

FILE

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

JOINT EXHIBIT 3

Pursuant to the Attorney Examiner's Request at hearing on the Stipulation of the Parties on November 20, 2009, Duke Energy Ohio, Inc. (DE-Ohio or the Company), the Staff of the Public Utilities Commission of Ohio (Staff), Ohio Partners for Affordable Energy (OPAE) and the Kroger Company (Kroger) herein submit Joint Exhibit 3. At hearing, Attorney Examiner Pirik requested that we delineate the recommendations of the Staff of the Public Utilities Commission of Ohio (Staff) which the Parties accepted during negotiations of the various elements of this case and jointly recommend to the Commission as reasonable and appropriate resolutions. Below, we are instead providing a complete list of Staff's recommendations with indications as to which were specifically addressed in the Stipulation.

Staff conducted its Audit of the Company's SmartGrid program including its rate calculations for Rider DR-IM and Rider AU. The following is the list of those findings:

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Rider DR-IM and Rider AU Revenue Requirement Calculation – Staff made a number of¹ findings and recommendations regarding the Company's calculation for the SmartGrid Riders (Rider DR-IM and Rider AU) as summarized below:

1. Eliminate costs included in distribution rate case (pages 3 & 4).
Addressed in Paragraph 4 of the Stipulation.
2. Exclude all costs related to Envision Center (pages 4, 8, and 9).
Addressed in Paragraph 8 of the Stipulation.
3. Exclude costs for 20,759 Badger modules (page 4).
Addressed in Paragraph 9 of the Stipulation.
4. Reclassify certain communication equipment costs (page 6).
5. Exclude all costs for replacement of gas meters incompatible with SmartGrid technology. Addressed in Paragraph 5 of the Stipulation.
6. Reclassify certain materials and supplies (page 6).
7. Exclude costs for demand-side management (page 6).
8. Revise depreciation rates to be consistent with those approved in retail rate cases (page 7). Addressed in Paragraph 2 of the Stipulation.
9. Correct error in electric depreciation expense (page 7).
10. Adjust Rider AU to include depreciation on Electronic Data Processing – Gas (page 7). Addressed in Paragraph 2 of the Stipulation.
11. Use the debt rate used in Rider DR-IM for post in-service carrying costs (PISCC) of 6.39% which is the rate that had been approved by the Commission and in effect during calendar year 2008 when costs to be recovered in the instant case were incurred. That rate was approved in Case No. 05-59-EL-AIR. (page 8).
12. No offset for deferred balances with the associated deferred taxes (page 8).
Addressed in Paragraph 12 of the Stipulation.

¹ Page numbers refer to the Comments of the Staff of the Public Utilities Commission of Ohio filed in this matter on October 8, 2009.

13. Adjust deferred taxes on liberalized depreciation to reflect proposed changes in plant (page 8).
14. Adjust annualized depreciation expense to reflect proposed changes in plant (page 8-9). Addressed in Paragraph 2 of the Stipulation.
15. Adjust annualized amortization of PISCC to reflect proposed changes in plant (page 9).
16. Use the debt rate for calculating carrying costs on deferred O&M of 6.39%, which is the rate that had been approved by the Commission and in effect during calendar year 2008 when costs to be recovered in the instant case were incurred. That rate was approved in Case No. 05-59-EL-AIR. (page 9).
17. Adjust annualized property taxes to reflect proposed changes in plant (page 9).
18. Adjust revenue requirement for Rider DR-IM to reflect commercial activities tax (CAT) on operating income (page 9).
19. Re-file Rider AU and Rider DR-IM to reflect recommended changes (page 10). Included as Attachments 1 and 2 of the Stipulation.

Allocation of Costs between gas and electric – Staff made a number of findings and recommendations regarding the Company's calculation for the SmartGrid Riders (Rider DR-IM and Rider AU) as summarized below:

1. Exclude allocation of common costs to gas-only customers (page 11).
2. Include only "gas specific" costs in the calculation of Rider AU (page 11).
3. Implement different Rider AU charges for combination and gas-only customers beginning in year 2 (page 11).

The foregoing list comprises all of the Staff recommendations which were accepted by the Parties and which were addressed in the Stipulation and Recommendation submitted by the Parties.

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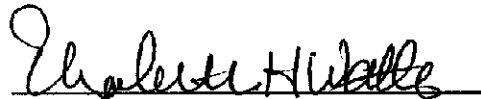
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CERTIFICATE OF SERVICE

I certify that a copy of the foregoing was served via hand delivery, ordinary mail or overnight delivery on the following parties this 1st day of December, 2009.


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