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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 to Adjust and Set Its Gas and Electric Recovery Rate for SmartGrid Deployment Under Riders AU and Rider DR-IM)	Case No. 09-543-GE-UNC
)	
In the Matter of the Application of Duke Energy Ohio for Tariff Approval)	Case No. 09-544-GE-ATA
)	
In the Matter of the Application of Duke Energy Ohio to Change its Accounting Methods)	Case No. 09-545-GE-AAM
)	

APPLICATION TO ADJUST AND SET A GAS AND ELECTRIC RECOVERY RATE FOR DUKE ENERGY OHIO'S SMARTGRID DEPLOYMENT

Pursuant to R.C. 4929.11, Duke Energy Ohio requests approval to establish and set the rate for the deployment of its SmartGrid that was submitted for approval in its Application for an Increase in Rates, Case No. 07-589-GA-AIR, and in its Application for an Electric Security Plan, Case No. 08-920-EL-SSO. In the former case, it was referred to as Rider AU, and in the latter case as Rider DR-IM. Duke Energy Ohio also hereby requests such tariff approval and accounting authority as may be required for subsequent recovery.

Duke Energy Ohio is an Ohio corporation engaged in the business of supplying electricity and natural gas to approximately 700,000 customers in Southwestern Ohio, all of whom will be affected by this Application, and is a public utility as defined by R. C. 4905.02 and 4905.03. Duke Energy Ohio serves incorporated communities and unincorporated territory

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within its entire service area, which includes all or part of Adams, Brown, Butler, Clinton, Clermont, Hamilton, Montgomery, and Warren Counties in Ohio.

In support of its Application, Duke Energy Ohio states as follows:

1. This Application is made pursuant to the Public Utilities Commission of Ohio's (Commission) Opinion and Order in Case No. 08-920-EL-SSO¹(ESP).
2. Duke Energy Ohio submits this application for recovery of costs in respect of deployment of gas SmartGrid as well, relevant to Case No. 07-589-GA-AIR² (Gas Rate Case).
3. In its Opinion and Order in Duke Energy Ohio's ESP, the Commission approved a Stipulation and Recommendation submitted by the Parties. Among the provisions therein was an agreement that Duke Energy Ohio would be permitted to establish Rider DR-IM, which was to be initially set at zero.
4. Thereafter, the Parties agreed and the Commission approved cost recovery on a per meter basis with applicable performance targets and caps on costs to customers.
5. In the Stipulation and Recommendation submitted in the ESP, 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 the expenditures are incurred until they are included for recovery in Rider DR-IM.
6. The Parties to the Stipulation and Recommendation further agreed to regulatory asset accounting treatment for replaced meters, for which recovery is to be made through existing depreciation rates as amended from time to time.

¹ *In Re: Matter of the Application of Duke Energy Ohio, Inc. for Approval of an Electric Security Plan* (Opinion and Order) Dec.17,2008, at 17 and 43.

² *In Re: Matter of the Application of Duke Energy Ohio, Inc. for An Increase in Rates* (Opinion and Order) May 28, 2008 at 2-3 and 21.

7. In addition to the provisions setting forth deployment and recovery for SmartGrid in Duke Energy Ohio's ESP, the Parties to the Stipulation and Recommendation noted that Duke Energy Ohio is a combination gas and electric utility, and that deployment of SmartGrid for both gas and electric customers at the same time could provide benefits. The Parties, therefore, recommended that Duke Energy Ohio would be permitted to apply for consideration of alternatives depending on the outcome of the Commission's decision in the Gas Rate Case.
8. In support of its Application, Duke Energy Ohio submits the testimony of Todd W. Arnold, Senior Vice President, SmartGrid and Customer Service, Donald H. Denton, III, General Manager, SmartGrid Implementation and Strategy, and William Don Wathen, Jr., Director, Rates.

WHEREFORE, Duke Energy Ohio respectfully requests that the Commission approve this Application subject to the terms outlined herein and in the testimony filed contemporaneously herewith.

Respectfully submitted,
Duke Energy Ohio



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