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## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors  
Duke Energy Ohio, Inc.  
550 South Tryon Street, Suite 4400  
Charlotte, NC 28202

We have performed the procedures enumerated below, which were agreed to by Duke Energy Ohio, Inc. (the "Company") and provided to the Public Utilities Commission of Ohio (the "PUCO") and the Ohio Consumers' Counsel (the "OCC") solely to assist you in evaluating the Company's compliance with the recovery of uncollectible customer accounts receivable through an uncollectible expense recovery mechanism as described in PUCO Case 12-318-GA-UEx and 13-318-GA-UEx during 2012. The Company's management is responsible for the Company's compliance with the requirements of the uncollectible expense recovery mechanism. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We performed the following procedures in relation to the uncollectible expense recovery mechanism from January 1, 2012 through December 31, 2012.

- 1) We obtained from Company management and proved the mathematical accuracy of the following schedules from January 1, 2012 through December 31, 2012 within the schedules forming Attachment 1 in Duke's applications filed in cases 12-318-GA-UEx and 13-318-GA-UEx.
  - a. Bad Debts Written Off — Net of Customer Recoveries for the period from January 1, 2012 through December 31, 2012 totaled \$3,005,135.
  - b. Recovery — Base Rates for the period from January 1, 2012 through December 31, 2012 of \$0
  - c. Recovery — Uncollectible Rider for the period from January 1, 2012 through December 31, 2012 of \$2,268,013
  - d. Carrying Charges for the period from January 1, 2012 through December 31, 2012 of \$122,448.

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- 2) We compared the monthly bad debts written off — net of customer recoveries from the schedule obtained in 1) a. above to the Company's Customer Management System ("CMS") reports, which represents the billing system, and noted no differences. We noted that charge-offs used in the calculations relate to only the following accounts as these are the customers subject to the uncollectible expense rider: "FTRT" Firm Transportation — Residential (>1 yr. supply billing), "FTRS" Firm Transportation — Residential (<1 yr. supply billing), "FTGT" Firm Transportation — General, "RS" Residential, "RSPP" Residential PIPP, and "FTLT" Firm Transportation — Large Customer (>1 yr. supply billing), and "FTLS" Firm Transportation — Large Customer (<1 yr. supply billing) for all of 2012.
  - a. From the bad debts written off in 2012 from the CMS billing system, we randomly selected 25 charge-offs and obtained the customer billing history from CMS. We documented the dates and transactions leading up to the charge off of the customer's outstanding balance, including any subsequent recovery of any portion of the balance written off. For the selected accounts with recoveries, we agreed the recovery from the CMS history to inclusion in the Bad Debts Written Off — Net of Customer Recoveries from 1) a. as a credit noting no exceptions.
- 3) For the monthly recoveries through base rates in 2012 included in the schedules obtained in 1) b. above, we performed the following procedures:
  - a. We compared the sales and transportation volumes to appropriate CMS reports and noted that the volumes included related only to FTRT, FTRS, FTGT, RS, RSPP, FTLT, and FTLS accounts.
  - b. We compared the bad debt recovery rate included in base rates as used in the calculation of \$0.00/MCF to the rate permitted by the PUCO, as outlined in Case No. 09-773-GA-UEx noting no exceptions.
- 4) For the monthly recoveries through the uncollectible rider in 2012 included in the schedules obtained in 1) c. above, we compared the amounts to the corresponding amounts recorded as revenue in the Company's Hyperion Financial Management ("HFM") accounting system noting no exceptions.
- 5) For February, April and December 2012, we agreed the interest rate utilized by the Company to calculate the monthly carrying charges in 1) d. above to the weighted average monthly intercompany moneypool rate from the Company's Treasury Manager system noting no exceptions.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management of the specified parties listed above and is not intended to be, and should not be, used by anyone other than these specified parties.

*Deloitte + Touche LLP*

November 14, 2013