

FILE



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September 20, 2010

PUCO

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

RE: *In the Matter of the Application of Duke Energy Ohio, Inc. to Update its Transmission
Cost Recovery Rider, Case No. 10-981-EL-RDR*

Dear Docketing Division:

Enclosed please find the Staff's Review and Recommendations in regard to the Duke Energy Ohio, Inc. application to update its transmission cost recovery rider (TCRR).

Sincerely,

Robert B. Fortney
Chief, Rates & Tariffs, Energy & Water Division
Public Utilities Commission of Ohio

Enclosure

Cc: Parties of Record

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Duke Energy Ohio
Case No. 10-981-EL-RDR

SUMMARY

On July 16, 2010, Duke Energy Ohio (Duke-OH) filed an application for approval to update its Transmission Cost Recovery Rider (TCRR). On August 3, 2010, Duke-OH filed a revised Schedule B-4 to the application. On August 17, 2010, Duke-OH filed supplemental information pursuant to Ohio Administrative Code 4901:1-36-06. Duke-OH further updated its filing on September 17, 2010 to provide additional information in regard to controllable RTO costs.

As a member of the Midwest Independent System Operator (MISO), Duke-OH is assessed various costs/credits by MISO as a result of providing service to retail customers in Ohio. The costs and credits included in the TCRR vary on a periodic basis and are appropriately included in a rider that is subject to an annual true-up and adjustment.

Duke-OH's proposed rates reflect a \$6.6M increase in revenues that would be collected under current rates for the October 2010 thru September 2011 time frame. The proposed rates include an adjustment of approximately -\$1.5M to reflect the prior period net over-collection of revenues. The total proposed revenue for the October 2010 thru September 2011 period is approximately \$69.6M.

STAFF REVIEW

Accounting review

Staff has completed its review of the filing and finds that Duke-OH has appropriately included in its TCRR only those costs and credits that are incurred as a result of serving its retail customers in Ohio

Controllable RTO cost review

Staff has reviewed the controllable RTO costs contained in Duke-OH's supplemental filing. Staff finds that Duke-OH has limited control over certain controllable RTO costs, and that Duke-OH has procedures in place to minimize such costs. Staff recommends

the Commission require Duke-OH to file complete details of the all RTO costs it has control over when it files its application to update its TCRR rates, effective for October 2012, and biennially thereafter. Details of the controllable costs should include:

- a) Complete description of the cost.
- b) Detailed explanation of why Duke-OH is assessed the cost.
- c) Detailed explanation of the control Duke-OH has over the cost.
- d) Detailed explanation of the policies and procedures in place to minimize these costs.

CONCLUSION

Duke-OH requests that the updated TCRR become effective on a bills-rendered basis, beginning on September 31, 2010 – the first day of the October 2010 billing cycle. The Staff recommends the Application be approved.