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BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke Energy Ohio, Inc., to Adjust Rider DR-IM and Rider AU for 2012 SmartGrid Costs.	)))	Case No. 13-1141-GE-RDR

REPLY COMMENTS OF DUKE ENERGY OHIO, INC.

I. INTRODUCTION

Duke Energy Ohio, Inc. (Duke Energy Ohio or Company), submitted its Application in this proceeding on June 28, 2013. The Office of the Ohio Consumers' Counsel (OCC), Ohio Partners for Affordable Energy (OPAE), Direct Energy Business, LLC and Direct Energy Services, LLC (Direct Energy) and FirstEnergy Solutions Corp. (FES) (collectively, Parties) each moved to intervene and OCC, the OPAE, Direct and the Staff of the Public Utilities Commission of Ohio (Staff), have filed comments in this proceeding. The Attorney Examiner's Entry of September 27, 2013, directed that reply comments be filed on November 14, 2013. Duke Energy Ohio replies herein to the comments of Staff, OCC, OPAE and Direct.

II. REPLY TO COMMENTS BY THE STAFF

1. Distribution Automation Performance

The Staff submitted comments related to three different areas of the audit that Staff undertook as part of its investigation in this proceeding. The first of these comments related to the Company's ability to report outage events as a result of the deployment of grid modernization and the proper functioning of the equipment that is installed to facilitate service to our customers. Staff recommended to the Commission that the Company be directed to report outage events opportunities where self-healing teams operate successfully or fail to operate.

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Staff further recommends that the Company identify the cause of any failure of such equipment to operate and take corrective action where appropriate. Finally, with respect to distribution automation, Staff asks that the Company determine an engineering solution for gas only customers for metering purposes and deploy such solution, at least AMR meters, so that gas-only customers are not omitted or "left behind" for the deployment of advanced metering technology.

With respect to all of these recommendations, the Company is not generally opposed to such reporting requirements or providing a solution to gas only customers. The Company is interested in discussing these issues in greater detail with Staff and other Parties to seek a proper resolution for these concerns.

2. Accrued Severance and Rider Calculation

Staff next recommends that the defer accounting for accrued severance because Staff believes recognition of this cost is "more appropriately" included in Rider DR-IM and Rider AU next year. Duke Energy Ohio disagrees with this proposed accounting methodology. Based upon the accounting methodology presently employed by the Company, the proper time for inclusion of such costs is during the current year.

Staff also recommends an accounting adjustment related to calculation of Rider AU. The Company agrees with this recommendation.

3. Time-of-Use Rates and the Customer Education Plan

In Comments, Staff provided a discussion of its views with respect to the proper implementation of Time-of-Use (TOU) rates. Staff correctly recognizes that such rates were not included in the business plan as a financial justification for the implementation of advanced metering, however Staff deems such rates to be of value to customers as part of their investment in advanced metering.

Staff further comments that such rates could potentially be a component of a "robust competitive market."

Staff also conditionally supports the proposed customer education plan that was designed collectively by the Duke Energy Ohio SmartGrid collaborative. However Staff notes that such a program should be offered in conjunction with the availability of TOU rates and therefore recommends that the Commission hold the education plan in abeyance until such time as TOU rates are available in the market place.

Duke Energy Ohio is interested in understanding from the competitive retail electric supplier viewpoint, whether or not TOU rates are to be offered in the near term. As Duke Energy Ohio customers are served only through a standard service offer that is derived from an auction price that is not time constrained, TOU rates are not appropriately offered by an electric distribution utility. The Company again looks forward to discussions with the Parties with respect to these issues and concerns.

III. REPLY TO COMMENTS OF THE OCC

1. TOU rates and general awareness and education campaign

The OCC has also commented that the Company should be required to offer TOU rates and that CRES should also offer TOU rates. OCC further comments that it supports the implementation of a general education and awareness campaign related to TOU rates.

Duke Energy Ohio does not agree that it would be appropriate for the Company to offer TOU rates because its SSO customers are served through an auction. The auction price that factors into customer rates is not time delineated. Thus, the TOU rate concept has no logical purpose with respect to SSO pricing. Customers find it difficult to understand the TOU rate

concept in the first instance. Applying TOU concepts to an SSO rate will run the risk of further confusion to customers and is generally illogical in any case.

IV. REPLY TO COMMENTS OF OPAE

1. Review the revenue requirements and issue a staff report.

OPAE states its contention that the Commission should alter its regulatory process with respect to Rider applications and that the Staff should issue a staff report of investigation rather than comments. OPAE states that it is procedurally unfair to expect intervenors to duplicate the work of a Staff investigation. Duke Energy Ohio disagrees with this contention. It would be procedurally unfair to expect the Staff, or any other party, to assist OPAE in its mission and its responsibilities as an intervening party. OPAE has not issue discovery or engaged in any due diligence in order to prosecute its own case. OPAE states that it is unable to comment on the reasonableness of the rider rates. Duke Energy Ohio agrees with this statement.

2. Provide updates to the deployment schedule.

OPAE argues that more information is required with respect to the current status of the Company's deployment of grid modernization. Again, the Company has provided detailed information in its application and in the testimony of Duke Energy Ohio witness Donald Schneider. OPAE has not requested any discovery. The Company deems its application sufficient with respect to the status of the deployment which is on schedule. Duke Energy Ohio disagrees that more information is necessary.

3. Smart Meter refusals disconnection and opt-out

OPAE has taken advantage of this opportunity in its comments to offer an opinion with respect to when and how the Company should disconnect customers who wish not to have an advanced meter installed. Neither of these issues is relevant to the Company's application in this

proceeding. Also, these matters are presently before the Commission in a rule-making docket, Case No. 12-2050-EL-ORD and OPAE correctly notes that as the correct docket wherein such issues are to be determined by the Commission.

4. TOU rates

OPAE argues that the deployment of grid modernization is essentially a generation function, rather than a distribution function and therefore should not be funded by distribution customers. In making this argument, OPAE is overlooking the $ dollars of savings that will be returned to customers as a result of the deployment of grid modernization in addition to and along with funding provided by the federal government.

Notwithstanding this oversight, this comment, in addition to others above, has no relevancy to the Company's application in this proceeding. Duke Energy Ohio disagrees with this comment.

5. Identification of benefits

As a final point, OPAE comments that it has an interest in the identification and recognition of customer benefits that can be realized from the grid modernization programs and that a re-examination of the entire cost recovery mechanism based on the original business case may be necessary. This argument is without merit and is troubling in that it is directly contrary to the Stipulation reached by the signatory parties, including OPAE in Case No.10-2326-GE-RDR, (Mid-Term Review). In that proceeding, the Commission undertook to reexamine the advisability of continuing with deployment. In reaching a stipulation in that proceeding, the Parties agreed that the Company should commit to a netting of benefits to reduce the revenue requirement in an amount equal to the value of operational benefits determined by Staff auditor Meta Vu in its SmartGrid Audit and Assessment Report. The signatory parties agreed to a schedule that included a ramping up of savings beginning in 2011 and continuing through 2014,

that included $25 million up to 2014, and an additional $12,933 for 2015. These matters were discussed at length over a period of months and the Stipulation and Recommendation submitted by the Parties in the Mid-Term Review was adopted and approved by the Commission. OPAE's suggestion that it now wishes to revisit this commitment is directly contrary to its representation in the Mid-Term Review stipulation. Duke Energy Ohio disagrees that there is any need to reevaluate the cost recovery mechanism.

V. REPLY TO COMMENTS OF DIRECT ENERGY

Direct Energy comments that the Commission should delay the implementation of the earlier agreed to general education and awareness campaign until such time as TOU rates are available. Direct quotes FERC Chairman Jon Wellinghoff's statement that "The only way dynamic pricing will work is retail competition." Duke Energy Ohio agrees that TOU rates should properly be offered by CRES providers.

Direct Energy comments that if the Commission declines to direct Duke Energy Ohio to terminate its TOU pilot programs, it should order Duke Energy Ohio to transfer administration of thes programs to a competitive supplier. To the extent a CRES provider wishes to engage in testing or offering TOU rates, Duke Energy Ohio does not oppose such activities. However, the Company disagrees, to the extent it understands the comment, that it should turnover any of its existing proprietary work with respect to TOU rates, or otherwise provide assistance to CRES providers in developing or providing TOU rates.

With regard to timing of a general education and awareness campaign, Duke Energy Ohio stands ready to facilitate the campaign that was agreed to in a previous stipulation, whenever the parties and the Commission wish it to do so.

Respectfully submitted,
DUKE ENERGY OHIO, INC.

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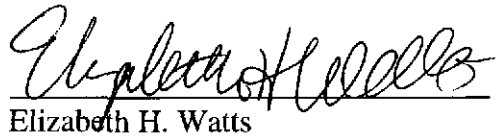
CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing was delivered via U.S. mail (postage prepaid), personal, or electronic mail delivery on this the 14th day of November, 2013, to the following:



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