

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Duke : Case No. 12-3111-EL-RDR
Energy Ohio, Inc., to Adjust its :
Alternative Energy Recovery Rider. :

COMMENTS

SUBMITTED ON BEHALF OF THE STAFF OF
THE PUBLIC UTILITIES COMMISSION OF OHIO

Michael DeWine
Ohio Attorney General

William L. Wright
Section Chief

Katie L. Johnson
Assistant Attorneys General
Public Utilities Section
180 East Broad Street, 6th Floor
Columbus, OH 43215-3793
614.466.4397 (telephone)
614.644.8764 (fax)
katie.johnson@puc.state.oh.us

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INTRODUCTION

On July 21, 2014, the audit report of the Alternative Energy Recovery Rider (AER-R) of Duke Energy Ohio, Inc. (Duke Energy or Company), prepared by Baker Tilly Virchow Krause, LLP for calendar year 2013, was filed in Case No. 12-3111-EL-RDR. The following discussion includes the Public Utilities Commission of Ohio Staff (Staff) comments on the report, as well as Staff's recommendation for Rider AER-R update filings. Unless specifically discussed in these comments, Staff supports the remaining recommendations in the audit report.

DISCUSSION

A. Staff Discussion of Baker Tilly Recommendations

Baker Tilly Recommendation 4.1.2 states that Duke Energy Ohio should use competitive solicitations to purchase Renewable Energy Credits (RECs) to make purchasing decisions more transparent.

Staff believes the use of competitive solicitations, as described in recommendation 4.1.2, could make purchasing decisions more transparent and improve REC prices available to Duke Energy Ohio. However, Staff realizes that the procurement of RECs solely through competitive solicitations may not be the best course of action for the Company at all times. Staff recommends that the Company consider the use of competitive solicitations for future REC procurements and document the Company's rationale if the Company does not pursue competitive solicitations.

Baker Tilley Recommendation 4.4.2 states that Duke Energy Ohio and the Public Utilities Commission of Ohio (Commission) should consider performing the AER-R calculations and applying the new AER rate monthly rather than quarterly in future AEPS filings to help ensure more accurate projections and more equitable recovery from customers. A more frequent adjustment could be based on a rolling average adjustment or other factors to smooth the impact on ratepayers.

Staff believes the quarterly update of the Rider AER-R rates is consistent with the Commission's Order dated November 22, 2011 in Case No. 11-3549-EL-SSO regarding the Company's most recently approved Electric Security Plan (ESP). Staff believes that providing monthly calculations and filings would deviate from the Commission's approved methodology and would pose an administrative burden, which is not justified at this time. Staff recommends that the Company continue to update its AER-R quarterly, in accordance with the prior Commission Order.

Baker Tilly Recommendation 4.6.2 recommends that the Company review the guidance provided by the Commission in Case No. 11-5201-EL-RDR and confirm that it interpreted the "3% provision" correctly and is in compliance.

Staff supports the idea of the Company following the Commission's guidance in the calculation of the cost cap. However, since there has been a recent rule revision initiative, Staff recommends that the Company also monitor the Commission's review of its rules for the Alternative Energy Portfolio Standard (Chapter 4901:1-40, Ohio Administrative Code) in Case No. 13-0652-EL-ORD, which is anticipated to address the calculation of the three percent cost cap.

B. Filing Procedures for Rider AER-R Updates

In finding (4)(c) of the Commission's Entry dated December 14, 2011 in Case No. 11-3549-EL-SSO, the Commission stated that the Company should file information related to Rider AER-R, where action is required, in a new RDR case docket. The finding also encourages the Company to work with Staff in coordinating the opening of appropriate dockets.

On December 1, 2014, Duke Energy filed its Rider AER-R rate adjustment in the dockets for Case Nos. 11-6001-EL-RDR, 11-3549-EL-SSO, and 14-2143-EL-RDR. The Company's filing of the Rider AER-R rate adjustment in these various dockets created uncertainty for Staff. Therefore, Staff recommends that going forward, the Company coordinate with Staff to file the AER-R updates in the appropriate dockets, as stipulated by the Commission in its Entry. This would streamline the rider adjustment process, by avoiding uncertainty and difficulty in locating relevant AER filings.

Respectfully submitted,

Michael DeWine
Ohio Attorney General

William L. Wright
Section Chief

/s/ Katie L. Johnson

Katie L. Johnson
Assistant Attorney General
Public Utilities Section
180 East Broad Street, 6th Floor
Columbus, OH 43215-3793
614.466.4397 (telephone)
614.644.8764 (fax)
katie.johnson@puc.state.oh.us

PROOF OF SERVICE

I hereby certify that a true copy of the foregoing **Comments** submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served via electronic mail upon counsel for the applicant as listed below, this 16th day of January, 2015.

/s/ Katie L. Johnson

Katie L. Johnson
Assistant Attorney General

Parties of Record:

Amy B. Spiller
Elizabeth H. Watts
Duke Energy Ohio, Inc.
139 East Fourth Street
1303 Main
Cincinnati, OH 45201-0960
amy.spiller@duke-energy.com
elizabeth.watts@duke-energy.com

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Summary: Comments submitted by Assistant Attorney General Katie Johnson on behalf of the Staff of the Public Utilities Commission of Ohio. electronically filed by Kimberly L Keeton on behalf of Public Utilities Commission of Ohio