BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke Energy Ohio, Inc. for Tariff Approval for Rate PTR 2.0.	)))	Case No. 11-2798-EL-ATA

FINDING AND ORDER

The Commission finds:

(1) Duke Energy Ohio, Inc., (Duke) is a public utility as defined in Section 4905.02, Revised Code, and, as such, is subject to the jurisdiction of this Commission.

(2) On December 17, 2008, the Commission approved a Stipulation and Recommendation (ESP Stipulation) in *In the Matter of the Application of Duke Energy Ohio, Inc., for Approval of an Electric Security Plan*, Case No. 08-920-EL-SSO (08-920), to establish an electric security plan for Duke. Among other terms in the ESP Stipulation, Duke committed to convene a collaborative group with Staff and other interested stakeholders (SmartGrid Collaborative) to maximize the benefits of the SmartGrid investment and to design and implement tariffs, which will assist customers in managing their electric costs.

(3) On May 2, 2011, as amended May 12, 2011, Duke filed an application proposing to offer a new peak time rebate rate (Rate PTR 2.0). Rate PTR 2.0, as proposed, is a pilot program that will serve up to 500 customers. Participants in the pilot program will be recruited using two different methods: 200 customers will be acquired via an opt-out approach and 200 customers will be acquired through an opt-in process. Duke expects to fill the remaining 100 spots in the pilot program with the population of customers who participate in Duke's other pilot programs. Under the opt-out approach, customers will receive notification that they are being placed in the PTR 2.0 rate pilot and will be informed that, if they prefer not to participate, they need to contact Duke to be removed from the pilot. The company anticipates that the offering will be well received because the tariff is designed to cause no harm to the customer and only offers a potential benefit should the customer choose to take action during peak events. Customers'

bills should be unchanged, unless a customer opts to take advantage of the rebate offer.

(4) As proposed in the application, Rate PTR 2.0 would provide for up to 10 critical peak pricing events per year during the calendar months of June, July, August, and September, excluding weekends and holidays. Rate PTR 2.0 would offer customers the opportunity to manage their electric costs during each peak pricing period by taking action to reduce their demand from their historical levels in exchange for a credit of $0.28 per kilowatt hour (kWh) of such reduction. Participating customers may also choose to maintain their electric usage levels at previous levels during an event. Customers who do not reduce usage levels during the event, or increase their usage, will not incur any penalties and will be billed for the electricity consumed during the event at the normal tariff rates in effect in the tariff pursuant to which the customer previously received service. Therefore, no customer's bill will increase as a result of Rate PTR 2.0. The kWh load reduction would be calculated as the difference between the estimated kWh usage that would have occurred during the critical peak event without action by the participant (baseline kWh) and the participant's actual kWh usage during the critical peak event (actual kWh). Credits will be computed and provided on customers' bills within two monthly billing cycles. Customers enrolled in either budget billing or income payment plans, Home Energy Assistance Programs, or any other assistance plan may not participate in this program. Duke explains that the ineligibility of budget billing customers to participate in Rate PTR 2.0 is, in part, due to the inability of budget billing customers to appreciate the price signals inherent in Rate PTR 2.0, and, in part due to the fact that Duke's billing system will not support the inclusion of budget billing customers in Rate PTR 2.0.

(5) On May 4, 2011, Ohio Partners for Affordable Energy (OPAE) filed a motion to intervene. In support of its motion, OPAE asserts that it is a corporation that advocates for affordable energy policies for low- and moderate-income Ohioans, whose electric service may be affected by this application. Furthermore, OPAE asserts that its participation will not cause undue delay, will not unjustly prejudice any existing party, and will contribute to the just and expeditious resolution of this matter. No memorandum contra

was filed in response to OPAE's motion to intervene. The Commission finds that the motion to intervene is reasonable and should be granted.

(6) On June 2, 2011, the Ohio Consumers' Counsel (OCC) filed a motion to intervene in this case. In support of its motion, OCC asserts that it represents the interests of residential customers and that its significant experience in Commission proceedings will allow for the efficient processing of this matter with consideration of the public interest. No one filed a memorandum contra the motion to intervene filed by OCC. The Commission finds that OCC has set forth reasonable grounds for intervention. OCC's motion to intervene should be granted.

(7) On May 4, 2011, as amended May 18, 2011, OPAE filed comments on the instant application. In its comments, OPAE suggests two changes to the application. First, OPAE states that it does not support the use of an opt-out approach as a means of procuring customers. OPAE believes that approval of a tariff containing an opt-out provision would create a dangerous precedent for the use of opt-out customer procurement in future proceedings. OPAE also disagrees with the provision that customers on budget billing are ineligible to participate in the program. As OPAE acknowledges, budget billing is not a type of assistance that would prohibit participation in such a program.

(8) In considering Duke's application, the Commission understands the typical issues with opt-out programs, including the concern that such programs initially place customers on a rate that they did not request. However, in this case, customers who are part of the opt-out pilot program will not be harmed, even if they wish not to participate in Rate PTR 2.0, but fail to opt out of the Rate PTR 2.0 pilot. In light of this fact and the fact that this is a pilot program, the Commission does not believe that the opt-out program, as proposed, presents any issues that could negatively impact customers and instead will provide valuable insight into customer behavior. However, the Commission's decision in this case shall not be construed as any sort of support or endorsement of opt-out programs in any way, and shall only be applicable to this case.

(9) The Commission recognizes OPAE's concern that budget billing customers are being treated as if they are on a payment assistance plan; however, the Commission is also aware of the limitations on Duke's billing system. Therefore, at this time, the Commission finds that limiting the Rate PTR 2.0 pilot program, as proposed in this application, to customers who do not receive payment assistance and are not on budget billing is reasonable.

(10) The Commission notes that Rate PTR 2.0 is a voluntary program that will provide customers with the opportunity to benefit by reducing peak demand. We also note that, as proposed by Duke, Rate PTR 2.0 is limited to 500 customers. Accordingly, the Commission finds that the proposed Rate PTR 2.0 pilot is consistent with the ESP Stipulation, does not appear to be unjust or unreasonable, and should be approved. Therefore, the Commission finds that it is unnecessary to hold a hearing regarding the application.

(11) Accordingly, the Commission finds that Duke should proceed with the process of acquiring customers to take service under this tariff in a manner consistent with the recommendation of the participants in Duke's SmartGrid Collaborative. Furthermore, the Commission finds that Duke shall inform the SmartGrid Collaborative, the Commission's Service Monitoring and Enforcement Department, and the Commission's Energy and Environment Department of significant events in the customer acquisition process. Moreover, the Commission directs Duke to educate customers participating in the pilot program on approaches they could use to take advantage of Rate PTR and on the opt-out provision allowing these customers to decline participation in the program, if they so desire, and to provide resources to address customer questions and concerns.

(12) In addition, the Commission finds that Duke should proceed, in consultation with the SmartGrid Collaborative, to develop a comprehensive plan for determining what pricing, technology, and communication options will work best for different consumers and for extending time-differentiated and dynamic pricing options.

It is, therefore,

ORDERED, That the motions for intervention filed by OPAE and OCC be granted. It is, further,

ORDERED, That the application and proposed tariff filed by Duke on May 2, 2011, as amended May 12, 2011, be approved. It is, further,

ORDERED, That Duke be authorized to file, in final form, four complete copies of its tariff, consistent with this finding and order. Duke shall file one copy in its TRF docket (or make such filing electronically as directed in Case No. 06-900-AU-WVR) and one copy in this case docket. The remaining two copies shall be designated for distribution to the Rates and Tariffs, Energy and Water Division of the Commission's Utilities Department. It is, further,

ORDERED, That the effective date of the new tariff shall be a date not earlier than the date of this finding and order and the date upon which four complete copies are filed with the Commission. It is, further,

ORDERED, That the directives set forth in this finding and order be observed. It is, further,

ORDERED, That nothing in this finding and order shall be binding upon this Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further, ORDERED, That a copy of this finding and order be served all parties of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO

Todd A. Snitchler, Chairman

Paul A. Centolella

Steven D. Lesser

Andre T. Porter

Cheryl L. Roberto

DJ:js

Entered in the Journal

JUN 08 2011

Betty McCauley

Betty McCauley
Secretary

BEFORE

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In the Matter of the Application of Duke Energy Ohio, Inc. for Tariff Approval for Rate PTR 2.0.	)))	Case No. 11-2798-EL-ATA

CONCURRING OPINION OF
COMMISSIONERS PAUL A. CENTOLELLA AND CHERYL L. ROBERTO

The purpose of this concurring opinion is to place in its broader context and underscore the importance of the peak time rebate (PTR) experiment that we are approving today.

In Senate Bill 221, the General Assembly made it the policy of the State to, "encourage ... time-differentiated pricing and implementation of advanced metering infrastructure." Section 4928.02, Revised Code. The development of time-differentiated and dynamic pricing will enhance the effective choices available to consumers to meet their needs for electric energy services.

Historically, a lack of advanced meters limited utilities to charging a single flat rate per kilowatt hour of electricity consumed, although costs to the utility during peak hours could be many times the average rate that consumers paid. Since most consumers are unable to see and respond to how costs change over time, utilities have had to build their systems to meet virtually any demand and accommodate any contingency. Thus, consumers ultimately have to pay for generation, transmission, and distribution facilities that may approach having their capacity fully utilized during only a small fraction of the year.

It is widely anticipated that we will enter a period of rising electricity costs in the next several years as utilities need to replace aging infrastructure, comply with environmental requirements, and meet increasing demand. The ability to mitigate such cost increases will depend, in large part, on whether utilities effectively engage consumers with rates that reflect the time varying cost of electricity, as well as the availability of affordable smart appliances and thermostats that consumers can set to automatically respond to changing prices consistent with their comfort and convenience.

The experiment that we are approving today should provide valuable information on differing approaches for engaging consumers and a comparison of consumer participation and demand response under opt-in and opt-out offerings. We anticipate this being one of a number of programs to test different approaches to consumer engagement, dynamic pricing, enabling technology, and information feedback to consumers. The PTR rate that we are approving today both provides a dynamic price signal and incorporates a hedge that protects consumers from having an unexpected high monthly bill. We commend the Company for undertaking this experiment and encourage it to explore additional pricing options that incorporate these two elements and enable consumers to make transparent choices.

Paul A. Centolella

Cheryl L. Roberto

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JUN 0 8 2011

Betty McCauley

Secretary