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BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Staff Proposal)
For An Economic Development) Case No. 11-4304-EL-UNC
Tariff Template.)

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COMMENTS OF DUKE ENERGY OHIO, INC.

I. INTRODUCTION

Now comes Duke Energy Ohio, Inc., (Duke Energy Ohio) and submits comments in response to the Public Utilities Commission of Ohio (Commission) Entry, issued on July 15, 2011, inviting comments regarding a proposed economic development tariff template. Duke Energy Ohio is an Ohio corporation engaged in the business of supplying electricity and natural gas to customers in southwestern Ohio and is a public utility as defined by Sections 4905.02 and 4905.03 of the Ohio Revised Code (R.C.). The Staff of the Public Utilities Commission of Ohio (Staff) has proposed an economic development tariff template that, if adopted, will directly impact Duke Energy Ohio's customers and their rates.

Duke Energy Ohio appreciates this opportunity to offer comments to the Staff's proposed economic development tariff template. Section 4905.31, O.A.C., authorizes public utilities to file schedules or enter into reasonable arrangements that include mechanisms to facilitate economic development within the state. As such arrangements include costs that are passed on to customers, it is imperative that the regulatory process required, be undertaken in a manner to minimize the regulatory burden and not create additional costs. Duke Energy Ohio agrees with

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the Commissions' goal of minimizing such costs and respectfully submits the following comments.

II. GENERAL DISCUSSION

Duke Energy Ohio believes that economic incentives are meaningful and will enhance the state of Ohio's ability to compete in the global marketplace. However, the Company does not support an economic development incentive that is devised to be evenly applied across all Ohioans, coupled with a mechanism that provides no guarantee that Duke Energy Ohio's customers will receive a commensurate benefit for their contribution. Although Duke Energy Ohio is a good corporate citizen of the state, it competes within the state as well. Duke Energy Ohio does not agree that it is good policy to ask its customers to support a tariff that would be used to enhance development outside of southwestern Ohio. In order for customers to understand the value of their contribution, it is imperative that the results be visible and available to them where they live. This creates the nexus that supports the customer contribution and represents good public policy.

III. SPECIFIC COMMENTS ON THE PROPOSED TARIFF

- In the terms and conditions discussed on page 2 of 2, paragraph 3, the tariff does not address intrastate movement. A business that relocates from one Ohio city to another Ohio city is not specifically excluded here, but it should be since such a move would not be provide any incremental benefit to the state.
- In the terms and conditions discussed on page 2 of 2, paragraph 7, the Staff proposes that the electric distribution utility be responsible for a reporting process that includes detailed tracking and reporting. Based on page 1, finding 2, the Commission's stated purpose is to

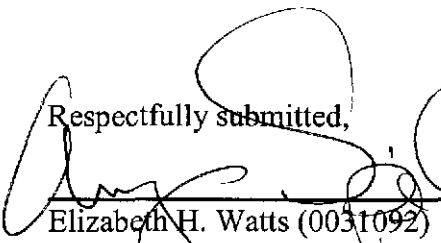
avoid significant transaction costs, including costs related to negotiation of rates and other terms and conditions as well as costs related to seeking the Commission's approval of such rates. Including the requirement to undergo this reporting does nothing to relieve the electric utility of additional regulatory burden. Creating the tariff will perhaps reduce transaction costs for customers but this provision will place additional costs on the utility. To the extent the Commission determines to require such reporting, Duke Energy Ohio submits that such a report should be provided to the Commission Staff and should not entail a hearing process associated with the report.

- The proposed tariff is designed to provide that the delta revenue resulting from the rider be allocated 20 percent to the electric utility and 80 percent to customers of the electric utility. Duke Energy Ohio supports this provision but further notes that this provision should apply to all rate classes equally and should provide for non-bypassable recovery. However, as noted above, Duke Energy Ohio does not support a statewide tariff. A statewide tariff requires Duke Energy Ohio customers to pay for economic development that provides no guarantee of local application to benefit those same customers.
- Duke Energy Ohio agrees with the Commission's observation that an electric distribution utility that does not own generation, or one that is providing a market rate offer, may be eligible for a different treatment under the tariff. However, Duke Energy Ohio recommends that an electric distribution utility providing a standard service offer pursuant to a market rate offer recover any delta revenue pursuant to the 80/20 split referenced above. The electric distribution utility will continue to have a vested interest in economic development, provided its customers will directly benefit from the incentives. Further, if the tariff is non-bypassable,

it should have no effect on whether an electric distribution utility provides a standard service offer pursuant to a competitive bidding process. In that respect, the development of the competitive market should not be impacted. Duke Energy Ohio agrees with Staff's proposed criteria that require an eligible recipient to create, or increase, minimum payroll by at least \$5 million and increase the number of employees by at least seventy-five. For purposes of consistent application, the percent discount for years four and five should be changed to 8 percent for the \$1.75 million in payroll increase; otherwise, the percent is not consistent with the payroll increase between years three and four.

Duke Energy Ohio appreciates this opportunity to provide comments and looks forward to working with the Commission Staff and other stakeholders to develop an economic development tariff that will produce jobs and prosperity for the state, while ensuring appropriate allocation of the benefits afforded thereunder.

Respectfully submitted,



Elizabeth H. Watts (0031092)

Associate General Counsel

Amy B. Spiller (0047277)

Deputy General Counsel

Duke Energy Shared Services, Inc.

155 East Broad Street, 21st Floor

Columbus, Ohio 43215

Phone: 614-222-1330

Fax: 614-222-1337

Elizabeth.Watts@duke-energy.com

Amy.Spiller@duke-energy.com