**BEFORE**

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

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| In the Matter of the Application of Duke Energy Ohio, Inc., to Adjust its Alternative Energy Recovery Rider. | ::: | Case No. 12-3111-EL-RDR |

**COMMENTS**

SUBMITTED ON BEHALF OF THE STAFF OF

THE PUBLIC UTILITIES COMMISSION OF OHIO

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# INTRODUCTION

 On July 21, 2014, the audit report of the Alternative Energy Recovery Rider (AER-R) of Duke Energy Ohio, Inc. (Duke Energy or Company), prepared by Baker Tilly Virchow Krause, LLP for calendar year 2013, was filed in Case No. 12-3111-EL-RDR. The following discussion includes the Public Utilities Commission of Ohio Staff (Staff) comments on the report, as well as Staff’s recommendation for Rider AER-R update filings. Unless spe­cifically discussed in these comments, Staff supports the remaining recommendations in the audit report.

# DISCUSSION

## A. Staff Discussion of Baker Tilly Recommendations

**Baker Tilly Recommendation 4.1.2** states that Duke Energy Ohio should use competitive solicitations to purchase Renewable Energy Credits (RECs) to make purchas­ing decisions more transparent.

Staff believes the use of competitive solicitations, as described in recommendation 4.1.2, could make purchasing decisions more transparent and improve REC prices availa­ble to Duke Energy Ohio. However, Staff realizes that the procurement of RECs solely through com­petitive solicitations may not be the best course of action for the Company at all times. Staff recommends that the Company consider the use of competitive solicita­tions for future REC procurements and document the Company’s rationale if the Com­pany does not pursue competitive solicita­tions.

**Baker Tilley Recommendation 4.4.2** states that Duke Energy Ohio and the Pub­lic Utilities Commission of Ohio (Commission) should consider performing the AER-R calcula­tions and applying the new AER rate monthly rather than quarterly in future AEPS filings to help ensure more accurate projections and more equitable recovery from cus­tomers. A more frequent adjustment could be based on a rolling average adjustment or other factors to smooth the impact on ratepayers.

Staff believes the quarterly update of the Rider AER-R rates is consistent with the Commission’s Order dated November 22, 2011 in Case No. 11-3549-EL-SSO regarding the Company’s most recently approved Electric Security Plan (ESP). Staff believes that providing monthly calculations and filings would deviate from the Commission’s approved methodology and would pose an administrative burden, which is not justified at this time. Staff recommends that the Company continue to update its AER-R quarterly, in accordance with the prior Commission Order.

 **Baker Tilly Recommendation 4.6.2** recommends that the Company review the guidance provided by the Commission in Case No. 11-5201-EL-RDR and confirm that it interpreted the “3% provision” correctly and is in compliance.

Staff supports the idea of the Company following the Commission’s guidance in the calculation of the cost cap. However, since there has been a recent rule revision initia­tive, Staff recommends that the Company also monitor the Commission’s review of its rules for the Alternative Energy Portfolio Standard (Chapter 4901:1-40, Ohio Adminis­trative Code) in Case No. 13-0652-EL-ORD, which is anticipated to address the calcula­tion of the three percent cost cap.

## B. Filing Procedures for Rider AER-R Updates

 In finding (4)(c) of the Commission’s Entry dated December 14, 2011 in Case No. 11-3549-EL-SSO, the Commission stated that the Company should file information related to Rider AER-R, where action is required, in a new RDR case docket. The find­ing also encourages the Company to work with Staff in coordinating the opening of appropriate dockets.

On December 1, 2014, Duke Energy filed its Rider AER-R rate adjustment in the dockets for Case Nos. 11-6001-EL-RDR, 11-3549-EL-SSO, and 14-2143-EL-RDR. The Company’s filing of the Rider AER-R rate adjustment in these various dockets created uncertainty for Staff. Therefore, Staff recommends that going forward, the Company coordinate with Staff to file the AER-R updates in the appropriate dockets, as stipulated by the Commission in its Entry. This would streamline the rider adjustment process, by avoiding uncertainty and difficulty in locating relevant AER filings.

Respectfully submitted,

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/s/ Katie L. Johnson

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# PROOF OF SERVICE

 I hereby certify that a true copy of the foregoing **Comments** submitted on behalf of the Staff of the Public Utilities Commis­sion of Ohio,was served via electronic mail upon counsel for the applicant as listed below, this 16th day of January, 2015.

/s/ Katie L. Johnson

**Katie L. Johnson**

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**Parties of Record:**

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