

Duke Energy Ohio application to increase electric distribution charges

In July 2009, the Public Utilities Commission of Ohio (PUCO) adopted an agreement that allows Duke Energy Ohio to increase the charges billed to deliver electricity to customers. These charges are known as the distribution rate.

What are distribution rates?

Electric bills are comprised of two main parts – the cost of producing or purchasing electricity for customers and the cost of delivering electricity to their homes. The cost of producing electricity makes up about 75 percent of your total electric bill. The PUCO recently approved Duke’s electric security plan for the pricing of electric generation service through 2011. More information on that plan is available at www.PUCO.ohio.gov.

The distribution rate covers the cost of delivering electricity to your home. The distribution rate pays for all the things like the cost of installing and maintaining the electric lines that run through neighborhoods, reading electric meters, processing bills, and taking customer service calls.

What is the PUCO’s role in setting electric distribution rates?

Under Ohio law, a public utility is allowed to recover from customers its operating expenses, plus a reasonable return on its infrastructure investments. When a utility requests a rate increase from the PUCO, several steps are taken to review the company’s financial condition and ensure that the company is fulfilling its obligations to customers.

When evaluating proposed rates, the PUCO’s staff looks at whether the proposed rates will provide the company with adequate operating revenue. In general, the cost of providing service to customers, maintenance of infrastructure and equipment expenses, depreciation expense, taxes and a return on the company’s infrastructure investment are used to calculate the company’s revenue requirement. The revenue requirement is the amount of money a company is allowed to collect from its customers during a given year. The PUCO staff prepares a report that makes recommendations to the Commission. The Commission is not bound by the staff recommendations and may implement some suggestions and reject others.

What did Duke request in its application?

Duke proposed distribution rates that would generate nearly \$87 million of additional revenue for the company.

What agreement did Duke, PUCO staff, and the Ohio Consumers’ Counsel reach?

On March 31, 2009, Duke, PUCO staff, the Ohio Consumers’ Counsel and other parties reached an agreement that provides Duke with a revenue increase of \$55.3 million.

How will this affect the average customer's bill?

An average residential customer using 1,000 kilowatt hours (kWh) of electricity each month will see their total monthly bill increase by about 2.6 percent.

How does the agreement protect customers?

Under the terms of the agreement, Duke will allow residential customers to pay deposits over a three-month period. Duke will also assist low-income customers through the establishment of new programs. Up to 10,000 electric customers who are at or below 200 percent of the federal poverty level and not participating in the Percentage of Income Payment Plan program will receive a \$4 monthly credit to their bill. Duke will also provide funding for a program that focuses on energy efficiency for eligible low-income residential customers.

Did the PUCO consider public opinion in making its decision?

Yes. The PUCO held two local public hearings in Cincinnati and one in Middletown. A total of 51 witnesses provided testimony. The commissioners took this testimony into consideration when reviewing the rate case – carefully weighing the interests of all parties and the public at large.

Updated January 3, 2011