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PUCO EXHIBIT FILING

Date of Hearing: 8/2/18

Case No. 17-1118-EL-RDR

PUCO Case Caption: Review of Duke Energy Ohio

List of exhibits being filed:

Joint Ex-1

Staff Ex-1

Commissioned Ordered Ex-1

Reporter's Signature: Michael Spencer
Date Submitted: 8/17/18

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

\- - -

In the Matter of the Review :
of Duke Energy Ohio, Inc.'s : Case No.
Distribution Capital : 17-1118-EL-RDR
Investment Rider. :

\- - -

PROCEEDINGS

Before Stacie Cathcart, Attorney Examiner, held at the Public Utilities Commission of Ohio, 180 East Broad Street, Hearing Room 11-D, Columbus, Ohio, on Tuesday, August 7, 2018, at 10:00 A.M.

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Armstrong & Okey, Inc.
222 East Town Street, 2nd Floor
Columbus, Ohio 43215
(614) 224-9481 - (800) 223-9481

\- - -

Joint Exhibit 1

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Review of	**)**	
Duke Energy Ohio, Inc.'s	**)**	**Case No.17-1118-EL-RDR**
Distribution Capital Investment Rider.	**)**	

STIPULATION AND RECOMMENDATION

Rule 4901-1-30, Ohio Administrative Code provides that any two or more parties to a proceeding may enter into a written stipulation covering the issues presented in such a proceeding. The purpose of this document is to set forth the understanding and agreement of the parties that have signed below (Parties) and to recommend that the Public Utilities Commission of Ohio (Commission) approve and adopt this Stipulation and Recommendation (Stipulation), which resolves all of the issues raised by Parties in this case relative to the rate schedules of Duke Energy Ohio, Inc. (Duke Energy Ohio or Company) and related matters. This Stipulation is supported by adequate data and information.

The Stipulation represents a just and reasonable resolution of the issues raised in this proceeding, violates no regulatory principle or precedent, and is the product of bargaining among knowledgeable and capable Parties in a cooperative process, encouraged by this Commission and undertaken by the Parties representing a wide range of interests, to resolve the aforementioned issues. Although this Stipulation is not binding on the Commission, it is entitled to careful consideration by the Commission. For purposes of resolving all issues raised by this proceeding, the Parties stipulate, agree and recommend as set forth below.

Except for purposes of enforcement of the terms of this Stipulation, neither this Stipulation, nor the information and data contained therein or attached, shall be cited as precedent in any future proceeding for or against any Party or the Commission itself. This Stipulation is a reasonable compromise involving a balancing of competing positions and it does not necessarily reflect the position that one or more of the Parties would have taken if these issues had been fully litigated.

This Stipulation is expressly conditioned upon its adoption by the Commission in its entirety and without material modification by the Commission; provided, however, that each Signatory Party has the right, in its sole discretion, to determine whether the Commission's approval of this Stipulation constitutes a "material modification" thereof. Should the Commission reject or materially modify all or any part of this Stipulation, the Parties shall have the right, within thirty days of issuance of the Commission's Order, to file an application for rehearing, or to terminate and withdraw from the Stipulation by filing a notice with the Commission in this proceeding and serving all Signatory Parties. Should the Commission, in issuing an Entry on Rehearing, not adopt the Stipulation in its entirety and without material modification, any Signatory Party may terminate and withdraw from the Stipulation. Such termination and withdrawal shall be accomplished by filing a notice with the Commission, including service to all Parties, in the docket within thirty days of the Commission's Entry on Rehearing. Other Parties to this Stipulation agree to defend and shall not oppose the termination and withdrawal from the Stipulation by any other Party. Upon the filing of a notice of termination and withdrawal, the Stipulation shall immediately become null and void. In such event, this proceeding shall go forward at the procedural point at which this Stipulation was filed, and the parties will be afforded the opportunity to present evidence through witnesses, cross-examine all witnesses, present rebuttal testimony, and brief all issues which shall be decided based upon the record and briefs as if this Stipulation had never been executed.

Prior to the filing of such a notice, the Party wishing to terminate agrees to work in good faith with the other Parties to achieve an outcome that substantially satisfies the intent of the Stipulation and, if a new agreement is reached that includes the Party wishing to terminate, then the new agreement shall be filed for Commission review and approval. If the discussions to achieve an outcome that substantially satisfies the intent of the Stipulation are unsuccessful in reaching a new agreement that includes all signatory Parties to the present Stipulation, the Commission will convene an evidentiary hearing such that the Parties will be afforded the opportunity to present evidence through witnesses and cross-examination, present rebuttal testimony, and brief all issues that the Commission shall decide based upon the record and briefs as if this Stipulation had never been executed. Any of the Parties may submit a new agreement to the Commission for approval if the discussions achieve an outcome they believe substantially satisfies the intent of the present Stipulation.

The Signatory Parties fully support this Stipulation in its entirety and urge the Commission to accept and approve the terms herein.

This Stipulation is the product of an open process in which all Parties were represented by able counsel and technical experts. The Stipulation represents a comprehensive compromise of issues raised by Parties with diverse interests. The Signatory Parties have signed the Stipulation and adopted it as a reasonable resolution of all issues. The Signatory Parties believe that the Stipulation that they are recommending for Commission adoption presents a fair and reasonable result.

The Signatory Parties agree that the settlement, as a package, benefits ratepayers and is in the public interest. The Signatory Parties agree that the settlement does not violate any important regulatory principle or practice.

WHEREAS, all of the related issues and concerns raised by the Signatory Parties have been addressed in the substantive provisions of this Stipulation, and reflect, as a result of such discussions and compromises by the Signatory Parties, an overall reasonable resolution of all such issues;

WHEREAS, this Stipulation is the product of the discussions and negotiations of the Signatory Parties and is not intended to reflect the views or proposals that any individual Party may have advanced acting unilaterally;

WHEREAS, this Stipulation represents an accommodation of the diverse interests represented by the Signatory Parties and is entitled to careful consideration by the Commission;

WHEREAS, this Stipulation represents a serious compromise of complex issues and involves substantial benefits that would not otherwise have been achievable; and

WHEREAS, the Signatory Parties believe that the agreements herein represent a fair and reasonable solution to the issues raised in this matter;

NOW, THEREFORE, the Signatory Parties stipulate, agree and recommend that the Commission make the following findings and issue its Opinion and Order in this proceeding approving this Stipulation in accordance with the following:[1]

1. Duke Energy Ohio's Distribution Capital Investment Rider, Rider DCI, was adopted and approved by the Public Utilities Commission of Ohio in Case No. 14-841-EL-SSO on April 2, 2015.

[1] Nothing in this joint stipulation will limit the rights of any party to the proceeding to oppose Duke's DCI program(s) or future Rider DCI charges.

2. Pursuant to that case, the Commission accepted Public Utilities Commission of Ohio Staff's (Staff) recommendations as to filing requirements and directed the Company to submit filings on the first of the month.

3. On July 12, 2017, the Commission approved the selection of Rehmann Consulting to assist the Commission with the review of Duke Energy Ohio, Inc.'s Distribution Capital Investment Rider

4. The Compliance Audit of the July 1, 2016 to June 30, 2017 Duke Energy Ohio Distribution Capital Investment Rider, prepared by Rehmann Consulting, was filed with the Commission on November 28, 2017, and shall be admitted into the record in this proceeding and identified as Commission-ordered Exhibit 1.

5. The specific findings presented in the Detailed Findings and Recommendations by Task" of the Rehmann audit report are reasonable and should be adopted by the Commission.

6. The Company will reduce its revenue requirement by $4,283,979 on its next Rider DCI filing.

7. In the next DCI Annual Audit proceeding the Staff will include requirements in a request for proposal for the independent auditor to review and render detailed findings in the Audit Report on the effectiveness of Duke Energy Ohio's work order estimating process.

8. To the extent Rider DCI continues beyond May 31, 2018, Duke Energy Ohio will file an annual report with the Commission, beginning in December of 2018, that

includes the following information, where applicable, for each of the 19 DCI programs approved as part of Case No. 14-841-EL-SSO, *et al.*,[2]:

- A general description of the program;
- A description of how the program is designed to improve reliability for customers (i.e., measures for reliability improvements);
- A description of how the program affects Duke's annual filing under Ohio Admin. Code 4901:1-10-11 (i.e., how many circuits were involved in the program);
- The expected reliability improvement under the program;
- The equipment that is affected by the program;
- The unit of measure for the program (e.g. the unit of measure for a "pole replacement program" would be the number of poles replaced);
- The costs expended under the program.
- The costs estimated for the program.

9. This Stipulation shall be identified as Joint Exhibit 1, and shall be admitted into evidence in this proceeding.

10. OCC Comments shall be identified as OCC Exhibit 1, and shall be admitted into evidence in this proceeding.

The undersigned hereby stipulate and agree and each represents that he or she is authorized to enter into this Stipulation and Recommendation this 21st day of June, 2018.

[2] Programs referenced here are those that were approved in Case No.14-841-EL-SSO, as set forth in the Direct Testimony of Marc. W. Arnold (May 29, 2014) at pp. 18-19; Attachment MWA-7 p.1 (a public version of the attachment was filed on April 12, 2014).

DUKE ENERGY OHIO, INC.

By: Elizabeth H. Watts
Elizabeth H. Watts, Associate General Counsel

STAFF OF THE PUBLIC UTILITIES COMMISSION OF OHIO

By: Robert A Eubanks / with permission
Robert A. Eubanks, Assistant Attorney General

The undersigned Non-Opposing Party agrees not to challenge this Stipulation and Recommendation this 21st day of June, 2018.

THE OFFICE OF THE OHIO CONSUMERS' COUNSEL

By: Zachary E. Woltz / with permission
Zachary E. Woltz, Assistant Consumers' Counsel

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing was delivered via U.S. mail (postage prepaid), personal, or electronic mail delivery on this the 21st day of June, 2018, to the following:

Elizabeth H. Watts

Robert Eubanks
Public Utilities Commission of Ohio
30 East Broad Street, 16th Floor
Columbus, Ohio 43215-3793
Attorney for PUCO Staff

Kevin Moore
Assistant Consumers' Counsel
Office of the Consumers' Counsel
65 East State Street, 7th Floor
Columbus, Ohio 43215-4203

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in

Case No(s). 17-1118-EL-RDR

Summary: Stipulation electronically filed by Ms. Emily Olive on behalf of Duke Energy Ohio and Watts, Elizabeth H. Ms. and D'Ascenzo, Rocco O. Mr. and McMahon, Robert A. Mr.

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Review of Duke Energy of Ohio, Inc.'s Distribution Capital Investment Rider.	)))	Case No. 17-1118-EL-RDR

TESTIMONY
OF
DORIS MCCARTER

CAPITAL RECOVERY AND FINANCIAL ANALYSIS DIVISION
RATES AND ANALYSIS DEPARTMENT

STAFF EXHIBIT NO. 1

TESTIMONY OF DORIS MCCARTER

1. Q. Please state your name and business address.

A. My name is Doris McCarter. My address is 180 East Broad Street, Columbus, Ohio 43215-3793.

2. Q. By whom are you employed and in what capacity?

A. I am employed by the Public Utilities Commission of Ohio as a Public Utilities Administrator 3, in the Capital Recovery and Financial Analysis Division of the Rates and Analysis Department.

3. Q. Please briefly state your educational background.

A. I received a Masters in Public Administration from Columbia University. I have been employed by the PUCO since December, 1989 in various capacities: Commissioner Aide to Commissioner Richard M. Fanelly; Utility Specialist 2 in the Telecommunications Division of the Utilities Department; and Deputy Director of the Service Monitoring and Enforcement Department.

4. Q. Please describe your responsibilities in relation to this case.

A. I am the staff person who has supervisory oversight of Duke's Distribution Capital Investment Rider.

5. Q. Have you testified in prior proceedings before the Commission?

A. Yes.

6. Q. What is the purpose of your testimony in this proceeding?

A. I am supporting the Stipulation and Recommendation (Stipulation) filed in this proceeding on June 22, 2018.

6. Q. Were all of the parties (including Staff) to this proceeding present at negotiations that resulted in the Stipulation?

A. Settlement meetings were noticed to all parties and all parties were present either in person or by phone or they chose not to participate. The Staff was present at all of the negotiations.

7. Q. Do you believe the Stipulation filed in this case is the product of serious bargaining among knowledgeable parties?

A. Yes. This agreement is the product of an open process in which all parties were represented by able counsel and technical experts and the decisions made were based upon thorough analysis of complex issues. The Stipulation represents a comprehensive compromise of issues raised by parties with diverse interests. Overall, I believe that the Stipulation that the parties are recommending for Commission adoption presents a fair and reasonable result.

8. Q. In your opinion, does the Settlement benefit ratepayers and promote the public interest?

A. Yes. The Stipulation benefits customers and the public interest and represents a just and reasonable resolution of all issues in this proceeding. The settlement is in the public interest for the following reasons:

- The Stipulation results in a reduction of the Company's DCI revenue requirement in the amount of $4,283,979, which provides direct benefits to all customers by lowering the revenue requirement:
- The Stipulation provides for the filing of an annual report detailing the 19 DCI programs as found in Case No. 14-841-EL-SSO, et. al. Information that will be included in the filing are a general description of each program, a description of how each program is designed to improve reliability for customers, a description of how each program affects Duke's annual filing under Ohio Admin. Code 4901:1-10-11, the expected reliability improvement under each program, the equipment that is affected by each program, the unit of measure for each program, the costs expended under each program, and the costs estimated for each program.

- The Stipulation provides for the inclusion in the next DCI annual audit of a review of the effectiveness of Duke Energy Ohio's work order estimating process.
- The Stipulation recommends the adoption of all of the adjustments recommended by the Independent DCI Compliance Auditor.
- The Stipulation represents a just and reasonable resolution of all issues in this proceeding while avoiding the added cost of litigation and the potential for additional carrying charges.

9. Q. Does the Stipulation violate any important regulatory principle?

A. No. My understanding is that the Stipulation complies with all relevant and important principles and practices.

12. Q. Are you recommending its adoption by the Commission?

A. Yes. I believe the Stipulation represents a fair and reasonable compromise of diverse interests and provides a fair result for all Ohio customers.

13. Q. Does this conclude your testimony?

A. Yes, it does.

CERTIFICATE OF SERVICE

This is to certify that the foregoing **Testimony of Doris McCarter** has been served upon all of the parties of record in Case No. 17-1118-EL-RDR by electronic and/or U.S. mail, postage pre-paid mail this 6th day of August, 2018.

/s/Robert A. Eubanks
Robert A. Eubanks
Assistant Attorney General

PARTIES OF RECORD:

DUKE ENERGY OHIO, INC.
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FILE

Commissioned Ordered Ex-1
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Docket No. 17-1118-EL-RDR

Compliance Audit of the
July 1, 2016 to June 30, 2017 Distribution Capital Investment Rider
("Rider DCI")
Duke Energy Ohio

Submitted on November 28, 2017

Prepared by
Rehmann Consulting
675 Robinson Road
Jackson, Michigan 49203
(517) 787-6503

Table of Contents

Rehmann

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November 28, 2017
Ms. Doris McCarter
Public Utilities Commission of Ohio
180 East Broad Street, 3rd Floor
Columbus, OH 43215

Doris:

Attached is Rehmann Consulting's ("Rehmann") report on the compliance audit of the July 1, 2016 to June 30, 2017 Distribution Capital Investment Rider ("Rider DCI").

The words audit and examination, as used in this report, are intended, as commonly understood in the utility regulatory environment, to mean a regulatory compliance review or a means of determining the appropriateness of a utility's financial presentation for regulatory purposes. The term audit in this case does not refer to an analysis of financial statement presentation in accordance with the auditing standards established by the American Institute of Certified Public Accountants. The reader should distinguish the regulatory compliance review performed for this engagement from financial audits performed for the purposes of expressing an opinion on the fair presentation of a company's financial statements in accordance with accounting principles generally accepted in the United States of America. This report was prepared based in part on information not within the control of the consultant, Rehmann. While it is believed that the information is reliable, Rehmann does not guarantee the accuracy of the information relied upon. This document and the analyses, evaluations, and recommendations are for the sole use and benefit of the contracting parties. There are no intended third-party beneficiaries, and Rehmann shall have no liability whatsoever to third parties for any defect, deficiency, error, or omission in any statement contained in or in any way related to this document or the services provided.

Sincerely,

Rehmann Consulting

Rehmann Consulting

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 17-1118-EL-RDR Annual Rider DCI Audit

Executive Summary

Background Information

Ohio's electric law. Senate Bill 221, requires electric utilities to provide consumers with a standard service offer, consisting of either a market rate offer ("MRO") or an electric security plan ("ESP"). Section 4928.142 Revised Code. Duke Energy Ohio ("DEO") filed an application for approval of an ESP on May 29, 2014. After a hearing, the Commission modified and approved DEO's application, In re Duke Energy Ohio, Case No. 14-841-EL-SSO, et al., Opinion and Order (April 2, 2015) for the period June 1, 2015 through May 31, 2018. In its Opinion and Order, the Commission established a Distribution Capital Investment Rider ("Rider DCI"). Through the Rider DCI, DEO may recover property taxes, Commercial Activity Tax ("CAT"), and earn a return on and of plant-in-service associated with distribution net investment associated with Federal Energy Regulatory Commission ("FERC") Plant Accounts 360-374. The net capital additions to be included in the Rider DCI reflect gross plant-in-service after March 31, 2012, as adjusted for accumulated depreciation. Capital additions recovered through other riders authorized by the Commission to recover distribution capital additions, will be identified and excluded from the Rider DCI. The maximum annual revenue authorized to be collected through the Rider DCI was also established. Pursuant to the Opinion and Order the Rider DCI is to be audited annually for the purpose of determining accuracy and reasonableness of the amounts for which recovery is sought. Such audit shall be conducted by an independent third-party auditor or the Commission's Staff at the Commission's Direction.

Purpose

In accordance with the Opinion and Order in Case No. 14-841-EL-RDR, the Public Utilities Commission of Ohio ("PUCO") sought proposals to review the accounting accuracy, prudency, and compliance of DEO with its PUCO-approved Rider DCI with regards to in-service net capital additions since the Opinion and Order. This review was to include the November 1, 2016 quarterly filing and the 2017 quarterly filings up to and including the August 1, 2017 filing. Capital additions recovered through other riders authorized by the Commission to recover delivery-related capital additions, were to be identified and excluded from the Rider DCI. The auditor's review shall also include an identification, quantification, and explanation of any significant net plant increase within individual accounts.

The auditor shall be familiar with and comply with all:

- GAAP.
- FERC Uniform System of Accounts.
- Various accounting and tax changes or decisions issued since March 31, 2014.

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 17-1118-EL-RDR Annual Rider DCI Audit

Scope

The auditor's investigation shall determine if DEO has implemented it's PUCO-approved DCI in compliance with the Opinion and Order issued in Case No. 14-841-EL-SSO.

General Project Requirements

According to the Request for Proposal No. RA17-CA-3, the auditor selected shall complete the following tasks:

- Review Case No. 14-841-EL-SSO.
- Read all applicable testimony.
- Review Plant-in-Service related provisions contained within the Order in Case No. 12-1682-EL-AIR.
- Obtain and review, all additions, retirements, transfers, and adjustments to current date value of plant-in-service that have occurred since July 1, 2016.
- Verification with FERC Form 1 for year 2016.
- Obtain and review all appropriate documentation relating to the Company's compliance with its PUCO-approved Rider DCI.
- Obtain and review all appropriate documentation related to compliance with DEO's quarterly filings in Case No. 15-795-EL-RDR.
- Verification of the used and usefulness of incremental plant-in-service.
- Review all changes in capitalization policy and assess impact on the Rider DCI, previously *authorized recovery as part of base rates, and impact on O&M expenses.*
- Assess the Company's utilization of tax changes and provisions and verification of their appropriate treatment within the Rider DCI. Estimate foregone tax reduction opportunities and evaluate impact on the Rider DCI.

Summary Findings and Recommendations by Task

Review Case No. 14-841-EL-SSO

Rehmann has no findings and recommendations from this task.

Read all applicable testimony

Rehmann has no findings and recommendations from this task.

Review Plant-in-Service related provisions contained within the Order in Case No. 12-1682-EL-AIR

Rehmann has no findings and recommendations from this task.

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 17-1118-EL-RDR Annual Rider DCI Audit

Obtain and review, all additions, retirements, transfers, and adjustments to current date value of plant-in-service that have occurred since July 1, 2016

Rehmann obtained records of all additions, retirements, transfers, and adjustments to current date value of plant-in-service that have occurred from July 1, 2016 to June 30, 2017 from PowerPlan (the source Plant-in-Service System) that supports the Rider DCI filings. These records were before adjustments for Grid Mod Additions. We requested that these additions, retirements, transfers, and adjustments be provided at a work order level and by accounting period. The detailed work order additions of $226,711,505.50, retirements of $-41,598,898.91, and transfers of $-192,875.03 agreed to the four Rider DCI filings during the audit period.

Rehmann obtained summary records by FERC account of all depreciation expense charged to the provision, retirements, cost of removal, salvage and other credits, transfers and adjustments, and impairments to current date value of accumulated depreciation that have occurred from July 1, 2016 to June 30, 2017. These records were before adjustments for Grid Mod Additions. The summary records of depreciation expense charged to the provision of $65,254,578.82, retirements of $-41,598,898.91, cost of removal of $-5,621,175.04, salvage credits of $410,345.50, transfers and adjustments of $-70,625.38, and impairments of $-164,852.44 agreed to the four Rider DCI filings during the audit period.

Verification with FERC Form 1 for year 2016

Rehmann compared FERC Form 1 or Form 3Q plant-in-service additions, retirements, transfers, and adjustments to plant-in-service to those reported in the four Rider DCI filings and found no discrepancies. We also tested Accumulated Depreciation Reserve and found insignificant differences between the FERC Form 1 or Form 3Q and Rider DCI filings pertaining to the Accumulated Depreciation Reserve.

Obtain and review all appropriate documentation relating to the Company's compliance with its PUCO-approved Rider DCI.

Rehmann issued six document requests for documentation relating to the Company's compliance with its PUCO-approved Rider DCI. These requests are detailed in Appendix A. DEO's responses to these requests are detailed in Appendix B.

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 17-1118-EL-RDR Annual Rider DCI Audit

Obtain and review all appropriate documentation related to compliance with DEO's quarterly filings in Case No. 15-795-EL-RDR

When reviewing documentation related to compliance with quarterly filings Rehmann noted the following related to net distribution plant-in-service:

- DEO recorded $20,494,992 in the Utility of Future Meters plant-in-service account for the June 30, 2017 Rider DCI filing. The charges were from a blanket project with assets that went in service prior to 2016. The charges were included in prior years in the Smart Grid filings as a common utility plant project. In May 2017, the project was moved to the Utility of Future Meters electric account in preparation for unitization. The June 30, 2017 Rider DCI filing should have included an adjustment for this project for $20,494,992. Adding $20,494,992 to the adjustment column in the Rider DCI filing reduces net plant-in-service in the June 30, 2017 Rider DCI filing by $20,494,992. This reduction results in lowering the June 30, 2017 Rider DCI filing DEO Percentage of Base Distribution Revenue by 1.026 percentage points and lowering Total Rider DCI Revenue Requirement by $4,146,988. This error only applies to the June 30, 2017 Rider DCI filing. Rehmann recommends that DEO records, in the next Rider DCI filing, $20,494,992 in the adjustment column of the Plant -In-Service Summary so that Adjusted Total Company plant-in-service is reduced by $20,494,992. DEO customers should be compensated for the error. This error only applies to the June 30, 2017 Rider DCI filing. Rehmann also recommends more timely unitization to avoid accidental errors in capturing and recording unitization pricing. Rehmann recommends adherence to the DEO Capitalization Guidelines of unitizing within six months after an asset is placed in service for specific work orders or seven months after an asset is placed in service for blanket work orders.
- DEO charged in the June 30, 2017 Rider DCI filing $135,413 to the Meter account but was supposed to have charged the Utility of Future Meters account. The Meter account is being amortized at a fixed amount of $3,508,121 while the Utility of Future Meters account is being depreciated at 6.67%. Therefore, the June 2017 Rider DCI filing did not include annual depreciation and results in increasing the June 30, 2017 Rider DCI filing DEO Percentage of Base Distribution Revenue by 0.002 percentage points and increasing the Total Rider DCI Revenue Requirement by $9,264. This error only applies to the June 30, 2017 Rider DCI filing. Rehmann recommends that the next Rider DCI filing include this correction. DEO should be compensated for the error.
- Rehmann's report dated December 8, 2016 for the compliance period of April 1, 2012 to June 30, 2016, reported tree trimming incorrectly charged to capital and DEO agreed to complete an Internal Audit of tree trimming charges in response to the report. DEO agreed that they included tree trimming as capital when it should have been treated as operation and maintenance expense. DEO identified a fourth quarter 2015 overcharge to capital of $143,713; all of 2016 overcharge of $408,448; and the first four months of 2017 overcharge of $82,097. Rehmann extrapolated these errors back to April 1, 2012 and up to June 30, 2017 and the accumulative effect up to June 30,2017 is estimated as an overcharge of $2,646,238 to plant-in-service. DEO did record a correcting journal entry on May 31, 2017 for $635,068 to move tree trimming charges from capital to O&M. This results in a net overcharge to capital of $2,011,170 at June 30, 2017. This results in lowering the June 30, 2017 Rider DCI filing DEO Percentage of Base Distribution Revenue by 0.076 percentage points and lowering Total Rider DCI Revenue Requirement by $305,457. These calculations assume the tree trimming errors charged accounts 3650 and 3651, Overhead Conductors and Devices and used a 2.8% depreciation rate. As noted above this error impacts all Rider DCI filings to date (June 30, 2015 through June 30, 2017). Rehmann recommends that the

next Rider DCI filing records a reduction to plant-in-service by the extrapolated amount of $2,011,170 for the June 30, 2017 Rider DCI impact and reflects an adjustment for all previous Rider DCIs that had a tree trimming overcharge. DEO customers should be compensated for the error.

- DEO agreed to pursue a $352,000 refund for unbilled Contribution in Aid of Construction ("CIAC") on work order H0343. This was detected and reported on Rehmann's report dated December 8, 2016. A city was subsequently billed by DEO on an invoice due December 29, 2016. DEO also agreed to complete an Internal Audit of CIAC and that audit disclosed no additional missed CIAC. Rehmann quantified the effect of the $352,000 of unrecorded CIAC and this results in lowering the September 30, 2016 Rider DCI filing DEO Percentage of Base Distribution Revenue by 0.013 percentage points and lowering Total Rider DCI Revenue Requirement by $53,274. DEO corrected this unbilled CIAC in the December 31, 2016 Rider DCI filing by allocating $6,514 to account 3640, $25,480 to accounts 3650 & 3651, $41,792 to account 3660, $243,298 to account 3670, and $34,916 to account 3680. This unbilled amount would apply to December 31, 2015 through September 30, 2016 Rider DCI filings. Rehmann recommends an adjustment for all previous Rider DCIs that had not reflected the CIAC of $352,000. DEO customers should be compensated for the unbilled amount.
- Rehmann did note in a test of a sample of 50 transactions charged to plant-in-service that DEO paid a duplicate invoice for $3,005 and DEO will procure a refund for the duplicate invoice. Rehmann recommends that the signer of materials or services received ensure invoices with identical amounts are appropriate and not duplicated.
- Rehmann did note in the test of 50 transactions charged to plant-in-service and 10 transactions charged to cost of removal that the supporting contractor invoices, in five of 50 transactions charged to plant-in-service and four of 10 transactions charged to cost of removal, did not allocate labor, material, and equipment charges between install and remove in a reasonable relationship to the work order estimate. The work order estimate is the driving methodology to allocate charges between install and remove. Based on the work order estimate, one of the five plant-in-service transactions should have allocated more to plant-in service and less to cost of removal and four of the five should have allocated more to cost of removal and less to plant-in-service. Based on the work order estimate, three of the four cost of removal transactions should have allocated more to plant-in-service and less to cost of removal and one of the four should have allocated more to cost of removal and less to plant-in-service. Install transactions increase plant-in-service and receive depreciation expense. Remove transactions charge (lower) the Accumulated Depreciation Reserve, thereby increasing net plant-in-service but no incremental depreciation expense is charged. DEO runs a Retirement Work In Progress ("RWIP") Variance process monthly to detect variances in cost of removal and makes appropriate journal entries to correct the discrepancies between invoices and the work order estimate. These invoice discrepancies were detected and will be corrected in the fourth quarter of 2017 for the December 31, 2017 Rider DCI filing. Rehmann recommends that a preventative internal control be implemented to correct these invoice discrepancies upon the review of the contractor invoice so that the Rider DCI filings reflect more accurate and timely recording of install and remove transactions. As noted in Table 3 below, Retirement WIP did increase from $-15,594,971 to $-28,075,628 and Rehmann also recommends more timely clearing of Retirement WIP to the Accumulated Depreciation Reserve specific FERC accounts.

The deferred tax liability was properly calculated and supported for each quarterly filing. Rehmann has no findings and recommendations from this task.

Rehmann obtained the PUCO case that details the PUCO approved depreciation rates and tested whether appropriate depreciation and amortization rates are used in the depreciation expense calculation used in the Rider DCI filings. Rehmann's report dated December 8, 2016 for the compliance period of April 1, 2012 to June 30, 2016, reported that DEO did not include depreciation on Account 3700 Meter Instrument Transformers from their first Rider DCI filing for June 30, 2015 (covering April 1, 2012 to June 30, 2015). The subsequent September 30, 2016 Rider DCI filing, part of this audit period, also did not include depreciation on Account 3700. The depreciation rate is 2.86% and the plant-in-service balance at September 30, 2016 was $7,409,920. This resulted in a shortfall of $211,924 in depreciation in September 30, 2016 and results in increasing the September 30, 2016 Rider DCI filing DEO Percentage of Base Distribution Revenue by 0.052 percentage points and increasing the Total Rider DCI Revenue Requirement by $212,476. Rehmann recomputed Accumulated Depreciation Reserve and it correctly reflected the $52,981 in quarterly depreciation. Therefore, this quantification assumes Deferred Income Tax Liability also reflected the quarterly tax to book depreciation and correctly calculated the deferred tax liability. This quantification is only for the September 30, 2016 Rider DCI filing in this audit period, since it was corrected in the December 31, 2016 Rider DCI filing, but would have a similar impact on each Rider DCI filing going back to June 30, 2015. DEO should be compensated for this error.

DEO agreed that the September 30, 2016 and December 30, 2016 Rider DCI filings had an overcharge of $31,927 in real property taxes for which they procured a refund. Therefore, each filing would have had a real property tax rate of 5.93970% instead of 5.93671%. This results in no change to the September 30, 2016 Rider DCI filing DEO Percentage of Base Distribution Revenue and increasing the Total Rider DCI Revenue Requirement by $144. This insignificant error only impacts the September 30, 2016 and December 31, 2016 Rider DCI filings. Rehmann recommends that no corrections to Rider DCI filings be made.

The CAT was properly calculated and supported for each quarterly filing. Rehmann has no findings and recommendations from this task.

Verification of the used and usefulness of incremental plant-in-service

PUCO staff assisted with verifying the used and usefulness of plant-in-service by field visiting 15 work orders that included new additions to plant-in-service or retirements of plant-in-service.

- Field observations for one work order disclosed that the project was billable to two customers. The project incurred $391,116 in costs up to March 31, 2017 but no Contributions in Aid of Construction (CIAC) were received from the customers as of June 30, 2017. Rehmann recommends the customers be billed and that the next Rider DCI filing have a reduction in plant-in-service for the amount received from the customers. In addition, Rehmann recommends that immediately upon receiving agreement from a customer on a billable amount, that an accounts receivable control account be established for monitoring aged contributions in aid of construction invoices and for recording the credit to the work order.
- Eleven of the 15 work orders field visited had cost estimates that were exceeded by more than 25%. DEO's Asset Accounting Department receives an explanation of the overruns before the work orders are closed. While this control is operating effectively Rehmann recommends that the PowerPlan work order estimate process be investigated to determine whether more accurate estimates can be calculated before work begins.

Review all changes in capitalization policy and assess impact on the Rider DCI, previously authorized recovery as part of base rates, and impact on O&M expenses

Rehmann was advised in a Document Request Response that there was no change in the Capitalization Policy, dated January 1, 2017, during the audit period. Rehmann has no findings and recommendations from this task.

Assess the Company's utilization of tax changes and provisions and verification of their appropriate treatment within the Rider DCI. Estimate foregone tax reduction opportunities and evaluate impact on the Rider DCI

Rehmann has no findings and recommendations from this task.

Overall Impact of Recommendations on Rider DCI Revenue Requirement

The impact of recommendations, described above were run through the most applicable quarterly Rider DCI filing and are detailed individually in Tables 8-13. Table 14 summarizes these in one table.

Detailed Findings and Recommendations by Task

Review Case No. 14-841-EL-SSO

Rehmann reviewed Case No. 14-841-EL-SSO for an understanding of the Rider DCI and applied the knowledge gained in the compliance audit.

Read all applicable testimony

Rehmann read testimony applicable to the Rider DCI including the testimony of Staff Witness Judy Sarver in Case Nos. 12-1682-EL-AIR, 12-1683-EL-ATA, and 12-1684-EL-AMM concerning amortization of meters and leased meters. Rehmann applied the knowledge gained in the testimony to the compliance audit with particular application in the compliance audit of depreciation.

Review Plant-in-Service related provisions contained within the Order in Case No. 12-1682-EL-AIR

Rehmann reviewed Case No. 12-1682-EL-AIR for an understanding of the Rider DCI plant-in-service provisions and applied the knowledge gained in the compliance audit.

Obtain and review, all additions, retirements, transfers, and adjustments to current date value of plant-in-service that have occurred since July 1, 2016

Rehmann obtained records of all additions, retirements, transfers, and adjustments to current date value of plant-in-service that have occurred from July 1, 2016 to June 30, 2017 from PowerPlan that supports the Rider DCI filings. These records were before adjustments for Grid Mod Additions. We requested that these additions, retirements, transfers, and adjustments be provided at a work order level and by accounting period. The detailed work order additions of $226,711,505.50, retirements of $-41,598,898.91, and transfers of $-192,875.03 agreed to the four Rider DCI filings during the audit period. See Table 1: Plant-in-Service Change by FERC Account and Table 2: Plant-in-Service Change by Transaction Type.

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Table 1: Plant-in-Service Change by FERC Account			
Plant	**30-Jun-17**	**30-Jun-16**	**Difference**
Land and Land Rights	$14,827,148	$13,770,790	$1,056,358
Rights of Way	26,210,824	26,286,892	-76,068
Structures and Improvements	20,093,467	19,163,277	930,190
Station Equip	188,780,746	181,342,605	7,438,141
Major Equip	117,872,432	112,215,285	5,657,147
Station Equip Electronic	0	0	0
Poles, Towers & Fixtures	328,323,088	306,106,828	22,216,260
Overhead Conductors & Devices	546,030,632	528,153,782	17,876,850
Underground Conduit	122,421,910	113,261,755	9,160,155
Underground Conductors and Devices	370,709,095	344,816,482	25,892,613
Line Transformers	412,253,294	332,913,016	79,340,278
Customer Transformer Installations	3,755,297	3,755,297	0
Services-underground	4,940,498	5,525,489	-584,991
Services OH	78,946,064	81,827,783	-2,881,719
Meters	135,413	0	135,413
Meter Instrument Transformers	7,409,920	7,409,920	0
Leased Meters	0	385,628	-385,628
Leased Meter Instrument Transformers	5,672,328	5,672,328	0
Utility of the Future Meters	29,915,369	6,350,891	23,564,478
Installation on Customers' Premises	0	0	0
Company Owned Outdoor Light	0	0	0
Leased Property on Cust Premises	102,503	102,503	0
Street Lighting	0	0	0
CGE Street Lighting OH	11,733,435	15,300,750	-3,567,315
Street Lighting Boulevard	27,802,825	27,727,621	75,204
Light Security OL POL Flood	5,116,397	15,094,000	-9,977,603
Light Choice OLE Public	0	0	0
Total After Grid Mod Adjustments	**$2,323,052,685**	**$2,147,182,922**	**$175,869,763**
Before Grid Mod Adjustments	**$2,478,194,107**	**$2,293,274,376**	**$184,919,731**

Significant variations in Table 1 include an increase in Utility of Future Meters of $23,564,478 from the June 30, 2016 Rider DCI filing to the June 30, 2017 Rider DCI filing. As noted above $20,494,992 of the $23,564,478 should have been excluded from the June 30, 2017 Rider DCI filing plant-in-service amount. DEO is correcting this omission in the September 30, 2017 Rider DCI filing. Meters increased by $135,413, although as noted above the charges should have been recorded in Utility of Future Meters. DEO is correcting this omission in the September 30, 2017 Rider DCI filing.

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Table 2: Plant-In- Service Change by Transaction Type

Period	Additions	Retirements	Transfers	Net Plant
7/1/16-9/30/16	$56,999,739	-$7,608,548	$0	$49,391,191
10/1/16-12/31/16	58,008,323	-11,455,747	-129,762	46,422,814
1/1/17 - 3/31/17	35,514,151	-8,598,415	19,679	26,935,415
4/1/17-6/30/17	76,189,293	-13,936,190	-82,792	62,170,311
Total Before Grid Mod Adjustments	**$226,711,506**	**-$41,598,900**	**-$192,875**	**$184,919,731**

Significant variations in Table 2 again include an increase in Utility of Future Meters. As noted above $20,494,992 of the $23,564,478 should have been excluded from the June 30, 2017 Rider DCI filing plant-in-service amount.

Rehmann obtained summary records by FERC account of all depreciation expense charged to the provision, retirements, cost of removal, salvage and other credits, transfers and adjustments, and impairments to current date value of accumulated depreciation that have occurred from July 1, 2016 to June 30, 2017. These records were before adjustments for Grid Mod Additions. The summary records of depreciation expense charged to the provision of $65,254,578.82, retirements of $-41,598,898.91, cost of removal of $-5,621,175.04, salvage credits of $410,345.50, transfers and adjustments of $-70,625.38, and impairments of $-164,852.44 agreed to the four Rider DCI filings during the audit period. See Table 3: Accumulated Depreciation Change by FERC Account and Table 4: Accumulated Depreciation Summary by Transaction Type.

Table 3: Accumulated Depreciation Change by FERC Account

Plant	30-Jun-17	30-Jun-16	Change
Land and Land Rights	$3,652	$2,754	$898
Rights of Way	4,370,980	4,027,029	343,951
Structures and Improvements	4,648,506	4,461,820	186,686
Station Equip	71,841,476	73,660,379	-1,818,903
Major Equip	45,733,945	43,592,902	2,141,043
Station Equip Electronic	0	0	0
Poles, Towers& Fixtures	127,209,018	124,561,113	2,647,905
Overhead Conductors & Devices	120,340,851	123,605,290	-3,264,439
Underground Conduit	43,935,052	43,376,369	558,683
Underground Conductors and Devices	95,506,791	93,833,244	1,673,547
Line Transformers	151,145,848	147,962,152	3,183,696
Customer Transformer Installations	2,721,019	2,637,651	83,368
Services-Underground	2,576,617	2,537,126	39,491
Services-Overhead	48,806,818	46,533,746	2,273,072
Meters	-3,245,813	-6,753,932	3,508,119
Meter Instrument Transformers	2,416,781	2,204,857	211,924
Leased Meters	465,383	-718,805	1,184,188
Leased Meter Instrument Transformers	1,157,085	994,857	162,228
Utility of the Future Meters	-2,131,694	64,311	-2,196,005
Installation on Customers' Premises	-93,745	10,636	-104,381
Company Owned Outdoor Light	0	0	0
Leased Property on Cust Premises	-54,289	-58,390	4,101
Street Lighting	0	0	0
CGE Street Lighting OH	12,642,656	12,340,800	301,856
Street Lighting Boulevard	9,279,405	8,700,862	578,543
Light Security OL POL Flood	8,187,207	8,085,172	102,035
Light Choice OLE Public	0	0	0
Retirement WIP	-28,075,628	-15,594,971	-12,480,657
Total After Grid Mod Adjustments	**$719,387,921**	**$720,066,972**	**-$679,051**
Total Before Grid Mod Adjustments	**$751,425,185**	**$745,696,466**	**$5,728,719**
Add Back Retirement WIP	**$28,075,628**	**$15,594,971**	**$12,480,657**
Total Before Retirement WIP	**$779,500,813**	**$761,291,437**	**$18,209,376**

Rehmann tested the changes to the Accumulated Depreciation by FERC account and found no unreasonable changes to the reserve based on the approved depreciation rates and retirements recorded.

Table 4: Accumulated Depreciation Summary by Transaction Type

Ending Period	Depreciation Expense	Retirements	Cost of Removal	Salvage & Other Credits	Transfers & Adjustments	Impairments	Net Change in Accumulated Depreciation
September 30, 2016	15,795,446	-7,608,548	-1,138,931	352,592	0	-170,938	7,229,621.00
December 31, 2016	16,181,469	-11,455,747	-2,804,982	24,739	-17,611	22,470	1,950,338.00
March 31, 2017	16,497,479	-8,598,414	-1,028,378	-13,910	907	924	6,858,608.00
June 30, 2017	16,780,185	-13,936,189	-648,884	46,926	-53,921	-17,308	2,170,809.00
Total	**$65,254,579**	**-$41,598,898**	**-$5,621,175**	**$410,347**	**-$70,625**	**-$164,852**	**$18,209,376**

Rehmann tested the detailed support to the Accumulated Depreciation Reserve by transaction type and found no unsupported entries by transaction type.

Verification with FERC Form 1 for year 2016

Rehmann compared the four quarterly Rider DCI filings to FERC Form 1 3Q September 30, 2016, FERC Form 1 December 31, 2016, FERC Form 1 3Q March 31, 2017, and FERC Form 1 3Q June 30, 2017 for distribution plant-in-service before grid modernization adjustments (excluded from Rider DCI) and for distribution plant accumulated depreciation before grid modernization adjustments. No differences were noted for plant-in-service and insignificant differences were noted for accumulated depreciation.

Obtain and review all appropriate documentation relating to the Company's compliance with its PUCO-approved Rider DCI.

DEO capitalizes costs to work orders from numerous resource types. These include direct costs of labor and materials, material issues from inventory, and indirect cost allocations. DEO's Duke Energy U.S. Regulated Electric & Gas Capitalization Guideline dated January 1, 2017 clearly details costs that may be capitalized. Rehmann sampled 50 transactions charged to new additions to plant-in-service (See Table 5: Sample of Work Order Charges by Resource Type).

Table 5: Sample Work Order Charges by Resource Type

Resource Description	Amount Charged to Work Orders
Labor	$1,804
Labor-Union	13,855
Overtime-Union	1,570
Labor Overhead Allocations	13,412
Unproductive Labor Allocated	207
Unproduct Labor Alloc-Union	3,745
Service Company Overhead	1,704
Direct Material/Inventory Cost	138,058
Material Allocations	2,863
Stores Loading	3,062
Direct Material Purchases	4,848
Direct Mat/Purchases Accrual	110,000
Baseload Contract Labor	1,045,068
Turnkey Service Contract Labor	312,694
Contr. in Aid of Const. (NTax)	-576,800
AFUDC Debt	6,121
AFUDC Equity	11,323
Total	**$1,093,534**

DEO processes retirement transactions using a Handy-Whitman index calculation, specific pricing, or a statistical aging curve when retirement units have a vintage year value. Rehmann sampled 10 retirement transactions for proper support of the valuation of the retirement unit selected. All retirements sampled were properly supported (See Table 6: Sample Retirement Transactions).

Table 6: Sample Retirement Transactions

Description	Retirement Value	In Service Year
36200 - Station Equipment	-122,157	1972
36400 - Poles, Towers & Fixtures	-1,651	2013
36400 - Poles, Towers & Fixtures	-9	1941
36400 - Poles, Towers & Fixtures	-259	1994
36500 - Overhead Conductors & Device	-16,013	2004
36600 - Underground Conduit	-143,900	2015
36700 - Underground Conductors & Device	-2,368	1999
36700 - Underground Conductors & Device	-2,383	1999
36800 - Line Transformers	-464	2011
36800 - Line Transformers	-4,257	2001
Total	**-293,461**	

Charges incurred to remove plant assets are recorded as costs of removal. These costs are charged to the Accumulated Depreciation Reserve and therefore increase net plant-in-service. Rehmann tested 10 transactions totaling $202,550 that were charged on five work orders to cost of removal.

Obtain and review all appropriate documentation related to compliance with DEO's quarterly filings in Case No. 15-795-EL-RDR

When reviewing documentation related to compliance with quarterly filings Rehmann noted the following related to net distribution plant-in-service:

- DEO recorded $20,494,992 in the Utility of Future Meters plant-in-service account for the June 30, 2017 Rider DCI filing. The charges were from a blanket project with assets that went in service prior to 2016. The charges were included in prior years in the Smart Grid filings as a common utility plant project. In May 2017, the project was moved to the Utility of Future Meters electric account in preparation for unitization. The June 30, 2017 Rider DCI filing should have included an adjustment for this project for $20,494,992. Adding $20,494,992 to the adjustment column in the Rider DCI filing reduces net plant-in-service in the June 30, 2017 Rider DCI filing by $20,494,992. This reduction results in lowering the June 30, 2017 Rider DCI filing DEO Percentage of Base Distribution Revenue by 1.026 percentage points and lowering Total Rider DCI Revenue Requirement by $4,146,988. This error only applies to the June 30, 2017 Rider DCI filing. Rehmann recommends that DEO records, in the next Rider DCI filing, $20,494,992 in the adjustment column of the Plant -In-

Service Summary so that Adjusted Total Company plant-in-service is reduced by $20,494,992. DEO customers should be compensated for the error. This error only applies to the June 30, 2017 Rider DCI filing. Rehmann also recommends more timely unitization to avoid accidental errors in capturing and recording unitization pricing. Rehmann recommends adherence to the DEO Capitalization Guidelines of unitizing within six months after an asset is placed in service for specific work orders or seven months after an asset is placed in service for blanket work orders.

- DEO charged in the June 30, 2017 Rider DCI filing $135,413 to the Meter account but was supposed to have charged the Utility of Future Meters account. The Meter account is being amortized at a fixed amount of $3,508,121 while the Utility of Future Meters account is being depreciated at 6.67%. Therefore, the June 2017 Rider DCI filing did not include annual depreciation and results in increasing the June 30, 2017 Rider DCI filing DEO Percentage of Base Distribution Revenue by 0.002 percentage points and increasing the Total Rider DCI Revenue Requirement by $9,264. This error only applies to the June 30, 2017 Rider DCI filing. Rehmann recommends that the next Rider DCI filing include this correction. DEO should be compensated for the error.
- Rehmann's report dated December 8, 2016 for the compliance period of April 1, 2012 to June 30, 2016, reported tree trimming incorrectly charged to capital and DEO agreed to complete an Internal Audit of tree trimming charges in response to the report. DEO agreed that they included tree trimming as capital when it should have been treated as operation and maintenance expense. DEO identified a fourth quarter 2015 overcharge to capital of $143,713; all of 2016 overcharge of $408,448; and the first four months of 2017 overcharge of $82,097. Rehmann extrapolated these errors back to April 1, 2012 and up to June 30, 2017 and the accumulative effect up to June 30,2017 is estimated as an overcharge of $2,646,238 to plant-in-service. DEO did record a correcting journal entry on May 31, 2017 for $635,068 to move tree trimming charges from capital to O&M. This results in a net overcharge to capital of $2,011,170 at June 30, 2017. This results in lowering the June 30, 2017 Rider DCI filing DEO Percentage of Base Distribution Revenue by 0.076 percentage points and lowering Total Rider DCI Revenue Requirement by $305,457. These calculations assume the tree trimming errors charged accounts 3650 and 3651, Overhead Conductors and Devices and used a 2.8% depreciation rate. As noted above this error impacts all Rider DCI filings to date (June 30, 2015 through June 30, 2017). Rehmann recommends that the next Rider DCI filing records a reduction to plant-in-service by the extrapolated amount of $2,011,170 for the June 30, 2017 Rider DCI impact and reflects an adjustment for all previous Rider DCIs that had a tree trimming overcharge. DEO customers should be compensated for the error.
- DEO agreed to pursue a $352,000 refund for unbilled Contribution in Aid of Construction ("CIAC") on work order H0343. This was detected and reported on Rehmann's report dated December 8, 2016. A city was subsequently billed by DEO on an invoice due December 29, 2016. DEO also agreed to complete an Internal Audit of CIAC and that audit disclosed no additional missed CIAC. Rehmann quantified the effect of the $352,000 of unrecorded CIAC and this results in lowering the September 30, 2016 Rider DCI filing DEO Percentage of Base Distribution Revenue by 0.013 percentage points and lowering Total Rider DCI Revenue Requirement by $53,274. DEO corrected this unbilled CIAC in the December 31, 2016 Rider DCI filing by allocating $6,514 to account 3640, $25,480 to accounts 3650 & 3651, $41,792 to account 3660, $243,298 to account 3670, and $34,916 to account 3680. This unbilled amount would apply to December 31, 2015 through September 30, 2016 Rider DCI filings. Rehmann recommends an adjustment for all previous Rider DCIs that had not

reflected the CIAC of $352,000. DEO customers should be compensated for the unbilled amount.

- Rehmann did note in a test of a sample of 50 transactions charged to plant-in-service that DEO paid a duplicate invoice for $3,005 and DEO will procure a refund for the duplicate invoice. Rehmann recommends that the signer of materials or services received ensure invoices with identical amounts are appropriate and not duplicated.
- Rehmann did note in the test of 50 transactions charged to plant-in-service and 10 transactions charged to cost of removal that the supporting contractor invoices, in five of 50 transactions charged to plant-in-service and four of 10 transactions charged to cost of removal, did not allocate labor, material, and equipment charges between install and remove in a reasonable relationship to the work order estimate. The work order estimate is the driving methodology to allocate charges between install and remove. Based on the work order estimate, one of the five plant-in-service transactions should have allocated more to plant-in service and less to cost of removal and four of the five should have allocated more to cost of removal and less to plant-in-service. Based on the work order estimate, three of the four cost of removal transactions should have allocated more to plant-in-service and less to cost of removal and one of the four should have allocated more to cost of removal and less to plant-in-service. Install transactions increase plant-in-service and receive depreciation expense. Remove transactions charge (lower) the Accumulated Depreciation Reserve, thereby increasing net plant-in-service but no incremental depreciation expense is charged. DEO runs a Retirement Work In Progress ("RWIP") Variance process monthly to detect variances in cost of removal and makes appropriate journal entries to correct the discrepancies between invoices and the work order estimate. These invoice discrepancies were detected and will be corrected in the fourth quarter of 2017 for the December 31, 2017 Rider DCI filing. Rehmann recommends that a preventative internal control be implemented to correct these invoice discrepancies upon the review of the contractor invoice so that the Rider DCI filings reflect more accurate and timely recording of install and remove transactions. As noted in Table 3 above, Retirement WIP did increase from $-15,594,971 to $-28,075,628 and Rehmann also recommends more timely clearing of Retirement WIP to the Accumulated Depreciation Reserve specific FERC accounts.

Rehmann tested detailed schedules supporting the Accumulated Deferred Income Taxes which had a liability total of $423,525,997 at June 30, 2017. The deferred tax liability was properly calculated and supported for each quarterly filing. Rehmann has no findings and recommendations from this task.

Rehmann obtained the PUCO case that details the PUCO approved depreciation rates and tested whether appropriate depreciation and amortization rates are used in the depreciation expense calculation used in the Rider DCI filings. Rehmann's report dated December 8, 2016 for the compliance period of April 1, 2012 to June 30, 2016, reported that DEO did not include depreciation on Account 3700 Meter Instrument Transformers from their first Rider DCI filing for June 30, 2015 (covering April 1, 2012 to June 30, 2015). The subsequent September 30, 2016 Rider DCI filing, part of this audit period, also did not include depreciation on Account 3700. The depreciation rate is 2.86% and the plant-in-service balance at September 30, 2016 was $7,409,920. This resulted in a shortfall of $211,924 in depreciation in September 30, 2016 and results in increasing the September 30, 2016 Rider DCI filing DEO Percentage of Base Distribution Revenue by 0.052 percentage points and increasing the Total Rider DCI Revenue Requirement by $212,476. Rehmann recomputed Accumulated Depreciation Reserve and it correctly reflected the $52,981 in quarterly depreciation. Therefore, this quantification assumes Deferred Income Tax Liability also reflected the quarterly tax to book depreciation and correctly calculated the deferred tax liability. This quantification is only for the September 30, 2016 Rider DCI filing in this audit period, since it was corrected in the December 31, 2016 Rider DCI filing, but would have a similar impact on each Rider DCI filing going back to June 30, 2015. DEO should be compensated for this error. See Table 7: Depreciation Expense for the June 30, 2017 Rider DCI filing of depreciation expense of $62,049,866 which had been corrected for the meter instrument transformers omission.

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Table 7: Depreciation Expense

	Depreciation Expense at 6-30-17		
Plant	**30-Jun-17**	**Depreciation Rate**	**Depreciation Expense**
Land and Land Rights	$14,827,148	0	$0
Rights of Way	26,210,824	0.0133	348,604
Structures and Improvements	20,093,467	0.0169	339,580
Station Equip	188,780,746	0.0192	3,624,590
Major Equip	117,872,432	0.0192	2,263,151
Station Equip Electronic	0	0.05	0
Poles, Towers& Fixtures	328,323,088	0.024	7,879,754
Overhead Conductors & Devices	546,030,632	0.028	15,288,858
Underground Conduit	122,421,910	0.02	2,448,438
Underground Conductors and Devices	370,709,095	0.0216	8,007,316
Line Transformers	412,253,294	0.025	10,306,332
Customer Transformer Installations	3,755,297	0.0222	83,368
Services-Underground	4,940,498	0.02	98,810
Services-Overhead	78,946,064	0.0326	2,573,642
Meters	135,413	Amortization	3,508,121
Meter Instrument Transformers	7,409,920	0.0286	211,924
Leased Meters	0	Amortization	1,570,224
Leased Meter Instrument Transformers	5,672,328	0.0286	162,229
Utility of the Future Meters	29,915,369	0.0667	1,995,355
Installation on Customers' Premises	0	0.0667	0
Company Owned Outdoor Light	0	0	0
Leased Property on Cust Premises	102,503	0.04	4,100
Street Lighting	11,733,435	0.0393	461,124
CGE Street Lighting OH	0	0	0
Street Lighting Boulevard	27,802,825	0.0244	678,389
Light Security OL POL Flood	5,116,397	0.0383	195,958
Light Choice OLE Public	0	0.042	0
Total	**$2,323,052,685**		**$62,049,867**

The property tax expense at June 30, 2017 was $91,385,971. DEO agreed that the September 30, 2016 and December 30, 2016 Rider DCI filings had an overcharge of $31,927 in real property taxes for which they procured a refund. Therefore, each filing would have had a real property tax rate of 5.93970% instead of 5.93671%. This results in no change to the September 30, 2016 Rider DCI filing DEO Percentage of Base Distribution Revenue and increasing the Total Rider DCI Revenue Requirement by $144. This insignificant error only impacts the September 30, 2016 and December 31, 2016 Rider DCI filings. Rehmann recommends that no corrections to Rider DCI filings be made.

The CAT expense was $157,232 at June 30, 2017. Rehmann recalculated the CAT using the statutory rate of .26% against the change in revenue requirement and found it was properly calculated and supported. Rehmann has no findings and recommendations from this task.

Verification of the used and usefulness of incremental plant-in-service

PUCO staff assisted with verifying the used and usefulness of plant-in-service by field visiting 15 work orders that included new additions to plant-in-service or retirements of plant-in-service.

- Field observations for one work order disclosed that the project was billable to two customers. The project incurred $391,116 in costs up to March 31, 2017 but no Contributions in Aid of Construction (CIAC) were received from the customers as of June 30, 2017. Rehmann recommends the customers be billed and that the next Rider DCI filing have a reduction in plant-in-service for the amount received from the customers. In addition, Rehmann recommends that immediately upon receiving agreement from a customer on a billable amount, that an accounts receivable control account be established for monitoring aged contributions in aid of construction invoices and for recording the credit to the work order.
- Eleven of the 15 work orders field visited had cost estimates that were exceeded by more than 25%. DEO's Asset Accounting Department receives an explanation of the overruns before the work orders are closed. While this control is operating effectively Rehmann recommends that the PowerPlan work order estimate process be investigated to determine whether more accurate estimates can be calculated before work begins.

Review all changes in capitalization policy and assess impact on the Rider DCI, previously authorized recovery as part of base rates, and impact on O&M expenses

DEO has a Duke Energy U.S. Regulated Electric & Gas Capitalization Guideline dated January 1, 2017 that details DEO's capitalization policies. DEO advised Rehmann that there were no changes in the capitalization policy effective July 1, 2016 through June 30, 2017.

Assess the Company's utilization of tax changes and provisions and verification of their appropriate treatment within the Rider DCI. Estimate foregone tax reduction opportunities and evaluate impact on the Rider DCI

Rehmann assessed DEO's utilization of tax changes and provisions and verification of their appropriate treatment within the Rider DCI filings. Rehmann found no foregone tax reduction opportunities. Rehmann has no findings and recommendations from this task.

Detailed Impact of Recommendations on Rider DCI Revenue Requirement

The impact of recommendations, described above were run through the most applicable quarterly Rider DCI filing and are detailed individually in Tables 8-13. Table 14 summarizes these in one table.

Table 8: Impact of Utility of Future Meters Recommendation on Rider DCI Revenue Requirement

Description	June 30, 2017 as Filed	Corrected June 30, 2017	Impact
Gross Distribution Plant	$2,323,052,685	$2,302,557,693	$20,494,992
Accumulated Depreciation on Distribution Plant	$719,387,921	$719,274,003	$113,918
Net Distribution Plant-in-service	$1,603,664,764	$1,583,283,690	$20,381,074
Accum Def Income Taxes on Distr Plant	-$423,525,997	-$421,351,821	-$2,174,176
Distribution Rate Base for Rider DCI	$1,180,138,767	$1,161,931,870	$18,206,897
Return on Rate Base (Pre-Tax %)	10.68%	10.68%	0.00%
Return on Rate Base (Pre-Tax)	$126,038,820	$124,094,324	$1,944,496
Depreciation Expense	$62,049,866	$60,682,850	$1,367,016
Property Tax Expense (Excludes M&S)	$91,385,971	$90,561,278	$824,693
Revenue Requirement Before CAT	$279,474,657	$275,338,451	$4,136,206
Change in Revenue Requirement	$60,316,588	$56,180,382	$4,136,206
Incremental Commercial Activities Tax	$157,232	$146,450	$10,782
Total Rider DCI Revenue Requirement (1)	$60,473,820	$56,326,832	$4,146,988
Annual Base Distribution Revenue (2)	$404,401,058	$404,401,058	$0
DEO Percentage of Base Distribution Revenue	14.954%	13.928%	1.026%

Table 9: Impact of Meters Recommendation on Rider DCI Revenue Requirement

Description	June 30, 2017 as Filed	Corrected June 30, 2017	Impact
Gross Distribution Plant	$2,323,052,685	$2,323,052,685	$0
Accumulated Depreciation on Distribution Plant	$719,387,921	$719,387,921	$0
Net Distribution Plant-in-service	$1,603,664,764	$1,603,664,764	$0
Accum Def Income Taxes on Distr Plant	-$423,525,997	-$423,524,052	-$1,945
Distribution Rate Base for Rider DCI	$1,180,138,767	$1,180,140,173	-$1,406
Return on Rate Base (Pre-Tax %)	10.68%	10.68%	0.00%
Return on Rate Base (Pre-Tax)	$126,038,820	$126,039,028	-$208
Depreciation Expense	$62,049,866	$62,058,898	-$9,032
Property Tax Expense (Excludes M&S)	$91,385,971	$91,385,971	$0
Revenue Requirement Before CAT	$279,474,657	$279,483,897	-$9,240
Change in Revenue Requirement	$60,316,588	$60,325,828	-$9,240
Incremental Commercial Activities Tax	$157,232	$157,256	-$24
Total Rider DCI Revenue Requirement (1)	$60,473,820	$60,483,084	-$9,264
Annual Base Distribution Revenue (2)	$404,401,058	$404,401,058	$0
DEO Percentage of Base Distribution Revenue	14.954%	14.956%	-0.002%

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Table 10: Extrapolation of Tree Trimming Overcharges

Rider DCI Filing	Current Filing Plant In Service Overstatement	Accumulative Filings Plant In Service Overstatement	Comment
June 30, 2015	143,712	1,868,269	June 30, 2015 has 13 quarters of $143,712 overstatement each (June 30, 2012 to June 30, 2015)
September 30, 2015	143,712	2,011,981	
December 31, 2015	143,712	2,155,693	
March 31, 2016	102,112	2,257,805	
June 30, 2016	102,112	2,359,917	
September 30, 2016	102,112	2,462,029	
December 31, 2016	102,112	2,564,141	
March 31, 2017	61,573	2,625,714	
June 30, 2017	20,524	2,646,238	
Adjusted June 30, 2017 Extrapolation due to DEO Correction	-635,068	2,011,170	DEO recorded on May 31, 2017 Journal Entry MISPRJ9898 to move tree trimming charges from capital to O&M

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Table 11: Impact of Tree Trimming Recommendation on Rider DCI Revenue Requirement

Description	June 30, 2017 as Filed	Corrected June 30, 2017	Impact
Gross Distribution Plant	$2,323,052,685	$2,321,041,515	$2,011,170
Accumulated Depreciation on Distribution Plant	$719,387,921	$719,373,843	$14,078
Net Distribution Plant in Service	$1,603,664,764	$1,601,667,672	$1,997,092
Accum Def Income Taxes on Distr Plant	-$423,525,997	-$423,096,537	-$429,460
Distribution Rate Base for Rider DCI	$1,180,138,767	$1,178,571,135	$1,567,632
Return on Rate Base (Pre-Tax %)	10.68%	10.68%	0.00%
Return on Rate Base (Pre-Tax)	$126,038,820	$125,871,397	$167,423
Depreciation Expense	$62,049,866	$61,993,553	$56,313
Property Tax Expense (Excludes M&S)	$91,385,971	$91,305,044	$80,927
Revenue Requirement Before CAT	$279,474,657	$279,169,994	$304,663
Change in Revenue Requirement	$60,316,588	$60,011,925	$304,663
Incremental Commercial Activities Tax	$157,232	$156,438	$794
Total Rider DCI Revenue Requirement (1)	$60,473,820	$60,168,363	$305,457
Annual Base Distribution Revenue (2)	$404,401,058	$404,401,058	$0
DEO Percentage of Base Distribution Revenue	14.954%	14.878%	0.076%

Table 12: Impact of Meter Instrument Transformers Recommendation on Rider DCI Revenue Requirement

Description	September 30, 2016 as Filed	Corrected September 30, 2016	Impact
Gross Distribution Plant	$2,189,735,400	$2,189,735,400	$0
Accumulated Depreciation on Distribution Plant	$722,558,743	$722,558,743	$0
Net Distribution Plant-in-service	$1,467,176,657	$1,467,176,657	$0
Accum Def Income Taxes on Distr Plant	-$385,264,103	-$385,264,103	$0
Distribution Rate Base for Rider DCI	$1,081,912,554	$1,081,912,554	$0
Return on Rate Base (Pre-Tax %)	10.68%	10.68%	0.00%
Return on Rate Base (Pre-Tax)	$115,548,261	$115,548,261	$0
Depreciation Expense	$57,686,366	$57,898,290	-$211,924
Property Tax Expense (Excludes M&S)	$82,962,829	$82,962,829	$0
Revenue Requirement Before CAT	$256,197,455	$256,409,379	-$211,924
Change in Revenue Requirement	$37,039,386	$37,251,310	-$211,924
Incremental Commercial Activities Tax	$96,553	$97,106	-$553
Total Rider DCI Revenue Requirement (1)	$37,135,940	$37,348,416	-$212,476
Annual Base Distribution Revenue (2)	$404,401,058	$404,401,058	$0
DEO Percentage of Base Distribution Revenue	9.183%	9.235%	-0.052%

Table 13: Impact of CIAC Recommendation on Rider DCI Revenue Requirement

Description	September 30, 2016 as Filed	Corrected September 30, 2016	Impact
Gross Distribution Plant	$2,189,735,400	$2,189,383,400	$352,000
Accumulated Depreciation on Distribution Plant	$722,558,743	$722,535,242	$23,501
Net Distribution Plant in Service	$1,467,176,657	$1,466,848,157	$328,500
Accum Def Income Taxes on Distr Plant	-$385,264,103	-$385,231,818	-$32,285
Distribution Rate Base for Rider DCI	$1,081,912,554	$1,081,616,339	$296,215
Return on Rate Base (Pre-Tax %)	10.68%	10.68%	0.00%
Return on Rate Base (Pre-Tax)	$115,548,261	$115,516,625	$31,636
Depreciation Expense	$57,686,366	$57,678,532	$7,834
Property Tax Expense (Excludes M&S)	$82,962,829	$82,949,163	$13,666
Revenue Requirement Before CAT	$256,197,455	$256,144,320	$53,135
Change in Revenue Requirement	$37,039,386	$36,986,251	$53,135
Incremental Commercial Activities Tax	$96,553	$96,415	$138
Total Rider DCI Revenue Requirement (1)	$37,135,940	$37,082,666	$53,274
Annual Base Distribution Revenue (2)	$404,401,058	$404,401,058	$0
DEO Percentage of Base Distribution Revenue	9.183%	9.170%	0.013%

Table 14 Total Impact of Recommendations on Rider DCI Revenue Requirement

Recommendation	Transaction Correction	Change in Revenue Requirement	Percentage Point Change in DEO Percentage of Base Distribution Revenue
Utility of Future Meters	-$20,494,992	-$4,146,988	-1.026
Meters	$135,413	$9,264	0.002
Tree Trimming Maintenance Versus Capital	-$2,011,170	-$305,457	-0.076
Meter Instrument Transformers	$211,924	$212,476	0.052
Contributions in Aid of Construction not Billed	-$352,000	-$53,274	-0.013
Total	-$22,510,825	-$4,283,979	-1.061

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
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Document Request #1

Appendix A – Work Papers - Document Requests

Date Submitted: 8/9/2017

To: Dianne Kuhnell

CC: Elizabeth Watts, Peggy Laub, Doris McCarter

From: Kirk Balcom

General Notes:

- All requested information should be electronic to the extent possible; and numeric information should be provided in MS Excel formats.
- Please upload information directly to Rehmann Client Portal
- Please be guided by each item's priority number (1= highest).

Item	Description	Date Requested	Priority	Date Received
01-001	Please provide four quarterly Excel Spreadsheets, which minimally lists, by work order, each new addition, transfer, adjustment, and retirement from July 1, 2016 through June 30, 2017 and lists within each work order the FERC account, completion date, and total cost.	8/9/2017	1	
01-002	Please provide four quarterly canned reports out of PowerPlan, which minimally lists, by work order, each new addition, transfer, adjustment, and retirement from July 1, 2016 through June 30, 2017 and lists within each work order the FERC account, completion date, and total cost.	8/9/2017	2	
01-003	Please provide four quarterly Monthly Depreciation Reserve Activity Reports out of PowerPlan that lists by FERC account beginning reserve, provision, retirements, cost of removal, salvage and other credits, transfers and adjustments, impairments and gain or loss, and ending reserve.	8/9/2017	2	
01-004	Please provide in Excel Spreadsheets four quarterly Monthly Depreciation Reserve Activity Reports that lists by FERC account beginning reserve, provision, retirements, cost of removal, salvage and other credits, transfers and adjustments, impairments and gain or loss, and ending reserve.	8/9/2017	1	
01-005	Please provide the following Duke Energy Ohio, Inc. FERC Reports in PDF format: • FERC Form 1 for 12-31-16 • FERC Form 3Q for 9-30-16 • FERC Form 3Q for 3-31-17	8/9/2017	2	

Public Utilities Commission of Ohio
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Document Request #1

Item	Description	Date Requested	Priority	Date Received
	• FERC Form 3Q for 6-30-17 (may not be filed as of 8-9-17)			
01-006	Please provide the Depreciation Rate Case that supports the depreciation rates in the Rider DCI filings. Please provide the authorized depreciation rate table from the rate case filing that documents the authorized depreciation rates and amortization rates.	8/9/2017	2	
01-007	Please provide a copy of all other riders describing capital additions recovered that are excluded from the DCI.	8/9/2017	2	
01-008	Please provide a copy of the follow-up audit report(s) completed as a result of the 12-8-16 Rehmann DCI Audit.	8/9/2017	2	
01-009	Please provide in an Excel Spreadsheet a report by work order for all FERC accounts, from July 1, 2016 to June 30, 2017, that lists the cost of removal and salvage charges and credits, the posting period, and the utility account description.	8/9/2017	1	
01-010	Please provide an Excel Spreadsheet of the support to the average real property tax rate used in the Rider DCI filings for 2015 pay and 2016 statement year that includes county, parcels, statement description, current tax value, and current paid amount.	8/9/2017	2	
01-011	Please provide the support for the real property allocation by function.	8/9/2017	2	
01-012	Please provide an Excel Spreadsheet of the support to the personal property tax rate used in Rider DCI filings that includes county, taxing district, 2016 T&D value, 16 pay and 17 tax rate, and 16 pay and 17 T&D tax.	8/9/2017	2	
01-013	Please provide supporting details for Accumulated Deferred Income Taxes (190) as of 6/30/17.	8/9/2017	2	
01-014	Please provide a detailed reconciliation of the FERC account 282 as of 6/30/17 to the Rider DCI filing before adjustments as of 6/30/17.	8/9/2017	2	
01-015	Please provide detailed support to the following 282 subaccounts as of 6/30/17: • 263A • Non-cash overheads • Tax depreciation	8/9/2017	2	
01-016	Please provide the details of the Deferred Tax Grid Modifications related to Tax Depreciation from July 1, 2016 to June 30, 2017.	8/9/2017	2	
01-017	Please provide four quarterly Excel Spreadsheets, which minimally lists, by work order and amount, all transaction activity from July 1, 2016 to June 30, 2017 supporting the	8/9/2017	1	

Public Utilities Commission of Ohio
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Item	Description	Date Requested	Priority	Date Received
	adjustments column in the Plant-in-service Summary and Accumulated Depreciation Summary.			
01-018	Please provide a copy of the current Capitalization Policy. Please summarize any changes since July 1, 2016.	8/9/2017	2	
01-019	Please provide support for any adjustments that will be reflected in Rider DCI filings, subsequent to the 6-30-17 Rider DCI filing, that were from the 12-8-16 Rehmann DCI Audit (Rehmann noted that none have been recorded as of the 6-30-17 Rider DCI filing).	8/9/2017	3	

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 17-1118-EL-RDR Annual Rider DCI Audit
Document Request #2

Date Submitted: 8/30/2017

To: Dianne Kuhnell

CC: Elizabeth Watts, Peggy Laub, Doris McCarter

From: Kirk Balcom

General Notes:

- All requested information should be electronic to the extent possible; and numeric information should be provided in MS Excel formats.
- Please upload information directly to Rehmann Client Portal
- Please be guided by each item's priority number (1= highest).

Item	Description	Date Requested	Priority	Date Received
2-001	Please provide, in Excel Format, a listing by FERC account, resource type, date of transaction, description of transaction and amount, all details pertaining to new addition work orders: • N7103 totaling $-34,869.19 (additionally explain the credit amount) • OHR645626 totaling $391,115.59 • D0286DL totaling $608,813.15 • P6289 totaling $-1,214,242.32 (additionally explain the credit amount) • OIL692958 totaling $133,180	8/30/2017	1	
2-002	Please provide, in Excel Format, a listing by FERC account, resource type, date of transaction, description of transaction and amount, all details pertaining to new addition work orders: • OUC886231 totaling $615,656.75 (added onto work order IKOH2015T) • G7256 totaling $3,010,463.80 • OHV194068 totaling $603,502.04 • OHR581086 totaling $153,496.35 • T1628DS1 totaling $958,345.99	8/30/2017	1	
2-003	Please provide, in Excel Format, a listing by FERC account, resource type, date of transaction, description of transaction and amount, all details pertaining to new addition work orders: • D1086DL2 totaling $817,162.32 • OUC944701 totaling $1,268,989.89 • D0553DL totaling $1,706,402.28	8/30/2017	1	

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
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Document Request #2

Item	Description	Date Requested	Priority	Date Received
	• OUC261066 totaling $661,758.47 • OET833411 totaling $497,485.39			
2-004	For each of the new addition work orders listed in 2-001, 2-002, and 2-003 please provide a Work Order Authorization Information Report that details a work order description, approvals, addition and retirement cost estimates, property units retired, and unitization amounts.	8/30/2017	1	
2-005	For each of the new addition work orders listed in 2-001, 2-002, and 2-003 please provide in Excel Format, a listing by FERC account, resource type, date of transaction, description of transaction and amount, all details pertaining to the corresponding retirement work order (if retirement work was involved). These retirement transactions include costs of removal and salvage credits.	8/30/2017	1	
2-006	For each of the new addition work orders listed in 2-001, 2-002, and 2-003 please provide the CU Estimate Property Additions and Retirements Report and the construction print.	8/30/2017	1	
2-007	For each of the quarterly Rider DCI filing please provide, in Excel Format, details (including work order, transaction type, transaction date, and amount) of Retirement Work in Progress as noted below: • 9/30/16 ($18,877,452) • 12/31/16 ($19,870,268) • 3/31/17 ($23,097,093) • 6/30/17 ($28,075,628)	8/30/2017	1	
2-008	Please provide, in Excel Format, a listing by FERC account, resource type, date of transaction, description of transaction and amount, all details pertaining to Smart Grid Electric Meter Work Order SGOGPEMTR and totaling $20,494,992.33.	8/30/2017	1	
2-009	Please provide an explanation for why the following work orders have Distribution Lines-Indiana versus Distribution Lines-Ohio in their description. The work orders total (-$9,904,625.98): • CSPOH • D1601DL • GLPRDOH • PRDOH • RELDOH • SOH1603DC	8/30/2017	2	

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Item	Description	Date Requested	Priority	Date Received
2-010	Please provide an explanation as to why the following have aged "Vintage Eng" dates: • 2/20/09 D1983 $239,718.88 • 6/30/11 G1415 $25,238.69 • 7/13/11 G2333 $25,924.93 • 8/25/11 G2580 $9,507.96 • 4/15/13 G5050 $17,173.75 • 6/30/13 G0609 $195,794.61 • 8/2/13 H0532 $8,644.30 • 8/21/13 G8862 $21,447.30	8/30/2017	2	

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 17-1118-EL-RDR Annual Rider DCI Audit
Document Request #3

Date Submitted: 9/14/2017

To: Dianne Kuhnell

CC: Elizabeth Watts, Peggy Laub, Doris McCarter, Devin Mackey

From: Kirk Balcom

General Notes:

- *All requested information should be electronic to the extent possible; and numeric* information should be provided in MS Excel formats.
- Please upload information directly to Rehmann Client Portal
- Please be guided by each item's priority number (1= highest).

Item	Description	Date Requested	Priority	Date Received
3-001	The 3/31/2017 Depreciation Expense Schedule Page 8 of 12 had a 3/31/2017 Gross Plant Balance of $1 for Account 3700 Meters. The 6/30/2017 Depreciation Expense Schedule Page 8 of 12 had a 6/30/2017 Gross Plant Balance of $135,413 for Account 3700 Meters. The $135,412 increase is mostly attributable to work order NBOHRES for $135,411.49. Can you please confirm if charging Account 3700 Meters is appropriate as this account was closed for amortization.	9/14/2017	2	
3-002	We received 15 Work Order Authorization Information Forms but work orders D1086DL2 and D0553DL were missing "Available for Unitization" or "Used in Unitization" information. If this information was prepared for these two work orders please provide it.	9/14/2017	1	
3-003	Please provide the 2016 Valuation Notice that supports the "True Value Percentage" on page 10 of 12 of each of the quarterly Rider DCI filings.	9/14/2017	2	
3-004	*Please provide the following Real Property County Tax* Bills supporting the Real Property Tax Rate of 7.5484%: • Clermont County; 27-28-02C-016; 27-28-02C-016(US Route 52); value $11,651,220; paid $669,894 • Hamilton County; 083-0001-0221-00; 083-0001-00221-00 (WS Main St); value $3,559,890; paid $323,089 • Hamilton County;147-0007-0258-00; 147-0007-0258-00 (ES Gest St); value $2,466,500; paid $216,262	9/14/2017	2	

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
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Document Request #3

Item	Description	Date Requested	Priority	Date Received
	• Hamilton County;083-0001-0216-00; 083-0001-0216-00 (SWC 4th & Main St 115.09); value \$2,267,170; paid \$204,583 • Hamilton County;137-0003-0070-00; West Front St 200' irr.lots 62 to 6; value \$793,190; paid \$69,720 • Hamilton County; 600-0013-0077-00; Solzman Rd 433 x 1,015' Lot 2 Nordl; value \$419,820; paid \$34,680 • Hamilton County;076-0001-0027-00; Central Ave & Charles St, Boiler; value \$392,290; paid \$34,514 • Hamilton County;105-0002-0060-00; 814 Whittier St RE Bill; value \$357,490; paid \$31,332 • Hamilton County; 242-0006-0007-00; Rear Corner May & Station ft.irr.; value \$355,930; paid \$31,195 • Hamilton County; 550-0070-0022-00; N.W. N.S. Audro Dr. 7.11 ac. Pars.; value \$378,350; paid \$29,650			
3-005	The 2014 Real Property Tax bill for Clermont County; 27-28-02C-016; 27-28-02C-016 had a value of \$11,651,220 the same as 2015 but had a description of Beckjord Units #1-5 RE Bill as opposed to US Route 52. Please confirm whether or not this is generating plant real property versus distribution plant real property and whether or not parcel 54-09-26-021A with a 2014 value of \$586,600 and description of US Route 52 was consolidated onto the 27-28-02C-016 tax bill for 2015.	9/14/2017	2	
3-006	Please provide the Personal Property County Tax Bills supporting the Average T & D Rate used in the Rider DCI filing as noted below: • HAMILTON 31-1110 \$37,909,796 • BUTLER 09-0410 \$5,236,953 • CLERMONT 13-0420 \$3,396,745 • BUTLER 09-0060 \$2,890,066 • HAMILTON 31-0960 \$2,776,733 • HAMILTON 31-0080 \$2,533,270 • HAMILTON 31-0030 \$2,308,759 • BUTLER 09-0520 \$2,138,284 • CLERMONT 13-0180 \$2,067,407 • HAMILTON 31-0060 \$1,942,795	9/14/2017	2	

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 17-1118-EL-RDR Annual Rider DCI Audit
Document Request #4

Date Submitted: 10/4/2017

To: Dianne Kuhnell

CC: Elizabeth Watts, Peggy Laub, Doris McCarter, Devin Mackey

From: Kirk Balcom

General Notes:

- All requested information should be electronic to the extent possible; and numeric information should be provided in MS Excel formats.
- Please upload information directly to Rehmann Client Portal
- Please be guided by each item's priority number (1= highest).

Item	Description	Date Requested	Priority	Date Received
4-001	Please provide the detailed support such as invoices for accounts payable transactions, payroll timesheets for internal labor, and detailed calculations for allocations such as stores loading and AFUDC for the attached sample of 50 transactions (DR-04-001 50 Transactions Charged to New Additions).	10/4/2017	1	
4-002	Please provide the detailed support such as invoices for accounts payable transactions for the attached sample of 10 transactions (DR-04-002 10 Transactions Charged to Cost of Removal).	10/4/2017	1	
4-003	Please provide the detailed support for the attached sample of 10 transactions (DR-04-003 10 Transactions Charged to Plant Retirement Units). This support may be one of the following: • The Handy-Whitman calculation • Specific pricing • Statistical Aging Curve support by listing, for the retirement unit selected, the vintage year price and quantities in service at the vintage year the Curve selected; and then 10 vintage years before the vintage year the Curve selected and 10 vintage years after the vintage year the Curve selected (unless there are fewer than 10 years after) with their respective vintage quantities and vintage price. This information can be as of the date this document request is responded to.	10/4/2017	1	

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 17-1118-EL-RDR Annual Rider DCI Audit
Document Request #5

Date Submitted: 10/5/2017

To: Dianne Kuhnell

CC: Elizabeth Watts, Peggy Laub, Doris McCarter, Devin Mackey

From: Kirk Balcom

General Notes:

- All requested information should be electronic to the extent possible; and numeric information should be provided in MS Excel formats.
- Please upload information directly to Rehmann Client Portal
- Please be guided by each item's priority number (1= highest).

Item	Description	Date Requested	Priority	Date Received
5-001	Please provide a summary quantifying the reclassification of tree trimming costs from capital to O&M as a result of the review performed covering fourth quarter 2015 to April 2017.	10/5/2017	2	
5-002	Please provide a summary of the review of 12 CIAC projects and two DOT projects from 2016 that showed billable amounts per agreements were received. Please list the specific projects reviewed and amounts billed and received.	10/5/2017	2	
5-003	Please provide detailed support to the amount billed and received for CIAC not billed and received against Work Order H0343. The response from last year's Rehmann Audit stated $352,000 would be billed.	10/5/2017	2	
5-004	Please provide a copy of the July 2017 journal entry that reclassified $135,412 from Account 3700 Meters to Account 3702 Utility of Future Meters.	10/5/2017	2	

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Document Request #6

Date Submitted: 10/26/2017

To: Dianne Kuhnell

CC: Elizabeth Watts, Peggy Laub, Doris McCarter, Devin Mackey, Adam Williams

From: Kirk Balcom

General Notes:

- All requested information should be electronic to the extent possible; and numeric information should be provided in MS Excel formats.
- Please upload information directly to Rehmann Client Portal
- Please be guided by each item's priority number (1= highest).

Item	Description	Date Requested	Priority	Date Received
6-001	Deferred Income Taxes – Tax Depreciation totaled ($429,400,579) before adjustments for the 9/30/16 Rider DCI filing. For the 12/31/16, 3/31/17, and 6/30/17 Rider DCI filing, Tax Depreciation was split between Tax Depreciation and Tax Expensing. Please provide an explanation as to why it was split. We received in Data Request #1 the support to the ($311,022,067) Tax Depreciation before adjustments component in the 6/30/17 Rider DCI filing. Please provide support to the Tax Expensing ($111,503,347) component for the 6/30/17 Rider DCI filing.	10/26/2017	1	
6-002	We received in Data Request #1 the support to the ($311,022,067) Tax Depreciation component in the 6/30/17 Rider DCI filing. GL entries after 12/31/15 total ($47,374,485) but it is just a one line summary total. Please provide details to the calculation of the GL entries after 12/31/15. If Tax Expensing has similar GL entries please provide details to the calculation of the GL entries after 12/31/15.	10/26/2017	1	
6-003	In the 6/30/17 Rider DCI filing $20,494,992 was added to plant-in-service for account 3702 Utility of Future Meters. This account is depreciated annually at 6.67%. Was one, two, or three months depreciation placed in the Accumulated Depreciation Reserve Account for the $20,494,992 transaction in the 6/30/17 Rider DCI filing?	10/26/2017	1	
6-004	In the 6/30/17 Rider DCI filing $20,494,992 was added to plant-in-service for account 3702 Utility of Future Meters. This account is book depreciated annually at 6.67%. Was one, two, or three months Tax Depreciation calculated and	10/26/2017	1	

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Item	Description	Date Requested	Priority	Date Received
	placed in the Accumulated Deferred Income Taxes for the $20,494,992 transaction in the 6/30/17 Rider DCI filing? Could you please provide details of the Deferred Income Tax account 282 calculation for the $20,494,992 transaction that was in the 6/30/17 Rider DCI filing?			
6-005	In the 6/30/17 filing $135,413 was placed in the Meter Account 3700 instead of the Utility of Future Meters Account 3702. Would one, two, or three months book depreciation be placed in the Accumulated Depreciation Reserve Account for the $135,413 transaction had it been placed in the Utility of Future Meters Account in the 6/30/17 Rider DCI filing? Could you please provide details of the Deferred Income Tax account 282 calculation for the $135,413 transaction had the $135,413 been placed in the Utility of Future Meters account in the 6/30/17 Rider DCI filing?	10/26/2017	1	
6-006	In the attached (Attachment 6-006) there are ($725,646.04) in net credits to FERC Account 106. These have a Smart Grid long description. What is the purpose of crediting Account 106 since Rehmann could not locate a corresponding debit to account 101?	10/26/2017	1	
6-007	In the attached (Attachment 6-007) there are $1,715,421.96 in net debits to FERC Account 106. These have "SG" in the long description. Are the debits to plant-in-service Smart Grid transactions that should be included in the adjustment column and therefore taken out of the plant-in-service total? If not please provide an explanation as to why they should be included in plant-in-service. What is the purpose of the credit transactions to plant-in-service and are they also Smart Grid transactions?	10/26/2017	1	

Appendix B – Work Papers - Document Request Responses

REHMANN-DR-01-001
See REHMANN DR-01-001(a) – REHMANN DR-01-001(d) for the respective quarterly Excel Spreadsheets for additions.
See REHMANN DR-01-001(e) – REHMANN DR-01-001(h) for the respective quarterly Excel Spreadsheets for retirements.
See REHMANN DR-01-001(i) – REHMANN DR-01-001(l) for the respective quarterly Excel Spreadsheets for transfers.

REHMANN-DR-01-002
See REHMANN DR-01-002(a) – REHMANN DR-01-002(d) for the respective quarterly PowerPlan reports for additions.
See REHMANN DR-01-002(e) – REHMANN DR-01-002(h) for the respective quarterly PowerPlan reports for retirements.
See REHMANN DR-01-002(i) – REHMANN DR-01-002(l) for the respective quarterly PowerPlan reports for transfers.

REHMANN-DR-01-003
See REHMANN DR-01-003(a) – REHMANN DR-01-003(d) for the respective quarterly PowerPlan reports for Reserve activity.

REHMANN-DR-01-004
See REHMANN DR-01-004(a) – REHMANN DR-01-004(d) for the respective quarterly Excel Spreadsheets for Reserve activity.

REHMANN-DR-01-005
See Rehmann-DR-01-005(a) attachment for third quarter 2016.
See Rehmann-DR-01-005(b) attachment for fourth quarter 2016.
See Rehmann-DR-01-005(c) attachment for first quarter 2017.
See Rehmann-DR-01-005(d) attachment for second quarter 2017.

REHMANN-DR-01-006
See Rehmann-DR-01-006 Attachment.

REHMANN-DR-01-007
See Rehmann-DR-01-007 Attachment.

REHMANN-DR-01-008
See Rehmann-DR-01-008 CONF attachment.

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REHMANN-DR-01-009
See REHMANN DR-01-009(a) for the Excel Spreadsheets for Cost of Removal and Salvage activity.

REHMANN-DR-01-010
See Rehmann-DR-01-010(a) for 2014 pay 2015 rate.
See Rehmann-DR-01-010(b) for 2015 pay 2016 rate.

REHMANN-DR-01-011
See Rehmann-DR-01-011 Attachment for real property assessed value.

REHMANN-DR-01-012
See Rehmann-DR-01-012(a) for support for rate used in 3rd quarter 2016 filing.
See Rehmann-DR-01-012(b) for support for rate used in 4th quarter 2016 filing.
See Rehmann-DR-01-012(c) for support for rate used in 1st and 2nd quarter 2017 filings.

REHMANN-DR-01-013
Rehmann agreed their request DR-01-013 was not required for the Rider DCI audit and therefore cancelled DR-01-013.

REHMANN-DR-01-014
See Rehmann-DR-01-014 Attachment.

REHMANN-DR-01-015
See Rehmann-DR-01-015 Attachment.

REHMANN-DR-01-016
See Rehmann-DR-01-016(a) attachment for 2016 amounts.
See Rehmann-DR-01-016(b) attachment for 2017 amounts.

REHMANN-DR-01-017
There have been no new capital additions included in the smart grid Rider (DR-IM) since December 2015.
See Rehmann-DR-01-017 Attachment for adjustments to accumulated depreciation.

REHMANN-DR-01-018
See REHMANN – DR-01-018 Confidential Attachment.

REHMANN-DR-01-019
No audit adjustments have been made as a result of Rehmann's audit in Case No. 16-1437-EL-AIR.

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REHMANN-DR-02-001
See Rehmann DR-02-001 Attachment.

REHMANN-DR-02-002
See Rehmann DR-02-002 Attachment

REHMANN-DR-02-003
See Rehmann DR-02-003 Attachment.

REHMANN-DR-02-004
See Rehmann-DR-02-004 Attachment.

REHMANN-DR-02-005
See Rehmann DR-02-005 Attachment.

REHMANN-DR-02-006
See Rehmann-DR-02-006(a) through (o) Confidential Attachments

REHMANN-DR-02-007
See Rehmann DR-02-007 Attachment.

REHMANN-DR-02-008
See Rehmann DR-02-008(a) Attachment.

REHMANN-DR-02-009
The charges will be or have been corrected to an Ohio asset location.

REHMANN-DR-02-010
See Rehmann DR-02-010 Attachment.

REHMANN-DR-03-001
The $135,411.49 was transferred to Account 3702 – UOF Meters in July 2017.

REHMANN-DR-03-002
These detail reports out of PowerPlan are canned reports so no information is missing.

REHMANN-DR-03-003
See Rehmann-DR-03-003 Attachment.

REHMANN-DR-03-004
See Rehmann-DR-03-004 Attachment.

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REHMANN-DR-03-005
The first property tax bill is for Transmission/Distribution Real Property. The second tax bill was paid in error and we received a refund in August 2015.

REHMANN-DR-03-006
See Rehmann-DR-03-006 Attachment.

REHMANN-DR-04-001
See Rehmann-DR-04-001(a) Attachment for labor related samples.
See Rehmann-DR-04-001(b) Attachment for samples from the inventory system.
See Rehmann-DR-04-001(c) Attachment for samples related to unproductive labor.
See Rehmann-DR-04-001(d) Attachment for AFUDC Debt and Equity samples.
See Rehmann-DR-04-001 (e) Attachment for copies of the invoices.
See Rehmann-DR-04-001 (f) Confidential Attachment for a summary of the corresponding invoice detail.
See Rehmann-DR-04-001(g) Confidential Attachment for copies and reports of various miscellaneous entries.
See Rehmann-DR-01-001(h) Attachment for allocations.

REHMANN-DR-04-002
See Rehmann-DR-04-002 (a) Attachment for invoices.
See Rehmann-DR-04-002 (b) Confidential Attachment for the corresponding invoice detail.

REHMANN-DR-04-003
See Rehmann-DR-04-003 Attachment.

REHMANN-DR-05-001
Correcting journal entries totaling $635,068 were prepared May 31, 2017.

REHMANN-DR-05-002
See Rehmann-DR-05-002 Attachment.

REHMANN-DR-05-003
See Rehmann DR-05-003(a) Attachment for customer estimate.
See Rehmann DR-05-003(b) Attachment for customer invoice.

REHMANN-DR-05-004
See Rehmann DR-05-004 Attachment for the transfer activity.

REHMANN-DR-06-001
See Rehmann-DR-06-001 Attachment.

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REHMANN-DR-06-002
See Rehmann-DR-06-002 Attachment.

REHMANN-DR-06-003
These assets started depreciating using the depreciation rate for Account 3702 beginning in June 2017.

REHMANN-DR-06-004
Tax additions will always calculate a half year of tax depreciation regardless of the actual month that an asset goes in service. The half year rate for Year 1 on MACRS 5 year property is 20%.

REHMANN-DR-06-005
No book depreciation was recoded as of June 30,2017.

REHMANN-DR-06-006
Offsetting debits to FERC account 101 resulted in no impact to the Rider DCI.

REHMANN-DR-06-007
See Rehmann-DR-06-007 Attachment.

Appendix C – Work Papers – Rehmann Prepared

- Field visit observation summaries and pictures (observation summaries for 15 work orders and 48 field visit pictures)
- Excel file summary of sample of 15 work orders field visited
- Excel file summary of new additions work orders
- Excel file summary of retirement work orders
- Excel file summary of transfer work orders
- Excel file summary of sample of 50 transactions charged to new additions (plus nine supporting schedules)
- Excel file summary of sample of 10 transactions charged to cost of removal (plus two supporting schedules)
- Excel file summary of sample of 10 retirement transactions (plus one supporting schedule)
- FERC Form 1 detailed tests - PDF
- Excel file summary of accumulated deferred income tax tests
- Property tax tests - PDF
- Depreciation tests - PDF
- Excel file summary of the CAT test
- Excel file summary of grid modernization tests
- Excel file summary of plant-in-service detailed tests of balances (one Excel file for each quarter)
- Accumulated depreciation detailed tests of balances - PDF
- Excel files quantifying exceptions (eight quantification Excel files)
- Follow-up to December 8, 2016 Rehmann report – PDF
- Excel file summary of RWIP buildup