

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the Application of)
Duke Energy Ohio, Inc. for Approval)
of a Distribution Decoupling Rider)

Case No. 11-5905-EL-RDR

REPLY COMMENTS SUBMITTED ON BEHALF OF THE STAFF OF
THE PUBLIC UTILITIES COMMISSION OF OHIO

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March 22, 2012

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Comments

The decoupling mechanism in the form of a rider is proposed as a pilot that would conclude on December 31, 2014 at which time the Company proposes to file a report discussing the results of the pilot, and justification to extend or terminate the rider. Rider DDR would apply to all rate schedules except for Rates DS, DP, and TS. Rider DDR would replace the lost revenues collection mechanism currently in place.

Comments in this case were filed by the Ohio Office of Consumers' Counsel (OCC) and by the Natural Resources Defense Council (NRDC) jointly with the Ohio Environmental Council (OEC). Staff will limit its comments to points raised by these parties.

OCC generally supports the proposed rider. Staff generally supports the proposed rider as well. We agree that the proposed rider has merit as a pilot, and we agree that the proposed evaluation report at the end of the pilot period will add value to Ohio's experience with decoupling.

NRDC and OEC point out that the proposed rider is superior to the lost revenues adjustment mechanism currently in place because it ensures that there will be neither an excess nor a deficit of distribution revenues, and it removes the incentive to boost sales. Staff agrees.

NRDC and OEC argue that the proposed decoupling mechanism is better than the Rider DR, which was proposed in Case No. 11-3549-EL-SSO, for purposes of removing the incentive for Duke Energy Ohio to increase sales of electric energy in order to increase distribution revenues. If Duke intends in the future to propose Rider DR, or a similar mechanism, Staff would be interested to see in the final report proposed in this case, any analysis that might confirm or refute NRDC's contention.

OCC generally supports the filing but specifies that a cap in some form would be appropriate to protect customers from volatility in the rider amount. NRDC and OEC also advocate a cap, and they specify that the cap should be 3% of distribution revenues applied to over collections and under collections each year. Staff believes this proposal is reasonable.

Conclusion

Subject to the above Reply Comments, Staff supports Duke's proposed decoupling rider.

Respectfully Submitted,



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CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing **Reply Comments** was served by regular U.S. mail upon the following parties of record, this 22st day of March, 2012.



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