

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

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

**APPLICATION OF DUKE ENERGY OHIO, INC.,
TO ADJUST RIDER DR-IM AND RIDER AU FOR 2011 SMARTGRID COSTS**

1. Duke Energy Ohio, Inc., (Duke Energy Ohio or the Company) 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 to approximately 690,000 electric customers and 420,000 gas customers.

2. Duke Energy Ohio is a “public utility” as defined by Sections 4905.02 and 4905.03, Revised Code, and an “electric distribution company,” “electric light company,” “electric supplier,” and “electric utility” as defined by Section 4928.01, Revised Code.

3. Duke Energy Ohio is also a natural gas company within the meaning of 4905.03(A)(6), Revised Code, and as such, is a public utility subject to the jurisdiction of the Public Utilities Commission of Ohio (Commission).

3. In this Application, the Company requests approval to adjust its advanced utility rider (Rider AU) and its distribution reliability - infrastructure modernization rider (Rider DR-IM) to allow for recovery of 2011 costs for the deployment of its SmartGrid and related systems. Riders AU and DR-IM were originally submitted for approval in Case Nos. 07-589-GA-AIR, *et al.*, (Gas Distribution Rate Case) and 08-920-EL-SSO, *et al.*,

(Electric Security Plan (ESP) Case), respectively. Duke Energy Ohio also hereby requests such tariff approval and accounting authority as may be required for recovery.

4. The Company's Gas Distribution Rate Case, originally filed in July 2007, was resolved by a stipulation that provided, in part, for a process for filing deployment plans for the installation of an automated gas meter reading system. The automated gas meter reading system was designed to employ the SmartGrid communications technology. The stipulation also contained a method for recovering costs associated with the plans, which was designated Rider AU.¹

5. The Company's ESP case, originally filed in July 2008, was resolved by a stipulation that was approved by the Commission on December 17, 2008. The Commission's Opinion and Order accepting the stipulation included the authority for Duke Energy Ohio to commence deployment of SmartGrid in its southwestern Ohio service area, and contained provisions for Duke Energy Ohio to create Rider DR-IM, which was initially set at zero, to recover costs for SmartGrid deployment on a cost-per-meter basis, with applicable performance targets and caps on costs to customers. Duke Energy Ohio agreed to accrue post-in-service carrying charges at the most recent approved weighted cost of long-term debt and to defer depreciation and operating costs from the date expenditures are incurred until they are included for recovery in Rider DR-IM. The parties to the stipulation further agreed to regulatory asset accounting treatment for replaced meters, for which recovery was to be made through existing depreciation rates as amended from time to time. The stipulation also sets forth a requirement that Duke Energy Ohio file for annual second quarter approval of Rider DR-IM adjustments, subject to due process, including a hearing. The stipulation further

¹*In the Matter of the Application of Duke Energy Ohio for an Increase in Rates*, Case No. 07-589-GA-AIR, *et al.*, (Stipulation and Recommendation, February 28, 2008).

provided that the Company would include a mid-deployment program summary and review with its 2010 SmartGrid cost recovery application.²

6. In June 2009, in Case No. 09-543-GE-UNC, Duke Energy Ohio submitted its first annual second quarter application for approval of the costs it incurred during 2008 for its deployment of SmartGrid. This case was also resolved through a stipulated settlement in November of 2009, and that stipulation was approved by the Commission in May 2010.³

7. In July 2010, in Case No. 10-867-GE-RDR, Duke Energy Ohio submitted its second annual second-quarter application for approval of the costs it incurred during 2009 for its deployment of SmartGrid. Like the Company's Gas Distribution Rate Case, ESP Case, and Case No. 09-543-GE-UNC, Case No. 10-867-GE-RDR was also resolved by means of a stipulated settlement, which was approved by the Commission in March 2011.⁴

8. On October 27, 2010, in Case No.10-2326-GE-RDR, the Commission issued an entry that included a request for proposals to perform an audit that includes both an operational audit and an operational benefits assessment of Duke Energy Ohio's overall SmartGrid implementation. The Commission subsequently selected MetaVu, Inc., (MetaVu) to conduct the audit. MetaVu's final audit report was filed with the Commission on June 30, 2011. That proceeding was resolved by a stipulation and recommendation that was submitted to the Commission for its approval on February 24, 2012. The Stipulation and Recommendation was approved by the Commission on June 13, 2012.

² *In the Matter of the Application of Duke Energy Ohio for Approval of an Electric Security Plan*, Case No. 08-920-EL-SSO, et al., (Stipulation and Recommendation, October 27, 2009).

³ *In the Matter of the Application of Duke Energy Ohio to Adjust and Set its Gas and Electric Recovery Rate for SmartGrid Deployment Under Rider AU and Rider DR-IM*, Case No. 09-543-GE-UNC (Stipulation and Recommendation, November 19, 2009).

⁴ *In the Matter of the Application of Duke Energy Ohio to Adjust Rider DR-IM and Rider AU for 2009 SmartGrid Costs*, Case No. 10-867-GE-RDR (Stipulation and Recommendation, February 14, 2011).

9. Duke Energy Ohio hereby files its Application to adjust Riders AU and DR-IM to recover 2011 costs for the deployment of its SmartGrid and related systems. In support of its Application, Duke Energy Ohio submits the testimony of the following individuals: Donald L. Schneider, Jr., Timothy J. Duff, and Peggy A. Laub. Duke Energy Ohio witness Donald L. Schneider, Jr., will discuss the current status of the physical deployment of the meters and some of the benefits associated with the roll-out of the network. Duke Energy Ohio witness Timothy J. Duff will provide a detailed overview of the work of the Company and of various stakeholders in the SmartGrid Collaborative. Mr. Duff will further discuss the Company's various pilot tariff programs wherein the Company is gathering valuable information for application to the roll-out of technology-enabled tariffs that customers can understand and employ in saving energy and money. Duke Energy Ohio witness Peggy A. Laub will provide details regarding the Company's expenditures and revenue requirement for SmartGrid deployment for 2011 with supporting schedules for the Company's request consistent with stipulations agreed to in prior cost recovery cases.

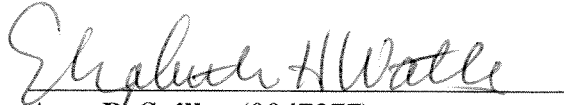
Conclusion

As discussed at length in the testimony filed in this case, the Company has worked to actively deploy its SmartGrid advanced technologies, promote its programs, and engage customers in order to make the programs extremely successful. The Company will continue to make adjustments to its offerings to fit customers' needs and goals and facilitate greater participation in its programs in the upcoming months.

Additionally, as supported by the testimony of the Duke Energy Ohio witnesses filed herewith, the Company respectfully requests that the Commission approve its Application, subject to the terms outlined herein.

Respectfully submitted,

Duke Energy Ohio

A handwritten signature in cursive script, reading "Elizabeth H. Watts", is written over a horizontal line.

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