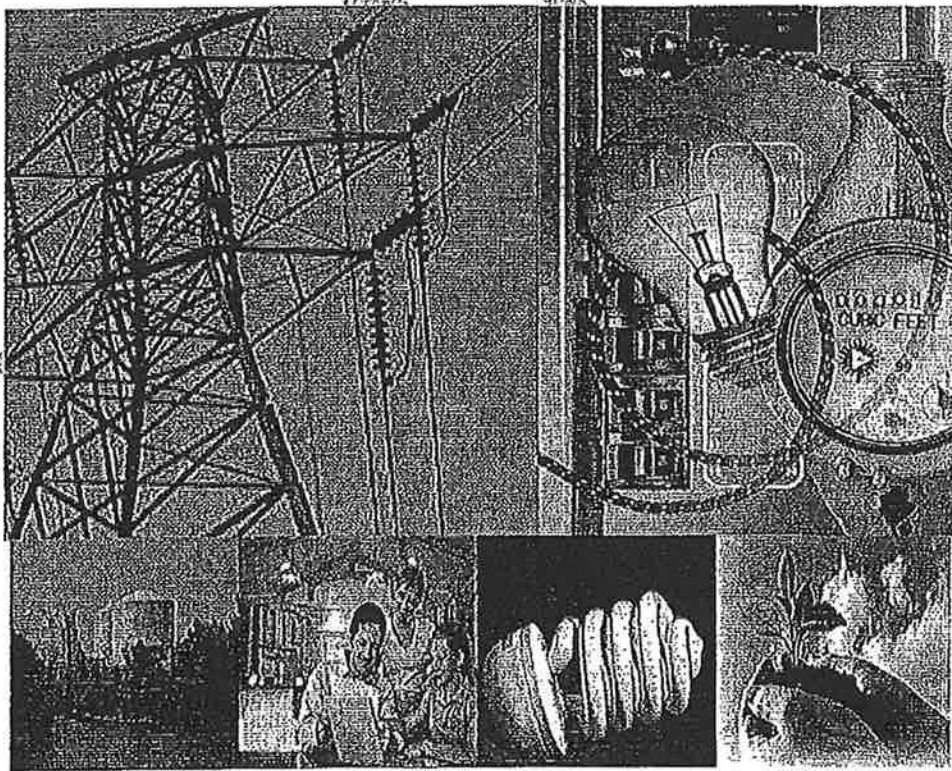




Attachment C: Smart Grid PMO Playbook (Table of Contents)

SMART GRID PMO PLAYBOOK



Use or disclosure of the data set forth above is subject to the restriction on the cover page of this application.



TABLE OF CONTENTS

1. INTRODUCTION.....	6
2. SMART GRID OBJECTIVES.....	6
3. THE SMART GRID ORGANIZATION.....	7
SMART GRID IMPLEMENTATION STRATEGY & PLANNING.....	7
SMART GRID FIELD DEPLOYMENT.....	7
SMART ENERGY SYSTEMS.....	7
SMART GRID FINANCIAL AND REGULATORY COORDINATION.....	7
4. SMART GRID PMO GUIDING PRINCIPLES.....	8
5. SMART GRID PMO OBJECTIVES.....	8
KEY ASSUMPTIONS.....	9
6. SMART GRID PMO ROLES AND RESPONSIBILITIES.....	9
EXECUTIVE REVIEW BOARD (ERB).....	9
WORKING SPONSORS.....	10
SMART GRID PMO.....	10
SMART GRID PMO QUALITY ASSURANCE LEAD.....	11
SMART GRID PMO CHANGE MANAGEMENT LEAD.....	11
SMART GRID PMO RISK MANAGEMENT LEAD.....	12
INTERNAL STAKEHOLDERS.....	12
PROGRAM MANAGERS (ALL OTHER DEPARTMENTS).....	12
PROJECT MANAGERS.....	12
PROJECT MEASUREMENT AND CONTROL.....	13
SMART GRID DIRECTOR OF ACCOUNTING.....	13
INTERNAL AUDIT (SOX COMPLIANCE AND SAS70 TYPE II FOR VENDORS).....	13
REGULATORY COMPLIANCE LEAD.....	13
OTHER SUPPORTING ROLES (SUBJECT MATTER EXPERTS).....	14
7. GOVERNANCE APPROACH.....	14
ORGANIZATIONAL VALUES.....	14
EXECUTIVE REVIEW BOARD - GOVERNANCE.....	15
WORKING SPONSORS - GOVERNANCE.....	15
SMART GRID PMO - GOVERNANCE.....	15
8. SMART GRID PMO PROJECT STAGES.....	15
PROJECT STAGES AND CRITERIA.....	16
PROJECT STAGE ARTIFACTS.....	18
QUALITY FORMS.....	20
STAGE REVIEW AND QUALITY REPORTING.....	20
PROJECT REVIEW PROCESS.....	21
WALKTHROUGHS.....	21
SMART GRID PMO PROJECT STAGES WITH DELIVERABLES.....	23
Project Determination Stage:.....	24
Initiation Stage:.....	28
Define Stage:.....	31
Design Stage:.....	34
Build Stage:.....	37
Deploy Stage:.....	40
9. PROGRAM CONTROLS.....	42



TACTICAL CHARACTERISTICS OF PROGRAM CONTROL.....	42
PROGRAM DASHBOARD	43
SMART GRID PMO PROGRAM PLAN	43
10. CROSS PROJECT DEPENDENCIES.....	44
APPROACH.....	44
PURPOSE	44
SCOPE	44
RESPONSIBILITIES	44
TEAM LEADS AND PROJECT MANAGERS.....	44
SMART GRID PMO	44
CROSS DEPENDENCY TRACKING LOG.....	46
DEPENDENCY INFORMATION	46
<i>Status</i>	46
<i>Predecessor Information</i>	46
<i>Successor Information</i>	46
<i>Use of Dependency Information</i>	47
11. SMART GRID PMO CHANGE CONTROL	48
CHANGE CONTROL FLOW	48
CHANGE CONTROL PROCESS	50
CHANGE CONTROL RESPONSIBILITY AND ACCOUNTABILITY	51
12. CHANGE MANAGEMENT	52
CHANGE MANAGEMENT PLAN.....	54
CHANGE MANAGEMENT PROCESS DIAGRAM.....	54
CHANGE MANAGEMENT GUIDING PRINCIPLES	55
STAKEHOLDER AND CHANGE NETWORK IDENTIFICATION.....	55
<i>Stakeholder Roles / Responsibilities</i>	56
<i>Change Management Network</i>	57
BUSINESS SPONSOR	58
<i>Responsibilities of Business Sponsors</i>	58
<i>Change Agents</i>	58
<i>Responsibilities of Change Agents</i>	58
<i>Change Agent Selection Criteria</i>	59
<i>Change Partners</i>	59
<i>Responsibilities of Change Partners</i>	59
<i>Change Partner Selection Criteria</i>	59
CHANGE IMPACTS.....	60
<i>Heat Maps</i>	61
<i>Organizational Readiness Assessment</i>	61
13. COMMUNICATIONS MANAGEMENT.....	62
PROJECT COMMUNICATIONS PLAN	62
<i>Communications Management RACI</i>	64
THE COMMUNICATIONS CHALLENGE.....	65
COMMUNICATION GUIDING PRINCIPLES	66
MANAGING COMMUNICATION EVENTS.....	68
<i>A. Identify Communication Needs</i>	68
<i>B. Create Content</i>	69
<i>C. Choose Delivery Method</i>	70
<i>D. Deliver Message</i>	71
<i>E. Evaluate Effectiveness</i>	71
AUDIENCE FEEDBACK.....	71
COMMUNICATIONS PLAN TEMPLATE.....	72



14.	ISSUE MANAGEMENT AND RESOLUTION	73
	THE ROLE IN ISSUES MANAGEMENT	73
	ISSUE IDENTIFICATION	74
	ISSUE LOGGED IN ISSUES LIST	74
	ISSUE ANALYZED BY ASSIGNED PM	74
	REVIEW OPEN ISSUES AT WEEKLY STATUS MEETING	74
	IDENTIFY ACTION PLAN FOR EACH ISSUE	75
	UPDATE ISSUES LIST	75
	GENERATE REPORTS	75
15.	RISK MANAGEMENT	76
	RISK MANAGEMENT STRATEGY	76
	RISK APPROACH	77
	RISK CATEGORIES	77
	ASSESSING RISK	78
	MITIGATION TECHNIQUES	79
	MITIGATION PLAN	80
	SEE <i>RISK MITIGATION TEMPLATE</i> IN SHAREPOINT	80
16.	QUALITY ASSURANCE	81
	QUALITY ASSURANCE SCOPE	82
	QUALITY ASSURANCE OBJECTIVES	82
	QUALITY ASSURANCE APPROACH	83
	QUALITY ASSURANCE REVIEW TECHNIQUES	85
	<i>Technique 1: Desk Check (Recommended)</i>	85
	<i>Technique 2: Peer Review (Recommended)</i>	87
	<i>Technique 3: PMO Walkthrough (Required)</i>	88
17.	QUALITY REVIEW FOR MATERIALS MANAGEMENT	89
	SMART GRID SYSTEMS SUPPLIERS	89
	DISTRIBUTION AUTOMATION (DA) EQUIPMENT	89
	INFORMATION TECHNOLOGY (IT) HARDWARE / SOFTWARE	89
	VENDOR MANAGEMENT - INTELLIGENT DEVICES	90
	AUDITS AND ASSESSMENTS FOR CONTINUOUS IMPROVEMENT	90
18.	PERFORMANCE METRICS	91
	THE DIAGRAM ABOVE ILLUSTRATES HOW PERFORMANCE MEASUREMENTS WILL BE TRACKED AND REPORTED – DEPENDING UPON THE LEVEL OF INTEREST. NOTICE THIS RELATES TO THE GOVERNANCE MODEL	92
	SAFETY METRICS	93
	QUALITY METRICS	93
	COST METRICS	93
	SCHEDULE CONTROL	94
19.	DOCUMENT MANAGEMENT	95
	Default location for Smart Grid PMO SharePoint:	98
20.	REFERENCE DOCUMENTS	99
21.	GLOSSARY	100
	APPENDIX A: CROSS PROJECT DEPENDENCY	103
	APPENDIX B: COMPARISON PMI & DUKE SMART GRID PMO STAGES	105

Attachment D: Design Basis Document

(Table of Contents)

Table of Figures.....	viii
Table of Tables.....	viii
GENERAL BACKGROUND.....	IX
1 OBJECTIVE OF SMART GRID DESIGN BASIS DOCUMENT	1-11
1.1 Intended Use of this document by Role	1-11
1.2 Scope of Duke Energy's Smart Grid Design	1-12
1.3 Design Basis Document Syntaxes.....	1-12
2 INTEGRATED SMART GRID DESIGN	2-14
2.1 High Level Design Criteria for all Smart Grid Components	2-15
2.2 State-Level Regulatory Requirements	2-17
2.2.1 Ohio.....	2-17
2.2.2 Kentucky.....	2-18
2.2.3 Indiana	2-18
2.2.4 Carolinas	2-18
2.3 Integrated Smart Grid Design Functional Requirements	2-18
2.4 Distributed Intelligence Requirements.....	2-22
2.5 Integrated Smart Grid Data Flow and Requirements	2-22
2.6 Environmental Conditions and Requirements	2-22
2.7 Interface to Existing Systems Requirements.....	2-23
2.8 Design Risks	2-23
2.9 Industry Standards	2-23
3 SMART GRID TELECOMMUNICATION NETWORK.....	3-25
3.1 Telecommunication Network Scope	3-25
3.2 Telecommunication System Assumptions	3-25

3.3 Enabling Technology and Networks	3-25
3.3.1 Enabling Technologies	3-26
3.3.2 Smart Grid Networks	3-26
3.4 Communications Technologies	3-27
3.4.1 Communications Characteristics	3-28
3.4.2 Protocols	3-29
3.4.3 Hardware	3-30
3.5 Functional Requirements	3-30
3.5.1 Availability	3-30
3.5.2 Interoperability	3-31
3.5.3 Performance Requirements	3-31
3.5.4 Scalability	3-31
3.5.5 Security Requirements	3-31
3.5.6 Telecommunication Network Management	3-32
3.6 Telecommunications Network High Level Design Criteria	3-32
3.7 Telecommunication Network Standards	3-33
3.8 Identifying Critical Components and Risks of Failure	3-33
3.9 Approved Telecommunications Network Solutions at Duke-Energy	3-34
3.9.1 Network Devices	3-34
3.9.2 Deployment Networks	3-36
3.9.3 Ambient NMS	3-39
3.9.4 NetFlow	3-39
3.10 Critical Components and Risk of Failure	3-40
4 DISTRIBUTION AUTOMATION	4-41
4.1 Distribution Automation Scope	4-41
4.2 Distribution Automation Assumptions	4-42
4.3 Distribution Automation High Level Design Criteria	4-42
4.4 Distribution Automation Functional Requirements	4-43
4.5 Distribution Automation Standards	4-43
4.6 Distribution Automation Systems	4-43
4.6.1 Substation Enhancement	4-43
4.6.2 Distribution Line Enhancements	4-45
4.6.3 SCADA Systems Enhancements	4-48
4.7 Distribution Automation Security	4-48
4.8 Distribution Automation Testing and Installation Requirements	4-48
4.9 Distribution Automation Operational Requirements	4-48

4.10	Distribution Automation Alarm Management	4-48
5	METERING SOLUTION	5-49
5.1	Metering Solution Scope	5-49
5.2	Metering Solution	5-49
5.3	Metering Solution High Level Design Criteria	5-50
5.4	Metering Solution Functional Requirements	5-50
5.5	Metering Solution Standards	5-51
5.6	Metering Solution System Components	5-51
5.6.1	Meters	5-51
5.6.2	Data Concentrator	5-53
5.6.3	Head End System	5-53
5.7	Meter Solution Alarms / Events	5-55
5.8	Metering Solution Security	5-55
5.9	Approved Smart Grid Technology Solution for Deployment	5-55
5.9.1	Echelon EM-50202 ANSI Electricity Meter	5-56
5.9.2	Echelon NES Data Concentrators 78704 and 78705	5-56
5.9.3	Echelon NES system	5-57
6	IT SYSTEMS	6-58
6.1	IT Systems Scope	6-59
6.2	IT System Assumptions	6-59
6.3	IT System Design Principles	6-59
6.3.1	Smart Grid Related IT Systems Design Criteria	6-61
6.3.2	Smart Grid Related IT Systems Functional Requirements	6-61
6.4	IT Systems - Enterprise Smart Energy Systems	6-62
6.5	IT System Security	6-62
7	TRANSMISSION SYSTEMS	7-63
8	DISTRIBUTED RESOURCES	8-64
8.1	PEV Integration	8-64
9	HOME AREA NETWORK INTEGRATION	9-65
10	APPENDIX A: GRIDWISE SMART GRID SCORECARD	10-67

11	APPENDIX B: CYBER SECURITY CHECKLIST	11-70
12	APPENDIX C: OHIO REGULATORY CODE	12-78
13	APPENDIX D: TESTIMONY AND BENEFITS TABLE	13-90
13.1	Testimony in Ohio:	13-90
13.2	Modeled Benefits and Functional Requirements	13-108
14	APPENDIX E – PROPOSED NIST INTEROPERABILITY STANDARDS ROADMAP	14-114
15	APPENDIX F – DATA TRANSPORT METHODS	15-118
15.1	Wired Methods	15-118
15.1.1	Fiber Optic	15-118
15.1.2	Power Line Carrier	15-118
15.2	Wireless Methods	15-119
15.2.1	Verizon Wireless Digital Cellular	15-119
15.2.2	iDEN 800MHz	15-120
15.2.3	Microwave	15-121
16	APPENDIX F – DISTRIBUTION AUTOMATION DATA	16-122
17	REFERENCE	17-126
18	GLOSSARY OF TERMS AND ACRONYMS	18-127
18.1	Definitions	18-127
18.2	Acronyms	18-130
19	INDEX:	19-131

Table of Figures

Figure 0-1 Smart Grid Concept	x
Figure 2-1 Integrated Smart Grid Design Components	2-15
Figure 2-2 Example of the relationship of Functional Requirements to Smart Grid Processes and Business Benefit Area	2-19
Figure 3-1: Ambient Communications Node.....	3-34
Figure 3-2 Metering Solution & Network – Dual Metering to WAN.....	3-36
Figure 3-3 Metering Solution Network - Electric Metering to WAN.....	3-37
Figure 3-4 Distribution Automation - Recloser to WAN.....	3-37
Figure 3-5 Distribution Automation - Substation to WAN	3-37
Figure 3-6 Midwest Substation Example - Network Configuration.....	3-39
Figure 6-1 Summary of IT Systems Design & Test Process.....	6-58
Figure 6-2 IT EWTA Architecture Components	6-60

Table of Tables

Table 1: Functional Requirements based on Claimed Benefits.....	2-21
Table 2: Functional Requirements based on Business Needs, Engineering Best-Practices and Standards.....	2-22
Table 3 Smart Grid Enabling Hardware.....	3-26
Table 4: Characteristics of Communications Technologies.....	3-27
Table 5: Example of IEEE C37.01-2007™	3-29
Table 6: Meter Example of IEEE C37.01-2007™	3-29



Attachment E: Save-a-watt Program

1

INNOVATIVE PRODUCTS AND SERVICES

CHALLENGES

- Keep rates affordable in a rising cost environment
- Obtain regulatory approval for models that promote energy efficiency

OPPORTUNITIES

- Develop innovative and economical energy efficient products and services
- Build a smarter utility system
- Accelerate deployment of energy efficiency and the smart grid in light of provisions in the federal stimulus package (the American Recovery and Reinvestment Act of 2009)

2008 HIGHLIGHTS

- Gained approval for save-a-watt model in Ohio
- Conducted smart grid research and initial deployment to test the best combination of technologies
- Opened smart utility labs in the Midwest and Carolinas to showcase smart energy technology
- Partnered with automakers and other utilities to prepare for broader market interest in plug-in electric vehicles

ENERGY EFFICIENCY UPDATE

Energy efficiency is an integral part of our transition to a low-carbon future. We believe the regulatory model must change to encourage utilities to sell less – not more – electricity.

Most utilities earn returns on capital only when they build new power plants. Under our save-a-watt model for energy efficiency, Duke Energy earns a return on the savings that are realized by not having to build and operate a plant. This is called “avoided cost.” If our energy efficiency investments don’t save energy – which will be verified by an independent third-party every year – we don’t get paid. Save-a-watt creates the incentives we need to aggressively pursue energy efficiency as an alternative to investing in new plants.

The Public Utilities Commission of Ohio approved save-a-watt in December 2008. In early 2009, South Carolina regulators rejected our save-a-watt proposal but expressed a willingness to expedite their review of a revised energy efficiency plan. North Carolina regulators requested

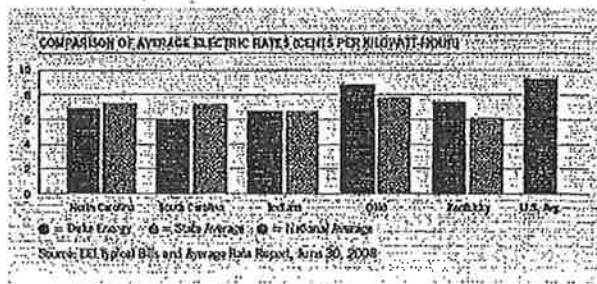
additional information on our save-a-watt filing, but they also approved our proposed energy efficiency programs. Regulatory decisions in Indiana and Kentucky are currently pending.

We believe regulatory approaches like save-a-watt that treat investments in energy efficiency like investments in power plants are a winning model for a low-carbon economy. They help customers conserve electricity, save money and improve the environment – without sacrificing convenience, comfort or reliability.

KEEPING RATES COMPETITIVE

Average retail electric rates in each of the five states we serve were below national averages in 2008. In Indiana and the Carolinas, our rates were below state averages.

We had a number of rate actions – or rate actions take effect – in 2008. In North Carolina, we reduced rates by 5.4 percent in 2008 and an additional 2.1 percent in 2009, based on a 2007 order from the North Carolina Utilities Commission.





"Save-a-watt represents a true winning regulatory approach. Utility shareholders win with returns earned on investments in energy efficiency. Customers win with lower energy costs. The environment wins with reduced greenhouse gas and other emissions. And our nation wins with a stronger economy and enhanced energy security."

— Katerl Callahan, President, Alliance to Save Energy*

In late 2008, Ohio regulators approved the Electric Security Plan for 2009 through 2011. As a result, customer rates will increase 2 percent per year in 2009 and 2010, and 1 percent in 2011.

We are currently in a rising cost environment, and the frequency of rate cases over the next five years will be higher than in prior years. Electric base rate increases are forecasted for 2010, 2011 and 2012 in the Carolinas; 2009 and 2012 in Ohio; 2011 in Kentucky; and 2013 in Indiana. We will continue to aggressively manage our costs and propose regulatory approaches that help smooth out the effects of rate increases on our customers.

HELPING CUSTOMERS MANAGE THEIR BILLS

Duke Energy provides a number of tools and programs to help customers manage their energy use. These services are especially important in the current economic downturn.

We provide incentives for residential and small business customers to become more energy efficient. For example, our Smart Saver™ program in Ohio provides cash incentives to customers who buy high-efficiency equipment, such as lighting and heating and cooling systems.

We continue to see good results from our collaboration with energy-intensive commercial and industrial customers. For example, under our PowerShare® program, large business customers agree to reduce their electric consumption during peak demand times in exchange for a monthly credit. Our Smart Saver program provides cash incentives on more than 150 pieces of equipment and includes a custom option to help customers achieve efficiencies through process improvements.

We provide billing plans with predictable monthly payments to residential and small business customers to help them manage their cash flows. Customers can enroll in a plan that lets them make equal payments 11 months of the year, followed by a "settle-up" in the 12th month. Our Midwest customers also have an option of a plan which evens a settle-up (month) through quarterly adjustments to the bill.

We recognize that people sometimes do not pay their monthly electric bill for various reasons, including travel or illness. Sometimes our customers simply forget. We offer a Third-Party Notification program to serve as a safety net to help prevent electric service interruptions for nonpayment. Under this program, Duke Energy sends a copy of the monthly bill to a designated third party of the customer's choosing. While the third party is not responsible for paying the bill, he or she will be notified if the account becomes past due and may be able to help arrange for payment.

Information on state-specific programs to help our customers manage their bills is available on www.duke-energy.com.



DUKE ENERGY JOINS WITH RETAILERS ON ENERGY EFFICIENT LIGHTING

We've joined with ENERGY STAR® and retailers Wal-Mart, Sam's Club, Lowe's, Home Depot, Ace Hardware and Kroger to offer Duke Energy customers discounts on energy efficient lighting products. Our retail partners sold nearly 240,000 compact fluorescent light bulbs (CFLs) to customers who took advantage of the program in Kentucky and Ohio in 2008. Participating stores reported 200 to 500 percent increases in CFL sales as a result of the promotion. The CFLs purchased during the campaign have the collective potential to save \$4.3 million in electricity costs each year.



ONLINE ENERGY CALCULATORS
Our online calculators help customers estimate their energy usage and how much they can save by making energy efficiency investments.

*A USA Today Katerl Callahan appears in the 2008 Duke Energy Sustainability Report. The full interview is available on www.duke-energy.com.





"Smart grid, with its digital, two-way communication capabilities, will transform how we operate our system – improving customer service, power reliability, and the efficiency of our transmission and distribution system."

– Todd Arnold, Senior Vice President, Smart Grid and Customer Systems

BUILDING A SMARTER GRID



TODD ARNOLD
SENIOR VICE PRESIDENT, SMART GRID
AND CUSTOMER SYSTEMS

The "smart grid" is making headlines a lot these days. The American Recovery and Reinvestment Act of 2009 – also known as the federal economic stimulus package – includes \$11 billion for the development of a smart power grid which could accelerate this new technology. In the following Q&A, Todd Arnold, senior vice president of smart grid and customer systems, explains what the smart grid is and what it means to customers.

Q. What do we mean by the term "smart grid"?

A. Smart grid is really about digital two-way communication – between the customer and Duke Energy and Duke Energy and the power grid. The customer's meter and devices on the grid will provide real-time information, and help us improve how we deliver energy and how customers consume energy.

Duke Energy's smart grid initiative is part of a much larger effort. Building out a nationwide smart grid is an industry-wide, multi-billion dollar vision for the digital modernization of energy delivery in this country. You could say, in effect, we're building out an "energy internet."

Q. How does this differ from the existing power grid we have today?

A. The existing power grid is an engineering marvel, but its design is more than a century old. It's an analog-based system designed to

deliver power – that's all – with little communication between the utility, the power grid, the meters and our customers.

Smart grid, with its digital, two-way communication capabilities, will transform how we operate our system – improving customer service, power reliability, and the efficiency of our transmission and distribution system.

Q. What will smart grid allow us to do that we can't do today?

A. We'll be able to give customers information on their daily electric and gas usage, which opens the door for new energy efficiency programs that help customers conserve power, save money and help the environment.

Another big benefit is that we will know when the power is out at a home or business without the customer having to call us. Smart grid will also help us provide new flexible billing and payment options. And, it will be able to handle meter reading as well as service connections and disconnections remotely.

Q. What is the cost and timeline for Duke Energy's smart grid deployment?

A. We currently have initial deployments under way in North Carolina, South Carolina and the Greater Cincinnati, Ohio, area comprising approximately 70,000 smart electric meters and 40,000 digital gas meters.

Pending regulatory approvals, we plan to invest about \$1 billion over the next five years in smart grid equipment for homes and businesses in our service territories. We've received approval to begin deploying smart grid technology in Ohio, where we will install 700,000 smart meters over the next five years. We're seeking approval to install up to 800,000 smart meters in Indiana. We're also making plans to bring the smart grid to the Carolinas and Kentucky.

PLUG-IN ELECTRIC VEHICLES: THE ULTIMATE "SMART" APPLIANCE

Because the transportation sector is the second-largest contributor of greenhouse gases, we think plug-in electric vehicles (PEV) will play an important role in transitioning to a low-carbon future. Widespread adoption of PEVs



can reduce vehicle greenhouse emissions by more than 450 million metric tons annually

by 2050 – the equivalent to removing 82.5 million passenger cars from the road – according to an Electric Power Research Institute and National Resources Defense Council study. Other benefits include reducing dependence on foreign oil and improved fuel costs.

PEVs are the ultimate smart appliance.

They can be charged during off-peak times when energy is cheapest. They also have the capability to store power that could in the future be supplied back to the home or power grid as needed.

We're partnering with other electric utilities and automakers to define requirements for the widespread adoption of PEVs. This work includes engineering the technical infrastructure, developing a pricing structure and designing a new customer service model for PEV drivers.

To better understand PEV technology and its application to everyday life, we converted five of our standard hybrid-electric vehicles in our fleet to include plug-in capability. These automobiles are powered by a gasoline engine and a rechargeable battery that plugs into a standard 110-volt outlet.



THE NEXT FRONTIER: ENERGY STORAGE

Breakthroughs in large-scale energy storage technologies continue to present intriguing new opportunities. We are testing power-storage solutions that will enable us to:

- Better harness intermittent renewable energy, like solar and wind
- Use large-scale portable storage devices to provide reliable backup power during service disruptions
- Use smaller storage devices in customers' homes to help meet demand during peak usage periods
- Support our efforts to maintain the stability of the power grid
- Further contribute to a smart energy grid in the U.S.

We are conducting two pilots to test battery technology in Charlotte, N.C. In one pilot, while we are upgrading a substation, we are using a zinc bromide battery—roughly the size of a cargo container—to store energy. The battery will discharge power as needed to meet customer demand. And, because this storage device is portable, it can be moved to another Duke Energy site once the substation has been upgraded.

We are also testing battery storage in combination with solar energy at another substation site. A large zinc bromide battery will store energy from solar power arrays or the grid and release it to area customers during periods of peak demand. Energy management systems installed in the homes of 60 to 100 customers will use real-time data to automatically manage power consumption.

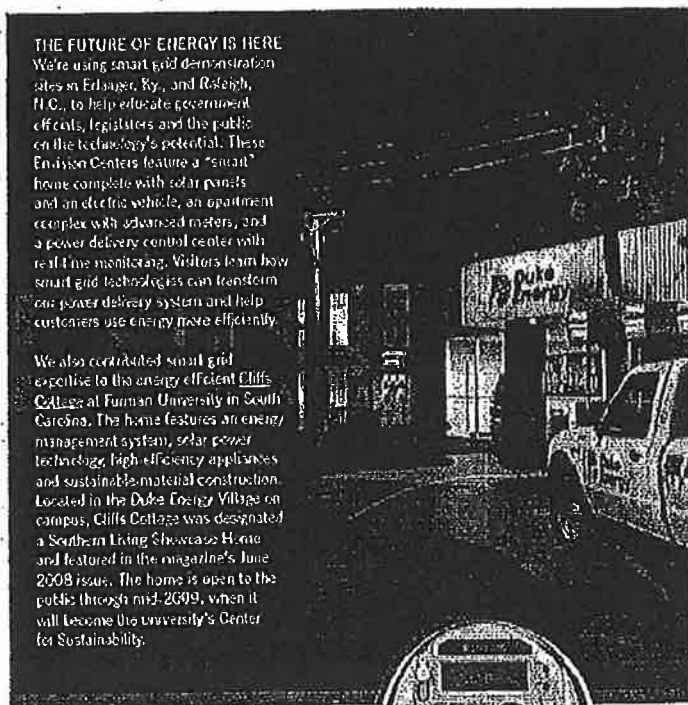
We may also use this project to test "distributed generation," which is

THE FUTURE OF ENERGY IS HERE

We're using smart grid demonstration sites in Erlanger, Ky., and Raleigh, N.C., to help educate government officials, legislators and the public on the technology's potential. These Edison Centers feature a "smart" home complete with solar panels and an electric vehicle, an apartment complex with advanced meters, and a power delivery control center with real-time monitoring. Visitors learn how smart grid technologies can transform our power delivery system and help customers use energy more efficiently.

We also contributed smart grid expertise to the energy-efficient Cliffs Cottage at Furman University in South Carolina. The home features an energy management system, solar power technology, high-efficiency appliances and sustainable material construction. Located in the Duke Coxing Village on campus, Cliffs Cottage was designated a Southern Living Showcase Home and featured in the magazine's June 2008 issue. The home is open to the public through mid-2009, when it will become the university's Center for Sustainability.

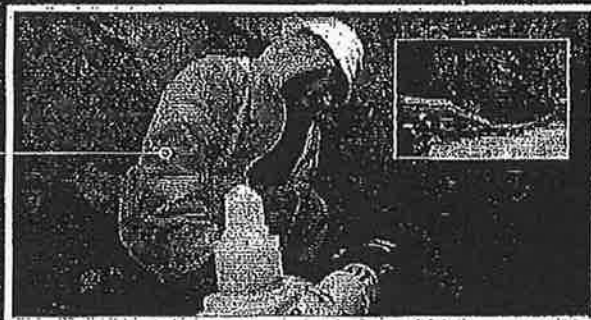
electricity produced close to customers, rather than at large, centralized power plants. Distributed generation—using solar energy in this case—holds the potential to create reliable "micro" power grids in communities and neighborhoods. These micro grids could change the way utilities plan to meet future load growth.



INNOVATIVE PRODUCTS AND SERVICES



KEEPING THE NATURAL GAS FLOWING
 Troy Brown, a mechanic operator I in Glendale, Ohio, installs and repairs parts of gas pipelines.



ENHANCING GAS SAFETY AND RELIABILITY

To improve the safety and reliability of the natural gas system in Ohio and Kentucky, Duke Energy implemented the Accelerated Main Replacement Program (AMRP) in 2000. The program's purpose is to replace cast iron and bare steel pipelines (and associated services) with plastic or coated steel pipe. In 2008 alone, the AMRP reduced the number of leaks repaired by 6 percent compared to the previous year. The AMRP, which is 60 percent complete, is on target to be finished by the end of 2010 in Kentucky and 2016 in Ohio.

GIVING CUSTOMERS GREEN POWER OPTIONS
 Duke Energy provides options to customers who want to support the development of renewable energy or offset their carbon footprints.

Customers in the Carolinas, Indiana and Ohio can purchase blocks of green power each month. A green power program is planned for Kentucky. In 2009, green power is expected to be generated using low or no-carbon renewable resources such as solar, wind, biomass and water. Purchases of green power help advance the development of environmentally friendly energy sources and avoid the release of carbon dioxide (CO₂) into the atmosphere. By the end of 2008, approximately 10,000 Duke Energy customers, less than 1 percent, were enrolled in these programs, representing 1.7 percent of green energy purchases per month.

Also in 2008, we introduced a program for customers in the Carolinas to purchase offsets that reduce or prevent the release of CO₂ emissions. As an incentive, Duke Energy offered to match the first \$4 carbon offset each customer buys — up to \$1 million through 2009. We plan to launch carbon offset programs in Indiana and Ohio in 2009.

GRIDX POWER AND CARBON OFFSET PROGRAMS — CUSTOMER PARTICIPATION

State Program	12/07	12/08
IN Green	Customers	1,168
	Blocks/Month	8,620
KY GreenPower	Customers	7,191
	Blocks/Month	11,684
OH Green (launched 7/07)	Customers	285
	Blocks/Month	835
SC Palmetto Clean Energy (launched 2/08)	Customers	n/a
	Blocks/Month	n/a
NC Carbon Offsets (launched 7/08)	Customers	n/a
	Blocks/Month	n/a
CO Carbon Offsets (launched 8/08)	Customers	n/a
	Blocks/Month	n/a

* One block equals 100 13-month hours of green energy.
 ** One block equals 500 pounds of carbon reduction.

POWERING A HISTORIC LANDMARK WITH RENEWABLE ENERGY

Findlay Market, a 19th century Cincinnati, Ohio, landmark and the state's oldest continuously operating public market, is now powered by 21st century renewable energy. In 2008, Duke Energy and the Ohio Department of Development installed 114 photovoltaic solar panels on the roof of the market. By relying on solar power instead of conventional sources, Findlay Market prevents more than 26 tons of CO₂ from being released each year.





HELPING THE MIDWEST

REBOUND FROM HURRICANE IKE
When the remnants of Hurricane Ike hit our Midwest service areas – including parts of Ohio, Indiana and Kentucky – in September 2008, approximately 1.1 million Duke Energy customers lost power. Historians called the wind storm the most damaging Cincinnati had seen in a century. The around-the-clock power restoration effort, which lasted just over a week, involved more than 3,000 workers at its peak. Call center representatives fielded nearly half-a-million telephone calls during this period. In all, our crews replaced more than 1,300 broken poles, 100 miles of power lines and nearly 1,200 transformers.

In addition to rebuilding the electric system, Duke Energy leaders partnered with government and emergency management agencies to provide emergency information, distribute bottled water, clean up damage from the storm and direct families in need to shelters. Our efforts earned us the Emergency Recovery Award from the Edison Electric Institute in March 2009.

We learned several important lessons from Hurricane Ike that have helped us respond to subsequent storms:

- We created a new Major Storm Event Organization to speed our ability to handle surges in customer inquiries resulting from severe weather.
- We increased the number of storm restoration staging areas – where personnel and equipment assemble to begin repairs – to better distribute resources as quickly as possible during major weather events.
- We began using Twitter – a “micro-blogging” and social networking Web service – to communicate power restoration updates to customers via their cell phones and computers.

A WELL-COORDINATED EFFORT

Safety is the first consideration during any operation, and effective coordination is the second, especially when restoring power after storms. Duke Energy employees and contractors meet to review safe work practices and assignments before heading out to repair damage caused by Hurricane Ike.



POWER RELIABILITY

We set goals each year to improve power reliability, aiming for fewer outages per customer and shorter outages when they do occur. While we met our 2008 goals, severe weather hampered our results compared to 2007. However, we remained in the top quartile among peer electric utilities in 2008, based on 2007 Southeast Electric Exchange data (the most recent available). We continue to replace equipment and upgrade our aging transmission and distribution systems to improve reliability.

OUTAGE STATISTICS

Per Customer	2006	2007	2008	2008 Goal
Average number of outages (occurrences)	1.99	1.13	1.19	1.90
Average time without power* (minutes)	164	133	163	185

* Longer than 5 minutes

WORKING WITH INDUSTRIAL CUSTOMERS: CUMMINS

We are partnering with one of our largest customers, Cummins Inc., to help it fulfill its commitment to the EPA Climate Leaders program to significantly reduce its greenhouse gas (GHG) emissions. Cummins, a manufacturer of diesel engines and related components, recently pledged to cut its total GHG emissions by 26 percent (adjusted for sales) by 2010. Recognizing that such a reduction would require aggressive energy efficiency measures, Cummins asked Duke Energy to help assess its facilities, justify capital expenditures on energy-saving initiatives and help implement new projects. More than 100 energy efficiency upgrades have yielded substantial energy savings in the past year.





LETTER FROM THE CHAIRMAN



JIM ROGERS
CHAIRMAN, PRESIDENT AND CEO

Dear Stakeholders:

In tough economic times, when every aspect of our business is under scrutiny, some might ask whether we can afford to focus on sustainability. To that I respond: Can we afford not to?

Sustainability – operating our business in a way that is good for people, the planet and profits – is, in my opinion, no longer optional. It is the strategic and decision-making approach we are following at Duke Energy to create long-term value.

Clearly, the current economic crisis colors every aspect of our business. We see several parallels from these economic problems that inform our approach to sustainability, including:

- The importance of living within our resources – whether financial or environmental;
- The need to address complex issues and opportunities simultaneously – not sequentially;
- The value of balanced decisions – that consider economic, social and environmental consequences; and
- The imperative of financial strength to remain a viable, vital corporation.

At Duke Energy, sustainability describes the way we work; it is a competency that leads to improved risk management, efficiency and innovation for today's complex, resource-constrained and connected world.

REDEFINING OUR BOUNDARIES

History tells us there are moments in time when conventional wisdom becomes unwise and "the way we've always done it" blinds us to new possibilities. With fundamental change happening everywhere – politically, economically, environmentally and socially – I think we are in the midst of one of those historic moments now.

Our experience with sustainability strengthens my belief that our nation's energy, economic and environmental challenges can and must be solved together. With energy as a cornerstone of economic recovery, we can provide solutions that do double- or triple-duty – investing in innovations and infrastructure that address not just one issue, but several. In this report, we share some examples of this approach – including the smart grid and other advanced energy technologies.



History tells us there are moments in time when conventional wisdom becomes unwise and "the way we've always done it" blinds us to new possibilities.

Our 2008 Summary Annual Report and 2008/2009 Sustainability Report again share a common theme: *Redefining our Boundaries*. The theme captures our efforts to fundamentally rethink our business, explore new technologies and help solve some of the world's most pressing problems.

DUKE ENERGY'S SUSTAINABILITY PLAN

Seeing the world through the lens of sustainability helps redefine our boundaries. Conversations with you — our valued stakeholders — have identified the most material sustainability risks and opportunities we face. Our plan has five focus areas:

- Provide innovative products and services for a carbon-constrained, competitive world
- Reduce our environmental footprint
- Attract and retain a diverse, high-quality workforce
- Help build strong communities
- Be profitable and demonstrate strong governance and transparency

On the following pages, we provide an update on our progress and challenges.

YEAR IN REVIEW

Global climate change continues to be a defining issue for our company and our world. As one of the largest emitters of carbon dioxide (CO₂) in the U.S., we take the challenge of reducing greenhouse gases very seriously.

In last year's report, *Building Bridges to a Low-Carbon Future*, we reviewed our actions to address climate change by:

- Helping our customers and communities become the most energy efficient in the world;
- Decarbonizing our fleet; and
- Advocating fair and effective climate legislation.

We also shared our aspiration to cut our 2006 U.S. CO₂ emissions in half by 2030 and the scenarios that emerged from that work. We've continued to refine that analysis based on stakeholder input and the diagnosis we see in this very volatile economy. What's clear is that reducing CO₂ won't be cheap or easy, and progress may not be linear year-to-year. On page 24, Doug Esamann, senior vice president of strategy and planning, provides an update on the 2030 analysis.

Improving Energy Efficiency

We view energy efficiency as the "first fuel" to power a low-carbon future, but it should be the "first fuel" we invest in. That's why we consider the save-a-watt energy efficiency plan a foundation of our business and regulatory model for the 21st century.

Most utilities still operate under rules created decades ago, when our primary task was to build generating plants and distribution systems to electrify the U.S. economy. Utilities were rewarded for investing in new power plants and related equipment — a regulatory approach that worked remarkably well. Of course, the world has changed a lot since then and so, too, must our regulatory model.

Under our proposed save-a-watt model, the bias to invest in power plants over energy efficiency is removed by allowing utilities to earn a return on their investments in energy efficiency based on their "avoided costs."

I am pleased to report that in December 2008, the Public Utilities Commission of Ohio was the first of our five state commissions to approve save-a-watt, helping to create a level playing field for energy efficiency and investing in new plants. Regulatory review of save-a-watt in Indiana and Kentucky is pending as I

write this letter. We've got more work to do in the Carolinas. In early 2009, South Carolina regulators rejected our initial save-a-watt proposal but asked us to return quickly with an alternative program. North Carolina regulators approved our proposed efficiency programs but asked for additional detail on the avoided cost model. We intend to respond quickly to gain approval of save-a-watt in these states as soon as possible.

I feel a sense of urgency in implementing save-a-watt for two reasons:

- Energy efficiency savings are "painless." Buildings under construction today will stand for a half a century or more and should be built to the highest efficiency standards. The same applies to existing structures. Less-efficient design and equipment results in wasted electricity and related CO₂ emissions, as well as higher cost. Delays in implementing energy-saving programs like save-a-watt translate to lost opportunities to harvest efficiency improvements.
- Our industry is facing a period of rising costs as we build more efficient power plants. Programs like save-a-watt put more control in the hands of our customers to better manage and reduce their bills.

Smart Grid

To fully realize the potential of energy efficiency, we are planning to invest nearly \$1 billion over the next five years in smart grid technology, subject to regulatory approvals. By replacing analog switches, meters and controls with new digital, two-way devices, we bring intelligence and interactivity to electricity. In the near-term, that means our customers will have more information and control over their energy use. And, Duke Energy will have more precise, real-time data to help optimize our system.





Another legislative issue with far-reaching implications for our company and customers is climate change. I believe we need to regulate CO₂ and other greenhouse gases, and we need to do it now.

Smart grid technology represents the most significant upgrade to our distribution system since electricity was first harnessed, and we think it will lead to capabilities and functions that are unimaginable today. By mid-2009, we will have installed more than 70,000 smart electric meters in three states and about 40,000 digital gas meters in the Midwest. While we're excited about the pace of our smart grid deployment, the federal stimulus plan may give us opportunities to accelerate that deployment. We're working hard to make that happen so that our customers can be among the first in the nation to use smart grid technology.

We recently opened Envision Centers in Kentucky and North Carolina to demonstrate the potential and promise of smart grid technology to our regulators, legislators and other stakeholders. We are also field-testing some of these new technologies at a subdivision in Charlotte, N.C.

Decarbonizing our Fleet
To meet existing and anticipated renewable portfolio standards (RPS), we took aggressive actions in 2008 to build that aspect of our business.

Our utilities issued requests for proposals for renewable energy, announced several contracts, and saw some projects from earlier contracts begin generating power. For example, a 20-year contract with a new wind farm in northern Indiana began supplying up to 100 megawatts (MW) of electricity to our customers in 2008. We signed a long-term agreement to buy all of the output from a photovoltaic solar energy farm in North Carolina that will be among the largest in the country. And, we have agreed to purchase power from two projects in the Carolinas that convert landfill methane gas to electricity. We also developed an innovative plan to install

photovoltaic solar panels on the roofs and land of up to 400 Duke Energy residential and business customers in North Carolina. This proposal, currently being discussed with state utility regulators, would create a solar distributed generation network capable of supplying about 1,300 homes.

Our commercial business acquired wind developer Catalina Energy in September 2008 and completed wind farms in Wyoming and Texas. We are also a co-owner of the Sweetwater project in Texas — one of the largest wind farms in the world. Wal-Mart agreed to purchase electricity from our Holmes wind farm in Texas to power some of its facilities in the state. At year-end 2008, we had close to 400 MW of wind power in operation and a wind development pipeline of more than 5,000 MW in 14 states.

Part of the challenge with renewables is getting the power from the source to the customer. We announced a joint venture with American Electric Power in mid-2008 to build and operate a 240-mile high voltage transmission line in Indiana that will link new and existing generation with customers and help reduce transmission congestion in the Midwest.

In September 2008, we formed ADAGE, a joint venture between Duke Energy and AREVA. ADAGE will build biomass power plants in the U.S. that generate electricity from wood waste. ADAGE plans to start construction on its first biopower plant in 2010.

In last year's report, we showed the pros and cons of different generating sources to illustrate the importance of fuel diversity. Renewable energy will play a growing part in our supply portfolio. But, because solar power and wind generation operate only

when the sun shines and the wind blows — they are considered "intermittent" sources of electricity. Baseload plants fueled by coal and nuclear power are typically the lowest-cost power plants that operate around the clock.

I have acknowledged in past reports the apparent paradox of advocating climate change legislation while building new coal plants. About 70 percent of our U.S. customers' electricity was generated with coal in 2008, compared to approximately 50 percent nationally. We simply cannot meet our obligation to serve customers with affordable, reliable and increasingly clean electricity without coal in our fuel mix. As a bridge to new technologies and a lower-carbon future, we are investing approximately \$5 billion in two such plants — Edwardsport and Cliffside — that will replace older, less efficient coal units.

In Indiana, the 630-MW Edwardsport Integrated gasification combined cycle (IGCC) plant was approximately 20 percent complete at the end of 2008. The plant is designed to convert coal into a synthetic gas that produces power. When Edwardsport begins operating in 2012, it will emit less sulfur dioxide (SO₂), nitrogen oxides (NOx) and particulates than the standard coal-fired plant it replaces — while providing more than 10 times the power. And, with the favorable geology in the region, we are working to demonstrate carbon capture and sequestration at Edwardsport — what could be a breakthrough technology for a low-carbon future.

Our Cliffside modernization project in North Carolina — including the construction of a new 825-MW advanced coal unit — was about 30 percent complete at the end of 2008. Construction began following receipt of all applicable state permits.





While the plant's air permit was subsequently challenged, construction remains on schedule as we address the legal issues. In March 2009, the North Carolina Division of Air Quality (DAQ) determined that the new unit is a "minor source" of hazardous air pollutants, confirming that the plant will have among the strictest, most effective air-emission controls available. Once Cliffside Unit 6 is completed in 2012, the plant will eventually replace approximately 1,000 MW of older, higher-emitting coal units. We will take additional actions to make Cliffside Unit 6 "carbon neutral" by 2018.

We are also adding fuel diversity by building two lower-emitting 620-MW combined cycle natural gas plants at existing sites in North Carolina. Once in service, the new plants will displace about 250 MW of older coal-fired units, as part of the 1,000 MW of higher-emitting coal units we agreed to retire with the Cliffside modernization.

I've often said if you're serious about climate change, you need to be serious about nuclear power. Duke Energy has a track record of safe and efficient nuclear operations at our Oconee, McGuire and Catawba stations. We continue to preserve our options to develop a new 2,234-MW nuclear power plant, the William States Lee III Nuclear Station, in Cherokee County, S.C. While a decision to build a new nuclear station is still in the future, we have submitted an application to the U.S. Nuclear Regulatory Commission for a combined construction and operating license.

Beyond the plants and programs that are key to a low-carbon future — energy efficiency, gas, nuclear and cleaner coal — we are also working hard to improve the efficiency of our existing fleet. Today, we

are the third largest generator of electricity among the top 20 U.S. investor-owned utilities. Not surprisingly, we are also the third largest emitter of tons of CO₂ in this group. Another important measure is carbon intensity — the amount of CO₂ by weight emitted per unit of energy. Based on the latest available 2007 data, eight other companies had carbon intensities higher than Duke Energy. As we add cleaner, more efficient power plants in the years ahead, carbon intensity will be a good way to judge our progress in decarbonizing our generation fleet.

We have also focused on reducing air emissions and other waste streams from our plants. We are nearing completion of a 10-year, approximately \$5 billion investment in scrubbers and selective catalytic reduction units at our coal plants to lower NO_x, SO₂ and mercury emissions. Comparing 2008 emissions at the plants we operate to 2006, we reduced the NO_x emissions rate by approximately 18 percent and the SO₂ emissions rate by approximately 50 percent.

Legislative Issues

Later in this report, we mention a number of legislative and regulatory issues that could affect our use of coal. Future regulations for coal ash ponds, tighter sulfur dioxide and nitrogen oxides limits, new requirements to reduce mercury emissions. The long-pending New Source Review case. Concerns about mountaintop removal of coal. All of these issues are important, and represent what I call "stroke of the pen" risks.

Another legislative issue with far-reaching implications for our company and customers is climate change. I believe we need to regulate CO₂ and other greenhouse gases, and we need to do it now. We support a cap-and-trade

system that applies to all segments of the economy. By putting a price on carbon, companies and consumers alike will be able to make more informed investment decisions. We also believe we need to act with urgency — not panic — and develop a policy approach that first slows the growth of emissions, then stops the growth and transitions to a declining emissions cap. We are advocating legislation that is fair to consumers in all states, that provides funding for investments in technologies that will help solve the problem of climate change, and that includes adequate cost-containment measures to protect our economy.

Duke Energy is one of the founding members of the U.S. Climate Action Partnership (USCAP) — a group of corporations and non-government organizations committed to legislative action on climate change. USCAP worked for two years to create its "Blueprint for Legislative Action," a plan that I believe is both workable and fair. It protects consumers by smoothing out the energy price increases that will result from capping carbon emissions. In January 2009, I joined some of my USCAP peers in testifying before Congress on these priorities for climate change legislation.

Water and Energy

The discipline of sustainability trains us to look upstream, downstream and around corners. It also helps us see the connections between issues. As part of my work with the World Economic Forum this year, we published a report on the nexus of energy and water. We've included some key points from that report on page 9.

Unlike climate change — a global issue that demands global solutions — water issues are inherently local. Planning energy and water use in tandem will





become the standard as companies and communities manage increasing demands on limited water supplies.

Employee Safety and Development
We share a number of measures of employee engagement and satisfaction later in this report, but none is more personal or meaningful than safety.

I am pleased to report that our safety performance in 2008 was our best ever. Despite the record-setting storms that hit our service area last year, despite the special challenges of large construction projects, and despite the distractions of this unsettling economy, we completed 2008 with fewer serious injuries than 2007 and no work-related employee or contractor fatalities. On page 30, you'll read about some of the ways we made safety personal within our company in 2008.

Talent is often the key differentiator between companies, and this is never more true than in turbulent times. In 2008, we continued to develop our employees with customized training, cross-functional assignments and job rotations. Since January 2008, approximately 40 percent of our top 55 leaders have moved to new or expanded roles.

Helping our Customers and Communities
The aftershocks from the economic crisis are being felt by our customers, our communities and our states. We continued to support nonprofits in the communities we serve with contributions, volunteerism and creative partnerships. Total contributions from the company, The Duke Energy Foundation, our employees and retirees exceeded \$30 million in 2008. Additionally, in January 2009, our Foundation made an emergency

grant of \$800,000 to energy assistance funds that serve low-income residents in our service areas.

We are also partnering with state and local agencies and economic development officials to support economic recovery. If history is any indication, recessions are typically followed by a rebound in demand for electricity. We are convinced that investing in energy infrastructure can help rebuild our economy — achieving the triple goals of putting people to work, reducing environmental impacts and increasing energy security.

Financial Performance
In 2008, we reported adjusted diluted earnings of \$1.21 per share, below our employee incentive target of \$1.27 per share. Our total shareholder return was down 21.7 percent for the year, but we still outperformed the overall markets — the S&P 500 declined 37.0 percent and the Philadelphia Utility Index declined 27.2 percent. 2008 was also the 82nd consecutive year that we've paid a quarterly cash dividend on Duke Energy common stock.

We took a number of actions to control costs, including reducing capital spending. And, as we made tough choices, we drew on sustainability principles. For example, for 2009, we reduced labor costs not through layoffs but by freezing base pay for our professional workforce.

Electric utilities are among the most capital-intensive of all industries. At Duke Energy, we have the potential to invest nearly \$26 billion over the next five years to modernize and grow our businesses. Even in this "frozen" credit market, the strength of our balance sheet gave us access to capital. From Jan. 1, 2008, to Jan. 31, 2009, we issued

approximately \$4.5 billion in fixed-rate debt at a weighted-average rate of 6.05 percent.

The Grandchildren's Test
Over the past year, we've seen increased interest in sustainability as more and more stakeholders view it as a proxy for quality management.

For the third consecutive year, we were recognized on the Dow Jones Sustainability Index for North America. We were also pleased to be named one of Fortune's Most Admired Companies, among the 100 Best Corporate Citizens and one of the World's Most Ethical Companies. While these distinctions are nice, they don't compare to the tough criteria I call "the grandchildren's test." Quite simply, what type of world do I leave for my grandchildren and for yours? How will future generations judge the actions we take today?

Times like these — of unprecedented change and uncharted waters — test our leadership and our creativity. They also test our courage and our conscience.

Sustainability lies at the heart of the grandchildren's test and underpins our corporate values.

I invite your feedback on our sustainability plans and progress. Your comments help us improve our business and redefine our boundaries.

Sincerely,

Jim Rogers
Chairman, President and
Chief Executive Officer
March 31, 2009



Attachment F: List of Other Applications for Recovery Act Funds

Project Title	FOA
PHEV Infrastructure (General Motors Is Prime Applicant) Strategy to Accelerate U.S. Transition to Electric Vehicles	28
PHEV Infrastructure (Chrysler Is Prime Applicant) Advancing Transportation through Vehicle Electrification	28
PHEV Infrastructure (Energy Systems Network Is Prime Applicant) Project Plug-IN	28
PHEV Vehicle Demonstration (EPRI Is Prime Applicant) Medium Duty Commercial Fleet Demonstration and Evaluation	28
Midwest Smart Grid Deployment Duke Energy Smart Grid Deployment	58
Carolinas Transmission Communication System Modernization to IP with PMU Deployment in the Carolinas	58
Midwest Transmission - Secure IP Communications and PMU Infrastructure (MISO Is Prime Applicant) Synchrophasor Deployment Proposal for the Midwest ISO	58
Markland Hydro Expansion - Existing Capacity Upgrade Markland Hydro Modernization	120
Clean Coal Power Initiative Round 3 - Edwardsport CCS The Edwardsport IGCC Plant Carbon Capture and Sequestration Project	42
Energy Internet Demonstration (McAlpine) Energy Internet Demonstration	36

Use or disclosure of the data set forth above is subject to the restriction on the cover page of this application.



Attachment G: Section 1605 of American Recovery and Reinvestment Act – Determination of Inapplicability

Section 1605 of the Recovery Act prohibits the use of funds appropriated or otherwise made available by the Act for a project for the construction, alteration, maintenance, or repair of a public building or public work unless "all of the iron, steel, and manufactured goods used in the project are produced in the United States." The OMB guidance and FOA 58 have defined "public building" and "public work" as "a public building of, and a public work of, a governmental entity (the United States; the District of Columbia; commonwealths, territories, and minor outlying Islands of the United States; State and local governments; and multi-State, regional, or interstate entities which have governmental functions)."

Duke Energy's project will be owned by the individual Duke Energy utility companies in the Midwest – each one a private for-profit corporation. Because neither the materials to be purchased nor the work to be performed by Duke Energy as proposed in this application constitute a "public building" or a "public work," and because the proposed project materials and work will become a part of the privately-owned and non-governmental Duke Energy distribution system, Duke Energy believes that its proposed project is not a "public building or public work," and thus Section 1605's requirements are not applicable to this project.

On August 3, 2009, DOE posted and first made publicly available an answer to a "frequently asked question" (FAQ) concerning FOA-58:

17. Question: Does installation of a utility-owned meter on a public building constitute "construction, alteration, maintenance, or repair" of a public building for purposes of determining applicability of "Buy American" requirements under section 1605 of ARRA?
Answer: Yes.

This FAQ creates some ambiguity regarding whether the installation of meters on a relatively small number of public buildings as part of a much larger project would subject the entire project to Section 1605's requirements.

Duke Energy's application proposes expanding smart grid meters to a wide range of commercial and residential buildings within the service territories of its Midwest states. If selected by DOE for an award, Duke Energy will discuss with DOE, in the course of negotiating and finalizing the grant agreement, the precise scope and type of buildings and facilities that ultimately will be included within the approved project scope, and on which or in which equipment would be



installed. Duke Energy anticipates doing so in a manner that Section 1605's requirements would not be applicable. Should DOE determine, at some point during those negotiations, that it is not possible to structure the scope of the grant agreement in that manner, and should DOE determine that Section 1605's requirements are applicable to Duke Energy's proposed project, Duke Energy will work with DOE either to request and obtain a determination that: (1) one of the exceptions to Section 1605's requirements (set forth in Section 1605(b) of the Recovery Act) applies; or (2) to structure the scope of the grant agreement and the purchases and other uses of funds pursuant to the grant agreement so that they are fully compliant with any applicable Buy American requirements, including as necessary to ensure that manufactured goods made a part of the project are produced in the United States or designated nations pursuant to trade agreements.



Attachment H: Vendor Commitment Letters



August 6, 2009

Mr. Todd Arnold
Senior Vice President Smart Grid and Customer Systems
Duke Energy
139 East Fourth Street
Cincinnati, Ohio 45202

Subject: Letter of Commitment in support of Duke Energy Business Services LLC's application to U.S. Department of Energy Smart Grid Investment Grant Funding Opportunity Announcement DE-FOA-0000058


Dear Mr. Arnold:

Ambient Corporation is pleased to provide this letter of strong support for Duke Energy Business Services LLC, on behalf of Duke Energy Indiana, Inc., Duke Energy Kentucky, Inc. and Duke Energy Ohio, Inc. ("Duke Energy") in the above-cited Department of Energy funding opportunity. Duke Energy's planned Smart Grid Deployment is an end-to-end Energy Internet powered by two-way digital technology. Duke Energy will deploy "Smart Grid" functionality throughout its Midwest service areas that includes implementation of two-way communication networks on the distribution grid, automated metering infrastructure ("AMI") including installation of more than one million smart meters, advanced distribution automation, supporting IT infrastructure, Home Area Networks including technologies that enable new energy efficiency programs, new customer pricing options and support for plug-in hybrid electric vehicles/ electric vehicles.

Ambient Corporation has provided Duke Energy with a detailed proposal to provide a Smart Grid communications platform and technologies to support this deployment and is pleased to collaborate with Duke Energy on this funding proposal.

We strongly believe this project supports the job creation, economic stimulus, and energy infrastructure objectives of the Recovery Act and the Smart Grid Investment Grant Program, and we urge the Department of Energy to fund Duke Energy's Smart Grid Deployment project.

Sincerely,


John J. Joyce
CEO
Ambient Corporation



July 17, 2009

Mr. Todd Arnold
Senior Vice President Smart Grid and Customer Systems
Duke Energy
139 East Fourth Street
Cincinnati, Ohio 45202

Subject: Letter of Commitment in support of Duke Energy Business Services LLC's application to U.S. Department of Energy Smart Grid Investment Grant Funding Opportunity Announcement DE-FOA-0000058

Dear Mr. Arnold:

AREVA T&D, Inc. is pleased to provide this letter of strong support for Duke Energy Business Services LLC, on behalf of Duke Energy Indiana, Inc., Duke Energy Kentucky, Inc. and Duke Energy Ohio, Inc. ("Duke Energy") in the above-cited Department of Energy funding opportunity. Duke Energy's planned Smart Grid Deployment is an end-to-end Energy Internet powered by two-way digital technology. Duke Energy will deploy "Smart Grid" functionality throughout its Midwest service areas that includes implementation of two-way communication networks on the distribution grid, automated metering infrastructure ("AMI") including installation of more than one million smart meters, advanced distribution automation, supporting IT infrastructure, Home Area Networks including technologies that enable new energy efficiency programs, new customer pricing options and support for plug-in hybrid electric vehicles/ electric vehicles.

AREVA T&D, Inc. has provided Duke Energy with proposals to provide distribution and energy management systems and enhancements to support this deployment and is pleased to be a key vendor supplying smart grid technology to Duke Energy on this funding proposal.

We strongly believe this project supports the job creation, economic stimulus, and energy infrastructure objectives of the Recovery Act and the Smart Grid Investment Grant Program, and we urge the Department of Energy to fund Duke Energy's Smart Grid Deployment project.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Randy Berry'.

Randy Berry
Managing Director
AREVA T&D

AREVA T&D
10865 Wilove Road NE - Redmond, WA 98052 - USA
Tel: 1 425.822.6800 - Fax: 1 425.250.1400

AREVA T&D Inc.

000150



July 29, 2009

Donna Williams
Contract Specialist
MA-642.2/L'Enfant Plaza Building
U.S. Department of Energy
1000 Independence Ave., S.W.
Washington, DC 20585-1615

Re: Letter of Commitment for Duke Energy's Application to DE-FOA-0000058A

Dear Ms. Williams:

Cisco Systems, Inc. is pleased to provide a letter of support for Duke Energy's application for funding under the Integrated and/or Crosscutting Systems topic area of the above referenced FOA for the *Smart Grid Investment Grant Program*.

Cisco is committed to delivering successful Smart Grid solutions and believes that as the world builds out a smart, secure energy grid for the 21st century, networking technology will serve as the platform and public-private cooperation will be key to the success. Designed to meet the requirements of next-generation energy networks, Cisco Smart Grid solutions take advantage of a secure, standards-based IP-infrastructure for energy providers and consumers.

Cisco is committed to Duke Energy's long-term success in this effort.

Regards,

A handwritten signature in black ink, appearing to read "M. De Beer".

Marthin De Beer
Senior Vice President/General Manager
Emerging Technologies Group &
Cisco Smart Grid Board Chair

P.O. Box 1640
Waukesha, WI 53187-1640

2300 Badger Drive
Waukesha, WI 53188-5951
Phone: (262) 896-2400
Fax: (262) 896-2313



July 17, 2009

Mr. Todd Arnold
Senior Vice President Smart Grid and Customer Systems
Duke Energy
139 East Fourth Street
Cincinnati, Ohio 45202

Subject: Letter of Commitment in support of Duke Energy Business Services LLC's application to U.S. Department of Energy Smart Grid Investment Grant Funding Opportunity Announcement DE-FOA-0000058


Dear Mr. Arnold:

Cooper Power Systems is pleased to provide this letter of strong support for Duke Energy Business Services LLC, on behalf of Duke Energy Indiana, Inc., Duke Energy Kentucky, Inc. and Duke Energy Ohio, Inc. ("Duke Energy") in the above-cited Department of Energy funding opportunity. Duke Energy's planned Smart Grid Deployment is an end-to-end Energy Internet powered by two-way digital technology. Duke Energy will deploy "Smart Grid" functionality throughout its Midwest service areas that includes implementation of two-way communication networks on the distribution grid, automated metering infrastructure ("AMI") including installation of more than one million smart meters, advanced distribution automation, supporting IT infrastructure, Home Area Networks including technologies that enable new energy efficiency programs, new customer pricing options and support for plug-in hybrid electric vehicles/ electric vehicles.

Cooper Power Systems provides Duke Energy with various types of electrical equipment, has provided additional proposals to support this deployment and is pleased to collaborate with Duke Energy on this funding proposal.

We strongly believe this project supports the job creation, economic stimulus, and energy infrastructure objectives of the Recovery Act and the Smart Grid Investment Grant Program, and we urge the Department of Energy to fund Duke Energy's Smart Grid Deployment project.

Sincerely,


Michael A. Stoessl
Group President
Cooper Power Systems



201 East Fourth Street, 102-1800
Cincinnati, Ohio 45201-1638
513 723 3480
Fax 513 723 3477
bob.lento@convergys.com

Robert A. Lento
President
Information Management

July 24, 2009

Mr. Todd Arnold
Senior Vice President Smart Grid and Customer Systems
Duke Energy
139 East Fourth Street
Cincinnati, Ohio 45202

Subject: Letter of Commitment in support of Duke Energy Business Services LLC's application to U.S. Department of Energy Smart Grid Investment Grant Funding Opportunity Announcement DE-FOA-0000058

Dear Mr. Arnold:

Convergys Corporation is pleased to provide this letter of strong support for Duke Energy Business Services LLC, on behalf of Duke Energy Indiana, Inc., Duke Energy Kentucky, Inc. and Duke Energy Ohio, Inc. ("Duke Energy") in the above-cited Department of Energy funding opportunity. Duke Energy's planned Smart Grid Deployment is an end-to-end Energy Internet powered by two-way digital technology. Duke Energy will deploy "Smart Grid" functionality throughout its Midwest service areas that includes implementation of two-way communication networks on the distribution grid, automated metering infrastructure ("AMI") including installation of more than one million smart meters, advanced distribution automation, supporting IT infrastructure, Home Area Networks including technologies that enable new energy efficiency programs, new customer pricing options and support for plug-in hybrid electric vehicles/ electric vehicles.

Convergys Corporation has provided Duke Energy with a detailed proposal to provide a customer billing platform to support this deployment and is pleased to collaborate with Duke Energy on this funding proposal.

We strongly believe this project supports the job creation, economic stimulus, and energy infrastructure objectives of the Recovery Act and the Smart Grid Investment Grant Program, and we urge the Department of Energy to fund Duke Energy's Smart Grid Deployment project.

Sincerely,



August 6, 2009

Mr. Todd Arnold
Senior Vice President Smart Grid and Customer Systems
Duke Energy
139 East Fourth Street
Cincinnati, Ohio 45202

Subject: Letter of Commitment in support of Duke Energy Business Services LLC's application to U.S. Department of Energy Smart Grid Investment Grant Funding Opportunity Announcement DE-FOA-0000058

Dear Mr. Arnold:

Echelon Corporation is pleased to provide this letter of strong support for Duke Energy Business Services LLC, on behalf of Duke Energy Indiana, Inc., Duke Energy Kentucky, Inc. and Duke Energy Ohio, Inc. ("Duke Energy") in the above-cited Department of Energy funding opportunity. Duke Energy's planned Smart Grid Deployment is an end-to-end Energy Internet powered by two-way digital technology. Duke Energy will deploy "Smart Grid" functionality throughout its Midwest service areas that includes implementation of two-way communication networks on the distribution grid, automated metering infrastructure ("AMI") including installation of more than one million smart meters, advanced distribution automation, supporting IT infrastructure, Home Area Networks including technologies that enable new energy efficiency programs, new customer pricing options and support for plug-in hybrid electric vehicles/ electric vehicles.

Echelon Corporation has provided Duke Energy with proposals to provide smart metering, data concentrators and systems software to support this deployment and is pleased to collaborate with Duke Energy on this funding proposal.

We strongly believe this project supports the job creation, economic stimulus, and energy infrastructure objectives of the Recovery Act and the Smart Grid Investment Grant Program, and we urge the Department of Energy to fund Duke Energy's Smart Grid Deployment project.

Sincerely,

Oliver R. Stanfield
Executive Vice President and Chief Financial Officer

550 Meridian Ave,
San Jose, CA 95126
tel: 408 938 5200
fax: 408 796 3800
www.echelon.com

GRIDPOINT

GridPoint, Inc. / 2801 Clarendon Blvd. / Suite 100 / Arlington, VA 22201
p. 703.667.7000 / f. 703.667.7001 / www.gridpoint.com

July 29, 2009

Mr. Todd Arnold
Senior Vice President Smart Grid and Customer Systems
Duke Energy
139 East Fourth Street
Cincinnati, Ohio 45202

Subject: Letter of Commitment in support of Duke Energy Business Services LLC's application to U.S. Department of Energy Smart Grid Investment Grant Funding Opportunity Announcement DE-FOA-0000058

Dear Mr. Arnold:

GridPoint, Inc. ("GridPoint") is pleased to provide this letter of strong support for Duke Energy Business Services LLC, on behalf of Duke Energy Indiana, Inc., Duke Energy Kentucky, Inc. and Duke Energy Ohio, Inc. ("Duke Energy") in the above-cited Department of Energy funding opportunity. Duke Energy's planned Smart Grid Deployment is an end-to-end Energy Internet powered by two-way digital technology. Duke Energy will deploy "Smart Grid" functionality throughout its Midwest service areas that includes implementation of two-way communication networks on the distribution grid, automated metering infrastructure ("AMI") including installation of more than one million smart meters, advanced distribution automation, supporting IT infrastructure, Home Area Networks including technologies that enable new energy efficiency programs, new customer pricing options and support for plug-in hybrid electric vehicles/ electric vehicles.

GridPoint has provided Duke Energy with proposals to provide interactive customer toolsets for energy management and associated systems software and is pleased to collaborate with Duke Energy on this funding proposal.

We strongly believe this project supports the job creation, economic stimulus, and energy infrastructure objectives of the Recovery Act and the Smart Grid Investment Grant Program, and we urge the Department of Energy to fund Duke Energy's Smart Grid Deployment project.

Sincerely,



Michael R. Lach
Chief Operating Officer, GridPoint



SCHWEITZER ENGINEERING LABORATORIES, INC.

2350 NE Hopkins Court • Pullman, WA 99163-5603 USA
Phone: +1.509.332.8890 • Fax: +1.509.332.7990
www.selinc.com • info@selinc.com

July 22, 2009

Mr. Todd Arnold
Senior Vice President Smart Grid and Customer Systems
Duke Energy
139 East Fourth Street
Cincinnati, Ohio 45202

Subject: Letter of Commitment in support of Duke Energy Business Services LLC's application to U.S. Department of Energy Smart Grid Investment Grant Funding Opportunity Announcement DE-FOA-0000058

Dear Mr. Arnold:

Schweitzer Engineering Laboratories, Inc. (SEL) is pleased to provide this letter of strong support for Duke Energy Business Services LLC, on behalf of Duke Energy Indiana, Inc., Duke Energy Kentucky, Inc. and Duke Energy Ohio, Inc. ("Duke Energy") in the above-cited Department of Energy funding opportunity. Duke Energy's planned Smart Grid Deployment is an end-to-end Energy Internet powered by two-way digital technology. Duke Energy will deploy "Smart Grid" functionality throughout its Midwest service areas that includes implementation of two-way communication networks on the distribution grid, automated metering infrastructure ("AMI") including installation of more than one million smart meters, advanced distribution automation, supporting IT infrastructure, Home Area Networks including technologies that enable new energy efficiency programs, new customer pricing options and support for plug-in hybrid electric vehicles/ electric vehicles.

SEL has provided Duke Energy with a detailed proposal to provide protective relaying technologies to support this deployment and is pleased to collaborate with Duke Energy on this funding proposal.

We strongly believe this project supports the job creation, economic stimulus, and energy infrastructure objectives of the Recovery Act and the Smart Grid Investment Grant Program, and we urge the Department of Energy to fund Duke Energy's Smart Grid Deployment project.

Sincerely,

Erik C. Newman
Vice President, Sales and Customer Service



SQUARE D

by **Schneider Electric**

July 17, 2009

Mr. Todd Arnold
Senior Vice President Smart Grid and Customer Systems
Duke Energy
139 East Fourth Street
Cincinnati, Ohio 45202

Subject: Letter of Commitment in support of Duke Energy Business Services LLC's application to U.S. Department of Energy Smart Grid Investment Grant Funding Opportunity Announcement DE-FOA-0000058

Dear Mr. Arnold:

Schneider Electric is pleased to provide this letter of strong support for Duke Energy Business Services LLC, on behalf of Duke Energy Indiana, Inc., Duke Energy Kentucky, Inc. and Duke Energy Ohio, Inc. ("Duke Energy") in the above-cited Department of Energy funding opportunity. Duke Energy's planned Smart Grid Deployment is an end-to-end Energy Internet powered by two-way digital technology. Duke Energy will deploy "Smart Grid" functionality throughout its Midwest service areas that includes implementation of two-way communication networks on the distribution grid, automated metering infrastructure ("AMI") including installation of more than one million smart meters, advanced distribution automation, supporting IT infrastructure, Home Area Networks including technologies that enable new energy efficiency programs, new customer pricing options and support for plug-in hybrid electric vehicles/ electric vehicles.

Schneider Electric has provided Duke Energy with a detailed proposal to provide electrical equipment for this deployment and is pleased to collaborate with Duke Energy on this funding proposal.

We strongly believe this project supports the job creation, economic stimulus, and energy infrastructure objectives of the Recovery Act and the Smart Grid Investment Grant Program, and we urge the Department of Energy to fund Duke Energy's Smart Grid Deployment project.

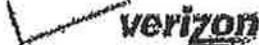
Sincerely,

Michael Rice
Vice President, Field Services
Schneider Electric
North American Operating Division

Schneider Electric
9870 Crescent Park Drive
West Chester, OH 45069
Tel. (513) 777-4445 Fax (513) 755-5028
www.us.schneider-electric.com

Schneider
Electric

000157



Todd Arnold
Senior Vice President, Smart Grid and Customer Systems
Duke Energy
526 South Church Street
Charlotte, NC 28202-1802

Dear Mr. Arnold,

As you know, Verizon Communications supports Duke Energy's industry-leading Smart Grid efforts, including its application for funding under the American Recovery and Reinvestment Act of 2009 to further those efforts. Verizon looks forward to continuing its close working relationship with Duke Energy in support of its Smart Grid efforts by offering Verizon's extensive portfolio of high quality commercially available wireline and wireless communications services. Verizon stands ready to provide services as one of Duke Energy's reliable and trusted vendors and help Duke Energy deliver on the Department of Energy's Smart Grid goals for interoperability, enhanced energy efficiency and security.

Verizon Communications Inc. (NYSE:VZ), headquartered in New York, is a global leader in delivering broadband and other wireless and wireline communications services to mass market, business, government and wholesale customers. Verizon Wireless operates America's most reliable wireless network, serving more than 87 million customers nationwide. Verizon's Wireline operations provide converged communications, information and entertainment services over the nation's most advanced fiber-optic network. The Wireline business also includes Verizon Business, which delivers innovative and seamless business solutions to customers around the world. A Dow 30 company, Verizon employs a diverse workforce of more than 235,000 and last year generated consolidated operating revenues of more than \$97 billion.

We look forward to working with Duke Energy on their Smart Grid initiative and supporting the achievement of our nation's energy efficiency goals. If there are any questions please contact Robert Heffron at Robert.heffron@verizonbusiness.com or 703-886-3442.

Sincerely,

Robert Heffron
Verizon
Manager, Utility Vertical Market



Attachment I: Political Support Letters

STEVEN L. BESHEAR
GOVERNOR



LEONARD K. PETERS
SECRETARY

ENERGY AND ENVIRONMENT CABINET

OFFICE OF THE SECRETARY

500 MERO STREET

12TH FLOOR, CAPITAL PLAZA TOWER

FRANKFORT, KY 40601

TELEPHONE: (502) 564-3350

FACSIMILE: (502) 564-3354

www.eec.ky.gov

July 30, 2009

The Honorable Steven Chu
Secretary of Energy
U.S. Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

Subject: Letter of support for Duke Energy Business Services LLC's application to U.S. Department of Energy Smart Grid Investment Grant Funding Opportunity Announcement DE-FOA-0000058

Dear Secretary Chu:

I am writing in support of the funding application of Duke Energy Business Services LLC, on behalf of Duke Energy Kentucky, Inc., Duke Energy Ohio, Inc. and Duke Energy Indiana, Inc. ("Duke Energy") for its Midwest Smart Grid Deployment.

If Duke Energy is successful in obtaining stimulus funding and continues to receive constructive regulatory support, Duke Energy will install distribution automation equipment in Kentucky. Duke Energy will ultimately develop a digital network to allow two-way communication between Duke Energy and customers. The distributed automation will provide a more reliable grid and communications infrastructure.


The project is "shovel-ready." Duke Energy has developed plans for accelerated deployment of distribution automation equipment in Kentucky if funding is granted. Federal funding would allow Duke Energy to accelerate deployment of the project.

This project supports the objectives of Kentucky's comprehensive energy plan to improve energy efficiency in the residential and commercial sectors. This project also supports the job creation, economic stimulus, and energy infrastructure objectives of the Recovery Act

The Honorable Steven Chu
July 30, 2009
Page No. 2

and the Smart Grid Investment Grant Program. It is exactly the kind of project President Obama and the U.S. Congress had in mind when they promoted and passed the American Reinvestment and Recovery Act and I urge favorable consideration of the Duke Energy proposal.

Sincerely yours,


Leonard K. Peters
Secretary

LKP:wh

SHERROD BROWN
OHIO

COMMITTEES:
AGRICULTURE, NUTRITION,
AND FORESTRY
BANKING, HOUSING,
AND URBAN AFFAIRS
HEALTH, EDUCATION,
LABOR, AND PENSIONS
VETERANS' AFFAIRS

United States Senate

WASHINGTON, DC 20510
July 29, 2009

The Honorable Steven Chu
Secretary
U.S. Department of Energy
1000 Independence Ave. S.W.
Washington, D.C. 20585

Dear Secretary Chu:

As the Department of Energy considers applications for the Smart Grid Investment grant opportunity as funded through the American Recovery and Reinvestment Act of 2009 (DE-FOA-0000058), I would like to bring to your attention the proposal submitted by Duke Energy Business Services LLC for its Midwest Smart Grid Deployment program.

Duke Energy's plan would develop a digital network to allow two-way communication with its customers. The plan includes approximately 680,000 new smart meters, 420,000 gas communication modules, and distributed automation that would improve grid reliability. If Duke Energy is awarded funding, it is my hope that customers in Ohio, Kentucky, and Indiana will have better access to the tools needed to lower utility costs and reduce carbon emissions.

Ohio is well positioned to lead the country in creating and expanding the green manufacturing sector. We have made significant investments in alternative energy, and have proven that Ohio's workforce is second to none in developing and adapting the skill sets necessary for the green manufacturing industry. With the regional leadership of Duke Energy, it is my hope that the economic incentives afforded by the development of smart grid businesses will benefit Ohioans for many generations to come.

It is my understanding that the Public Utilities Commission of Ohio approved Duke Energy's smart grid deployment plan to serve Ohio customers, and that the company has already installed 43,000 electric smart meters and 24,000 gas modules. As the Department of Energy reviews the application, I am confident you will find that the objectives of Duke Energy's application are closely aligned with the goals of the Smart Grid Investment Grant program.

I respectfully request that the Department of Energy give serious consideration to Duke Energy's application for funding. I ask that you keep my office informed on the status of this application.

Thank you for your efforts.

Sincerely,



Sherrod Brown
United States Senator

Co: Patricia Hoffman, Principal Deputy Assistant Secretary, Office of Electricity Delivery and Energy Reliability

DAN BURTON
6TH DISTRICT, INDIANA

COMMITTEES:
FOREIGN AFFAIRS
SUBCOMMITTEES:
WESTERN HEMISPHERE
RANKING MEMBER

ASIA, THE PACIFIC AND THE GLOBAL ENVIRONMENT

OVERSIGHT AND GOVERNMENT
REFORM
FORMER CHAIRMAN (1997-2002)
SUBCOMMITTEES:
NATIONAL SECURITY AND FOREIGN AFFAIRS
DOMESTIC POLICY



Congress of the United States
House of Representatives
Washington, DC 20515-1405

August 4, 2009

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2308 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-1405
TELEPHONE: (202) 226-2276

DISTRICT OFFICES:
8900 KEYSTONE AT THE CROSSING
INDIANAPOLIS, IN 46240
TELEPHONE: (317) 848-0201
TOLL-FREE: (800) 582-6020

209 SOUTH WASHINGTON STREET
MARION, IN 46952
TELEPHONE: (765) 682-6770
TOLL-FREE: (877) 846-2936

www.house.gov/burton

Lisa Epifani
Assistant Secretary for Congressional
and Intergovernmental Affairs
U.S. Department of Energy
Forrestal Building, Room 7B138
1000 Independence Avenue, SW
Washington, DC 20585-0800

RE: Smart Grid Investment Grant # DE-FOA-0000058

Dear Ms. Epifani:

I would like to express my support and interest in the grant application for the U.S. Department of Energy's Smart Grid Investment Grant Funding Opportunity # DE-FOA-0000058 submitted by Duke Energy Business Services L.L.C.

Funding will allow installation of more than 800,000 new digital "smart meters" in each of the 69 Indiana counties served by Duke Energy, the state's largest electric utility. The proposal includes the installation of technology that will improve the reliability of the grid and provide customers with the tools they need to make wiser energy choices. The smart grid also improves the environment by allowing for the integration of more renewable distributed energy resources onto the grid, resulting in decreased carbon emissions.

I trust Duke Energy will be a responsible steward in implementing the process needed to complete this project. I ask that you give thorough consideration to this request, consistent with applicable rules and regulations and relevant statutes. If there is any way my office can be of assistance to you, please do not hesitate to contact Kerry Byrne, who serves as my grant coordinator. She can be reached at 317-848-0201. Thank you for your efforts and attention on behalf of this request.

Sincerely,

COPY

Dan Burton
Member of Congress

DB/kb



STATE OF INDIANA
OFFICE OF THE GOVERNOR
State House, Second Floor
Indianapolis, Indiana 46204

Mitchell E. Daniels, Jr.
Governor

July 31, 2009

The Honorable Dr. Stephen Chu
Secretary of Energy
U.S. Department of Energy
1000 Independence Ave., SW
Washington, DC 20585

Dear Secretary Chu:

I am writing to urge your consideration of the funding application of Duke Energy Business Services LLC. This application is made on behalf of Duke Energy Indiana, Inc., Duke Energy Kentucky, Inc. and Duke Energy Ohio, Inc. ("Duke Energy") for its Midwest Smart Grid Deployment (*U.S. Department of Energy Smart Grid Investment Grant Funding Opportunity Announcement DE-FOA-0000058*).

Smart meters and automated equipment, as proposed by Duke Energy, will provide the company and its customers with up-to-date energy-usage data. Customized usage data will be a central component in enabling utilities to develop new programs and new ways to help consumers conserve power and use power more efficiently. Smart Grid will improve the way our nation uses energy by allowing customers to remotely manage their lights, air conditioning, heat and other household appliances.

Duke Energy's planned Midwest Smart Grid Deployment includes an investment of approximately \$800 million in the states of Indiana, Ohio and Kentucky, for smart metering, two-way communications, distributed automation, pricing pilots, and behind the meter technologies. Over half of that investment—just over \$400 million over three years—will be in the state I represent, Indiana.

Duke Energy's investment in smart grid will transform energy delivery and energy efficiency operations in Indiana and the industrial Midwest and will improve development opportunities for Indiana and the region. I support the Duke Energy smart grid request.

Sincerely,

M E Daniels, Jr.

STEVE DRIEHAUS
1ST DISTRICT, OHIO

COMMITTEE ON FINANCIAL SERVICES
SUBCOMMITTEE ON
HOUSING AND COMMUNITY OPPORTUNITY

SUBCOMMITTEE ON
INTERNATIONAL MONETARY POLICY AND TRADE

SUBCOMMITTEE ON
OVERSIGHT AND INVESTIGATIONS

COMMITTEE ON
OVERSIGHT AND GOVERNMENT REFORM
SUBCOMMITTEE ON
NATIONAL SECURITY AND FOREIGN AFFAIRS

Congress of the United States
House of Representatives
Washington, DC 20515-3501

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FAX: (202) 225-3012

441 VINE STREET, SUITE 3003
CINCINNATI, OH 45202
(613) 684-2723
FAX: (613) 421-8727

July 31, 2009

The Honorable Steven Chu
Secretary of Energy
U.S. Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

Subject: Letter of support for Duke Energy Business Services LLC's application to U.S. Department of Energy
Smart Grid Investment Grant Funding Opportunity Announcement DE-FOA-0000058

Dear Secretary Chu:

I am writing in support of the funding application of Duke Energy Business Services LLC, on behalf of Duke Energy Ohio, Inc., Duke Energy Kentucky, Inc. and Duke Energy Indiana, Inc. ("Duke Energy") for its Midwest Smart Grid Deployment. If Duke Energy is successful in obtaining stimulus funding and continues to receive constructive regulatory support, Duke Energy would also invest several hundred million dollars to deploy a smart grid system in Ohio, Kentucky and Indiana.

Duke Energy's plan includes approximately 680,000 new digital electric "smart meters" and 420,000 gas communication modules in Ohio. Duke Energy will develop a digital network to allow two-way communication between Duke Energy and customers. The project also involves distributed automation for a more reliable grid and communications infrastructure. This investment will make the electric grid more reliable and efficient. Smart grid is the enabling technology for time-of-use utility rates and advanced energy efficiency services. If Duke Energy receives stimulus funding, customers will get quicker access to these tools they need to lower their utility bills by making wiser energy choices. The smart grid will also allow for the integration of more renewable distributed energy resources onto the grid, thus reducing carbon emissions.

The project is "shovel-ready." Duke Energy has already installed some of the equipment - approximately 43,000 electric smart meters and 24,000 gas modules. The Public Utilities Commission of Ohio issued an order on December 17, 2008 approving Duke Energy's plan to deploy a smart grid system to serve Ohio customers. Federal funding would allow Duke Energy to accelerate deployment of the project; would provide quicker access to energy-savings tools for customers; and would greatly reduce the costs of this important investment for Duke Energy's electric and gas customers.

This project supports the job creation, economic stimulus, and energy infrastructure objectives of the Recovery Act and the Smart Grid Investment Grant Program. It is exactly the kind of project President Obama and the U.S. Congress had in mind when they promoted and passed the American Reinvestment and Recovery Act and I urge favorable consideration of the Duke Energy proposal.

Sincerely,



Steve Driehaus
Member of Congress

Steven L. Beshear
Governor

Leonard K. Peters
Secretary
Energy and Environment Cabinet



Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 616
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psa.ky.gov

David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

Charles R. Borders
Commissioner

July 27, 2009

The Honorable Steven Chu
Secretary of Energy
U.S. Department of Energy
1000 Independence Ave., SW
Washington, DC 40585

Re: Duke Energy Business Services, LLC – Smart Grid Application

Dear Secretary Chu:

The Kentucky Public Service Commission (KPSC) broadly supports efforts to cost effectively add efficiency and reliability to the electricity transmission and distribution system. The KPSC believes that Smart Grid deployments offer great promise in improving efficiencies and reliability in the delivery of electricity, to reduce electricity demand, to enable distributed generation and other benefits.

The projects included in the subject grant will likely be submitted to the KPSC for approval. The KPSC would consider the projects based on the evidence it receives concerning the need for and cost effectiveness of the project to deliver the benefits expected, the impact on rates, and other criteria under Kentucky law.

The KPSC understands that the grant requires the projects be completed within a definitive timeframe and will make every effort to process related applications expeditiously.

Sincerely Yours,

A handwritten signature in dark ink, appearing to read "Jeff DeRouen".

Jeff DeRouen
Executive Director



The Public Utilities Commission of Ohio

Monitoring marketplaces and enforcing rules to assure safe, adequate, and reliable utility services.

Ted Strickland, Governor
Alan R. Schriber, Chairman

Commissioners

Ronda Hartman Fergus
Valerie A. Lennye
Paul A. Centolella
Cheryl Roberto

August 3, 2009

Secretary Steven Chu
United States Department of Energy
1000 Independence Ave., SW
Washington, DC 20585

Dear Secretary Chu:

As the state agency charged with regulatory oversight over Ohio's investor owned electric utilities, the Public Utilities Commission of Ohio (PUCO) would like to offer its strong support to the Duke Energy Ohio Smart Grid Investment Grant Program (DE-FOA-000058) application.

The acceleration and expansion of Duke Energy Ohio's Smart Grid program is aligned with the state's recently enacted electricity law, Senate Bill 221. Ohio's law encourages the deployment of advanced metering infrastructure in conjunction with the use of time differentiated pricing. It also includes aggressive energy efficiency and peak demand reduction standards.

Ohio's law also requires the development of distribution performance standards. Duke Energy Ohio has committed to improve the quality of its distribution service as smart grid technologies are deployed. This will provide a foundation for additional job creation by firms that rely on digital technology and require a high level of reliability and power quality.

On December 17, 2008, the PUCO issued an order approving Duke Energy Ohio's plan to deploy a complete smart grid system. To ensure that this project will optimize the way electricity is generated, delivered, and used, Duke Energy Ohio agreed to convene a stakeholder working group to explore opportunities to maximize the benefits of its smart grid investment. Additionally, there will be a mid-deployment program review to assess performance and ensure that improvements identified in the review are implemented. As part of the PUCO's Order, Duke Energy Ohio will be able to recover smart grid investments through a non-bypassable distribution rider on customers' bills.

Federal funding will allow Duke Energy Ohio to accelerate the deployment of the project, provide quicker access to energy-savings tools for customers, and reduce the cost to Ohio consumers of an important investment that will provide region-wide economic, reliability, and environmental benefits. This project supports the job creation, economic stimulus, and energy infrastructure objectives of the ARRA and the Smart Grid Investment Grant Program. My colleagues and I encourage the DOE to look favorably upon Duke Energy Ohio's application and recognize the PUCO's commitment to Duke Energy Ohio's smart grid initiatives.

Sincerely,

A handwritten signature in dark ink, appearing to read "Alan R. Schriber", is written over a horizontal line.

Alan R. Schriber
Chairman

GEORGE V. VOINOVICH
OHIO

521 HART SENATE OFFICE BUILDING
12021 224-3353
TDD: (202) 224-6997
<http://voinovich.senate.gov>

July 28, 2009

The Honorable Steven Chu
Secretary of Energy
U.S. Department of Energy
1000 Independence Avenue, S.W.
Washington, D.C. 20585

Dear Secretary Chu:

I write in support of the grant application submitted by Duke Energy, for funding in the Smart Grid Investment Grant Program, FOA Number DE-FOA-0000058, which was created and funded in the American Recovery and Reinvestment Act of 2009.

I understand that Duke Energy's plan 'Midwest Smart Grid Deployment' includes the installation of approximately 680,000 new digital electric "smart meters" and 420,000 gas communication modules in Ohio. These monitoring devices will be connected to a digital network to allow two-way communication between Duke Energy and customers. The region's electric grid will be made more reliable and efficient through these upgrades, and allow customers the option for time-of-use utility rates and advanced energy efficiency services. The smart grid will also allow for the integration of more renewable distributed energy resources onto the grid, thus reducing carbon emissions.

Duke Energy has already installed some of the equipment - approximately 43,000 electric smart meters and 24,000 gas modules. And Duke officials indicate that the Public Utilities Commission of Ohio issued an order on December 17, 2008 approving Duke Energy's plan to deploy a smart grid system to serve Ohio customers. Federal funding would allow Duke Energy to accelerate deployment of the project; would provide quicker access to energy-savings tools for customers; and would greatly reduce the costs of this important investment for Duke Energy's electric and gas customers.

Please give all due consideration to this request. If there are any questions, please contact my grant's coordinator, Linda Greenwood at (419) 259-3895. Thank you.

Sincerely,



George V. Voinovich
United States Senator

cc: Donna Williams, Grant Specialist
Office of Electricity Delivery and Energy Reliability
U.S. Department of Energy

STATE OFFICES:
30 EAST SEVENTH STREET
ROOM 2615
CINCINNATI, OHIO 45202
(613) 684-3205

1240 EAST NINTH STREET
ROOM 2955
CLEVELAND, OHIO 44199
(216) 622-7085

37 WEST BROAD STREET
ROOM 300
COLUMBUS, OHIO 43215
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(614) 489-8774 (CASEWORK)
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APPROPRIATIONS
RANKING MEMBER, SUBCOMMITTEE ON
HOMELAND SECURITY

ENVIRONMENT AND
PUBLIC WORKS

RANKING MEMBER, SUBCOMMITTEE ON
TRANSPORTATION AND INFRASTRUCTURE

HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS

RANKING MEMBER, SUBCOMMITTEE ON
OVERSIGHT OF GOVERNMENT MANAGEMENT,
THE FEDERAL WORKFORCE, AND
THE DISTRICT OF COLUMBIA

000168

BRAD ELLSWORTH
8TH DISTRICT, INDIANA



Congress of the United States
House of Representatives
Washington, DC 20515-1408

COMMITTEES:
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SEAPOWER AND EXPEDITIONARY FORCES
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AND RESEARCH
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RISK MANAGEMENT
SMALL BUSINESS
CONTRACTING AND TECHNOLOGY
INVESTIGATIONS AND OVERSIGHT

August 3, 2009

The Honorable Steven Chu
Secretary of Energy
U.S. Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

Dear Secretary Chu:

I am writing in support of the funding application of Duke Energy Business Services LLC, on behalf of Duke Energy Indiana, Inc., Duke Energy Kentucky, Inc. and Duke Energy Ohio, Inc. ("Duke Energy") for its Midwest Smart Grid Deployment [*U.S. Department of Energy Smart Grid Investment Grant Funding Opportunity Announcement DE-FOA-0000058*].

Duke Energy's is planning a significant smart grid investment in the Midwest. The company is planning to invest about \$800 million in the states of Indiana, Ohio and Kentucky. About \$400 million of the investment is will be directed to Indiana.

This smart grid project is good for the Midwest and Indiana for a number of reasons:

- It will modernize the electric grid, allowing the company to improve the reliability and efficiency of its system. Among its benefits, it will allow the utility to detect and address outages earlier, minimizing the inconvenience and costs associated with power outages.
- It will improve the environment in two important ways: First, improving customer knowledge as to how they use electricity and ways they can conserve or use electric power more effectively and secondly, promoting the integration of renewable power onto the electric grid.

I should also note that Duke Energy Indiana has already done a lot of work to ensure that this will be shovel ready by the time the DOE makes its funding decisions. Duke Energy has filed a petition and settlement before the Indiana Utility Regulatory Commission requesting approval to invest in smart grid activities and a Commission ruling is expected soon.

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TERRE HAUTE, IN 47807
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613 CANNON HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 226-4636
TOLL FREE (888) 687-0227

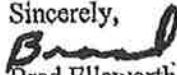
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This project aligns well with the goals of the American Recovery and Reinvestment Act. It creates jobs, stimulates local investment and federal funding under this program would help reduce the costs of this important project for Duke Energy's electric customers.

I support Duke Energy Indiana grant application and I personally feel they would be a very worthy recipient. Thank you very much for your time and attention to this matter. Please do not hesitate to contact me if I can be of assistance as you make your determinations.

Sincerely,



Brad Ellsworth
Member of Congress

BE/ab

STATE OF INDIANA



INDIANA UTILITY REGULATORY COMMISSION
101 W. WASHINGTON STREET, SUITE 1500 EAST
INDIANAPOLIS, INDIANA 46204-3407

July 29, 2009

<http://www.in.gov/iurc>
Office: (317) 232-2701
Facsimile: (317) 232-6758

The Honorable Steven Chu
Secretary of Energy
U.S. Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

Re: Duke Energy Business Services LLC's application to U.S. Department of
Energy Smart Grid Investment Grant Funding Opportunity Announcement
DE-FOA-0000058

Dear Mr. Chu:

This letter is being provided by the Indiana Utility Regulatory Commission ("Commission" or "IURC") in support of the U.S. Department of Energy ("DOE") funding application ("Funding Application") submitted by Duke Energy Business Services LLC, on behalf of Duke Energy Indiana, Inc., Duke Energy Kentucky, Inc. and Duke Energy Ohio, Inc. ("Duke Energy") regarding its planned Midwest Smart Grid Deployment.

The IURC is aware that Duke Energy's planned Midwest Smart Grid Deployment could include an investment of approximately \$800 million in the states of Indiana, Ohio and Kentucky over a three year period for smart metering, two-way communications, distributed automation, pricing pilots, and behind the meter technologies. The Commission also understands that of Duke Energy's total request for \$200 million in federal stimulus funds for its Midwest Smart Grid Deployment, approximately 55% of the funds received would be directed to Duke Energy Indiana's smart grid activities.

While the Commission is currently considering a request made by Duke Energy Indiana, in Cause No. 43501 to implement Smart Grid Technology in Indiana, and cannot comment specifically on the issues presented in that proceeding, the Commission recognizes that the receipt of federal DOE funds could provide needed economic stimulus in Indiana. In addition, if the proposal presented by Duke Energy Indiana is approved by the Commission, the receipt of DOE funds could act to offset a portion of the cost of the requested Smart Grid deployment resulting in an overall benefit to ratepayers. In this context the Commission supports Duke Energy's Funding Application.

Sincerely,

A handwritten signature in dark ink, appearing to read "David Lott Hardy".

David Lott Hardy, Chairman

RICHARD G. LUGAR
INDIANA

309 HART SENATE OFFICE BUILDING
WASHINGTON, DC 20510
202-224-4314

senator_lugar@lugar.senate.gov
<http://lugar.senate.gov>

CONGRESSIONAL
FOREIGN RELATIONS, RANKING MEMBER
AGRICULTURE, NUTRITION, AND FORESTRY

United States Senate

WASHINGTON, DC 20510-1401

July 29, 2009

The Honorable Steven Chu
Secretary of Energy
Forrestal Building, Room 7B138
1000 Independence Avenue, SW
Washington, DC 20585-0800

Dear Secretary Chu:

I am writing on behalf of Duke Energy's Smart Grid deployment project. My understanding is that Duke Energy proposes to implement a three year, \$800,000,000.00 investment in this advanced electricity management technology across three states.

I am supportive of this company's efforts to secure financial assistance from the U.S. Department of Energy (DOE) for assistance in implementing this venture. Smart Grid holds promise for improved carbon management, enhanced energy efficiency, updated electricity delivery equipment for improved reliability, and support for new plug-in hybrid vehicles. I am encouraged by the leadership of Duke Energy in this effort to assist our nation's energy security, assist with reducing carbon dioxide emissions and advance the development of renewable energy and related job creation that our economic circumstances requires

I look forward to learning of the DOE's decisions on these smart grid applications. Thank you for your assistance with this matter.

Sincerely,



Richard G. Lugar
United States Senator

RGL/lar

cc: The Hon. Patricia A. Hoffman, Acting Assistant Secretary, Office of Electricity
Delivery and Energy Reliability



INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

July 29, 2009

The Honorable Steven Chu
Secretary of Energy
U.S. Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

Subject: Letter of support for Duke Energy Business Services LLC's application to U.S. Department of Energy Smart Grid Investment Grant Funding Opportunity Announcement DE-FOA-0000058

Dear Secretary Chu:

I am writing in support of the funding application of Duke Energy Business Services LLC, on behalf of Duke Energy Indiana, Inc. ("Duke Energy"), for its Midwest Smart Grid Deployment.

Smart grid technology will transform the electric system through technological advances that provide energy companies and their customers the information they need to make better choices about how to provide and use energy.

The Indiana Office of Utility Consumer Counselor participates in all proceedings before the Indiana Utility Regulatory Commission on behalf of Indiana ratepayers. We have been extensively involved in Duke Energy's recent proposal to develop a smart grid in Indiana and believe all customers will benefit from a complete smart grid-enabled system. Smart meters and automated equipment, as proposed by Duke Energy, will provide the company and its customers with up-to-date energy-usage data. Customized usage data will be a central component in enabling utilities to develop new programs and new ways to help consumers conserve power and use power more efficiently. Smart Grid will improve the way our nation uses energy by allowing customers to remotely manage their lights, air conditioning, heat and other household appliances.

Duke Energy's planned Midwest Smart Grid Deployment includes an investment of approximately \$800 million in the state of Indiana over three years, for smart metering, two-way communications, distributed automation, pricing pilots, and behind the meter technologies.

One of the key benefits of the Duke Energy proposal is its preparedness to utilize the funds requested. As previously mentioned, Duke Energy Indiana has already filed a petition with the Indiana Utility Regulatory Commission (IURC) to develop a smart grid and has reached a

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INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

Page 2

settlement with my agency and other interested parties, which was submitted to the IURC on July 15, 2009 for consideration and approval.

We reached a settlement agreement with Duke Energy Indiana in large part because we believe that Indiana ratepayers will benefit through empowering them to better manage their energy usage. We also recognize that the deployment of smart grid technology to approximately 780,000 Duke Energy customers could enable Indiana to foster economic growth in research and development, manufacturing, and distribution of smart grid-compatible technology.

My agency is statutorily mandated to represent the interests of the ratepayers and consumers of Indiana utilities. Given the precipitous costs associated with upgrading the distribution system and the distressed economic environment, the receipt of federal funds to offset the cost of this important technology for the benefit of Duke Energy's customers is of utmost importance to us and our constituents. Duke Energy's investment in smart grid will transform energy delivery and efficiency operations in Indiana and will improve development opportunities for the region. Therefore, I urge your approval of the Duke Energy smart grid funding application.

Sincerely,

A handwritten signature in dark ink, appearing to read "A. David Stippler", is positioned above the printed name.

A. David Stippler,
Indiana Utility Consumer Counselor

MICHAEL R. PENCE
SIXTH DISTRICT, INDIANA

HOUSE REPUBLICAN CONFERENCE
CHAIRMAN

COMMITTEES
FOREIGN AFFAIRS

Congress of the United States
House of Representatives
Washington, DC 20515-1406

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(765) 662-2643
FAX: (765) 662-3775

July 30, 2009

The Honorable Steven Chu
Secretary of Energy
U.S. Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

Dear Secretary Chu:

I am writing in support of the funding application of Duke Energy Business Services LLC, on behalf of Duke Energy Indiana, Inc., Duke Energy Kentucky, Inc. and Duke Energy Ohio, Inc. ("Duke Energy") for its Midwest Smart Grid Deployment, under Funding Opportunity Announcement DE-FOA-0000058.

Duke Energy's planned Midwest investment is significant; approximately \$800 million over three years in the states of Indiana, Ohio and Kentucky. About \$400 million of the three year investment is planned for Indiana.

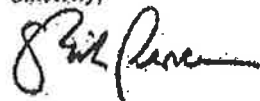
Duke Energy's effort will include the installation of more than 800,000 new digital "smart meters" in Indiana in each of the 69 Hoosier counties served by Duke Energy, the state's largest electric utility. It also includes the installation of technology that will improve the reliability of the grid and provide customers with the tools they need to make wiser energy choices. The smart grid also advances the development of renewables and improves the environment by allowing for the integration of more renewable distributed energy resources onto the grid, resulting in decreased carbon emissions.

Duke Energy Indiana has already made progress on its smart grid plans. By the time DOE makes its funding decisions, the Indiana portion of the project will be "shovel-ready." The Company has already filed a petition and settlement before the Indiana Utility Regulatory Commission ("IURC") seeking approval to invest in smart grid technologies and an IURC ruling is expected soon. Federal funding under this program would greatly reduce the costs of this important investment for Duke Energy's electric customers.

This project supports the job creation, economic stimulus, and energy infrastructure objectives of the Recovery Act and the Smart Grid Investment Grant Program and for this reason, I would respectfully request that you give this application for funding every appropriate consideration. You may direct any response or questions to my Deputy District Director, Kim Bennett, at 107 W. Charles St., Muncie, IN 47305 or via e-mail at kiml.bennett@mail.house.gov.

Thank you for your kind consideration of this most important matter.

Sincerely,



Mike Pence
Member of Congress
Sixth District, Indiana

Klb

cc: The Honorable Patricia A. Hoffman, Acting Assistant Secretary, Office of Electricity Delivery & Energy Reliability, U.S. Department of Energy



Jean Schmidt
2nd District of Ohio

418 Cannon House Office Building
Washington, DC 20515
(202) 225-3161

Congress of the United States
House of Representatives

Committee on Agriculture

Subcommittees
Ranking Member, Horticulture and
Organic Agriculture
Department Operations, Oversight,
Nutrition, and Forestry
Conservation, Credit, Energy, and
Research

**Committee on Transportation
and Infrastructure**

Subcommittees
Aviation
Highways and Transit
Railroads, Pipelines and
Hazardous Materials

July 31, 2009

The Honorable Steven Chu
Secretary of Energy
U.S. Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

Dear Secretary Chu:

I am writing in support of Duke Energy Business Service LLC, on behalf of Duke Energy Ohio, Inc., Duke Energy Kentucky, Inc. and Duke Energy Indiana, Inc. ("Duke Energy") application under the U.S. Department of Energy grant program for the purpose of its Midwest Smart Grid Deployment.

I have been informed that Duke Energy's plan includes approximately 680,000 new digital electric "smart meters" and 420,000 gas communication modules in Ohio. Similarly, the project also involves distributed automation for a more reliable grid and communications infrastructure to make the electric grid more reliable and efficient. Duke Energy indicates that this smart grid is the enabling technology for time-of-use utility rates and advanced energy efficiency services, to give their customers quicker access to the tools needed to lower their utility bills by making wiser energy choices.

I have been told that the project is "shovel-ready". Duke Energy has already installed some of the equipment—approximately 43,000 electric smart meters and 24,000 gas modules. Furthermore, this grant would allow Duke Energy to accelerate deployment of the project, allowing for the integration of more renewable distributed energy resources onto the grid, thus reducing carbon emissions.

I support Duke Energy Business Services LLC's application request under the U.S. Department of Energy Smart Grid Investment Grant Funding Opportunity, and ask that this application be given every consideration in accordance with all applicable laws and regulations.

I would appreciate it if you would acknowledge receipt of this letter and keep me apprised of your action on their application.

Sincerely,

Jean Schmidt
Jean Schmidt
MEMBER OF CONGRESS

cc: Mr. John J. Finnigan, Jr.

District Offices

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Suite 170
Cincinnati, Ohio 45236
(513) 761-0381

601 Chillicothe Street
Paris, Ohio

www.house.gov/schmidt

000176



TED STRICKLAND
GOVERNOR
STATE OF OHIO

August 4, 2009

The Honorable Steven Chu
Secretary of Energy
U.S. Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

Re: Letter of support for Duke Energy Business Services LLC's application to U.S. Department of Energy Smart Grid Investment Grant Funding Opportunity Announcement; DE-FOA-0000058

Dear Secretary Chu:

I support the funding application of Duke Energy Business Services LLC, on behalf of Duke Energy Ohio, Inc., Duke Energy Kentucky, Inc. and Duke Energy Indiana, Inc. ("Duke Energy") for its Midwest Smart Grid Deployment. If Duke Energy is successful in obtaining stimulus funding and continues to receive constructive regulatory support, Duke Energy will accelerate its deployment and will invest several hundred million dollars to deploy a smart grid system in Ohio, Kentucky and Indiana.

Duke Energy's plan includes approximately 680,000 new digital electric "smart meters" and 420,000 gas communication modules in Ohio. Duke Energy will develop a digital network to allow two-way communication between Duke Energy and customers. The project also involves distributed automation for a more reliable grid and communications infrastructure. This investment will make the electric grid more reliable and efficient. Smart grid is the enabling technology for time-of-use utility rates and advanced energy efficiency services. If Duke Energy receives stimulus funding, customers will get quicker access to the tools they need to lower their utility bills by making wiser energy choices. The smart grid will also allow for the integration of more renewable distributed energy resources onto the grid, thus reducing carbon emissions.

Furthermore, the project is "shovel-ready." Duke Energy has already installed some of the equipment – approximately 43,000 electric smart meters and 24,000 gas modules. The Public Utilities Commission of Ohio issued an order on December 17, 2008 approving Duke Energy's plan to deploy a smart grid system to serve Ohio customers. Federal funding would allow Duke Energy to accelerate deployment of the project; would provide quicker access to energy-savings tools for customers; and would greatly reduce the costs of this important investment for Duke Energy's electric and gas customers.

As one of the nation's largest producers and users of retail electricity, Ohio offers a valuable testing ground for smart grid technology. As you will see in their respective applications, each of our investor-owned utilities is applying for grant funds under this program. Each of them has a different customer base and a different approach to smart grid, based on market specific conditions. Together the requests represent the opportunity to help millions of consumers and to provide invaluable lessons for the nation's grid technology, and I support them all.

Page Two
August 4, 2009
Secretary Chu

This project supports the job creation, economic stimulus, and energy infrastructure objectives of the Recovery Act and the Smart Grid Investment Grant Program. It is exactly the kind of project President Obama and the U.S. Congress had in mind when they promoted and passed the American Reinvestment and Recovery Act and I urge favorable consideration of the Duke Energy proposal.

Sincerely,

A handwritten signature in cursive script that reads "Ted Strickland". The signature is written in dark ink and is positioned above the printed name and title.

Ted Strickland
Governor, State of Ohio



Attachment J: Executive Support Letters



526 South Church Street
Charlotte, NC 28202-1802

Mailing Address:
Mail Code EC9XC / P.O. Box 1006
Charlotte, NC 28201-1006

August 6, 2009

Ms. Donna Williams, Contract Manager
U.S. Department of Energy
Office of Headquarters Procurement
MA-64
1000 Independence Avenue, SW
Washington, DC 20585

SUBJECT: DE-FOA-0000058, Smart Grid Investment Grant, Office of Electricity Delivery
and Energy Reliability

Dear Ms. Williams:

Duke Energy's regulated utility operations serve approximately four million customers located in five states — North Carolina, South Carolina, Indiana, Ohio and Kentucky — representing a population of approximately 11 million people. On behalf of our customers in Indiana, Kentucky and Ohio, the company is pleased to submit this application to the U.S. Department of Energy under the "Smart Grid Investment Grant" program. The application describes what we believe is the first regional initiative to fully deploy a Smart Grid network as an initial step toward the widespread modernization of the nation's electric transmission and distribution systems.

Smart Grid technology represents the most significant upgrade to our distribution system since electricity was first harnessed. It will lead to capabilities and functions that are unimaginable today. By replacing analog switches, meters and controls with new digital, two-way devices, we bring intelligence and interactivity to electricity transmission and distribution. Near term, that means our customers will have more information and control over their energy use, and we will have more precise, real-time data to help optimize our system on a multi-state or regional basis. Subject to regulatory approval, our proposed project will invest over \$800 million in Smart Grid technologies in Duke Energy's Midwest service territories, creating approximately 1900 new primary and secondary jobs to stimulate the economy.

At Duke Energy, we are doing all we can to accelerate our nation's transition to a low-carbon future. To achieve our mission of delivering affordable, reliable and increasingly clean energy, we are investing across the low-carbon spectrum. This includes developing a diversified portfolio of energy efficiency, renewables, new advanced clean coal technology, and new nuclear capacity. Smart Grid is a critical component of this portfolio and supports our industry-leading efforts to expand energy efficiency. We believe that the "utility of the future" must integrate all of these elements if the industry is to offer reliable and cost-effective electric supply and meet the challenge of climate change.

Ms. Donna Williams, Contract Manager
Page 2
August 6, 2009

Although there has been much discussion about Smart Grid's potential, moving from small-scale demonstrations to full-scale deployments has been slow. Given the critical importance of Smart Grid to our customers and our industry, we have taken a leadership role in obtaining state regulatory approvals and other steps for commercial deployment. By way of example:

- Late in 2008, the Public Utilities Commission of Ohio approved our save-a-watt energy efficiency and Smart Grid programs.
- To date, we have installed more than 70,000 smart electric meters in three states and about 40,000 digital gas meters in the Midwest.
- We are field-testing, at a pilot scale, a number of advanced Smart Grid technologies at a subdivision in Charlotte, N.C.
- This year we reached settlements with all major parties in Indiana, including the Indiana Office of Utility Consumer Counselor, on our Smart Grid initiative. A final order is expected from the Indiana Utility Regulatory Commission by the end of 2009.
- We recently opened Smart Grid Envision Centers in Kentucky and North Carolina to showcase advanced Smart Grid technology to familiarize our regulators, legislators and other stakeholders with the Smart Grid's potential.

These initiatives redefine the boundary between our utility equipment and our customers' home and business power networks. In the past, utility service stopped at the meter. We are striving to go beyond the meter so that our customers have the ability to use energy more efficiently and productively, while reducing their monthly bills. Our save-a-watt energy efficiency and Smart Grid programs are the enablers.

In our last annual report we explained how we are building an environmentally advanced generation and distribution system as a bridge to a low-carbon future. Unfortunately, current economic conditions have significantly affected our plans. We have delayed some capital spending and are reducing our operating costs every way we can. Prior to the downturn, we were planning to invest nearly \$1 billion over the next five years in Smart Grid technology, subject to regulatory approvals. While we continue to move ahead with Smart Grid deployment, our progress has been slowed by the recession.

Obtaining federal financial support under the Recovery Act is critically important for keeping our Smart Grid commercial deployment program on track. We believe the progress we have made to date, including obtaining regulatory approvals, places our project in a unique position of being immediately "shovel-ready," thus fulfilling the goals of the stimulus plan and allowing our customers to be among the first in the nation to realize the benefits of Smart Grid technology.

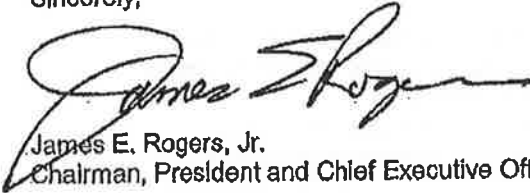
Our commitment to Smart Grid is further evidenced by the industry-leading team of seasoned professionals we have assembled. The team is led by Senior Vice President, Todd Arnold, whose sole responsibility is to execute our Smart Grid program. He has overall corporate accountability for the project. Other key managers include Vice President, Smart Energy Systems, Mark Wyatt; and General Manager, Smart Grid Implementation Strategy and

Ms. Donna Williams, Contract Manager
Page 3
August 6, 2009

Planning, Don Denton. This team has decision-making authority to commit the resources required to execute the project. The team has our support as well as the support of Duke Energy's other corporate officers.

As noted above, our Smart Grid Initiative is critical to our mission of supplying our customers with energy that is affordable, reliable and clean. We are grateful for this opportunity, which will enable the advancement of Smart Grid technologies regionally and nationally.

Sincerely,



James E. Rogers, Jr.
Chairman, President and Chief Executive Officer



Lynn J. Good
Group Executive and Chief Financial Officer



James L. Turner
Group Executive; President and Chief Operating Officer, U.S. Franchised Electric and Gas



Todd W. Arnold
Senior Vice President, Smart Grid and Customer Systems



JULIE S. JANSON
President

Duke Energy Ohio, Inc.,
Duke Energy Kentucky, Inc.,
139 E. Fourth Street
EA603
Cincinnati, OH 45202

July 31, 2009

513-419-6757
513-419-5842 fax
julie.janson@duke-energy.com

Ms. Donna Williams, Contract Manager
U.S. Department of Energy
Office of Headquarters Procurement
MA-64
1000 Independence Avenue, SW
Washington, DC 20585

Subject: Letter of support for Duke Energy Business Services LLC's application to U.S. Department of Energy Smart Grid Investment Grant Funding Opportunity Announcement DE-FOA-0000058

Dear Ms. Williams:

We are writing to express our commitment to the funding application of Duke Energy Business Services LLC, on behalf of Duke Energy Indiana, Inc., Duke Energy Ohio, Inc. and Duke Energy Kentucky, Inc., ("Duke Energy") for its Midwest Smart Grid Deployment.

Throughout the 20th century, our nation's electric power delivery grids served our nation well, providing adequate, affordable energy to homes, businesses and manufacturers. This once state-of-the-art system helped create a level of prosperity unmatched by any other nation in the world. But a 21st century U.S. economy cannot be run on a 20th century electric grid. As end uses of electricity have become more and more sophisticated and digitized, electricity's role as an enabler of economic productivity has become even more important. However, the electricity distribution networks that deliver power to each customer are effectively the last bastion of an outmoded analog, electromechanically-controlled network in today's digital world.

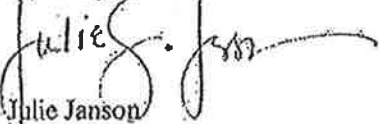
Smart grid technology – such as our Midwest Smart Grid Deployment – can play a meaningful role in the creation of a cleaner, more efficient, more reliable and more robust energy system. We believe that a true smart grid must incorporate elements of traditional and cutting edge power engineering, sophisticated sensing and monitoring technology, information technology, and communications to provide better grid performance and to support a wide array of additional services to customers. The key attributes of such smart grid technology include improved reliability, increased end-use energy efficiency and customer options, increased system efficiency, the facilitation of renewable distributed generation, and increased grid security.

Our Midwest Smart Grid Deployment is designed to promote efficiency in the delivery and use of electric energy – both system efficiency and end-use customer energy efficiency. Additionally, it will improve the reliability of our distribution system and therefore, the reliability and quality of the service we provide to the public. Finally, our Midwest Smart Grid

Deployment will enable numerous customer choices and options, thus further increasing the quality, efficiency and value of the service we provide. By deploying this system across three states, we will have a regional system involving both competitive and traditional state regulatory paradigms. We have already secured the necessary state regulatory approvals or have settlements pending for deploying the smart grid system in these states. Our project is truly "shovel-ready."

Although customers will see benefits from this modernization of the electric grid, they will also feel the burden of the associated costs. Given that the Midwestern states our Midwest Smart Grid Deployment will cover have been hit especially hard by the recent economic recession, we feel that it is even more important that Duke Energy seek federal funding to alleviate the rate pressures on its customers. The requested federal funds would be used by Duke Energy to offset a portion of the cost of this important technology for its customers in Indiana, Ohio and Kentucky, and will allow Duke Energy to deploy the smart grid system more rapidly than without this funding. Therefore, on behalf of our customers, we strongly urge the approval of the Duke Energy smart grid deployment funding application.

Sincerely,



Julie Janson
President, Duke Energy Ohio, Inc. / Duke Energy Kentucky, Inc.



Jim Stanley
President, Duke Energy Indiana, Inc.

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF DUKE ENERGY)
INDIANA, INC. REQUESTING THE INDIANA)
UTILITY REGULATORY COMMISSION TO)
APPROVE AN ALTERNATIVE REGULATORY)
PLAN PURSUANT TO IND. CODE § 8-1-2.5-1, *ET*)
SEQ., FOR THE IMPLEMENTATION OF AN)
ELECTRIC DISTRIBUTION SYSTEM)
"SMARTGRID" AND ADVANCED METERING)
INFRASTRUCTURE, DISTRIBUTION)
AUTOMATION INVESTMENTS, AND A)
DISTRIBUTED RENEWABLE GENERATION)
DEMONSTRATION PROJECT, FOR APPROVAL)
OF NEW DEPRECIATION RATES FOR ELECTRIC)
DISTRIBUTION PLANT, FOR A WAIVER OF THE)
PROVISIONS OF 170 I.A.C. § 4-1, *ET SEQ.*, AND)
FOR ASSOCIATED ACCOUNTING AND RATE)
RECOVERY MECHANISMS, INCLUDING A)
RATEMAKING PROPOSAL TO UPDATE)
DISTRIBUTION RATES ANNUALLY AND A)
"LOST REVENUE" RECOVERY MECHANISM, IN)
ACCORDANCE WITH IND. CODE § 8-1-2-42(a))
AND IND. CODE § 8-1-2.5-1 *ET SEQ.*, AND)
PRELIMINARY APPROVAL OF THE ESTIMATED)
COSTS AND SCHEDULED DEPLOYMENT OF)
THE COMPANY'S SMARTGRID INITIATIVE)

CAUSE NO. 43501

SUBMISSION OF SETTLEMENT AGREEMENT

Duke Energy Indiana, Inc. respectfully submits in the above-captioned proceeding an executed Settlement Agreement between Duke Energy Indiana, Inc., the Indiana Office of Utility Consumer Counselor, Duke Energy Indiana Industrial Group, the Citizens Action Coalition of Indiana, Inc., and Nucor Steel, a Division of Nucor Corporation.

Respectfully submitted,

By: Melanie D Price
Kelley A. Karn (Atty. No. 22417-29)
Melanie D. Price (Atty. No. 21786-49)
Elizabeth A. Herriman (Atty. No. 24942-49)
Duke Energy Indiana, Inc.
1000 East Main Street
Plainfield, Indiana 46168
317-838-2461
317-838-1842 (fax)
kelley.karn@duke-energy.com
melanie.price@duke-energy.com
beth.herriman@duke-energy.com

Kay Pashos (Atty. No. 11644-49)
James R. Pope (Atty. No. 5786-32)
Baker & Daniels LLP
300 North Meridian Street, Suite 2700
Indianapolis, Indiana 46204
317-237-0300
317-237-1000 (fax)
kay.pashos@bakerd.com
jim.pope@bakerd.com

Counsel for Duke Energy Indiana, Inc.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that copies of the foregoing Submission of Settlement Agreement were delivered or mailed, postage prepaid, in the United States Mail, this 4th day of June, 2009, to the following:

Indiana Office of Utility Consumer Counselor
National City Center
115 W. Washington Street
Suite 1500 South
Indianapolis, IN 46204

John P. Cook, Esq.
John P. Cook & Associates
900 W. Jefferson Street
Franklin, IN 46131

Holly Rachel Smith
Russell W. Ray, PLLC
6212-A Old Franconia Road
Alexandria, VA 22310

John M. Davis
Samuel Robinson
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Jennifer W. Terry
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Boehm, Kurtz & Lowry
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Indianapolis, IN 46204

Richard E. Aikman, Jr.
Stewart & Irwin, P.C.
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Indianapolis, IN 46204-2147

Peter J. Mattheis
Shaun C. Mohler
Brickfield, Burchette, Ritts & Stone, P.C.
1025 Thomas Jefferson Street, N.W.
8th Floor - West Tower
Washington, DC 20007

Jerome E. Polk
Polk & Associates, LLC
101 West Ohio Street, Suite 2000
Indianapolis, IN 46204



Attorney for Petitioner
Duke Energy Indiana, Inc.

Kelley A. Karn, Atty. No. 22417-29
Melanie D. Price Atty. No. 21786-49
Elizabeth A. Herriman, Atty. No. 24942-49
1000 East Main Street
Plainfield, Indiana 46168
Telephone: (317) 838-6877
Fax: (317) 838-1842

Kay Pashos, Atty. No. 11644-49
James R. Pope, Atty. No. 5786-32
300 North Meridian Street, Suite 2700
Indianapolis, IN 46204
Telephone: (317) 237-0300
Facsimile: (317) 237-1000

Duke Energy Indiana SmartGrid Settlement
IURC Cause No. 43501

This Settlement Agreement is entered into by and between Duke Energy Indiana, Inc., the Indiana Office of Utility Consumer Counselor, Duke Energy Indiana Industrial Group, The Citizens Action Coalition of Indiana, Inc., and Nucor Steel, a Division of Nucor Corporation (the "Settling Parties") as of this 4th day of June, 2009. It is the intent of the Settling Parties that this Agreement will facilitate the deployment of smart grid technology on the Duke Energy Indiana system, to the benefit of customers in the following ways: (1) increase efficiency, optimize operations, and improve reliability of the distribution system; (2) facilitate demand response and conservation programs that can defer the need for additional supply-side capacity and can give customers more control over their energy usage and energy bills; and (3) assist in the accommodation of additional renewable generation and additional customer-owned generation on the Duke Energy Indiana system.

A. Deployment Issues – the Settling Parties agree as follows:

1. **Alternative Regulatory Plan.** The Indiana Utility Regulatory Commission ("IURC" or "Commission") should approve an alternative regulatory plan for Duke Energy Indiana's deployment of smart grid technology and for the recovery of associated costs as outlined in this Settlement Agreement.

2. Smart Grid Meter Deployment Schedule. The Commission should authorize Duke Energy Indiana to deploy smart grid technology as outlined below in section 2.a. thru e. and section 3:

- a. The Company will plan to begin deployment of smart meters approximately 90 - 180 days of receipt of an acceptable Commission Order in this proceeding. The initial deployment will be at a rate of approximately 500 meters/week through the first quarter of deployment. This rate of deployment is substantially lower than Duke Energy Indiana's original or rebuttal proposals, allowing time for the Company and interested parties to review the results prior to full-scale deployment.
- b. In the second quarter of deployment, Duke Energy Indiana will increase the rate of its deployment to approximately 2,000 meters/week and will continue at that rate through the end of the fourth quarter of deployment.
- c. Approximately 12 months after deployment begins, the Company will ramp up to its initially proposed deployment rate of approximately 6,800 meters/week.
- d. The Commission should approve the deployment of Smart Grid technology such that no costs associated with a deployed smart meter will be recovered until two-way communications through the IT infrastructure are established.
- e. Duke Energy Indiana will work with the OUCC, the Commission's Consumer Affairs Division, and other interested parties to propose an acceptable method of notifying customers of involuntary disconnection in order to begin to remotely disconnect customers without an on-site presence by a Company representative, and will request a waiver of applicable Commission rules.

f. As discussed below in section D.1, Duke Energy Indiana plans to request stimulus funds associated with its smart grid deployment. If such funds are received, Duke Energy Indiana reserves the right to use the stimulus funds received to further accelerate its proposed deployment in the event that an accelerated deployment is encouraged by or mandated by the Federal government in order to receive maximum stimulus funds, subject however to the Rider Caps discussed below. In addition, the Company agrees to abide by its commitment in section D.1 in the event it receives stimulus funding and must accelerate deployment.

3. Distribution Automation, IT and Communications Network Deployment.

- a. The deployment schedule associated with the Company's distribution automation equipment and IT infrastructure will remain as proposed in the Company's case-in-chief, specifically: Duke Energy Indiana will install approximately 20% of the distribution automation equipment in each year of the five-year deployment schedule. The IT infrastructure costs will remain as proposed in the Company's case-in-chief. The communications network will occur in parallel to the distribution automation and meter deployment levels. The Commission should approve the deployment of SmartGrid technology such that no costs related to equipment associated with a specific network/circuit will be recovered until the equipment is energized, operational, and/or two-way communications are established where required. (See SmartGrid Deployment Collaborative section.)
- b. The Settling Parties recognize that it is important for Duke Energy Indiana to be able to deploy all parts of its SmartGrid Initiative in parallel in order to produce the benefits proposed in this proceeding.

4. SmartGrid Deployment Collaborative. Deployment progress will be monitored by a Deployment Collaborative including Duke Energy Indiana, OUCC, and other interested Settling Parties. The Deployment Collaborative will meet quarterly and Duke Energy Indiana will provide updates on deployment progress. The Deployment Collaborative will review meter installation, distribution automation, communication network, and IT infrastructure plans and progress. Duke Energy Indiana will retain the ultimate decision-making with regard to deployment (subject to any Commission oversight and direction).
5. Renewable Distributed Generation Initiative. Duke Energy Indiana agrees with the Settling Parties to create a Renewable Distributed Generation Initiative/Pilot Program with details to be decided by the Deployment Collaborative (or a subgroup thereof), with discussions beginning not later than 30 days after an acceptable Order from the Commission in this proceeding. Goals of this initiative include testing the deployment of company-owned renewable installations on customer-owned premises, as well as increasing the amount of customer-owned renewable generation connected to the Duke Energy Indiana distribution system, both of which should ultimately reduce the need for base load and peaking generation additions (if the amounts of renewable generation produced are material). A pilot project plan will be developed by the Deployment Collaborative (or a subgroup thereof) and submitted to the IURC for final approval at a later date before initiation of the pilot will begin. The Deployment Collaborative will also discuss the possibility of changes to Duke Energy Indiana's net metering and tariff, and the possibility of piloting a "feed-in tariff." The Settling Parties agree that costs associated with the Renewable Distributed Generation

Initiative/Pilot Program will be deferred (with carrying costs at the Company's overall weighted cost of capital) for subsequent recovery via the SmartGrid Rider, as set forth in the Rate Recovery Mechanism section. Note that this is the only pilot program the costs of which are reflected in the SmartGrid Rider caps. The Settling Parties also agree that the Commission should decline to exercise its full CPCN jurisdiction over this Renewable Distribution Generation Initiative pilot project. Duke Energy Indiana will submit proposed leases, lease terms, etc. to the Commission for its review in conjunction with any filing.

Additionally, Duke Energy Indiana agrees not to use the declination of CPCN jurisdiction related to the renewable distributed generation initiative to avoid coming back to the Commission for a wider-scale deployment of Company-owned renewable resources in the future.

6. Reporting. Duke Energy Indiana will make quarterly operational and implementation filings with the Commission outlining the progress of pilot programs and full-scale deployments, including budgetary expenditures, milestones met and performance metric data analysis. These quarterly reports will continue for one year after full deployment of the SmartGrid Initiative, or the last pilot program has concluded, whichever occurs later. The quarterly reports will contain, at a minimum, the following information:
 - a. Projected deployment and implementation plans for the upcoming quarter, and the current year, including applicable design requirements, performance goals, metrics, and milestones;

- b. Review of the previous quarter's SmartGrid costs, benefits achieved, and system performance levels;
- c. Review of deployment lessons learned;
- d. A high level overview of the following year's plan and any associated costs and other details to the extent available.
- e. Any other reasonable requests for information made by the Deployment Collaborative parties or the IURC.

In addition, Duke Energy Indiana will provide the following documentation to the Deployment Collaborative parties and the IURC, when such documentation becomes available:

- f. When complete, the PMO Playbook for Indiana (along with any modifications or updates;
- g. When complete, the Design Basis Document for Indiana (along with any modifications or updates);

B. Pricing Pilots – the Settling Parties agree as follows:

1. Pilots Collaborative

- a. Formation. Upon issuance of a Final Order in this Cause, a Duke SmartGrid Initiative Pricing/Pilots Collaborative ("Pilots Collaborative"), consisting of representatives of Duke Energy Indiana, the OUCC, and other interested Settling Parties shall be formed (along with various subgroups of the Pilots Collaborative, as outlined below). The IURC shall also have an opportunity to participate in the Pilots Collaborative, should it choose to do so. Other agreed-upon non-voting members may be invited to participate in the Pilots Collaborative. The purpose of the Pilots

Collaborative will be to address those issues as outlined in this Settlement Agreement, those issues arising once SmartGrid deployment begins, or any other issues. The Pilots Collaborative shall be formed not later than 30 days after an Order from the Commission in this proceeding.

- b. Decision-making. Decisions made by the Pilots Collaborative (or any subgroup of the Pilots Collaborative) must be unanimous in order to move forward with implementation of such decisions. Should the Pilots Collaborative (or any subgroup) fail to reach a unanimous consensus on any issue, any Pilot Collaborative member may bring the issue before the IURC for final determination.
 - c. Program Modifications. The Pilots Collaborative shall have the ability to unanimously approve program modifications as long as changes do not go outside the guidelines set out in this Settlement Agreement or result in spending above capped spending levels. Should the Pilots Collaborative unanimously approve modifications to the existing programs, and if the Commission agrees, no Commission approval would be needed to implement such modifications. It is anticipated the IURC will need to approve any proposal that results in an increase in rates. Notwithstanding any of these provisions, each party shall retain the right to pursue any legal remedies available to it.
2. Residential and Small Commercial Pricing Option Pilots. Duke Energy Indiana agrees to work with the OUCC and interested Settling Parties in the Pilots Collaborative to develop time differentiated pricing and bill information offers to residential and small commercial customers. Each member of the Pilots Collaborative may appoint members to a Residential and Small Commercial SmartGrid Pricing Subgroup

- g) The Company will perform customer surveys and other means of measuring customer response prior to offering pricing pilots and after the pricing pilots have ended.
- h) Duke Energy Indiana will actively market pricing pilots and design marketing materials with Subgroup #1.
- i) The pricing pilots will last for approximately two years and customers in a pricing pilot will take part for a minimum term.
- j) The Pilots Collaborative members will jointly file an analysis of the results of pricing pilots and include recommended time-based rate designs to be offered by Duke Energy Indiana following the pilot programs.
- k) Implementation of the pricing pilots is contingent upon cost recovery approval acceptable to Duke Energy Indiana.

3. Large Commercial and Industrial Pricing Option Pilots / SmartGrid C&I Pricing Collaborative. The Company is committed to developing time-differentiated pricing options for customers over 500 kW. Each member of the Pilots Collaborative may appoint members to a SmartGrid C&I Pricing Subgroup ("Subgroup #2"). Subgroup #2 will develop the detailed pricing offerings, including number of pilots, number of pilot participant customers, marketing of pilot offers, development of rates, length of pilots, cost recovery issues, etc. The Settling Parties agree on the following guiding principles:

- a) Pilot rate offers will include real time pricing (RTP), including a two-part RTP design, and other time differentiated pricing offerings with details to be developed by Subgroup #2.

- b) The Company will market the pricing pilots to its customers and work with Subgroup #2 to design effective marketing materials.
 - c) In addition, given the unique needs of many large commercial and industrial customers, the Company agrees to consider time differentiated pricing options proposed by individual customers and to confer with such customers about their proposals. Once the customer and the Company have reached agreement, said proposal will be presented to the Pilots Collaborative for approval and implementation (subject to Commission approval).
 - d) Pricing pilot and offers must be cost-effective and must recover the costs of serving the participating customers.
 - e) Implementation of the pricing pilots is contingent upon cost recovery approval acceptable to Duke Energy Indiana.
4. Home Area Network Pilot Program. The Company is willing to collaborate with the OUCC and other interested Settling Parties on developing a Home Area Network (HAN) Initiative/Pilot Program ("Subgroup #3). Subgroup #3 shall begin discussions not later than 30 days after an Order from the Commission approving this Settlement Agreement. Subgroup #3 will explore the potential of the HAN pilot, including the testing of pricing options and a full range of appliances in association with residential energy management systems. A pilot project plan will be developed by Subgroup #3 and submitted to the IURC for final approval. Implementation of the HAN pilot is contingent upon cost recovery approval acceptable to Duke Energy Indiana.
5. Plug-in Hybrid Electric Vehicle (PHEV) / Electric Vehicle (EV) Pilot Program. Each member of the Pilots Collaborative may appoint members to a PHEV/EV

Initiative/Pilot Program Subgroup ("Subgroup #4"). Subgroup #4 discussions shall begin not later than 30 days after an Order from the Commission approving this Settlement Agreement. A PHEV pilot project plan will be developed by Subgroup #4 and submitted to the IURC for final approval. Implementation of the PHEV/EV pilot is contingent upon cost recovery approval acceptable to Duke Energy Indiana.

C. Ratemaking/Accounting/Depreciation Issues – the Settling Parties agree as follows:

1. Rate Recovery Mechanism.

- a. Duke Energy Indiana will withdraw its proposal for a distribution formula rate.
- b. Subject to any non-settling parties agreeing not to oppose this provision of the Settlement Agreement, Duke Energy Indiana and the Settling Parties agree to request that the Commission approve new depreciation rates for production, transmission, and general plant, in addition to the distribution depreciation rates as proposed by the Company, all as reflected in Attachment 4 hereto (including negative net salvage amounts included therein). Until the effective date of an order in Duke Energy Indiana's next retail base rate case, the differential between such new depreciation rates and Duke Energy Indiana's current depreciation rates (retail jurisdictional portion of \$13.9 million annually) shall be reflected as a credit to retail customers via the SmartGrid Rider.
- c. Duke Energy Indiana will be authorized to implement a SmartGrid Rider, effective January 1, 2010, as shown on Attachments 1 and 2 hereto. The SmartGrid Rider uses estimated O&M costs¹ and actual historical capital investment costs, so Duke Energy Indiana's actual SmartGrid O&M deployment

¹ Including depreciation and taxes.

costs will be trued up and reconciled to the estimated O&M costs, with resulting credits or debits to customers in subsequent Rider proceedings, subject to the Rider Caps discussed below.

- d. In addition, Duke Energy Indiana will be authorized to defer its SmartGrid Initiative deployment costs², net of associated savings/increased revenues as discussed in h. below, on an interim basis, until such net costs are reflected in the SmartGrid Rider, subject to the Rider Caps discussed below.
- e. The SmartGrid Rider shall be frozen as of 6/30/2016 (meaning that the Rider amounts in effect as of that date will stay in effect, and no new costs will be added to the Rider after that date).
- f. The Settling Parties agree that the SmartGrid Rider should not remain in effect indefinitely. In order to accommodate full deployment and the need for future rate case(s) to fully reflect the SmartGrid costs in retail rates, the SmartGrid Rider will terminate no later than thirty (30) months after full deployment is completed). The date of full deployment completion shall be determined by the Deployment Collaborative, and the Company shall notify the Commission and the parties to this proceeding of such deployment completion date. No party other than the Company shall propose termination of the SmartGrid Rider prior to that termination date; and the Company shall not propose extension of the SmartGrid Rider after that termination date.
- g. The allowed net operating income under the return test, included in the Company's fuel clause filings, shall be increased for the net operating income

² SmartGrid Initiative deployment costs include: post-in-service financing costs, calculated at the Company's overall weighted cost of capital, depreciation costs, and operation and maintenance costs (including taxes).

(i.e., an authorized return level resulting from SmartGrid capital investments from the SmartGrid Rider will be added to the authorized NOI for return test purposes).

- h. In order to avoid sharp rate increases under the Rider and give customers more certainty and predictability with regard to SmartGrid Rider costs, the Company agrees to cap the revenue requirements allowed to be recovered via the SmartGrid Rider, as follows:

<u>Rider Period</u>	<u>SmartGrid Revenue Requirements (Retail Jurisdiction)³</u>
1/1/2010 thru 6/30/2010	(\$5,966,000)
7/1/2010 thru 6/30/2011	(\$1,668,000)
7/1/2011 thru 6/30/2012	\$21,509,000
7/1/2012 thru 6/30/2013	\$49,019,000
7/1/2013 thru 6/30/2014	\$65,621,000
7/1/2014 thru 6/30/2015	\$67,444,000
7/1/2015 thru 6/30/2016	\$67,444,000

These Rider caps include credits to customers for 100% of estimated meter readings savings and 100% of estimated savings for other direct operational savings and estimated increased revenues (excluding meter salvage value), all expected to result from the SmartGrid Initiative. (See Attachment 3, which outlines the categories and levels of credits included in the Rider Caps.) By

³ These amounts reflect the annual depreciation credit amounts of (retail jurisdictional portion of) \$13,900,000, which will continue only until the effective date of the Company's next retail base rate case order. The revenue requirement caps shall be increased by the retail jurisdictional portion of \$13,900,000 annually upon the effective date of the Company's next retail base rate case order.

including these levels of estimated savings and estimated increased revenues in the Rider caps, the Company is effectively guaranteeing customers will realize at least these levels of these categories of savings and increased revenues in the short-term (and ultimately all such savings and increased revenues will benefit customers through general rate cases). If the Company receives a new base rate case order(s) during the deployment period which includes some or all of these savings and increased revenues in rates, the Rider Caps will be adjusted (increased) on a prospective basis following the effective date(s) of such rate order(s) to remove an amount of annual credit equal to the amount of credit that ties to the time period of the applicable rate case test period.

In order to at least partially accommodate possible differences in the timing of deployment, the Company will be allowed to defer (with carrying costs at the Company's overall weighted cost of capital) and subsequently recover any SmartGrid costs or return on SmartGrid investments which, if included in the Rider for the particular Rider period, would result in Revenue Requirements amounts for a particular Rider Period that are in excess of the applicable Rider caps, but only if and to the extent that such deferral and subsequent recovery does not cause Duke Energy Indiana to exceed the applicable Rider caps in such subsequent Rider Period(s).

- i. The Company retains the right to argue for inclusion in rate base of capital above the levels currently projected in future general retail electric base rate cases. The Company retains the right to argue for a representative ongoing level of SmartGrid-related O&M in future general retail electric base rate cases.

2. Regulatory Asset. The Commission should approve the creation and subsequent recovery of a regulatory asset as proposed by Duke Energy Indiana for existing meters. This results in no increase in retail rates for the existing meters as they will be amortized over the remaining life of the meters (approximately 20 years).
3. Allocation Methodology. Duke Energy Indiana will directly assign new direct meter investment and costs between Rate RS and all other customers based on new meter investment. For all other customers, the allocation between rate schedules will be based on meter cost allocations from the most recent rate case. See Attachment 2.
4. Larger commercial and industrial meters. Duke Energy Indiana has a program in place to replace existing larger commercial and industrial meters (greater than 500 kW) with smarter meters. If the Company determines that such meters are not capable of performing all functionality associated with the SmartGrid Initiative, the Company will propose to replace such meters and seek to include the costs of such meter replacement in the SmartGrid Rider at that time (subject to the SmartGrid Rider revenue requirements caps described previously).
5. Voltage Reduction. The Settling Parties recognize that Duke Energy Indiana will not implement its voltage reduction strategy except at peak demand times, unless and until the Commission approves "lost revenue" recovery. The Settling Parties also agree to defer discussion on lost revenue recovery mechanisms until such time as the EPRI Green Circuit Study has been completed and reviewed by interested Settling Parties. The Settling Parties also agree any such lost revenue recovery mechanism must be approved by the Commission in a separate proceeding.

6. Depreciation Rates. The Commission should approve the implementation of Duke Energy Indiana's proposed new distribution depreciation factors as discussed in Petitioner's Exhibit J. This implementation of updated distribution depreciation rates is required for the implementation of the regulatory asset discussed above. In addition, the Commission should approve the implementation of Duke Energy Indiana's proposed new production, transmission and general depreciation factors as included in Attachment 4 to this settlement agreement (provided all parties join in this settlement or agree not to oppose the updated depreciation rate/ regulatory asset provisions of this Settlement Agreement.) The credit to customers for these depreciation rate changes via the SmartGrid Rider will terminate as of the effective date of new retail rates resulting from the first retail rate case order following initiation of the SmartGrid Rider. Duke Energy Indiana commits to file a full depreciation study in its next retail electric rate case. If such retail rate case is filed prior to December 31, 2011, the Company agrees that it will file the full depreciation study used to develop the depreciation factors reflected in this Settlement Agreement, and will seek continued Commission approval of such factors; provided, however, that the Company shall have the right to propose updates to these depreciation factors and its depreciation study for any material changes in law, regulation, or accounting rules, or material changes to the Duke Energy Indiana system. All Settling Parties may present evidence regarding appropriate depreciation rates in such Duke Energy Indiana rate case, and may challenge any updates proposed by the Company.

D. Other Issues:

1. Duke Energy Indiana agrees to use reasonable and good faith efforts to seek federal stimulus funds under the American Recovery and Reinvestment Act ("ARRA") for its SmartGrid Initiative proposal and its renewable demonstration initiative to reduce the costs of this Initiative to customers. The Company may also request ARRA stimulus funds associated with some of the proposed pilots. The Company agrees that the retail jurisdictional portion of all such stimulus funds received (net of costs to comply with the stimulus rules and regulations) will be applied for the benefit of customers through the ratemaking process. The Company agrees to discuss with the Deployment Collaborative precisely how any such stimulus funds received should be applied and treated.
2. Duke Energy Indiana commits that, during the time period the SmartGrid Rider is in effect, it will not work to eliminate or weaken the winter disconnect moratorium.
3. Duke Energy Indiana commits that, during the time period that the SmartGrid Rider is in effect, Duke Energy Indiana will not require (although it may offer) time-differentiated pricing for low-income customers.
4. Duke Energy Indiana commits to actively participate in support of development of interoperability standards.

E. Procedural Terms:

1. The Settling Parties will request Commission acceptance and approval of this Settlement Agreement in its entirety, without any change or condition that is unacceptable to any Party to this Settlement Agreement.

2. If the Commission issues an order accepting the Settlement Agreement in part, but modifying it materially in other respect(s), the Settlement Agreement shall be voidable at any Settling Party's option.
3. The Settling Parties shall offer all of their prefiled testimony and exhibits into evidence in the evidentiary hearing. The Settling Parties agree to the submission of Duke Energy Indiana's and all Settling Parties prefiled testimony into evidence at the evidentiary hearing.
4. The Settling Parties will provide each other settling party a draft of their testimony in support of the Settlement Agreement for review prior to filing. The Settling Parties will work together to prefile, sponsor and offer into evidence testimony supporting the Settlement Agreement.
5. The Settling Parties agree to waive cross examination of each other's witnesses at the evidentiary hearing.
6. The Settling Parties will work together to finalize and file an agreed upon proposed order in this Cause with the Commission as soon as possible. The Settling Parties will support or not oppose the proposed order in the settlement proceeding and will request that the Commission issue an order promptly accepting and approving this Settlement Agreement in accordance with its terms.
7. The Settling Parties will either support or not oppose on rehearing, reconsideration and/or appeal, any Commission Order accepting and approving this Settlement Agreement in accordance with its terms, including the submission of any applicable briefs and pleadings.

8. Any non-settling parties to this proceeding must agree not to oppose approval of new depreciation rates (including negative net salvage amounts).

Agreed To and Accepted this 4th day of June, 2009:

[Signature Pages to Follow]

Duke Energy Indiana, Inc.

By Todd W. Arnold
Todd W. Arnold
Senior Vice President, SmartGrid and
Customer Systems

Indiana Office of Utility Consumer Counselor

By Randall C. Helmen
Randall C. Helmen
Deputy Consumer Counselor


By: Harold H. Kohn
Asst. Consumer Counselor

Duke Energy Indiana Industrial Group

By Jennifer W. Terry
Jennifer W. Terry
Attorney for Duke Energy Indiana Industrial Group

Nucor Steel-Indiana, a Division of Nucor Corporation

By


Peter J. Mattheis

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Summary: Exhibit Exhibit 14, Part 3 of 3, for the Deposition Transcript of Donald Schneider, filed on Behalf of the Office of the Ohio Consumers' Counsel electronically filed by Ms. Deb J. Bingham on behalf of Healey, Christopher Mr.