

**Duke Energy Ohio - Standard Service Offer
Approved Electric Security Plan
November 22, 2011**

Background

- Ohio Senate Bill No. 221 (SB221) requires electric distribution utility companies to provide a standard service offer through either an Electric Security Plan (ESP) or a Market Rate Offer (MRO)
- DE- Ohio's current ESP expires at the end of 2011
- On November 15, 2010, DE-Ohio filed with the Public Utilities Commission of Ohio (PUCO) for approval of a MRO
 - PUCO issued its final order denying DE-Ohio's MRO application on May 4, 2011
- On June 20, 2011, DE-Ohio filed with the PUCO an application for an ESP
 - Term from January 1, 2012 to May 31, 2021
 - Bifurcated the capacity and energy components of electricity pricing
 - Proposed a profit-sharing mechanism
- On October 24, 2011, DE-Ohio and most of the intervening parties (including PUCO Staff) entered into a settlement stipulation related to DE-Ohio's pending ESP application
- On November 22, 2011, PUCO approved the settlement stipulation without material modification

Key Provisions of DE-Ohio's ESP

- ✓ ESP term from January 1, 2012 to May 31, 2015
- ✓ Beginning January 1, 2012, customer rates to be based upon fully-competitive auctions
- ✓ Provides DE-Ohio with a non-bypassable stability charge from 2012-14
- ✓ Requires DE-Ohio to transfer its "Generation Assets" at net book value to an affiliate or subsidiary by Dec. 31, 2014
- ✓ Provides continued funding of economic growth and job creation within DE-Ohio's service territory
- ✓ Provides funding for low income families to support weatherization programs and fuel fund assistance and a discounted rate for DE--Ohio's percentage of income payment plan customers

Key Objectives

Duke Energy Ohio's key objectives have been consistent:

1. Obtain longer-term clarity and predictability
2. Support a competitive market in Ohio
3. Gain financial stability and mitigate margin losses