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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of
Duke Energy Ohio, Inc.
550 South Tryon Street, Suite 4400
Charlotte, North Carolina 28202

We have performed the procedures enumerated below, which were agreed to by Duke Energy Ohio, Inc. (the "Company") and provided to the Public Utilities Commission of Ohio (the "PUCO") and the Ohio Consumers' Counsel (the "OCC") solely to assist you in evaluating the Company's compliance with the recovery of uncollectible customer accounts receivable through an uncollectible expense recovery mechanism as described in PUCO Case 14-318-GA-UEx and 15-318-GA-UEx from January 1, 2014-March 31, 2015. The Company's management is responsible for the Company's compliance with the requirements of the uncollectible expense recovery mechanism. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We performed the following procedures in relation to the uncollectible expense recovery mechanism from January 1, 2014 through March 31, 2015.

- 1) We obtained from Company management and proved the mathematical accuracy of the following items from January 1, 2014 through March 31, 2015 within the schedules forming Attachment 1 in Duke Energy Ohio's applications filed in cases 14-318-GA-UEx and 15-318-GA-UEx with the PUCO.
 - a. Bad Debts Written Off – Net of customer recoveries for the period from January 1, 2014 through March 31, 2015 totaled \$4,180,436.
 - b. Recovery – Uncollectible Rider for the period from January 1, 2014 through March 31, 2015 of \$7,149,940.
 - c. Carrying Charges for the period from January 1, 2014 through March 31, 2015 of \$36,514.
- 2) We compared the monthly bad debts written off – net of customer recoveries from the schedule obtained in 1) a. above to the reports from the Company's Customer Management System ("CMS"), which represents the billing system, and noted no differences. We noted that charge-offs used in the calculations related to all firm transportation customers and excluded all interdepartmental and Interruptible Transportation customer types from January 1, 2014 through March 31, 2015.

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- a. From the bad debts written off January 1, 2014 through March 31, 2015 from the CMS billing system, we randomly selected 25 charge-offs and obtained the customer billing history from CMS. We documented the dates and transactions leading up to the charge off of the customer's outstanding balance, including any subsequent recovery of any portion of the balance written off. For the selected accounts with recoveries, we agreed the recovery from the CMS history to inclusion in the Bad Debts Written Off –Net of Customer Recoveries from 1) a. as a credit. Additionally, we ensured that residential PIPP customer balances selected were not included in the UEX for recovery, noting no exceptions

We noted one finding related to a non-timely charge-off during the period of January 1, 2014 through March 31, 2015 from our selections. The selected charge-off exceeded the Company's 90 day charge off policy by 5 days and did not fall under allowable exceptions under the policy (i.e. weekends, holidays, etc.).

- 3) For the monthly recoveries through the uncollectible rider from January 1, 2014 through March 31, 2015 included in the schedules obtained in 1) b. above, we compared the amounts to the corresponding amounts recorded as revenue in the Company's Hyperion Financial Management ("HFM") accounting system noting no exceptions.
- 4) We selected the months of June 2014, October 2014 and March 2015 and agreed the interest rate utilized by the Company to calculate the monthly carrying charges in 1) c. above to the weighted average monthly intercompany money pool rate from the Company's Treasury Manager system noting no exceptions.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be, and should not be, used by anyone other than these specified parties.

DELOITTE & TOUCHE LLP

November 13, 2015