

FILE



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OHIO ATTORNEY GENERAL

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December 20, 2010

Renee J. Jenkins
Secretary
Public Utilities Commission of Ohio
180 East Broad Street
Columbus, Ohio 43215

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PUCO

Re: In the Matter of the Application of Duke Energy Ohio, Inc. to
Adjust and Set Its Gas and Electric Recovery Rate for 2009
SmartGrid Costs Under Rider AU and Rider DR-IM, Case No. 10-
867-GE-RDR.

Dear Ms. Jenkins:

Please accept for filing the attached testimony of Staff witnesses for the hearing scheduled in this matter. Staff is submitting testimony only on areas where there remains disagreement with the Company. As reflected in the reply comments filed by Duke Energy Ohio on December 6, 2010, the Company agrees with several adjustments proposed by Staff in its comments filed on November 29, 2010.

In particular, the Company agrees with the following:

- 1) Staff's adjustments to the station equipment amortization rate.
- 2) Staff's recommended PISCC annual amortization rates based on Commission approved average asset service lives.
- 3) Staff's adjustment to deferred operating and maintenance and carrying costs in Schedule 10 using the Balance vs. Adjusted Balance for calculation of carrying cost.
- 4) Staff's adjustment for leased meters on Schedule 11 Annualized Property Tax.
- 5) Staff's adjustments to Schedule 3 Depreciation and Schedule 4 PISCC for Rider AU.

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6) For Rider DR-IM, Staff's adjustments for leased meters reported on Schedule 2, Plant Additions, distribution automation, and year-end accruals for professional fees.

With respect to Rider AU, the Company agrees with

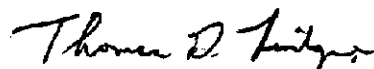
7) Staff's recommendation to exclude costs for contract labor charged to exchanged meters, gas meter replacements, labor overhead allocations, non-labor overhead, and year-end accruals, and

8) Staff's exclusion of costs for the gas furnace replacement program.

In addition Staff agrees with the Company's correction to Staff Comments on page 3, **Schedule 4 PISCC**. Duke *did in fact* properly apply a PISCC rate of 6.39% to its capital investment for January 2009 through June 2009, and 6.45% for July 2009 through December 2009. This correction to Staff comments does not change the revenue requirement of the resulting rate.

While Staff believes that these issues have been resolved, Staff reserves the right to file supplemental testimony should it become apparent that one or more of these issues remains in dispute. Staff's testimony in this case amplifies and supplements its comments filed on November 29, 2010. Several revisions to the calculation of revenue requirements and rates for Rider DR-IM, the results of which were represented in those comments, have been made subsequent to the submission of the Staff comments. Those revisions result in an increase in the rates recommended by Staff of one cent per month for residential customers and two cents per month for non-residential customers. The direct testimony of Staff witness L'Nard Tufts details the revenue requirement and rate impact of these changes. Because discovery is ongoing in this case, and because there is still the potential for settlement discussions between and among the parties, Staff reserves the right to modify and/or supplement the testimony attached hereto.

Sincerely,



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