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PUCO

Docket No. 16-1437-EL-RDR

**Compliance Audit of the
April 1, 2012 to June 30, 2016 Distribution Capital Investment Rider
("Rider DCI")
Duke Energy Ohio**

Submitted on December 8, 2016

Prepared by
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December 8, 2016
Ms. Doris McCarter
Public Utilities Commission of Ohio
180 East Broad Street, 3rd Floor
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Doris:

Attached is Rehmann Consulting's ("Rehmann") report on the compliance audit of the April 1, 2012 to June 30, 2016 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 Generally Accepted Accounting Principles. 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 opinions, 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.

A handwritten signature in cursive script that reads 'Rehmann Consulting'.

Sincerely,

Rehmann Consulting

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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, 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, prudence, 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 DCI quarterly filings for 2015 and the 2016 quarterly filings up to and including the August 1, 2016 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.

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Scope

The auditor's investigation shall determine if DEO has implemented its 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. RA16-CA-2, 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 March 31, 2012.
- Verification with FERC Form 1 for year 2015.
- 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.

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Obtain and review, all additions, retirements, transfers, and adjustments to current date value of plant in service that have occurred since March 31, 2012

Rehmann adjusted the March 31, 2012 Rider DCI filing plant-in-service balance of meters (reduced \$6,341,273), meter instrument transformers (increased \$6,341,273), leased meters (reduced \$2,690,328), and leased meter instrument transformers (increased \$2,690,328) to reflect the balance approved in Case No. 12-1682-EL-AIR, Attachment JAS-2. The total March 31, 2012 balance of \$1,878,034,210 after grid modernization adjustments was not affected. Rehmann recommends that a future Rider DCI filing reflect these plant-in-service adjustments.

Rehmann requested a listing of all grid modernization work orders supporting plant-in-service and tested for proper exclusion from the Rider DCI. Rehmann concluded that the exclusions are reasonably stated; however Rehmann recommends that DEO capture all excluded work orders and their plant-in-service balance for an additional management trail of excluded grid modernization amounts.

Verification with FERC Form 1 for year 2015

In September 30, 2015 the FERC Form 1 3Q was \$20,146,821 higher than the Rider DCI filing for distribution plant and \$21,298,110 for accumulated depreciation. Response to Rehmann DR-03-001 stated in the third quarter of 2015 it was discovered that there had been an over retirement of distribution property in 2014 for a number of blanket projects. As a result of this error, depreciation expense and property tax expense was too low in the first three quarters of 2015 since original cost of plant-in-service was understated. The overall impact on each individual quarterly filing was that the Rider DCI Revenue Requirement would have been an estimated \$1,246,599 higher and the DEO Percentage of Base Distribution Revenue would have increased an estimated .308% for each of the three Rider DCI Filings, or a total of \$3,739,737 and .924%. Rehmann reviewed supporting journal entries and the detailed supporting documents prepared by DEO to capture the duplicate retirement units and to price the units based on their vintage year value and found no discrepancies. Therefore Rehmann makes no further recommendation.

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

One retirement work order was charged for cost of removal by a journal entry recorded to the work order. The charges should have been recorded in FERC account 390 and the charges (\$27,202.50) should not have been included in Rider DCI. A correction was made in October 2016 to move the dollars on this project to the correct account. This correction reduces the revenue requirement after CAT by -\$2,913. The error was determined to not be systematic; therefore Rehmann makes no further recommendation.

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

- Rehmann adjusted the March 31, 2012 Rider DCI filing accumulated depreciation balance of meters (reduced \$2,504,250), meter instrument transformers (increased \$2,504,250), leased meters (reduced \$563,234), and leased meter instrument transformers (increased \$563,234) to reflect the balance approved in Case No. 12-1682-EL-AIR, Attachment JAS-2. The total March 31, 2012 balance of \$646,781,562 after grid modernization adjustments was not affected. Rehmann recommends that a future Rider DCI filing reflect these accumulated depreciation adjustments.
- Rehmann requested a listing of all grid modernization work orders supporting accumulated depreciation and tested for proper exclusion from the Rider DCI. Rehmann concluded that the exclusions are reasonably stated; however Rehmann recommends that DEO capture all excluded work orders and their accumulated depreciation balance for an additional management trail of excluded grid modernization amounts.
- The March 31, 2012 accumulated deferred income taxes on distribution plant of (\$249,112,366) and June 30, 2016 accumulated deferred income taxes on distribution plant of (\$370,588,101) were properly calculated and supported. Rehmann has no findings and recommendations from this task.
- The March 31, 2012 depreciation expense of \$49,047,161 was properly applied. However; the June 30, 2016 depreciation expense of \$56,866,468 was understated by \$211,924 due to not recognizing the meter instrument transformers plant-in-service balance of \$7,409,920 and applying the authorized depreciation rate of 2.86%. Rehmann quantified the effect of the adjustments as increasing the revenue requirement after CAT by \$189,468. Rehmann recommends that an additional \$211,924 depreciation expense be added to a future Rider DCI filing.
- Rehmann noted that the meters and leased meters plant-in-serve account balances are substantially reduced due to accounting for meters under FERC account utility of future meters. Therefore Rehmann recommends that a new depreciation study be approved to reflect the change in accounting for meters and leased meters.
- The March 31, 2012 property expense of \$65,218,326 and the June 30, 2016 property tax expense of \$81,627,924 were properly calculated and supported (except as detailed in the Verification with FERC Form 1 for year 2015 task). Rehmann has no findings and recommendations from this task.
- The CAT of \$83,868 was properly calculated and supported. Rehmann has no findings and recommendations from this task.

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

- One work order was charged \$979 for tree trimming and the charges were determined to be maintenance expense and was adjusted. Rehmann quantified the effect of the adjustment as decreasing the revenue requirement after CAT by -\$167. For one work order the construction prints documented that no tree trimming was required; however trimming costs were charged to the work order. Rehmann recommends that a review be completed of a statistically valid sample of 100 tree trimming invoices charged to work orders to determine whether tree trimming was required as part of the capital project. In addition construction prints should be updated when there are changes to the work order that are later determined to require tree trimming.
- Field observations for one work order disclosed that the project was billable to the customer. The project incurred \$497,216 in billable costs up to November 2015, but DEO's response to DR-12-001 states that DEO did not bill the customer due to a clerical error. The customer will be billed \$352,000. Rehmann quantified the effect of the billing as decreasing the revenue requirement after CAT by -\$46,774. On a second work order, field observations noted that a portion of the project was billable to the customer. The project incurred \$477,712 of billable costs, but DEO did not bill any costs. DEO's response to DR-12-001 stated that a portion of the project was associated with a capacity project but did not mention whether any costs will be billed. Rehmann recommends that a statistically valid sample of 100 billable projects be reviewed to determine whether they were billed, per agreement, to the customer. 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.
- Three work orders had cost estimates that were exceeded by more than 25%. Incorrect entry of work order estimates in Power Plan (the source Plant-in-Service System), training of crews, and charges improperly charged by crews were determined to be significant causes of the overruns. Rehmann recommends that actual costs that vary from the work order estimate by 25% or more be investigated, and supporting documentation for the variance be approved by an authorized individual and noted on the documentation. In addition DEO should analyze these two work orders to determine whether some capital costs should be transferred to training or other operating expenses. If transfers are required then Rehmann recommends that a review be completed of a statistically valid sample of up to 100 work orders exceeding 25% or more of the work order estimate to determine whether additional capital costs should be transferred to training or other operating expenses.
- On one work order field tested, PUCO staff noted that, based on the description of the project that was provided, the work had not been completed. Rehmann recommends that the work order be reviewed by DEO to determine whether all work order documentation is complete, that cost of removal charges match the work completed, and that retirement unit accounting transactions match the actual plant removed from service.
- PUCO staff was not provided any documentation for one work order that would be useful during a field visit so the site was not visited. Rehmann recommends that the work order be reviewed by DEO to determine whether all work order documentation is complete and that retirement unit accounting transactions match the actual plant removed from service.

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- Three work orders were unitized to FERC account 101 several years after they were placed in service. While the delayed unitization had no effect on the plant-in-service balance, Rehmann recommends more timely unitization to avoid accidental errors in capturing and verifying unitization pricing. Aged work orders are more difficult to verify the used and usefulness of the incremental plant-in-service.
- A blanket work order (made up of numerous smaller projects as opposed to a specific job) was not field visited due to the smaller dollar value of the individual projects. This work order had combined cost of removal and salvage credits of \$721,331 for the retirement portion of the work order as early as January 2012. This work order was placed in service in 2012 and was not unitized until December 2014. Rehmann recommends more timely unitization to avoid accidental errors in capturing and verifying unitization pricing.

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 advised Rehmann that there was a change in the capitalization policy effective April 1, 2015. DEO no longer capitalizes the cost of transformers and meters along with the installation cost at the time of purchase. The impact of this change is to delay the capitalization of transformers and meters and the installation cost until a work order requires a transformer or meter installation. This new policy delays when the DCI Revenue Requirement is filed for plant-in-service associated with transformers and meters. Transformers and meters are now charged to inventory FERC account 154 upon purchase instead of a plant FERC account. 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 after CAT

The total impact of recommendations, detailed in Tables 11-14 below, on the June 30, 2016 Rider DCI Revenue Requirement after CAT is \$139,614 and is detailed in Table 15 below: Total Impact of Recommendations on Rider DCI Revenue Requirement after CAT.

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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 March 31, 2012

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Table 1: Plant-in-Service Change by FERC Account

Plant	30-Jun-16	31-Mar-12	Difference
Land and Land Rights	\$13,770,790	\$13,109,977	\$660,813
Rights of Way	26,286,892	26,110,943	175,949
Structures and Improvements	19,163,277	8,317,815	10,845,462
Station Equipment	181,342,605	164,940,269	16,402,336
Major Equipment	112,215,285	101,125,887	11,089,398
Station Equip Electronic	0	-99,380	99,380
Poles, Towers & Fixtures	306,106,828	242,324,299	63,782,529
Overhead Conductors & Devices	528,153,782	384,604,443	143,549,339
Underground Conduit	113,261,755	88,227,723	25,034,032
Underground Conductors and Devices	344,816,482	282,336,871	62,479,611
Line Transformers	332,913,016	367,228,972	-34,315,956
Customer Transformer Installations	3,755,297	5,272,832	-1,517,535
Services-Underground	5,525,489	3,391,901	2,133,588
Services-Overhead	81,827,783	64,385,178	17,442,605
Meters	0	35,626,976	-35,626,976
Meter Instrument Transformers	7,409,920	6,341,273	1,068,647
Leased Meters	385,628	15,008,859	-14,623,231
Leased Meter Instrument Transformers	5,672,328	2,690,328	2,982,000
Utility of the Future Meters	6,350,891	0	6,350,891
Installation on Customers' Premises	0	241,509	-241,509
Company Owned Outdoor Light	0	0	0
Leased Property on Customers' Premises	102,503	102,503	0
Street Lighting	0	20,946,536	-20,946,536
CGE Street Lighting OH	15,300,750	0	15,300,750
Street Lighting Boulevard	27,727,621	28,103,634	-376,013
Light Security OL POL Flood	15,094,000	17,694,862	-2,600,862
Light Choice OLE Public	0	0	0
Total After Grid Mod Adjustments	\$2,147,182,922	\$1,878,034,210	\$269,148,712
Total Before Grid Mod Adjustments	\$2,293,274,376	\$1,956,178,401	\$337,095,975

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Distribution plant-in-service totaled \$1,956,178,401 at March 31, 2012 before adjustments for grid modernization additions, retirements, and transfers and totaled \$2,293,274,376 at June 30, 2016 before adjustments for grid modernization additions, retirements, and transfers. This change in plant-in-service balance nets to \$337,095,975. The grid modernization additions are excluded from the Rider DCI. Rehmann obtained records of all additions, retirements, transfers, and adjustments to current date value of plant-in-service that have occurred since March 31, 2012 from Power Plan that supports the Rider DCI filings. These records were also before adjustments for grid modernization additions. See Table 1: Plant-in-Service Change by FERC Account.

In Table 1, Rehmann adjusted the March 31, 2012 Rider DCI filing plant-in-service balance of meters (reduced \$6,341,273), meter instrument transformers (increased \$6,341,273), leased meters (reduced \$2,690,328), and leased meter instrument transformers (increased \$2,690,328) to reflect the balance approved in Case No. 12-1682-EL-AIR, Attachment JAS-2. The total March 31, 2012 balance of \$1,878,034,210 after grid modernization adjustments was not affected. Rehmann recommends that all future Rider DCI filings reflect these plant-in-service adjustments.

Significant variations in Table 1 include reductions in plant-in-service for meters and leased meters due to their transfer to utility of future meters which is mostly excluded as grid modernization adjustments. In June 2012, \$66,272,777 was transferred from line transformers to overhead conductor which DEO determined to be more in compliance with FERC accounting. Street lighting at March 31, 2012 was moved from one street lighting account to two street lighting accounts of street lighting and CGE street lighting-OH. Street lighting is excluded as a grid modernization adjustment and therefore has no balance in Table 1 as of June 30, 2016.

Rehmann requested that all additions, retirements, transfers, and adjustments be provided at a work order level and by accounting period. The detailed work order additions of \$473,059,495, retirements of \$127,427,193, and transfers of \$8,536,327 agreed to the five Rider DCI Filings by date filed. These transaction types net to \$337,095,975. See Table 2: Plant-in-Service Change by Transaction Type.

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

Period	Additions	Retirements	Transfers	Net Plant
4/1/12- 3/31/15	\$319,608,183	-\$94,889,670	-\$6,883,974	\$217,834,539
4/1/15- 6/30/15	21,082,327	-8,372,351	-208,319	12,501,657
7/1/15 - 9/30/15	29,343,890	-5,404,978	-394,480	23,544,432
10/1/15 - 12/31/15	37,145,545	13,234,673	0	50,380,218
1/1/16 -3/31/16	32,015,336	-26,439,213	0	5,576,123
4/1/16 - 6/30/16	33,864,214	-5,555,654	-1,049,555	27,259,005
Total Before Grid Mod Adjustments	\$473,059,495	-\$127,427,193	-\$8,536,327	\$337,095,974

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Significant variations in Table 2 include a double recording of retirements of \$20,146,821 in the period April 1, 2012 to March 31, 2015. This double recording was reversed in the period October 1, 2015 to December 31, 2015 causing a debit balance of \$13,234,673 for retirements. See the FERC Form 1 Verification task below for more details.

The grid modernization additions, retirements, and transfers totaled \$78,144,191 at March 31, 2012 and totaled \$146,091,454 at June 30, 2016. Therefore the net new grid modernization additions, retirements, and transfers during the Rider DCI filing period totaled \$67,947,262. Rehmann requested a listing of all grid modernization work orders supporting plant-in-service and tested for proper exclusion from the Rider DCI. Rehmann concluded that the exclusions are reasonably stated; however Rehmann recommends that DEO capture all excluded work orders and their plant-in-service balance for an additional management trail of excluded grid modernization amounts.

Verification with FERC Form 1 for year 2015

Rehmann compared the three quarterly Rider DCI filings as of June 30, 2015, September 30, 2015, and December 31, 2015 to FERC Form 1 3Q June 30, 2015, FERC Form 1 3Q September 30, 2015, and FERC Form 1 December 31, 2015 in 2015 for distribution plant-in-service before grid modernization adjustments (excluded from Rider DCI) and for distribution plant accumulated depreciation before grid modernization adjustments. Insignificant differences were noted at June 30, 2015 and December 31, 2015; however in September 30, 2015 the FERC Form 1 3Q was \$20,146,821 higher for distribution plant-in-service and \$21,298,110 for accumulated depreciation. See Table 3: FERC FORM 1 to Rider DCI Filing Differences.

Table 3: FERC Form 1 to Rider DCI Filing Differences

FERC Form	FERC Form less DCI Distribution Plant-in-Service Before Grid Mod Adjustments	FERC Form less DCI Accumulated Depreciation Before Grid Mod Adjustments
FERC Form 3Q 6-30-16	\$0	\$107
FERC Form 3Q 3-31-16	\$0	\$7,796
FERC Form 1 12-31-15	\$0	-\$81,234
FERC Form 3Q 9-30-15	\$20,146,821	\$21,298,110
FERC Form 3Q 6-30-15	\$0	-\$317

DEO Response to Rehmann DR-03-001 stated in the third quarter of 2015 it was discovered that there had been an over retirement of distribution property in 2014 for a number of blanket projects. The error was not discovered in time to get it booked in the Power Plan system which is used for Rider DCI reporting. An "on-top" entry was made for FERC reporting purposes. As a result of this error, depreciation expense and property tax expense was too low in the first three quarters of 2015 since original cost of plant-in-service was understated.

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DEO Response to Rehmann DR-03-001 referenced Rehmann-DR-03-001 Attachment for a related accounting memo. This memo stated:

- A topside journal entry will be booked in September to record the depreciation expense true up and any retirement adjustment not posted in Power Plan.
- Retirement adjustments in Power Plan will be booked in September and October.
- Depreciation expense will be adjusted in Power Plan in October.
- Controls to prevent this type of issue were addressed.

DEO Response to Rehmann DR-07-002 stated as a control, retirements are analyzed and reviewed prior to processing. This error was a result of human performance in duplicating transactions and inadequate review. After this error was found, Asset Accounting worked with Finance to confirm and enhance the analysis and checks that should take place for asset retirements. Asset Accounting does another high level asset retirement review before unitizing the asset, with a focus on significant transactions.

The adjusting journal entry debited plant-in-service and credited accumulated depreciation for \$20,146,821 and debited depreciation expense and credited accumulated depreciation for \$1,011,909. This journal entry trued up accumulated depreciation for years 2012 through 2014. See Table 4: Reconciliation of FERC Form 1 to DCI Filing Differences.

Table 4: Reconciliation of FERC Form 1 to DCI Filing Differences

FERC General Ledger Account	Amount Debited	Amount Credited
Electric Plant-in-Service 101	\$20,146,822	
Accumulated Depreciation 108		\$20,146,822
Accumulated Depreciation 108		\$1,011,909
Depreciation Expense 403	\$1,011,909	

The journal entries substantiated all but \$139,379 of the difference which was reconciled in subsequent FERC reports. Rehmann then compared the two quarterly Rider DCI filings as of March 31, 2016 and June 30, 2016 to FERC Form 1 3Q March 31, 2016 and June 30, 2016 for distribution plant-in-service before grid modernization adjustments and for distribution plant accumulated depreciation before grid modernization adjustments. Insignificant differences were noted at March 31, 2016 and June 30, 2016 and trued up to a difference of only \$107 at June 30, 2016.

The depreciation expense impact on the Rider DCI was not quantified in the DR-03-001 Attachment. Rehmann estimates that using a depreciation rate of 2.8% and applying that rate to \$20,146,821 results in additional depreciation expense of \$564,111 that would have been included in the three Rider DCI filings. The depreciation effect on deferred taxes would result in an increase in the deferred tax balance of \$279,519.

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The property tax expense impact on the Rider DCI was not quantified in the DR-03-001 Attachment. Rehmann estimates that an additional property tax expense of \$769,346 would have been added to the three Rider DCI filings. See Table 5: Property Tax Impact.

Table 5: Property Tax Impact

Description	Amount
Incremental Personal Property	\$20,146,821
True Value Percentage	48.29%
True Value of Incremental Personal Property	\$9,728,900
Assessment Percentage	85.00%
Assessment Value	\$8,269,565
Personal Property Tax Rate	9.30%
Incremental Personal Property Tax	\$769,346

The overall impact on each individual quarterly filing was that the Rider DCI Revenue Requirement would have been an estimated \$1,246,599 higher and the DEO Percentage of Base Distribution Revenue would have increased an estimated .308% for each of the three Rider DCI Filings, or a total of \$3,739,737 and .924%. Rehmann reviewed the detailed supporting documents prepared by DEO to capture the duplicate retirement units and to price the units based on their vintage year value and found no discrepancies. Therefore Rehmann makes no further recommendation.

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, 2016 clearly details costs that may be capitalized. Rehmann sampled 100 transactions charged to new addition or retirement work orders that covered 32 resource types. See Table 6: Sample of Work Order Charges by Resource Type.

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Table 6: Sample Work Order Charges by Resource Type

Resource Description	Amount Charged to Work Orders
Labor	\$1,201
Labor-Union	266,271
Overtime-Union	32,392
Labor Overhead Allocations	90,055
Unproductive Labor Allocated	216
Unproductive Labor Allocated-Union	75,653
Allocated Payroll Tax	38,562
Allocated Payroll Tax-Union	28,632
Allocated Fringes & Non Union	14,275
Allocated Fringes-Union	97,078
Incentives Allocated-Union	20,525
Service Company Overhead	5,983
Direct Material/Inventory Cost	-1,130,207
Material Allocations	3,151
Stores Loading	-117,958
Direct Material Purchases	72,809
Direct Mat/Purchases Accrual	-166,840
Vehicle & Equip. Chargeback	37,505
Consultant	5,350
SA Vndr Emp Exp - 100% Deduct	270
Baseload Contract Labor	3,753,344
Peak/Unplanned Contract Labor	1,708
Turnkey Service Contract Labor	1,618
Construction Restoration	541
Allocated S&E (Non-Labor)	1,420,129
Purchase of Land Rights	3,118
Plant Add/Closings/Reserve	-4,321,952
Accounting Entry	-6,354,174
Contrib. in aid of Const.(Tax)	-238,189
Contr. in Aid of Const. (NTax)	-765,677
AFUDC Debt	-1,967
AFUDC Equity	-4,203
Total	-\$7,130,782

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One retirement work order D1645, was charged for cost of removal by a journal entry recorded to the work order. Response to Rehmann DR-05-002 stated that the entire work order was unitized to a distribution account in error. It should have been recorded in FERC account 390 and the charges (\$27,202.50) and resource type baseload contract labor, should not have been included in the Rider DCI filing. This correction reduces the revenue requirement after CAT by -\$2,913. See Table 14 below. A correction was made in October 2016 to move the dollars on this project to the correct account.

Rehmann inquired if the charging of cost of removal from FERC accounts outside the Rider DCI could potentially be systematic and was advised there was a roof on a general plant building (FERC account 390) which is ineligible for the Rider DCI cost of removal charges, and a roof on a substation structure (FERC account 362) which is eligible for the Rider DCI cost of removal charges. Both the building and structure were at the same location which was the cause of the incorrect entry. Therefore Rehmann makes no further recommendation related to the cost of removal correction. All other sample transactions were properly supported; therefore Rehmann makes no further recommendation.

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 13 retirement transactions for proper support of the valuation of the retirement unit selected. All were properly supported; therefore, Rehmann makes no further recommendation. See Table 7: Sample Retirement Transactions.

Table 7: Sample Retirement Transactions

Description	Retirement Value	In Service Year
36200 - Station Equipment	-\$15,055	12/1/68
36700 - Underground Conductors & Device	-2,482.52	9/1/99
36400 - Poles, Towers & Fixtures	-1,424.33	12/1/85
36500 - Overhead Conductors & Device	-6,352.80	12/1/83
36500 - Overhead Conductors & Device	-54,684.52	2/4/00
36600 - Underground Conduit	-959.48	12/1/62
36500 - Overhead Conductors & Device (correction)	859,537.34	12/31/07
36500 - Overhead Conductors & Device	-9,109.75	12/1/12
36500 - Overhead Conductors & Device	-4,296.94	9/1/98
36400 - Poles, Towers & Fixtures	-598.80	12/1/66
36400 - Poles, Towers & Fixtures	-2,496.22	5/1/13
36700 - Underground Conductors & Device	-1,288.93	12/1/89
36700 - Underground Conductors & Device	-212.29	12/31/10
Total	\$760,576	

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

Rehmann examined several components of the Rider DCI for compliance with DEO's quarterly filings as follows:

- Accumulated depreciation totaled \$656,033,424 at March 31, 2012 before adjustments for grid modernization depreciation, retirements, cost of removal, salvage credits, transfers, adjustments, and impairments and totaled \$761,291,438 at June 30, 2016 before adjustments for grid modernization depreciation, retirements, cost of removal, salvage credits, transfers, adjustments, and impairments. This change in accumulated depreciation balance nets to \$105,258,014. We obtained summary records by FERC account of all depreciation expense, transfers and adjustments, and impairments, and detailed work order records for retirements, cost of removal, salvage and other credits, to current date value of accumulated depreciation that have occurred since March 31, 2012 and support the Rider DCI filings. These records were before grid modernization adjustments. See Table 8: Accumulated Depreciation Change by FERC Account.

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Table 8: Accumulated Depreciation Change by FERC Account

Plant	30-Jun-16	31-Mar-12	Change
Land and Land Rights	\$2,754	\$1,539	\$1,215
Rights of Way	4,027,029	2,520,994	1,506,035
Structures and Improvements	4,461,820	4,004,656	457,164
Station Equipment	73,660,379	70,196,281	3,464,098
Major Equipment	43,592,902	36,836,728	6,756,174
Station Equip Electronic	0	31,059	-31,059
Poles, Towers& Fixtures	124,561,113	108,036,663	16,524,450
Overhead Conductors & Devices	123,605,290	99,318,263	24,287,027
Underground Conduit	43,376,369	35,969,974	7,406,395
Underground Conductors and Devices	93,833,244	73,293,965	20,539,279
Line Transformers	147,962,152	143,569,293	4,392,859
Customer Transformer Installations	2,637,651	2,628,003	9,648
Services-Underground	2,537,126	2,248,643	288,483
Services - Overhead	46,533,746	36,808,118	9,725,628
Meters	-6,753,932	10,193,096	-16,947,028
Meter Instrument Transformers	2,204,857	2,504,250	-299,393
Leased Meters	-718,805	3,624,732	-4,343,537
Leased Meter Instrument Transformers	994,857	563,234	431,623
Utility of the Future Meters	64,311	0	64,311
Installation on Customers' Premises	10,636	2,770	7,866
Company Owned Outdoor Light	0	0	0
Leased Property on Customers' Premises	-58,390	-76,085	17,695
Street Lighting	0	0	0
CGE Street Lighting OH	12,340,800	10,738,065	1,602,735
Street Lighting Boulevard	8,700,862	5,929,055	2,771,807
Light Security OL POL Flood	8,085,172	5,507,955	2,577,217
Light Choice OLE Public	0	0	0
Retirement WIP	-15,594,971	-7,669,689	-7,925,282
Total After Grid Mod Adjustments	\$720,066,972	\$646,781,562	\$73,285,410
Total Before Grid Mod Adjustments	\$745,696,466	\$648,363,733	\$97,332,733
Add Back Retirement WIP	\$15,594,971	\$7,669,689	\$7,925,282
Total Before Retirement WIP	\$761,291,437	\$656,033,422	\$105,258,015

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In Table 8, Rehmann adjusted the March 31, 2012 Rider DCI filing accumulated depreciation balance of meters (reduced \$2,504,250), meter instrument transformers (increased \$2,504,250), leased meters (reduced \$563,234), and leased meter instrument transformers (increased \$563,234) to reflect the balance approved in Case No. 12-1682-EL-AIR, Attachment JAS-2. The total March 31, 2012 balance of \$646,781,562 after grid modernization adjustments was not affected. Rehmann recommends that a future Rider DCI filing reflect these accumulated depreciation adjustments.

Significant variations in Table 8 include reductions in accumulated depreciation for meters and leased meters due to their transfer to utility of future meters which is mostly excluded as grid modernization adjustments. The meter account is now fully retired except for instrument transformers. In June 2012, \$66,272,777 of plant-in-service was transferred from line transformers to overhead conductor which DEO determined to be more in compliance with FERC accounting. Therefore, significant changes occurred in accumulated depreciation for these two accounts.

The summary records of depreciation expense of \$247,101,916, transfers and adjustments of (\$1,449,498), and impairments of (\$310,012) and detailed retirement records of \$(127,427,193), cost of removal of (\$23,624,423), and salvage credits of \$10,967,224, agreed to the five DCI Filings by date filed. These transaction types net to \$105,258,014. See Table 9: Accumulated Depreciation Summary by Transaction Type.

Table 9: 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
March-15	\$168,974,810	-\$94,889,670	-\$13,900,174	\$1,917,016	-\$979,904	-\$27,968	\$61,094,110
June-15	15,088,748	-8,372,351	-772,909	157,478	1,583	-136,491	5,966,057.15
September-15	15,166,778	-5,404,978	-641,429	8,235,028	-294,468	0	17,060,931.60
December-15	16,391,545	13,234,673	-4,972,273	98,201	0	0	24,752,145.44
March-16	15,709,845	-26,439,213	-2,418,736	521,188	0	-125,099	-12,752,015.41
June-16	15,770,192	-5,555,654	-918,902	38,313	-176,709	-20,455	9,136,785.29
Total	\$247,101,916	-\$127,427,193	-\$23,624,423	\$10,967,224	-\$1,449,498	-\$310,012	\$105,258,014

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Significant variations in Table 9 include a double recording of retirements of \$20,146,821 in the quarter ending March 31, 2015. This double recording was reversed in the quarter ending December 31, 2015 causing a debit balance of \$13,234,673 for retirements. See the FERC Form 1 Verification task below for more details. In addition \$7,131,927 of line transformers were salvaged in the quarter ending September 30, 2015. Cost of removal for line transformers of \$2,380,790 was recorded in the quarter ending December 31, 2015 for cost of removal of various projects that were completed in 2014.

The accumulated depreciation grid modernization depreciation, retirements, cost of removal, salvage credits, transfers, adjustments, and impairments totaled \$1,582,171 at March 31, 2012 and totaled \$25,629,494 at June 30, 2016. Therefore the net new grid modernization depreciation, retirements, cost of removal, salvage credits, transfers, adjustments, and impairments, during the Rider DCI totaled \$24,047,323. Rehmann requested a listing of all grid modernization work orders supporting accumulated depreciation and tested for proper exclusion from the Rider DCI. Rehmann concluded that the exclusions are reasonably stated; however Rehmann recommends that DEO capture all excluded work orders and their accumulated depreciation balance for an additional management trail of excluded grid modernization amounts.

- The March 31, 2012 accumulated deferred income taxes on distribution plant of (\$249,112,366) and June 30, 2016 accumulated deferred income taxes on distribution plant of (\$370,588,101) were properly calculated and supported. Rehmann has no findings and recommendations from this task. The March 31, 2012 depreciation expense of \$49,047,161 was properly applied. However the June 30, 2016 depreciation expense of \$56,866,468 required an addition expense of \$211,924 due to not recognizing the meter instrument transformers balance of \$7,409,920 and using the authorized depreciation rate of 2.86% (also see adjustment detailed in the Verification with FERC Form 1 for year 2015 task). Rehmann quantified the effect of the adjustments as increasing the revenue requirement after CAT by \$189,468. See Table 11 below. Rehmann recommends that an additional \$211,924 depreciation expense be added to a future Rider DCI filing.
- Rehmann recalculated the depreciation expense using the authorized depreciation and amortization rates from Case No.12-1682-EL-AIR and using the plant-in-service balance at June 30, 2016 after grid modernization adjustments. In Case No. 12-1682-EL-AIR, as of March 31, 2012, the unrecovered investment in meters and leased meters was amortized using a remaining period of 7.25 years. The 7.25 years recognizes that 2.75 years of amortization have been taken since the original 10 year amortization period was approved by PUCO and implemented by DEO. Rehmann verified this amortization amount for meters and leased meters, approved in Case No. 12-1682-EL-AIR was properly applied. Rehmann also noted that the meters and leased meters account balances are substantially reduced due to accounting for meters under FERC account utility of future meters. Therefore Rehmann recommends that a new depreciation study be approved to reflect the change in accounting for meters and leased meters. See Table 10: Adjusted Depreciation Expense.

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Table 10: Adjusted Depreciation Expense

Plant	Adjusted Depreciation Expense at 6-30-16			Depreciation Expense Used in 6-30-16 DCI Filing			Difference
	30-Jun-16	Depreciation Rate	Depreciation Expense	30-Jun-16	Depreciation Rate	Depreciation Expense	
Land and Land Rights	\$13,770,790	0	\$0	\$13,770,790	\$0	\$0	\$0
Rights of Way	26,286,892	0.0133	349,616	26,286,892	0.0133	349,616	0
Structures and Improvements	19,163,277	0.0169	323,859	19,163,277	0.0169	323,859	0
Station Equip	181,342,605	0.0192	3,481,778	181,342,605	0.0192	3,481,778	0
Major Equip	112,215,285	0.0192	2,154,533	112,215,285	0.0192	2,154,533	0
Station Equip Electronic	0	0.05	0	0	0.05	0	0
Poles, Towers & Fixtures	306,106,828	0.024	7,346,564	306,106,828	0.024	7,346,564	0
Overhead Conductors & Devices	528,153,782	0.028	14,788,306	528,153,782	0.028	14,788,306	0
Underground Conduit	113,261,755	0.02	2,265,235	113,261,755	0.02	2,265,235	0
Underground Conductors and Devices	344,816,482	0.0216	7,448,036	344,816,482	0.0216	7,448,036	0
Line Transformers	332,913,016	0.025	8,322,825	332,913,016	0.025	8,322,825	0
Customer Transformer Installations	3,755,297	0.0222	83,368	3,755,297	0.0222	83,368	0
Services-underground	5,525,489	0.02	110,510	5,525,489	0.02	110,510	0
Services OH	81,827,783	0.0326	2,667,586	81,827,783	0.0326	2,667,586	0
Meters	0	Amortization	3,508,121	7,409,920	Amortization	3,508,121	0
Meter Instrument Transformers	7,409,920	0.0286	211,924	0	0	0	211,924
Leased Meters	385,628	Amortization	1,570,224	385,628	Amortization	1,570,224	0
Leased Meter Instrument Transformers	5,672,328	0.0286	162,229	5,672,328	0.0286	162,229	0
Utility of the Future Meters	6,350,891	0.0667	423,604	6,350,891	0.0667	423,604	0
Installation on Customers' Premises	0	0.0667	0	0	0.0667	0	0
Company Owned Outdoor Light	0	0	0	0	0	0	0
Leased Property on Cust Premises	102,503	0.04	4,100	102,503	0.04	4,100	0
Street Lighting	15,300,750	0.0393	601,319	15,300,750	0.0393	601,319	0
CGE Street Lighting OH	0	0	0	0	0	0	0
Street Lighting Boulevard	27,727,621	0.0244	676,554	27,727,621	0.0244	676,554	0
Light Security OL POL Flood	15,094,000	0.0383	578,100	15,094,000	0.0383	578,100	0
Light Choice OLE Public	0	0.042	0	0	0.042	0	0
Total	\$2,147,182,922		\$57,078,391	\$2,147,182,922		\$56,866,468	\$211,924

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- The March 31, 2012 property expense of \$65,218,326 and the June 30, 2016 property tax expense of \$81,627,924 were properly calculated and supported (except as detailed in the Verification with FERC Form 1 for year 2015 task). Rehmann verified the highest cost ten personal property tax statements were accurately used in the average personal property tax rate calculation of 9.4503%. Rehmann also verified the highest cost ten real property tax statements were used in the average real property tax rate calculation of 5.93671%. Rehmann has no findings and recommendations from this task.
- The CAT of \$83,868 was properly calculated and supported. Rehmann recalculated the CAT using the statutory rate of .26% against the change in revenue requirement. Rehmann has no findings and recommendations from this task.

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

Rehmann used the services of PUCO staff to field visit 14 new addition work orders and nine retirement work orders that were included in the five quarterly Rider DCI filings. PUCO staff or Rehmann noted the following:

- At each site, PUCO staff inquired whether or not tree trimming was required for the capital project. On work order G8176, the PUCO staff were advised that there was tree trimming but it was for maintenance of the distribution line rather than tree trimming required for the capital project. Response to Rehmann DR-12-002 stated that DEO agreed that these tree trimming costs of \$978.51 were maintenance and prepared a journal entry for November 2016 business to reclass the costs out of capital. Rehmann quantified the effect of the adjustment as decreasing the revenue requirement after CAT by -\$167. See Table 13 below. On work order G9249, the construction prints documented that no tree trimming was required; however \$5,657 trimming costs were charged to the work order. Response to Rehmann DR-12-002 stated that an alternate route was designed which required tree trimming. Rehmann recommends that a review be completed of a statistically valid sample of 100 tree trimming invoices charged to work orders to determine whether tree trimming was required as part of the capital project. In addition construction prints should be updated when there are changes that now require tree trimming.
- At each site, PUCO staff inquired whether or not new construction or retirement projects were billable to the customer. On work order H0342, the field observations disclosed the project was billable to the customer. The project incurred \$497,216 in billable costs up to November 2015 but DEO's response to DR-12-001 states that DEO did not bill the customer due to a clerical error and will bill the customer \$352,000 the week of November 21, 2016. Rehmann quantified the effect of the billing as decreasing the revenue requirement after CAT by -\$46,774. See Table 12 below. On work order P7057, the field observations noted that a portion of the project was billable to the customer. The project incurred \$477,712 of billable costs, but DEO did not bill any costs. DEO's response to DR-12-001 stated that a portion of the project was associated with a capacity project, but did not mention whether any costs will be billed. Rehmann recommends that work order P7057 be reviewed for potential customer billing. Rehmann also recommends that a statistically valid sample of 100 billable projects be reviewed to determine whether they were billed, per agreement, to the customer. In addition, Rehmann recommends that immediately upon receiving agreement from a customer on a billable amount, that an

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accounts receivable control account be established for monitoring aged contributions in aid of construction invoices.

- At each site, PUCO staff asked whether or not cost overages from the work order estimate could be explained and then subsequently observed. Additional follow-up was required by DEO and explanations provided in response to DR-12-003. Work order P7057 had a cost estimate of \$232,481 and had final costs of \$480,350. Response to DR-12-003 stated that the wrong estimate was entered into Power Plan and should have been \$343,609. Also, some additional work was required on the job above the estimate. Work order H0343 had a cost estimate of \$355,007 and had final costs of \$506,868. Response to DR-12-003 stated that the project was used for training crews. In addition during the job, emergency work and schedule interruptions caused multiple starts and stops on the job. Work order G9249 had a cost estimate of \$139,960 and had final costs of \$174,158. Response to DR-12-003 stated that a portion of transfer dollars were not properly charged by construction crews. Rehmann recommends that actual costs that vary from the work order estimate by 25% or more be investigated, and supporting documentation for the variance be approved by an authorized individual and noted on the documentation. In addition, work order H0343 should be analyzed to determine whether some costs should be transferred to training expense, and work order G9249 should be analyzed to determine whether some charges should be transferred to operating expense. If transfers are required then Rehmann recommends that a review be completed of a statistically valid sample of up to 100 work orders exceeding 25% or more of the work order estimate to determine whether additional capital costs should be transferred to training or other operating expenses.
- PUCO staff field visited the location of work order K0120, a transformer retrofit project. PUCO staff noted that, based on the description of the project that was provided, the work had not been completed. The work order had \$141,137 in retirement units processed and was charged \$53,223 for cost of removal. Rehmann recommends that work order K0120 be reviewed by DEO to determine whether all work order documentation is complete, that cost of removal charges match the work completed, and that retirement unit accounting transactions match the actual plant removed from service.
- PUCO staff was not provided any documentation for work order C6259 that would be useful during a field visit so the site was not visited. The work order had an estimated in service date of September 10, 2006 and had \$76,639 in retirement units processed. Rehmann recommends that work order C6259 be reviewed by DEO to determine whether all work order documentation is complete and that retirement unit accounting transactions match the actual plant removed from service.
- Three work orders that were field visited had charges before the Rider DCI period of April 1, 2012 through June 30, 2016 but were not unitized and reclassified from FERC Account 106, Completed Construction Not Classified, to FERC Account 101 Electric Plant-in-Service or FERC account 108, accumulated provision for depreciation of electric utility plant, until during the Rider DCI period. Work order G1858 had new additions of \$157,078 as early as April 2011, was placed in service in February 2012, and was unitized to FERC account 101 in 2016. Work order C2189 had cost of removal credits of \$15,047 as early as April 2011, was placed in service in May 2006, and was unitized to FERC account 108 in May 2012. Work order C4514 had cost of removal charges of \$29,676 as early as August 2006, was placed in service in June 2008, and was unitized to FERC account 108 in 2013.

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While the delayed unitization had no effect on the plant-in- service balance or accumulated depreciation balances, Rehmann recommends more timely unitization to avoid accidental errors in capturing and verifying unitization pricing. Aged work orders are more difficult to verify the used and usefulness of the incremental plant.

- Work order IKOH1Q12 was a blanket work order (made up of numerous smaller projects as opposed to a specific job) and was not field visited due to the smaller dollar value of the individual projects. This work order had combined cost of removal and salvage credits for the retirement portion of the work order totaling \$721,331 and as early as January 2012. This work order was placed in service in 2012 and was not unitized to FERC account 108 until December 2014. Rehmann recommends more timely unitization to avoid accidental errors in capturing and verifying unitization pricing.

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, 2016 that details DEO's capitalization policies. DEO advised Rehmann that there was a change in the capitalization policy effective April 1, 2015. DEO no longer capitalizes the cost of transformers and meters along with the installation cost at the time of purchase. The impact of this change is to delay the capitalization of transformers and meters and the installation cost until a work order requires a transformer or meter installation. This new policy delays when the DCI Revenue Requirement is filed for plant in service associated with transformers and meters. Transformers and meters are now charged to inventory FERC account 154 upon purchase instead of a plant FERC account. Rehmann examined the Duke Energy U.S. Regulated Electric & Gas Capitalization Guideline and noted the new capitalization policy was clearly described. 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 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.

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Detailed Impact of Recommendations on Rider DCI Revenue Requirement after CAT

The impact of the depreciation recommendation on the June 30, 2016 Rider DCI Revenue Requirement after CAT is \$189,468 and is detailed in Table 11: Impact of Depreciation Recommendation on Rider DCI Revenue Requirement after CAT.

Table 11 Impact of Depreciation Recommendation on Rider DCI Revenue Requirement After CAT

Gross Distribution Plant	\$0
Accumulated Depreciation on Distribution Plant	-211,924
Net Distribution Plant-In Service	-211,924
Accum Def Income Taxes on Distribution Plant	-2,941
Distribution Rate Base for Rider DCI	-214,865
Return on Rate Base (Pre-Tax %)	10.68%
Return on Rate Base (Pre-Tax)	-22,948
Depreciation Expense	211,924
Property Tax Expense (Excludes M&S)	0
Revenue Requirement Before CAT	188,976
Incremental Commercial Activities tax	492
Rider DCI Revenue Requirement	\$189,468

The impact of the contribution in aid of construction recommendation on the June 30, 2016 Rider DCI Revenue Requirement after CAT is -\$46,774 and is detailed in Table 12: Impact of CIAC Recommendation on Rider DCI Revenue Requirement after CAT.

Table 12 Impact of CIAC Recommendation on Rider DCI Revenue Requirement After CAT

Gross Distribution Plant	-\$352,000
Accumulated Depreciation on Distribution Plant	9,504
Net Distribution Plant-In Service	-342,496
Accum Def Income Taxes on Distribution Plant	123,200
Distribution Rate Base for Rider DCI	-219,296
Return on Rate Base (Pre-Tax %)	10.68%
Return on Rate Base (Pre-Tax)	-23,421
Depreciation Expense	-9,504
Property Tax Expense (Excludes M&S)	-13,728
Revenue Requirement Before CAT	-46,653
Incremental Commercial Activities tax	-121
Rider DCI Revenue Requirement	-\$46,774

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The impact of the tree trimming recommendation on the June 30, 2016 Rider DCI Revenue Requirement after CAT is -\$167 and is detailed in Table 13: Impact of Tree Trimming Recommendation on Rider DCI Revenue Requirement after CAT.

Table 13 Impact of Tree Trimming Recommendation on Rider DCI Revenue Requirement After CAT

Gross Distribution Plant	-\$979
Accumulated Depreciation on Distribution Plant	26
Net Distribution Plant-In Service	-953
Accum Def Income Taxes on Distribution Plant	0
Distribution Rate Base for Rider DCI	-953
Return on Rate Base (Pre-Tax %)	10.68%
Return on Rate Base (Pre-Tax)	-102
Depreciation Expense	-26
Property Tax Expense (Excludes M&S)	-38
Revenue Requirement Before CAT	-166
Incremental Commercial Activities tax	-1
Rider DCI Revenue Requirement	-\$167

The impact of the cost of removal recommendation on the June 30, 2016 Rider DCI Revenue Requirement after CAT is -\$2,913 and is detailed in Table 14: Impact of Cost of Removal Recommendation on Rider DCI Revenue Requirement after CAT.

Table 14 Impact of Cost of Removal on DCI Revenue Requirement After CAT

Gross Distribution Plant	\$0
Accumulated Depreciation on Distribution Plant	-27,203
Net Distribution Plant-In Service	-27,203
Accum Def Income Taxes on Distribution Plant	0
Distribution Rate Base for Rider DCI	-27,203
Return on Rate Base (Pre-Tax %)	10.68%
Return on Rate Base (Pre-Tax)	-2,905
Depreciation Expense	0
Property Tax Expense (Excludes M&S)	0
Revenue Requirement Before CAT	-2,905
Incremental Commercial Activities tax	-8
Rider DCI Revenue Requirement	-\$2,913

**Compliance Audit of the
April 1, 2012 to June 30, 2016 Distribution Capital Investment Rider
("Rider DCI") Duke Energy Ohio**

The impact of the cost of removal recommendation detailed in Tables 11-14, on Rider DCI Revenue Requirement after CAT is \$139,614 and is detailed in Table 15. Total Impact Recommendation on Rider DCI Revenue Requirement after CAT.

Table 15 Total Impact of Recommendations on Rider DCI Revenue Requirement Before CAT

Recommendation	Transaction Correction	Change in Revenue Requirement
Depreciation Expense Correction	211,924	189,468
Contributions in Aid of Construction not Billed	-352,000	-46,774
Tree Trimming Maintenance Versus Capital	-979	-167
Cost of Removal not Eligible	-27,203	-2,913
Total	-\$168,258	\$139,614

Public Utilities Commission of Ohio
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Document Request #1

Item	Description
1-01	Please provide a canned report out of Power Plan and in Excel Format, which minimally lists, by work order, each new addition, transfer, adjustment, and retirement from April 1, 2012 through June 30, 2016 and lists within each work order the FERC account, completion date, and total cost.
1-02	<p>If the following information is provided in the canned report please provide with request No. 1-01, otherwise please provide the information in this request 1-02 for each work order:</p> <ul style="list-style-type: none"> • For retirement work orders list the original cost of the retired plant, cost of removal, and salvage credits • For retirement work orders the vintage year of the retired plant in service • For retirement work orders a description of the retirement unit of the retired plant in service • Budgeted amount for the new addition, transfer, adjustment, retirement of original plant, cost of removal, and salvage credits • Location code or address
1-03	<p>Please provide the following Duke Energy Ohio, Inc. FERC Reports in PDF format:</p> <ul style="list-style-type: none"> • FERC Form 1 for 12-31-15 • FERC Form 3Q for 6-30-15 • FERC Form 3Q for 9-30-15 • FERC Form 3Q for 12-31-15 • FERC Form 3Q for 3-31-16 • FERC Form 3Q for 6-30-16 (may not be filed as of 8-24-16)
1-04	Please provide the Depreciation Rate Case that supports the depreciation rates in the DCI filings. Please provide the authorized depreciation rate table from the rate case filing that documents the authorized depreciation rates and amortization rates.
1-05	Please provide a copy of all other riders describing capital additions recovered that are excluded from the DCI.
1-06	Please provide a copy of one Ohio County/Township Real Property Tax Statement paid in 2016 and one Ohio County/Township Personal Property Tax Statement paid in 2016. This information will assist in determining future property tax document requests.

Public Utilities Commission of Ohio
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Document Request #2

Item	Description
2-01	<p>Please provide, in Excel Format, a listing by FERC account, resource type, date of transaction, and amount, all details pertaining to new addition work orders:</p> <ul style="list-style-type: none"> • H0510 totaling \$4,608,089.29 from 4/1/12 to 12/1/15 • OUC347030 totaling \$111,525.91 from 10/1/15 to 4/1/16
2-02	<p>Please provide copies of the detailed support by resource type for the two work orders listed in 2-01 above.</p>
2-03	<p>Please provide, in Excel Format, a listing by FERC account, resource type, date of transaction, and amount, all details pertaining to retirement work order:</p> <ul style="list-style-type: none"> • D1645 totaling in May 2015 \$27,202.50 in cost of removal and \$14,452.50 in retirement units <p>Please note if this is a Smart Grid Retirement Work Order, discard this document request.</p>
2-04	<p>Please provide copies of the detailed support by resource type for the one work order listed in 2-03 above.</p> <p>Please note if this is a Smart Grid Retirement Work Order, discard this document request.</p>
2-05	<p>Response to Data Request labeled DR-01-002(b) provided a cost of removal/salvage report by project for one FERC account 362.000 and for the second quarter 2015. Please provide an Excel File Report of the same information for the period 4/1/2012 to 6/30/16 for the following five FERC accounts:</p> <ul style="list-style-type: none"> • 3620 • 3640 • 3650 • 3670 • 3680

Public Utilities Commission of Ohio
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Document Request #3

Item	Description
3-01	The FERC Form 1 3Q Report for 9/30/15 has plant in service, before adjustments, \$20,146,821 higher than the 9/30/15 DCI filing and has accumulated depreciation, before adjustments, \$21,298,110 higher than the 9/30/15 DCI filing. Please provide an explanation for the difference.
3-02	Response to DR-01-005 concerning the calculation of the Rider DR-IM agrees to the adjustments reported in the December 31, 2015 DCI Filing for FERC accounts 3620, 3622, 3635, 3640, 3650, 3651, and 3702 for both plant in service and accumulated depreciation. Could you please provide a reconciliation of the response to DR-01-005 concerning the calculation of the Rider DR-IM to the adjustments reported in the December 31, 2015 DCI Filing for accounts 3712, 3730, and 3734 and for both plant-in-service and accumulated depreciation.
3-03	Please provide in Excel format details of the plant-in-service adjustment column in all DCI filings from April 1, 2012 to June 30, 2016 that minimally includes the activity cost, FERC account, long description, start month/year, end month/year, and CPR Ledger Work Order Number. These adjustments total \$67,947,263.
3-04	Please provide in Excel format details of the accumulated depreciation adjustment column in all DCI filings from April 1, 2012 to June 30, 2016 that minimally includes the activity cost, FERC account, long description, start month/year, end month/year, first work order number, and second work order number. These adjustments total (\$24,047,323).
3-05	For Personal Property Taxes please provide the detailed support and calculations for the True Value Percentage, the Assessment Percentage, and the Personal Property Tax Rate and for both March 31, 2012 and June 30, 2016.
3-06	For Real Property Taxes please provide the detailed support and calculations for the Assessment Percentage and the Real Property Tax Rate and for both March 31, 2012 and June 30, 2016.

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Document Request #4

Item	Description
4-01	<p>Please provide, in Excel Format, a listing by FERC account, resource type, date of transaction, and amount, all details pertaining to new addition work orders:</p> <ul style="list-style-type: none"> • G1858 totaling \$959,536.30 • G2307 totaling \$1,336,574.47 • G8176 totaling \$1,081,825.33 • G8396 totaling \$663,887.66 • G8703 totaling \$175,957.75 • G9249 totaling \$1,493,878.94 • G9533 totaling \$245,940.66
4-02	<p>Please provide, in Excel Format, a listing by FERC account, resource type, date of transaction, and amount, all details pertaining to new addition work orders:</p> <ul style="list-style-type: none"> • G9666 totaling \$67,397.44 • G9704 totaling \$1,569,990.52 • H0343 totaling \$191,714.25 • H0395 totaling \$2,160,481.36 • IKOH2016 totaling \$14,257,602.69 • P7057 totaling \$480,350.44
4-03	<p>For each of the new addition work orders listed in 4-01 and 4-02 and additionally for work orders H0510 and OUC347030 please provide a detailed work order description including the new addition budget.</p>
4-04	<p>Please provide, in Excel Format, a listing by FERC account, resource type, date of transaction, and amount, all details pertaining to retirement work order:</p> <ul style="list-style-type: none"> • C2189 totaling \$15,046.57 in cost of removal and \$0 in retirement units • C4514 totaling \$22,210.22 in cost of removal and \$37,762.01 in retirement units • C6259 totaling \$0 in cost of removal and \$76,638.67 in retirement units • C7050 totaling \$0 in cost of removal and \$77,774.80 in retirement units • CSPOH totaling \$0 in cost of removal and \$7,036,897.03 in retirement units • IKOH1Q12 totaling \$4,725,417.93 in cost of removal and \$4,500,478.46 in retirement units and \$1,619,851.56 in salvage credits • IKOH2013 totaling \$3,457,102.55 in cost of removal and \$9,030,580.37 in retirement units and \$141,146.52 in salvage credits. <p>Please note if any of these are a Smart Grid Retirement Work Order, discard the work order.</p>
4-05	<p>Please provide, in Excel Format, a listing by FERC account, resource type, date of transaction, and amount, all details pertaining to retirement work order:</p> <ul style="list-style-type: none"> • IKOH2014 totaling \$2,716,501.37 in cost of removal and \$20,348,212.62 in retirement units and \$32,237.37 in salvage credits

**Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
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Document Request #4**

Item	Description
	<ul style="list-style-type: none"> • K0120 totaling \$53,222.77 in cost of removal and \$141,136.50 in retirement units • K9103 totaling \$25,630.72 in cost of removal and \$12,870 in retirement units • M1125 totaling \$10,411.52 in cost of removal and \$14,414.20 n retirement units • P6217 totaling \$68,465.04 in cost of removal and \$8,133.14 in retirement units • P6293 totaling \$28,279.82 in cost of removal and \$49,002.12 n retirement units • P6791 totaling \$28,861.51 in cost of removal and \$13,092.59 in retirement units <p>Please note if any of these are a Smart Grid Retirement Work Order, discard the work order.</p>
4-06	For each of the retirement work orders listed in 4-04 and 4-05 and additionally for work order D1645 please provide a detailed work order description including the retirement budget.

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Document Request #5

Item	Description
5-01	<p>Please provide the location (including Zip Code) of the 15 new addition work orders noted below:</p> <ul style="list-style-type: none"> • G1858 totaling \$959,536.30 • G2307 totaling \$1,336,574.47 • G8176 totaling \$1,081,825.33 • G8396 totaling \$663,887.66 • G8703 totaling \$175,957.75 • G9249 totaling \$1,493,878.94 • G9533 totaling \$245,940.66 • G9666 totaling \$67,397.44 • G9704 totaling \$1,569,990.52 • H0343 totaling \$191,714.25 • H0395 totaling \$2,160,481.36 • IKOH2016 totaling \$14,257,602.69 • P7057 totaling \$480,350.44 • H0510 totaling \$4,608,089.29 • OUC347030 totaling \$111,525.91 <p>Note if it is a blanket work order please provide the detailed work orders and individual dollar amounts that roll up to the blanket work order. One work order location will be requested at a later date for each blanket. Also if it is a specific work order that has other work orders "added on" please just provide the location of the "original work order".</p>
5-02	<p>Please provide the location (including Zip Code) of the 15 retirement work orders noted below:</p> <ul style="list-style-type: none"> • C2189 totaling \$15,046.57 in cost of removal and \$0 in retirement units • C4514 totaling \$22,210.22 in cost of removal and \$37,762.01 in retirement units • C6259 totaling \$0 in cost of removal and \$76,638.67 in retirement units • C7050 totaling \$0 in cost of removal and \$77,774.80 in retirement units • CSPOH totaling \$0 in cost of removal and \$7,036,897.03 in retirement units • IKOH1Q12 totaling \$4,725,417.93 in cost of removal and \$4,500,478.46 in retirement units and \$1,619,851.56 in salvage credits • IKOH2013 totaling \$3,457,102.55 in cost of removal and \$9,030,580.37 in retirement units and \$141,146.52 in salvage credits. • IKOH2014 totaling \$2,716,501.37 in cost of removal and (\$20,348,212.62) in retirement units and \$32,237.37 in salvage credits • K0120 totaling \$53,222.77 in cost of removal and \$141,136.50 in retirement units • K9103 totaling \$25,630.72 in cost of removal and \$12,870 in retirement units • M1125 totaling \$10,411.52 in cost of removal and \$14,414.20 in retirement units

**Public Utilities Commission of Ohio
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Document Request #5**

Item	Description
	<ul style="list-style-type: none"> • P6217 totaling \$68,465.04 in cost of removal and \$8,133.14 in retirement units • P6293 totaling \$28,279.82 in cost of removal and \$49,002.12 in retirement units • P6791 totaling \$28,861.51 in cost of removal and \$13,092.59 in retirement units • D1645 totaling \$27,202.50 in cost of removal and \$14,452.50 in retirement units <p>Note if it is a blanket work order please provide the detailed work orders and individual dollar amounts that roll up to the blanket work order. One work order location will be requested at a later date for each blanket. Also if it is a specific work order that has other work orders "added on" please just provide the location of the "original work order".</p>
5-03	<p>Please provide a copy of the construction print and the Additions and Retirement Report for the 15 new addition work orders noted below:</p> <ul style="list-style-type: none"> • G1858 totaling \$959,536.30 • G2307 totaling \$1,336,574.47 • G8176 totaling \$1,081,825.33 • G8396 totaling \$663,887.66 • G8703 totaling \$175,957.75 • G9249 totaling \$1,493,878.94 • G9533 totaling \$245,940.66 • G9666 totaling \$67,397.44 • G9704 totaling \$1,569,990.52 • H0343 totaling \$191,714.25 • H0395 totaling \$2,160,481.36 • IKOH2016 totaling \$14,257,602.69 • P7057 totaling \$480,350.44 • H0510 totaling \$4,608,089.29 • OUC347030 totaling \$111,525.91 <p>Note if it is a blanket work order one work order construction print and Additions and Retirement Report will be requested at a later date for each blanket. Also if it is a specific work order that has other work orders "added on" please just provide the construction print and Additions and Retirement Report for the "original work order".</p>
5-04	<p>Please provide a copy of the construction print and the Additions and Retirement Report for the 15 retirement work orders noted below:</p> <ul style="list-style-type: none"> • C2189 totaling \$15,046.57 in cost of removal and \$0 in retirement units • C4514 totaling \$22,210.22 in cost of removal and \$37,762.01 in retirement units • C6259 totaling \$0 in cost of removal and \$76,638.67 in retirement units • C7050 totaling \$0 in cost of removal and \$77,774.80 in retirement units

**Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 16-1437-EL-RDR Annual DCI Rider Audit
Document Request #5**

Item	Description
	<ul style="list-style-type: none"> • CSPOH totaling \$0 in cost of removal and \$7,036,897.03 in retirement units • IKOH1Q12 totaling \$4,725,417.93 in cost of removal and \$4,500,478.46 in retirement units and \$1,619,851.56 in salvage credits • IKOH2013 totaling \$3,457,102.55 in cost of removal and \$9,030,580.37 in retirement units and \$141,146.52 in salvage credits. • IKOH2014 totaling \$2,716,501.37 in cost of removal and (\$20,348,212.62) in retirement units and \$32,237.37 in salvage credits • K0120 totaling \$53,222.77 in cost of removal and \$141,136.50 in retirement units • K9103 totaling \$25,630.72 in cost of removal and \$12,870 in retirement units • M1125 totaling \$10,411.52 in cost of removal and \$14,414.20 in retirement units • P6217 totaling \$68,465.04 in cost of removal and \$8,133.14 in retirement units • P6293 totaling \$28,279.82 in cost of removal and \$49,002.12 in retirement units • P6791 totaling \$28,861.51 in cost of removal and \$13,092.59 in retirement units • D1645 totaling \$27,202.50 in cost of removal and \$14,452.50 in retirement units <p>Note if it is a blanket work order one work order construction print and Additions and Retirement Report will be requested at a later date for each blanket. Also if it is a specific work order that has other work orders "added on" please just provide the construction print and Additions and Retirement Report for the "original work order".</p>

Public Utilities Commission of Ohio
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Document Request #6

Item	Description
6-01	Please provide a copy of the current Capitalization Policy.
6-02	<p>Please provide the following explanations regarding new addition work order G1858 totaling \$959,536.30:</p> <ul style="list-style-type: none"> • Why does added on Work Order G2715 have a balance of (\$536,356.91) while added on work orders G6597 and G6834 have a balance of zero? • Why was (\$12,082.98) left in 12 plant accounts (36400-37304) totaling (\$144,995.76) and rolling up to FERC account 106 unclassified.
6-03	<p>Please provide an explanation why in our sample of 30 work orders, the following work orders have the following charges before 4/1/2012:</p> <ul style="list-style-type: none"> • G1858 new additions of \$157,078.02 as early as April 2011 • G2307 new additions of \$168,779.81 as early as March 2011 • C2189 cost of removal of \$15,046.56 as early as April 2011 • C4514 cost of removal of \$29,675.99 as early as August 2006 • IKOH1Q12 combined cost of removal and salvage credits of \$721,331.13 as early as January 2012.
6-04	<p>Please list separately for each item listed below, the specific allocation resource codes that, per the capitalization policy or other authority, can be charged to a work order by application to:</p> <ul style="list-style-type: none"> • Contract labor • Duke Energy Ohio non-union labor • Duke Energy Ohio union labor • Direct materials • Materials issued from inventory • Contracted services • Applied to all of the above <p>For example work order D1645 applied the following to contract labor (is there any other resource codes that can be applied to contract labor?):</p> <ul style="list-style-type: none"> • Resource 18000 Overhead Allocations • Resource 18350 Allocated Fringes & Tax • Resource 78000 Allocated Supervision & Eng <p>Please explain why allocated fringes & tax are applied to contract labor?</p>

**Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
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Document Request #7**

Item	Description
7-01	Please provide, for the attached sample of 100 transactions (DR-07-01 Sample Transactions Attachment) a copy of the same detailed support as was provided in response to DR-02-01 as requested in DR-02-02. The support was previously provided for Work Order OUC347030; therefore the three sample transactions #54, #55, & #56 do not need to be provided again.
7-02	<p>The response to DR-03-001 described the cause of a \$20,146,321 difference in plant in service and a \$21,298,110 difference in accumulated depreciation, on FERC Form 1 3Q for 9/30/15 compared to the 9/30/15 DCI Filing , as an over retirement of distribution property in 2014 for a number of blanket projects. Please provide the following:</p> <ul style="list-style-type: none">• An Excel File listing of the original work order numbers, amount of over retirement, the month and year the over retirement was processed, and the "retired on work order" numbers that were determined to be an over retirement.• The internal control that was implemented to prevent or detect the reoccurrence of an over retirement.

Public Utilities Commission of Ohio
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Document Request #8

Item	Description
8-01	Please provide supporting details for Accumulated Deferred Income Taxes (190) of \$66,292,049 as of 6/30/16.
8-02	Please provide a detailed reconciliation of the \$1,078,539,007 in FERC account 282 as of 6/30/16 to the DCI Filing before adjustments of \$469,507,123 as of 6/30/16.
8-03	Please provide detailed support to each 282 sub account that makes up the balance of \$469,507,123 as of 6/30/16.
8-04	Please provide a detailed reconciliation of the total in FERC account 282 as of 3/31/12 to the DCI Filing before adjustments of \$351,295,144 as of 3/31/12.
8-05	Please provide detailed support to the following 282 sub account that makes up part of the balance of \$351,295,144 as of 3/31/12.
8-06	<p>Please provide the details of the Deferred Tax Grid Modifications related to Tax Depreciation:</p> <ul style="list-style-type: none">• \$62,485,269 at 6/30/16• \$35,925,450 at 3/31/12

Public Utilities Commission of Ohio
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Document Request #9

Item	Description
9-01	A Work Order Authorization Information Report was provided for each of the new addition work orders listed in DR 04-01 and DR 04-02 and additionally for work orders H0510 and OUC347030. This Report provided a detailed work order description including the new addition budget. Pages 3-11 were missing for G9704 and pages 3-8 were missing for H0343. Please provide these pages.
9-02	<p>Please provide the Work Order Authorization Information Report pertaining to retirement work order:</p> <ul style="list-style-type: none"> • C2189 totaling \$15,046.57 in cost of removal and \$0 in retirement units • C4514 totaling \$22,210.22 in cost of removal and \$37,762.01 in retirement units • C6259 totaling \$0 in cost of removal and \$76,638.67 in retirement units • C7050 totaling \$0 in cost of removal and \$77,774.80 in retirement units • CSPOH totaling \$0 in cost of removal and \$7,036,897.03 in retirement units • IKOH1Q12 totaling \$4,725,417.93 in cost of removal and \$4,500,478.46 in retirement units and \$1,619,851.56 in salvage credits • IKOH2013 totaling \$3,457,102.55 in cost of removal and \$9,030,580.37 in retirement units and \$141,146.52 in salvage credits.
9-03	<p>Please provide the Work Order Authorization Information Report pertaining to retirement work order:</p> <ul style="list-style-type: none"> • IKOH2014 totaling \$2,716,501.37 in cost of removal and (\$20,348,212.62) in retirement units and \$32,237.37 in salvage credits • K0120 totaling \$53,222.77 in cost of removal and \$141,136.50 in retirement units • K9103 totaling \$25,630.72 in cost of removal and \$12,870 in retirement units • M1125 totaling \$10,411.52 in cost of removal and \$14,414.20 in retirement units • P6217 totaling \$68,465.04 in cost of removal and \$8,133.14 in retirement units • P6293 totaling \$28,279.82 in cost of removal and \$49,002.12 in retirement units • P6791 totaling \$28,861.51 in cost of removal and \$13,092.59 in retirement units

**Public Utilities Commission of Ohio
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Document Request #10**

Item	Description
10-01	<p>Please provide the Real Property County Tax Bills supporting the Average Tax Rate used in the DCI Filing as noted below:</p> <ul style="list-style-type: none"> • CLERMONT COUNTY 44-33-03A-005A \$774,307.92 • TREASURER OF HAMILTON COUNTY 570-0260-0006-01, 570-0260-0006-01 \$754,517.5 • CLERMONT COUNTY 27-28-02C-016 \$653,029.64 • ADAMS COUNTY TREASURER 193-00-00-016.000 \$493,286.22 • TREASURER OF HAMILTON COUNTY 083-0001-0221-00, 083-0001-0221-00 \$323,768.99 • ADAMS COUNTY TREASURER 174-00-00-002.000 \$300,834.68 • TREASURER OF HAMILTON COUNTY 147-0007-0258-00, 147-0007-0258-00 \$216,995.12 • TREASURER OF HAMILTON COUNTY 083-0001-0216-00, 083-0001-0216-00 \$205,032.44 • CLERMONT COUNTY 45-08-07-001A \$191,292.46 • CLERMONT COUNTY 54-09-26-021A \$100,880.88
10-02	<p>Please provide the Personal Property County Tax Bills supporting the Average T & D Rate used in the DCI Filing as noted below:</p> <ul style="list-style-type: none"> • HAMILTON 31-1110 \$31,354,239.53 • BUTLER 09-0410 \$5,106,903.26 • CLERMONT 13-0420 \$3,021,630.88 • BUTLER 09-0060 \$2,556,819.52 • HAMILTON 31-0080 \$2,443,210.12 • HAMILTON 31-0960 \$2,356,284.06 • HAMILTON 31-0030 \$2,165,954.84 • BUTLER 09-0520 \$2,086,524.56 • CLERMONT 13-0180 \$1,941,454.51 • HAMILTON 31-0060 \$1,761,436.53

**Public Utilities Commission of Ohio
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Document Request #11**

Item	Description
11-01	<p>Please provide, for the attached sample of 13 retirement transactions (DR-011-01 Sample Retirement Transactions Attachment), support that illustrates the calculation of the retirement value as hi-lighted in the attachment. This support may be one of the following:</p> <ul style="list-style-type: none">• 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.

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Duke Energy Ohio, Inc.
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Document Request #12**

Item	Description
12-01	<p>Please provide an explanation for the following work orders the total work order cost, less AFUDC, less CIAC, equals the following CIAC shortfall:</p> <ul style="list-style-type: none"> • G9666 \$61,675 • H0343 \$497,217 • H0395 \$67,220 • P7057 \$477,713 • G2307 \$167,438 • H0510 \$274,495
12-02	<p>Please provide an explanation for:</p> <p>Field observers asked if there was tree trimming required on the following jobs and the answer was no but work orders were charged:</p> <p>H0395 \$4,175.05 G9249 \$5,656.76</p> <p>On the following work order the field observers were advised that tree trimming was maintenance work:</p> <p>G8176 \$978.51</p>
12-03	<p>Please explain the cost variance between estimate and actual costs:</p> <p>H0343 Est \$355,007 Final \$506,868 P7057 Est \$232,481 Final \$480,350 G9249 Est \$139,960 Final \$174,158</p>
12-04	<p>Work Order C4514 has cost of removal charges of \$29,675.99 from 2006 and 2008. Please explain why these are not pre-March 31, 2012 charges. Does cost of removal charges clear annually to your depreciation reserve?</p>

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 16-1437-EL-RDR Annual DCI Rider Audit
Document Request Responses

Appendix B – Work Papers - Document Request Responses

REHMANN-DR-01-001

- Rehmann-DR-01-001(a)(1) Attachment for Power Plan report for additions from April 2012 through March 2015.
- Rehmann- DR-01-001(a)(2) Attachment for excel version of the report.
- Rehmann- DR-01-001(a)(3) Attachment for Power Plan report for transfers from April 2012 through March 2015.
- Rehmann- DR-01-001(a)(4) Attachment for excel version of the report.
- Rehmann-DR-01-001(a)(5) Attachment for Power Plan report for retirements from April 2012 through March 2015. This file was too large to export to excel. Excel reports can be run on smaller subsets of the report as requested by Rehmann.
- Rehmann-DR-01-001(b)(1) Attachment for Power Plan report for additions from April 2015 through June 2015.
- Rehmann- DR-01-001(b)(2) Attachment for excel version of the report.
- See Rehmann- DR-01-001(b)(3) Attachment for Power Plan report for transfers from April 2015 through June 2015.
- Rehmann- DR-01-001(b)(4) Attachment for excel version of the report.
- See Rehmann-DR-01-001(b)(5) Attachment for Power Plan report for retirements from April 2015 through June 2015.
- Rehmann-DR-01-001(b)(6) for excel version of report.
- Rehmann-DR-01-001(c)(1) Attachment for Power Plan report for additions from July 2015 through September 2015.
- Rehmann- DR-01-001(c)(2) Attachment for excel version of the report.
- Rehmann- DR-01-001(c)(3) Attachment for Power Plan report for transfers from July 2015 through September 2015.
- Rehmann- DR-01-001(c)(4) Attachment for excel version of the report.
- Rehmann-DR-01-001(c)(5) Attachment for Power Plan report for retirements from July 2015 through September 2015.
- Rehmann-DR-01-001(c)(6) for excel version of report.
- Rehmann-DR-01-001(d)(1) Attachment for Power Plan report for additions from October 2015 through December 2015.
- Rehmann- DR-01-001(d)(2) Attachment for excel version of the report.
- Rehmann- DR-01-001(d)(3) Attachment for Power Plan report for transfers from October 2015 through December 2015. See Rehmann- DR-01-001(d) (4) Attachment for excel version of the report.
- Rehmann-DR-01-001(d)(5) Attachment for Power Plan report for retirements from October 2015 through December 2015.
- Rehmann-DR-01-001(d)(6) for excel version of report.
- See Rehmann-DR-01-001(e)(1) Attachment for Power Plan report for additions from January 2016 through March 2016.
- Rehmann- DR-01-001(e)(2) Attachment for excel version of the report.
- Rehmann- DR-01-001(e)(3) Attachment for Power Plan report for transfers from January 2016 through March 2016.
- Rehmann- DR-01-001(e)(4) Attachment for excel version of the report.
- Rehmann-DR-01-001(e)(5) Attachment for Power Plan report for retirements from January 2016 through March 2016.

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- Rehmann-DR-01-001(e)(6) for excel version of report.
- Rehmann-DR-01-001(f)(1) Attachment for Power Plan report for additions from April 2016 through June 2016.
- Rehmann-DR-01-001(f)(2) Attachment for excel version of the report.
- Rehmann-DR-01-001(f)(3) Attachment for Power Plan report for transfers from April 2016 through June 2016.
- Rehmann-DR-01-001(f)(4) Attachment for excel version of the report.
- Rehmann-DR-01-001(f)(5) Attachment for Power Plan report for retirements from April 2016 through June 2016.
- Rehmann-DR-01-001(f)(6) for excel version of report.

REHMANN-DR-01-001 Supplemental

- Rehmann-DR-01-001(a)(6)(i) through Rehmann DR-01-001(a)(6)(xii) Attachment for Power Plan report for Excel reports run on smaller subset retirements from April 2012 through March 2015.

REHMANN-DR-01-002

- Rehmann-DR-01-002(a) Attachment for Power Plan reports for each period of the DCI filings under audit which detail out the cost of removal and salvage by account.
- Rehmann-DR-01-002(b) Attachment for an example of a Power Plan report that details out the cost of removal and salvage for account 362000 for the second quarter of 2015.
- Rehmann-DR-01-001 for detail of retirements by vintage year. See the excel version of the same reports for detail of the retirement units.
- Rehmann-DR-01-002(c) for budget amounts.

REHMANN-DR-01-003

- Rehmann DR-01-003(a) through (f) attachments for requested FERC reports.

REHMANN-DR-01-004

- Rehmann-DR-01-004 Attachment for pertinent sections of the Company's order in Case No. 12-1682-EL-AIR which authorized our current depreciation rates. The full Opinion and Order and Staff Report can be found on the PUCO website if further information is needed.

REHMANN-DR-01-005

- Rehmann-DR-01-005 Attachment for copy of calendar year 2015 Rider DR-IM filing.

REHMANN-DR-01-006

- Rehmann DR-01-006 Attachment.

REHMANN-DR-02-001

- Rehmann DR-02-001(a)(1) Attachment for a listing of the detail transactions for H0510.
- Rehmann DR-01-001(d)(1) Attachment (pages 22, 25, & 26 of 92) for charges identified with an "Added on WO" of IKOH2014.
- Rehmann DR-02-001(a)(2) Attachment for a filtered version of the report that displays only the rows pertinent to this data request.
- Rehmann DR-02-001(b) Attachment for a listing of all transactions that add up to the \$111,525.91 requested for Project OUC347030.
- Rehmann DR-02-001(b)(1) Attachment for invoices for Accounts Payable transactions.

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- Rehmann DR-02-001(b)(2) Attachment for support for AFUDC calculations made during this period. It also includes a calculation of the AFUDC rate for one of the selected months.
- Rehmann DR-02-001(b)(3) Attachment for samples of allocation transaction calculations. We selected the highest amount posted for each of 7 different types of allocations included in this request.
- Rehmann DR-02-001(b)(4) Attachment for a spreadsheet detailing transactions out the inventory system.
- Rehmann DR-02-001(b)(5) Attachment for a spreadsheet and journal entry copies detailing a reclassification journal.
- Rehmann DR-02-001(b)(6) Attachment for spreadsheet showing the support for the overhead type (OVHD) transactions
- Rehmann DR-02-001(b)(7) Attachment for support for labor transactions processed by our payroll system.

REHMANN-DR-02-002

- Rehmann-DR-02-001 responses cover DR-02-001.

REHMANN-DR-02-003

- Rehmann-DR-02-003(a) Attachment for description of the Company's retirement process.
- Rehmann-DR-02-003(b) Attachment for detail of \$27,202.50 in cost of removal costs for this project.

REHMANN-DR-02-004

- Response to Rehmann-DR-02-003 covers DR-02-004.

REHMANN-DR-02-005

- Rehmann-DR-02-005(a) Attachment for account 3620.
- Rehmann-DR-02-005(b) Attachment for account 3640.
- Rehmann-DR-02-005(c) Attachment for account 3650.
- Rehmann-DR-02-005(d) Attachment for account 3670.
- Rehmann-DR-02-005(d) Attachment for account 3680.

REHMANN-DR-03-001

- Rehmann-DR-03-001 Attachment for related accounting memo.

REHMANN-DR-03-002

- Rehmann approved no action on DR-03-002 at the request of DEO.

REHMANN-DR-03-003

- Rehmann-DR-03-003(a) attachment to break out the adjustments between smart grid investments included in our Rider DR-IM and street lights which are eliminated since they have separate tariffed rates.
- Rehmann-DR-03-003(b) attachment for the PUCO staff version of Schedule B-2.5b that eliminated the original cost and accumulated depreciation for the smart grid investment.
- Rehmann-DR-01-005 Attachment page 3 for original cost adjustments for smart grid investments as report in our June 2016 DCI filing.
- Rehmann-DR-03-003(c) attachment for a listing of smart grid projects.

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REHMANN-DR-03-004

- Rehmann-DR-03-004 Attachment for detail of accumulated depreciation for smart grid adjustments.

Rehmann-DR-03-005 CONFIDENTIAL as to Attachment (b)

- Rehmann-DR-03-005(a) Attachment for the PUCO Staff's calculation of property taxes allowed in the Company's last base rate case. (Case No. 12-1682-EL-AIR).
- Rehmann-DR-03-005(c) Attachment for calculation of average personal property tax rate.
- Rehmann-DR-03-005(b) Confidential Attachment for the 2015 Personal property tax valuation notices issued by the Ohio Department of Taxation.

REHMANN-DR-03-006

- Rehmann-DR-03-006 Attachment for detail of real property valuation and real property tax rate for calendar year 2016 calculation.
- Rehmann-DR-03-005 for PUCO staff calculation of amount in base rate as of March 31, 2012.

REHMANN-DR-04-001

- Rehmann DR-04-001(a) Attachment for copies of the Asset 810 reports from Power Plan for each project listed above.
- Rehmann DR-04-001(b) Attachment for the excel listings of detail transactions for each specific work order.

REHMANN-DR-04-002

- Rehmann DR-04-002(a) Attachment for copies of the Asset 810 reports from Power Plan for each project listed above.
- Rehmann DR-04-002(b) Attachment for the excel listings of detail transactions for each project.

REHMANN-DR-04-003

- Rehmann-DR-04-003 Attachment.

REHMANN-DR-04-004

- Rehmann DR-04-004(a) Attachment for the listing of detail transactions from the General Ledger.
- Rehmann DR-04-004(b) Attachment for copies of reports out of the Power Plan system that supports the verification of splits.
- Rehmann DR-01-001(a)(6) attachments for detail of retirement units for the projects.

REHMANN-DR-04-005

- See Rehmann DR-04-005(a) Attachment for the listing of detail transactions from the General Ledger
- See Rehmann DR-04-005(b) Attachment for copies of reports out of the Power Plan system that supports the verification of those splits.
- Rehmann DR-01-001(a)(6) attachments for detail of retirement units for the projects.

REHMANN-DR-04-006

- Rehmann-DR-04-006 Attachment.

REHMANN-DR-05-001

- Rehmann DR-05-001 Attachment. DR 05-002 will provide the specific projects that were charged before they were "rolled up" to KOH2016.

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REHMANN-DR-05-002

- Rehmann DR-05-001 Attachment for locations.
- Rehmann-DR-05-002(a) Attachment for detail projects rolled up to Project IKOHQ12.
- Rehmann-DR-05-002(b) Attachment for detail projects rolled up to Project IKOHQ13.
- Rehmann-DR-05-002(c) Attachment for detail projects rolled up to Project IKOH2014.
- Rehmann-DR-05-002(d) Attachment for detail projects rolled up to Project IKOH2016.

REHMANN-DR-05-003

- Rehmann DR-05-003(a) through (n) confidential attachments.

REHMANN-DR-05-004

- Rehmann DR-05-004(a) through (h) confidential attachments for construction prints.

REHMANN-DR-06-001 CONFIDENTIAL as to Attachment

- Rehmann- DR-06-001 Confidential Attachment.

REHMANN-DR-06-002

- Rehmann DR-06-002(a) attachment
- Rehmann DR-06-002(b) attachment

REHMANN-DR-06-003

- Rehmann - Memo describing work orders

REHMANN-DR-06-004

- Rehmann - Memo describing allocation policies

REHMANN-DR-07-001

- Rehmann DR-07-001 (a) Confidential Attachment
- Rehmann DR-07-001 (b) (1) CONF Attachment Accounts Payable Invoices
- Rehmann DR-07-001 (b) (2) Attachment Accounting detail for invoices
- Rehmann DR-07-001 (c) Attachment AFUDC
- Rehmann DR-07-001 (d) Attachment allocation calculations
- Rehmann DR-07-001 (e) Attachment-No attachment provided
- Rehmann DR-07-001 (f) Attachment inventory transactions
- Rehmann DR-07-001 (g) Attachment vehicle usage
- Rehmann DR-07-001 (h) Attachment company labor
- Rehmann DR-07-001 (i) Attachment miscellaneous charges
- Rehmann DR-07-001 (j) Attachment overheads applied to materials and labor

REHMANN-DR-07-002

- Rehmann DR-07-002 Attachment
- Rehmann DR-07-002 (a) (B1)Supp Attachment-Unretirements 2014
- Rehmann DR-07-002 (b) (B2) Supp Attachment-Unretirements 2013
- Rehmann DR-07-002 (c) (B3) Sup Attachment-Unretirements 2012
- Rehmann DR-07-002 (d) (B4)A Supp Attachment-Unretirements IKPH2013
- Rehmann DR-07-002 (e) (B5) Supp Attachment-Unretirements IKOHQ12
- Rehmann DR-07-002 (f) (B6-7)Supp Attachment-Summary
- Rehmann DR-07-002 (g) (B8) Supp Attachment-DEO 2014 Summary

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REHMANN-DR-08-001

- Rehmann DR-08-001 Attachment.

REHMANN-DR-08-002

- Rehmann DR-08-002 Attachment.

REHMANN-DR-08-003

- Rehmann DR-08-003 Attachment.

REHMANN-DR-08-004

- Rehmann DR-08-004 Attachment.

REHMANN-DR-08-005

- Rehmann DR-08-004 covers DR-08-005.

REHMANN-DR-08-006

- Rehmann DR-08-006 (a) Attachment.
- Rehmann DR-08-006 (b) Attachment.

REHMANN-DR-09-001

- Rehmann DR-09-001 Attachment.

REHMANN-DR-09-002

- Rehmann DR-09-002(a) Attachment

REHMANN-DR-09-003

- Rehmann DR-09-003 (a) Attachment
- Rehmann DR-09-003 (b) Attachment
- Rehmann DR-09-003 (c) Attachment
- Rehmann DR-09-003 (d) Attachment
- Rehmann DR-09-003 (e) Attachment

REHMANN-DR-10-001

- Rehmann DR-10-001 Attachment.
- Rehmann DR-10-002 Attachment

REHMANN-DR-11-001

- Rehmann DR-11-001 Attachment.

REHMANN-DR-12-001

- Rehmann – Memo describing work orders

REHMANN-DR-12-002

- Rehmann - Memo describing work orders.

REHMANN-DR-12-003

- Rehmann - Memo describing work orders.

REHMANN-DR-12-004

- Rehmann - Memo describing work orders.

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Rehmann Prepared**

Appendix C – Work Papers – Rehmann Prepared

- Field visit observation summaries, pictures, and Work Order Authorization Forms
- Excel file summary of sample of 23 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 100 transactions charged to new addition and retirement work orders
- Excel file summary of sample of 26 work order costs by resource code
- Excel file summary of sample of 13 retirement transactions
- FERC Form 1 detailed tests
- Excel file summary of accumulated deferred income tax tests
- Property tax tests
- Depreciation tests
- Excel file summary of the CAT test
- Excel file summary of grid modernization exclusions
- Plant-in-service detailed tests of balances
- Accumulated depreciation detailed tests of balances
- Excel file summary of quantification of over-retirements