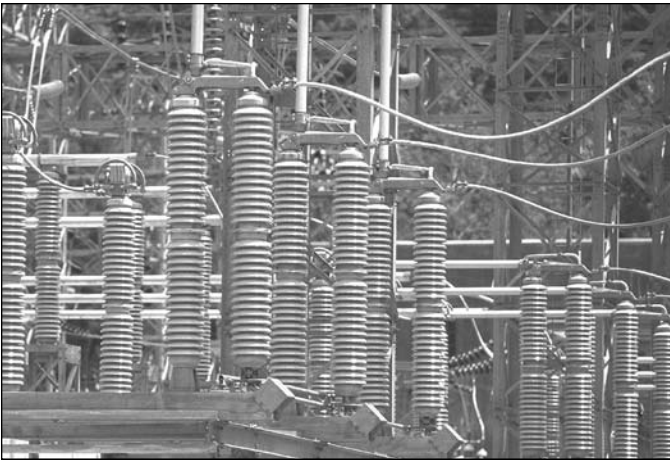




Speak out about proposed Duke Energy electric rate increase



A distribution substation which delivers electricity from transmission lines to customers' homes.

The Office of the Ohio Consumers' Counsel (OCC), the residential utility consumer advocate, encourages customers of Duke Energy-Ohio to express their opinions to the Public Utilities Commission of Ohio (PUCO) about the utility's proposed rate increase.

Background

In July 2008, Duke Energy filed to increase rates by \$85.6 million per year. This would represent a 27 percent increase in the utility's revenue, paid by increases to customers' rates. For a residential customer using 800 kilowatt-hours per month, rates would increase \$4.91 per month to an average monthly charge of \$90.13. This represents an approximate 25 percent increase in distribution charges. A customer's total bill would increase by 5.8 percent.

What's at stake?

This case is a distribution rate case, which covers costs for operations and maintenance, wires, poles, meters, employee salaries and taxes. Distribution costs represent approximately 25 percent of a residential customer's electric bill.

As it was in Duke's natural gas distribution rate case, the structure of the distribution charge is an important point of contention in this matter. Duke

has asked the PUCO to approve a high fixed-rate customer charge, an increase from \$4.50 per month to \$10 per month, while lowering the portion of the distribution rate that is based on the amount of electricity used.

Duke also is seeking the PUCO's consent to recover costs the utility incurred during the September 2008 wind storms from customers. These costs would be collected without consideration of the prudence of Duke's restoration efforts and emergency practices.

What's the OCC's position?

The OCC opposes the level of increase Duke has requested. In testimony filed with the PUCO, experts from the OCC asserted that Duke overstated its need for an \$85.6 million per year rate increase and provided evidence the proposed increase should be cut to \$39 million, a reduction of \$46 million from Duke's request.

Because Duke has loaded a majority of costs into a fixed monthly charge, customers attempting to conserve energy will be harmed. This charge also may make it more difficult for low-income customers to pay their electric bill.

In addition, by approving a charge that inhibits the ability of customers to save energy through less usage, Ohio's ability to access millions of dollars from the federal stimulus bill may be compromised. Congress has placed a priority on promoting energy efficiency and conservation, which Duke's rate proposal discourages by establishing a high fixed rate that all customers must pay regardless of usage.

The PUCO staff proposed making a disproportionately high amount of the rate increase the responsibility of residential customers. The OCC argued that rate increases should be more evenly distributed among residential and non-residential customers. The OCC has argued there should be more sharing of distribution costs by non-residential customers to reflect what it costs to serve each customer class.

The OCC objected to Duke's proposal to recover an estimated \$31 million in costs resulting from the September 2008 windstorm as part of this rate case and objected since these costs have not been reviewed. In addition, the OCC recommended the removal of bonuses and incentive compensation from Duke's proposed rate increase and argued that requiring residential customers to pay for bonuses and incentives related to financial goals is inappropriate. These costs should be borne by shareholders who benefit from this compensation, not customers.

What can consumers do?

In addition to sharing their personal experiences with Duke Energy's electric service, consumers may use the following questions to address their concerns at the local public hearings:

- What effect would even a small increase in your monthly electric bill have on you and others in your community, including seniors on fixed incomes, low- and middle-income residents?
- Should all consumers pay a larger flat-rate charge for distribution services or should a large portion of these delivery charges be based on how much electricity is used so that energy efficiency efforts would help reduce your bills?
- Have you made energy efficiency improvements that have helped lower your electric bill? Are you counting on the same savings to meet your household budget?

The PUCO will make the final decision about whether Duke can raise customers' rates. In order for public officials, community groups and individual consumers to make a difference, the OCC encourages citizens to attend these public hearings and to state their opinions by testifying. Decision-makers

need to hear from those who will be affected by the higher bills.

The OCC will attend each public hearing to offer assistance to consumers and answer questions. In addition, a fact sheet titled "How to Testify at Local Public Hearings" is available to assist customers wishing to provide public testimony. Each statement given during a public hearing will become a permanent part of the case record. The PUCO will consider all sworn statements before reaching a decision.

Duke customers will have the following opportunities to express their opinions about the utility's proposed base rate increase:

- **Cincinnati** – Monday, March 16, 2009, 6 p.m., Union Township Civic Center Hall, 4350 Aicholtz Road;
- **Cincinnati** – Thursday, March 19, 2009, 12:30 p.m., Cincinnati City Hall, Council Chambers, 801 Plum Street; and
- **Liberty Township** – Tuesday, March 24, 2009, 6 p.m., Lakota East High School, Freshman Campus, Auditorium, 7630 Bethany Road

In addition to attending the above hearings or for consumers unable to attend, letters can be written to the PUCO. All letters and envelopes should reference Case Number 08-709-EL-AIR.

Letters should be sent to:
Public Utilities Commission of Ohio
Attn: Docketing Division
180 E. Broad Street
Columbus, OH 43215

The Office of the Ohio Consumers' Counsel (OCC), the residential utility consumer advocate, represents the interests of 4.5 million households in proceedings before state and federal regulators and in the courts. The state agency also educates consumers about electric, natural gas, telephone and water issues and resolves complaints from individuals. To receive utility information, brochures, schedule a presentation or file a utility complaint, residential consumers may call 1-877-PICKOCC (1-877-742-5622) toll free in Ohio or visit the OCC Web site at www.pickocc.org.

The Office of the Ohio Consumers' Counsel is an equal opportunity employer and provider of services.

For additional information from the Office of the Ohio Consumers' Counsel:

Call: 1-877-PICKOCC (1-877-742-5622) toll free or (614) 466-8574
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