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Duke Energy Ohio, Inc.

Independent Accountants' Report on the
Uniform Purchased Gas Adjustment for the
12-Month Period Ended August 29, 2016,
in Response to Case No. 16-218-GA-GCR

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DUKE ENERGY OHIO, INC.

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INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors of
Duke Energy Ohio, Inc.
550 South Tryon Street, Suite 4400
Charlotte, North Carolina 28202

We have examined the periodic filings of Duke Energy Ohio, Inc. (the "Company") which support the gas cost recovery ("GCR") rates for the monthly periods ended September 29, 2015, October 28, 2015, November 30, 2015, January 3, 2016, February 1, 2016, March 1, 2016, March 31, 2016, May 1, 2016, May 31, 2016, June 29, 2016, July 31, 2016 and August 29, 2016 for conformity in all material respects with the financial procedural aspects of the uniform purchased gas adjustment as set forth in Chapter 4901:1-14 and related appendices of the Ohio Administrative Code. These filings and the Company's compliance with those requirements are the responsibility of the Company's management. Our responsibility is to express an opinion as to the accurate determination of GCR rates calculated within the monthly filings and as to whether those rates have been properly applied to customer bills based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the Company's computation of the GCR rates in accordance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Company's conformity with specified requirements.

In our opinion, the Duke Energy Ohio, Inc. conformed, in all material respects, with the financial procedural aspects of the uniform purchased gas adjustment as set forth in Chapter 4901:1-14 and related appendices of the Ohio Administrative Code and properly applied the GCR rates to customer bills for the GCR rates for the periods stated above.

This report is intended solely for the information and use of the Company, the Public Utility Commission of Ohio, and the Ohio Consumers' Counsel, and is not intended to be, and should not be, used by anyone other than these parties.

DELOITTE & TOUCHE LLP

November 11, 2016

DUKE ENERGY OHIO, INC.**UNIFORM PURCHASED GAS ADJUSTMENT RATES**

The following is a summary of the uniform purchased gas adjustment rates reviewed as part of the examination (\$/MCF):

Period in Effect	Expected Gas Cost	Supplier Refund and Reconciliation Adjustment	Actual Adjustment	Total Uniform Purchased Gas Adjustment
August 31, 2015 to September 29, 2015	\$ 4.524	\$ (0.001)	\$ 0.011	\$ 4.534
September 30, 2015 to October 28, 2015	4.533	(0.001)	0.011	4.543
October 29, 2015 to November 30, 2015	4.050	(0.001)	0.011	4.060
December 1, 2015 to January 3, 2016	3.818	(0.001)	(0.024)	3.793
January 4, 2016 to February 1, 2016	4.099	(0.001)	(0.024)	4.074
February 2, 2016 to March 1, 2016	4.059	(0.001)	(0.024)	4.034
March 2, 2016 to March 31, 2016	3.850	(0.001)	(0.152)	3.697
April 1, 2016 to May 1, 2016	3.236	(0.001)	(0.152)	3.083
May 2, 2016 to May 31, 2016 to	3.553	(0.001)	(0.152)	3.400
June 1, 2016 to June 29, 2016	3.661	(0.001)	0.038	3.698
June 30, 2016 to July 31, 2016	3.975	(0.001)	0.038	4.012
August 1, 2016 to August 29, 2016	4.547	(0.001)	0.038	4.584

DUKE ENERGY OHIO, INC.

SUMMARY OF FINDINGS

Matters Identified in Current-Year Examination

1. Actual Adjustment System Code Error

During the months of March 2015, April 2015, November 2015, January 2016, and February 2016, the total GCR jurisdictional sales utilized to calculate the quarterly Actual Adjustment were inappropriately overstated. The overstatement was identified by Deloitte and determined to be the result of the erroneous inclusion of certain Firm Transportation sales due to a system code error. As the specific Firm Transportation sales were only present during the months noted above, the system code error did not impact each month under the audit period. The error resulted in an understatement of the total gas cost difference utilized to calculate the quarterly Actual Adjustment and had the following impacts on the Actual Adjust rate for each of the following quarters:

		3 rd Quarter 2015	1 st Quarter 2016	2 nd Quarter 2016
Total Cost Difference	\$	31,767.26	1,542.08	16,373.06
Quarterly AA Rate	\$/MCF	0.001	0.000	0.001

Note the impact of this matter would not have been material to prior periods per review of the account activity for Firm Transportation sales. Additionally, management has represented to us that they are investigating the system code issue and working to identify the cause to correct the issue. Management has advised us that this error will be corrected in the December 2016 quarterly filing.

2. Purchased Gas Recording Error

Primary gas supplier costs utilized to calculate the quarterly Actual Adjustment were understated during the month of August 2015 due to clerical error whereby a gas purchase cost was omitted from inclusion in the GCR calculation. The error was identified by the Company during a periodic review of the general ledger gas costs and the GCR gas costs, as the gas purchase was recorded in the general ledger appropriately. The total impact of the error was a \$128,385.41 understatement of gas cost in the 4th Quarter 2015 filing. The understatement of sales resulted in a difference of \$0.006/Mcf in the actual adjustment. Management has advised us that this error will be corrected in the December 2016 quarterly filing.

3. Purchased Gas Timing Error

Primary gas supplier costs utilized to calculate the quarterly Actual Adjustment were understated in the month of August 2015 and overstated during the month of October 2015 due to clerical error. The Company identified the omission of an August 2015 gas cost in October 2015 and subsequently recorded the charge in the incorrect period. The total impact of the error was a \$6,205 understatement of gas cost in the 4th Quarter 2015 filing and a \$6,205 overstatement of gas cost in the 1st Quarter 2016 filing. The understatement of sales did not result in a change in the actual adjustment in either of the quarterly filings impacted.

4. Estimated Gas Cost Clerical Error

The Company understated the demand volume used to calculate the Total Expected Gas Cost (EGC) rate for the period of March 2, 2016 due to clerical error. The understatement of demand volumes utilized in the EGC component calculation was identified by Deloitte and resulted in a difference of \$0.022 in the EGC rate effective March 2016. Management has represented to us that this error will self-correct in the actual adjustment rate calculation that will be a part of customer billing beginning in the revenue month September 2016 through August 2017.

5. Estimated Gas Cost Clerical Error

The Company overstated the storage carrying cost component used to calculate the EGC rate for the period of March 2, 2016 due to clerical error. The overstatement of carrying cost utilized in the EGC component

calculation was identified by Deloitte and resulted in a difference of (\$0.036) in the EGC rate effective March 2016. Management has represented to us that this error will self-correct in the actual adjustment rate calculation that will be a part of customer billing beginning in the revenue month September 2016 through August 2017.