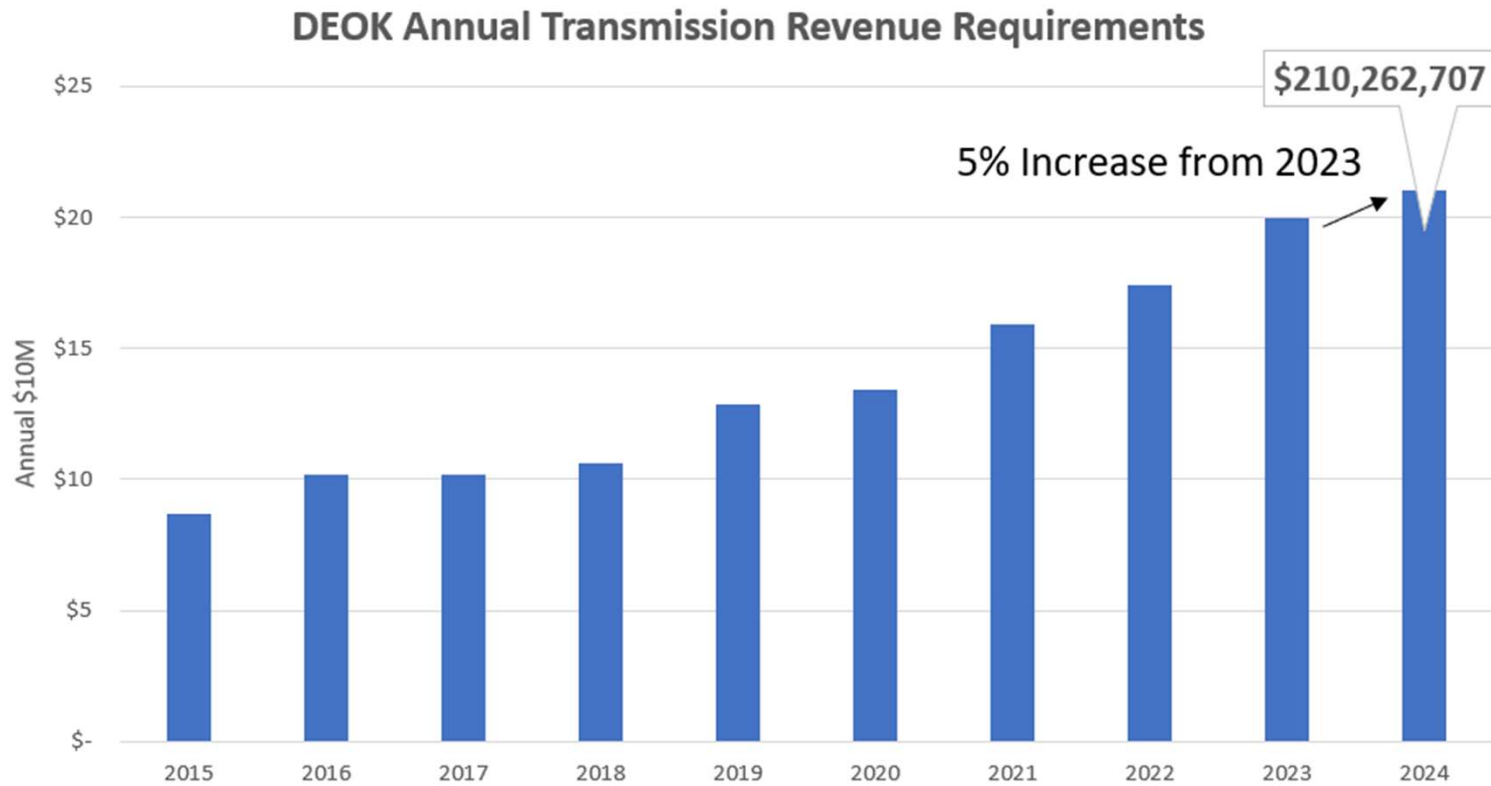


2024 ATRR and NITS Rates for Ohio EDUs

- PJM released 2024 ATRR projections in January
- Network Integration Transmission Service (NITS) is the largest component of transmission cost recovery

Zone	2023		2024 Projected		% Change in NITS Rates
	Revenue Requirement	NITS Rate \$/MW-Yr	Revenue Requirement	NITS Rate \$/MW-Yr	
AEP	\$ 2,729,168,055	\$ 125,669.06	\$ 2,863,850,257	\$ 125,466.60	-0.2%
ATSI	\$ 849,013,862	\$ 66,479.30	\$ 1,048,034,708	\$ 87,624.38	31.8%
DAY	\$ 62,816,282	\$ 18,687.35	\$ 106,244,982	\$ 32,781.54	75.4%
DEOK	\$ 200,020,318	\$ 37,718.00	\$ 210,262,707	\$ 40,717.00	8.0%

Historical DEOK Zone ATRR



Transmission Cost Recovery

- Duke recovers transmission costs from customers via the Base Transmission Rider (Rider BTR).
- Rider BTR contains two components:
 - BTR charge and an RTEP credit to reflect a Stipulation approved by the Commission in Case No. 11-2641-EL-RDR.
 - The RTEP credit is a reduction to bills for all rate classes and reflects an agreement to credit the first \$121 million in RTEP costs billed to the Company's retail load.
- Current rates effective as of October 2, 2023
- RTEP Credit is \$0.000307 per kWh for DM, DS, DP, & TS rate schedules

Rate Schedule	BTR Charge
Secondary - Small (DM)	\$0.013508 per kWh
Secondary (DS)	\$3.3618 per kW
Primary (DP)	\$2.6461 per kW
Transmission (TS)	\$2.6773 per kVA



Duke Generation



Duke Standard Service Offer

- The Standard Service Offer (SSO) rate is the default rate charged by Duke for generation service to customers that do not contract with an alternative supplier.
- Duke's SSO rate includes:
 - Alternative Energy Recovery Rider (Rider AER-R): \$0.000423/kWh
 - Retail Capacity Rider (Rider RC): Tiered rates
 - Retail Energy Rider (Rider RE): Tiered rates
 - Supplier Cost Reconciliation Rider (Rider SCR): (\$0.005555)/kWh
- Riders AER-R and SCR rates in place as of January 2, 2024
- Riders RC and RE rates in place as of June 1, 2023

Recent SSO Auction Results

- One tranche equals 1% of the overall SSO load for the Delivery Year (DY).
- Final auction for the 2024/2025 DY took place on February 20.

Duke SSO Auction Results for 2024/2025 DY

Auction Date	Term (Months)	Tranches	Price (\$/kWh)
7/25/23	12	30	\$0.08188
9/19/23	12	35	\$0.07508
2/20/24	12	35	\$0.06339
Weighted Average Price			\$0.07303
Yr-Over-Yr Change			-18.3%

OVEC Generation Purchase Rider Audits for DP&L, Duke Ohio and AEP Ohio – PUCO Case No. 21-477-EL-RDR

- O.R.C. 4928.148 (HB 6), effective on October 22, 2019, required that the PUCO establish a nonbypassable rate mechanism for the retail recovery of prudently incurred costs related to a legacy generation resource (LGR) (“OVEC”) for the period from January 1, 2020 to December 31, 2030.
- OVEC owns two coal-fired power plants – Kyger Creek Power Plant at Cheshire, Ohio, and IKEC’s Clifty Creek Power Plant at Madison, Indiana, with a nameplate generating capacity of 1,086.3 MW and 1,303.56 MW respectively.
- Ohio Electric Distribution Utilities (EDUs) have the following OVEC ownership:
 - Ohio Power Company (AEP Ohio): 19.93%
 - Duke: 9.00%
 - Dayton Power & Light (AES Ohio): 4.90%

OVEC Generation Purchase Rider Audits for DP&L, Duke Ohio and AEP Ohio – PUCO Case No. 21-477-EL-RDR

- PUCO is required to determine the prudence and reasonableness of the actions of EDUs with LGR ownership interests during years 2021, 2024, 2027, and 2030.
- May 5, 2021, PUCO ordered an audit of OVEC for the period from January 1, 2020, through December 31, 2020.
- On July 14, 2021, the Commission selected London Economics International LLC (LEI) as the third-party auditor to assist with the prudence and reasonableness audit.
- On December 17, 2021, PUCO Staff filed the audits of the LGR for each of the EDUs – the LEI audit for Duke concluded:
 - Between 2019 and 2020, OVEC's net generation declined by 19.69% from 11,238,298 MWh to 9,025,018 MWh. During the same period, the total power cost declined by 5.54% from \$640.80 million to \$605.27 million. As a result, the average power cost (total power cost divided by net generation) increased by 17.54% from \$57.04/MWh to \$67.00/MWh.

OVEC Generation Purchase Rider Audits for DP&L, Duke Ohio and AEP Ohio – PUCO Case No. 21-477-EL-RDR

- The LEI audit conclusions (continued...)
 - “Overall, LEI found that the processes, procedures, and oversight were mostly adequate and consistent with good utility practice...”
 - “LEI’s analysis shows that, at this time, the OVEC plants cost customers more than the cost of energy and capacity that could be bought on the PJM wholesale markets.”
 - “[S]ome of the time, the PJM energy price did not cover fuel and variable costs. LEI believes the temporary permission given by the OVEC Operating Committee to allow the OVEC plants to be committed either as must-run or based on economic commitment ... was prudent. That option was in place temporarily in 2020; LEI recommends that DEO and the other members of the Operating Committee allow this flexibility on an ongoing basis.

OVEC Generation Purchase Rider Audits for DP&L, Duke Ohio and AEP Ohio – PUCO Case No. 21-477-EL-RDR

- Multiple parties intervened, and evidentiary hearing held over five days from October 31, 2023 – November 6, 2023.
- Post-hearing briefing ongoing.
- One of the key arguments relates to how whether the OVEC plants were operated prudently, as summarized by OCC here in its post-hearing brief:
 - “One key operating decision was whether to keep the plants running every day (despite incurring \$105 million in losses during 2020) or to only run the plants on the few days during the year when they might earn a profit.”
- Other arguments focus on larger policy issues relating to supporting OVEC coal plants.
- Decision expected later 2024.

CONCLUSION OF DUKE WORKSHOP

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