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BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application)
of Duke Energy Ohio to Adjust and)
Set the Annually Adjusted) Case No. 08-1025-EL-UNC
Component of its Market Based)
Standard Service Offer)

**AMENDED APPLICATION OF
DUKE ENERGY OHIO TO ADJUST AND SET THE
ANNUALLY ADJUSTED COMPONENT OF ITS MARKET BASED
STANDARD SERVICE OFFER**

On August 28, 2008, Duke Energy Ohio (DE-Ohio) filed an Application for approval of an Annually Adjusted Component (AAC) charge for 2009. The Office of the Ohio Consumers' Counsel (OCC) and the Ohio Energy Group (OEG) both moved to intervene and the OCC moved to dismiss. On October 29, 2008, the Attorney Examiner issued an Entry stating that the Application should not be dismissed and seeking comments from the Parties in this case relative to Duke Energy Ohio's (DE-Ohio) Application. DE-Ohio, The Ohio Consumers' Counsel (OCC) and the Ohio Energy Group (OEG), pursuant to a Stipulated Agreement reached in Case No. 08-920-EL-SSO, are in agreement and do not oppose DE-Ohio's application in this matter to institute rates beginning December 1, 2008. A copy of the relevant portion of the Stipulated Agreement is attached.

DE-Ohio does not object to any party raising issues arising from the Staff's audit of DE-Ohio's Annually Adjusted Component (AAC) for the audit period ending May 31, 2008. Any issues or objections arising therefrom may be

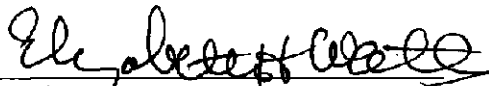
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raised at the next AAC hearing by any party. Counsel for OEG has explicitly agreed to these Comments and granted permission that OEG's agreement be so noted.

At the time of the initial filing, DE-Ohio Witness, William Don Wathen, Jr., indicated in his Direct Testimony that certain information would be revised and provided as it became available. Pursuant to that commitment, DE-Ohio is providing Supplemental Direct Testimony of William Don Wathen, Jr., to update two components of Rider AAC revenue requirement calculation. Mr. Wathen's Supplemental Direct Testimony is submitted with this Amended Application as Attachment 1. The Testimony itself also has three attachments, including the Updated Summary of Rider AAC Revenue Requirement, the Updated Revised Rider AAC Tariff, and the Updated Calculation of Rider AAC Percentage and Revised Rider AAC Tariff.

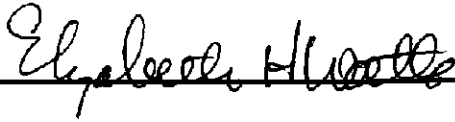
WHEREFORE, DE-Ohio respectfully requests that the Commission approve the filed annually adjusted component tariff and Rider AAC prices, and implement rates effective December 1, 2008.

Respectfully submitted,
DUKE ENERGY OHIO, INC.


Paul A. Colbert
Associate General Counsel
Elizabeth H. Watts
Assistant General Counsel
Duke Energy Ohio
139 Fourth Street, Room 25 ATII
Cincinnati, Ohio 45202
(614) 221-7551

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Amended Application was served on the persons listed below, via First Class Mail, postage prepaid, this 13th day of November, 2008.

A handwritten signature in dark ink, appearing to read "Elizabeth H. Watts", is written over a solid horizontal line.

Elizabeth H. Watts

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FILE

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the Application of)
 Duke Energy Ohio for Approval of an) Case No. 08-920-EL-SSO
 Electric Security Plan)

In the Matter of the Application of)
 Duke Energy Ohio for Approval to) Case No. 08-921-EL-AAM
 Amend Accounting Methods)

In the Matter of the Application of)
 Duke Energy Ohio for Approval of)
 a Certificate of Public Convenience and) Case No. 08-922-EL-UNC
 Necessity to Establish an Unavoidable)
 Capacity Charge(s))

In the Matter of the Application of)
 Duke Energy Ohio for Approval to) Case No. 08-923-EL-ATA
 Amend its Tariffs)

STIPULATION AND RECOMMENDATION

Rule 4901-1-30, Ohio Administrative Code (O.A.C.) provides that any two or more parties to a proceeding may enter into a written stipulation covering the issues presented in such a proceeding. The purpose of this document is to set forth the understanding and agreement of the Parties who have signed below (Parties) and to recommend that the Public Utilities Commission of Ohio (Commission) approve and adopt this Stipulation and Recommendation (Stipulation), which resolves all of the issues raised by Duke Energy Ohio (DE-Ohio) in these cases relative to the Application to establish an Electric Security Plan (ESP) within DE-Ohio's certified territory.

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audit shall be conducted by an independent third party auditor or Staff, at the Commission's discretion. DE-Ohio shall fund the audit and receive cost recovery through Rider PTC-FPP as approved by the Commission.

8. In order to maintain the same Rider PTC-FPP process as the current Rider FPP and to maintain the same Rider TCR process as the current Rider TCR, the Parties agree that the Midwest Independent System Operator, Inc. (MISO), costs for net congestion and losses shall be recovered through Rider PTC-FPP, including the net revenue received from financial transmission rights and auction revenue rights. The Parties also agree to recommend that the Commission grant DE-Ohio's request for a waiver from the proposed Commission's rules to permit such cost recovery through avoidable Rider PTC-FPP rather than avoidable Rider TCR. Ancillary services shall be recovered through Rider TCR.
9. Subject to Commission approval in these proceedings and Case No. 08-1025-EL-UNC, Rider PTC-AAC rate, currently known as Rider AAC, will be updated effective December 1, 2008. Annually thereafter during the ESP time period as proposed in DE-Ohio's application, DE-Ohio may request, subject to due process, including an opportunity for a hearing and Commission approval, the recovery of net incremental costs or credits associated with environmental compliance, homeland security, and changes in tax

law. The Parties further agree that DE-Ohio may also seek Commission approval for recovery through Rider PTC-AAC or Rider PTC-FPP of cost-effective generation projects not required for environmental compliance that would improve fuel flexibility, and the supporting Parties reserve the right to oppose any such application.

DE-Ohio agrees to make a filing with the Commission proposing the manner of any true-up of Rider PTC-AAC reagent revenues and costs through December 31, 2008. Such filing will be submitted during the first quarter of 2009, and will be subject to due process, including the audit for the eighteen month period ending December 31, 2008. Such audit shall be conducted by an independent third party auditor or Staff, at the Commission's discretion. DE-Ohio shall fund the audit and receive cost recovery through Rider PTC-AAC as approved by the Commission.

10. Eligible capacity purchases under Rider SRA-SRT shall be subject to the annual due process, including an opportunity for a hearing, approved in Case No. 03-93-EL-ATA, *et al.*:

- a. Shall include recovery of market capacity purchases for any duration up-to three-years, if approved by the Commission;

DUKE ENERGY OHIO
Updated Summary of Rider AAC Revenue Requirement

Revenue Requirement From:	<u>Amount</u>
Environmental Compliance	\$151,631,606
Homeland Security	110,647
Tax Changes	<u>(15,790,979)</u>
 Total Revenue Requirement	 <u><u>\$135,951,274</u></u>

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	\$1.271200
Additional kW	\$1.005600
Billing Demand Times 300	\$0.003250
Additional kWh	\$0.002700
Rate GS-FL, Optional Unmetered For Small Fixed Loads	
kWh Greater Than or Equal to 540 Hours	\$0.010796
kWh Less Than 540 Hours	\$0.012410
Rate CUR, Common Use Residential Service	
Summer, First 1000 kWh	\$0.007333
Summer, Additional kWh	\$0.009293
Winter, First 1000 kWh	\$0.007333
Winter, Additional kWh	\$0.002768
Rate EH, Optional Rate For Electric Space Heating	
All kWh	\$0.004430
Rate DM, Secondary Distribution Service, Small	
Summer, First 2800 kWh	\$0.009721
Summer, Next 3200 kWh	\$0.002482
Summer, Additional kWh	\$0.001083
Winter, First 2800 kWh	\$0.007715
Winter, Next 3200 kWh	\$0.002486
Winter, Additional kWh	\$0.001028

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

CHARGES (Contd.)

Tariff Sheet

AAC Charge
(per kWh/kW)

Rate DP, Service at Primary Distribution Voltage	
First 1000 kW	\$1.148000
Additional kW	\$0.905500
Billing Demand Times 300	\$0.003661
Additional kWh	\$0.002936
Rate TS, Service at Transmission Voltage	
First 50,000 Kva	\$1.391500
Additional kVA	\$1.000300
Billing Demand Times 300	\$0.002391
Additional kWh	\$0.002718
Rate SL, Street Lighting Service	
All kWh	\$0.004781
Rate TL, Traffic Lighting Service	
All kWh	\$0.002799
Rate OL, Outdoor Lighting Service	
All kWh	\$0.004781
Rate NSU, Street Lighting Service for Non-Standard Units	
All kWh	\$0.004781
Rate NSP, Private Outdoor Lighting for Non-Standard Units	
All kWh	\$0.004781
Rate SC, Street Lighting Service - Customer Owned	
All kWh	\$0.004781
Energy only - all kWh	\$0.001902
Rate SE, Street Lighting Service - Overhead Equivalent	
All kWh	\$0.004781
Rate UOLS, Unmetered Outdoor Lighting Electric Service	
All kWh	\$0.001969

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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 3 of 3

CHARGES (Contd.)

The following rates apply to residential customers beginning _____:

Tariff Sheet

AAC Charge
(per kWh/kW)

Rate RS, Residential Service	
Summer, First 1000 kWh	\$0.007335
Summer, Additional kWh	\$0.009293
Winter, First 1000 kWh	\$0.007335
Winter, Additional kWh	\$0.002767
Rate ORH, Optional Residential Service With Electric Space Heating	
Summer, First 1000 kWh	\$0.006549
Summer, Additional kWh	\$0.007846
Winter, First 1000 kWh	\$0.006546
Winter, Additional kWh	\$0.003389
Winter, kWh greater than 150 times demand	\$0.002119
Rate TD, Optional Time-of-Day Rate	
Summer, On-Peak kWh	\$0.014954
Summer, Off-Peak kWh	\$0.002183
Winter, On-Peak kWh	\$0.011755
Winter, Off-Peak kWh	\$0.002185

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.

Issued:

Effective:

Issued by Sandra P. Meyer, President

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	<u>(165,336,370)</u>	<u>(249,889,134)</u>
Net Book Value	240,605,814	695,090,836
Construction Work in Progress	<u> </u>	<u>460,863,401</u>
Total Environmental Plant	<u>\$240,605,814</u>	<u>\$1,155,954,237</u>
Pre-tax Return at 11.69% ^(a)	\$28,126,820	\$135,131,050
<u>Environmental O&M Expenses</u>		
Operation & Maintenance	4,453,158	16,776,037
Environmental Reagents ^(b)	4,598,944	20,212,000
Annualized Depreciation	<u>7,749,260</u>	<u>24,440,701</u>
Total Revenue Requirement	<u>\$44,928,182</u>	<u>\$196,559,788</u>
Increase		<u>\$151,631,606</u>

Note: ^(a) From Case No. 05-0059-EL-AIR.

^(b) Environmental Reagent costs are based on 12 months estimated amounts for 2009 and are subject to true-up per Order in Case No. 05-806-EL-UNC.

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

	Information Technology	Cyber Security	Physical Security	Total
<u>Return on Capital Expenditures</u>				
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
<u>Operation & Maintenance Expenses</u>				
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

<u>Tax Legislation Change</u>	Revenue Requirement Impact
Section 199 - Production Activity Deduction	(\$4,509,752)
Commercial Activity Tax vs. Ohio Franchise Tax	<u>(11,281,227)</u>
Total Impact of Tax Changes	<u><u>(\$15,790,979)</u></u>

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

AAC Recovery % Calculation

Revised AAC Revenue Requirement	\$ 135,951,274
Little g Revenue - 12 Months Ended May 31, 2008	\$ 818,281,924
Revised Rider AAC %	<u>16.6%</u>

<u>Tariff Sheet</u>	<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	1.0993	\$ 0.007335
Summer, Additional kWh	\$ 0.008454	1.0993	\$ 0.009293
Winter, First 1000 kWh	\$ 0.006672	1.0993	\$ 0.007335
Winter, Additional kWh	\$ 0.002517	1.0993	\$ 0.002767
Rate ORH, Optional Residential Service With Electric Space Heating			
Summer, First 1000 kWh	\$ 0.005957	1.0993	\$ 0.006549
Summer, Additional kWh	\$ 0.007137	1.0993	\$ 0.007846
Winter, First 1000 kWh	\$ 0.005955	1.0993	\$ 0.006546
Winter, Additional kWh	\$ 0.003083	1.0993	\$ 0.003389
Winter, kWh greater than 150 times demand	\$ 0.001928	1.0993	\$ 0.002119
Rate TD, Optional Time-of-Day Rate			
Summer, On-Peak kWh	\$ 0.013603	1.0993	\$ 0.014954
Summer, Off-Peak kWh	\$ 0.001986	1.0993	\$ 0.002183
Winter, On-Peak kWh	\$ 0.010693	1.0993	\$ 0.011755
Winter, Off-Peak kWh	\$ 0.001988	1.0993	\$ 0.002185
Rate DS, Service at Secondary Distribution Voltage			
First 1000 kW	\$ 1.049100	1.2117	\$ 1.271200
Additional kW	\$ 0.829900	1.2117	\$ 1.005600
Billing Demand Times 300	\$ 0.002682	1.2117	\$ 0.003250
Additional kWh	\$ 0.002228	1.2117	\$ 0.002700
Rate GS-FL, Optional Unmetered For Small Fixed Loads			
kWh Greater Than or Equal to 540 Hours	\$ 0.008910	1.2117	\$ 0.010796
kWh Less Than 540 Hours	\$ 0.010242	1.2117	\$ 0.012410
Rate CUR, Common Use Residential Service			
Summer, First 1000 kWh	\$ 0.006052	1.2117	\$ 0.007333
Summer, Additional kWh	\$ 0.007669	1.2117	\$ 0.009293
Winter, First 1000 kWh	\$ 0.006052	1.2117	\$ 0.007333
Winter, Additional kWh	\$ 0.002284	1.2117	\$ 0.002768
Rate EH, Optional Rate For Electric Space Heating			
All kWh	\$ 0.003656	1.2117	\$ 0.004430

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

<u>Tariff Sheet</u>	<u>Current AAC Charge (per kWh/kW)</u>	<u>New % / Old % Ratio (1)</u>	<u>Proposed AAC Charge (per kWh/kW)</u>
Rate DM, Secondary Distribution Service, Small			
Summer, First 2800 kWh	\$ 0.008023	1.2117	\$ 0.009721
Summer, Next 3200 kWh	\$ 0.002048	1.2117	\$ 0.002482
Summer, Additional kWh	\$ 0.000894	1.2117	\$ 0.001083
Winter, First 2800 kWh	\$ 0.006367	1.2117	\$ 0.007715
Winter, Next 3200 kWh	\$ 0.002052	1.2117	\$ 0.002486
Winter, Additional kWh	\$ 0.000848	1.2117	\$ 0.001028
Rate DP, Service at Primary Distribution Voltage			
First 1000 kW	\$ 0.947400	1.2117	\$ 1.148000
Additional kW	\$ 0.747300	1.2117	\$ 0.905500
Billing Demand Times 300	\$ 0.003021	1.2117	\$ 0.003661
Additional kWh	\$ 0.002423	1.2117	\$ 0.002936
Rate TS, Service at Transmission Voltage			
First 50,000 kVa	\$ 1.148400	1.2117	\$ 1.391500
Additional kVa	\$ 0.827800	1.2117	\$ 1.003000
Billing Demand Times 300	\$ 0.001973	1.2117	\$ 0.002391
Additional kWh	\$ 0.002243	1.2117	\$ 0.002718
Rate SL, Street Lighting Service			
All kWh	\$ 0.003946	1.2117	\$ 0.004781
Rate TL, Traffic Lighting Service			
All kWh	\$ 0.002310	1.2117	\$ 0.002799
Rate OL, Outdoor Lighting Service			
All kWh	\$ 0.003946	1.2117	\$ 0.004781
Rate NSU, Street Lighting Service for Non-Standard Units			
All kWh	\$ 0.003946	1.2117	\$ 0.004781
Rate NSP, Private Outdoor Lighting for Non-Standard Units			
All kWh	\$ 0.003946	1.2117	\$ 0.004781
Rate SC, Street Lighting Service - Customer Owned			
All kWh	\$ 0.003946	1.2117	\$ 0.004781
Energy Only - All kWh	\$ 0.001570	1.2117	\$ 0.001902
Rate SE, Street Lighting Service - Overhead Equivalent			
All kWh	\$ 0.003946	1.2117	\$ 0.004781
Rate UOLS, Unmetered Outdoor Lighting Electric Service			
All kWh	\$ 0.001625	1.2117	\$ 0.001969

(1) Residential = 16.6% / 15.1%; Non-residential = 16.6% / 13.7%