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Duke Energy Ohio, Inc.

Independent Accountants' Report on the
Uniform Purchased Gas Adjustment for the
12-Month Period Ended August 28, 2012,
in Response to Case No. 12-218-GA-GCR

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DUKE ENERGY OHIO, INC.

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INDEPENDENT ACCOUNTANTS' REPORT

To Duke Energy Ohio, Inc.:

We have examined the periodic filings of Duke Energy Ohio, Inc. (the "Company") which support the gas cost recovery ("GCR") rates for the monthly periods ended September 29, 2011, October 30, 2011, November 30, 2011, January 2, 2012, January 31, 2012, February 29, 2012, March 29, 2012, April 30, 2012, May 30, 2012, June 28, 2012, July 30, 2012 and August 28, 2012 for conformity in all material respects with the financial procedural aspects of the uniform purchased gas adjustment as set forth in Chapter 4901: 1-14 and related appendices of the Ohio Administrative Code. These filings and the Company's compliance with those requirements are the responsibility of the Company's management. Our responsibility is to express an opinion as to the accurate determination of GCR rates calculated within the monthly filings and as to whether those rates have been properly applied to customer bills based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the Company's computation of the GCR rates in accordance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Company's compliance with specified requirements.

In our opinion, the Company has accurately determined, in all material respects, the GCR rates for the periods stated above in accordance with the financial procedural aspects of the uniform purchased gas adjustment as set forth in Chapter 4901:1-14 and related appendices of the Ohio Administrative Code and properly applied the GCR rates to customer bills.

Specific findings, which are presented for the attention of the Public Utilities Commission of Ohio ("PUCO"), are attached in a separate memorandum entitled "Summary of Findings." This report is intended solely for the information and use of the Company, the PUCO, and the Ohio Consumers' Counsel and is not intended to be, and should not be, used by anyone other than these parties.

Deloitte + Touche LLP

November 14, 2012

DUKE ENERGY OHIO, INC.

UNIFORM PURCHASED GAS ADJUSTMENT RATES

The following is a summary of the uniform purchased gas adjustment rates reviewed as part of the examination (\$/MCF):

Period in Effect	Expected Gas Cost	Supplier Refund and Reconciliation Adjustment	Actual Adjustment	Total Uniform Purchased Gas Adjustment
August 31, 2011 to Septmeber 29, 2011	\$ 6.299	(0.012)	(0.596)	\$ 5.691
September 29, 2011 to October 30, 2011	6.201	(0.012)	(0.596)	5.593
October 31, 2011 to November 30, 2011	5.800	(0.012)	(0.596)	5.192
December 1, 2011 to January 2, 2012	5.739	(0.014)	(0.516)	5.209
January 3, 2012 to January 31, 2012	5.927	(0.014)	(0.516)	5.397
February 1, 2012 to February 29, 2012	5.731	(0.014)	(0.516)	5.201
March 1, 2012 to March 29, 2012	5.074	(0.016)	(0.515)	4.543
March 30, 2012 to April 30, 2012	4.116	(0.016)	(0.515)	3.585
May 1, 2012 to May 30, 2012	3.967	(0.016)	(0.515)	3.436
May 31, 2012 to June 28, 2012	4.381	(0.016)	(0.374)	3.991
June 29, 2012 to July 30, 2012	4.475	(0.016)	(0.374)	4.085
July 31, 2012 to August 28, 2012	4.920	(0.016)	(0.374)	4.530

DUKE ENERGY OHIO, INC.

SUMMARY OF FINDINGS

Matters Identified in Current-Year Examination

The Company understated the storage inventory balance used to calculate the storage carrying cost component of the Expected Gas Cost ("EGC") rate due to a clerical error. A summary of the GCR misstatements identified impacting the EGC and when the errors were self-corrected in the Actual Adjustment ("AA") calculation for the GCR rates are as follows:

Filing Effective Date	Impact on EGC Rate	Error Self-Corrected in the AA Calculation for GCR Rates Effective
August 31, 2011	Understatement of \$0.003 per MCF	March 1, 2012
September 30, 2011	Understatement of \$0.013 per MCF	March 1, 2012
October 31, 2011	Understatement of \$0.005 per MCF	March 1, 2012
December 1, 2011	Understatement of \$0.001 per MCF	May 31, 2012
February 1, 2012	Overstatement of \$0.021 per MCF	May 31, 2012
March 1, 2012	Overstatement of \$0.014 per MCF	August 29, 2012

Other Matters Identified in the Current-Year Examination Related to the Prior-Year

The Company understated the storage inventory balance used to calculate the storage carrying cost component of the EGC rate due to a clerical error. A summary of the GCR misstatements identified impacting the EGC and when the errors were self-corrected in the AA calculation for the GCR rates are as follows:

Filing Effective Date	Impact on EGC Rate	Error Self-Corrected in the AA Calculation for GCR Rates Effective
May 3, 2011	Overstatement of \$0.031 per MCF	August 31, 2011
June 2, 2011	Overstatement of \$0.007 per MCF	December 1, 2011
July 1, 2011	Overstatement of \$0.022 per MCF	December 1, 2011
August 2, 2011	Overstatement of \$0.023 per MCF	December 1, 2011

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