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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO SEP -3 AM 11:55

In The Matter of the Joint Application of Duke
Energy Ohio, Inc. and the City of Cincinnati for
Approval of an Economic Development Contract

)
) Case No. 10-11 PUCO
) EL-AEC

JOINT APPLICATION OF DUKE ENERGY OHIO, INC.
AND THE CITY OF CINCINNATI FOR APPROVAL OF
AN ECONOMIC DEVELOPMENT CONTRACT

I. Introduction

Duke Energy Ohio, Inc. (Duke Energy Ohio or Company) is an Ohio corporation engaged in the business of supplying electric generation, transmission and distribution service to approximately 660,000 customers in southwestern Ohio. Duke Energy Ohio is a public utility as defined by R.C. 4905.02 and R.C. 4905.03.

The City of Cincinnati (City) is an Ohio municipal corporation and a mercantile customer as defined by R. C. 4928.01(A)(19). As one of the largest local employers, the City employs approximately 6,000 people. In addition, the City consistently facilitates the retention of private jobs and the creation of new employment opportunities; works to expand the City's tax base through commercial, industrial, and economic development; and strives to diversify the regional economy by providing assistance to Small Businesses.

Duke Energy Ohio and the City submit this Application pursuant to R.C. 4905.31(E) and 4901:1-38-03, O.A.C. for approval of an Economic Development Contract as a reasonable arrangement. This Application is also being filed pursuant to the Stipulation and

Recommendation, agreed to by the parties, approved in Case Number 08-920-EL-SSO, as further explained below.

The Ohio General Assembly enacted Amended Sub. Senate Bill 221 (SB 221) to amend, among other provisions, Revised Code Chapter 4928. Significantly, SB 221 requires electric distribution utilities to provide customers with a default standard service offer (SSO) through either a market rate offer or an electric security plan.

On July 31, 2008, Duke Energy Ohio filed an application for approval of an SSO under Case No. 08-920-EL-SSO. Subsequently, Duke Energy Ohio, the City, Staff of the Public Utilities Commission of Ohio and many intervenors signed a Stipulation and Recommendation resolving the Company's SSO.¹ Insofar as it concerns this Application, Duke Energy Ohio and the City agreed to a reasonable arrangement consistent with R.C. 4905.31(E), in the form of an Economic Development Contract, pursuant to which the City would be provided with funds to create jobs and promote economic development within the City.²

The Stipulation and Recommendation details the terms and conditions relevant to the reasonable arrangement between the Company and the City, which include the following:

1. The City agrees to create a minimum of twenty-five jobs through direct or indirect employment in respect of a streetcar project (hereinafter the Project).
2. The City shall maintain the increased level of employment for at least three years after the date of the initial operation of the Project, with said date to coincide with the commencement of construction activities related to the Project.

¹ *In re Duke Energy Ohio SSO*, Case Nos. 08-920-EL-SSO, et al., Stipulation and Recommendation, (October 28, 2008).

² *Id.* Stipulation and Recommendation, Attachment 5, Part A.

3. The City and Duke Energy Ohio will report to the Public Utilities Commission of Ohio (Commission) annually on the number of jobs created and the forecast of incremental jobs.
4. Duke Energy Ohio will provide the City with funds totaling \$2 million in 2010 and \$1 million in 2011 for the Project. Half of the funds provided by Duke Energy Ohio (*i.e.*, \$1 million and \$500,000) will be recovered through the Company's Economic Competitiveness Fund Rider, Rider DR-ECF.³

On December 17, 2008, the Commission approved the Stipulation and Recommendation with certain modifications that are not pertinent to this Application. Pursuant to that Stipulation and Recommendation, Duke Energy Ohio and the City hereby submit this Application for approval, as a reasonable arrangement under R.C. 4905.31, of an Economic Development Contract and recovery, through Rider DR-ECF, of one-half of monies paid to the City for the purpose of the Project. Contemporaneous herewith, Duke Energy Ohio submits an Application to Adjust Rider DR-ECF.

II. Proposed Reasonable Arrangement

A. Term

Attached hereto as Exhibit 1 is the proposed reasonable arrangement between Duke Energy Ohio and the City in respect of a Project that will result in the creation of new jobs in the City for a period of years extending beyond the date on which the Project is first operational. Specifically, the City agrees to maintain the increased level of employment for at least three years after the date of the initial operation of the Project. Reports on job creation shall be made to the Commission on an annual basis.

³ Id. Stipulation and Recommendation, Attachment 5, Part A.

The reasonable arrangement shall terminate upon completion of reports to be made to the Commission during the three years after initial operation of the Project.

B. Incentives

Pursuant to the provisions of Exhibit 1, the Company commits to providing funding in 2010 and 2011, subject to recovery of a portion of said funding. Specifically, Duke Energy Ohio seeks to recover the delta revenues, or one-half of the funding, through Rider DR-ECF.

C. Other Terms and Conditions

The City of Cincinnati has identified a streetcar system as an essential tool for the City's growth because it:

- Creates jobs
- Leverages and attracts private investment
- Spurs redevelopment
- Improves accessibility and intermodal connectivity
- Forges a new, sustainable path for community growth

The proposed reasonable arrangement between Duke Energy Ohio and the City promotes, and is consistent with, the policies of the State of Ohio as set forth in R.C. 4928.02. Indeed, the development of streetcar system facilitates the state's effectiveness in the global economy. The Project will help transform the City's urban core by connecting the Central Business District to two redeveloping neighborhoods just north of Downtown: historic Over-the-Rhine (OTR) and Uptown, the region's second largest employment center and home of the University of Cincinnati. A streetcar system in Cincinnati, as in other cities, will spur investment and job development along the route because of the populated employment centers it connects. This, in turn, will provide revenue for other city services in all neighborhoods.

As attested by Cincinnati City Manager, Milton Dohoney, Jr., the Project is for non-retail purposes and, as described above, will generate a minimum of twenty-five new, full-time jobs for a period of three years after the date of the initial operation of the Project, with said date to coincide with the commencement of construction activities related to the Project. Further, the wages applicable to these new jobs shall be at least 150% of the federal minimum wage currently in effect. See affidavit of Mr. Dohoney, a copy of which is attached hereto as Exhibit 2.

The total project cost for the Project is approximately \$128 million. To date, approximately 90% of the capital funds, or \$114.5 million, in federal, state, and local funding has been identified for the Project. This Project, like all capital projects, requires a network of local, state, and federal support to be successfully implemented.

In July 2010, the Project was awarded \$25 million from the Urban Circulator Grant Program. This program is part of the U.S. Department of Transportation's Joint Livability Initiative in partnership with the U.S. Department of Housing and Urban Development and the U.S. Environmental Protection Agency. The Urban Circulator Grant Program funds fixed guideway projects on a competitive basis. The Project was one of only five streetcar projects funded and received the maximum amount possible. Additional federal funds already awarded include TRAC and CMAQ funding. The Federal Transit Administration (FTA) is serving as the lead federal agency for the project.

The City continues to pursue several state and federal funding opportunities for the Project, including:

- **TIGER II:** Funded through the FY 2010 Transportation/HUD Appropriations Bill, this program makes approximately \$600 million available for National

Infrastructure Investments. The minimum grant award is \$10 million. Awards will not be made sooner than September 15 and will likely be made in late 2010.

- **TRAC Funding:** The City's application for construction for Phase I and planning money for extensions into Uptown and the new Southwest Ohio Regional Transit Authority (SORTA) Uptown Transit Hub were submitted to the Ohio Department of Transportation's Transportation Review Advisory Committee. A draft list of awards is expected in December 2010.

In addition, the SORTA Board of Trustees voted to authorize the transit authority to serve as a partner in developing an operating plan for the streetcar system and, likely, to serve as the operator of the Cincinnati Streetcar.

An economic impact analysis estimates that over 1,400 jobs will be created from the construction of the Cincinnati Streetcar alone and another 9,000 jobs will be created in the long term. These new employment opportunities include jobs constructing the incoming businesses, as well as jobs within the businesses themselves. Many of these will be small businesses serving the community, such as dry cleaners, restaurants, and shops. Workers also will be needed to build, operate, and maintain the streetcar line. About half of these will be in key industries that traditionally employ low-income workers. Given that the streetcar will run through OTR, one of Cincinnati's most economically-distressed neighborhoods, this job growth will be invaluable to area residents and to the City as a whole. The economic impact analysis further identified an economic impact to cost ratio of 14:1 and a benefit to cost ratio of over 3:1. The City is a financially viable entity and, as described above, has secured funding for the Project through external sources. Thus, its financial stability is not compromised by its involvement in the Project.

The streetcar will aid the City in its ongoing efforts to “go green.” The streetcar will eliminate nearly 7,500 automobile trips annually and Cincinnati’s Climate Protection Plan identified a yearly reduction of over 2,100 tons of carbon dioxide emissions.

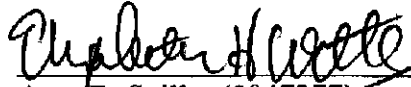
The proposed reasonable arrangement between Duke Energy Ohio and the City is reasonable, as confirmed by its acceptance – in the Stipulation and Recommendation – by a wide array of stakeholders having different interests and objectives. Furthermore, this proposed reasonable arrangement does not violate R.C. 4905.33 or R.C. 4905.35. The arrangement is not discriminatory and, instead, reflects a lawful arrangement under R.C. 4905.31(E).

III. Conclusion

For the reasons stated herein and consistent with the Stipulation and Recommendation approved, with slight modification, by the Public Utilities Commission of Ohio in Case No. 08-920-EL-SSO, Duke Energy Ohio and the City of Cincinnati respectfully request that the Commission issue an Order approving this Application and specifically finding that:

1. The proposed reasonable arrangement, in the form of an Economic Development Contract, furthers the policy of the state, as set forth in R.C. 4928.02.
2. The arrangement described herein is just and reasonable;
3. The delta revenues are recoverable through Duke Energy Ohio’s Rider DR-ECF; and
4. Waives any provisions of Chapter 4901:1-38, O.A.C. necessary to support the findings requested herein.

Respectfully submitted,

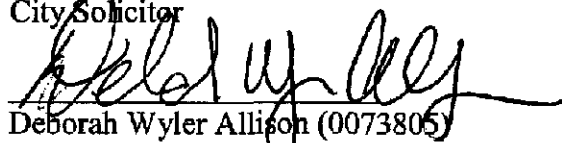


Amy B. Spiller (0047277)
Associate General Counsel
Elizabeth H. Watts
Assistant General Counsel
Duke Energy Ohio Business Services

Cincinnati Office:
2500 Atrium II, 139 East Fourth Street
P.O. Box 960
Cincinnati, Ohio 45201-0960
(513) 419-1810

Columbus Office:
155 East Broad Street
21st Floor
Columbus, Ohio 43215
(614) 222-1330

John P. Curp
City Solicitor



Deborah Wyler Allison (0073805)
Assistant City Solicitor
City of Cincinnati Solicitor's Office
801 Plum Street, Room 214
Cincinnati, Ohio 42502
(513) 352-3337

EXHIBIT 1

Settlement Between DE-Ohio and the City of Cincinnati

A. Economic Development Contract

Duke Energy Ohio, Inc., (DE-Ohio) and the City of Cincinnati (City), desire to enter a contract to provide economic development funds to the City for the purpose of creating jobs and fostering economic development within the City of Cincinnati.

The City is a mercantile customer of DE-Ohio with an annual load in excess of 42 million MWH. This contract furthers the state policy set forth in R.C. 4928.02 by strengthening the economy within the City through the creation of a significant number of jobs over a three year time period during a time of general economic duress.

The project proposed by the City, the development of a street car system in downtown Cincinnati, extending to the Over-the Rhine neighborhood, is not a retail project and is projected to create both construction-phase jobs, as well as permanent jobs within the City. If, for any reason, the City does not go forward with the street car project it will, with the Commission's approval, substitute another economic development project set forth in its reports to the Commission. The City is committed to projects that create a minimum of twenty-five (25) jobs during the three-year ESP period. The average hourly rate of the jobs shall exceed 150% of the federal minimum wage.

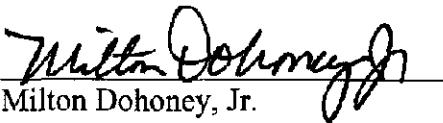
The City is a major employer in the Cincinnati area. It has significant financial resources to draw upon. The street car project may include federal, state, local, and/or private support in addition to the monies approved by the Public Utilities Commission of Ohio, if any. There are significant ancillary benefits to the project including significant additional tax revenues. The largest benefit is expected to come from the economic and business development along the street car corridor. The streetcar system alone is expected to consume approximately 7.5 million kWh per year, once fully operational. The City agrees to maintain the incremental employment for a period of three years beyond the date of initial operation.

DE-Ohio agrees to provide the City \$2 million during 2010, and \$1 million during 2011. DE-Ohio shall apply for recovery of half the funds equal to \$1 million during 2010, and \$500,000 during 2011 through its Rider DR-ECF conditioned upon approval for recovery by the Public Utilities Commission of Ohio (Commission) through a case filed during 2009 and upon the City meeting project milestones including but not limited to the creation of jobs within the City of Cincinnati. The City agrees to create a minimum of twenty-five (25) jobs through direct employment or indirect employment. Direct employment shall be incremental employees dedicated to the project above those employed by the City on January 1, 2009. Indirect employment shall be new jobs associated with a project sponsored by the City.

EXHIBIT 2 - AFFIDAVIT

State of Ohio)
) ss:
County of Hamilton)

I, Milton Dohoney, Jr., City Manager of the City of Cincinnati, am the duly authorized representative of the City of Cincinnati. I declare under oath that I have reviewed the foregoing Application and that the allegations contained in the Application are true and accurate to the best of my knowledge and belief.


Milton Dohoney, Jr.
City Manager
City of Cincinnati

Sworn to and subscribed before me, a Notary Public, this 1 day of September, 2010.



KRISTEN ANN COSGROVE
Attorney at Law
Notary Public, State of Ohio
My Commission Has No Expiration
Section 147.03 R.C.


Notary Public