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March 15, 2017

Docketing Division
Public Utilities Commission of Ohio
180 East Broad Street, 11th Floor
Columbus, OH 43215-3716


Re: In the matter of the application of Duke Energy Ohio, Inc for authority to issue and sell First Mortgage Bonds, Unsecured Debt, Long-Term Notes, Enter into Capital Lease Obligations, and enter into Interest Rate Management Agreements., Case no. 16-637-GE-AIS,

Enclosed is a revised public version of Duke Energy Ohio's Motion for Waiver. This version has been unredacted pursuant to the Commission's requirements, as set forth in its Entry issued in the above-referenced proceeding on March 8, 2017.

Please be advised that, under current market conditions, it is unlikely that Duke Energy Ohio will proceed with the transaction referenced in said Motion for Waiver.

Should you have any questions, please contact me.

Respectfully submitted,


Jeanne W. Kingery
Associate General Counsel

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke)
Energy Ohio, Inc., for Authority to Issue)
and Sell First Mortgage Bonds, Unsecured) Case No. 16-637-GE-AIS
Debt, and Long-Term Notes, and Enter)
into Capital Lease Obligations and Interest)
Rate Management Agreements.)

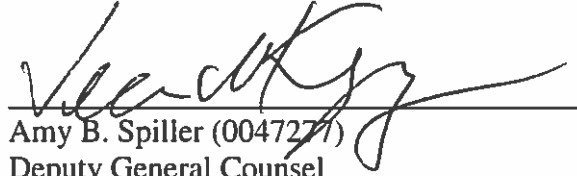
**MOTION
OF
DUKE ENERGY OHIO, INC.,
FOR
WAIVER
(REVISED PUBLIC VERSION)**

Duke Energy Ohio, Inc., (Duke Energy Ohio or Company) hereby moves this honorable Public Utilities Commission of Ohio (Commission) for a waiver, pursuant to O.A.C. Rule 4901-1-12, of a Commission requirement set forth in a Finding and Order issued on June 8, 2016, issued in the above-captioned proceeding.

Duke Energy Ohio sets forth, in the attached Memorandum in Support, its rationale for the requested waiver.

Respectfully submitted,

DUKE ENERGY OHIO, INC.

A handwritten signature in black ink, appearing to read 'Amy B. Spiller', is written over a horizontal line.

Amy B. Spiller (0047277)

Deputy General Counsel

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MEMORANDUM IN SUPPORT

On June 8, 2016, the Public Utilities Commission of Ohio (Commission) issued a Finding and Order (Order), authorizing Duke Energy Ohio, Inc. (Duke Energy Ohio or the Company), *inter alia*, to issue and sell, from time to time over a period ending June 30, 2017, up to \$600 million principal amount of debt securities.¹ In its Order, Commission required the Company to issue and/or sell any debt securities under a series of listed parameters, which were attached to the Company's Application in the above-captioned proceeding as Exhibit A. The Commission also indicated that its authorization does not relieve Duke Energy Ohio of its responsibility to negotiate and obtain the best terms available.

On June 23, 2016, the Company issued \$250 million aggregate principal amount of first mortgage bonds, with interest on the series of bonds at 3.70 percent, due June 15, 2046 (the 3.70 Percent Series). The 3.70 Series Bonds were sold to the public at a price of 99.301% of their principal amount.

When Duke Energy Ohio filed its 2016 long-term financing application it anticipated that, in 2017, capital expenditures for its regulated business (excluding its subsidiary, Duke Energy Kentucky, Inc.) would total approximately \$415 million. In its fourth quarter 2016 earnings review and business update (as of February 16, 2017), Duke Energy Corporation reported expected issuances, during the course of 2017, by Duke Energy Ohio of approximately \$100 million.

¹ *In the Matter of the Application of Duke Energy Ohio, Inc., for Authority to (1) Issue and Sell First Mortgage Bonds, Unsecured Debt, Long-Term Notes, (2) Enter Into Capital Lease Obligations, and (3) Enter Into Interest Rate Management Agreements*, Case No. 16-637-GE-AIS, Finding and Order (June 8, 2016).

Management has worked with financial advisors who have managed previous long-term debt transactions for the Company to determine the most cost-effective means for raising approximately \$100 million in capital. Based on these conversations and the indicative pricing levels obtained, management believes the lowest-cost option is [REDACTED]

[REDACTED]

[REDACTED] was compared to [REDACTED]

[REDACTED] Indicative pricing levels for the three alternatives are summarized below:

As of February 17, 2017	US Treasury	[REDACTED]	[REDACTED]
[REDACTED]	3.07%	[REDACTED]	[REDACTED]
[REDACTED]	3.07%	[REDACTED]	[REDACTED]
[REDACTED]	3.07%	[REDACTED]	[REDACTED]

On June 23, 2016, the 30-year US Treasury yield was 2.49%. Since then, prevailing interest rates have risen. As of February 17, 2016, the US Treasury yield was 3.02%. As a result of rising US Treasury rates [REDACTED]

[REDACTED] Based on the current market trading price [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Another way to consider this issue is that, because the [REDACTED]

[REDACTED]

For these reasons, in order for Duke Energy Ohio to issue securities, over the course of 2017, in the anticipated amount of \$100 million, the Company is seeking a waiver of one of the parameters imposed by the Order. Due to the rise in interest rates since June 23, 2016 [REDACTED]

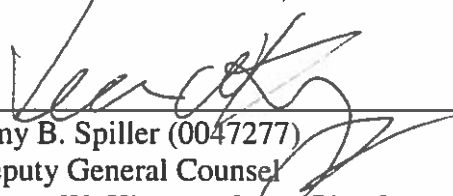
[REDACTED] parameter in Exhibit A, attached to the Application in this proceeding. Consistent with the spirit of the [REDACTED] included as part of the Commission's authorization [REDACTED]

[REDACTED]

[REDACTED] even when such a transaction provides the most effective means of meeting the Company's financing requirements at the time.

WHEREFORE, Duke Energy Ohio respectfully requests that the Commission waive one of the parameters set forth in Appendix A of the Application in the above-captioned proceeding, as discussed herein.

Respectfully submitted,
DUKE ENERGY OHIO, INC.



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