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March 7, 2014

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., for Approval of the Annual Audit Report of Rider SCR, Rider RE, Rider RC, Rider LFA, Rider ESSC, and Rider ECF.*

Dear Docketing Division:

Enclosed please find the Staff's Review and Recommendations in regard to the filing by Duke Energy Ohio, Inc., in Case No. 14-0081-EL-RDR.

Sincerely,

Tamara S. Turkenton

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. 14-0081-EL-RDR

Introduction

On January 29, 2014, Duke Energy Ohio, Inc. ("DEO" or "Company") filed its application for the review of the Company's Supplier Cost Reconciliation Rider (Rider SCR), Retail Energy Rider (Rider RE), Retail Capacity Rider (Rider RC), Load Factor Adjustment Rider (Rider LFA), Economic Competitiveness Fund (Rider ECF), and Electric Service Stability Charge Rider (Rider ESSC). DEO filed this application pursuant to the Commission's December 14, 2011, Opinion and Order in Case No. 11-3549-EL-SSO.

Competitive Auction Riders (Riders RE, RC, and SCR)

Rider RC recovers DEO's capacity costs associated with serving its Standard Service Offer ("SSO") load based on PJM's organized market-based mechanism for valuing and pricing capacity resources. Rider RE recovers DEO's non-capacity related costs associated with serving its SSO load. These non-capacity related costs include energy as well as market-based transmission and market-based transmission ancillary services. Together, Rider RC and Rider RE equal the competitive auction clearing prices. These two riders are bypassable by shopping customers.

Rider SCR recovers the difference between payments made to suppliers for SSO service and amounts collected from the Retail Energy Rider and Retail Capacity Rider. Rider SCR also recovers DEO's prudently incurred costs associated with conducting the competitive auctions (*e.g.*, consultants, setting up CBP website, etc.) as well as any costs associated with a supplier's default, should one occur.

Load Factor Adjustment Rider (Rider LFA)

Rider LFA applies to non-residential demand-metered rates and establishes a non-bypassable demand charge and a non-bypassable energy credit. The rider is designed to reward high load-factor customers for efficiently using energy and mitigate the impact of volumetric energy charges on energy intensive industries.

Economic Competitiveness Fund (Rider ECF)

DEO may use interruptible load in its Fixed Resource Requirement ("FRR") plan that results in capacity resource revenues which are credited to Rider ECF. Transmission voltage customers, whether shopping or non-shopping, with loads in excess of 10 MW at a single site shall have the option to annually nominate any part of their load as being subject to interruption through DEO. Any such nomination shall have an effective date no earlier than June 1, 2012. For any customer electing to nominate load subject to interruption through DEO, such load: (1) must be registered with PJM and abide by all of PJM's requirements for the demand response ("DR") program chosen by the customer, by March 1 of the upcoming PJM planning year; (2) must not have been previously sold or committed to PJM or another party as a DR resource for the same planning year; and, (3) will have DEO serve as its curtailment service provider.

The interruptible credit for load subject to interruption will be one half of the PJM Net Cost Of New Entry (CONE) on a $/MW-day basis for the planning year in which the interruptible load is nominated (net CONE equals 2011/2012 = $160,76, 2012/2013 = $276.09, 2013/2014 = $317.95, 2014/2015 = $342.23 per MW-day). The maximum amount of interruptible load under this program shall be 250 MW in the Duke Energy Ohio/Kentucky ("DEOK") control zone. The amount of this interruptible credit shall be recoverable by DEO through Rider ECF.

Electric Security Stabilization (Rider ESSC)

For the calendar years 2012, 2013, and 2014 of the ESP, DEO shall recover annually, via a non-bypassable generation charge. This amount is intended to provide stability and certainty regarding DEO's provision of retail electric service as an FRR entity while continuing to operate under an ESP. DEO was permitted to implement an ESSC rate to collect $110 million per year for a period of three years commencing January 1, 2012, with the collection to be trued-up annually and the total equal to $330 million.

Staff Review

Staff has reviewed the Company's Application, including, but not limited to, portions related to revenues, supplier payments, auction expenses, commercial activity taxes, and revenues and expenses associated with Percentage of Income Payment Plan ("PIPP") by reviewing the general ledger and billing reports, invoices, and other associated workpapers supporting Rider SCR, Rider RE, Rider RC, Rider LFA, Rider ECF, and Rider ESSC. Additionally, all applicable credits were verified as correctly calculated and applied. Staff is satisfied that this filing is both consistent with and in compliance with the Commission orders. Therefore, Staff recommends that the Application be accepted as filed.