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DUKE ENERGY CORPORATION

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**VIA OVERNIGHT DELIVERY**

February 29, 2012

Docketing Division  
Public Utilities Commission of Ohio  
180 East Broad Street  
Columbus, Ohio 43215

Re: Case No. 11-974-EL-FAC  
11-975-EL-RDR

Dear Docketing Division:


Enclosed please find for filing an original and twelve copies of the Application to Approve the Fuel Economy Purchased Power Component and the System Reliability Tracker Component; Duke Energy Ohio, Inc.'s Motion for Protective Order; Direct Testimony of Gregory H. Cecil and Direct Testimony of William Don Wathen, Jr.

We are also enclosing an envelope containing the confidential material to be filed under seal as referenced in the Motion.

Please file-stamp and return two copies of each of the above in the envelope provided.

Should you have any questions, please contact me at (513) 287-4337.

Very truly yours,

  
Dianne Kuhnell  
Senior Paralegal

Enclosures

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business.  
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BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the Application of Duke Energy )  
Ohio, Inc. to Establish its Fuel and ) Case No. 11-974-EL-FAC  
Economy Purchased Power Component of its )  
Market-Based Standard Service Office for )  
2011. )

In the Matter of the Application of Duke Energy )  
Ohio, Inc. to Establish its System Reliability ) Case No. 11-975-EL-RDR  
Tracker of its Market-Based Standard Service )  
Offer for 2011. )

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**APPLICATION TO APPROVE THE FUEL ECONOMY  
PURCHASED POWER COMPONENT AND THE SYSTEM RELIABILITY  
TRACKER COMPONENT OF ITS  
MARKET-BASED STANDARD SERVICE OFFER FOR THE PERIOD ENDING  
DECEMBER 31, 2011**

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TO THE HONORABLE  
THE PUBLIC UTILITIES COMMISSION OF OHIO:

1. Duke Energy Ohio, Inc., (Duke Energy Ohio) is an Ohio corporation engaged in the business of supplying electric transmission, distribution, and generation service in Adams, Brown, Butler, Clinton, Clermont, Hamilton, Montgomery, and Warren Counties in Southwestern Ohio.

2. Duke Energy Ohio is a "public utility" as defined by R. C. 4905.02 and 4905.03; and an "electric distribution company," "electric light company," "electric supplier," and an "electric utility" as defined by R. C. 4928.01.

3. This application is made pursuant to the Commission's December 17, 2008 Opinion and Order in Case No. 08-920-EL-SSO *et al.* (Order), to approve Duke Energy Ohio's Electric Security Plan (ESP).

4. In its Order, the Public Utilities Commission of Ohio (Commission) directed that the Company's Rider PTC-FPP and Rider SRA-SRT, which recovered the Company's costs for fuel and economy purchased power and capacity for achieving reliability requirements, respectively, would be subject to an annual audit in the first quarter of the subsequent years of the ESP. Duke Energy Ohio's ESP, as approved in the aforementioned proceeding expired on December 31, 2011.

5. On January 7, 2011, the Commission established the above-styled proceedings for the annual review of Duke Energy Ohio's Price-to-Compare Fuel and Economy Purchased Power Rider (Rider PTC-FPP) and System Resource Adjustment, System Reliability Tracker (Rider SRA-SRT) for the twelve-month period ending December 31, 2011.<sup>1</sup>

6. Duke Energy Ohio's PTC-FPP consists of four components: (1) Fuel, renewable energy certificates and economy purchased power cost expense (FC), (2) Emission allowance expense (EA), (3) expense related to purchasing renewable energy certificates (RECs) to comply with Ohio Alternative Energy requirements under R.C. 4928.64 and 4928.64, (4) a System Loss Adjustment (SLA) and (5) a Reconciliation adjustment (RA).

7. All of the components are cost based and a rate per kWh has been developed based upon projected sales.

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<sup>1</sup> In the Matter of the Application of Duke Energy Ohio, Inc., to Establish its Fuel and Economy Purchased Power Component of its Market-Based Standard Service Offer for 2011, Case No 11-974-EL-FAC *et al.*, (Entry) January 7, 2011; On January 19, 2011 the Commission issued an Entry establishing a procedural schedule whereby the final audit report would be filed by May 10, 2012.

8. The schedules supporting Duke Energy Ohio's calculation of the PTC-FPP component are the quarterly filings made for the period of January 1, 2011 through December 31, 2011. The quarterly filings contain the statement of Fuel Procurement Policies and Practices narrative statement and the applicable Quarterly PTC-FPP forms supporting the proposed calculation of the fuel, renewable energy certificates, economy purchased power, and emission allowances for Duke Energy Ohio's SSO load obligation for the period ending December 31, 2011. The supporting documents are contained at Attachment WDW-1 of the Testimony of William Don Wathen Jr. filed contemporaneously with this Application.

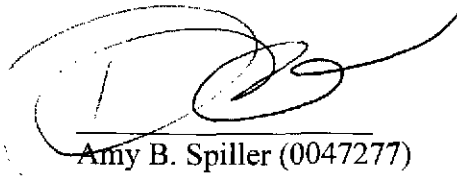
9. The schedules supporting Duke Energy Ohio's calculation of the Rider SRA-SRT costs are attached to the Direct Testimony of witness William Don Wathen Jr. filed contemporaneously with this Application. Specifically, WDW-2 contains the SRA-SRT quarterly filings for the period ending December 31, 2011.

10. The above-styled proceeding is to review the prudence the Company's quarterly adjustments to Riders PTC-FPP and SRA-SRT during calendar year 2011. As of January 1, 2012, Duke Energy Ohio is operating under a new ESP approved in Case No. 11-3549-EL-SSO, *et al.* (New ESP). The New ESP, among other things, includes a pricing structure for the Company's competitive retail electric service for standard service offer (SSO) customers that is determined through a competitive bid process (CBP). Because Duke Energy Ohio is explicitly precluded from using any of its Legacy Generation to serve SSO load in the New ESP, there is no longer a need for mechanisms to recover many of the cost components included in the current Riders PTC-FPP and SRA-SRT. As a result, this proceeding is the final audit of these two riders. To effectuate the transition from the old ESP to the New ESP, the Commission approved a reconciliation rider (Rider RECON) designed to true- up any over or under recovery of Riders

PTC-FPP and SRA-SRT as of December 31, 2011. Duke Energy Ohio is filing a separate case, contemporaneous with the above-captioned Application, to establish the Rider RECON Rate. Any over or under recovery as of December 31, 2011, as well as any issues involving over or under recovery as part of the audit currently under way in this proceeding will be included in a future Rider Recon adjustment.

WHEREFORE, Duke Energy Ohio respectfully requests that the Commission approve its Rider PTC-FPP prices, and Rider SRA-SRT charges for all switched and non-switched load for both residential and non-residential consumers for service rendered during the twelve month period ending December 31, 2011.

Respectively submitted,



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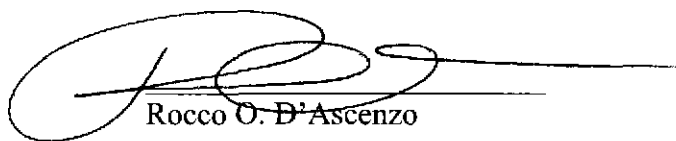
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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Application was served via overnight delivery this 29<sup>th</sup> day of February 2012 to the following:



Rocco O. D'Ascenzo

Jeffrey Small  
Ohio Consumers' Counsel  
10 West Broad Street  
Suite 1800  
Columbus, Ohio 43215-3485