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139 East Fourth Street, Room 2500 AT II  
P.O. Box 960  
Cincinnati, Ohio 45201-0960  
Tel: 513-419-1847  
Fax: 513-419-1846  
[anita.schafer@duke-energy.com](mailto:anita.schafer@duke-energy.com)

Anita M. Schafer  
Sr. Paralegal

VIA OVERNIGHT MAIL

August 27, 2008

Public Utilities Commission of Ohio  
Docketing Division  
13<sup>th</sup> Floor  
180 East Broad Street  
Columbus, OH 43215-3716

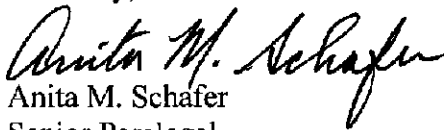
Re: Case No. 08-1025-EL-UNC

Dear Sir or Madam:

Enclosed please find an original and 20 copies of the Application and Testimony in the above referenced case.

Please return two file-stamped copies of the enclosed Application and Testimony to me in the overnight mail envelope provided via UPS mail.

Sincerely,

  
Anita M. Schafer  
Senior Paralegal

AMS/bsc

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business.  
Technician Sm Date Processed 8/28/08

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

**APPLICATION TO ESTABLISH DUKE ENERGY OHIO'S  
ANNUALLY ADJUSTED COMPONENT  
OF ITS MARKET BASED STANDARD SERVICE OFFER**

3. This application is made pursuant to the Public Utilities Commission of Ohio's Entries on November 23, 2004 and December 28, 2005, in Case No. 03-93-EL-ATA that ordered DE-Ohio to file an application before the Commission to establish a new price for its Annually Adjusted Component Rider (AAC) rate if it intends to change the Rider AAC price.

4. The schedules supporting DE-Ohio's calculation of the necessary change to Rider AAC are attached hereto. The schedules include and support the calculations for the three cost components that were approved for recovery through Rider AAC, including environmental compliance costs, changes in tax laws and costs for Homeland Security.

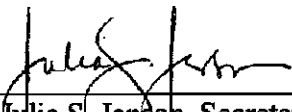
5. Schedule 1 (also labeled as WDW-1) is a summary of the revenue requirement and is also attached to the Direct Testimony of William Don Wathen Jr. in this filing. Also attached to this Application are WDW-2, which is the proposed amended tariff of Rider AAC, and WDW-3, which is the calculation of the Rider AAC charge as a percentage of the little 'g' price.

WHEREFORE, DE-Ohio respectfully requests that the Commission approve the attached annually adjusted component tariff and Rider AAC prices. DE-Ohio respectfully requests that the Commission grant approval of the AAC application.

Respectfully submitted,

DUKE ENERGY OHIO

  
Paul G. Smith, Vice President-Rates

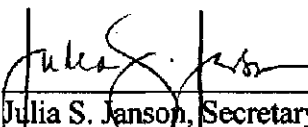
  
Julia S. Janson, Secretary

VERIFICATION

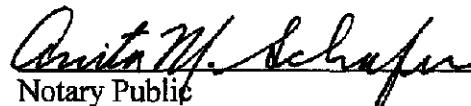
STATE OF OHIO           )  
                                  )  
COUNTY OF HAMILTON   )

I, Paul G. Smith, Vice President-Rates, and I, Julia S. Janson, Secretary of Duke Energy Ohio, being first duly sworn, hereby verify that the information contained in this Application is true and correct to the best of our knowledge and belief.

  
Paul G. Smith, Vice President-Rates

  
Julia S. Janson, Secretary

Sworn to and subscribed in my presence this 27 day of August 2008.

  
Notary Public



My Commission Expires: \_\_\_\_\_  
**ANITA M. SCHAFER**  
Notary Public, State of Ohio  
My Commission Expires  
November 4, 2009

Company official to be contacted  
regarding the application:

Paul G. Smith  
Vice President, Rates – Ohio and Kentucky  
Duke Energy Ohio  
139 East Fourth Street  
Cincinnati, Ohio 45201

Attorneys for applicant:



Paul A. Colbert  
Associate General Counsel  
Rocco D'Ascenzo  
Senior Counsel  
Elizabeth H. Watts  
Assistant General Counsel  
Amy B. Spiller  
Associate General Counsel  
2500 Atrium II  
P.O. Box 961  
Cincinnati, Ohio 45201-0960  
(513) 419-1827

**DUKE ENERGY OHIO**  
**Summary of Rider AAC Revenue Requirement**

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<b>Revenue Requirement From:</b>	<b><u>Amount</u></b>
Environmental Compliance	\$162,588,606
Homeland Security	110,647
Tax Changes	<u>(21,422,517)</u>
Total Revenue Requirement	<u><u>\$141,276,736</u></u>

**DUKE ENERGY OHIO**  
**Revenue Requirement on Environmental Compliance**  
**Increase from Year 2000**

<u>Return on Environmental Plant</u>	<u>Period Ending</u>	
	<u>12/31/2000</u>	<u>5/31/2008</u>
Original Cost	\$405,942,184	\$944,979,970
Reserve for Depreciation	(165,336,370)	(249,889,134)
Net Book Value	240,605,814	695,090,836
Construction Work in Progress		460,863,401
Total Environmental Plant	<u>\$240,605,814</u>	<u>\$1,155,954,237</u>
Pre-tax Return at 11.69% <sup>(a)</sup>	\$28,126,820	\$135,131,050
<u>Environmental O&amp;M Expenses</u>		
Operation & Maintenance	4,453,158	16,776,037
Environmental Reagents <sup>(b)</sup>	4,598,944	31,169,000
Annualized Depreciation	<u>7,749,260</u>	<u>24,440,701</u>
Total Revenue Requirement	<u>\$44,928,182</u>	<u>\$207,516,788</u>
Increase		<u>\$162,588,606</u>

Note: <sup>(a)</sup> From Case No. 05-0059-EL-AIR.

<sup>(b)</sup> Environmental Reagent costs are based on 12 months budgeted amounts for 2009 and are subject to true-up per Order in Case No. 05-806-EL-UNC.  
 The budget data is not the final budget. When the final budget is available an update will be provided, if the estimate changes.

**DUKE ENERGY OHIO**  
**Revenue Requirement on Homeland Security**  
**Twelve Months Ended May 31, 2008**

	Information Technology	Cyber Security	Physical Security	Total
<b><u>Return on Capital Expenditures</u></b>				
Original Cost	\$94,761	\$226,365	\$28,531	\$349,657
Reserve for Depreciation	63,174	147,137	673	210,984
Net Plant	<u>\$31,587</u>	<u>\$79,228</u>	<u>\$27,858</u>	<u>\$138,673</u>
Pre-tax Return at 11.69%	\$3,693	\$9,262	\$3,257	\$16,211
<b><u>Operation &amp; Maintenance Expenses</u></b>				
Operation & Maintenance				29,157
Annualized Depreciation	18,952	45,273	548	64,773
Annualized Property Taxes	<u>0</u>	<u>0</u>	<u>506</u>	<u>506</u>
Amount to Be Recovered	<u>\$22,645</u>	<u>\$54,535</u>	<u>\$4,311</u>	<u>\$110,647</u>

**Note:** All Homeland Security Costs are incremental to the year 2000.

**DUKE ENERGY OHIO**  
**Tax Changes**  
**Twelve Months Ended May 31, 2008**

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**Tax Legislation Change**

<b>Revenue Requirement Impact</b>
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Section 199 - Production Activity Deduction <sup>(a)</sup>

(\$10,141,290)

Commercial Activity Tax vs. Ohio  
Franchise Tax

(11,281,227)

Total Impact of Tax Changes

(\$21,422,517)

Note: <sup>(a)</sup> Duke Energy Ohio's 2007 Section 199 Deduction estimate. The actual amount will be updated when the 2007 Federal Tax Return is complete.

Duke Energy Ohio  
139 East Fourth Street  
Cincinnati, Ohio 45202

P.U.C.O. Electric No. 19  
Sheet No. 51.8  
Cancels and Supersedes  
Sheet No. 51.7  
Page 1 of 3

Case No. 08-1025-EL-UNC  
Attach. WDW-2  
Page 1 of 3

## RIDER AAC

### ANNUALLY ADJUSTED COMPONENT RIDER

#### APPLICABILITY

Applicable to all jurisdictional retail customers in the Company's electric service area.

#### CHARGE

The Annually Adjusted Component Rider Charges detailed below are applicable after the end of the Market Development Period, except that they will not apply to those customers that receive a shopping credit or are eligible to avoid the Annually Adjusted Component charge as described below in the AVOIDANCE OF CHARGE section. All applicable kWh are subject to the Annually Adjusted Component Rider Charge. See Section VI, Item 7 of the Electric Service Regulations for the definition of the term "Market Development Period."

The following rates are effective for non-residential customers (including residential service of a commercial or public character) \_\_\_\_\_:

<u>Tariff Sheet</u>	<u>AAC Charge</u> (per kWh/kW)
Rate DS, Service at Secondary Distribution Voltage	
First 1000 kW	\$1.324800
Additional kW	\$1.048000
Billing Demand Times 300	\$0.003387
Additional kWh	\$0.002814
Rate GS-FL, Optional Unmetered For Small Fixed Loads	
kWh Greater Than or Equal to 540 Hours	\$0.011252
kWh Less Than 540 Hours	\$0.012934
Rate CUR, Common Use Residential Service	
Summer, First 1000 kWh	\$0.007642
Summer, Additional kWh	\$0.009684
Winter, First 1000 kWh	\$0.007642
Winter, Additional kWh	\$0.002884
Rate EH, Optional Rate For Electric Space Heating	
All kWh	\$0.004617
Rate DM, Secondary Distribution Service, Small	
Summer, First 2800 kWh	\$0.010131
Summer, Next 3200 kWh	\$0.002586
Summer, Additional kWh	\$0.001129
Winter, First 2800 kWh	\$0.008040
Winter, Next 3200 kWh	\$0.002591
Winter, Additional kWh	\$0.001071

Filed pursuant to an Order dated \_\_\_\_\_ in Case No. \_\_\_\_\_ before the Public Utilities Commission of Ohio.

Issued:

Effective:

Issued by Sandra P. Meyer, President

Duke Energy Ohio  
139 East Fourth Street  
Cincinnati, Ohio 45202

P.U.C.O. Electric No. 19  
Sheet No. 51.8  
Cancels and Supersedes  
Sheet No. 51.7  
Page 2 of 3

Case No. 08-1025-EL-UNC  
Attach. WDW-2  
Page 2 of 3

**CHARGES (Contd.)**

Tariff Sheet

AAC Charge  
(per kWh/kW)

Rate DP, Service at Primary Distribution Voltage	
First 1000 kW	\$1.196400
Additional kW	\$0.943700
Billing Demand Times 300	\$0.003815
Additional kWh	\$0.003060
Rate TS, Service at Transmission Voltage	
First 50,000 Kva	\$1.450200
Additional kVA	\$1.045300
Billing Demand Times 300	\$0.002492
Additional kWh	\$0.002832
Rate SL, Street Lighting Service	
All kWh	\$0.004983
Rate TL, Traffic Lighting Service	
All kWh	\$0.002917
Rate OL, Outdoor Lighting Service	
All kWh	\$0.004983
Rate NSU, Street Lighting Service for Non-Standard Units	
All kWh	\$0.004983
Rate NSP, Private Outdoor Lighting for Non-Standard Units	
All kWh	\$0.004983
Rate SC, Street Lighting Service - Customer Owned	
All kWh	\$0.004983
Energy only – all kWh	\$0.001983
Rate SE, Street Lighting Service - Overhead Equivalent	
All kWh	\$0.004983
Rate UOLS, Unmetered Outdoor Lighting Electric Service	
All kWh	\$0.002052

Filed pursuant to an Order dated \_\_\_\_\_ in Case No. \_\_\_\_\_ before the Public Utilities Commission of Ohio.

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P.U.C.O. Electric No. 19  
Sheet No. 51.8  
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Page 3 of 3

Case No. 08-1025-EL-UNC  
Attach. WDW-2  
Page 3 of 3

**CHARGES (Contd.)**

The following rates apply to residential customers beginning \_\_\_\_\_:

<u>Tariff Sheet</u>	<u>AAC Charge</u> (per kWh/kW)
Rate RS, Residential Service	
Summer, First 1000 kWh	\$0.007644
Summer, Additional kWh	\$0.009686
Winter, First 1000 kWh	\$0.007644
Winter, Additional kWh	\$0.002884
Rate ORH, Optional Residential Service With Electric Space Heating	
Summer, First 1000 kWh	\$0.006825
Summer, Additional kWh	\$0.008177
Winter, First 1000 kWh	\$0.006823
Winter, Additional kWh	\$0.003532
Winter, kWh greater than 150 times demand	\$0.002209
Rate TD, Optional Time-of-Day Rate	
Summer, On-Peak kWh	\$0.015585
Summer, Off-Peak kWh	\$0.002275
Winter, On-Peak kWh	\$0.012251
Winter, Off-Peak kWh	\$0.002278

**AVOIDANCE OF ANNUALLY ADJUSTED COMPONENT RIDER CHARGE**

All customers that switch to a certified supplier shall not pay the AAC.

Filed pursuant to an Order dated \_\_\_\_\_ in Case No. \_\_\_\_\_ before the Public Utilities Commission of Ohio.

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Effective:

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**DUKE ENERGY OHIO**  
**Calculation of Rider AAC Percentage**  
**and Revised Rider AAC Tariff**

**AAC Recovery % Calculation**

Revised AAC Revenue Requirement	\$ 141,276,736
Little g Revenue - 12 Months Ended May 31, 2008	\$ 818,281,924
Revised Rider AAC %	<u>17.3%</u>

**Tariff Sheet**

	<u>Current AAC Charge</u> (per kWh/kW)	<u>New % / Old % Ratio (1)</u>	<u>Proposed AAC Charge</u> (per kWh/kW)
Rate RS, Residential Service			
Summer, First 1000 kWh	\$ 0.006672	1.1457	\$ 0.007644
Summer, Additional kWh	\$ 0.008454	1.1457	\$ 0.009686
Winter, First 1000 kWh	\$ 0.006672	1.1457	\$ 0.007644
Winter, Additional kWh	\$ 0.002517	1.1457	\$ 0.002884
Rate ORH, Optional Residential Service With Electric Space Heating			
Summer, First 1000 kWh	\$ 0.005957	1.1457	\$ 0.006825
Summer, Additional kWh	\$ 0.007137	1.1457	\$ 0.008177
Winter, First 1000 kWh	\$ 0.005955	1.1457	\$ 0.006823
Winter, Additional kWh	\$ 0.003083	1.1457	\$ 0.003532
Winter, kWh greater than 150 times demand	\$ 0.001928	1.1457	\$ 0.002209
Rate TD, Optional Time-of-Day Rate			
Summer, On-Peak kWh	\$ 0.013603	1.1457	\$ 0.015585
Summer, Off-Peak kWh	\$ 0.001986	1.1457	\$ 0.002275
Winter, On-Peak kWh	\$ 0.010693	1.1457	\$ 0.012251
Winter, Off-Peak kWh	\$ 0.001988	1.1457	\$ 0.002278
Rate DS, Service at Secondary Distribution Voltage			
First 1000 kW	\$ 1.049100	1.2628	\$ 1.324800
Additional kW	\$ 0.829900	1.2628	\$ 1.048000
Billing Demand Times 300	\$ 0.002682	1.2628	\$ 0.003387
Additional kWh	\$ 0.002228	1.2628	\$ 0.002814
Rate GS-FL, Optional Unmetered For Small Fixed Loads			
kWh Greater Than or Equal to 540 Hours	\$ 0.008910	1.2628	\$ 0.011252
kWh Less Than 540 Hours	\$ 0.010242	1.2628	\$ 0.012934
Rate CUR, Common Use Residential Service			
Summer, First 1000 kWh	\$ 0.006052	1.2628	\$ 0.007642
Summer, Additional kWh	\$ 0.007669	1.2628	\$ 0.009684
Winter, First 1000 kWh	\$ 0.006052	1.2628	\$ 0.007642
Winter, Additional kWh	\$ 0.002284	1.2628	\$ 0.002884
Rate EH, Optional Rate For Electric Space Heating			
All kWh	\$ 0.003656	1.2628	\$ 0.004617

**DUKE ENERGY OHIO**  
**Calculation of Rider AAC Percentage**  
**and Revised Rider AAC Tariff**

<b><u>Tariff Sheet</u></b>	<b><u>Current AAC Charge (per kWh/kW)</u></b>	<b><u>New % / Old % Ratio (1)</u></b>	<b><u>Proposed AAC Charge (per kWh/kW)</u></b>
Rate DM, Secondary Distribution Service, Small			
Summer, First 2800 kWh	\$ 0.008023	1.2628	\$ 0.010131
Summer, Next 3200 kWh	\$ 0.002048	1.2628	\$ 0.002586
Summer, Additional kWh	\$ 0.000894	1.2628	\$ 0.001129
Winter, First 2800 kWh	\$ 0.006367	1.2628	\$ 0.008040
Winter, Next 3200 kWh	\$ 0.002052	1.2628	\$ 0.002591
Winter, Additional kWh	\$ 0.000848	1.2628	\$ 0.001071
Rate DP, Service at Primary Distribution Voltage			
First 1000 kW	\$ 0.947400	1.2628	\$ 1.196400
Additional kW	\$ 0.747300	1.2628	\$ 0.943700
Billing Demand Times 300	\$ 0.003021	1.2628	\$ 0.003815
Additional kWh	\$ 0.002423	1.2628	\$ 0.003060
Rate TS, Service at Transmission Voltage			
First 50,000 kVa	\$ 1.148400	1.2628	\$ 1.450200
Additional kVa	\$ 0.827800	1.2628	\$ 1.045300
Billing Demand Times 300	\$ 0.001973	1.2628	\$ 0.002492
Additional kWh	\$ 0.002243	1.2628	\$ 0.002832
Rate SL, Street Lighting Service			
All kWh	\$ 0.003946	1.2628	\$ 0.004983
Rate TL, Traffic Lighting Service			
All kWh	\$ 0.002310	1.2628	\$ 0.002917
Rate OL, Outdoor Lighting Service			
All kWh	\$ 0.003946	1.2628	\$ 0.004983
Rate NSU, Street Lighting Service for Non-Standard Units			
All kWh	\$ 0.003946	1.2628	\$ 0.004983
Rate NSP, Private Outdoor Lighting for Non-Standard Units			
All kWh	\$ 0.003946	1.2628	\$ 0.004983
Rate SC, Street Lighting Service - Customer Owned			
All kWh	\$ 0.003946	1.2628	\$ 0.004983
Energy Only - All kWh	\$ 0.001570	1.2628	\$ 0.001983
Rate SE, Street Lighting Service - Overhead Equivalent			
All kWh	\$ 0.003946	1.2628	\$ 0.004983
Rate UOLS, Unmetered Outdoor Lighting Electric Service			
All kWh	\$ 0.001625	1.2628	\$ 0.002052

(1) Residential = 17.3% / 15.1%; Non-residential = 17.3% / 13.7%