



Duke Energy Ohio Rates Update - February 2021

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Agenda

- Duke Energy Ohio Base Rates and ESP
 - Overview of 2020 Changes
 - New Riders
 - Other Distribution Items
 - SSO and Auction Schedule
- Tax Cuts and Jobs Act of 2017
- Legacy Generation Rider
- Price To Compare
- Duke Energy Ohio Rate Comparison
- Questions

Overview

- On March 2, 2017, Duke Energy Ohio (DEO) filed a rate case with the Public Utilities Commission of Ohio (PUCO) to request an increase in electric base distribution rates of approximately \$15 million.
- On June 1, 2017, the Company filed an application for a new six-year Electric Security Plan (ESP) for the period beginning June 1, 2018.
- Duke Energy Ohio's previous ESP was effective from June 1, 2015, through May 31, 2018.

Overview

- On April 13, 2018, DEO, along with the Staff of the Public Utilities Commission of Ohio, the City of Cincinnati, People Working Cooperatively, Ohio Energy Group, Ohio Hospital Association, and Ohio Partners for Affordable Energy filed a Stipulation and Recommendation (Stipulation) with the PUCO resolving issues in the distribution base rate case, ESP, and other proceedings.



Overview

- On December 19, 2018, the PUCO approved the Stipulation.
- New base rates were effective January 2019.



Overview

- Distribution base rate decrease of approximately \$19 million effective January 2019.
- Monthly customer charges remained at previous levels. Rate DP (Distribution Service at Primary Voltage) customer charge set at \$100.
- The term of the ESP is June 1, 2018 through May 31, 2025.
- Duke Energy Ohio must file at least one distribution base rate case by May 31, 2024.

Riders

- Distribution Capital Investment Rider (DCI)
 - Rider DCI maintained. The Commission found that proactive system investment is important for Ohio's economy and improving reliability.
 - Subject to caps on the amount annual revenue that can be collected, some of which are tied to meeting reliability targets.
 - Subject to annual audits typically done by a third party.
 - The Company and Commission Staff will develop an annual work plan to focus spending in areas with the greatest impact on reliability.
 - The current rate is 18.6% of base distribution charges.

Riders

- Electric Service Reliability Rider (ESRR)
 - Recovers vegetation management costs for its distribution system.
 - Due to significant increases in contractor costs in recent years, the Company's expenses to comply with Ohio's rules regarding vegetation management have increased.
 - \$10.7 million of vegetation management expenses included in base rates.
 - Up to \$10 million of contractor vegetation management costs above the \$10.7 million in base rates can be recovered through Rider ESRR.
 - Current rate is 2.2% of base distribution charges, effective June 2020.

Riders

- Power Future Initiatives Rider (PF)
 - This rider recovers the capital and O&M costs of programs, modifications, and offerings related to the continued evolution of the distribution grid and enhanced customer experience, including programs that may be engendered by the Commission's PowerForward review incremental to amounts recovered in other riders or in base rates. See www.puco.ohio.gov for more information about PowerForward.
 - Three components:
 - Commission directives
 - Data access
 - Infrastructure modernization
 - Current rate is zero. Applications are pending before the PUCO.

- Power Future Initiatives Rider (PF) (Continued)
 - Rider PF Component 2 will recover costs associated with:
 - Data Access – Interval Customer Electric Usage Data & PJM settlement data transfer enhancements
 - Advanced Metering Infrastructure – Communication
 - Rider PF is proposed to be billed as a percentage of base distribution estimated at:
 - 2021: 0.993%

- Power Future Initiatives Rider (PF) (Continued)
 - Rider PF Component 3 proposed to recover costs associated with:
 - New Customer Connect system - billing and customer information system
 - Land Mobile Radio program
 - Smart Cities Program
 - Electric Vehicle Program
 - Rider PF is proposed to be billed as a percentage of base distribution estimated at:
 - 2021: 0.896%
 - 2022: 1.740%
 - 2023: 4.333%

Riders

- Price Stabilization Rider (PSR) & Legacy Generation Rider (LGR)
 - Rider PSR recovered the difference between the costs incurred under Duke Energy Ohio's participation in the OVEC Inter Company Power Agreement and any revenues received from the selling its entitlement to that output into the wholesale market.
 - As a result of the passage of HB6, Rider PSR terminated on December 31, 2019.
 - Rider LGR was created and implemented on January 1, 2020.

Riders

- Distribution Storm Rider (DSR)
 - Rider DSR was originally approved in 2015 to track annual incremental major storm expenses as compared to the amount recovered in base rates.
 - The current ESP requires that, on an annual basis, DEO will apply for an adjustment to Rider DSR to refund or collect amounts as compared to the baseline of \$4.3 million.
 - Current Rider DSR rate went into effect on October 28, 2020.
 - Rate RS, RSLI & RS3P, ORH, TD, CUR (\$0.10) per month
 - Rate DS (\$0.03) per kW
 - Rate EH (\$1.70) per month
 - Rate DM (\$0.11) per month
 - Rate GS-FL, SFL-ADPL (\$2.60) per month
 - Rate DP (\$0.03) per kW

Other Items

- Net Metering (Rider NM and NM-H)
 - Excess generation credits are based only on the energy portion of the retail SSO rate (Rider RE).
 - DEO recovers the cost of the excess generation credits through Rider SCR (Supplier Cost Reconciliation).
 - The net metering tariff sheets will be amended as necessary in the future to comply with Commission orders in the pending Net Metering rule review docket.

Other Items

- Backup Delivery Point Rider (Rider BDP)
 - New rates for backup feed service effective January 2019:

	Rate DS	Rate DP
2019 Revenue Months	\$4.52 / kW	\$3.64 / kW
2020 Revenue Months	\$4.09 / kW	\$3.29 / kW
2021 and After Revenue Months	\$3.23 / kW	\$2.60 / kW

Tax Cut and Jobs Act of 2017

- Tax Cut and Jobs Act of 2017
 - DEO has been flowing through the benefit of the lower income tax rate through its capital-related riders since April 2018.
 - Since March 1, 2019, Rider ETCJA flows through all of the benefits of the Tax Act for electric customers (Case No. 18-1185-EL-UNC).
 - Rider ETCJA currently provides a bill credit equal to 4% of the base distribution charges. This percentage will change in March to a credit of 5.15%.

List of All Riders

Rider Name	Tariff	Update
Retail Capacity Rider	Rider RC	Annual
Retail Energy Rider	Rider RE	Annual
Supplier Cost Reconciliation Rider	Rider SCR	Quarterly
Distribution Capital Investment Rider	Rider DCI	Quarterly
Base Transmission Rider	Rider BTR	Annual
Alternative Energy Recovery Rider	Rider AER-R	Quarterly
Distribution Decoupling Rider	Rider DDR	Annual

List of All Riders

Rider Name	Tariff	Update
Distribution Storm Rider	Rider DSR	Annual
Uncollectible Expense Rider – Generation	Rider UE-GEN	Annual
Economic Competitiveness Fund Rider	Rider ECF	Annual
Uncollectible Expense Rider – Distribution	Rider UE-ED	Annual
Energy Efficiency / Peak Demand Response Rider	Rider EE-PDRR	Annual
Power Future Initiatives Rider	Rider PF	Annual
Electric Service Reliability Rider	Rider ESRR	Annual

List of All Riders

Rider Name	Tariff	Update
Legacy Generation Rider	Rider LGR	Semi-Annual
Universal Service Fund Rider	Rider USR	Annual
Regional Transmission Organization Rider	Rider RTO	Upon application
Ohio Excise Tax Rider	Rider OET	N/A

Rider Applicability Table

Riders Applicable to Non-Shopper and Shopper	
Non-Shopper	Shopper
Generation Riders	Generation Riders
Rider RC ^(a)	CRES Offer
Rider RE ^(a)	
Rider AER-R ^{(a)(b)}	
Rider SCR ^(b)	
Rider UE-GEN ^(c)	Rider UE-GEN
Rider LGR	Rider LGR
Transmission Riders	Transmission Riders
Rider BTR	Rider BTR
Rider RTO	
Distribution Riders	Distribution Riders
Rider DCI	Rider DCI
Rider EE/PDR	Rider EE/PDR
Rider DSR	Rider DSR
Rider DDR	Rider DDR
Rider UE-ED	Rider UE-ED
Rider PF	Rider PF
Rider ESRR	Rider ESRR
Rider ECF	Rider ECF
Rider OET	Rider OET
Rider USR	Rider USR

Note:

^(a) Fully bypassable for shoppers.

^(b) Conditionally bypassable.

^(c) Bypassable for accounts not participating in the Purchase of Receivables Program.

Provisions Relating to SSO Supply

- SSO Load
 - Auction follows same format as in prior ESP (*i.e.*, descending clock).
 - Delivery periods and auctions staggered.
 - Full requirements, load following product.
 - At least two auctions for each delivery period.
 - Charles River & Associates to manage auction process.
 - Excludes procurement of RECs to comply with renewable energy standards.
 - Continuation of Riders RC (Retail Capacity) and RE (Retail Energy), as currently structured.
 - Continuation of Supplier Cost Reconciliation Rider (Rider SCR) to true-up SSO revenue with SSO supply costs.
 - Rider SCR includes recovery of auction-related costs from SSO customers.
- PIPP Load
 - RFPs for 100 percent of load.
 - Recovery of PIPP auction costs via Rider UE-ED.

Rider RC and RE Based On Blended Auctions

Month	Auction 1			Auction 2			Auction 3	Auction 4	Auction 5	Auction 6			
	Jun 18-May 21	Jun 18-May 20	Jun 18-May 19	Jun 18-May 21	Jun 18-May 20	Jun 18-May 19	Jun 19-May 22	Jun 19-May 22	Jun 20-May 23	Jun 20-May 21			
	17%	17%	16%	17%	17%	16%	16%	16%	17%	17%			
Auction 3	Aug-18	\$48.75	\$49.27	\$52.06	\$49.71	\$49.48	\$52.87	June 2018 - May 2019					
	Sep-18	\$48.75	\$49.27	\$52.06	\$49.71	\$49.48	\$52.87						
	Oct-18	\$48.75	\$49.27	\$52.06	\$49.71	\$49.48	\$52.87						
	Nov-18	\$48.75	\$49.27	\$52.06	\$49.71	\$49.48	\$52.87						
	Dec-18	\$48.75	\$49.27	\$52.06	\$49.71	\$49.48	\$52.87						
	Jan-19	\$48.75	\$49.27	\$52.06	\$49.71	\$49.48	\$52.87						
Auction 4	Feb-19	\$48.75	\$49.27	\$52.06	\$49.71	\$49.48	\$52.87	June 2019 - May 2020					
	Mar-19	\$48.75	\$49.27	\$52.06	\$49.71	\$49.48	\$52.87						
	Apr-19	\$48.75	\$49.27	\$52.06	\$49.71	\$49.48	\$52.87						
	May-19	\$48.75	\$49.27	\$52.06	\$49.71	\$49.48	\$52.87						
	Jun-19	\$48.75	\$49.27		\$49.71	\$49.48	\$47.66				\$48.12		
	Jul-19	\$48.75	\$49.27		\$49.71	\$49.48	\$47.66				\$48.12		
Auction 5	Aug-19	\$48.75	\$49.27		\$49.71	\$49.48	\$47.66	\$48.12	June 2020 - May 2021				
	Sep-19	\$48.75	\$49.27		\$49.71	\$49.48	\$47.66	\$48.12					
	Oct-19	\$48.75	\$49.27		\$49.71	\$49.48	\$47.66	\$48.12					
	Nov-19	\$48.75	\$49.27		\$49.71	\$49.48	\$47.66	\$48.12					
	Dec-19	\$48.75	\$49.27		\$49.71	\$49.48	\$47.66	\$48.12					
	Jan-20	\$48.75	\$49.27		\$49.71	\$49.48	\$47.66	\$48.12					
Auction 6	Feb-20	\$48.75	\$49.27		\$49.71	\$49.48	\$47.66	\$48.12	\$44.21	41.14			
	Mar-20	\$48.75	\$49.27		\$49.71	\$49.48	\$47.66	\$48.12	\$44.21	41.14			
	Apr-20	\$48.75	\$49.27		\$49.71	\$49.48	\$47.66	\$48.12	\$44.21	41.14			
	May-20	\$48.75	\$49.27		\$49.71	\$49.48	\$47.66	\$48.12	\$44.21	41.14			
	Jun-20	\$48.75			\$49.71		\$47.66	\$48.12	\$44.21	41.14			
	Jul-20	\$48.75			\$49.71		\$47.66	\$48.12	\$44.21	41.14			
Auction 7	Aug-20	\$48.75			\$49.71		\$47.66	\$48.12	\$44.21	41.14			
	Sep-20	\$48.75			\$49.71		\$47.66	\$48.12	\$44.21	41.14			
	Oct-20	\$48.75			\$49.71		\$47.66	\$48.12	\$44.21	41.14			
	Nov-20	\$48.75			\$49.71		\$47.66	\$48.12	\$44.21	41.14			
	Dec-20	\$48.75			\$49.71		\$47.66	\$48.12	\$44.21	41.14			
Auction 8	Jan-21	\$48.75			\$49.71		\$47.66	\$48.12	\$44.21	41.14			
	Feb-21	\$48.75			\$49.71		\$47.66	\$48.12	\$44.21	41.14			
	Mar-21	\$48.75			\$49.71		\$47.66	\$48.12	\$44.21	41.14			
	Apr-21	\$48.75			\$49.71		\$47.66	\$48.12	\$44.21	41.14			
	May-21	\$48.75			\$49.71		\$47.66	\$48.12	\$44.21	41.14			

The current blended auction price is \$46.57 \$/MWh (4.657 ¢ per kWh.)

Energy Efficiency and Peak Demand Response Recovery Rate (EE/PDR)

- Renewable and Energy Efficiency Mandates
 - Ohio lawmakers revised the state's existing renewable portfolio standards and energy efficiency mandates via House Bill 6 to terminate energy efficiency mandates as of the end of 2020, conditional on statewide cumulative energy efficiency goals being met.
 - The PUCO issued an Order on February 26, 2020 with guidance on the wind-down of existing programs offered by Duke Energy Ohio and other utilities in the state.
 - Utilities cannot accept applications for direct rebate programs after September 30, 2020.
 - Termination of all energy efficiency portfolio plans must occur no later than December 31, 2020.
 - Current Rate was set to zero effective January 1, 2021.

Legacy Generation Rider

- OVEC Cost Recovery
 - House Bill 6 extends the period during which utilities will recover and credit the net proceeds from their entitlements under a purchase power agreement with (OVEC).
 - Duke Energy Ohio had employed Rider PSR for this purpose since obtaining PUCO's consent in 2018. At the time, the PUCO permitted us to utilize Rider PSR through May 2025. The recent legislation creates new recovery mechanisms to replace existing ones and extends the recovery/credit period through 2030. In addition, the legislation caps the monthly charges at \$1.50 per month for residential customers and \$1,500 per month for self-assessing commercial and industrial customers. Excess credits and any charges uncollected due to the caps will be reconciled after 2030 under the direction of the PUCO.
- Rider PSR terminated on December 31, 2019.
- Rider LGR (Legacy Generation Rider) was effective January 1, 2020.
 - Part A – LGR statewide rate
 - Part B – utility-specific true-up

Price To Compare

How Do I Calculate My Price to Compare?

Compare:

DE OH's Rider RC Charge

+ Rider RE Charge

+ Rider SCR Charge

+ Rider AERR Charge

VS.

The CRES Provider's price for electricity

Note: For Large C&I Customers, "Price To Compare" varies based on load factor

Annual Price To Compare (Example – Rate DP – February 2021 Rates)

<u>kWh</u>	<u>Load Factor</u>	<u>AERR, RTO, SCR</u>	<u>RC, RE</u>	<u>Total</u>	<u>Price To Compare (¢)</u>
518,400	72.0%	(974.59)	24,827.28	23,852.69	4.60
625,120	70.0%	(1,175.23)	30,066.61	28,891.38	4.62
650,000	62.3%	(1,222.00)	31,864.93	30,642.93	4.71
689,000	51.7%	(1,295.32)	34,837.71	33,542.39	4.87
750,000	47.3%	(1,410.00)	38,553.18	37,143.18	4.95
812,000	39.6%	(1,526.56)	43,288.15	41,761.59	5.14
518,000	20.8%	(973.84)	32,714.81	31,740.97	6.13
822,000	32.5%	(1,545.36)	45,776.43	44,231.07	5.38
651,030	47.9%	(1,223.94)	33,392.19	32,168.26	4.94
525,012	50.3%	(987.02)	26,682.68	25,695.65	4.89
518,665	65.5%	(975.09)	25,213.85	24,238.76	4.67
612,000	77.4%	(1,150.56)	28,999.75	27,849.19	4.55
			-		
7,691,227		(14,459.51)	396,217.56	381,758.05	4.96

Duke Energy Ohio Electric Rates Versus Other EDUs

- Duke Energy Ohio's rates are close to the average Ohio rate and well below U.S. average rates.
- Residential (1000 kWh)
 - DEO: 11.58 ¢ per kWh
 - Ohio average: 11.32 ¢ per kWh
 - U.S. average: 13.65 ¢ per kWh
- Commercial (40 kW; 14,000 kWh)
 - DEO: 9.14 ¢ per kWh
 - Ohio average: 9.29 ¢ per kWh
 - U.S. average: 11.39 ¢ per kWh
- Industrial (1,000 kW; 400,000 kWh)
 - DEO: 8.31 ¢ per kWh
 - Ohio average: 7.52 ¢ per kWh
 - U.S. average: 9.54 ¢ per kWh

Source: EEI, Winter 2020

- Duke Energy's tariffs can be found online at:

www.duke-energy.com



AEP Ohio: Significant Developments Impacting Electric Rates

Workshop N

*Manufacturers' Education Council
25th Annual Ohio Energy Savings & Management Conference
February 17, 2021*

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Presentation Topics

- **2020 Distribution Rate Case**
 - **DSM Program**
 - **DIR**
 - **Consolidation of Rate Zones and General Service Schedules**
- **GridSMART Phase 3**
- **House Bill 6 Ongoing Developments**
- **Customer Shopping Statistics**
- **Generation Supply Auctions (CBP) for the Standard Service Offer**



2020 Distribution Rate Case

- AEP Ohio filed its 2020 Rate Case application on June 1, 2020
- Application included several proposed changes:
 - Eliminate CSP rate zone schedules and consolidate into OP
 - Consolidate GS-1 through GS-4 into one new Schedule GS
 - For secondary and primary voltage customers, a new distribution energy charge applied only on first 4,500 kWh/month and a distribution demand charge applied to demands greater than 10 kW
 - For transmission voltage customers, a new distribution demand charge on first 2,000 kW
 - New Demand Side Management program
 - Distribution Investment Rider (DIR) proposed revenue caps



2020 Rate Case – Consolidation of Rate Zones and General Service Schedules

- Company proposed consolidation of Ohio Power and Columbus Southern Power rate zones and tariffs
- Company also proposed consolidation of General Service rate schedules to include GS-Unmetered; GS-Secondary; GS-Primary, and GS-Transmission
- New proposed rates include new distribution energy charges and distribution demand charges
- Staff does not oppose consolidation of rate zones or schedules



2020 Rate Case – DSM Program

- Company proposed Demand Side Management program to “assist customers in lowering peak demand of electricity, optimizing use of energy, increasing customer satisfaction, and supporting economic development”
- Requested \$36.6 million in costs annually, plus \$3.6 million annual administration fee
- Staff recommended removal of all proposed DSM fees from base rates due to concerns about proposal, including current legislative uncertainty about energy efficiency



2020 Rate Case – DIR

- Company proposed annual revenue caps
 - 2021: \$71 million
 - 2022: \$117 million
 - 2023: \$164 million
 - 2024: \$211 million
- Company also proposed several offsets, including ESRR and gridSMART
- Staff recommended lower annual revenue caps:
 - 2021: \$57 million
 - 2022: \$78 million
 - 2023: \$96 million
 - 2024: \$46 million (through May 2024)



GridSMART Phase 3

- July 2019: Company filed application to initiate Phase 3 of its gridSMART project
- Application includes:
 - Expanded deployment of AMI, DACR, and VVO technologies
 - New D-SCADA deployment
 - Usage of fiber optic cable and excess capacity on “middle mile” telecommunication services
 - EDI enhancements to provide CRES suppliers interval data for customers with time-of-use products
- Comments and reply comments were filed in September 2020



House Bill 6 Ongoing Developments

- **Jan. 1, 2020 – the renewable mandate ends for customer who self-assess the Ohio State kWh tax and opt-out reporting requirements end for customers who elected the streamlined opt-out (customers served at primary or higher voltage, or self-assessors of the kWh tax)**
- **Jan. 1, 2020 – the EE mandate opt-out expands to mercantile customers**
- **Jan. 1, 2020 – New non-bypassable OVEC charges began thru Legacy Generation Rider and are capped at \$1,500/month for non-residential customers.**
- **Dec. 31, 2020 – the peak demand reduction (PDR) mandate permanently ends and the EE mandate ends when EDUs have collectively achieved a 17.5% reduction in kWh sales**
- **AEP's EE/PDR rider rates have been set to zero (subject to final reconciliation) and portfolio plans have been terminated as of December 31, 2020; Staff has preliminarily reported a 19.8% cumulative energy savings statewide**



House Bill 6 (continued)

- **Attorney General Dave Yost has filed suit and has been granted a stay to block or delay subsidy payments to Energy Harbor**
- **PUCO has vacated its order for utilities to implement and begin collection of charges through recently established Clean Air Fund Riders as a result of preliminary injunction issued in December 2020**



AEP-Ohio (Percent of Electric Load Shopping)

AEP-OHIO	Nov. 30, 2020	Nov. 30, 2019	Nov. 30, 2018	Sept. 30, 2017	Sept. 30, 2016
Residential Sales	36.1%	45.8%	35.3%	35.0%	34.1%
Commercial Sales	87.8%	86.9%	86.1%	85.9%	86.0%
Industrial Sales	98.1%	97.5%	97.4%	97.9%	97.5%
Total Sales	76.2%	75.2%	74.7%	74.9%	71.5%



OP's CBP Auctions to Establish SSO Prices For the ESPs

- Several auctions have been conducted to date
- To procure energy, capacity, and market-based transmission and transmission ancillary services
- Delivery periods:

	<u>Blended Price</u>
■ June 2015 thru May 2016	\$54.87/MWH
■ June 2016 thru May 2017	\$52.37/MWH
■ June 2017 thru May 2018	\$51.14/MWH
■ June 2018 thru May 2019	\$49.35/MWH
■ June 2019 thru May 2020	\$47.38/MWH
■ June 2020 thru May 2021	\$44.12/MWH
■ June 2021 thru May 2022	\$46.71/MWH



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www.IEU-Ohio.org.

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