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BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke)
Energy Ohio to Adjust and Set the)
Annually Adjusted Component of its) Case No. 09-770-EL-UNC
Market Based Standard Service Offer)

REPLY COMMENTS OF DUKE ENERGY OHIO, INC.

INTRODUCTION

Now comes Duke Energy Ohio, Inc. (Duke Energy Ohio or Company) and hereby submits its Reply Comments in response to the comments submitted by the Office of the Ohio Consumers' Counsel (OCC). The OCC's comments were provided in response to the Attorney Examiner's Entry dated September 18, 2009, in this matter.

THE OCC's COMMENTS

The OCC offered two comments on the Company's Application for Rider PTC-AAC. A summary of these comments, as well as Duke Energy Ohio's responses thereto, are set forth below.

Recovery of Environmental Reagent Expenses Through Rider PTC-FPP

The OCC believes that if Duke Energy Ohio's proposal is approved, its non-switching customers will bear a larger share of the environmental reagent expenses under Rider PTC-FPP than they will under Rider PTC-AAC. In advancing this position, the OCC argues that Rider PTC-AAC is bypassable by shopping customers and, as a result, any retail electricity sales and

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associated revenues lost due to customer switching are borne by Duke Energy Ohio. The OCC further comments that Rider PTC-FPP, on the other hand, is fully recovered from standard service offer customers even if there is customer shopping. Accordingly, the OCC objects to the recovery of environmental reagent costs through Rider PTC-AAC. The Company respectfully disagrees with this position. Indeed, Duke Energy Ohio has provided sufficient supporting explanation through discovery responses and the illustrative example attached hereto as Exhibit 1 to satisfy the OCC's concern. Through these detailed explanations, Duke Energy Ohio has assured the OCC that the environmental reagent expense recovery will be approximately the same whether it is recovered through Rider PTC-AAC or Rider PTC-FPP. To reiterate, only the environmental reagent costs attributable to service the Company's standard service offer customers will be recovered through Rider PTC-FPP, which is the same amount of recovery that would be provided for if recovery of this expense remained in the Rider PTC-AAC.

Allocating Rider PTC-AAC Revenues Among Classes Base On Rider SRA-CD Revenues

The OCC is concerned with the proposed change in the basis for calculating the Rider PTC-AAC rates. The OCC believes Duke Energy Ohio has not demonstrated that such a change is necessary or reasonable. For several reasons, the OCC believes the Rider SRA-CD imputed "little g" will be lower than the actual "little g" for the remainder of the Electric Security Plan period and Duke Energy Ohio's customers will have to pay a higher Rider PTC-AAC rate.

The OCC also asserts that Duke Energy Ohio is wrong in stating that Rider SRA-CD is non-bypassable. The OCC points to the fact that certain nonresidential shopping customers receive a credit equal to their Rider SRA-CD charge. As a result, the OCC concludes that relying upon Rider SRA-CD revenues rather than "little g" to calculate the Rider PTC-AAC rates will have a broader impact than described by Duke Energy Ohio. .

Based on its two arguments above, the OCC believes Duke Energy Ohio has failed to provide evidence that the proposed change will not lead to higher Rider PTC-AAC rates than would result when using "little g" to calculate the rates. The OCC concludes that Duke Energy Ohio's proposal should be rejected.

In response, Duke Energy Ohio notes the factual error on which the OCC's arguments are based. Rider SRA - CD is non-bypassable by *all* customers. Although certain customers can conditionally receive a separate shopping credit, this does not change the designation of the rider at issue. Rider SRA-CD is billed to and collected from all customers.

In response, Duke Energy Ohio states that because Rider SRA-CS was expressly established at rates that were formerly a fixed percentage of "little g," it follows that the allocation of Rider SRA-CS revenue among rate classes would mirror the allocation of "little g" revenues before switching (*i.e.*, the imputed "little g"). For this reason, establishing Rider PTC-AAC rates as a function of Rider SRA-CD produces exactly the same result as if "little g" were used as the basis for setting the rates. Again, Duke Energy Ohio has provided sufficient evidence to prove that calculating Rider PTC-AAC rates with reference to Rider SRA-CD revenues will not yield higher rates. Again, through detailed discovery responses, Duke Energy Ohio has demonstrated that the Rider PTC-AAC rates will be approximately the same whether they are calculated based on Rider SRA-CD rates or on "little g." The Company has provided both calculations to OCC and, except for very minor rounding differences, has shown the resulting rates are the same.

CONCLUSION

For the reasons set forth herein, Duke Energy Ohio submits that it has provided evidence and explanations to the OCC that support both of the proposals to which the OCC has objected.

At this time, the Company believes that the OCC has accepted the explanations and will agree that the same amount of environmental reagent expense will be recovered through Rider PTC-FPP as would be recovered through Rider PTC-AAC. Duke Energy Ohio also believes that the OCC accepts the conclusion that calculating Rider PTC-AAC rates based on Rider SRA-CD revenues will provide the same rates as if the calculation was based on "little g". Therefore, Duke Energy Ohio respectfully requests that its Application to adjust and set its Rider PTC-AAC rates be approved as filed consistent with the Company's comments.

Respectfully submitted,



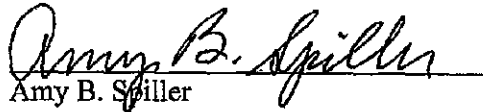
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CERTIFICATE OF SERVICE

I hereby certify that, on this 5th day of November 2009, the foregoing Comments of Duke Energy Ohio has been served via electronic mail to the following persons:

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