

FILE

Ohio

Public Utilities Commission

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December 2, 2015

Docketing Division
Public Utilities Commission of Ohio
180 East Broad Street
Columbus OH 43215

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RE: *In the Matter of the Application of Duke Energy Ohio Inc. for Approval to Change Accounting Methods, Case No. 15-855-GA-AAM*

Dear Docketing Division:

Enclosed please find the Staffs Review and Recommendations in regard to the application filed by Duke Energy Ohio Inc. for approval to change accounting methods, in Case No. 15-855-GA-AAM.

Tamara S. Turkenton
Chief, Regulatory Services Division
Public Utilities Commission of Ohio

David Liphtratt
Chief, Research and Policy Division
Public Utilities Commission of Ohio

Enclosure

Cc: Parties of Record

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Duke Energy Ohio
Case No. 15-855-EL-AAM

Background

In December 2012, the Public Utilities Commission of Ohio (Commission) initiated an investigation to evaluate the vitality of the competitive retail electric service markets. At the conclusion of this process, the Commission directed all electric distribution utilities (EDUs) to submit applications for approval of bill format changes. On November 21, 2014, Duke Energy Ohio (Duke or Company) submitted bill formats for approval. On January 20, 2015, Duke amended its application, which was approved by the Commission on February 25, 2015.

Duke's bill format changes include provisions for the placement of supplier logos, in the same size and format as Duke Energy's logo, a price-to-compare bill message that includes reference to the "Energy Choice Ohio" website at energychoice.ohio.gov, and provides detail of charges that specify "delivery" or "supply".

In this Case No. 15-0855-EL-AAM, Duke is seeking approval to defer actual operating and maintenance expenses including labor, relating to the bill format requirements. Duke currently estimates these expenses to be approximately \$922,848, does not request any carrying charges, and seeks to amortize the balance in its revenue requirement calculation in the next base electric distribution rate case.

Staff Review

In Staff's review of Duke's request for deferral authority in this case, the following deferral criteria was considered:

1. Were the current level of costs included in the last rate case insufficient?
2. Were the requested costs to be deferred of material nature?
3. Was the problem outside the company's control?
4. Are the expenditures atypical and infrequent?
5. Would the costs result in financial harm to the Company?
6. Whether the Commission could encourage the utility to do something it would not otherwise do if deferral authority was granted?

Recommendations

Staff has reviewed Duke's application for authority to defer costs without carrying charges, and believes that Duke's is reasonable and should be approved with certain modifications. Staff recommends that the total deferral for the bill format changes should be capped so as to not exceed \$922,848. Staff recommends that Duke be directed to separately identify and record in a sub-account of Account 182: "Other Regulatory Assets", all O&M costs to be deferred by the Company. Staff would request that the Commission emphasize through its order that recovery is not guaranteed for all costs listed under the Regulatory Assets account and the determination of

the reasonableness of the deferred amounts and the recovery thereof, will be examined and addressed in a future base rate proceeding before the Commission.

Therefore, Staff recommends that the Commission approve Duke's application for approval of certain accounting authority as modified above.