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PUCO

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

To the Board of Directors of  
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 13-318-GA-UEx and 14-318-GA-UEx during 2013. 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, 2013 through December 31, 2013.

- 1) We obtained from Company management and proved the mathematical accuracy of the following items from January 1, 2013 through December 31, 2013 within the schedules forming Attachment 1 in Duke Energy Ohio's applications filed in cases 13-318-GA-UEx and 14-318-GA-UEx with the PUCO.
  - a. Bad Debts Written Off – Net of Customer Recoveries for the period from January 1, 2013 through December 31, 2013 totaled \$4,870,550.
  - b. Recovery – Base Rates for the period from January 1, 2013 through December 31, 2013 of \$0
  - c. Recovery – Uncollectible Rider for the period from January 1, 2013 through December 31, 2013 of \$1,933,133
  - d. Carrying Charges for the period from January 1, 2013 through December 31, 2013 of \$24,674.
- 2) We compared the monthly bad debts written off – net of customer recoveries from the schedule obtained in 1) a. above to the reports from the Company's Customer Management System ("CMS"), which represents the billing system, and noted no differences. We noted that charge-offs used in the calculations related to only the following accounts as these are the customers subject to the uncollectible expense rider: "FTRT" Firm Transportation- Residential (>1 yr.

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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 2013.

- a. From the bad debts written off in 2013 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. We noted findings related to non-timely charge-offs for 7 of our 25 charge-off selections. In 2013, several longstanding programming issues in CMS prevented certain final accounts to proceed through the final collections timeline to be ultimately charged-off. Management of the Company has stated that the programming issues have been resolved and controls have been put in place to monitor accounts not charging-off in the appropriate period.
- 3) For the monthly recoveries through base rates in 2013 included in the schedules obtained in 1) b. above, we agreed that there were no monthly recoveries through base rates included in the schedules. We agreed the total of the monthly recoveries in 2013 to the annual total disclosed in 1) b. above, noting no exceptions.
- 4) For the monthly recoveries through the uncollectible rider in 2013 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. We agreed the total of the monthly recoveries in 2013 to the annual total disclosed in 1) c. above, noting no exceptions.
- 5) We selected the 2013 months of May, June and October and agreed the interest rate utilized by the Company to calculate the monthly carrying charges in 1) d. above to the weighted average monthly intercompany money pool 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 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, 2014