



# Public Utilities Commission

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## Commissioners

Lawrence K. Friedeman  
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April 10, 2023

Docketing Division  
Public Utilities Commission of Ohio  
180 East Broad Street  
Columbus, Ohio 43215

RE: *In the Matter of the Application of Duke Energy Ohio, Inc. for Approval of an Adjustment to its Uncollectible Expense Rider Rate, Case Nos. 21-318-BS-UEx and 22-318-GA-UEx.*

Dear Docketing Division:

Enclosed please find the Staff's Review and Recommendation in regard to the second amended application filed by Duke Energy Ohio, Inc., in Case No. 21-318-BS-UEx and the amended application filed in Case No. 22-318-GA-UEx.

Respectfully submitted,

A handwritten signature in black ink that reads "Adam Burns". The signature is written in a cursive, flowing style.

Adam Burns  
Accounting and Finance  
Public Utilities Commission of Ohio

Enclosure  
cc: Parties of Record

**Duke Energy Ohio, Inc.**

**Case No. 21-318-BS-UEX**

**and**

**Case No. 22-318-GA-UEX**

**SUMMARY:**

In Case No. 03-1127-GA-UNC, the Commission authorized the concept of an uncollectible accounts expense recovery mechanism for five natural gas companies. The mechanism that was approved allowed for recovery of actual bad/uncollectible debt through a rider, rather than through base rates. Subsequently, Duke Energy Ohio, Inc. (Duke or the Company) was authorized in Case 05-0974-GA-AAM to establish an uncollectible expense rider recovery mechanism (rider UE-G), initially set at zero, consistent with the methodology that was approved in Case No. 03-1127-GA-UNC. On November 18, 2009, the Commission issued its Finding and Order in Case No. 09-0773-GA-UEX, which authorized an initial rider UE-G rate of \$0.1569 per Mcf (thousand cubic feet).

Since that time, Duke has filed annual updates to adjust its rider rate and the Commission has authorized such revisions. However, the current effective rider rate has been in effect since July 2020. The most recent history of Duke's rider UE-G rate are as follows:

August 2016 – July 2017	\$0.07706 per Mcf
August 2017 – July 2018	\$0.07186 per Mcf
August 2018 – September 2019	\$0.07778 per Mcf
September 2019 – Current	\$0.05064 per Mcf

On May 25, 2021, in Case No. 21-318-BS-UEX, Duke filed its application to increase its UEX rider rate. Subsequently on June 22, 2021, Duke filed an amended application revising the amount of COVID-related costs from \$518,910 to \$328,495. On June 28, 2021, Staff filed its Staff Review and Recommendation recommending Commission approval of Duke's UEX rider rate, after excluding the COVID-related costs. On December 1, 2021, in Case No. 21-318-BS-UEX, Duke filed a Second Amended Application that included revisions to the filing as recommended by Deloitte & Touche within its annual Independent Accountants report filed on November 12, 2021, and the Second Amended Application included COVID-related costs which Staff recommended should be excluded. On May 24, 2022, Duke filed an application in Case No. 22-318-GA-UEX to increase its current UEX rider rate of \$0.05064 per Mcf to \$0.09087 per Mcf, an increase of \$0.04023 per Mcf. Staff reviewed the application and filed its Staff Review and Recommendation on June 15, 2022, recommending approval of Duke's proposed rate of \$0.09087 per Mcf. On June 21, 2022, Duke filed an amended application under Case No. 22-318-GA-UEX, which included \$328,495 of COVID-related net costs that were included in the application filed in Case No. 21-318-BS-UEX that has not yet been ruled on by the Commission.

With the inclusion of the COVID-related expenses in the amended application in Case No. 22-318-GA-UEX, the UEX rate would increase from the current UEX Rider rate of \$0.05064 per Mcf to \$0.09663 per Mcf, which is an increase of \$0.04599 per Mcf. Staff has reviewed the application and makes its findings and recommendations in this Staff Letter.

**STAFF REVIEW:**

Staff reviewed Duke's Case No. 22-318-GA-UEX Amended Application which included: Calculation of Uncollectible Expense Rider Rate, Uncollectible Tracker Balances, Projected Bad Debt Expense for

Upcoming Twelve Months, Revenue Collected for Uncollectible Expense (Attachment 1), and the Company's Uncollectible Expense Rider (Rider UE-G) (Attachment 2).

In this letter, Staff will address Duke's inclusion of the COVID-related expenses in both Case No. 21-318-BS-UEX Second Amended Application and Case No. 22-318-GA-UEX Amended Application filings.

As part of its review of Case No. 22-318-GA-UEX Application, Staff reviewed Duke's Second Amended Application in Case No. 21-318-BS-UEX filed on December 1, 2021, as well as Deloitte & Touche's Independent Accountants report filed on November 21, 2021, which included a review of COVID-related net costs for gas customers from April 1, 2020 through March 31, 2021. In its review of Deloitte & Touche's report, Staff concluded the report did not clearly identify any conclusions as to the reasonableness or prudence of the COVID-related costs, nor was it clear that the costs were evaluated for any potential double recovery. With the exception of the COVID-related costs included in Case No. 21-318-BS-UEX Application, Staff agrees with the revisions Duke made based upon Deloitte & Touche's recommendations filed on November 12, 2021 in Case No. 21-318-BS-UEX.

Pursuant to Duke's Case No. 22-318-GA-UEX Amended Application filed on June 28, 2022, the Company included COVID-related costs in its UEX calculation that were not included in its application filed on May 24, 2022. Pursuant to its review of Deloitte & Touche's annual report, Staff could not clearly determine from the report that the criteria regarding the COVID-related costs were satisfied. Therefore, Staff cannot recommend recovery of the COVID-related costs in Case No. 22-318-GA-UEX until the reasonableness and prudence of the COVID-related costs are verified as well as the potential for double recovery has been ruled out in the 21-318-BS-UEX case.

#### **STAFF RECOMMENDATION:**

Pursuant to Deloitte & Touche's review and findings related to the COVID-related expenses filed in Case No. 21-318-BS-UEX, Staff recommends the Commission reject Duke's proposal to include COVID-related net costs in Duke's Second Amended Application filed in Case No. 21-318-BS-UEX and Duke's Amended Application filed in Case No. 22-318-GA-UEX. Given that the Commission Order in the COVID Deferral case required the COVID-related costs be subject to such review before recovery is guaranteed, Staff cannot recommend recovery at this time. At the time of the next annual financial audit of the Company's Rider UE-G, Staff recommends the Company's external auditors work to ensure the COVID-related expenses and foregone revenues associated with COVID-19 are appropriately and prudently accounted for within rates and an evaluation for any potential double recovery. Excluding COVID-related net costs from the rate calculation of Rider UE-G, the revenue requirement is reduced by \$328,495, resulting in a rider rate of \$0.09087 per Mcf, which is an increase of \$0.04023 per Mcf from the authorized rate in Case No. 20-318-GA-UEX.

**This foregoing document was electronically filed with the Public Utilities  
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**in**

**Case No(s). 21-0318-BS-UEX, 22-0318-GA-UEX**

Summary: Staff Review and Recommendation in regard to the second amended application filed by Duke Energy Ohio, Inc. electronically filed by Zee Molter on behalf of PUCO Staff.