

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Review of Duke :
Energy Ohio, Inc.'s Alternative Energy : Case No. 15-1854-EL-RDR
Recovery Rider for the Period January 1, :
2014, through December 31, 2016. :

REPLY COMMENTS
SUBMITTED ON BEHALF OF THE STAFF OF
THE PUBLIC UTILITIES COMMISSION OF OHIO

Michael DeWine
Ohio Attorney General

William L. Wright
Section Chief

Steven L. Beeler
Assistant Attorney General
Public Utilities Section
30 East Broad Street, 16th Floor
Columbus, OH 43215
614.466.4397 (telephone)
614.644.8764 (fax)
steven.beeler@ohioattorneygeneral.gov

July 27, 2016

INTRODUCTION

On May 16, 2016, the audit report of the Alternative Energy Recovery Rider (AER-R) of Duke Energy Ohio, Inc. (DEO or Company), prepared by Larkin & Associates PLLC (Larkin) for calendar years 2014-2015, was filed in Case No. 15-1854-EL-RDR. DEO filed reply comments on July 26, 2016. The following discussion includes the Public Utilities Commission of Ohio Staff's (Staff) reply comments.

DISCUSSION

A. Larkin Management Audit Recommendation No. 3 (page 1-12), Staff Comment C. 2. (page 5) and DEO Reply Comment II. A. (page 1).

Based on the Company's comments, it appears that the Company may be conducting ongoing reviews that are equivalent in function to the internal audit that is being recommended. As such, Staff recommends that the Company document the reviews that it undertakes, and that this recommendation be revisited in the next audit.

B. Larkin Discussion No. 3 (page 1-7), Staff Comment B. 3. (page 3) and DEO Reply Comment II. B. (page 2).

The Company mischaracterizes this as a Larkin recommendation. It actually is a recommendation that was made by the prior auditor. The Commission's order in the prior case adopted this auditor recommendation. The Company now appears to be saying that it does not want to implement the recommendation because it believes that the recommendation is a directive to participate in market timing speculation. Review of the

prior auditor's report shows that this recommendation is related to a requirement for Duke to "document its strategy used and market trends considered when purchasing RECs."¹ There is also potential that such projection of REC costs could have use in the development of the cost recovery rider, not necessarily for market speculation purposes. Staff recommends that the Commission re-iterate its prior order on this issue and require the Company to comply with this recommendation.

Respectfully submitted,

Michael DeWine
Ohio Attorney General

William L. Wright
Section Chief

/s/ Steven L. Beeler _____

Steven L. Beeler
Assistant Attorney General
Public Utilities Section
30 East Broad Street, 16th Floor
Columbus, OH 43215
614.466.4397 (telephone)
614.644.8764 (fax)
steven.beeler@ohioattorneygeneral.gov

¹ Management/Performance and Financial Audit of the Alternative Energy Resource Recovery Rider of Duke Energy Ohio, Inc., Case No. 12-3111-EL-RDR, filed July 21, 2014, page 5.

PROOF OF SERVICE

I hereby certify that a true copy of the foregoing **Reply Comments** submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served via electronic mail upon counsel for the parties of record as listed below, this 27th day of July, 2016.

/s/ Steven L. Beeler

Steven L. Beeler
Assistant Attorney General

Parties of Record:

Elizabeth H. Watts
Duke Energy Business Services LLC
155 East Broad St., 20th Fl.
Columbus, OH 43215
elizabeth.watts@duke-energy.com

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Summary: Comments Reply Comments Submitted on Behalf of the Public Utilities
Commission of Ohio. electronically filed by Ms. Tonneta Scott on behalf of PUC