



# Need to Know: Duke Energy's electric security plan

**Updated March 2009**

With a new electric energy law in place, Ohio's investor-owned electric utilities have been required to submit new plans for the way they charge consumers for the electricity they use.

In compliance with the new law, Duke Energy Ohio filed a plan July 31, 2008, at the Public Utilities Commission of Ohio (PUCO) for new electric rates, called an electric security plan. The Office of the Ohio Consumers' Counsel (OCC) spent several weeks analyzing the utility's proposal and suggested several changes to best protect residential consumers. After lengthy discussions with the PUCO staff, Duke Energy and other parties in the case, an agreement was reached that limited increases to residential consumers' total bills in 2009.

As a part of the agreement, base generation rate increases were limited to 2 percent in 2009 and 2010 and completely eliminated in 2011. Duke Energy's original plan would have increased generation rates by at least 5.7 percent over three years.

Other parts of the approved plan include:

- **Low-income assistance** – Duke Energy will invest \$1.75 million per year in low-income assistance which will be distributed by local nonprofit organizations;
- **Energy efficiency** – Duke will not be able to earn a profit for meeting the state's mandatory requirements through its Save-A-Watt program but can earn limited profits for reducing its energy load above and beyond those standards. Duke Energy is the first Ohio electric utility to have energy efficiency play a significant role in its electric security plan;



*Electricity is sent through high voltage transmission lines to homes and businesses.*

**View  
Sample  
Total Bill**  

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- **SmartGrid and automated metering** – Guidelines have been established, including annual cost caps, for Duke's SmartGrid and automated metering proposals. SmartGrid is an improvement designed to make the electric grid more efficient and regularly deliver reliable electric service to customers. SmartGrid improvements and performance will be monitored and evaluated annually. Duke Energy's past and future investments in technology intended to make operations more efficient also will be reviewed annually to ensure they are performing as planned and decide whether the costs are recoverable from ratepayers. Duke's original proposal would have placed all of the risk of this emerging technology on its customers;
- **Renewable energy** – Duke Energy will develop, by June 30, 2009, a standard renewable certificate purchase program to promote the development of customer-sited renewable energy. Under the program, customers who invest in a renewable energy project would receive payment by Duke for the project's positive environmental and social attributes. This will help Duke Energy meet its renewable energy requirements under Ohio's

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electric energy law;

- **Potential for excess earnings** – An earnings threshold of 15 percent was established. Under electric security plans, utilities like Duke Energy are not subject to a full rate case examination of its generation and distribution costs. Because of this, the electric energy law mandates that the profits earned by the utility be measured and any excess profits be refunded to customers.

The electric security plan established new generation rates for Duke Energy as well as added charges to residential consumers' bills for infrastructure improvements, economic development and energy efficiency recovery. The infrastructure improvement and economic

development charges have not yet been added to bills. The energy efficiency recovery, or Save-A-Watt, has been set at \$1.20 per month for the typical residential customer who uses 750 kilowatt-hours of electricity.

This electric security plan will last three years through 2011. There are elements of the plan that will require annual review and the OCC will take advantage of these review periods to ensure the costs Duke Energy is charging customers are prudent.

Duke Energy will have to submit another proposal nine months before its existing plan expires. At that time, the OCC will review the new utility plan to ensure that any rate adjustments are fair for residential consumers.

<b>Sample total bill under electric security plan rates</b>		
Typical bill for customer who uses 750 kWh per month	<b>Explanation of Charges</b>	
		<b>Residential Service</b>
	Distribution - Customer Charge	\$ 4.50
	<b>Delivery Charges</b>	
	Distribution - Energy Charge	
	750 kWh @ \$0.019949	\$14.96
	Delivery Riders <sup>1</sup>	\$ 8.85
	<b>Generation Charges</b>	
	Generation - Energy Charge	
	750 kWh @ \$0.040238	\$30.18
	Rider FPP @ \$0.02668	\$20.01
	Rider AAC @ \$0.007335	\$ 5.50
	Rider TCR @ \$0.006225	\$ 4.67
	<b>Total Electric Charges</b>	<b>\$88.67</b>
<sup>1</sup> Delivery Riders includes charges for Capacity Dedication, System Reliability Tracker, Energy Efficiency Revolving Loan Program, Ohio Excise Tax of 4.86% and Energy Efficiency Recovery Rate. *Infrastructure Modernization and Economic Competitiveness Fund charges have been initially set at zero.		

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

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