Electric Rates In Ohio: Update

OAIMA
TELEPHONE CONFERENCE
Tuesday, JUNE 19, 2012
10:00 AM

OBJECTIVE

- To discuss with members recent and upcoming changes in Ohio's electric rates that could have **significant impacts** to their costs for electric service and to discuss potential mitigation strategies.

RECENT CHANGES:

- Duke's new rates effective 1/1/2012.
- AEP new rates effective 1/1/2012, revoked by PUCO, interim rates currently in place.

UPCOMING CHANGES::

- AEP's new modified plan, separate capacity case, decisions due shortly.
- FE's new plan. Capacity costs (2015/2016).

DUKE's NEW RATES, EFFECTIVE 1/1/2012:

2011 OAIMA Member Electric Bill:

Explanation of Current Charges

Electric	**Duke Energy**		
Meter - [redacted]	Rate DS01 - Distribution Service		
kWh Usage - 31,826	Distribution-Customer Chg	$ 40.00	
On Peak	Delivery Charges		
Actual kW - 371.50	Distribution-Demand Chg		
Actual kVa - 382.10	371.50 kW @ $ 4.68480000	1,740.40	
Power Factor - 97.2%	Delivery Riders	508.42	
Meter - [redacted]	Total Delivery Charges	$ 2,248.82	
Multipliers - 1	Shopping Credit	208.61cr	$ 2,080.21
kWh Usage - 464			
Actual kW - 0.00			
May 19 - Jun 20			
32 Days			
	Total Current Electric Charges		**$ 2,080.21**
Outdoor Lighting (OL)	**Duke Energy**		
Quantity - 1	Rate OLO - Outdoor Lighting		
Lumens - 50,000			
Type - High Press Sodium	Delivery Charges		
kWh Usage - 163	Distribution-Energy Chg	$ 7.83	
May 19 - Jun 20	Delivery Riders	2.99	
32 Days	Total Delivery Charges	$ 10.82	
	Shopping Credit	0.28cr	10.54
	Total Current OL Charges		**$ 10.54**

Same account, 2012:

Explanation of Current Charges

Electric	**Duke Energy**		
Meter - [redacted]	Rate DS01 - Distribution Service		
kWh Usage - 32,575	Distribution-Customer Chg	$ 40.00	
On Peak	Delivery Charges		
Actual kW - 387.80	Distribution-Demand Chg		
Actual kVa - 410.50	387.80 kW @ $ 4.68480000	1,816.77	
Power Factor - 94.5%	Delivery Riders	642.23	
Meter - [redacted]	Total Delivery Charges	$ 2,459.00	
Multipliers - 1	Generation Riders	2,894.75	$ 5,393.75
kWh Usage - 538			
Actual kW - 0.00			
Apr 18 - May 17			
29 Days			
	Total Current Electric Charges		**$ 5,393.75**
Outdoor Lighting (OL)	**Duke Energy**		
Quantity - 1	Rate OLO - Outdoor Lighting		
Lumens - 50,000			
Type - High Press Sodium	Delivery Charges		
kWh Usage - 163	Distribution-Energy Chg	$ 7.83	
Apr 18 - May 17	Delivery Riders	2.62	
29 Days	Total Delivery Charges	$ 10.45	
	Generation Riders	0.64	11.09
	Total Current OL Charges		**$ 11.09**

- Increase in amount of 2,894.75, of which $2,419.60 is due to the new non-bypassable generation rider, Load Factor Rider and the remaining due to the other new non-bypassable generation rider, Electric Security Stabilization Rider.

DUKE LOAD FACTOR RIDER:

Duke Energy Ohio
139 East Fourth Street
Cincinnati, Ohio 45202

P.U.C.O. Electric No. 19
Original Sheet No. 114
Page 1 of 1

RIDER LFA

LOAD FACTOR ADJUSTMENT RIDER

APPLICABILITY

Applicable to all retail demand-metered customers served under Rate DS, Rate DP, and Rate TS in the Company's electric service territory including those customers taking generation service from a Competitive Retail Electric Service provider.

DESCRIPTION

The purpose of this rider is to stabilize electric service by enhancing the benefits associated with high load factor customers under current rates. The rider will be structured with a demand charge and an energy credit. The energy credit will be used to reduce the customer's applicable energy charges for electric service, representing a decrease in charges to the customer. The credit provided in this rider will be adjusted quarterly to ensure, in the aggregate, that the dollars credited via this rider are equal to the charges.

DUKE LOAD FACTOR RIDER CHARGES & CREDITS:

CHARGES

The charge for each respective electric service rate schedule is:

Tariff Sheet	LFA Charge (per kW/kVA)
Rate DS, Service at Secondary Distribution Voltage	
All kW	$8.00
Rate DP, Service at Primary Distribution Voltage	
All kW	$8.00
Rate TS, Service at Transmission Voltage	
All kVA	$8.00

CREDITS

The credit for each respective electric service rate schedule is:

Tariff Sheet	LFA Credit (per kWh)
Rate DS, Service at Secondary Distribution Voltage	
All kWh	$0.020961
Rate DP, Service at Primary Distribution Voltage	
All kWh	$0.020961
Rate TS, Service at Transmission Voltage	
All kWh	$0.020961

DUKE CALCULATION of LF RIDER AMOUNTS

Billed kW	LFA Demand Charge	LFA Charge
387.8	$8.00	$3,102.40

kWh	LFA Energy Credit	LFA Credit
32575	$.02961	$682.80

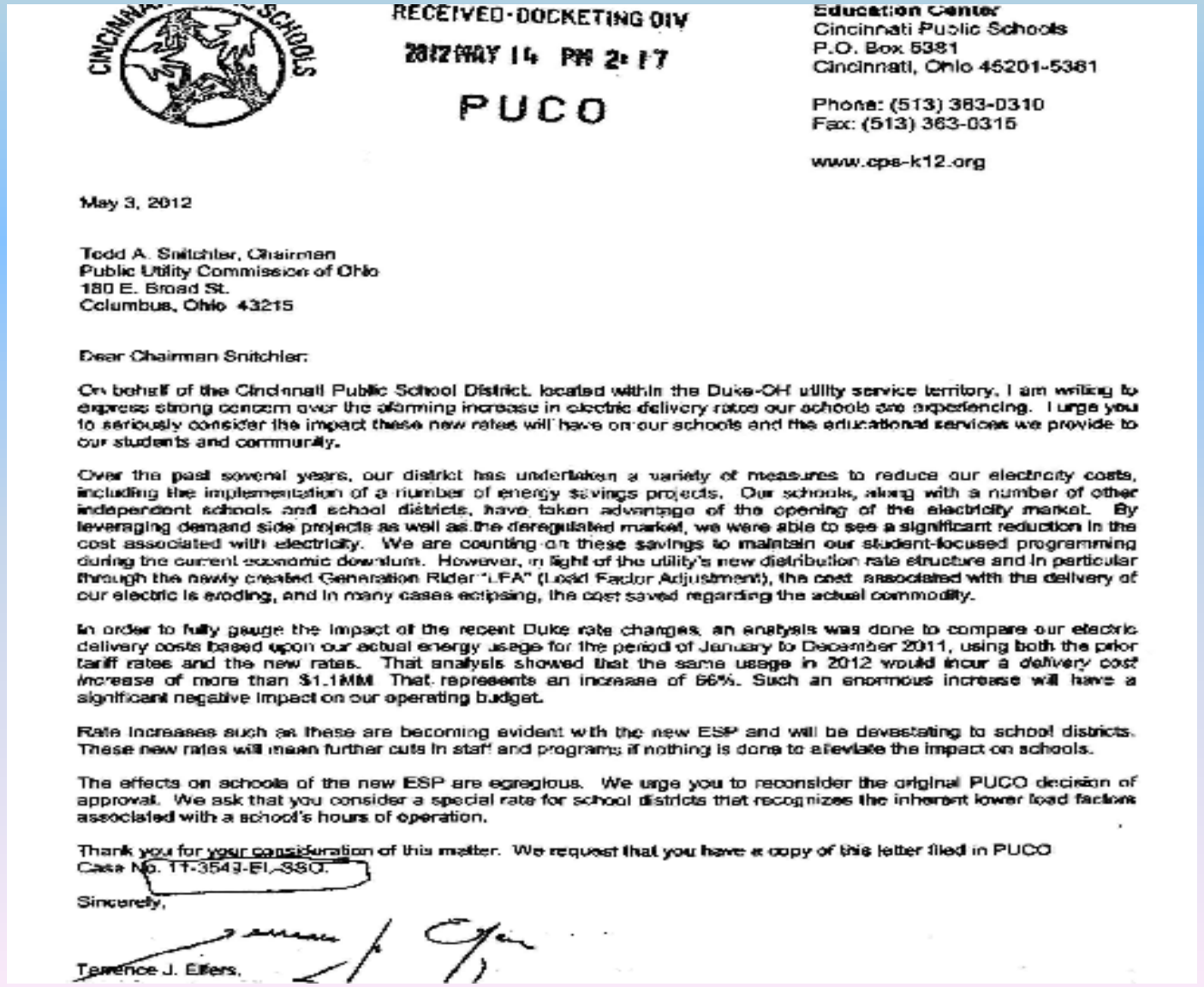
LFA Demand Charge	$3,102.40
LFA Energy Credit	$ 682.80
LFA Net Charge	$2,419.60

- Duke's Load Factor Adjustment (LFA) is revenue neutral to Duke; charges collected and credits given total zero.

- The total amount collected by Duke from low load factor customers through LFA is provided to high load factor customers in the form of discounts.

- While generally doubling the Duke distribution bills for low load factor customers (approximate 30% increase in the total cost of electric service), the new LFA rider provides a discount for high load factor customer; some actually being billed **negative amounts** (paid by Duke) for distribution service.

Recent Complaint Letter – Cincinnati Public Schools



RECEIVED-DOCKETING DIV
2012 MAY 14 PM 2:17
PUCO

Education Center
Cincinnati Public Schools
P.O. Box 5381
Cincinnati, Ohio 45201-5381

Phone: (513) 363-0310
Fax: (513) 363-0315

www.cps-k12.org

May 3, 2012

Todd A. Snitchler, Chairman
Public Utility Commission of Ohio
180 E. Broad St.
Columbus, Ohio 43215

Dear Chairman Snitchler:

On behalf of the Cincinnati Public School District, located within the Duke-OH utility service territory, I am writing to express strong concern over the alarming increase in electric delivery rates our schools are experiencing. I urge you to seriously consider the impact these new rates will have on our schools and the educational services we provide to our students and community.

Over the past several years, our district has undertaken a variety of measures to reduce our electricity costs, including the implementation of a number of energy savings projects. Our schools, along with a number of other independent schools and school districts, have taken advantage of the opening of the electricity market. By leveraging demand side projects as well as the deregulated market, we were able to see a significant reduction in the cost associated with electricity. We are counting on these savings to maintain our student-focused programming during the current economic downturn. However, in light of the utility's new distribution rate structure and in particular through the newly created Generation Rider "LFA" (Load Factor Adjustment), the cost associated with the delivery of our electric is eroding, and in many cases eclipsing, the cost saved regarding the actual commodity.

In order to fully gauge the impact of the recent Duke rate changes, an analysis was done to compare our electric delivery costs based upon our actual energy usage for the period of January to December 2011, using both the prior tariff rates and the new rates. That analysis showed that the same usage in 2012 would incur a delivery cost increase of more than $1.1MM. That represents an increase of 66%. Such an enormous increase will have a significant negative impact on our operating budget.

Rate increases such as these are becoming evident with the new ESP and will be devastating to school districts. These new rates will mean further cuts in staff and programs if nothing is done to alleviate the impact on schools.

The effects on schools of the new ESP are egregious. We urge you to reconsider the original PUCO decision of approval. We ask that you consider a special rate for school districts that recognizes the inherent lower load factors associated with a school's hours of operation.

Thank you for your consideration of this matter. We request that you have a copy of this letter filed in PUCO Case No. 11-3543-EL-SSO.

Sincerely,

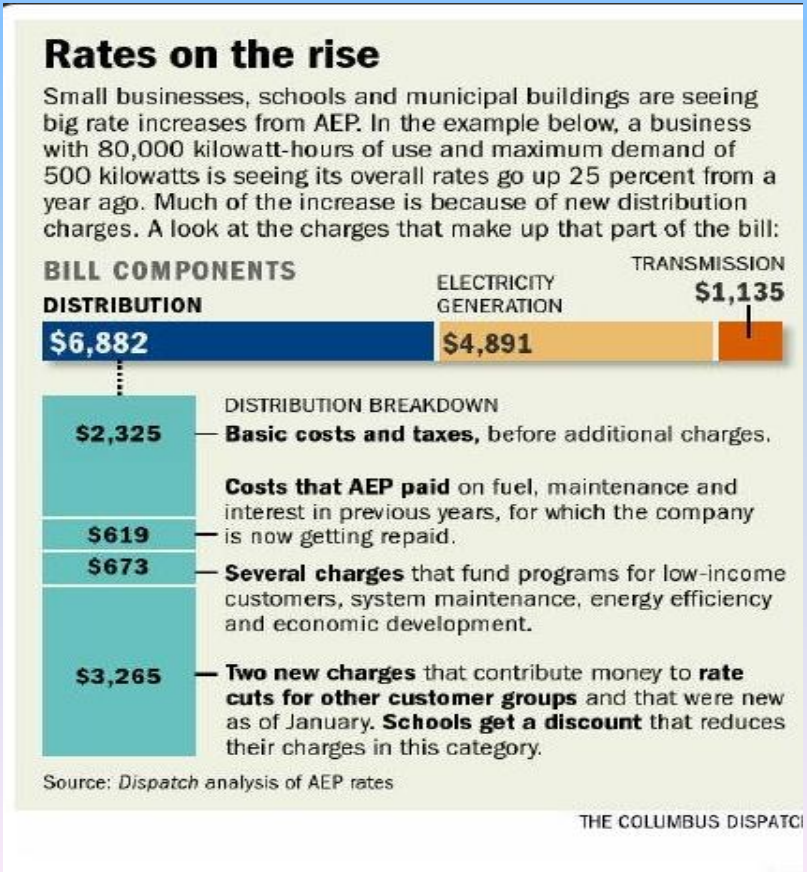
Terrence J. Ellers,

AEP's Rates Effective 01/01/2012

- Similar to Duke's new rates.
- Included two non-bypassable generation riders, Load Factor and Market Transition Rider.
- Low load factor customers' distribution bills double (approximate 30 % increases in total cost).
- High load factor customers receive reductions.

AEP – 02/2012

- AEP customers complain about impacts. Numerous complaint letters filed at the PUCO. Newspapers and television report the impacts.



"American Electric Power will be sending monthly checks to some industrial businesses because of an extraordinary quirk in its new rate plan"
Columbus Dispatch 02/05/2012

AEP – 03/06/2012

- PUCO rests AEP rates to 12/2011 levels because of customer impact complaints.
- Load Factor and Market Transition Riders removed.
- Low load factor bills go back down, high load factor bills go back up.
- AEP replaces company President, new President promises fair, across the board, transparent rates.

AEP, 03/30/2012

AEP files modified ESP plan with PUCO.

Increase is moderate and spread more evenly across customers.

A change in the capacity cost that is collected from suppliers is also requested.

A separate case is also being heard at PUCO regarding the level of AEP's actual capacity costs.

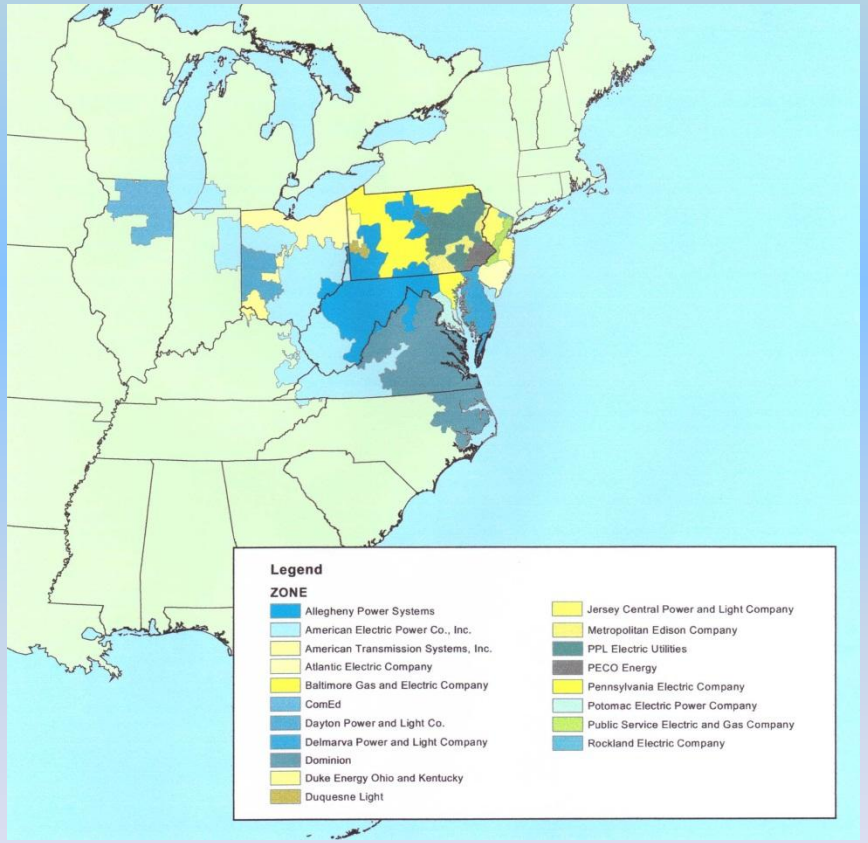
- Capacity is related to peak demand.
- Enough capacity must be made available to meet peak demand.
- Alternate suppliers pay AEP for the use of their generating facilities to meet peak demand, unless they file to supply their own generation which must be done three years in advance.
- AEP has requested approval to charge alternate suppliers for capacity, a higher cost based fee for the next two years rather than the PJM market capacity price which was used previously as the standard.

- AEP argues that the higher charge accurately reflects its cost, and is asking for a “reasonable transition to competition that maintains the ability for competitors to compete, but maintains the financial integrity of AEP.”

PJM Territories

PJM Interconnection is a regional transmission organization that coordinates the movement of wholesale electricity in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia, and the District of Columbia.

Acting as a neutral, independent party, PJM operates a competitive wholesale electric market and manages the high-voltage electricity grid to ensure reliability for more than 60 million people.



Source: PJM, www.pjm.com

Complicated Capacity Cost Issue

- AEP and FES run television commercial about the higher capacity charges.

If AEP plan approved, customers will bear the increased capacity cost unless the supplier decides to absorb the increase…

- Capacity is one of the costs, along with energy, transmission, and ancillary costs that suppliers can include in their fixed price.
- If the capacity component is not included in the fixed price, then the total capacity costs are passed through directly to the customer.
- If the capacity cost is built into the suppliers' fixed price, language in the supply contract usually allows the supplier to pass on increased costs to the customer if there are regulatory changes that result in increased costs to the supplier.

- If AEP's plan is approved, suppliers will undoubtedly have to pass this on to their customers because of the magnitude of the dollars.

- If these costs are passed on to the customer, the impacts would be varied and could be extreme in some cases.

- Impacts depend on the coincidence of the customers operations with the time of PJM's peaks.

AEP, 5/30/2012

Interim increased capacity charges authorized by PUCO for month of June 2012.

- Entry ordering that AEP-Ohio's motion for an extension of the interim capacity rates is granted, such that the capacity rates put into effect by the March 7, 2012, entry shall continue until July 2, 2012, unless the Commission issues its order in this case; with Concurring opinion of Commissioners Cheryl L. Roberto and Lynn Slaby; Dissenting opinion of Commissioner Andre T. Porter.

For the month of June 2012, this PUCO authorized interim capacity charge is significantly higher than the PJM market price.

For customers that have capacity built into their fixed price, the potential for a pass through depends on the capacity amount the supplier built into their fixed price which depends greatly on when the deal was done.

SUPPLIER PASS THROUGH LETTER to CUSTOMER

DPL Energy

June 5, 2012

Ms. Beverly Pollock
Aldi Inc.,
4400 South Charleston Pike
Springfield, OH 45502

Re: Change in Rate

Dear Ms. Pollock,

Through its proceedings in Case No. 10-2929-EL-UNC, the Public Utilities Commission of Ohio (PUCO) issued an Order on May 30, 2012 increasing the cost of American Electric Power capacity effective June 1, 2012. Therefore, pursuant to Section 10 of the Generation Supply Agreement between our organizations, we will pass through these additional capacity costs to Aldi.

The invoice you will receive on or after July 5th, 2012 shall reflect approximately $6,602.56 of additional capacity charges. As reflected on the attached, this amount was calculated by multiplying each account's peak load contribution by the incremental increase in AEP's capacity charges.

If you have any questions regarding this matter, please contact me directly at 937-259-7863.

Supplier Interim Capacity Pass Through Calculations

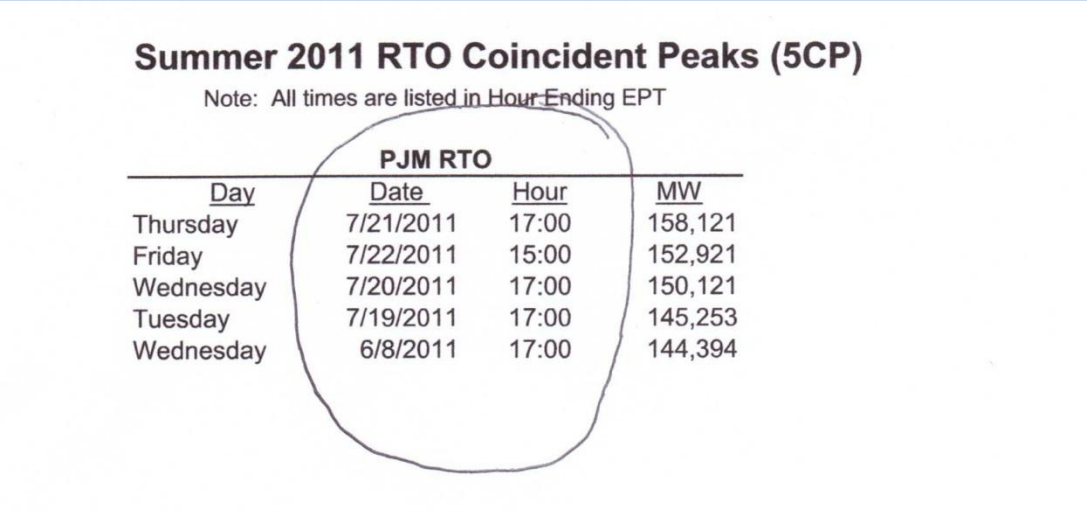
Company Name	Premise	Cust ID	2011 PLC	Final Zonal Capacity Price	Zonal Scaling Factor	FPR	2012 Capacity Price	Account Obligation	2012 Revised Capacity Price	Account Obligation	Difference For Monthly Bill
			110.64855	16.73	1.06685	1.0869	19.399427	$783.48	$146.00	$5,896.46	$426.08
			91.0522967	16.73	1.06685	1.0869	19.399427	$644.72	$146.00	$4,852.18	$350.62
			113.88685	16.73	1.06685	1.0869	19.399427	$806.41	$146.00	$6,069.03	$438.55
			97.8201871	16.73	1.06685	1.0869	19.399427	$692.64	$146.00	$5,212.84	$376.68
			83.6788255	16.73	1.06685	1.0869	19.399427	$592.51	$146.00	$4,459.24	$322.23
			85.1142691	16.73	1.06685	1.0869	19.399427	$602.68	$146.00	$4,535.74	$327.76
			101.660345	16.73	1.06685	1.0869	19.399427	$719.84	$146.00	$5,417.48	$391.47
			123.870671	16.73	1.06685	1.0869	19.399427	$877.10	$146.00	$6,601.07	$477.00
			82.3935882	16.73	1.06685	1.0869	19.399427	$583.41	$146.00	$4,390.75	$317.28
			117.344138	16.73	1.06685	1.0869	19.399427	$830.89	$146.00	$6,253.27	$451.86
			86.1159082	16.73	1.06685	1.0869	19.399427	$609.77	$146.00	$4,589.12	$331.61
			103.52278	16.73	1.06685	1.0869	19.399427	$733.02	$146.00	$5,516.73	$398.64
			110.150893	16.73	1.06685	1.0869	19.399427	$779.96	$146.00	$5,869.94	$424.17
			82.9394033	16.73	1.06685	1.0869	19.399427	$587.28	$146.00	$4,419.84	$319.38
			107.724339	16.73	1.06685	1.0869	19.399427	$762.77	$146.00	$5,740.63	$414.82
			117.750005	16.73	1.06685	1.0869	19.399427	$833.76	$146.00	$6,274.90	$453.43
			94.4891741	16.73	1.06685	1.0869	19.399427	$669.06	$146.00	$5,035.33	$363.86
Total											$6,602.56

PRICE SIGNALS – RETROACTIVE RATE-MAKING

- Should AEP's plan be approved, and supplier pass the increased cost on to the customer, the increased cost will apply to the customers' demands at the times of the previous year's peaks.
- AEP recovers from suppliers, capacity costs based on the customer's Peak Load Contribution (PLC).
- The PLC is the average of the customer's demand at the time of PJM's five highest peaks.

Increase Applies to Last Year's Peak Load Contribution

- Since the date and time of the system peaks isn't known until the year is over, alternate suppliers utilize the previous year's PLC.
- What this means is that, if AEP's plan is approved, the potential pass-through amount would be based on operations last summer, in particular on the following 5 days at the corresponding 5 times:



Summer 2011 RTO Coincident Peaks (5CP)

Note: All times are listed in Hour Ending EPT

	PJM RTO		
Day	Date	Hour	MW
Thursday	7/21/2011	17:00	158,121
Friday	7/22/2011	15:00	152,921
Wednesday	7/20/2011	17:00	150,121
Tuesday	7/19/2011	17:00	145,253
Wednesday	6/8/2011	17:00	144,394

MITIGATION STRATEGIES:

- Understand your peak load contribution.
- Review your supplier contracts.
- Quantify potential impacts.
- Investigate any demand response options.
- Initiate discussions with utility and supplier.
- Write letters to PUCO, state representatives, Jobs Ohio, news media, blog, twitter, etc.
- As a group and individually, continue to share concerns with the utilities, regulatory and legislative bodies regarding severe impacts, lack of adequate notice, and the desire for proper price signals, and less chaos and confusion.