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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 Its Gas and Electric)	
Recovery Rate for SmartGrid Deployment Under)	Case No. 09-543-GE-UNC
Riders AU and Rider DR-IM)	
In the Matter of the Application of Duke Energy)	
Ohio for Tariff Approval)	Case No. 09-544-GE-ATA
In the Matter of the Application of Duke Energy)	
Ohio to Change its Accounting Methods)	Case No. 09-545-GE-AAM

**COMMENTS
OF THE STAFF OF
THE PUBLIC UTILITIES COMMISSION OF OHIO**

EXECUTIVE SUMMARY

On June 30th, 2009, Duke Energy Ohio (Duke) filed an application to establish the rates, tariffs and accounting procedures necessary to implement Rider AU and Rider DR-IM. These two riders were approved in Case Nos. 07-589-GA-AIR and 08-920-EL-SSO, respectively.

In its application, Duke proposed establishing initial rates for these two riders to recover investments made in Electric AMI and Gas AMR systems through December 31, 2008. The Staff's comments in this proceeding are based on its review of the Application, and audits verifying the information underlying the proposed rates. As is discussed below, certain aspects of Staff's audits are still proceeding at the time of this writing. The Staff's recommendations, based on its review and audit to date are detailed in the following pages. To summarize, the Staff recommendations:

- Adjustments to various figures in the Applicant's calculation of Riders AU (Gas) and DR-IM (Electric).
- The use of estimates of future benefits as an offset to current costs in the calculation of the DR-IM rider.
- Separate calculations of Rider AU to be applicable for Duke's Gas-Only customers.
- Ongoing review and audit of the implementation through a collaborative process.

INTRODUCTION

The focus of this proceeding is on the investment through December 31, 2008 to install AMI and AMR systems in Duke's service territory. The installation of AMI systems is proceeding as a part of Duke's implementation of a developing "smart grid". At the time of this writing, the Staff audit is still in progress. Issues that are being investigated are described below in the Staff Audit section.

While the focus of the audit and verification process is on expenditures and activity through the end of 2008, the Staff believes that viewing the DR-IM Rider in a broader context will be useful in order to assure that certain principles may be recognized by the Commission, the company and other stakeholders as guideposts to smart grid implementation, and to assure that there is an appropriate balance of costs and benefits. These are discussed in the IM Rider section of these comments.

STAFF FINDINGS AND RECOMMENDATIONS

Audit of 2008 Expenditures

Plant Additions – Electric

Duke asserted that SmartGrid electric plant additions included as part of the revenue requirement in this proceeding were not included in base rates established in Case No. 08-709-EL-AIR. The Applicant presented SmartGrid electric plant additions on Attachment WDW-1 (Revised), Schedule 2, of Applicant witness Donald Wathen's testimony (Schedule 2). The significant accounts in terms of dollars spent were Meters, Communications Equipment-Electric, and Communications Equipment-Common.

Duke purchased and capitalized the cost of 50,000 SmartGrid meters during 2008. Duke installed approximately 43,600 meters during 2008. These additions were capitalized in the Meters account. Communications Equipment – Electric includes the costs of electric communications boxes and Echelon Electric Data Collectors. The communications boxes house the data collectors. The filing reflects costs for approximately 13,000 boxes and collectors. Communications Equipment – Common includes the costs of 800 communications boxes, Echelon Electric Data Collectors, and Badger Gas Data Collectors.

Staff sampled and vouched electric plant additions amounts from Schedule 2, through Duke's accounting records to vendor invoices. Duke reported that meter costs on Schedule 2 for January, February, and March 2008, were also included in the date-certain plant balances of Duke's distribution base rate case, Case No. 08-709-EL-AIR (Distribution Rate Case). Staff

recommends a reduction totaling \$47,721 in plant additions.

Duke seeks to recover the cost of leasehold improvements for its SmartGrid demonstration project, the Envision Center through Rider DR-IM. Staff does not recommend recovery of any Envision Center costs through the rider as the Envision Center is not part of the SmartGrid deployment.

Plant Additions - Gas

Staff initiated its audit of the gas capital additions portion of Rider AU by requesting a summary of monthly charges, by category, for each of the FERC accounts listed in the Schedule 2 of Attachment WDW-2. From that summary, Staff identified those categories having the highest expenditures through year-end 2008, and for each identified category, requested a detailed listing of all associated charges. From each such detailed listing, Staff selected an audit sample and requested supporting documentation for each item in that sample. After reviewing the documentation provided, Staff determined whether the costs were substantiated or an adjustment was warranted. Based on the results of its audit, Staff recommends adjustments as discussed in the paragraphs below.

During its audit, Staff discovered that, during 2008, Duke had purchased about twice as many Badger modules as it had actually installed on customer gas meters.¹ The cost of the 23,573 uninstalled modules was \$1,056,618. Staff believes that 20,579 (or 87.3 %) of these uninstalled modules represent excessive stock and therefore recommends that the associated \$922,427 cost should be excluded from 2008 additions for Rider AU. This adjustment involves

¹ See Duke's response to Staff Data Requests 3-1 and 13-2.

a 12.7 percent allowance for reasonable working inventory, which matches the percentage of uninstalled electric smart meters that Duke had on hand at the end of 2008.

Although it is always necessary to replace an existing electric meter in order to install a smart meter, such replacement is not typically required to enable the installation of automatic meter reading device (AMR), which Duke is installing on its gas meters.² Duke, however, had to replace 15 percent of the meters scheduled to receive the Badger modules (AMR devices) during 2008 due to the meter's incompatibility with the AMR units. Duke informed Staff that nearly all of these replacements involved meters that were manufactured prior to 1969.³

During the last depreciation accrual rate study⁴, the meter account as a whole was estimated to have an average service life of 45 years. However, the meters in question are no longer manufactured and repair parts are not generally available, indicating a shorter service life than the account as a whole. Based on this, it is expected that these meters would have been retired and replaced in the very near future in the normal course of business, even absent AMR implementation. Therefore, Staff believes the retirement and replacement of these meters should be recovered through normal ratemaking and accounting processes, rather than through the accelerated recovery provided by Rider AU. Staff took a similar position with respect to accelerated recovery riders for AMR devices in the Staff reports in Cases 06-1453-GA-UNC and 08-073-GA-ALT.

² Instead of transmitting to a meter reading van, Duke's AMR devices transmit directly to the company's back office, using the system shared with the electric AMI implementation.

³ See Duke's response to Staff Data Request 8-2.

⁴ 07-589-GA-AIR et. al.

In 2008, Duke spent \$1,158,091 on 12,770 gas meters intended to replace “legacy” meters that are incompatible with the Badger modules, as discussed above. It also paid contractors \$157,070 to install 2,154 replacement gas meters. These purchase and installation amounts total \$1,315,162, which Staff recommends be excluded from Rider AU recovery.

During its audit of gas communication equipment charges, Staff identified 20 contractor labor invoices (totaling \$405,007 for installing Badger modules and replacement meters), which Duke had incorrectly charged to the gas Communication Equipment account instead of the gas Meters account.⁵ Staff recommends that these charges be reclassified to the Meters account, and notes that the portion of these invoices involving replacement meters is also included in the “Replacement Gas Meters” adjustment discussed above.

During an interview with Duke’s technical personnel, Staff learned that certain materials used for installation of electric smart meters had been charged to the gas meters account.⁶ Staff recommends that the \$2,226 cost of these materials be transferred to the electric meters account.

During its audit of gas meter-related charges, Staff identified a \$15,000 consultant invoice for an Extended DSM Valuation.⁷ Duke had split the charges between two gas accounts and one electric account. Since DSM valuation costs do not relate to any equipment that is being installed on this project, they should not be charged to any capital additions account. Staff therefore recommends the exclusion of this charge.

⁵ See Duke’s responses to Staff Data Requests 28-1 and 29-1.

⁶ The telephone interview was conducted August 18, 2009. Also see Duke’s response to Staff Data Request 26-1.

⁷ See Duke’s responses to Staff Data Requests 18-2 and 30-1.

During its audit of Electronic Data Processing Equipment charges, Staff identified four invoices charging for telephone equipment at Duke's Envision Center. These charges totaled \$5,848.80, which was allocated between electric and gas rather than the special project established to collect Envision Center costs.⁸ Since the Staff is recommending the exclusion of all Envision Center costs from rider recovery, it recommends these related costs be excluded also.

Depreciation Expense

Duke calculated depreciation expense by applying electric and gas, account specific, accrual rates to their respective plant account balances. Staff recommends that Duke use the account appropriate accrual rates prescribed by the Commission and in effect during 2008.

The Applicant discovered and reported to the Staff an error regarding electric depreciation expense for April through December 2008. The correction reduces depreciation expense for April through December by \$81 per month for a total of \$729.

Staff discovered that the Applicant did not include depreciation expense in Rider AU for its investment in Electronic Data Processing Equipment – Gas. Staff recommends an adjustment to reflect the 20% accrual rate applied the July investment of \$16,854 to calculate depreciation expense for August through December. The monthly amount is \$281 for a total of \$1405.

⁸ See Duke's response to Staff Data Request 18-04.

Post-In-Service Carrying Cost (PISCC)

Applicant calculated PISCC for Rider AU and Rider DR-IM using the half -month convention for the cost of long-term debt. Rider DR-IM, Schedule 4, shows the debt rate as 6.48% while Schedule 7 shows the debt rate of 6.45% approved as part of the rate of return in the Distribution Rate Case. Staff recommends the PISCC calculation use the debt rate of 6.45%.

Net Deferred Tax Balances

Rider AU and Rider DR-IM include calculations for deferred income taxes on deferred amounts associated with PISCC, depreciation and carrying costs, and deferred O&M and carrying costs. Staff recommends not offsetting deferred balances by their associated deferred taxes. This recommendation is consistent with the Commission decision in *In re Ohio Edison Co., The Cleveland Electric Illuminating Co., Toledo Edison Co., Case No.07-551-EL-AIR Opinion and Order at 10 (January 21, 2009)*.

Deferred Taxes on Liberalized Depreciation

Rider AU and Rider DR-IM include calculations for deferred income taxes associated with the difference between depreciation expense recognized for book purposes and depreciation recognized for tax purposes. Staff recommends adjusting the calculations to reflect corrections and recommendations for plant additions and depreciation expense above.

Annualized Depreciation Associated with Additions

Both riders annualize depreciation using the most recently prescribed accrual rates. Staff recommends adjusting the annualized depreciation to reflect earlier recommended corrections.

Annualized Amortization of PISCC

Both riders annualize the amortization of PISCC using the most recently prescribed accrual rates. Staff recommends adjusting the amortizations based on Staff's other recommendations.

Deferred O&M, Carrying Cost and Amortization

Duke deferred and accrued carrying costs, using the long-term debt rate, on SmartGrid related operating expenses for the gas and electric riders during 2008. Rider DR-IM has operating costs related to the Envision Center and uses a carrying cost rate of 6.39%. Consistent with earlier recommendations, Staff recommends excluding Envision Center costs and a debt rate of 6.45% approved as part of the rate of return in the Distribution Rate Case.

Annualized Property Taxes

Both riders annualize property taxes related to the 2008 SmartGrid investment. Staff recommends adjusting the calculation to reflect earlier recommended corrections.

Commercial Activity Tax

The Commercial Activity Tax (CAT) applies to revenue generated by Rider DR-IM. Duke's calculation only reflects the gross up for the CAT in the pre-tax rate of return that is applied to the net plant investment. The CAT gross up also applies to operating income portion of the rider. Staff recommends grossing up the operating income portion of the revenue requirement for the CAT.

Staff recommends that Duke Energy – Ohio re-file Rider AU and Rider DR-IM schedules to reflect the recommended changes and corrections.

Gas / Electric Allocation

In its December 20, 2007 Staff Report in Case No. 07-589-GA-AIR, Staff recommended that Rider AU be adopted as a place-holder only until the Staff and the Commission had an opportunity to assess the costs and benefits of the Utility of the Future Project as a whole and the AMI portion for gas customers in particular. The Staff Report further stated that it was Staff's opinion that costs, related to implementation of the smart grid program, that generate benefits that only accrue to electric customers should not be borne by Duke's gas customers. Staff therefore recommended that Rider AU only recover the cost of the gas AMI equipment and its installation and such other costs that Duke incurs in extending AMI to gas meters.

Staff recognizes that the vast majority of Duke's gas customers are also Duke electric customers and will therefore realize all of the benefits of smart grid. However, there are approximately 1,354 gas customers that are not Duke electric customers. These customers fall outside of Duke's electric service territory and receive their electric service from a different provider. The only benefits that could be equitably allocated to these "gas-only" customers from the smart grid program, beyond those that could be achieved from installation of Automatic Meter Reading equipment as the other large Ohio LDCs are implementing, are associated with costs eliminated to collect and verify meter data under the Automated Meter Reading protocol.

Therefore, consistent with the December 20, 2007 Staff Report, Staff recommends no smart grid common costs be allocated to those gas-only customers through Rider AU.

During the course of its investigation, Staff made informal requests of the Company to calculate a projected annual Rider AU amount that recovered only gas specific smart grid costs. Duke's response to that request is attached to these comments.⁹ Those estimated amounts are as follows:

Year 1	Year 2	Year 3	Year 4	Year 5
\$0.48	\$1.23	\$1.82	\$1.66	\$1.43

Staff believes these projections are more consistent with natural gas Automatic Meter Reading installation programs for the other large Ohio natural gas utilities, and are therefore a more appropriate charge for gas-only customers. Staff recognizes these are estimates only and may not reflect actual future Rider AU charges. Staff is, however, recommending Rider AU charges for gas-only customers be calculated consistent with the methodology that generated these estimates. For combination gas and electric customers, Rider AU should be calculated consistent with the methods discussed elsewhere in these comments.

Staff recognizes this recommendation will require different Rider AU charges for electric and non-electric gas customers. In order to accommodate the necessary billing system changes to accomplish this, Staff recommends this differentiation begin with Rider AU charges for Year 2 of the program.

⁹ Although the e-mail is marked "Confidential", Duke provided Staff authorization to attach it to its comments through a subsequent e-mail from Elizabeth Watts to Steve Puican dated September 23, 2009.

Ongoing Audit Activities

As is discussed further below, the Stipulation in Case No. 08-920-EL-SSO included annual cost recovery filings. As the implementation will be ongoing, and the time available to review and audit will be limited, the Staff believes that the physical audit of plant and equipment associated with Rider AU and Rider DR-IM should be ongoing, and not solely reactive to a filing for the recovery of costs. Staff proposes to work with the company to develop mutually convenient and timely audit procedures to assure that equipment is installed and operating properly.

In addition, Staff proposes that the company and stakeholders work through a collaborative process to identify how to measure, and account for operational benefits going forward. Staff recommends the company be required to file such an accounting on an ongoing basis.

Calculating the IM Rider

The terms of the Stipulation in Case No. 08-920-EL-SSO provide for the following conditions for the creation of Rider DR-IM:

- Rate caps for 5 years.
- Annual “due process” filings for cost recovery “net of benefits”.
- A “...mid-deployment program summary and review with the second quarter 2011 filing outlining its progress through 2010...”

While the Stipulation does address cost recovery “net of benefits”, the stipulation is silent about how benefits will be calculated or recognized as offsets to costs. Generally speaking,

benefits can be classified into two categories, operational benefits and external benefits. Operational benefits include both cost savings and revenue enhancements to the company. External benefits include so-called consumer and societal benefits, which result from customer actions to change their consumption behavior.

As is the case with most capital projects, under the company's implementation plan the costs are front loaded in time and the benefits are back loaded, since some categories of benefits may not be realized incrementally as the costs are incurred, but rather only when the project is complete, or nearly so. Implicit in the instant application is that operational benefits would be directly measured as they accrue, and as the accounting process may allow. It is not clear, as a result, how benefits that may be realized after costs for implementation have been filed and at least partially recovered through the DR-IM rider, would be recognized and netted against those costs in calculating the rider. Under this methodology, benefits would be recognized as offsets to costs possibly long after some of those costs have been recovered.

Certain of the operational benefits are more easily quantified than others, such as a reduction in labor, fuel and vehicle maintenance costs when meters are no longer manually read. Other operational benefits are not so easily quantified on a dollar value basis, such as the number of customer outage minutes avoided, more efficient service restoration after an outage, or fewer calls taken by customer service. Staff is concerned that the direct measurement through explicit accounting of operational benefits may result in an under recognition of benefits due to the difficulty in quantifying the dollar value of some operational benefits.

In some instances, operational benefits may be quantified through the establishment of baselines. However, certain baselines will be difficult to establish with reliability. For example, a baseline for “outage minutes” will be subject to differences from year to year in causal factors, primarily weather. The uncertainty and variability associated with those factors will result in debate and potential litigation with regard to their quantification. Other developments and operational changes unassociated with smart grid implementation but occurring at the same time will also limit the ability to isolate cause-and-effect relationships, thus limiting the ability to quantify clearly all benefits associated with smart grid implementation.

The Applicant’s filings in this proceeding include estimates of the full range of quantified benefits as part of the business case for implementation. The categories of operational savings are identified in the direct testimony of Mr. Christopher Kiergan, and they are quantified in Exhibit CK1 in Case No. 08-920-EL-SSO et. al. The Staff proposes that a reasonable method could be devised to recognize the full range of operational benefits in a timely manner, to allow costs to be recognized “net of benefits” based upon the business case presented by Mr. Kiergan.

By basing the initial recognition of operational benefits on the estimates presented in the business case, operational benefits could be recognized and netted against costs reflected in rates beginning the first application of the rider.

An additional potential issue that should be addressed with regard to the development of the rider is the issue of the used and useful status of the installed equipment. The 2008 investment in replacing existing meters added no new immediate functionality or cost savings. It

could be argued that, absent a new functionality or realization of cost savings, the replacement of the meters should not be recognized in rates. Recognizing future benefits from the inception of the rider allows for timely recovery of costs, while at the same time recognizing a future fully “used and useful” status.

Implementation Milestones

The continued recovery of costs through the IM Rider is, under the Stipulation in Case No. 08-920-EL-SSO, subject to annual review and “a mid-deployment program summary”. The Staff believes that ongoing recovery of costs through the IM Rider should be subject to compliance with principles set forth below.

Provisioning of Information to Customer

Two -way communication provides full pricing and usage information to the customer to enable that customer to control his energy costs by controlling his or her energy consumption patterns. Duke is proposing to use the internet as a portal for the customer to access pricing and usage information. While it is not clear that Duke intends for the internet to be the sole means of customer access to such data and information, we believe that other options must be made available in addition to the internet. We would expect that other means of access be made available to customers in a way that limits or minimizes additional costs to consumers to acquire and use the data in a manual or automated fashion to control or manage electricity costs.

Time Differentiated Rates

A time differentiated rate structure for generation service must be available as customers are enabled to respond to price signals (i.e., when a meter becomes certified and the communication is established to the customer). The minimum differentiation should be on peak, off peak, and critical peak, with summer and winter differentiations.

These rates may be designed to be revenue neutral with regard to distribution service at the outset of their implementation. The tariff setting forth the rates should be made available on an opt-in or voluntary basis.

We also suggest the company explore ways to provide customers who elect to be served under time -differentiated rates, information on the difference in their bills between the dynamic price and what their bill would have been under the fixed POLR charge. Staff also recommends that customers who initially volunteer for the dynamic rate be able to pay the lower of either the dynamic rate calculated bill or the POLR calculated bill for a pilot period of 6 months. After that period, customers who have volunteered for the dynamic price must opt to stay on the dynamic price or return to POLR service for at least one-year.

Momentary Interruption Data

The Commission in its Finding and Order and Entry on Rehearing in Case No. 06-653-EL-ORD¹⁰ (06-653 Case) directed Staff to continue to monitor the ability of electric utilities to accurately measure and report the momentary average interruption frequency index (MAIFI)¹¹ and to make recommendations with respect to momentary interruptions and their impact on customers. MAIFI can be used to measure momentary interruption frequency for each distribution circuit and across an electric utility's distribution system. In its Finding and Order the Commission declined to require the electric utilities "to take steps necessary to manually gather MAIFI information throughout its system and report it,"¹² but noted its awareness that "as technology is deployed throughout the electric distribution systems, this information will become more accurate and widely available."¹³ In its Entry on Rehearing, the Commission further stated, "it would be imprudent for the electric utilities to make investments to improve MAIFI accuracy without taking the time to consider integrating such improvements with other potential programs such as an automated metering infrastructure and/or distribution automation".¹⁴

In response to this Commission directive, Staff inquired of Duke the extent to which the company was planning to use its new smart meter technology to gather momentary interruption data, compute its MAIFI performance, and generate MAIFI reports. Duke responded that although its smart meters were capable of recording momentary interruptions, the company had not made plans to compile and compute MAIFI performance data, produce historical MAIFI

¹⁰ Entry on Rehearing, pg 10 and Finding and Order pg. 14, Case No. 06-653-EL-ORD *In the Matter of the Commission's Review of Chapters 4901:1-9, 4901:1-10, 4901:1-21, 4901:1-22, 4901:1-23, 4901:1-24, and 4901:1-25 of the Ohio Administrative Code.*

¹¹ MAIFI = the total number of customer momentary interruptions divided by the total number of customers served.

¹² Finding and Order in Case No. 06-653-EL-ORD Page 14.

¹³ Ibid.

¹⁴ Entry on Rehearing, pg 10


reports, or analyze its MAIFI performance. Staff therefore recommends that Commission direct Duke to conduct a study to identify any incremental cost, additional time, and impact on Rider IM, of compiling and processing the momentary interruption data that its smart meters detect on a daily basis. Staff further recommends that Duke file the results of this study within 60 days following the Commission's order in this case.

reports, or analyze its MAIFI performance. Staff therefore recommends that Commission direct Duke to conduct a study to identify any incremental cost, additional time, and impact on Rider IM, of compiling and processing the momentary interruption data that its smart meters detect on a daily basis. Staff further recommends that Duke file the results of this study within 60 days following the Commission's order in this case.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing **Comments** submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served via email upon the following parties of record, this 8th day of October, 2009.


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Assistant Attorney General

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Attachment 1

From: Wathen, Don [mailto:Don.Wathen@duke-energy.com]

Sent: Friday, August 14, 2009 2:49 PM

To: Puican, Steve; Baker, Peter

Cc: Arnold, Todd W; Claeys, Mark J; Watts, Elizabeth H; Schafer, Anita M; Parsons, Bob; Williams, Chuck Jr

Subject: FW: SmartGrid Calculations with Updated Allocations (Draft memo to Staff)

Sensitivity: Confidential

Steve & Peter,

Per your informal request from early last month, I revised the projection of SmartGrid rates for gas and electric using the original cost/benefit model provided to the Staff last fall. This is the model that the earlier rate projections were based on and, in order to allow for just a comparison of the impact of allocations, I am using the same model as the basis for this revised allocation scenario.

You should already have this file but I am including the original cost/benefit model provided by our consultant (KEMA) on September 9, 2008, along with the updated version of our SmartGrid rate projection model. The changes in the rate projection model include the following:

- All PMO Costs are allocated to Electric
- A component of Communication Equipment that was allocated between gas and electric has been reallocated using different factor. Specifically, the "Integrated Communication Box with Gas Collector" has been reallocated. The earlier version assumed about 59% was gas and 41% was electric. This allocation factor was derived by calculated by adding the direct cost of the gas component of this equipment, \$300, and half of what was considered common equipment ($\$350 \times 50\%$) and dividing that total by the total cost of the unit, \$800; so, $(\$300 + 0.5 \times \$350) / \$800 = 59\%$. The new assumption is that all of the common portion of this equipment is assigned to electric. The allocation factor now is just $\$300 / \800 or 37.5% to gas.
- IT capital costs were reassigned such that only the "AMI Systems – Gas Meters" are allocated to Gas. All other IT costs from KEMA's model are allocated to electric.
- IT-related O&M costs were reallocated to assign Gas a share based on its share of IT capital costs.
- Two O&M costs were reallocated so that 100% is now allocated to electric as compared to the earlier version which allocated on meter count. These costs are (a) New Equipment O&M, and (b) Meter Testing.
- Other costs such as depreciation expenses will follow the change in allocation for gross plant.
- No adjustments were made to the allocation of O&M savings.

(The changes cascade throughout the entire document; however, the direct changes were made to the following tabs "Communication (Data)," "Gas Components," "Electric Components," and "Allocation Factors.")

As you can see in the following table, the changes do have a significant effect on the rates for both the gas customers (Rider AU) and the electric customers (Rider DR-IM). Since even the original projection indicated that the agreed-to caps on Rider DR-IM would be exceeded, the change in allocation factors to push more costs to electric only exacerbates that problem.

Original Filed Model Adjusted to Move Common Costs to Electric						
	Gas – All customers			Impact on Electric Rider DR-IM		
				Residential		C&I
	Including Common (a)	Excluding Common	Difference	Difference	Caps	Difference
Year 1 (2008/2009 Spend)	\$1.02	\$0.48	(\$0.54)	(\$0.07)	\$0.50/\$1.50	(\$0.13)
Year 2	\$1.99	\$1.23	(\$0.76)	\$0.53	\$3.25	\$0.90
Year 3	\$3.13	\$1.82	(\$1.31)	\$0.89	\$5.25	\$1.51
Year 4	\$3.26	\$1.66	(\$1.60)	\$1.08	\$5.50	\$1.82
Year 5	\$3.11	\$1.43	(\$1.68)	\$1.14	\$5.50	\$1.92

Note: (a) As provided in response to Staff-DR-06-003.

Please note that the projections included herein are only estimates and should not be used for setting Rider AU or Rider DR-IM rates. Actual costs will, in all likelihood, vary from these projections. Furthermore, certain costs, such as post in service carrying costs, are included in the actual filing but are not included in these projections in order to simplify the calculation and to provide an "apples to apples" comparison with earlier versions of these forecasts.

Please let me know if you have any questions about the calculations.

Don Wathen
513-419-5908