

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Review of)	
Duke Energy Ohio, Inc.'s,)	
Alternative Energy Recovery Rider.)	Case No. 19-0051-EL-RDR
)	

COMMENTS OF DUKE ENERGY OHIO, INC.

I. INTRODUCTION

The Public Utilities Commission of Ohio (Commission) directed its Staff to issue a request for proposal for audit services related to Duke Energy Ohio, Inc.'s (Duke Energy Ohio) Alternative Energy Recovery Rider (Rider AER-R). On March 27, 2019, the Commission selected Larkin and Associates PLLC (Larkin) to perform the audit. On August 28, 2019, Larkin submitted a report entitled "*Management/Performance and Financial Audit of the Alternative Energy Recovery Rider of Duke Energy Ohio, Inc. Covering the Period January 1, 2017 Through December 31, 2018,*" (referred to herein as the Report). In an Entry on October 1, 2019, the Commission directed that interested parties file comments by November 1, 2019. Below are the comments of Duke Energy Ohio.

II. COMMENTS

The Auditor recommended, in both the financial and management portions of the Report that the Company record the difference between program revenue and cost into a regulatory liability (or asset) account.¹ The Auditor found that in 2017 and 2018, there was an amount

¹ Audit Report at pg.1-19.

remaining after subtracting program costs from revenue. The Auditor notes that this accounting would ensure that all of the money collected via the GoGreen tariff is used for the program and not applied for some other purpose.

The Company believes that establishing a regulatory liability would be inappropriate as that would indicate that the amount in question is to be returned to the ratepayer and was approved for regulatory accounting in this way by the Commission. Additionally, a regulatory liability indicates that it is probable that such items will be included in a different period(s) for purposes of developing the rates that the utility is authorized to charge for its utility services. The GoGreen Program is intended to be Profit & Loss neutral.

Additionally, the purchase of Renewable Energy Credits (RECs) is the largest cost of the program, and that cost is market based. As the program is under new internal management, additional analysis will be undertaken to determine what adjustments to the program might be made, including additional promotional efforts. Considering the immateriality of the amounts involved, the Company does not agree that it should reserve against this difference.

The Auditor also observed that for 2017 and 2018, the Company's year-end adjustment for RPS compliance resulted in putting RECs back into the REC inventory. This was due to over-estimating RPS compliance requirements during the year attributable to over-forecasting retail load and the impact of customer switching. The Auditor recommended two methods to mitigate the problem going forward. The second method was suggested as an alternative to the first.² One of those solutions recommended was to use a lower fixed allocation percentage for residential sales, perhaps based on an average of the most recent 12 or 24 months. The recommendation is easily achievable. The alternative recommendation, which even the Auditor admits is more difficult and subject to uncertainty, would be to employ modeling to attempt to

² Report at pg.1-17.

forecast the continued decline of this share over time. Duke Energy Ohio agrees that this second, alternative recommendation is not easily accomplished and would prefer not to use this alternative methodology.

The Company has no additional comments on the Audit Report. The Company appreciates the opportunity to offer comments and recommends that the Commission approve and adopt the Report with changes as noted above.

Respectfully submitted,

/s/ Elizabeth H. Watts

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CERTIFICATE OF SERVICE

I certify that a copy of the foregoing was served on the following party this 1st day of November 2019, by regular U.S. Mail, overnight delivery, or electronic delivery.

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Summary: Comments Comments of Duke Energy Ohio, Inc. electronically filed by Mrs. Tammy M Meyer on behalf of Duke Energy Ohio Inc. and D'Ascenzo, Rocco and Watts, Elizabeth