

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke)	
Energy Ohio, Inc., for Approval of a)	Case No. 11-5905-EL-RDR
Distribution Decoupling Rider)	

REPLY COMMENTS OF DUKE ENERGY OHIO, INC.

I. INTRODUCTION

Duke Energy Ohio, Inc. (Duke Energy Ohio or Company), submitted its Application in this proceeding on December 8, 2011. The Ohio Environmental Counsel (OEC), and the Office of the Ohio Consumers' Counsel (OCC), Ohio Partners for Affordable Energy (OPAE), and the Natural Resources Defense Counsel (NRDC) each moved to intervene and OCC, the OEC and NRDC (collectively the "Parties") have filed comments in this proceeding. The Attorney Examiner's Entry of January 5, 2012, directed that reply comments be filed on March 22, 2012. Duke Energy Ohio replies herein to the comments of the Parties.

II. COMMENTS OF THE PARTIES

The OCC submitted comments in this proceeding indicating that it conceptually supports the use of a volumetric decoupling mechanism to promote cost-effective energy efficiency. The OCC further commented that although it found Duke Energy Ohio's Application generally reasonable in its makeup, it lacked a cap to protect customers from potential significant volatility in the rider amount and the OCC therefore recommended that a cap be developed in the case.

The OEC and NRDC jointly recommended that the Public Utilities Commission of Ohio (Commission) approve Duke Energy Ohio's Application as it provides a straightforward method of encouraging customer and utility energy efficiency efforts and promotes Ohio's stated policy goals. The OEC and NRDC further state that the decoupling mechanism will remove the need to collect lost distribution revenue and will provide the Commission and Parties with experience with a new form of decoupling. The OEC and NRDC set forth a number of points with regard to why collecting lost distribution revenue is not as efficient as a decoupling mechanism. Finally, OEC and NRDC recommend that the Commission adopt the Company's Rider DDR with an annual 3% cap adjustment to distribution rates, with balances carrying forward, including carrying charges at the long-term cost of debt.

III. DUKE ENERGY OHIO'S RESPONSE

Upon review of the Comments offered by the Parties, Duke Energy Ohio concurs with the ideas expressed therein. As stated in the Direct Testimony of Timothy J. Duff, submitted with the Company's Application, the proposed decoupling mechanism will incentivize energy efficiency and allow the Company to be "made whole" at the same time. The Company's proposal is an innovative regulatory mechanism that will allow the Parties and the Commission to obtain empirical support for future applications.

The Company does not oppose the recommendation as described in OEC's and NRDC's comments with a 3% annual adjustment and balances carried forward, including carrying charges at the long-term cost of debt. However, the proposed cap mechanism should be symmetric so that the risk is contained in either direction. This would protect customers and the Company from any undue volatility. The Company respectfully requests that its Application for Rider DDR be approved as filed, but with the inclusion of the cap adjustment

recommended by the OEC and NRDC and with the inclusion of symmetry in the application of the cap.

Respectfully submitted,
DUKE ENERGY OHIO, INC.

A handwritten signature in blue ink that reads "Elizabeth H. Watts".

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CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing was delivered via U.S. mail (postage prepaid), personal, or electronic mail delivery on this the 22nd day of March, 2012, to the following:



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