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BEFORE

PUCO

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke Energy Ohio for an Increase in Electric Distribution Rates)	Case No. 08-709-EL-AIR
)	
In the Matter of the Application of Duke Energy Ohio for Tariff Approval)	Case No. 08-710-EL-ATA
)	
In the Matter of the Application of Duke Energy Ohio for Approval to Change Accounting Methods)	Case No. 08-711-EL-AAM
)	

DIRECT TESTIMONY OF

JAMES E. ZIOLKOWSKI

ON BEHALF OF

DUKE ENERGY OHIO

- _____ Management policies, practices, and organization
- _____ Operating income
- _____ Rate Base
- _____ Allocations
- _____ Rate of return
- X Rates and tariffs
- _____ Other:

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**DIRECT TESTIMONY OF
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ON BEHALF OF
DUKE ENERGY OHIO**

INDEX

Testimony discussing Duke Energy Ohio's proposed rate design.

TABLE OF CONTENTS

	<u>PAGE</u>
I. Introduction And Purpose	1
II. Schedules And Supplemental Information Requirement Sponsored By Witness	3
III. Rate Design: Major Distribution Retail Electric Rate Schedules.....	5
IV. Other Tariff Changes	9
A. Lighting Rates.....	9
B. Miscellaneous Charges And Service Regulations.....	11
V. Conclusion	16

Attachments:

JEZ-1: Application in Case No. 06-718-EL-ATA

I. INTRODUCTION AND PURPOSE

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is James E. Ziolkowski, and my business address is 139 East Fourth
3 Street, Cincinnati, Ohio 45202.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by the Duke Energy Corporation (Duke Energy) affiliated
6 companies as Rates Manager.

7 **Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL**
8 **QUALIFICATIONS.**

9 A. I received a Bachelor of Science degree in Mechanical Engineering from the U.S.
10 Naval Academy in 1979 and a Master of Business Administration degree from
11 Miami University in 1988. I am also a licensed Professional Engineer in the State
12 of Ohio.

13 **Q. PLEASE SUMMARIZE YOUR WORK EXPERIENCE.**

14 A. After graduating from the Naval Academy, I attended the Naval Nuclear Power
15 School and other follow-on schools. I served as a nuclear-trained officer on
16 various ships in the U.S. Navy through 1986. From 1988 through 1990, I worked
17 for Mobil Oil Corporation as a Marine Marketing Representative in the New York
18 City area.

19 I joined The Cincinnati Gas & Electric Company (CG&E) in 1990 as a
20 Product Applications Engineer, in which capacity I designed and managed some
21 of CG&E's demand side management programs including Energy Audits and
22 Interruptible Rates. From 1996 until 1998, I was an Account Engineer and

1 worked with large customers to resolve various service-related issues, particularly
2 in the areas of billing, metering, and demand management. In 1998, I joined
3 Cinergy Services, Inc.'s Rate Department, where I focused on rate design and
4 tariff administration. I was significantly involved with the unbundling and design
5 of CG&E's retail electric rates. I was appointed to my current position in January
6 2008.

7 **Q. PLEASE DESCRIBE YOUR DUTIES AS RATES MANAGER.**

8 A. As Rates Manager, I am responsible for rate design, tariff administration, billing,
9 and revenue reporting issues in Ohio and Kentucky. I also prepare filings to
10 modify charges and terms in Duke Energy Ohio's (DE-Ohio or Company) and
11 Duke Energy Kentucky's (DE-Kentucky) retail tariffs and develop rates for new
12 services. During major rate cases, I help with the design of the new base rates. I
13 assisted in the development of the retail electric tariffs in the Company's Case No.
14 03-93-EL-ATA, which established the Company's market-based standard service
15 offer. Additionally, I frequently work with DE-Ohio's and DE-Kentucky's
16 customer contact and billing personnel to answer rate-related questions, and to
17 apply the retail tariffs to specific situations. Occasionally, I meet with customers
18 and Company representatives to explain rates or provide rate training. I also
19 prepare reports that are required by regulatory authorities.

20 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC**
21 **UTILITIES COMMISSION OF OHIO?**

22 A. Yes. Most recently, I provided testimony in support of DE-Ohio's gas rate case
23 application in case number 07-589-GA-AIR.

1 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS
2 PROCEEDING?

3 A. The purpose of my testimony in this proceeding is to (1) provide support for certain
4 Standard Filing Requirements (SFR); (2) describe changes that have been made to
5 DE-Ohio's retail electric distribution rate schedules, riders, and Service Regulations;
6 (3) quantify the effect of these changes to our retail electric distribution customers;
7 and (4) discuss implementation procedures for filing the Company's tariffs after the
8 PUCO's order in this proceeding.

II. SCHEDULES AND SUPPLEMENTAL INFORMATION
REQUIREMENT SPONSORED BY WITNESS

9 Q. DID YOU PROVIDE ANY ADJUSTMENTS TO PRESENT REVENUE, OR
10 PROFORMA ADJUSTMENTS FOR USE IN THIS PROCEEDING?

11 A. Yes, the billing determinants associated with Ford's Batavia plant were eliminated.
12 Ford announced that the plant would close on or about May 30, 2008. This facility
13 was served under Rate TS, Transmission Voltage Service.

14 Q. PLEASE DESCRIBE THE SFR SCHEDULES YOU SPONSOR.

15 A. Schedule E-1 contains the proposed rate schedules. Proposed changes have been
16 underscored to clearly identify them while designation letters have been used to
17 reference the type of change being proposed.

18 Schedule E-2 contains the Company's current rate schedules. They have
19 been similarly underscored and coded according to the Commission's
20 requirements.

21 Schedule E-3 presents the rationale for the proposed changes. The

1 location of the respective current and proposed rates within Schedules E-1 and E-
2 is contained in the Data Reference section, as are references to other E
3 Schedules.

4 Schedule E-3.1 presents the components and computation of the customer
5 charge. This computation has been completed for the residential, small
6 distribution, large distribution, primary distribution, and transmission service
7 rates.

8 Schedule E-4 is the required revenue summary schedule depicting
9 revenues on both a current rate level and at the proposed rate level. Sales figures
10 and the associated revenues are brought forward from Schedule E-4.1. These
11 summaries identify sales and total revenues by rate schedule and the percent of
12 revenue each rate schedule contributes to total service revenue. In addition,
13 Schedule E-4 displays the amount and percent increase proposed for each class of
14 service.

15 Schedule E-4.1 is a series of analyses that develop the revenues shown on
16 Schedule E-4. These analyses present the billing determinants associated with the
17 respective rate schedules at both current and proposed charges. Customer bills
18 and sales are actual amounts for the first three months of the test period, combined
19 with the Company's budgeted sales for the remainder of the test year. Bill
20 frequency analyses were used to "spread back" the sales by block or rate step
21 where appropriate.

22 Schedule E-5 is a typical bill comparison that presents the effect of the

1 proposed rates, showing the amount and percent increases for bills at various
2 consumption levels.

3 Finally, I sponsor the Supplemental Information required by Chapter II (C)
4 (11). This consists of monthly sales by rate schedule consistent with Schedule C-
5 2.1, which is sponsored by DE-Ohio witness Mr. William Don Wathen Jr.

6 **Q. HAVE YOU PREPARED SFR SCHEDULE E-4.3?**

7 A. No. Schedule E-4.3 requires the submission of actual statistics. This schedule
8 cannot be prepared now since the test year in this docket is the twelve months
9 ending December 31, 2008. It will be prepared as soon as actual data are available
10 and filed according to the Commission's regulations.

**III. RATE DESIGN: MAJOR DISTRIBUTION RETAIL
ELECTRIC RATE SCHEDULES**

11 **Q. WHAT ARE THE COMPANY'S MAJOR RETAIL ELECTRIC RATE**
12 **SCHEDULES?**

13 A. The Company's major retail electric rate schedules include: Rate RS - Residential
14 Service (Rate RS); Rate DM - Secondary Distribution Service - Small (Rate DM);
15 Rate DS - Service at Secondary Distribution Voltage (Rate DS); Rate DP -
16 Service at Primary Distribution Voltage (Rate DP); and Rate TS - Service at
17 Transmission Voltage (Rate TS). Together, these rate schedules comprise
18 approximately 97% of DE-Ohio's distribution retail electric revenue requirement.

1 **Q. PLEASE DESCRIBE THE SPECIFIC METHODS USED TO DESIGN**
2 **RATE RS.**

3 A. We compiled a record of bills and sales for the first three months of the test period
4 (*i.e.*, January 2008 through March 2008) and used this information to derive what
5 is commonly referred to as a frequency distribution. To verify the accuracy of the
6 data, we then reconciled this distribution of bills and sales against DE-Ohio's
7 books and records for the kilowatt-hours (kWh) sold and revenues recorded in the
8 first three months of the test period. Budgeted sales for the remainder of the test
9 period were then added to the actual results to complete sales for the test period.
10 To meet the allocated revenue requirement, the Customer Charge was raised to
11 include a greater portion of DE-Ohio's fixed costs to serve the particular customer
12 class. Although higher, the customer charge proposed is still less than the
13 monthly fixed costs associated with serving customers. The remainder of the
14 revenue requirement, after subsidy and excess revenue reductions, was satisfied in
15 the block steps of the rate.

16 **Q. WHAT IS THE EFFECT OF THIS RATE INCREASE ON A TYPICAL**
17 **RESIDENTIAL CUSTOMER USING 1,000 KWH PER MONTH?**

18 A. A typical residential customer using 1,000 kWh per month will experience an
19 increase of \$4.77, or 4.5%, on a total bill basis. This calculation reflects all
20 applicable riders in effect at the time of filing except for the three State riders,
21 Ohio Excise Tax Rider (Rider OET), Universal Service Fund Rider (Rider USF),
22 and Energy Efficiency Revolving Loan (Rider EER). Because the Regulatory

1 Transition Charge (Rider RTC) is scheduled to terminate for residential customers
2 at the end of 2008 in accordance with DE-Ohio's Electric Transition Plan Case
3 (Case No. 99-1658-EL-ETP), a typical residential customer using 1,000 kWh will
4 experience an overall decrease on their bills in 2009 based upon the applicable
5 rates and charges in effect at the time of this filing. Other residential customers
6 may see an increase on bills due to the new distribution rates, but the overall
7 increases will be substantially mitigated by the elimination of the Rider RTC.

8 **Q. IS DE-OHIO PROPOSING AN ADJUSTMENT TO RATE DM IN THIS**
9 **PROCEEDING?**

10 A. Yes. We developed this rate in a manner consistent with Rate RS. We
11 maintained the current customer charges at \$7.50 and \$15.00 for single phase and
12 three phase service, respectively.

13 **Q. PLEASE DESCRIBE THE COMPANY'S RATE DESIGN OBJECTIVES**
14 **FOR RATE DS, RATE DP, AND RATE TS.**

15 A. Our rate design objectives for these rate schedules (hereinafter referred to as
16 "power rate schedules" or "power rates") are to provide more accurate price
17 signals. To accomplish this, we have made modest progress by increasing the
18 customer charges in each of the rates. As with rates RS and DM, the customer
19 charges remain substantially below the actual cost to serve. Aside from this, there
20 are no structural changes to the power rates.

21 **Q. WHAT ARE THE PROPOSED CUSTOMER CHARGES?**

22 A. The customer charges for Rates DP and TS are \$200. For rate DS, the customer

1 charges are \$20.00 for single phase service and \$40.00 for three phase service.

2 **Q. HAVE YOU PREPARED RATE STRUCTURES FOR THE POWER**
3 **RATES?**

4 A. Yes. Again, there are no structural changes. Following an increase in the
5 customer charges for Rates DS, DP and TS, the remainder of the revenue
6 requirement was satisfied by increasing (Rates DP and DS) or decreasing (Rate
7 TS) the respective kW charge. (Rate TS' small distribution amounts have resulted
8 in a significant reduction in the rate.)

9 **Q. PLEASE EXPLAIN THE CHANGES YOU ARE MAKING TO THE REAL**
10 **TIME PRICING PROGRAM, RATE RTP.**

11 A. We updated the Real-Time Pricing Program (Rate RTP) Energy Delivery Charges
12 for the DS, DP, and TS versions of Rate RTP. We propose to increase the RTP
13 Program Charge from \$183 to \$325. For Rate TS-RTP, the Energy Delivery
14 Charge is set at zero- all of the TS-RTP distribution revenue requirements will be
15 collected through the Program Charge.

16 **Q. PLEASE DESCRIBE SOME OF THE OTHER CONSIDERATIONS THAT**
17 **GUIDED YOUR RATE DESIGN.**

18 A. DE-Ohio believes that specific rates for various customer classes should be designed
19 to reflect the approximate level of the costs to provide service to the specific rate
20 class. It is reasonable that customers pay rates based on the cost of providing them
21 with electric distribution service.

22 The rates that DE-Ohio proposes implementing move more fully toward the

1 cost-of-service developed by DE-Ohio witness Mr. Donald L. Storck. Likewise, my
2 proposed allocation between the customer charge and volumetric charges furthers
3 this goal.

4 **Q. WILL THE GREATER RECOVERY OF COSTS THROUGH THE FIXED**
5 **MONTHLY CHARGE NEGATE CUSTOMERS' ABILITY TO REDUCE**
6 **THEIR UTILITY BILLS THROUGH CONSERVATION EFFORTS?**

7 A. No. Even at their higher levels, the customer charges represent only a small
8 percentage of most customer bills. Customers can still affect a significant portion of
9 their bill - distribution, transmission and generation related charges - through
10 conservation and demand side management.

11 **IV. OTHER TARIFF CHANGES**

A. **LIGHTING RATES**

12 **Q. PLEASE DESCRIBE DE-OHIO'S RATE DESIGN OBJECTIVES FOR ITS**
13 **STREET LIGHTING SERVICE – CUSTOMER OWNED (RATE SC)?**

14 A. Our rate design objective for Rate SC is to close this tariff for new customers and
15 to phase it out over time. Rate SC is duplicative of another street lighting rate
16 currently offered by DE-Ohio, namely, Rate OLE, *Outdoor Lighting Equipment*
17 (Rate OLE). DE-Ohio intended to close and phase out Rate SC in its last electric
18 distribution case, Case No. 05-59-EL-AIR, but inadvertently left the proposal out
19 of its filing.

20 DE-Ohio believes that resources should be devoted to providing safe,
21 adequate, and reliable electric service rather than administering multiple and
22 duplicative discretionary ornamental lighting programs, which are currently

1 supported by these rate schedules and which could be obtained from a private
2 contractor. DE-Ohio has already begun phasing out many of its street lighting
3 tariffs in the interest of operational efficiency. The number of lighting types and
4 fixtures has grown considerably over the years, making the administration of
5 multiple lighting programs more difficult and time consuming. Customers who
6 desire a lighting system not offered by DE-Ohio can procure a system from any
7 contractor and pay for the energy through Rate UOLS – Unmetered Outdoor
8 Lighting Service (Rate UOLS).

9 New customers will be offered Company standard lighting equipment and
10 maintenance under the Company’s Rate OLE with the associated energy provided
11 under Rate UOLS.

12 The Company anticipates canceling Rates Street Lighting Service –
13 Customer Owned (Rate SC) in ten years. During these time periods, the existing
14 flat rate lighting schedules customers will be migrated to the UOLS/OLE rates as
15 their existing lighting systems reach the end of their useful life. When Rate SC is
16 cancelled, the remaining customers will be offered maintenance of any remaining
17 lights under Rate OLE and will be served under Rate UOLS for their energy
18 service. At any time, customers can choose to have a new system installed by DE-
19 Ohio under Rates UOLS/OLE or they can purchase a new system from a lighting
20 contractor.

21 **Q. WILL PHASING OUT RATE SC BENEFIT LIGHTING CUSTOMERS?**

22 **A.** Yes. Rate OLE provides a one-on-one equipment contract with the customer
23 where the customer pays the current cost of the lighting system. This locks in the

1 customer's equipment cost, insulates customers from future rate increases on the
2 equipment portion of the lights, and eliminates subsidies to and from other
3 lighting customers. Customers will have an option to pay for the physical lighting
4 equipment up-front or over time, up to a maximum of ten years. Once the
5 customer has fully paid-off the lighting equipment costs, they will no longer have
6 a monthly payment for the equipment and will be required to pay only for
7 maintenance. In contrast, Rate SC customers pay a single monthly fee, which
8 includes an equipment charge, as long as they require electric service. If the
9 customer's lighting system exceeds the average system life, they end up over-
10 paying for the physical equipment since their rates remain the same.

11 **Q. WILL ELIMINATING RATE SC RESULT IN HIGHER LIGHTING**
12 **COSTS FOR CUSTOMERS?**

13 A. Customers who install new systems will see higher lighting equipment costs in the
14 first years relative to the current tariff, but will see only maintenance and energy
15 costs in the later years, as discussed above.

16 **B. MISCELLANEOUS CHARGES AND SERVICE REGULATIONS**

17 **Q. WHAT CHANGES ARE YOU PROPOSING TO DE-OHIO'S**
18 **MISCELLANEOUS CHARGES AND SERVICE REGULATIONS?**

19 A. Sheet No. 25, Service Regulations Section VI, paragraph 6 (Net Metering) is
20 being changed to clearly state that the Company will purchase power from net
21 metering customers at the generation rate, as discussed in the PUCO's web site.
22 The web site states, "In that case the month-end meter reading will be lower than
23 the beginning meter reading, and there will be a negative (credit) amount on the

1 bill. This credit, however, will be limited to generation charges, and will not
2 apply to other metered charges such as those for distribution and transmission.”

3 Language is added to Sheet No. 23, Customer’s and Company’s
4 Installation that requires municipalities to pay the difference in cost between
5 overhead and underground installations when they require the Company to
6 construct underground distribution facilities. The same language is used by AEP
7 and is based on a recent Ohio Supreme Court decision.

8 Section 3 of Sheet No. 25 (Billing and Payment) is being changed to
9 correct a reference to the reconnection fee. This section states, “If any residential
10 customer notifies the Company in writing to discontinue service, the Company
11 will make no minimum charge for any full meter reading period during the period
12 of discontinuance; provided however, that the Company may charge and collect a
13 sum of fifteen (\$15.00) prior to reconnecting a service which was discontinued at
14 the customer’s request within the preceding twelve months.” The phrase “sum of
15 fifteen dollars (\$15.00)” is being changed to “fee in accordance with paragraph B
16 of Sheet No. 92”.

17 **Q. DOES THE COMPANY PROPOSE ANY TEXT CHANGES IN ITS**
18 **TARIFF SCHEDULES?**

19 **A.** Yes. To eliminate confusion, the Company proposes to add language to the
20 Applicable Riders section of Rate RTP, Real Time Pricing Program that clarifies
21 the billing determinants to be used when calculating each of the riders. The new
22 language clarifies that all riders are billed against the total monthly demand and
23 consumption except for the Fuel and Purchased Power Rider (Rider FPP) and the

1 Transmission Cost Recovery Rider (Rider TCR), which are billed against the
2 Customer Baseline/Billing Demand history (CBL/BDH) demand and
3 consumption. This new language is consistent with the existing billing practices.

4 **Q. DOES THE COMPANY PROPOSE TO CANCEL ANY TARIFF**
5 **SCHEDULES?**

6 A. Yes. The Company proposes to cancel Rate HEC, Home Energy Check-Up
7 Service Program, Sheet No. 32.1. DE-Ohio no longer offers this program. The
8 Company offers other types of residential energy assessments. DE-Ohio also
9 proposes to cancel its three economic development tariffs and combine them into
10 a new single tariff as described below. The Company proposes to cancel and
11 withdraw its Residential Generation Rider (Rider RGR), which provided the 5%
12 residential generation discount during the market Development Period and is no
13 longer applicable. Finally, the Company proposes to cancel and withdraw the
14 Optional Alternative generation Service Rider (Rider AG). Rider AG was never
15 used, and it has been rendered obsolete by various Commission Orders issued
16 since 2001.

17 **Q. DOES THE COMPANY PROPOSE ANY NEW TARIFFS?**

18 A. Yes. DE-Ohio proposes to implement three new riders as part of this proceeding:
19 (1) Distribution Rider (Rider DR), Sheet No. 70; (2) Development Incentive Rider
20 (Rider DIR), Sheet No. 71; and (3) Back-up Delivery Point Rider (Rider BDP).

21 **Q. PLEASE DESCRIBE DE-OHIO'S PROPOSED RIDER DR.**

22 A. Under Rider DR, Sheet No. 70, all retail customers shall be assessed a monthly
23 charge in addition to the Customer Charge Component of their applicable rate

1 schedule that will enable DE-Ohio to recover incremental revenue requirements
2 associated with changes in distribution investment and distribution expenses, net
3 of customer growth. DE-Ohio witness Mr. William Don Wathen Jr. describes this
4 rider in more detail in his testimony.

5 **Q. PLEASE DESCRIBE DE-OHIO'S PROPOSED RIDER DIR?**

6 A. Rider DIR, Sheet No. 71 replaces and modifies three current riders: Rider BR
7 (Brownfield Redevelopment), Rider UR (Urban Redevelopment), and Rider ED
8 (Economic Development). Under Rider DIR, the distribution demand charge for
9 eligible customers will be reduced by 50% for twenty-four months. Under Rider
10 ED and UR, distribution charges were reduced by 50% for twelve months, Under
11 Rider BR, demand charges were reduced by 50% in year one, 40% in year two,
12 30% in year three, 20% in year four, and 10% in year five. Rider DIR contains
13 three programs (Economic Development, Urban Redevelopment, and Brownfield
14 Redevelopment), each with their own participation requirements, but it provides
15 for consistent participant benefits.

16 **Q. PLEASE DESCRIBE THE COMPANY'S PROPOSAL TO ESTABLISH A**
17 **TARIFF TO PROVIDE BACK-UP CAPACITY FROM ITS**
18 **DISTRIBUTION AND / OR TRANSMISSION SYSTEM(S) UNDER RIDER**
19 **BDP – BACK-UP DELIVERY POINT.**

20 A. DE-Ohio filed an Application to establish a Rider BDP on May 19, 2006 in Case
21 No. 06-718-EL-ATA. To date, the Commission has not acted upon this
22 Application and a procedural schedule was not established. On July 25, 2008,

1 DE-Ohio filed a Motion proposing to consider the Rider BDP in Case No. 06-
2 718-EL-ATA with the present rate case. Attachment JEZ-1 is a copy of the
3 Application filed in Case No. 06-718-EL-ATA.

4 As the Application explained, Rider BDP – Back-up Delivery Point,
5 provides for additional access to the Company’s distribution and/or transmission
6 system(s) for customers that require enhanced reliability (but does not imply
7 uninterrupted service). This additional access generally takes the form of an
8 electrical tie to another distribution and/or transmission circuit to provide a
9 redundant source of power to a customer in the event that the customer’s primary
10 service experiences interruption. Rider BDP also contemplates a fee to
11 compensate DE-Ohio for reserving capacity on the redundant circuit.

12 Customer demand for this type of service has grown in recent years.
13 Customers are demanding increasing levels of reliability. Many customers are
14 willing to pay the additional costs of obtaining a redundant system to insulate their
15 operations from normal outage situations. To respond to this demand, DE-Ohio
16 has developed Rider BDP. Under this rider, customers are required to pay the
17 Company’s costs for any dedicated facilities required to provide the back-up
18 service. Customers are also required to pay for the Company reserving capacity
19 on the facilities serving the back-up facilities. This helps to ensure that the line
20 capacity is available to the customer’s back-up point in the event their primary
21 source of energy experiences an interruption. In addition, customers are charged
22 for acceleration of capacity additions, if applicable. Appropriately charging for
23 reserve capacity helps to cover real costs, avoid subsidization by other customers,

1 and establish a reasonable basis to continue to provide this value added service.

2 **Q. HOW HAVE THE CHARGES FOR RIDER BDP BEEN DEVELOPED?**

3 A. There are two primary components to how Rider BDP will be charged. The first
4 component is an Access Charge, and the other, if applicable, is a Cost of
5 Ownership Charge (COO).

6 Customer characteristics determine the charges under Rider BDP, and how
7 the service is delivered to the customer is a key component in the determining
8 those charges. Customers requesting distribution and transmission sources that
9 are distinctly different from the sources providing the customers' primary service
10 are charged an Access Charge. This charge is based upon the transmission and
11 distribution components of the applicable CG&E unbundled rate (*i.e.*, Rate DS,
12 Rate DP, or Rate TS).

13 The next component of Rider BDP charges depends on whether facilities
14 must be constructed in advance of planning estimates. The advancement, in
15 number of years, is used to determine a COO charge. The annual COO charge is
16 the product of the capital investment, a levelized fixed charge rate (LFCR) and the
17 project advancement in years. Typically, the charges associated with advanced
18 construction would be discounted to present value terms and paid in a lump sum.

19 Any dedicated facilities needed to provide access to the Company's
20 distribution and/or transmission system(s) are priced under the Company's normal
21 excess facilities agreements/arrangements.

V. CONCLUSION

1 **Q. HOW DOES THE COMPANY PROPOSE THAT THE COMPANY'S**
2 **TARIFFS, INCLUDING THE PREVIOUSLY DISCUSSED RATES AND**
3 **CHARGES, BE IMPLEMENTED?**

4 **A.** We propose that the revised tariffs, including the rates and charges complying
5 with the Commission's Order in this Case, be effective by April 1, 2009, for all
6 customers.

7 **Q. WERE THE SCHEDULES DISCUSSED ABOVE PREPARED BY YOU OR**
8 **UNDER YOUR SUPERVISION?**

9 **A.** Yes.

10 **Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?**

11 **A.** Yes.

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

Application Not for an Increase in Rates,
pursuant to Section 4909.18 Revised Code

In the Matter of the Application of The Cincinnati Gas
& Electric Company For Approval of its Rider BDP,
Backup Delivery Point)

) Case No. 06-718-EL-~~FRF~~
ATA

1. APPLICANT RESPECTFULLY PROPOSES: (Check applicable proposals)

- New Service Change in Rule or Regulation
- New Classification Reduction Rates
- Change in Classification Correction of Error
- Other, not involving increase in rates.
- Various related and unrelated textual revision, without change in intent

2. DESCRIPTION OF PROPOSAL: This application is made pursuant to Section 4909.18, Ohio Revised Code, and requests approval of its Rate BDP, Backup Delivery Point.

3. TARIFFS AFFECTED: (If more than 2, use additional sheets)

P.U.C.O. Electric No. 19, Sheet No. 100

Tariff Title:

Rate BDP, Backup Delivery Point Capacity Rider

Section:

New Tariff

4. Attached hereto and made a part hereof are: (Check applicable Exhibits)

- Exhibit A - existing schedule sheets (to be superseded) if applicable
- Exhibit B - proposed schedule sheets

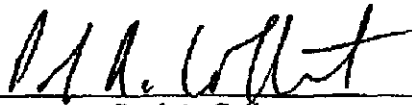
X Exhibit C-1

- (a) if new service is proposed, describe;
- (b) if new equipment is involved, describe (preferably with a picture, brochure, etc.) and where appropriate, a statement distinguishing proposed service from existing services;
- (c) if proposed service results from customer requests, so state, giving if available, the number and type of customers requesting proposed service

___ Exhibit C-2 - if a change of classification, rule or regulation is proposed, a statement explaining reason for change.

___ Exhibit C-3 - statement explaining reason for any proposal not covered in Exhibits C-1 or C-2.

- 5. This application will not result in an increase in any rate, joint rate, toll, classification, charge or rental.
- 6. Applicant respectfully requests the Commission to permit the filing of the rate schedule, to become effective on the date, subsequent to filing, to be shown on the proposed schedule which will be filed with the Commission; and to be in the form shown in Exhibit B.



Paul A. Colbert

Senior Counsel

Title

The Cincinnati Gas & Electric Company
139 East Fourth Street
Cincinnati, Ohio 45202

Address

(614) 221-7551

Telephone Number

Exhibit B

PROPOSED TARIFF SCHEDULES
RATE BDP, BACKUP DELIVERY POINT

The Cincinnati Gas & Electric Company
139 East Fourth Street
Cincinnati, Ohio 45202

P.U.C.O. Electric No. 19
Sheet No. 100
Page 1 of 2

RIDER BDP

(N)

Backup Delivery Point Capacity Rider

BACKUP DELIVERY POINT (TRANSMISSION/DISTRIBUTION) CAPACITY

The Company will normally supply service to one premise at one standard voltage at one delivery point and through one meter to a Non-Residential Customer in accordance with the provisions of the applicable rate schedule and the Electric Service Regulations. Upon customer request, Company will make available to a Non-Residential Customer additional delivery points in accordance with the rates, terms and conditions of this Rider BDP.

NET MONTHLY BILL

1. Connection Fee \$300.00
The Connection Fee applies only if an additional metering point is required.
2. Monthly charges will be based on the unbundled distribution and/or transmission rates of the customer's most applicable rate schedule and the contracted for reserved backup delivery point capacity.
3. The Customer shall also be responsible for the acceleration of costs, if any, that would not have otherwise been incurred by Company absent such request for additional delivery points. The terms of payment may be made initially or over a pre-determined term mutually agreeable to Company and Customers that shall not exceed the minimum term. In each request for service under this Rider, Company engineers will conduct a thorough review of the customer's request and the circuits affected by the request. The customer's capacity needs will be weighed against the capacity available on the circuit, anticipated load growth on the circuit, and any future construction plans that may be advanced by the request.

SPECIAL TERMS AND CONDITIONS

The Company will provide such backup delivery point capacity under the following conditions:

1. Company reserves the right to refuse backup delivery capacity to any Customer where such backup delivery service is reasonably estimated by Company to impede or impair current or future electric transmission or distribution service.
2. The amount of backup delivery point capacity shall be mutually agreed to by the Company and the Customer because the availability of specific electric system facilities to meet a Customer's request is unique to each service location.
3. System electrical configurations based on Customer's initial delivery point will determine whether distribution and/or transmission charges apply to Customer's backup delivery point.
4. In the event that directly assigned facilities are necessary to attach Customer's backup delivery point to the joint transmission or distribution systems, Company shall install such facilities and bill Customer the Company's full costs for such facilities and installations.

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

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Issued by Sandra P. Meyer, President

The Cincinnati Gas & Electric Company
139 East Fourth Street
Cincinnati, Ohio 45202

P.U.C.O. Electric No. 19
Sheet No. 100
Page 2 of 2

SPECIAL TERMS AND CONDITIONS (Contd.)

5. Energy supplies via any backup delivery point established under this Rider BDP will be supplied under the applicable rate tariff and/or special contract.
6. Company and the Customer shall enter into a service agreement with a minimum term of five years. This service agreement shall contain the specific terms and conditions under which Customer shall take service under this Rider BDP.
7. Company does not guarantee uninterrupted service under this rider.

SERVICE REGULATIONS

The supplying of, and billing for, service and all conditions applying thereto, are subject to the jurisdiction of the Public Utilities Commission of Ohio, and to the Company's Service Regulations currently in effect, as filed with the Public Utilities Commission of Ohio.

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Exhibit C-1

(a) Description of New Service

The Cincinnati Gas & Electric Company (CG&E) proposes to implement electric Rider BDP, Backup Delivery Point, Sheet No. 100.

The Company's standard tariffs provide each customer with a single delivery point. Rider BDP - Backup Delivery Point, provides for additional access to the Company's distribution and / or transmission system(s) for customers that require enhanced reliability (but does not imply uninterrupted service). This additional access generally takes the form of an electrical tie to another distribution and / or transmission circuit to provide a redundant source of power to a customer in the event that the customer's primary service experiences interruption. Rider BDP also contemplates a fee to compensate CG&E for reserving capacity on the redundant circuit.

Customer demand for this type of service has grown in recent years. Many Customers are demanding increasing levels of reliability and are willing to pay the additional costs of obtaining a redundant system to insulate their operations from normal outage situations. To respond to this demand, the Company has developed Rider BDP. Under this rider, customers are required to pay the Company's costs for any dedicated facilities required to provide the backup service. Customers are also required to pay for the Company reserving capacity on those facilities serving the backup facilities. This helps to ensure that the line capacity is available to the customer's backup point in the event their primary source of energy experiences an interruption. Accelerated projects notwithstanding, appropriate BDP pricing enables the Company to be indifferent as to whether it simply provides capacity or provides electric service on its transmission and distribution assets.

In addition, customers are charged for acceleration of capacity additions, if applicable, that would not otherwise have been incurred by Company absent the Customer's request for additional delivery points. The acceleration payment may be made initially or over a pre-determined term mutually agreeable to Company and Customers that shall not exceed the minimum term of the accelerated additions. In each request for service under this Rider, Company engineers will conduct a thorough review of the customer's request and the circuits affected by the request. The customer's capacity needs will be weighed against the capacity available on the circuit, anticipated load growth on the circuit, and any future construction plans that may be advanced by the request. Appropriately charging for reserve capacity helps to cover real costs, avoid subsidization by other customers, and establish a reasonable basis to continue to provide this value-added service.

In summary, Rider BDP was developed for Non-Residential customers who request additional delivery points in accordance with the provisions of the applicable rate schedule, electric service regulations, terms and conditions of Rider BDP. The charges specified in Rate BDP are based on those in the Company's existing rate schedules including Rates DS, DP, and TS. The most applicable rate will apply. For instance, if a DM customer requests BDP, then DS rates will be most applicable. Project advancement may also prompt a charge based on the acceleration of projects.

(b) New Equipment

None.

(c) Customer Requests

Many customers have requested a Backup Delivery Point. Hospitals, water treatment plants, and other power sensitive industries find value in this type of service.