

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Regulation of the)
Purchase Gas Adjustment Clauses) Case No. 12-218-GA-GCR
Contained Within the Rate Schedules of)
Duke Energy Ohio, Inc. and Related Matters.)

In the Matter of the Audit of the)
Uncollectible Expense Rider of Duke) Case No. 12-318-GA-UEX
Energy Ohio, Inc. and Related Matters.)

ENTRY

The Commission finds:

- (1) Duke Energy Ohio, Inc. (Duke or Company) is a gas or natural gas company as defined by Section 4905.03(A)(4) and (5), Revised Code, and public utility by reason of Section 4905.02, Revised Code. As such, Duke is subject to the jurisdiction of the Public Utilities Commission of Ohio (Commission), in accordance with Sections 4905.04 and 4905.05, Revised Code.
- (2) Section 4905.302, Revised Code, and Rule 4901:1-14-07, Ohio Administrative Code (O.A.C.), require that the Commission conduct, or cause to be conducted, periodic audits of gas or natural gas companies. Such an audit shall be performed for Duke and the audit shall review the Company's compliance with the gas cost recovery (GCR) mechanism for the GCR rates effective September 2011 through August 2012, with the report being filed with the Commission on or before November 15, 2012.
- (3) On December 21, 2005, the Commission authorized Duke to establish an uncollectible expense (UEX) rider. *In the Matter of the Joint Application of Cinergy Corp., on Behalf of The Cincinnati Gas & Electric Company, and Duke Energy Holding Corp. for Consent and Approval of a Change of Control of The Cincinnati Gas & Electric Company*, Case No. 05-732-EL-MER *et al.* In accordance with the Commission's previous directives, Duke's independent financial auditor audits the UEX rider in

conjunction with Duke's GCR audit. *In the Matter of the Application of Duke Energy Ohio, Inc. for Approval of an Adjustment to Its Uncollectible Expense Rider Rate*, Case No. 11-318-GA-UEx.

- (4) Through this Entry, the Commission is initiating the financial audits of Duke's GCR and UEX riders. Duke's auditor should docket its audit findings for the GCR audit in Case No. 12-218-GA-GCR. The UEX rider audit will be for calendar year 2011, and the auditor should docket its audit findings for the UEX rider in Case No. 12-318-GA-UEx, which is the case reserved for this UEX audit and Duke's filing of its UEX status report that is to be filed in May 2012. The due date of the GCR and UEX rider audit reports is November 15, 2012.
- (5) Duke shall select the auditor to perform the audits described in this Entry. The selected auditor is required to submit a Certificate of Accountability attesting to the accuracy of financial data pertaining to the periods specified above. Reference should be made in the GCR report to any errors or deviations from the calculations prescribed within Chapter 4901:1-14, O.A.C.
- (6) Pursuant to this GCR rules, the auditor shall assure the Commission that:
 - (a) The costs reflected in the Company's GCR rates were properly incurred by the Company.
 - (b) The GCR rates were accurately computed by the Company.
 - (c) The GCR rates were accurately applied to customer bills.
 - (d) If it changed from historical volumes to weather-normalized and/or forecasted volumes, the Company has reasonably applied such approach throughout the audit period.

The financial auditor shall also include discussions of the Company's compliance with any and all applications granted for revisions to its filed GCR rates pertinent to the audit period,

as well as the Company's compliance with the financial directives of the Commission's Opinion and Order in Case No. 11-218-GA-GCR.

- (7) Rule 4901:1-14-08, O.A.C., requires the Commission to hold a public hearing at least 60 days after the filing of the audit report required under paragraph (C) of Rule 4901:1-14-07, O.A.C.
- (8) A public hearing shall be held in this matter pursuant to Section 4905.302(C), Revised Code, to allow the Commission to review the operation of the Company's purchased gas adjustment clauses and related matters. The hearing shall commence on January 15, 2013, at 10:00 a.m., at the offices of the Commission, 180 East Broad Street, Hearing Room 11-C, Columbus, Ohio 43215-3793. At that time, all interested persons will be given an opportunity to be heard.
- (9) Rule 4901:1-14-08(C), O.A.C., specifies the requirement for notice of hearing, which the Company should cause to be published between 15 and 30 days prior to the date set for its hearing. The notice may be provided by newspaper publication (in a section other than the legal notices section), bill message, bill insert, or direct mailing to the customers. The notice shall be published in substantially the following form:

LEGAL NOTICE

The Public Utilities Commission of Ohio has set for public hearing Case No. 12-218-GA-GCR, to review the gas cost recovery rates of Duke Energy Ohio, Inc., the operation of its Purchased Gas Adjustment Clause, and related matters. This hearing is scheduled to begin at 10:00 a.m. on Tuesday, January 15, 2013, at the offices of the Commission, 180 East Broad Street, Hearing Room 11-C, Columbus, Ohio 43215-3793. All interested parties will be given an opportunity to be heard. Further information may be obtained by viewing the Commission's web page at <http://www.puc.state.oh.us> or contacting the Commission at (800) 686-7826 or for TTY at (800) 686-1570.

- (10) The Commission directs that all costs associated with the GCR and UEX rider audits be borne by Duke.
- (11) The direct testimony of any witness testifying on behalf of Duke should be filed at least 16 days prior to that Company's hearing. All direct testimony to be presented by any other party in this proceeding should be filed at least seven days prior to the hearing.
- (12) The auditor shall perform the audit as an independent contractor. Any conclusions, results, or recommendations formulated by the auditor may be examined by any participant to the proceeding for which the audit report was generated. Further, it shall be understood that the Commission and/or its Staff shall not be liable for any acts committed by the auditor or its agents in the preparation and presentation of the audit reports.
- (13) The auditor will execute its duties pursuant to the Commission's statutory authority to investigate and acquire records, contracts, reports, and other documentation under Sections 4903.03, 4905.06, 4905.15 and 4905.16, Revised Code. The auditor is subject to the Commission's statutory duty under Section 4901.16, Revised Code, which states:

Except in his report to the public utilities commission or when called on to testify in any court or proceeding of the public utilities commission, no employee or agent referred to in section 4905.13 of the Revised Code shall divulge any information acquired by him in respect to the transaction, property, or business of any public utility, while acting or claiming to act as such employee or agent. Whoever violates this section shall be disqualified from acting as agent, or acting in any other capacity under the appointment or employment of the Commission.

Once disclosure is permitted by Section 4901.16, Revised Code, the following process applies to the release of any document or information marked as confidential. Three days' prior notice of intent to disclose shall be provided to the party claiming confidentiality. Three days after such notice, Staff or the auditor

may disclose or otherwise make use of such documents or information for any lawful purpose, unless the Commission is moved for a protective order pertaining to such documents or information within the three-day notice period. The three-day notice period will be computed according to Rule 4901-1-07, O.A.C.

- (14) Upon request of the auditor or Staff, Duke shall provide any and all documents or information requested. The Company may conspicuously mark such documents or information "confidential." In no event, however, shall the Company refuse to provide or delay in providing such documents or information.
- (15) The Commission finds that complete documentation of the financial audit process within the auditor's work papers is essential. The financial auditor for this proceeding shall ensure that the reports and work papers are complete reflections of the financial audit process. In the event we experience difficulty in gaining access to necessary documentation, the Commission may issue a request for proposal for the selection of the financial auditor in subsequent audits.

It is, therefore,

ORDERED, That the audits of Duke for the effective periods pursuant to Findings (2) and (4), shall be conducted pursuant to the directives herein. It is, further,

ORDERED, That a public hearing shall be conducted in this matter consistent with the findings herein, at the time specified in Finding (8). It is, further,

ORDERED, That the notice required in Finding (9) shall be provided as set forth in that finding and in substantially the form specified. It is, further,

ORDERED, That the Company bears the cost of these audits as provided in Finding (10). It is, further,

ORDERED, That the Company and auditor shall observe the requirements set forth herein. It is, further,

ORDERED, That the auditor shall provide the documentation necessary to support its conclusions and recommendations, as specified in Finding (12). It is, further,

ORDERED, That a copy of this Entry shall be served upon the Company and upon all other parties of record in these proceedings.


THE PUBLIC UTILITIES COMMISSION OF OHIO


Todd A. Snitchler, Chairman


Paul A. Centolella

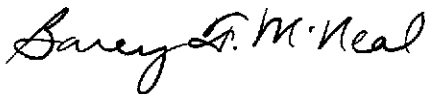

Steven D. Lesser


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Barcy F. McNeal
Secretary