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July 25, 2012

Docketing Division
Public Utilities Commission of Ohio
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Columbus, Ohio 43215

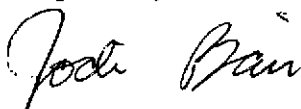
RE: *In the Matter of the Application of Duke Energy Ohio, Inc. to Set
its Electric Uncollectible Recovery Rate Under Rider UE-GEN*
Case No. 12-1963-EL-UEX;

*In the Matter of the Application of Duke Energy Ohio, Inc. for a
Change in Accounting Authority*
Case No. 12-1964-EL-AAM

Dear Docketing Division:

Enclosed please find the Staff's Comments regarding Duke Energy Ohio's application to adjust and set an uncollectible expense rider in Case No. 12-1963-EL-UEX and Case No. 12-1964-EL-AAM.

Respectfully submitted,


Jodi Bair


Director, Utilities Department
Public Utilities Commission of Ohio

Enclosure
cc: Parties of Record

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**A report by the Staff of the
Public Utilities Commission of Ohio**

Duke Energy Ohio, Inc.

Case Numbers 12-1963-EL-UEX and 12-1964-EL-AAM

July 25, 2012

Application of Duke Energy Ohio, Inc.
Case Nos. 12-1963-EL-UEx and 12-1964-EL-AAM

In Case No. 11-3549-EL-SSO, *et al.*, pursuant to the Stipulation filed by parties, the Commission authorized the creation of rider mechanism UE-GEN for recovery on an annual basis of uncollectible expenses related to the provision of generation service, applicable to all retail jurisdictional customers, including those taking generation service from a CRES provider, except for those customer accounts designated by CRES providers as not part of Duke Energy Ohio's Purchase of Accounts Receivable Program (PAR). Pursuant to the Commission's Opinion and Order dated November 22, 2011, Rider UE-GEN was set at \$0.

On June 29, 2012, Duke Energy Ohio, Inc. (Duke or Company) filed in Case Nos. 12-1963-EL-UEx and 12-1964-EL-AAM its Application to Set Its Electric Uncollectible Recovery Rate Under Rider UE-GEN and Application for a Change in Accounting Authority.

Staff has completed its review of the applications and herewith provides a brief description of the applications and filed testimony, including attachments, along with Staff's recommendations.

Applications and Filed Testimony

In Case No. 12-1963-EL-UEx, Duke is proposing to charge residential customers \$0.000813 per kWh and non-residential customers \$0.60 per bill. In Case No. 12-1964-EL-AAM, Duke requests accounting authority to defer actual incremental uncollectible expense that varies from the amount collected by Rider UE-GEN. The Company claims it needs the authority of the Commission to defer these variances and to create a regulatory asset or liability to recognize amounts due to or from customers. It is planned that annual filings will be made by the Company to true-up Rider UE-GEN to reflect actual uncollectible experience.

On Attachment DRP- 1, page 1, of its testimony, Duke calculates the Rider UE-GEN rates for residential and non-residential customers using actual and projected incremental unrecoverable balances and projected billing determinants for the 12 months ending March 31, 2013.

On Attachment DRP-1, pages 2 and 3 of the testimony, Duke shows the monthly residential and non-residential under or over-recovery tracker balance of uncollectible expense which is used in the calculation of the incremental uncollectible rate. Duke uses actual uncollectible amounts for January, 2012 through March, 2012 and forecasts the uncollectible amounts for April of the current year through March, 2013.

On Attachment DRP-1, page 4 of the testimony, the Company shows the allocation of charge-offs to electric residential and non-residential customers on an actual and projected basis through March, 2013.

DRP-2 and DRP-3 of the testimony contains the redlined and clean versions of the proposed tariffs.

Recommendation

Staff has performed a review of attachments contained in the Company testimony. Staff was able to trace and verify the data and calculations contained in Attachments DRP-1 and DRP-2 utilized to arrive at the proposed \$0.000813 per kWh uncollectible expense rate for residential customers; and the \$0.60 per bill rate for non-residential customers.

Staff recommends that the rates as filed by Duke shown above for Rider UE-ED be adopted by the Commission.

Staff also recommends that Duke be permitted to defer variances in uncollectible expense and to create a regulatory asset or liability to recognize amounts due to or from customers for over or under-collection of uncollectible expense.