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**FILE**  
**BEFORE**  
**THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application )  
of Duke Energy Ohio, Inc. )  
to Adjust and Set its ) Case No. 06-1069-EL-UNC  
System Reliability Tracker )  
Market Price )

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**APPLICATION TO ESTABLISH DUKE ENERGY OHIO'S  
2007 SYSTEM RELIABILITY COMPLIANCE PLAN  
AND SYSTEM RELIABILITY TRACKER**

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TO THE HONORABLE  
THE PUBLIC UTILITIES COMMISSION OF OHIO:

1. Duke Energy Ohio, Inc. (DE-Ohio) is an Ohio corporation engaged in the business of supplying electric transmission, distribution, and generation service in Adams, Brown, Butler, Clinton, Clermont, Hamilton, Montgomery, and Warren Counties in Southwestern Ohio to approximately 642,000 consumers, and supplying electric transmission and distribution service to approximately 23,000 consumers that receive generation service from Competitive Retail Electric Service (CRES) Providers, all of whom will be affected by this Application.

2. DE-Ohio is a "public utility" as defined by R. C. 4905.02 and 4905.03; and an "electric distribution company," "electric light company," "electric supplier," and an "electric utility" as defined by R. C. 4928.01.

3. This application is made pursuant to the Public Utilities Commission of Ohio's Entry of February 9, 2005, in Case No. 04-1820-EL-ATA that ordered DE-Ohio

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to file by September 1 of each year an application to establish the SRT rate for the next calendar year.

4. On November 23, 2004, in Case Nos. 03-93-EL-ATA, 03-2079-EL-AAM, 03-2081-EL-AAM, and 03-2080-EL-ATA (RSP Case), the Public Utilities Commission of Ohio (Commission) issued its *Entry on Rehearing*. In paragraph 13 of its *Entry on Rehearing*, the Commission directed DE-Ohio to make an initial filing relating to the System Reliability Tracker (SRT) component of DE-Ohio's MBSSO set forth in DE-Ohio's alternative rate stabilization plan.

5. On December 3, 2004, DE-Ohio filed its SRT application for 2005 in Case No. 04-1820-EL-ATA to permit DE-Ohio to track and recover its costs of purchasing power to provide reliable provider of last resort (POLR) service, including an adequate reserve margin.

6. On December 21, 2004, the Commission approved, on an interim basis, DE-Ohio's SRT application as filed on December 3, 2004, pending further staff review, and subject to a true-up.

7. On February 9, 2005, the Commission issued its finding and order in Case No. 04-1820-EL-ATA (February Order) upholding DE-Ohio's initial SRT application and related charges, except for DE-Ohio's request for quarterly adjustments, and ordered that a further proceeding be commenced no later than July 1, 2005 to determine whether or not the SRT charges should be unavoidable in light of the commencement of the Midwest Independent System Operator (MISO) Day 2 market.

8. The February Order stated that DE-Ohio is to submit the costs to be included in the SRT calculations, the method for calculating the SRT, the allocation of the SRT to customer classes, and the determination of the SRT market price within the customer classes in the proceeding.

9. The schedules supporting DE-Ohio's calculation of the estimated SRT are attached hereto. DE-Ohio is providing as estimate for the 2007 SRT because it is too soon to complete the purchase of 2007 capacity instruments at reasonable prices. The estimate will be updated in DE-Ohio's December 1, 2006 filing as indicated by the testimony of Don Wathen in Case No. 05-724-EL-UNC. Schedule A contains the estimated SRT market prices, by rate schedule, commencing with the initial billing cycle for January, 2007. Schedule B describes DE-Ohio's Resource Plan, including the type and cost of the various supply-side options.

10. DE-Ohio developed this Resource Plan after weighing the nature of DE-Ohio's firm obligation to provide POLR service, the cost-effectiveness of available supply-side resources, and firm deliverability considerations, such as the possibility of Transmission Load Relief (TLR) events and the amount of Available Transmission Capacity into DE-Ohio from any directly interconnected companies.

11. The attached Resource Plan is based on DE-Ohio's expected peak demand for native load consumers, including switched load, and available generating capacity for summer 2007.

12. DE-Ohio also requests that the Commission permit it to continue to make quarterly adjustments to the SRT to avoid volatility in the SRT price that is detrimental to consumers and the competitive retail electric market. Quarterly adjustments permit DE-Ohio to make incremental changes to the SRT market price that reflect actual costs instead of projected costs. Such adjustments result in a transparent energy market and therefore encourage the development of the competitive retail electric market.

WHEREFORE, DE-Ohio respectfully requests that the Commission approve the attached Resource Plan for DE-Ohio's System Reliability Tracker Demand charges and charges per kWh, which charges shall be effective for all switched and non-switched residential and non-residential consumers for service rendered beginning with the first billing cycle of January 2007. DE-Ohio also requests that the Commission permit DE-Ohio to file quarterly updates of the System Reliability Tracker charges.

WHEREFORE, DE-Ohio respectfully requests that the Commission grant approval of the SRT application.

Respectfully submitted,

DUKE ENERGY OHIO

  
Sandra P. Meyer, President

  
Lynn Good, Treasurer

VERIFICATION

STATE OF OHIO        )  
                                  )  
COUNTY OF HAMILTON )

I, Sandra P. Meyer, President, and I, Lynn Good, Treasurer, of Duke Energy Ohio, being first duly sworn, hereby verify that the information contained in this Application is true and correct to the best of our knowledge and belief.

  
Sandra P. Meyer, President

  
Lynn Good, Treasurer

Sworn to and subscribed in my presence this 31 day of August, 2006.

  
Notary Public

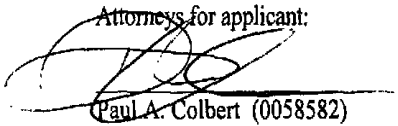


**ANITA M. SCHAFER**  
Notary Public, State of Ohio  
My Commission Expires  
November 4, 2008

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regarding the application:

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**CONFIDENTIAL PROPRIETARY  
TRADE SECRET**

Case No. 05-726-EJ-UNC  
Case No. 05-728-EJ-UNC  
Case No. 05-729-EJ-UNC  
Case No. 05-730-EJ-UNC  
Case No. 05-731-EJ-UNC  
Case No. 05-732-EJ-UNC  
Case No. 05-733-EJ-UNC  
Case No. 05-734-EJ-UNC  
Case No. 05-735-EJ-UNC  
Case No. 05-736-EJ-UNC  
Case No. 05-737-EJ-UNC  
Case No. 05-738-EJ-UNC  
Case No. 05-739-EJ-UNC  
Case No. 05-740-EJ-UNC  
Case No. 05-741-EJ-UNC  
Case No. 05-742-EJ-UNC  
Case No. 05-743-EJ-UNC  
Case No. 05-744-EJ-UNC  
Case No. 05-745-EJ-UNC  
Case No. 05-746-EJ-UNC  
Case No. 05-747-EJ-UNC  
Case No. 05-748-EJ-UNC  
Case No. 05-749-EJ-UNC  
Case No. 05-750-EJ-UNC

**DUKE ENERGY OHIO**

STATEMENT OF WORKS FOR THE PERIOD JANUARY THROUGH DECEMBER 2007 TO BE APPLIED TO CUSTOMER BILLS OVER A TWELVE-MONTH PERIOD  
REFLECTING RECOVERY OF ESTIMATED ENERGY COSTS, AS WELL AS REVENUE FROM ENERGY COSTS  
FOR THE PERIOD JANUARY THROUGH DECEMBER 2007 TO BE APPLIED TO CUSTOMER BILLS OVER A TWELVE-MONTH PERIOD

Line No.	Description	(A) Allocated Proportionate Share of System Peak Demand Electric Customers by	(B) Estimate of 2007 Customer and Purchased Energy Costs by System Peak Demand Electric Customers by	(C) Estimate of 2007 Customer and Purchased Energy Costs by System Peak Demand Electric Customers by	(D) Estimated Demand	(E) Estimated Demand	(F) Estimated Demand	(G) Estimated Demand	(H) Estimated Demand	(I) Estimated Demand	(J) Estimated Demand	(K) Estimated Demand	(L) Estimated Demand	(M) Estimated Demand	(N) Estimated Demand	(O) Estimated Demand	(P) Estimated Demand	(Q) Estimated Demand	(R) Estimated Demand	(S) Estimated Demand	(T) Estimated Demand	(U) Estimated Demand	(V) Estimated Demand	(W) Estimated Demand	(X) Estimated Demand	(Y) Estimated Demand	(Z) Estimated Demand	
1	Retail Rate Group																											
2	Rate Group																											
3	Rate Group																											
4	Rate Group																											
5	Rate Group																											
6	Rate Group																											
7	Rate Group																											
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27	Rate Group																											
28	Rate Group																											

17 Duke Energy OH based on applicable peak demands from the Company's cost of service study in Case No. 05-1964-EJ-UNC. Non-allocated based on Case No. 05-0008-EJ-UNC.  
28 Based on actual values for 12 months ended July 31, 2006.

**CONFIDENTIAL PROPRIETARY  
TRADE SECRET**

Case No. 05-724-EL-JNC  
Case No. 05-725-EL-JNC  
Case No. 06-1068-EL-JNC  
Case No. 06-1069-EL-JNC  
Attachment WDW-2  
Schedule A  
Page 1 of 3

**DUKE ENERGY OHIO  
Determination of System Reliability Tracker Demand & Energy Rates**

<u>Estimated 2007 Sales/Demand (kW; kWh)</u>	<u>Generation Revenue (\$)</u>	<u>Total Revenue %</u>	<u>SRT Revenue Requirement (\$)</u>	<u>Estimated 2007 Sales/Demand (kW; kWh)</u>	<u>SRT Rates (\$/kW; \$/kWh)</u>
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**Rate DS Rate Group**  
Generation Revenues  
 Demand Charge:  
 First 1,000 kW  
 Additional kW  
 Total

**Energy Charge:**  
 First 300 kWh/kW  
 Additional kWh  
 Total

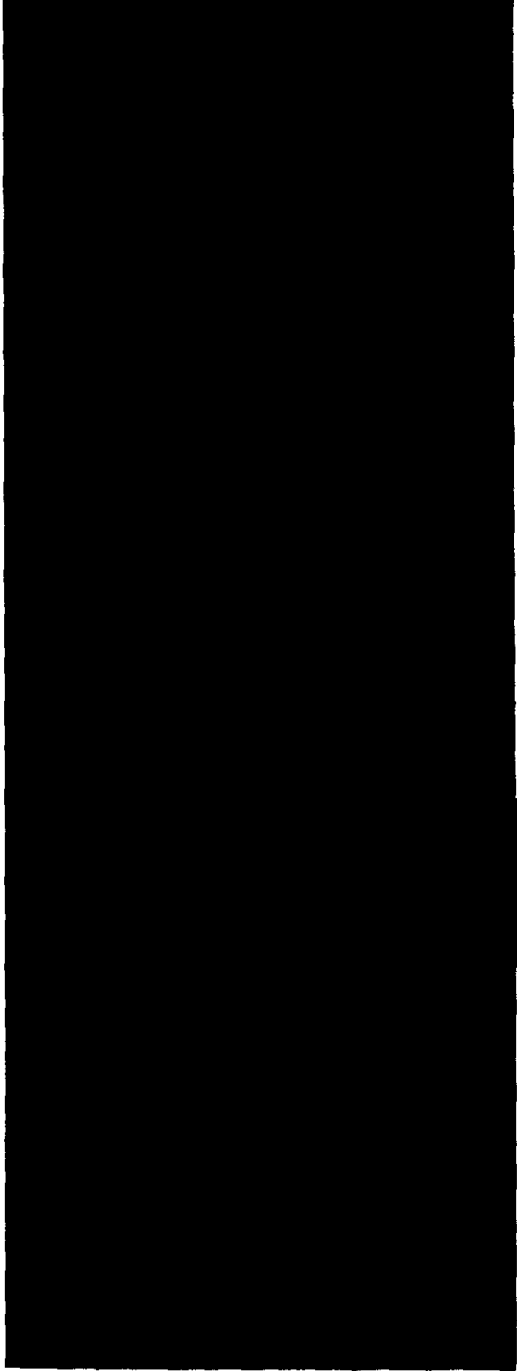
**Total Rate DS**

**Rate EH**  
All kWh

**Rate GS-FL**  
 Load 540 to 720 hrs. kWh  
 Load < 540 hrs. kWh

**Total Rate GS-FL**

**Total DS Rate Group**





Case No. 05-724-EL-UNC  
 Case No. 05-725-EL-UNC  
 Case No. 06-1068-EL-UNC  
 Case No. 06-1069-EL-UNC  
 Attachment WD-2  
 Schedule A  
 Page 2 of 3

**CONFIDENTIAL PROPRIETARY  
 TRADE SECRET**

**DUKE ENERGY OHIO  
 Determination of System Reliability Tracker Demand & Energy Rates**

Rate DP	Estimated 2007 Sales/Demand (kW; kWh)	Generation Revenue (\$)	Total Revenue %	SRT Revenue Requirement (\$)	Estimated 2007 Sales/Demand (kW; kWh)	SRT Rates (\$/kW; \$/kWh)
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[REDACTED]						
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Generation Revenues  
 Demand Charge:  
 First 1,000 kW  
 Additional kW  
 Total  
 Energy Charge:  
 First 300 kWh/kW  
 Additional kWh  
 Total  
 Total Rate DP

Case No. 05-724-EL-UNC  
 Case No. 05-725-EL-UNC  
 Case No. 06-1068-EL-UNC  
 Case No. 06-1069-EL-UNC  
 Attachment WDW-2  
 Schedule A  
 Page 3 of 3

**CONFIDENTIAL PROPRIETARY  
 TRADE SECRET**

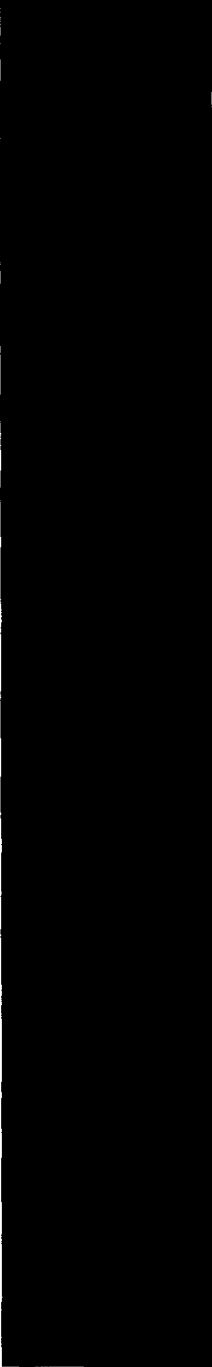
**DUKE ENERGY OHIO  
 Determination of System Reliability Tracker Demand & Energy Rates**

<u>Rate TS</u>	<u>Estimated 2007 Sales/Demand (kVA; kWh)</u>	<u>Generation Rate (\$/kW; cents/kWh)</u>	<u>Generation Revenue (\$)</u>	<u>Total Revenue %</u>	<u>SRT Revenue Requirement (\$)</u>	<u>Estimated 2007 Sales/Demand (kVA; kWh)</u>	<u>SRT Rates (\$/kVA; \$/kWh)</u>
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Generation Revenues  
 Demand Charge:  
 First 50,000 kVA  
 Additional kVA  
 Total

Energy Charge:  
 First 300 kWh/kVA  
 Additional kWh  
 Total

Total Rate TS





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**DUKE ENERGY OHIO**

**Projected Purchased Capacity**

Line No.	Description (A)	Amount (B)	Description (C)	Amount (D)	Line No.	Month
February			July			April
1	MWs		MWs		1	
2	Capacity Charge/Kw/Month		Capacity Charge/Kw/Month		2	
3	CG&E's Capacity Charge		CG&E's Capacity Charge		3	
4	Estimated Monthly Costs Recoverable Via System Reliability Tracker - Rider SRT		Estimated Monthly Costs Recoverable Via System Reliability Tracker - Rider SRT		4	May
March			August			April
5	MWs		MWs		5	
6	Capacity Charge/Kw/Month		Capacity Charge/Kw/Month		6	
7	CG&E's Capacity Charge		CG&E's Capacity Charge		7	May
8	Estimated Monthly Costs Recoverable Via System Reliability Tracker - Rider SRT		Estimated Monthly Costs Recoverable Via System Reliability Tracker - Rider SRT		8	
April			September			June
9	MWs		MWs		9	
10	Capacity Charge/Kw/Month		Capacity Charge/Kw/Month		10	
11	CG&E's Capacity Charge		CG&E's Capacity Charge		11	July
12	Estimated Monthly Costs Recoverable Via System Reliability Tracker - Rider SRT		Estimated Monthly Costs Recoverable Via System Reliability Tracker - Rider SRT		12	
May			October			August
13	MWs		MWs		13	
14	Capacity Charge/Kw/Month		Capacity Charge/Kw/Month		14	September
15	CG&E's Capacity Charge		CG&E's Capacity Charge		15	
16	Estimated Monthly Costs Recoverable Via System Reliability Tracker - Rider SRT		Estimated Monthly Costs Recoverable Via System Reliability Tracker - Rider SRT		16	
June			November			October
17	MWs		MWs		17	November
18	Capacity Charge/Kw/Month		Capacity Charge/Kw/Month		18	
19	CG&E's Capacity Charge		CG&E's Capacity Charge		19	
20	Estimated Monthly Costs Recoverable Via System Reliability Tracker - Rider SRT		Estimated Monthly Costs Recoverable Via System Reliability Tracker - Rider SRT		20	
			Total Purchased Capacity Charge		21	

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TRADE SECRET

**DUKE ENERGY OHIO**

Projected Daily Fixed Strike Energy Firm Liquidated Damages Call Option

Line No.	Description	Amount	Description	Amount	Line No.
	(A)	(B)	(C)	(D)	
	May		July		
1	Days		Days		1
2	Daily Hours		Daily Hours		2
3	MW's Optioned		MW's Optioned		3
4	MW's Subject to Reservation Charge		MW's Subject to Reservation Charge		4
5	Charge Per MWH		Charge Per MWH		5
6	Cost per kW-month Capacity		Cost per kW-month Capacity		6
7	Capacity Charge		Capacity Charge		7
	June		August		
8	Days		Days		8
9	Daily Hours		Daily Hours		9
10	MW's Optioned		MW's Optioned		10
11	MW's Subject to Reservation Charge		MW's Subject to Reservation Charge		11
12	Charge Per MWH		Charge Per MWH		12
13	Cost per kW-month Capacity		Cost per kW-month Capacity		13
14	Capacity Charge		Capacity Charge		14
			<b><u>SUMMARY</u></b>		
			Total Daily Call Options Capacity Charge		15

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DUKE ENERGY OHIO

Henry County Capacity Purchase

		Purchase of PJM Capacity from PSEG												
Line No.	MW	January	February	March	April	May	June	July	August	September	October	November	December	Total
1	Cost per KW/Month	[REDACTED]												
3	Total Cost	[REDACTED]												

**CONFIDENTIAL PROPRIETARY  
 TRADE SECRET**

DUKE ENERGY OHIO  
 Capacity Position for 2007

Updated on August 14, 2006

	2007	January	February	March	April	May	June	July	August	September	October	November	December
Supply	Native												
Maintenance *													
Supply with Maintenance Considerations													
Native and Switched Peak Demand													
Call Option & RTP													
Purchases													
CG&E Native Load Capacity Position													
Margin													
Capacity Position @ 15% Reserve Margin													

(\*) - represents the maintenance schedule based upon economics and resource constraints. Also this uses the highest weekly volume during the month. The schedule has some flexibility and might be adjustable for peak days.

Please note: All residential customers and non-residential customers who have not opted-out are included in this analysis.

DUKE ENERGY OHIO