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June 4, 2010

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

RE: *In the Matter of the Application of Duke Energy Ohio, Inc. for Approval of an Adjustment to its Uncollectible Expense Rider Rate, Case No. 10-726-GA-UEX*

Dear Docketing Division:

Enclosed please find the Staff's Comments regarding Duke Energy Ohio, Inc.'s application for an adjustment to its existing uncollectible expense rider in Case No. 10-726-GA-UEX.

Respectfully submitted,

Steve Puican

Steve Puican
Co-Chief, Rates & Tariffs/Energy & Water Division

Enclosure
cc: Parties of Record

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business
Technician AM Date Processed 6/4/10

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)	
Duke Energy Ohio, Inc. for Approval)	
of an Adjustment to its)	Case No. 10-726-GA-UEx
Uncollectible Expense Rider Rate.)	

**COMMENTS
OF THE STAFF OF
THE PUBLIC UTILITIES COMMISSION OF OHIO**

Date submitted: June 04, 2010

Application of Duke Energy Ohio, Inc.
Case No. 10-726-GA-UEx

Background

In Case No. 03-1127-GA-UNC, the Commission authorized the concept of an uncollectible accounts expense recovery mechanism for five natural gas companies. The mechanism approved allows for recovery of actual bad/uncollectible debt through a rider, rather than through base rates. Subsequently, Duke Energy Ohio, Inc. (Duke) was authorized in Case No. 05-974-GA-AAM to establish a rider recovery mechanism consistent with that which was approved in Case No. 03-1127-GA-UNC. On November 18, 2009, the Commission issued its Finding and Order in Case No. 09-773-GA-UEx which authorized an initial uncollectible rider rate of \$0.1569 per Mcf.

On May 28, 2010, Duke filed the pending application to revise its current uncollectible expense rider rate. Staff has reviewed the application and makes its findings and recommendations in this staff report.

Application

Duke's application would increase the existing rider rate of \$0.1569 per Mcf to \$0.26073 per Mcf for an increase of 39.8%. In Attachment 1 to the application, page 1 of 5, Duke provides its calculation for the revised rider rate. Page 2 details Duke's Uncollectible Tracker Balance for 2009 and the first quarter of 2010, which indicates an ending balance of \$4,480,500. Page 3 details uncollectible expense revenue recovered through base rates. Page 4 shows twelve months of projected bad debt expenses with an ending balance of \$9,184,547. Page 5 shows twelve months of projected sales volumes.

Per Attachment 1, pages 1-5, Duke projects total uncollectible expense for the next twelve months to be \$13,665,046. Dividing this total by projected sales volumes of 52,410,349 Mcf results in the proposed uncollectible expense rider of \$0.26073 per Mcf.

In Attachment 2 to the application, Duke incorporates the proposed uncollectible expense rider rate in its tariffs.

Recommendation

Staff has performed a preliminary review of the application and attachments. At this time, Staff does not propose any adjustment to the reconciliation. Staff believes Duke's application appropriately calculates the rider and recommends the proposed rate of \$0.26073 per Mcf be approved.

Staff notes that the Finding and Order in Case No. 03-1127-GA-UNC ordered that the uncollectible expense rider was to be evaluated as part of the financial audit in gas cost recovery (GCR) proceedings. The uncollectible tracker balance for 2009 and the first quarter of 2010 will be addressed by Duke's independent auditor as part of the upcoming GCR financial review scheduled later this year, and then reviewed by Staff when filed. During that audit, the independent auditor should review, evaluate, and report on Duke's filed uncollectible tracker balance covering 2009 and the first quarter of 2010. Any required adjustment to those tracker balances will be considered in future uncollectible expense rider rate revisions. Duke's independent auditor shall randomly sample customers whose balances have been written off to determine if the write-offs were timely and how subsequent payments were accounted for.