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BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Report of Duke)
 Energy Ohio, Inc., Concerning its)
 Advanced and Renewable Energy) Case No. 12-1214-EL-ACP
 Baseline and Benchmarks and Ten Year)
 Compliance Plan.)

**DUKE ENERGY OHIO, INC.'S
 2011 ALTERNATIVE ENERGY PORTFOLIO STATUS REPORT
 AND
 TEN YEAR ADVANCED ENERGY AND RENEWABLE ENERGY COMPLIANCE
 PLAN**

I. INTRODUCTION

Duke Energy Ohio, Inc. (Duke Energy Ohio or Company) is an electric distribution utility as that term is defined within Ohio Revised Code Section 4928.01(A)(6), and is therefore subject to the advanced energy and renewable requirements contained in Revised Code 4928.64.

Consistent with the rules enacted by the Public Utilities Commission of Ohio (Commission), including Ohio Administrative Code (O.A.C.) Section 4901:1-40-05, Duke Energy Ohio hereby submits this initial report in which it identifies its energy baseline and renewable energy credit (REC) and solar renewable energy credit (SREC) benchmarks, as well as the Company's compliance with year 2011 advanced and renewable mandates. Duke Energy Ohio also provides herein its plan for compliance with future annual advanced and renewable mandates as required by O.A.C. 4901:1-40-03(C).

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II. DUKE ENERGY OHIO'S BASELINE CALCULATION

Ohio Rev. Code Section 4928.64(B) provides that the baseline for a utility's compliance with the alternative energy resource requirements shall be the average of such total kilowatt hours it sold in the preceding three years, except that the Commission may reduce a utility's baseline to adjust for new economic growth in the utility's territory. In Duke Energy Ohio's 2009 Alternative Energy Portfolio Status Report (PUCO Case no. 10-511-EL-ACP), the Company sought an adjustment to its energy baseline to reflect dramatic increases in the level of shopping that had occurred in its service territory. On August 31, 2011, the Staff of the Public Utilities Commission of Ohio (Staff) submitted Findings and Recommendations wherein the Staff stated that the Company's proposed adjustment to its baseline as a result of switching was not consistent with Staff's interpretation of the applicable statute. Staff's recommendation was that the Commission not accept the Company's proposed adjustment to its baseline. Thereafter, the Parties in that proceeding reached a Stipulation and Recommendation that included compliance with an unadjusted baseline.¹ Therefore, the Company, in this application, is demonstrating year 2011 compliance with its baseline and benchmarks on an unadjusted basis.

¹ *In the Matter of the Application of Duke Energy Ohio, Inc. for Approval of its 2009 Advanced and Renewable Energy Baseline and Benchmarks*, Case No. 1-511-EL-ACP (January 13, 2012).

The 2011 compliance baseline and benchmark requirement calculations are as follows:

2008 Full Service Sales (MWhs)			20,752,561
2009 Full Service Sales (MWhs)			17,187,784
2010 Full Service Sales (MWhs)			10,102,444
Average			16,014,263
2011 renewable benchmark			1%
2011 solar benchmark			0.030%
2011 renewable requirements by jurisdiction (total less solar)			155,338
Ohio	50%		77,669
Out of state	50%		77,669
2011 solar requirements by			4,804
Ohio	50%		2,402
Out of state	50%		2,402

III. DUKE ENERGY OHIO'S DEMONSTRATION OF COMPLIANCE WITH THE 2011 RENEWABLE ENERGY BENCHMARKS

A. NON-SOLAR

1. Duke Energy Ohio provided one half of its total non-solar renewable energy requirements through in-state, non-solar, renewable energy credits.

As set forth above, and per the 2011 benchmark for in-state, non-solar, renewable energy, Duke Energy Ohio has met its 2011 obligation through the provision of 77,669 in-state, non-solar RECs.

2. Duke Energy Ohio provided one half of its total non-solar renewable energy requirements through non-solar, renewable energy credits purchased from adjacent states.

As set forth above, and per the 2011 benchmark for in-state, non-solar, renewable energy, Duke Energy Ohio has met its 2011 obligation through the provision of 77,669 adjacent-state, non-solar RECs.

B. SOLAR

1. Duke Energy Ohio met its solar renewable energy requirements through in-state solar renewable energy credits.

As set forth above, and per the 2011 benchmark for in-state, solar, renewable energy, Duke Energy Ohio has met its 2011 obligation through the provision of 2,402 in-state, solar RECs.

2. Duke Energy Ohio met its solar renewable energy requirements through purchase of renewable energy credits from outside the state of Ohio.

As set forth above, and per the 2011 benchmark for in-state, solar, renewable energy, Duke Energy Ohio has met its 2011 obligation through the provision of 2,402 adjacent-state, solar RECs.

IV. DUKE ENERGY OHIO'S PLAN FOR COMPLIANCE WITH FUTURE ADVANCED AND RENEWABLE ENERGY BENCHMARKS.

The Commission has enacted a requirement that each electric utility and electric service company file a plan for compliance with future advanced and renewable energy benchmarks.

Rule 4901:1-40-03(C) directs utilities and service companies to include the following:

1) A baseline for the current and future calendar years:

Exhibit A, attached hereto, depicts Duke Energy Ohio's ten year forecast of sendout MWHs, SSO sales upon which future renewable energy baseline calculations will be based, the projected renewable energy baselines, and the Company's projected renewable energy benchmark requirements. The SSO sales were estimated using the same methodology that Duke Energy Ohio employed in its most recent Integrated Resource Plan / Long Term Forecast Report (PUCO Case No. 11-1439-EL-FOR, filed July 15th, 2011)).

2) Supply portfolio projection, including both generation fleet and power purchases:

Please see Duke Energy Ohio's Resource Plan, Case No. 11-1439-EL-FOR, for a full description of the Company's supply portfolio projection.

3) A description and methodology used to evaluate compliance options:

To date, Duke Energy Ohio has utilized REC purchases as the primary means of meeting its alternative energy resource (AER) compliance obligations and has developed a portfolio of transactions with various parties to best assure that compliance can be achieved. The RECs that Duke Energy Ohio has acquired for purposes of compliance have been obtained from multiple sources, including through brokers, aggregators, and directly from owners of renewable energy resources. Duke Energy Ohio has entered into agreements of various tenors, although most transactions have been relatively short-term in nature due primarily to the uncertainty involved in projecting future year requirements attributable to uncertain customer switching patterns.

Duke Energy Ohio has found that its current methods of procuring RECs through brokers, aggregators, and directly from owners of renewable energy resources are effective. Duke Energy Ohio therefore intends to continue the pursuit of this current, successful strategy

and will monitor market developments to determine if future changes to this strategy may be warranted.


4) **A discussion of any perceived impediments to achieving compliance with required benchmarks, as well as suggestions for addressing such impediments.**

The impediments to achieving the AER compliance requirements largely remain the same as during 2009 and 2010. First, ongoing compliance with S.B. 221's in-state REC requirements will remain challenging as Ohio's REC marketplace must grow rapidly to meet the increasing benchmarks over the coming years. Second, although customer choice is understood to be a fundamental tenet of the State's energy policy, it creates challenges for all load-serving entities (LSEs) in that it creates significant long-term uncertainty of an LSEs future-year requirements. This presents challenges for some renewable energy project developers who may prefer long-term contracts. Third, satisfaction of the Advanced Energy component of S.B. 221 presents potential challenges, although further off. It is yet unclear as to whether sufficient, qualifying resources can be developed to meet the 25% requirement by January 1, 2025 and beyond.

V. **CONCLUSION**

Duke Energy Ohio respectfully requests that the Commission approve its evaluation of the baseline for 2011 and find that Duke Energy Ohio has met its advanced and renewable compliance requirements for 2011 and that it has complied with all its reporting requirements related to such compliance. Duke Energy Ohio further requests that the Commission provide appropriate direction with respect to moving the required renewable energy credits into its Generation Attributes Tracking System (GATS) reservation account, in order to retire 2011 RECs consumed in order to satisfy the benchmarks set forth herein.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Amy B. Spiller", written over a horizontal line.

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