

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke)	
Energy Ohio, Inc. to Adjust Rider DR-IM)	Case No. 12-1811-GE-RDR
and Rider AU for 2011 SmartGrid Costs)	

REPLY COMMENTS OF DUKE ENERGY OHIO, INC.

I. Introduction

Duke Energy Ohio, Inc., (Duke Energy Ohio or Company) filed an application initiating this proceeding on July 20, 2012. The Office of the Ohio Consumers' Counsel (OCC) and Ohio Partners for Affordable Energy (OPAE) intervened in the proceeding on July 11, and July 16, respectively. Thereafter, the attorney examiner established a procedural schedule that was revised once on October 12, 2012. The procedural schedule established November 21, 2012, as the deadline for Intervenors and Staff to file comments and December 5, as the deadline for Duke Energy Ohio to reply. The Staff of the Public Utilities Commission (Staff), OCC and OPAE all filed comments on November 21, 2012. Below is Duke Energy Ohio's reply.

II. Comments of the Staff

With one exception, Duke Energy Ohio agrees with the recommendations and adjustments set forth in the Comments filed by Staff. The one exception relates to procedural matters that will be discussed further below.

III. Comments of the Office of the Ohio Consumers' Counsel

The OCC's comments are likewise focused upon procedural matters that will be addressed further below. The OCC's understanding with respect to the timing of this rider proceeding and the pending gas and electric rate cases applications that Duke Energy Ohio has also pending at the Commission is different than the Company's understanding. Thus, this timing and rate application issue remains an issue.

IV. Comments of OPAE

The Company agrees with OPAE's recommendation with respect to installation of hard to access (HTA) meters. Indeed, the Company's SmartGrid deployment plan was built around this concept and the Company worked to install SmartGrid meters for customers with inside meters first. Thus, the Company does not disagree with OPAE in regard to HTA meter installation as it is already doing what OPAE advocates.

Likewise, OPAE has raised its concern with respect to pilot tariff rate programs implemented by the SmartGrid Collaborative, with the Commission's approval, that involve opt-out provisions for customers to affirmatively opt-out of trial tariffs. Duke Energy Ohio does not anticipate recommending any opt-out tariffs during 2013. The Company does not agree that opt-out tariffs are necessarily unfavorable for low-income customers. However, for purposes of the next calendar year, this should not be an area of dispute.

IV. The Timing Issue

Staff and OCC have each raised concerns about the timing of this proceeding as it may be impacted by or have impact upon Duke Energy Ohio's pending gas and electric rate proceedings. The Company has sought to address all of the possible eventualities in its testimony in this proceeding and in the rate cases. The Company and Staff agree that

this proceeding can be treated independently. OCC has instead asked the Commission to hold this proceeding in abeyance until the rate proceedings are decided. Thus, the Parties do not agree on the respective treatment and timing of the rider proceeding and the rate case.

Narrowing the issue, it should be noted that there is no controversy over the timing of implementing Rider DR-IM. All parties agreed in Case No. 10-826-GE-RDR that SmartGrid costs related to the electric business would continue to be recovered via Rider DR-IM, at least through the year of full deployment. Consistent with that agreement, the Company segregated all grid modernization costs related to the electric operations from its electric distribution revenue requirement in Case No. 12-1685-EL-AIR, *et al.* Although the OCC did not expressly state that it was concerned about the timing issue for both Rider AU and Rider DR-IM, the circumstances of the Rider DR-IM recovery and the treatment of such cost in the electric distribution rate case renders moot any concern over the “timing” issue.

As it relates to Rider AU, the Company specifically and succinctly addressed the timing issue in its testimony in this case and in the gas distribution rate case, Case No. 12-1685-GA-AIR, *et al.* See the testimony of Peggy A. Laub, on page 17 in Case No. 12-1811-GE-RDR and on page 24 in Case No. 12-1685-GA-AIR, *et al.* The Company explicitly makes implementation of the Rider AU revenue requirement included in Case No. 12-1811-GE-AIR contingent on the outcome of the gas distribution rate case.

While there is no credible reason to suspend Rider DR-IM beyond a reasonable implementation date due to any timing issue, it is acceptable to the Company to suspend implementation of new Rider AU rates until the Commission issues an order in the gas

distribution case. The timing issue with respect to Rider AU can easily be addressed with the following guidelines:

(a) If the Commission has not issued an order in Case No. 12-1685-GE-AIR, *et al.*, by June 30, 2013, Rider AU will be set to \$0 for all customer classes and will remain at \$0 until either:

1. The Commission issues an Order in Case No. 12-1685-GE-AIR, *et al.*, directing the Company to maintain Rider AU as a separate tracker similar to the treatment for Rider DR-IM; or
2. The Commission approves the Company's request to update Rider AU for investment and cost recovery related to investment made from March 31, 2012, through December 31, 2012.

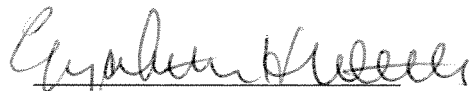
(b) If the Commission issues an order in Case No. 12-1685-GE-AIR, *et al.*, before June 30, 2012, the magnitude and duration of Rider AU will be determined as follows:

1. If the Commission issues an Order in Case No. 12-1685-GE-AIR, *et al.*, directing the Company to maintain Rider AU as a separate tracker similar to the treatment for Rider DR-IM, the Company will work with Staff to determine the timing of implementing the new Rider AU rate and the magnitude of the rate to ensure the Company recovers no more or less than it is due; or
2. If the Commission approves the Company's request in Case No. 12-1685-GE-AIR, *et al.*, to roll in recovery of grid modernization investment through March 31, 2012, Rider AU will remain at the current rates established in

Case No. 10-826-GE-RDR through June 30, 2013. Beginning July 1, 2013, Rider AU will remain at \$0 until updated as a result of Commission order in the next Rider AU.

Duke Energy Ohio believes this proposal to remedy the perceived timing issue best balances the interests of all parties in ensuring that there is no potential for double recovery from customers for grid modernization costs associated the same period; there is no potential for the Company's shareholders to suffer from any lost opportunity for recovery; limits the potential for the administrative difficulty of implementing Rider AU rates on a "subject to refund" basis; and allows for the least disruption in the schedule of annual rate filings and increases among the alternative solutions.

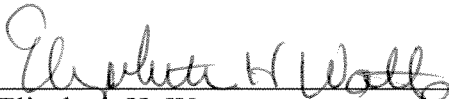
Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing was delivered by U.S. mail (postage prepaid), personal, or electronic mail, on this 5th day of December, 2012, to the following parties.


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Summary: Comments REPLY COMMENTS OF DUKE ENERGY OHIO, INC. electronically filed by Ms. Elizabeth H Watts on behalf of Duke Energy Ohio, Inc.