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September 5, 2013

Docketing Division
Public Utilities Commission of Ohio
180 E. Broad St.
Columbus, OH 43215

RE: *In the Matter of the Application of Duke Energy Ohio, Inc. to Adjust and Set its Electric Uncollectible Recovery Rate Under Rider UE-ED.*

Dear Docketing Division:

Enclosed please find the Staff's Review and Recommendation in regards to the application filed by Duke Energy Ohio, Inc. in Case No. 13-1524-EL-UEX.

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Sincerely,

Tamara S. Turkenton
Chief, Accounting & Electricity Division
Public Utilities Commission of Ohio

Enclosure

cc: Parties of Record

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Duke Energy Ohio, Inc.
Case No. 13-1524-EL-UEx

SUMMARY

On June 26, 2013, Duke Energy Ohio, Inc. (Duke-OH or the Company) filed an annual update to its electric uncollectible rider, Rider UE-ED.

The Company makes annual filings to Rider UE-ED in order to true-up the rider to reflect actual uncollectible experience. The current rates, as established in Case No. 12-1948-EL-UEx, are \$0.000375 per kWh for residential customers and (\$0.02) per bill for non-residential customers.

In this filing, Duke-OH is proposing to charge residential customers (\$0.000147) per kWh and non-residential customers (\$0.37) per bill.

STAFF REVIEW

Staff has completed its review of the filing. After examination of the information provided, Staff believes that the proposed rates for both residential and non-residential customers are appropriate. Staff does suggest, though, that Duke-OH continue to review its forecast methodology to ensure that the projected data used in its calculation of the rider more closely reflects its actual experience.

Although Staff approves of the rates proposed in Rider UE-ED, it does take issue with the change in structure of the uncollectible expense associated with this rider.

The change was proposed in Duke-OH's most recent rate case, Case No. 12-1682-EL-AIR. In this case, the Company removed nearly \$3 million from the base rate uncollectible expense, with the intent that this money would be collected instead through Rider UE-ED. This was not made clear in the Company's testimony for that case. A change of this nature is significant, and Duke-OH should have been upfront with its proposal and explained why it felt the change was necessary.

The change in structure of the uncollectible expense did not affect in any way the money the Company receives, or the timing of its collection. However, Duke-OH should assess the potential impact of the change to ensure that significant variances in over/under collection do not occur. It is Staff's expectation that in the future, the Company will be more forthright in disclosing its intent with regard to any proposed changes that modify established practices.

CONCLUSION

Staff recommends that the rates as filed by Duke-OH for Rider UE-ED be adopted by the Commission. Further, Staff recommends that the Commission continue to authorize the Company to create a regulatory asset to defer variances in uncollectible expense in future periods to adjust Rider UE-ED.