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Duke Energy Ohio, Inc.

Independent Accountants' Report on the
Uniform Purchased Gas Adjustment
for the 12-Month Period Ended August 30, 2010,
in Response to Case No. 10-218-GA-GCR

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DUKE ENERGY OHIO, INC.

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INDEPENDENT ACCOUNTANTS' REPORT

To Duke Energy Ohio, Inc.:

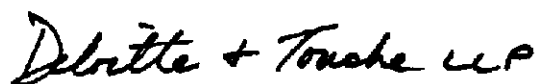
We have examined the periodic filings of Duke Energy Ohio, Inc. (the "Company") which support the gas cost recovery ("GCR") rates for the monthly periods ended September 29, 2009, October 28, 2009, November 30, 2009, January 3, 2010, February 1, 2010, March 2, 2010, March 31, 2010, May 2, 2010, June 1, 2010, June 30, 2010, August 1, 2010, and August 30, 2010, for conformity in all material respects with the financial procedural aspects of the uniform purchased gas adjustment as set forth in Chapter 4901:1-14 and related appendices of the Ohio Administrative Code. These filings and the Company's compliance with those requirements are the responsibility of the Company's management. Our responsibility is to express an opinion as to the fair determination of GCR rates calculated within the monthly filings and as to whether those rates have been properly applied to customer bills based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the Company's computation of the GCR rates in accordance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Company's compliance with specified requirements.

In our opinion, the Company has fairly determined, in all material respects, the GCR rates for the periods stated above in accordance with the financial procedural aspects of the uniform purchased gas adjustment as set forth in Chapter 4901:1-14 and related appendices of the Ohio Administrative Code and properly applied the GCR rates to customer bills.

Specific findings, which are presented for the attention of the Public Utilities Commission of Ohio ("PUCO"), are attached in a separate memorandum entitled "Summary of Findings."

This report is intended solely for the information and use of the Company, the PUCO, and the Ohio Consumers' Counsel and is not intended to be, and should not be, used by anyone other than these parties.



November 12, 2010

DUKE ENERGY OHIO, INC.

UNIFORM PURCHASED GAS ADJUSTMENT RATES

The following is a summary of the uniform purchased gas adjustment rates reviewed as part of the examination (\$/MCF):

Period in Effect	Expected Gas Cost	Supplier Refund and Reconciliation Adjustment	Actual Adjustment	Total Uniform Purchased Gas Adjustment
August 31, 2009 to September 29, 2009	\$ 6.963	\$ 0.000	\$ (0.600)	\$ 6.363
September 30, 2009 to October 28, 2009	6.150	0.000	(0.600)	5.550
October 29, 2009 to November 30, 2009	7.112	0.000	(0.600)	6.512
December 1, 2009 to January 3, 2010	7.133	(0.002)	(0.728)	6.403
January 4, 2010 to February 1, 2010	7.571	(0.002)	(0.728)	6.841
February 2, 2010 to March 2, 2010	7.734	(0.002)	(0.728)	7.004
March 3, 2010 to March 31, 2010	7.450	(0.002)	(0.809)	6.639
April 1, 2010 to May 2, 2010	6.168	(0.002)	(0.809)	5.357
May 3, 2010 to June 1, 2010	5.866	(0.002)	(0.809)	5.055
June 2, 2010 to June 30, 2010	6.386	(0.008)	(0.369)	6.009
July 1, 2010 to August 1, 2010	6.931	(0.008)	(0.369)	6.554
August 2, 2010 to August 30, 2010	6.930	(0.008)	(0.369)	6.553

See summary of findings.

DUKE ENERGY OHIO, INC.

SUMMARY OF FINDINGS

STATUS OF EXCEPTIONS REPORTED IN PRIOR-YEAR REPORT

- The Company understated the market rate used to calculate the commodity component of the Expected Gas Cost ("EGC") rate in the filing effective July 1, 2009 due to a clerical error. This caused an understatement of the EGC rate of \$0.243 per MCF. This error self-corrected in the calculation of the Actual Adjustment ("AA") for GCR rates in the filing effective December 1, 2009.
- The Company understated the jurisdictional sales included in the calculation of the AA in the filing effective June 2, 2009 due to early cutoff of the Company's billing system. The understatement of the jurisdictional sales caused the Monthly Cost Difference credit to be understated by approximately \$870,000, and the Balance Adjustment debit on Schedule IV to be overstated by approximately \$60,000. These misstatements caused an overstatement of the GCR rate of \$0.026 per MCF. As stated in the prior period report, this error self-corrected in the calculation of the AA in the filing effective August 31, 2009.

OTHER MATTERS IDENTIFIED IN CURRENT-YEAR EXAMINATION

- The Company overstated the storage inventory balance used to calculate the storage carrying cost component of the EGC rate in the filing effective December 1, 2009 due to a clerical error. This caused an overstatement of the EGC rate of \$0.005 per MCF. This error self-corrected in the calculation of the AA for GCR rates that were effective March 3, 2010.
- The Company overstated the storage inventory balance used to calculate the storage carrying cost component of the EGC rate in the filing effective January 4, 2010 due to a clerical error. This caused an overstatement of the EGC rate of \$0.002 per MCF. This error was corrected in the calculation of the AA for GCR rates that were effective June 2, 2010.
- The Company understated the storage inventory balance used to calculate the storage carrying cost component of the EGC rate in the filing effective March 3, 2010 due to a clerical error. This caused an understatement of the EGC rate of \$0.004 per MCF. This error was corrected in the calculation of the AA for GCR rates that were effective June 2, 2010.
- The Company understated the storage inventory balance used to calculate the storage carrying cost component of the EGC rate in the filing effective April 1, 2010 due to a clerical error. This caused an understatement of the EGC rate of \$0.007 per MCF. This error was corrected in the calculation of the AA for GCR rates that were effective June 2, 2010.
- The Company understated the storage inventory balance used to calculate the storage carrying cost component of the EGC rate in the filing effective May 3, 2010 due to a clerical error. This caused an understatement of the EGC rate of \$0.025 per MCF. This error was corrected in the calculation of the AA for GCR rates that were effective August 31, 2010.

- The Company overstated the jurisdictional sales included in the calculation of the AA in the filing effective June 2, 2010 due to overestimating customer bills in February 2010. The overstatement of the jurisdictional sales caused the Monthly Cost Difference credit to be overstated by approximately \$1,322,000, and the Balance Adjustment debit on Schedule IV to be understated by approximately \$65,000. These misstatements caused an understatement of the GCR rate of \$0.044 per MCF. This error self-corrected in the calculation of the AA in the filing effective August 31, 2010.

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