Docket No. 18-1036-EL-RDR

Compliance Audit of the
July 1, 2017 to June 30, 2018 Distribution Capital Investment Rider
(“Rider DCI”)
Duke Energy Ohio

Submitted on December 6, 2018

Prepared by
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December 6, 2018
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 July 1, 2017 to June 30, 2018 Distribution Capital Investment Rider ("Rider DCI").

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

Sincerely,

Rehmann Consulting

Rehmann Consulting

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 18-1036-EL-RDR Annual Rider DCI Audit

Executive Summary

Background Information

Ohio Revised Code 4928.141 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”). Duke Energy Ohio, Inc. (“DEO”) filed an application for approval of an ESP on May 29, 2014. After a hearing, the Commission modified and approved DEO's application, *In re: Duke Energy Ohio*, Case No. 14-841-EL-SSO, et al., Opinion and Order (April 2, 2015) for the period June 1, 2015 through May 31, 2018. In its Opinion and Order, the Commission established a Distribution Capital Investment Rider (“Rider DCI”). Through the Rider DCI, DEO may recover property taxes, Commercial Activity Tax (“CAT”), and earn a return on and of plant-in-service associated with distribution net investment associated with Federal Energy Regulatory Commission (“FERC”) Plant Accounts 360-374. The net capital additions to be included in the Rider DCI reflect gross plant-in-service after March 31, 2012, as adjusted for accumulated depreciation. Capital additions recovered through other riders authorized by the Commission to recover distribution capital additions, will be identified and excluded from the Rider DCI. The maximum annual revenue authorized to be collected through the Rider DCI was also established. Pursuant to the Opinion and Order the Rider DCI is to be audited annually for the purpose of determining accuracy and reasonableness of the amounts for which recovery is sought. Such audit shall be conducted by an independent third-party auditor or the Commission's Staff at the Commission's direction.

Purpose

In accordance with the Opinion and Order in Case No. 14-841-EL-RDR, the Public Utilities Commission of Ohio (“PUCO”) sought proposals to review the accounting accuracy, prudency, and compliance of DEO with its PUCO-approved Rider DCI with regards to in-service net capital additions since the Opinion and Order. This review was to include the November 1, 2017 quarterly filing and the 2017 quarterly filings up to and including the August 1, 2018 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. Rehmann’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:

- Generally Accepted Accounting Principles (“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 it's PUCO-approved DCI in compliance with the Opinion and Order issued in Case No. 14-841-EL-SSO.

General Project Requirements

According to the Request for Proposal No. RA18-CA-3, the auditor selected shall complete the following tasks:

- Review Case No. 14-841-EL-SSO.
- Read all applicable testimony.
- Review Plant-in-Service related provisions contained within the Order in Case No. 12-1682-EL-AIR.
- Obtain and review, all additions, retirements, transfers, and adjustments to current date value of plant-in-service that have occurred since July 1, 2017.
- Assess verification with FERC Form 1 for year 2017.
- 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. 17-2088-EL-RDR.
- Assess 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 Operations and Maintenance ("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.
- Review the Company's actions taken to adjust the Rider DCI for the changes in tax rates via the Tax Cuts and Jobs Act of 2017, including accumulated deferred income tax ("ADIT") adjustments.
- Review the Company's procedures for estimating projects to ensure their accuracy, and assess if cost controls are adequate within projects.
- Review the Company's unitization of plant, following DEO Capitalization Guidelines.
- Review Case Nos. 16-1437-EL-RDR and 17-1118-EL-RDR and the auditor recommendations associated therewith and any Commission Orders in these cases.

Summary Findings and Recommendations by Task

Review Case No. 14-841-EL-SSO

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

Read all applicable testimony

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

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

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

Obtain and review, all additions, retirements, transfers, and adjustments to current date value of plant-in-service that have occurred since July 1, 2017

Rehmann obtained records of all additions, retirements, transfers, and adjustments to current date value of plant-in-service that have occurred from July 1, 2017 to June 30, 2018 from PowerPlan (the source Plant-in-Service System) that supports the Rider DCI filings. These records were before adjustments for Grid Mod Additions. We requested that these additions, retirements, transfers, and adjustments be provided at a work order level and by accounting period. The detailed work order additions of $169,380,388, retirements of $-38,876,331, and transfers of $-20,499,784 agreed to the four Rider DCI filings during the audit period.

Rehmann obtained summary records by FERC Account of all depreciation expense charged to the provision, retirements, cost of removal, salvage and other credits, transfers and adjustments, and impairments to current date value of accumulated depreciation that have occurred from July 1, 2017 to June 30, 2018. These records were before adjustments for Grid Mod Additions. The summary records of depreciation expense charged to the provision of $70,081,326, retirements of $-38,876,331, cost of removal of $-13,734,170, salvage credits of $4,412,212, transfers and adjustments of $2,933,335, and impairments of $-18,874 agreed to the four Rider DCI filings during the audit period.

Rehmann has no other observations and no recommendations from this task.

Verification with FERC Form 1 for year 2017

Rehmann compared FERC Form 1 or Form 3Q plant-in-service additions, retirements, transfers, and adjustments to plant-in-service to those reported in the four Rider DCI filings and noted the following distribution plant-in-service balance differences between FERC Forms and the DCI filings of which DEO provided detailed reconcilements making up the differences:

- 9/30/17 FERC Form $631,853 lower
- 12/31/17 FERC Form $19,710,115 higher
- 3/31/18 FERC Form $19,708,772 higher
- 6/30/18 FERC Form $12,539,651 lower

The larger reconciled differences included:

- $631,853 of plant recorded in all four quarterly FERC Forms in Electric Plant Held For Future Use but in distribution plant for the Columbia T&D substation causing the FERC Forms to be lower.
- A $-20,341,970 adjustment for transmission plant recorded as distribution plant that was manually added to the Rider DCI 12/31/17 and 3/31/18 causing the FERC Forms to be higher. The impact of these adjustments on the Rider DCI is quantified in this report.
- A $16,393,529 retirement that was recorded in the FERC Form 6/30/18 but not in the Rider DCI 6/30/18 causing the FERC Form to be lower. This entry was offset by the same adjustment to accumulated depreciation as noted below.
- A reclassification of CWIP dollars to plant-in-service dollars in 6/30/18 totaling $-4,487,077 and causing the FERC Form to be higher. Rehmann obtained the work orders supporting this reclassification and DEO confirmed that these reclassified work orders are in distribution plant for 9/30/18.

Rehmann also tested accumulated depreciation reserve and noted the following distribution plant accumulated depreciation balance differences between FERC Forms and the DCI filings of which DEO provided detailed reconcilements making up the differences:

- 9/30/17 FERC Form $65,176 higher
- 12/31/17 FERC Form $404,669 higher
- 3/31/18 FERC Form $485,592 higher
- 6/30/18 FERC Form $16,393,492 lower

The larger reconciled differences included:

- As noted above a $-20,341,970 adjustment for transmission plant recorded as distribution plant was manually added to the Rider DCI 12/31/17 and 3/31/18. The impact of this adjustment on accumulated depreciation caused the FERC Form 12/31/17 to be $404,629 higher and the FERC Form 3/31/18 to be $485,592 higher. The impact of these adjustments on the Rider DCI is quantified in this report.
- A $16,393,529 retirement that was recorded in the FERC Form 6/30/18 but not in the Rider DCI 6/30/18 causing the FERC Form to be lower. This entry was offset by the same adjustment to distribution plant-in-service as noted above.

Rehmann noted that the plant-in-service reconciling difference of $631,853 was due to Electric Plant Held For Future Use being included in distribution plant. The Electric Plant Held For Future Use was added to the March 31, 2015 Rider DCI filing. Since Electric Plant Held For Future Use is not used and useful plant it should be eliminated from the Rider DCI filings. Rehmann quantified the impact on the Rider DCI filings and the impact is noted below in Table 14: Impact of Plant Held For Future Use.

> Rehmann recommends that the $631,853 of Electric Plant Held For Future Use be eliminated from the plant-in-service balance on the next Rider DCI filing. In addition, the revenue requirement should be reduced by $62,464 for 14 quarterly Rider DCI filings (the length of time the Electric Plant Held For Future Use was included in Rider DCI filings up to the June 30, 2018 Rider DCI filing).

Rehmann also noted that the $4,487,077 reclassification of CWIP dollars to plant-in-service should have been included in the June 30, 2018 Rider DCI filing. Rehmann quantified below in Table 15: Impact of CWIP Reclassification, the one-quarter delay in filing distribution plant that was placed in service.

> Rehmann recommends that the $4,487,077 be included in plant-in-service in the next Rider DCI filing. In addition, the revenue requirement should be increased by $610,768 for one quarterly Rider DCI filing (the length of time the plant-in-service was excluded from Rider DCI filings).

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

Rehmann issued nine Document Requests (‘DR”) for documentation relating to the Company's compliance with its PUCO-approved Rider DCI. These requests are detailed in Appendix A. DEO responded very timely to these requests and they are summarized in Appendix B.

> Rehmann has no other observations and no recommendations from this task.

Obtain and review all appropriate documentation related to compliance with DEO's quarterly filings in Case No. 17-2088-EL-RDR

When reviewing documentation related to compliance with quarterly filings, Rehmann noted that DEO recorded an adjustment to reduce distribution plant-in-service by $20,341,971. These costs were originally added to the September 30, 2016 Rider DCI Filing. They were incorrectly classified as distribution plant and should have been classified as transmission plant. The correction was not made in PowerPlan until June 2018. The Rates Department made manual correcting adjustments in the Rider DCI filings for December 31, 2017 and March 30, 2018 (the error was not known before that). Rehmann quantified the impact on the Rider DCI filings and the impact is noted below in Table 12: Impact of Classifying Transmission Plant as Distribution Plant.

> Rehmann recommends that the revenue requirement be reduced by $2,763,853 for five quarterly Rider DCI filings (the length of time the error went undetected).

Rehmann tested detailed schedules supporting the Accumulated Deferred Income Taxes (“ADIT”) and Excess Deferred Income Tax (“EDIT”) which had a combined liability total of $444,828,276 at June 30, 2018. The deferred tax liability was properly calculated and supported for each quarterly filing. See below for the impact of the Tax Cuts and Jobs Act of 2017 on future Rider DCI deferred taxes.

> Rehmann has no other observations and no recommendations from this task.

Rehmann obtained the PUCO case that details the PUCO approved depreciation rates and tested and confirmed that appropriate depreciation and amortization rates were used in the depreciation expense calculation used in the Rider DCI filings.

> Rehmann has no other observations and no recommendations from this task.

Property taxes were properly calculated and supported for each quarterly filing.

Rehmann has no other observations and no recommendations from this task.

The CAT was properly calculated and supported for each quarterly filing.

Rehmann has no other observations and no recommendations from this task.

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

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

PUCO staff noted that one work order (H0359) for $1,246,914 had not been billed contributions in aid of construction ("CIAC"). The plant was placed in the December 31, 2017 Rider DCI. Rehmann quantified the impact on the Rider DCI filings as 50% of the new addition cost or $623,457. The impact is noted below in Table 13: Impact of Contributions in Aid of Construction.

Rehmann recommends that the revenue requirement be reduced by $83,865 for four quarterly Rider DCI filings (the length of time the under-billing went undetected). Rehmann also recommends that a customer agreement be drafted immediately after the work order is estimated and upon receiving a signed agreement from a customer on a billable amount, that an accounts receivable control account be established for monitoring aged contributions in aid of construction receivables.

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

Rehmann was advised in a DR-01-017 that there were several changes to the Duke Energy Regulated Electric & Gas Capitalization Guidelines dated January 1, 2018 ("Capitalization Guidelines"), during the audit period. Only one change impacted the amount charged to distribution plant. Per Accounting Standards Update ("ASU") 2017-07 related to treatment of pension costs, beginning January 1, 2018 only the service component of pension costs can be capitalized. FERC has allowed a one-time election to adopt the same practice for Regulated books, which DEO has affirmed, and therefore the FERC and GAAP treatment is aligned.

Rehmann was advised in DR-09-002 that the base amount for fringe benefit capital loadings was $5.8 million from January 1, 2018 to June 30, 2018. The fringe benefit loading percentage increased roughly 10.5 percentage points from 2017 to 2018 due to the disallowance of other components of pension and other post-employment benefits ("OPEB") costs such as expected return on plan assets, which typically reduces pension and OPEB expense. Therefore; Rehmann quantified the six-month Rider DCI impact as an increased capitalization of roughly $609,000.

Rehmann has no other observations and no 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. See below for the impact of the Tax Cuts and Jobs Act of 2017 on future Rider DCI deferred taxes.

Rehmann has no other observations and no recommendations from this task.

Review the Company's actions taken to adjust the Rider DCI for the changes in tax rates via the Tax Cuts and Jobs Act of 2017, including ADIT adjustments

The Tax Cuts and Jobs Act of 2017 reduced the corporate tax rate from 35% to 21%. The rate reduction resulted in EDIT. EDIT is made up of two basic components; protected EDIT and unprotected EDIT. The excess portion of the December 31, 2017 balance of deferred taxes collected at the 35% tax rate over the balance of deferred taxes that would have been collected had the 21% tax rate been in effect for those years, may not be shared with ratepayers any more rapidly or to any greater extent than permitted under the Average Rate Assumption Method (“ARAM”). The excess portion is referred to as protected because it is specifically protected by the normalization rules and ARAM. Under ARAM the excess deferred taxes may not be flowed through to ratepayers more quickly than the rate at which the book/tax temporary differences reverse over the regulatory life of the property that gave rise to the excess deferred taxes. The excess ADIT normalization requirements apply only to accelerated federal tax method/life depreciation differences on public utility property; they do not apply to excess ADIT on other book/tax temporary differences. These other book/tax temporary differences are referred to as unprotected EDIT. DEO is required to quantify and propose a plan to address the regulatory treatment of unprotected EDIT. This plan will most likely amortize unprotected amounts over a negotiated period of years and will be covered by a separate Rider from this Rider DCI.

Rehmann noted that DEO has identified Plant-Related EDIT totaling -$198,476,539 as a result of the Tax Cuts and Jobs Act of 2017 and segregated this excess from Plant-Related ADIT on the March 31, 2018 and June 30, 2018 Rider DCI filings. At June 30, 2018, the balance of ADIT was -$246,351,737.

Rehmann evaluated the EDIT balance totaling -$198,476,539 and noted that the total is based on actual distribution plant vintage data processed in Power Tax (Deferred Income Tax System) through December 31, 2016. Journal entries support the 2017 vintage distribution plant data since the 2017 data has not processed through Power Tax.

Rehmann recommends that final EDIT balances be established once 2017 vintage distribution plant data has processed through Power Tax.

Rehmann did note that no EDIT adjustments had been identified for Grid Mod Additions in the -$198,476,539 balance. DEO re-evaluated the adjustment balance and determined that $23,985,962 should have been captured as adjustments, thereby reducing the Adjusted Total Company balance of EDIT to -$174,490,577. While this adjustment had no impact on the Rider

DCI for March 31, 2018 and June 30, 2018 it does impact future Rider DCI filings and the EDIT amortization plan that will be developed in a separate Rider.

Protected EDIT totaled -$137,594,375 and unprotected EDIT totaled -$60,882,165. Adjusting the combined EDIT to -$174,490,577 also impacts the balance of protected EDIT and unprotected EDIT at June 30, 2018. Rehmann used an allocation formula, based on Power Tax deferred tax historical data through December 31, 2016, to reduce protected EDIT to -$115,431,345 and to reduce unprotected EDIT to $59,059,232.

> Rehmann recommends that upon processing 2017 vintage distribution plant data through Power Tax, that a revised allocation be established to allocate the $23,985,962 adjustment between protected and unprotected EDIT.

Review the Company's procedures for estimating projects to ensure their accuracy, and assess if cost controls are adequate within projects

Rehmann sampled 15 work orders for reasonableness of how well the estimated new addition costs versus cost of removal costs compare to actual new addition costs versus cost of removal costs as recorded in the Rider DCI filings. Automatic Review for Closing ("ARC") rules, which are programmed in PowerPlan, identify errors that will prevent work orders from being unitized once all costs have posted to the work orders (six months after construction completion). One of these errors is when the estimate is not within 25% of actual costs. Documentation must be received explaining the over or under run.

Five of the sampled work orders were within a 25% variance of their budget and therefore no documentation was required. Nine work orders had not closed and no documentation will be provided until the work orders close. The remaining work order (OUB998939), had documentation of the variance attached to the project, according to the DR-09-006 Attachment response. However; the documentation only stated that the $452,000 overrun was due to high contract labor costs of $450,000. This explanation is not definitive and could mean that DEO was overbilled for contract labor or contract labor from another work order was mis-allocated to the work order. The explanation does not pursue the possibility that more work than could be anticipated was required, the work order estimating system is not capturing all costs to complete the work, or additional hardships were incurred during the project.

> Since nine out of 10 work orders that exceeded the 25% variance ARC rule did not have the documentation follow-up completed, Rehmann cannot conclude on the effectiveness of budget variance detection and follow-up controls. Rehmann recommends that ARC rules follow-up be more timely and in conjunction with more timely unitization described below. In addition, when variances are analyzed the documented analysis should be more definitive to help ensure no overbillings or cost mis-allocations occurred, or that the estimating system does not effectively capture all costs that will be incurred. Rehmann recommends that work order OUB998939 be analyzed more definitively and the results documented with the work order. In addition, the remaining nine work orders should have variances documented in the same manner.

Review the Company's unitization of plant, following DEO Capitalization Guidelines

Unitization is an assignment and allocation of construction costs to property units by FERC Plant Accounts 360-374 and asset location. These Plant Accounts translate to Plant-In-Service Accounts ("FERC Account 101"). Rehmann noted that DEO had significant distribution plant-in-service charges in Completed Construction Not Classified ("FERC Account 106") which are several years old and represent un-unitized charges earning a return on rate base. The Capitalization Guidelines require charges in FERC Account 106 to be moved to FERC Account 101 within one year of being charged to FERC Account 106. DEO responded in DR-07-002:

> "Duke Energy's Central Project Accounting ("CPA") group was established at Duke Energy to centralize key transactional capital project accounting activities, processes, and reporting, including the timeliness of unitization. The CPA group resides organizationally within Duke Energy's asset accounting department under Duke Energy's Senior Vice President, Controller and Chief Accounting Officer's span of responsibility. The new centralized structure has allowed for incremental controls and oversight on new projects, to work towards unitization within 1 year of placing a project in service. The CPA group has taken several actions to further augment the unitization process and its oversight through automation, additional process changes and extended training. The Company remains firmly committed to its goal for maintaining timely project completions, unitizations and retirements, while at the same time reducing the unitization backlog on older projects as quickly as reasonably possible."

DEO also responded in DR-07-001 that there is $13,170,928 of FERC Account 106 un-unitized dollars in the base distribution plant-in-service balance (March 31, 2012 and previous) and $172,310,166 of FERC Account 106 un-unitized dollars in the current distribution plant balance (April 1, 2012 through July 31, 2017). These amounts are older than the Capitalization Guideline requirement and goal of unitizing plant before it is more than one year in service. The unitization process detects errors in charging expenditures to distribution plant, charging an incorrect work order, or charging an incorrect FERC Account. To illustrate the impact a back log of unitized charges can have on the Rider DCI, one work order (G1486) in our sample of 15 work orders field visited, charged $1,035,480 to distribution plant and FERC Account 106 on December 28, 2011. Adjustments totaling -$22,301 and $2,716 where made on May 1, 2012 and December 1, 2014, respectively. The work order was unitized on October 1, 2017 for $1,015,895. Therefore, the Rider DCI was reduced by $19,585 from the time the charges were placed originally in FERC Account 106.

> <u>Rehmann recommends that DEO establish a date that the back log of un-unitized amounts in FERC Account 106 will be caught up. As an incentive to meet the Capitalization Guidelines and DEO goal, the revenue requirement impact of all adjustments made in the unitization process that reduce the Rider DCI distribution plant-in-service balance should be quantified over the period the rate payers have been over charged. This period would be from the time the distribution plant was placed in FERC Account 106 until the time the distribution plant was unitized in FERC Account 101.</u>

In addition, Rehmann noted an increase in Retirement Work in Progress ("RWIP") from -$28,075,628 at June 30, 2017 to -$53,465,525 at June 30, 2018. While this accumulating balance has no impact on the Rider DCI, since all RWIP is accounted for in the balance of Accumulated Depreciation, an accumulating balance delays the unitization of cost of removal and salvage to FERC Plant Accounts 360-374. Cost of removal and salvage are critical components of establishing depreciation rates at individual FERC Plant Accounts 360-374. While this Rider DCI has authorized depreciation rates, it would be difficult to establish new authorized rates, representative of current depreciation expense, without the -$53,465,525 unitized.

> Rehmann recommends that DEO establish a date that the back log of un-unitized amounts in RWIP will be caught up.

Review Case Nos. 16-1437-EL-RDR and 17-1118-EL-RDR and the auditor recommendations associated therewith and any Commission Orders in these cases

Rehmann reviewed the Stipulation adopted by the Commission on September 26, 2018 for Case No. 16-1437-EL-RDR. The Stipulation states that Duke Energy will make an adjustment to increase its revenue requirement by $139,614 on its next Rider DCI Filing.

Rehmann reviewed the Stipulation adopted by the Commission on September 26, 2018 for Case No. 17-1118-EL-RDR. The Stipulation states that Duke Energy will make an adjustment to reduce its revenue requirement by $4,283,979 on its next Rider DCI Filing.

Rehmann concurs with these stipulations. One adjustment to revenue requirements has not yet been made to a Rider DCI filing. A reduction in distribution plant-in-service for over capitalization of tree trimming costs of $2,011,170 from Case No. 17-1118-EL-RDR requires a permanent reduction in revenue requirement of $305,457.

> Rehmann recommends that the tree trimming portion of the stipulation be resolved by recording journal entries in the accounting records which will allocate a reduction of $2,011,170 to Plant FERC Accounts that typically receive capitalized tree trimming costs. The Distribution Rate Base for Rider DCI will then be reduced and result in a permanent decrease of roughly $305,457 to revenue requirements. As an alternative recommendation, the revenue requirement impact (starting roughly at $305,457 and decreasing each quarter by depreciation) could be itemized quarterly in Rider DCI filings until the $2,011,170 is fully depreciated.

Overall Impact of Recommendations on Rider DCI Revenue Requirement

The impact of recommendations from this Rider DCI audit were run through the most applicable quarterly Rider DCI filing and are detailed individually in Tables 12-15.
Table 16 summarizes these in one table.

Detailed Observations and Recommendations by Task

Review Case No. 14-841-EL-SSO

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

Read all applicable testimony

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

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

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

Obtain and review, all additions, retirements, transfers, and adjustments to current date value of plant-in-service that have occurred since July 1, 2017

Rehmann obtained records of all additions, retirements, transfers, and adjustments to current date value of plant-in-service that have occurred from July 1, 2017 to June 30, 2018 from PowerPlan (the source Plant-in-Service System) that supports the Rider DCI filings. These records were before adjustments for Grid Mod Additions. We requested that these additions, retirements, transfers, and adjustments be provided at a work order level and by accounting period. The detailed work order additions of $169,380,388, retirements of $-38,876,331, and transfers of $-20,499,784 agreed to the four Rider DCI filings during the audit period. See Table 1: Plant-in-Service Change by FERC Account and Table 2: Plant-in-Service by Transaction Type.

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

Plant	30-Jun-18	30-Jun-17	Difference
Land and Land Rights	$17,753,875	$14,827,148	$2,926,727
Rights of Way	26,616,901	26,210,824	406,077
Structures and Improvements	21,164,731	20,093,467	1,071,264
Station Equip	204,790,451	188,780,746	16,009,705
Major Equip	119,303,604	117,872,432	1,431,172
Station Equip Electronic	0	0	0
Poles, Towers & Fixtures	341,606,379	328,323,088	13,283,291
Overhead Conductors & Devices	581,730,394	546,030,632	35,699,762
Underground Conduit	129,740,901	122,421,910	7,318,991
Underground Conductors and Devices	389,190,006	370,709,095	18,480,911
Line Transformers	385,103,357	412,253,294	-27,149,937
Customer Transformer Installations	3,755,297	3,755,297	0
Services-underground	18,741,371	4,940,498	13,800,873
Services OH	93,113,350	78,946,064	14,167,286
Meters	0	135,413	-135,413
Meter Instrument Transformers	7,826,052	7,409,920	416,132
Leased Meters	0	0	0
Leased Meter Instrument Transformers	5,672,328	5,672,328	0
Utility of the Future Meters	9,537,790	29,915,369	-20,377,579
Installation on Customers' Premises	0	0	0
Company Owned Outdoor Light	0	0	0
Leased Property on Cust Premises	102,503	102,503	0
Street Lighting	0	0	0
CGE Street Lighting OH	15,474,966	11,733,435	3,741,531
Street Lighting Boulevard	27,970,678	27,802,825	167,853
Light Security OL POL Flood	15,372,763	5,116,397	10,256,366
Light Choice OLE Public	0	0	0
Total After Grid Mod Adjustments	**$2,414,567,697**	**$2,323,052,685**	**$91,515,012**
Before Grid Mod Adjustments	**$2,588,198,380**	**$2,478,194,107**	**$110,004,273**

Significant variations in Table 1 include adjustments to correct an error related to transmission assets being booked as distribution assets during the unitization process. The unitization adjustments netted to -$20,341,970 and involved several FERC accounts with significant adjustments to Poles, Towers, & Fixtures -$14,033,212, Overhead Conductors & Devices -$14,725,097, Underground Conduit $7,534,057, Underground Conductors and Devices $12,809,416, Line Transformers -$52,565,823, Services-underground $7,534,058, Services OH $12,809,416, CGE Street Lighting OH $7,534,058, and Light Security OL POL Flood $12,809,437. In addition, a -$20,494,992 adjustment was recorded to Utility of Future Meters due to the Case No. 17-1118-EL-RDR Rider DCI Audit.

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

Period	Additions	Retirements	Transfers	Net Plant	Adjustments to Reconcile to the Rider DCI	Net Plant Per Rider DCI
7/1/17-9/30/17	$38,499,423	-$8,624,653	-$217,855	$29,656,915	$0	$29,656,915
10/1/17-12/31/17	55,608,593	-9,582,780	0	46,025,813	-20,341,970	$25,683,843
1/1/18 - 3/31/18	39,618,101	-7,829,807	3,418	31,791,712		$31,791,712
4/1/18-6/30/18	35,654,271	-12,839,091	-20,285,347	2,529,833	20,341,970	$22,871,803
Total Before Grid Mod Adjustments	**$169,380,388**	**-$38,876,331**	**-$20,499,784**	**$110,004,273**	**$0**	**$110,004,273**

Significant variations in Table 2 again include the unitization error of -$20,341,970 that was discovered and recorded in the December 31, 2017 Rider DCI but not recorded in accounting records until June 30, 2018. In addition, a -$20,494,992 adjustment was recorded to Utility of Future Meters in the September 30, 2017 DCI Filing due to the Case No. 17-1118-EL-RDR Rider DCI Audit.

Rehmann obtained summary records by FERC Account of all depreciation expense charged to the provision, retirements, cost of removal, salvage and other credits, transfers and adjustments, and impairments to current date value of accumulated depreciation that have occurred from July 1, 2017 to June 30, 2018. These records were before adjustments for Grid Mod Additions. The summary records of depreciation expense charged to the provision of $70,081,326, retirements of $-38,876,331, cost of removal of $-13,734,170, salvage credits of $4,412,212, transfers and adjustments of $2,933,335, and impairments of $-18,874 agreed to the four Rider DCI filings during the audit period. See Table 3: Accumulated Depreciation Change by FERC Account and Table 4: Accumulated Depreciation Summary by Transaction Type.

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Table 3: Accumulated Depreciation Change by FERC Account

Plant	30-Jun-18	30-Jun-17	Change
Land and Land Rights	$3,651	$3,652	-$1
Rights of Way	4,724,087	4,370,980	353,107
Structures and Improvements	4,940,232	4,648,506	291,726
Station Equip	63,465,624	71,841,476	-8,375,852
Major Equip	47,600,466	45,733,945	1,866,521
Station Equip Electronic	0	0	0
Poles, Towers& Fixtures	128,950,917	127,209,018	1,741,899
Overhead Conductors & Devices	115,220,842	120,340,851	-5,120,009
Underground Conduit	45,550,115	43,935,052	1,615,063
Underground Conductors and Devices	101,695,738	95,506,791	6,188,947
Line Transformers	147,876,883	151,145,848	-3,268,965
Customer Transformer Installations	2,804,387	2,721,019	83,368
Services-Underground	12,503,116	2,576,617	9,926,499
Services-Overhead	53,041,403	48,806,818	4,234,585
Meters	3,382,405	-3,245,813	6,628,218
Meter Instrument Transformers	2,641,327	2,416,781	224,546
Leased Meters	2,035,607	465,383	1,570,224
Leased Meter Instrument Transformers	1,321,895	1,157,085	164,810
Utility of the Future Meters	-9,151,626	-2,131,694	-7,019,932
Installation on Customers' Premises	-5,259	-93,745	88,486
Company Owned Outdoor Light	0	0	0
Leased Property on Cust Premises	-50,189	-54,289	4,100
Street Lighting	0	0	0
CGE Street Lighting OH	14,053,421	12,642,656	1,410,765
Street Lighting Boulevard	9,528,376	9,279,405	248,971
Light Security OL POL Flood	9,448,416	8,187,207	1,261,209
Light Choice OLE Public	0	0	0
Retirement WIP	-53,465,525	-28,075,628	-25,389,897
Total After Grid Mod Adjustments	**$708,116,309**	**$719,387,921**	**-$11,271,612**
Total Before Grid Mod Adjustments	**$750,832,786**	**$751,425,185**	**-$592,399**
Add Back Retirement WIP	**$53,465,525**	**$28,075,628**	**$25,389,897**
Total Before Retirement WIP	**$804,298,311**	**$779,500,813**	**$24,797,498**

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

Table 4: Accumulated Depreciation Summary by Transaction Type

Ending Period	Depreciation Expense	Retirements	Cost of Removal	Salvage & Other Credits	Transfers & Adjustments	Impairments	Net Change in Accumulated Depreciation
September 30, 2017	17,159,077	-8,624,653	-7,434,562	4,393,487	-11,979	0	5,481,370.00
December 31, 2017	17,439,488	-9,582,780	-4,615,538	19,100	5,298,450	-18,874	8,539,846.00
March 31, 2018	17,675,128	-7,829,807	-1,671,248	-375	0	0	8,173,698.00
June 30, 2018	17,807,633	-12,839,091	-12,822	0	-2,353,136	0	2,602,584.00
Total	$70,081,326	-$38,876,331	-$13,734,170	$4,412,212	$2,933,335	-$18,874	$24,797,498

Rehmann tested the detailed support to the Accumulated Depreciation Reserve by transaction type and found no unsupported entries by transaction type. Significant variations include the transfer of $5,298,450 for the effect of the -$20,494,992 adjustment that was recorded to Utility of Future Meters due to the Case No. 17-1118-EL-RDR Rider DCI Audit. In addition, a transfer of -$2,353,136 was recorded for the effect of the unitization adjustments as described above that netted to -$20,341,970.

Rehmann has no other observations and no recommendations from this task.

Verification with FERC Form 1 for year 2017

Rehmann compared FERC Form 1 or Form 3Q plant-in-service additions, retirements, transfers, and adjustments to plant-in-service to those reported in the four Rider DCI filings and noted the following distribution plant-in-service balance differences between FERC Forms and the DCI filings of which DEO provided detailed reconcilements making up the differences:

- 9/30/17 FERC Form $631,853 lower
- 12/31/17 FERC Form $19,710,115 higher
- 3/31/18 FERC Form $19,708,772 higher
- 6/30/18 FERC Form $12,539,651 lower.

The larger reconciled differences included:

- $631,853 of plant recorded in all four quarterly FERC Forms in Electric Plant Held For Future Use but in distribution plant for the Columbia T&D substation causing the FERC Forms to be lower.
- A $-20,341,970 adjustment for transmission plant recorded as distribution plant that was manually added to the Rider DCI 12/31/17 and 3/31/18 causing the FERC Forms to be higher. The impact of these adjustments on the Rider DCI is quantified in this report.

- A $16,393,529 retirement that was recorded in the FERC Form 6/30/18 but not in the Rider DCI 6/30/18 causing the FERC Form to be lower. This entry was offset by the same adjustment to accumulated depreciation as noted below.
- A reclassification of CWIP dollars to plant-in-service dollars in 6/30/18 totaling $-4,487,077 and causing the FERC Form to be higher. Rehmann obtained the work orders supporting this reclassification and DEO confirmed that these reclassified work orders are in distribution plant for 9/30/18.

Rehmann also tested accumulated depreciation reserve and noted the following distribution plant accumulated depreciation balance differences between FERC Forms and the DCI filings of which DEO provided detailed reconcilements making up the differences:

- 9/30/17 FERC Form $65,176 higher
- 12/31/17 FERC Form $404,669 higher
- 3/31/18 FERC Form $485,592 higher
- 6/30/18 FERC Form $16,393,492 lower

The larger reconciled differences included:

- As noted above a $-20,341,970 adjustment for transmission plant recorded as distribution plant was manually added to the Rider DCI 12/31/17 and 3/31/18. The impact of this adjustment on accumulated depreciation caused the FERC Form 12/31/17 to be $404,629 higher and the FERC Form 3/31/18 to be $485,592 higher. The impact of these adjustments on the Rider DCI is quantified in this report.
- A $16,393,529 retirement that was recorded in the FERC Form 6/30/18 but not in the Rider DCI 6/30/18 causing the FERC Form to be lower. This entry was offset by the same adjustment to distribution plant-in-service as noted above.

Rehmann noted that the plant-in-service reconciling difference of $631,853 was due to Electric Plant Held For Future Use being included in distribution plant. The Electric Plant Held For Future Use was added to the March 31, 2015 Rider DCI filing. Since Electric Plant Held For Future Use is not used and useful plant it should be eliminated from the Rider DCI filings. Rehmann quantified the impact on the Rider DCI filings and the impact is noted below in Table 14: Impact of Plant Held For Future Use.

> Rehmann recommends that the $631,853 of Electric Plant Held For Future Use be eliminated from the plant-in-service balance on the next Rider DCI filing. In addition, the revenue requirement should be reduced by $62,464 for 14 quarterly Rider DCI filings (the length of time the Electric Plant Held For Future Use was included in Rider DCI filings up to the June 30, 2018 Rider DCI filing).

Rehmann also noted that the $4,487,077 reclassification of CWIP dollars to plant-in-service should have been included in the June 30, 2018 Rider DCI filing. Rehmann quantified below in Table 15: Impact of CWIP Reclassification, the one-quarter delay in filing distribution plant that was placed in service.

> Rehmann recommends that the $4,487,077 be included in plant-in-service in the next Rider DCI filing. In addition, the revenue requirement should be increased by $610,768 for one quarterly Rider DCI filing (the length of time the plant-in-service was excluded from Rider DCI filings).

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. The Capitalization Guidelines clearly detail costs that may be capitalized. Rehmann sampled 50 transactions charged to new additions to plant-in-service (See Table 5: Sample of Work Order Charges by Resource Type).

Table 5: Sample Work Order Charges by Resource Type

Resource Description	Amount Charged to Work Orders
Labor-Union	-776
Labor Overhead Allocations	6,366
Unproduct Labor Alloc-Union	1,345
Allocated Fringes-Union	1,576
Incentives Allocated -Union	218
Service Company Overhead	7,453
Direct Material/Inventory Cost	869,687
Direct Purchases	95,036
Direct Material Purchases	212,292
Meals and Entertainment (50%)	2,568
Vehicle & Equip. Chargeback	8,596
Contract/Outside Services NLBR	2,592
Baseload Contract Labor	1,259,485
Turnkey Service Contract Labor	828,086
Other Contracts	-293,363
Allocated S&E (Non-Labor)	8,190
Purchase of Land Rights	557,500
Contr. in Aid of Const. (Tax)	-8,253
Contr. in Aid of Const. (NTax)	-240,350
AFUDC Debt	2,551
AFUDC Equity	5,051
Total	**$3,325,850**

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

Table 6: Sample Retirement Transactions

Description	Retirement Value	In Service Year
36200 - Station Equipment	-1,119,633	2010
36200 - Station Equipment	-359,835	1966
36202 - Major Equipment	-38,452	2009
36400 - Poles, Towers & Fixtures	-267	1996
36400 - Poles, Towers & Fixtures	-4,466	1996
36400 - Poles, Towers & Fixtures	-8,206	2014
36500 - Overhead Conductors & Device	-12,623	2005
36600 - Underground Conduit	-2,372	1990
36700 - Underground Conductors & Device	-22,393	2016
36800 - Line Transformers	-8,227	2004
Total	**-1,576,474**	

Charges incurred to remove plant assets are recorded as costs of removal. These costs are charged to the Accumulated Depreciation Reserve and therefore increase net plant-in-service. Rehmann tested 15 transactions totaling $48,351 that were charged on 10 work orders to cost of removal.

Rehmann has no other observations and no recommendations from this task.

Obtain and review all appropriate documentation related to compliance with DEO's quarterly filings in Case No. 17-2088-EL-RDR

When reviewing documentation related to compliance with quarterly filings, Rehmann noted that DEO recorded an adjustment to reduce distribution plant-in-service by $20,341,971. These costs were originally added to the September 30, 2016 Rider DCI Filing. They were incorrectly classified as distribution plant and should have been classified as transmission plant. The correction was not made in PowerPlan until June 2018. The Rates Department made manual correcting adjustments in the Rider DCI filings for December 31, 2017 and March 30, 2018 (the error was not known before that). Rehmann quantified the impact on the Rider DCI filings and the impact is noted below in Table 12: Impact of Classifying Transmission Plant as Distribution Plant.

Rehmann recommends that the revenue requirement be reduced by $2,763,853 for five quarterly Rider DCI filings (the length of time the error went undetected).

Rehmann tested detailed schedules supporting the ADIT and EDIT which had a combined liability total of $444,828,276 at June 30, 2018. The deferred tax liability was properly calculated and supported for each quarterly filing. See below for the impact of the Tax Cuts and Jobs Act of 2017 on future Rider DCI deferred taxes.

Rehmann has no other observations and no recommendations from this task.

Rehmann obtained the PUCO case that details the PUCO approved depreciation rates and tested and confirmed that appropriate depreciation and amortization rates were used in the depreciation expense calculation used in the Rider DCI filings. See Table 7: Depreciation Expense for the June 30, 2018 Rider DCI filing of depreciation expense of $63,527,992.

Rehmann has no other observations and no recommendations from this task.

Table 7: Depreciation Expense

	Depreciation Expense at 6-30-18		
Plant	**30-Jun-18**	**Depreciation Rate**	**Depreciation Expense**
Land and Land Rights	$17,753,875	0	$0
Rights of Way	26,616,901	0.0133	$354,005
Structures and Improvements	21,164,731	0.0169	$357,684
Station Equip	204,790,451	0.0192	$3,931,977
Major Equip	119,303,604	0.0192	$2,290,629
Station Equip Electronic	0	0.05	$0
Poles, Towers& Fixtures	341,606,379	0.024	$8,198,553
Overhead Conductors & Devices	581,730,394	0.028	$16,288,451
Underground Conduit	129,740,901	0.02	$2,594,818
Underground Conductors and Devices	389,190,006	0.0216	$8,406,504
Line Transformers	385,103,357	0.025	$9,627,584
Customer Transformer Installations	3,755,297	0.0222	$83,368
Sevices-Underground	18,741,371	0.02	$374,827
Services-Overhead	93,113,350	0.0326	$3,035,495
Meters	0	Amortization	$3,508,121
Meter Instrument Transformers	7,826,052	0.0286	$223,825
Leased Meters	0	Amortization	$1,570,224
Leased Meter Instrument Transformers	5,672,328	0.0286	$162,229
Utility of the Future Meters	9,537,790	0.0667	$636,171
Installation on Customers' Premises	0	0.0667	$0
Company Owned Outdoor Light	0	0	$0
Leased Property on Cust Premises	102,503	0.04	$4,100
CGE Street Lighting OH	15,474,966	0.0393	$608,166
Street Lighting Boulevard	27,970,678	0.0244	$682,485
Light Security OL POL Flood	15,372,763	0.0383	$588,777
Light Choice OLE Public	0	0.042	$0
Total	**$2,414,567,697**		**$63,527,992**

The property tax expense at June 30, 2018 was $96,563,363 and was properly calculated and supported for each quarterly filing.

Rehmann has no other observations and no recommendations from this task.

The CAT was $149,251 at June 30, 2018 and was properly calculated and supported for each quarterly filing.

Rehmann has no other observations and no recommendations from this task.

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

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

PUCO staff noted that one work order (H0359) for $1,246,914 had not been billed CIAC. The plant was added to the December 31, 2017 Rider DCI. Rehmann quantified the impact on the Rider DCI filings as 50% of the new addition cost or $623,457. The impact is noted below in Table 13: Impact of Contributions in Aid of Construction.

Rehmann recommends that the revenue requirement be reduced by $83,865 for four quarterly Rider DCI filings (the length of time the under-billing went undetected). Rehmann also recommends that a customer agreement be drafted immediately after the work order is estimated and upon receiving a signed agreement from a customer on a billable amount, that an accounts receivable control account be established for monitoring aged contributions in aid of construction receivables.

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

Rehmann was advised in a DR-01-017 that there were several changes to the Capitalization Guidelines, during the audit period. Only one change impacted the amount charged to distribution plant. Per ASU 2017-07 related to treatment of pension costs, beginning January 1, 2018 only the service component of pension costs can be capitalized. FERC has allowed a one-time election to adopt the same practice for Regulated books, which DEO has affirmed, and therefore the FERC and GAAP treatment is aligned.

Rehmann was advised in DR-09-002 that the base amount for fringe benefit capital loadings was $5.8 million from January 1, 2018 to June 30, 2018. The fringe benefit loading percentage increased roughly 10.5 percentage points from 2017 to 2018 due to the disallowance of other components of pension and OPEB costs such as expected return on plan assets, which typically reduces pension and OPEB expense. Therefore; Rehmann quantified the six-month Rider DCI impact as an increased capitalization of roughly $609,000.

Rehmann has no other observations and no 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. See below for the impact of the Tax Cuts and Jobs Act of 2017 on future Rider DCI deferred taxes.

> <u>Rehmann has no other observations and no recommendations from this task.</u>

Review the Company's actions taken to adjust the Rider DCI for the changes in tax rates via the Tax Cuts and Jobs Act of 2017, including ADIT adjustments

The Tax Cuts and Jobs Act of 2017 reduced the corporate tax rate from 35% to 21%. The rate reduction resulted in EDIT. EDIT is made up of two basic components; protected EDIT and unprotected EDIT. The excess portion of the December 31, 2017 balance of deferred taxes collected at the 35% tax rate over the balance of deferred taxes that would have been collected had the 21% tax rate been in effect for those years, may not be shared with ratepayers any more rapidly or to any greater extent than permitted under the ARAM. The excess portion is referred to as protected because it is specifically protected by the normalization rules and ARAM. Under ARAM the excess deferred taxes may not be flowed through to ratepayers more quickly than the rate at which the book/tax temporary differences reverse over the regulatory life of the property that gave rise to the excess deferred taxes. The excess ADIT normalization requirements apply only to accelerated federal tax method/life depreciation differences on public utility property; they do not apply to excess ADIT on other book/tax temporary differences. These other book/tax temporary differences are referred to as unprotected EDIT. DEO is required to quantify and propose a plan to address the regulatory treatment of unprotected EDIT. This plan will most likely amortize unprotected amounts over a negotiated period of years and will be covered by a separate Rider from this Rider DCI.

Rehmann noted that DEO has identified Plant-Related EDIT totaling -$198,476,539 as a result of the Tax Cuts and Jobs Act of 2017 and segregated this excess from Plant-Related ADIT on the March 31, 2018 and June 30, 2018 Rider DCI filings. At June 30, 2018, the balance of ADIT was -$246,351,737. Table 8: Plant Related Accumulated Deferred Income Taxes June 30, 2018 illustrates the Rider DCI filing of deferred taxes at June 30, 2018.

Rehmann evaluated the EDIT balance totaling -$198,476,539 and noted that the total is based on actual distribution plant vintage data processed in Power Tax through December 31, 2016. Journal entries support the 2017 vintage distribution plant data since the 2017 data has not processed through Power Tax.

> <u>Rehmann recommends that final EDIT balances be established once 2017 vintage distribution plant data has processed through Power Tax.</u>

Rehmann did note that no EDIT adjustments had been identified for Grid Mod Additions in the -$198,476,539 balance. DEO re-evaluated the adjustment balance and determined that $23,985,962 should have been captured as adjustments, thereby reducing the Adjusted Total Company balance of EDIT to -$174,490,577. This adjustment is illustrated in Table 9: Revised Plant Related Accumulated Deferred Income Taxes at June 30, 2018. While this adjustment had no impact on the Rider DCI for March 31, 2018 and June 30, 2018 it does impact future Rider DCI filings and the EDIT amortization plan that will be developed in a separate Rider.

Protected EDIT totaled -$137,594,375 and unprotected EDIT totaled -$60,882,165. The EDIT components as filed are illustrated in Table 10: Protected and Unprotected EDIT. Adjusting the combined EDIT to -$174,490,577 also impacts the balance of protected EDIT and unprotected EDIT at June 30, 2018. Rehmann used an allocation formula, based on Power Tax deferred tax historical data through December 31, 2016, to reduce protected EDIT to -$115,431,345 and to reduce unprotected EDIT to $59,059,232. The revised protected and unprotected EDIT are illustrated in Table 11: Revised Protected and Unprotected EDIT.

> <u>Rehmann recommends that upon processing 2017 vintage distribution plant data through Power Tax that a revised allocation be established to allocate the $23,985,962 adjustment between protected and unprotected EDIT.</u>

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Table 8: Plant Related Accumulated Deferred Income Taxes				
June 30, 2018				
				Adjusted
FERC Account 282 Description	Per Books	Adjustments		Total Company
263A	($50,987,945)	$0		($50,987,945)
AFUDC Debt	(1,231,749)	0		(1,231,749)
Casualty Loss	(7,358,082)	0		(7,358,082)
CIAC	10,599,528	0		10,599,528
CWIP Differences	356,559	0		356,559
FAS109	(17,438,979)	17,438,979		0
Miscellaneous	2,949,716	0		2,949,716
Non-Cash Overheads	10,275,384	0		10,275,384
Section 174	(388,974)	388,974		0
Software	0	0		0
Tax Depreciation	(204,275,924)	59,964,905	(a)	(144,311,019)
Tax Expensing	(69,107,628)	0		(69,107,628)
TIC	2,463,499	0		2,463,499
Total Plant-Related Accumulated Deferred Income Tax (b)	(324,144,595)	77,792,858		(246,351,737)
Total Plant-Related Excess Deferred Income Tax (b)	(198,476,539)	0		(198,476,539)
Total Plant-Related ADIT and EDIT	($522,621,134)	$77,792,858		($444,828,276)
(a) Grid Mod additions				
(b) The Plant-Related Acculated Deferred Income Tax (ADIT) amounts and Excess Deferred Income Tax (EDIT) presented are after adjustments from the Tax Cuts and Jobs Act of 2017. As part of tax reform portions of the ADIT amounts were reclassified as regulatory liabilities that would also be deducted from net plant for purposes of calculating net rate base.				

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Table 9: Revised Plant Related Accumulated Deferred Income Taxes

June 30, 2018							
							Adjusted
FERC Account 282 Description		**Per Books**		**Adjustments**			**Total Company**
263A		($50,987,945)		$0			($50,987,945)
AFUDC Debt		(1,231,749)		0			(1,231,749)
Casualty Loss		(7,358,082)		0			(7,358,082)
CIAC		10,599,528		0			10,599,528
CWIP Differences		356,559		0			356,559
FAS109		(17,438,979)		17,438,979			0
Miscellaneous		2,949,716		0			2,949,716
Non-Cash Overheads		10,275,384		0			10,275,384
Section 174		(388,974)		388,974			0
Software		0		0			0
Tax Depreciation		(204,275,924)		35,978,943		(a)	(168,296,981)
Tax Expensing		(69,107,628)		0			(69,107,628)
TIC		2,463,499		0			2,463,499
Total Plant-Related Accumulated Deferred Income Tax (b)		(324,144,595)		53,806,896			(270,337,699)
Total Plant-Related Excess Deferred Income Tax (b)		(198,476,539)		23,985,962			(174,490,577)
Total Plant-Related ADIT and EDIT		($522,621,134)		$77,792,858			($444,828,276)
(a) Grid Mod additions							
(b) The Plant-Related Accumulated Deferred Income Tax (ADIT) amounts and Excess Deferred Income Tax (EDIT) presented are after adjustments from the Tax Cuts and Jobs Act of 2017. As part of tax reform portions of the ADIT amounts were reclassified as regulatory liabilities that would also be deducted from net plant for purposes of calculating net rate base.							

Table 10: Protected and Unprotected EDIT

June 30, 2018		
EDIT Description		**Amount**
Unprotected EDIT		($60,882,165)
Protected EDIT:		
Job Creation		5,895,056
Method/Life		(143,489,431)
Total Protected EDIT		(137,594,375)
Total EDIT		($198,476,540)

Table 11: Revised Protected and Unprotected EDIT

June 30, 2018						
EDIT Description		**Amount**		**Adjustments**		**Adjusted Total Company**
Unprotected EDIT		($60,882,165)		$1,822,933	(b)	($59,059,232)
Protected EDIT:						
Job Creation		5,895,056		0	(b)	5,895,056
Method/Life		(143,489,430)		22,163,029	(b)	(121,326,401)
Total Protected EDIT		(137,594,374)		22,163,029		(115,431,345)
Total EDIT		($198,476,539)		$23,985,962	(a)	($174,490,577)

Notes:
(a) Adjustment to June 30, 2018 Rider DCI Filing due to allocating EDIT to Grid Mod additions.
(b) Historical EDIT data for Grid Mod additions has 92.4% under Method/Life, 7.6% under unprotected EDIT, and 0% under Job Creation

Review the Company's procedures for estimating projects to ensure their accuracy, and assess if cost controls are adequate within projects

Rehmann sampled 15 work orders for reasonableness of how well the estimated new addition costs versus cost of removal costs compare to actual new addition costs versus cost of removal costs as recorded in the Rider DCI filings. ARC rules, which are programmed in PowerPlan, identify errors that will prevent work orders from being unitized once all costs have posted to the work orders (six months after construction completion). One of these errors is when the estimate is not within 25% of actual costs. Documentation must be received explaining the over or under run.

Five of the sampled work orders were within a 25% variance of their budget and therefore no documentation was required. Nine work orders had not closed and no documentation will be provided until the work orders close. The remaining work order (OUB998939), had documentation of the variance attached to the project, according to the DR-09-006 Attachment response. However; the documentation only stated that the $452,000 overrun was due to high contract labor costs of $450,000. This explanation is not definitive and could mean that DEO was overbilled for contract labor or contract labor from another work order was mis-allocated to the work order. The explanation does not pursue the possibility that more work than could be anticipated was required, the work order estimating system is not capturing all costs to complete the work, or additional hardships were incurred during the project.

> Since nine out of 10 work orders that exceeded the 25% variance ARC rule did not have the documentation follow-up completed, Rehmann cannot conclude on the effectiveness of budget variance detection and follow-up controls. Rehmann recommends that ARC rules follow-up be more timely and in conjunction with more timely unitization described below. In addition, when variances are analyzed the documented analysis should be more definitive to help ensure no overbillings or cost mis-allocations occurred, or that the estimating system does not effectively capture all costs that will be incurred. Rehmann recommends that work order OUB998939 be analyzed more definitively and the results documented with the work order. In addition, the remaining nine work orders should have variances documented in the same manner.

Review the Company's unitization of plant, following DEO Capitalization Guidelines

Unitization is an assignment and allocation of construction costs to property units by FERC Plant Accounts 360-374 and asset location. These Plant Accounts translate to FERC Account 101. Rehmann noted that DEO had significant distribution plant-in-service charges in FERC Account 106 which are several years old and represent un-unitized charges earning a return on rate base. The Capitalization Guidelines require charges in FERC Account 106 to be moved to FERC Account 101 within one year of being charged to FERC Account 106. DEO responded in DR-07-002:

> "Duke Energy's Central Project Accounting ("CPA") group was established at Duke Energy to centralize key transactional capital project accounting activities, processes, and reporting, including the timeliness of unitization. The CPA group resides organizationally within Duke Energy's asset accounting department under Duke Energy's Senior Vice President, Controller and Chief Accounting Officer's span of responsibility. The new centralized structure has

allowed for incremental controls and oversight on new projects, to work towards unitization within 1 year of placing a project in service. The CPA group has taken several actions to further augment the unitization process and its oversight through automation, additional process changes and extended training. The Company remains firmly committed to its goal for maintaining timely project completions, unitizations and retirements, while at the same time reducing the unitization backlog on older projects as quickly as reasonably possible."

DEO also responded in DR-07-001 that there is $13,170,928 of FERC Account 106 un-unitized dollars in the base distribution plant-in-service balance (March 31, 2012 and previous) and $172,310,166 of FERC Account 106 un-unitized dollars in the current distribution plant balance (April 1, 2012 through July 31, 2017). These amounts are older than the Capitalization Guideline requirement and goal of unitizing plant before it is more than one year in service. The unitization process detects errors in charging expenditures to distribution plant, charging an incorrect work order, or charging an incorrect FERC Account. To illustrate the impact a back log of unitized charges can have on the Rider DCI, one work order (G1486) in our sample of 15 work orders field visited, charged $1,035,480 to distribution plant and FERC Account 106 on December 28, 2011. Adjustments totaling -$22,301 and $2,716 where made on May 1, 2012 and December 1, 2014, respectively. The work order was unitized on October 1, 2017 for $1,015,895. Therefore, the Rider DCI was reduced by $19,585 from the time the charges were placed originally in FERC Account 106.

<u>Rehmann recommends that DEO establish a date that the back log of un-unitized amounts in FERC Account 106 will be caught up. As an incentive to meet the Capitalization Guidelines and DEO goal, the revenue requirement impact of all adjustments made in the unitization process that reduce the Rider DCI distribution plant-in-service balance should be quantified over the period the rate payers have been over charged. This period would be from the time the distribution plant was placed in FERC Account 106 until the time the distribution plant was unitized in FERC Account 101.</u>

In addition, Rehmann noted an increase in RWIP from -$28,075,628 at June 30, 2017 to -$53,465,525 at June 30, 2018. While this accumulating balance has no impact on the Rider DCI, since all RWIP is accounted for in the balance of Accumulated Depreciation, an accumulating balance delays the unitization of cost of removal and salvage to FERC Plant Accounts 360-374. Cost of removal and salvage are critical components of establishing depreciation rates at individual FERC Plant Accounts 360-374. While this Rider DCI has authorized depreciation rates, it would be difficult to establish new authorized rates, representative of current depreciation expense, without the -$53,465,525 unitized.

<u>Rehmann recommends that DEO establish a date that the back log of un-unitized amounts in RWIP will be caught up.</u>

Review Case Nos. 16-1437-EL-RDR and 17-1118-EL-RDR and the auditor recommendations associated therewith and any Commission Orders in these cases

Rehmann reviewed the Stipulation adopted by the Commission on September 26, 2018 for Case No. 16-1437-EL-RDR. The Stipulation states that Duke Energy will make an adjustment to increase its revenue requirement by $139,614 on its next Rider DCI Filing.

Rehmann reviewed the Stipulation adopted by the Commission on September 26, 2018 for Case No. 17-1118-EL-RDR. The Stipulation states that Duke Energy will make an adjustment to reduce its revenue requirement by $4,283,979 on its next Rider DCI Filing.

Rehmann concurs with these stipulations. One adjustment to revenue requirements has not yet been made to a Rider DCI filing. A reduction in distribution plant-in-service for over capitalization of tree trimming costs of $2,011,170 from Case No. 17-1118-EL-RDR requires a permanent reduction in revenue requirement of $305,457.

> <u>Rehmann recommends that the tree trimming portion of the stipulation be resolved by recording journal entries in the accounting records which will allocate a reduction of $2,011,170 to Plant FERC Accounts that typically receive capitalized tree trimming costs. The Distribution Rate Base for Rider DCI will then be reduced and result in a permanent decrease of roughly $305,457 to revenue requirements. As an alternative recommendation, the revenue requirement impact (starting roughly at $305,457 and decreasing each quarter by depreciation) could be itemized quarterly in Rider DCI filings until the $2,011,170 is fully depreciated.</u>

Detailed Impact of Recommendations on Rider DCI Revenue Requirement

The impact of recommendations from this Rider DCI audit were run through the most applicable quarterly Rider DCI filing and are detailed individually in Tables 12-15.
Table 16 summarizes these impacts in one table.

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 18-1036-EL-RDR Annual Rider DCI Audit

Table 12: Impact of Classifying Transmission Plant as Distribution Plant

Description	September 30, 2016 as Filed	Corrected September 30, 2016	Impact
Gross Distribution Plant	$2,189,735,400	$2,169,441,690	-$20,293,710
Accumulated Depreciation on Distribution Plant	$722,558,743	$722,488,512	-$70,231
Net Distribution Plant in Service	$1,467,176,657	$1,446,953,178	-$20,223,479
Accum Def Income Taxes on Distr Plant	-$385,264,103	-$380,844,883	$4,419,220
Distribution Rate Base for Rider DCI	$1,081,912,554	$1,066,108,295	-$15,804,259
Return on Rate Base (Pre-Tax %)	10.68%	10.68%	$0
Return on Rate Base (Pre-Tax)	$115,548,261	$1,113,860,366	$998,312,105
Depreciation Expense	$57,686,366	$57,405,442	-$280,924
Property Tax Expense (Excludes M&S)	$82,962,829	$82,174,980	-$787,849
Revenue Requirement Before CAT	$256,197,455	$253,440,788	-$2,756,667
Change in Revenue Requirement	$37,039,386	$34,282,719	-$2,756,667
Incremental Commercial Activities Tax	$96,553	$89,367	-$7,186
Total Rider DCI Revenue Requirement (1)	$37,135,940	$34,372,087	-$2,763,853
Annual Base Distribution Revenue (2)	$404,401,058	$404,401,058	$0
DEO Percentage of Base Distribution Revenue	9.183%	8.500%	-0.6830%

Table 13: Impact of CIAC

Description	December 31, 2017 as Filed	Corrected December 31, 2017	Impact
Gross Distribution Plant	$2,360,613,468	$2,359,990,011	-$623,457
Accumulated Depreciation on Distribution Plant	$719,977,233	$719,973,867	-$3,366
Net Distribution Plant in Service	$1,640,636,235	$1,640,016,144	-$620,091
Accum Def Income Taxes on Distr Plant	-$442,273,937	-$442,138,171	$135,766
Distribution Rate Base for Rider DCI	$1,198,362,298	$1,197,877,973	-$484,325
Return on Rate Base (Pre-Tax %)	9.22%	9.22%	$0
Return on Rate Base (Pre-Tax)	$110,489,004	$110,444,349	-$44,655
Depreciation Expense	$62,290,619	$62,277,152	-$13,467
Property Tax Expense (Excludes M&S)	$94,554,620	$94,529,095	-$25,525
Revenue Requirement Before CAT	$267,334,243	$267,250,596	-$83,647
Change in Revenue Requirement	$48,176,174	$48,092,528	-$83,646
Incremental Commercial Activities Tax	$125,585	$125,367	-$218
Total Rider DCI Revenue Requirement (1)	$48,301,759	$48,217,894	-$83,865
Annual Base Distribution Revenue (2)	$404,401,058	$404,401,058	$0
DEO Percentage of Base Distribution Revenue	11.944%	11.923%	-0.0210%

Public Utilities Commission of Ohio
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Table 14: Impact of Land Held For Future Use

Description	June 30, 2018 as Filed	Corrected June 30, 2018	Impact
Gross Distribution Plant	$2,414,567,697	$2,413,935,844	-$631,853
Accumulated Depreciation on Distribution Plant	$708,116,309	$708,116,309	$0
Net Distribution Plant in Service	$1,706,451,388	$1,705,819,535	-$631,853
Accum Def Income Taxes on Distr Plant	-$444,828,276	-$444,828,276	$0
Distribution Rate Base for Rider DCI	$1,261,623,112	$1,260,991,259	-$631,853
Return on Rate Base (Pre-Tax %)	9.22%	9.22%	$0
Return on Rate Base (Pre-Tax)	$116,321,651	$116,321,651	$0
Depreciation Expense	$63,527,992	$63,527,992	$0
Property Tax Expense (Excludes M&S)	$96,563,363	$96,559,318	-$4,045
Revenue Requirement Before CAT	$276,413,006	$276,350,704	-$62,302
Change in Revenue Requirement	$57,254,937	$57,192,635	-$62,302
Incremental Commercial Activities Tax	$149,251	$149,088	-$163
Total Rider DCI Revenue Requirement (1)	$57,404,188	$57,341,724	-$62,464
Annual Base Distribution Revenue (2)	$404,401,058	$404,401,058	$0
DEO Percentage of Base Distribution Revenue	14.195%	14.179%	-0.0160%

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
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Table 15: Impact of CWIP Reclassification

Description	June 30, 2018 as Filed	Corrected June 30, 2018	Impact
Gross Distribution Plant	$2,414,567,697	$2,419,054,774	$4,487,077
Accumulated Depreciation on Distribution Plant	$708,116,309	$708,143,464	$27,155
Net Distribution Plant in Service	$1,706,451,388	$1,710,911,310	$4,459,922
Accum Def Income Taxes on Distr Plant	-$444,828,276	-$445,805,395	-$977,119
Distribution Rate Base for Rider DCI	$1,261,623,112	$1,265,105,915	$3,482,803
Return on Rate Base (Pre-Tax %)	9.22%	9.22%	$0
Return on Rate Base (Pre-Tax)	$116,321,651	$116,642,765	$321,114
Depreciation Expense	$63,527,992	$63,636,611	$108,619
Property Tax Expense (Excludes M&S)	$96,563,363	$96,742,810	$179,447
Revenue Requirement Before CAT	$276,413,006	$277,022,186	$609,180
Change in Revenue Requirement	$57,254,937	$57,864,117	$609,180
Incremental Commercial Activities Tax	$149,251	$150,839	$1,588
Total Rider DCI Revenue Requirement (1)	$57,404,188	$58,014,956	$610,768
Annual Base Distribution Revenue (2)	$404,401,058	$404,401,058	$0
DEO Percentage of Base Distribution Revenue	14.195%	14.346%	0.1510%

Table 16: Total Impact of Recommendations on Rider DCI Revenue Requirement

Recommendation	Transaction Correction	Quarterly Change In Revenue Requirement	Quarterly Percentage Point Change in DEO Percentage of Base Distribution Revenue	Number of Quarterly Rider DCI Filings Impacted
Classifying Transmission Plant as Distribution Plant	-$20,293,710	-$2,763,853	-0.683	**5**
Contributions in Aid of Construction not Billed	-$623,457	-$83,865	-0.021	4
Classifying Land Held For Future Use as Distribution Plant	-$631,853	-$62,464	-0.016	14
CWIP Reclassification	$4,487,077	$610,768	0.151	1
Total	-$17,061,943	-$2,299,414	-0.5690	24

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 18-1036-EL-RDR Annual Rider DCI Audit
Document Request #1

Appendix A – Work Papers - Document Requests

Date Submitted: 8/15/2018

To: Dianne Kuhnell

CC: Elizabeth Watts, Sarah Lawler, Jay Brown, Doris McCarter, Devon Mackey

From: Kirk Balcom

General Notes:

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

Item	Description	Date Requested	Priority	Date Received
01-001	Please provide four quarterly Excel Spreadsheets, which minimally lists, by work order, each new addition, transfer, adjustment, and retirement from July 1, 2017 through June 30, 2018 and lists within each work order the FERC account, completion date, and total cost.	8/15/2018	1	8/27/2018
01-002	Please provide four quarterly canned reports out of PowerPlan, which minimally lists, by work order, each new addition, transfer, adjustment, and retirement from July 1, 2017 through June 30, 2018 and lists within each work order the FERC account, completion date, and total cost.	8/15/2018	2	8/28/2018
01-003	Please provide four quarterly Monthly Depreciation Reserve Activity Reports out of PowerPlan that lists by FERC account beginning reserve, provision, retirements, cost of removal, salvage and other credits, transfers and adjustments, impairments and gain or loss, and ending reserve from July1, 2017 through June 30, 2018.	8/15/2018	2	8/28/2018
01-004	Please provide in Excel Spreadsheets four quarterly Monthly Depreciation Reserve Activity Reports that lists by FERC account beginning reserve, provision, retirements, cost of removal, salvage and other credits, transfers and adjustments, impairments and gain or loss, and ending reserve from July1, 2017 through June 30, 2018.	8/15/2018	1	8/27/2018
01-005	Please provide the following Duke Energy Ohio, Inc. FERC Reports in PDF format: • FERC Form 1 for 12-31-17 • FERC Form 3Q for 9-30-17	8/15/2018	2	9/10/2018

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 18-1036-EL-RDR Annual Rider DCI Audit
Document Request #1

Item	Description	Date Requested	Priority	Date Received
	• FERC Form 3Q for 3-31-18 • FERC Form 3Q for 6-30-18 (may not be filed as of 8-16-18)			
01-006	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.	8/15/2018	2	8/27/2018
01-007	Please provide a copy of all other riders describing capital additions recovered that are excluded from the DCI.	8/15/2018	2	8/27/2018
01-008	Please provide a copy of the follow-up audit report(s), if any, completed as a result of the 11-28-17 Rehmann DCI Audit.	8/15/2018	2	8/27/2018
01-009	Please provide in an Excel Spreadsheet a report by work order for all FERC accounts, from July 1, 2017 to June 30, 2018, that lists the cost of removal and salvage charges and credits, the posting period, and the utility account description.	8/15/2018	1	8/27/2018
01-010	Please provide an Excel Spreadsheet of the support to the average real property tax rate used in the DCI filings for 2016 pay and 2017 statement year that includes county, parcels, statement description, current tax value, and current paid amount.	8/15/2018	2	8/27/2018
01-011	Please provide the support for the real property allocation by function.	8/15/2018	2	8/27/2018
01-012	Please provide an Excel Spreadsheet of the support to the personal property tax rate used in DCI filings that includes county, taxing district, 2017 T&D value, 17 pay and18 tax rate, and 17 pay and 18 T&D tax.	8/15/2018	2	8/27/2018
01-013	Please provide supporting details for the total plant-related excess deferred income tax amount of $(198,476,539) as listed in the March 31, 2018 and June 30, 2018 Rider DCI Filings.	8/15/2018	2	8/27/2018
01-014	Please provide a detailed reconciliation of the FERC account 282 as of 6/30/18 to the DCI filing before adjustments as of 6/30/18.	8/15/2018	2	8/27/2018
01-015	Please provide detailed support to the following 282 subaccounts as of 6/30/18: • 263A • CIAC • Non cash overheads • Tax depreciation • Tax expensing	8/15/2018	2	8/27/2018

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 18-1036-EL-RDR Annual Rider DCI Audit
Document Request #1

Item	Description	Date Requested	Priority	Date Received
01-016	Please provide four quarterly Excel Spreadsheets, which minimally lists, by work order and amount, all transaction activity from July 1, 2017 to June 30, 2018 supporting the adjustments column in the Plant in Service Summary and Accumulated Depreciation Summary.	8/15/2018	1	8/27/2018
01-017	Please provide a copy of the current Capitalization Policy. Please summarize any changes since July 1, 2017.	8/15/2018	2	8/27/2018
01-018	Please provide support for any adjustments that will be reflected in DCI Filings per Stipulations and Recommendations for case No. 16-1437-EL-RDR and Case No. 17-1118-EL-RDR, subsequent to the 6-30-18 DCI Filing, that were from the 12-8-16 and 11-28-17 Rehmann DCI Audits, respectively. (Rehmann noted that no revenue requirement adjustments have been recorded as of the 6-30-18 DCI Filing).	8/15/2018	3	8/27/2018

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 18-1036-EL-RDR Annual Rider DCI Audit
Document Request #2

Date Submitted: 9/10/2018

To: Dianne Kuhnell

CC: Elizabeth Watts, Sarah Lawler, Jay Brown, Doris McCarter, Devon Mackey

From: Kirk Balcom

General Notes:

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

Item	Description	Date Requested	Priority	Date Received
2-001	Please provide, in Excel Format, a listing by FERC account, resource type, date of transaction, description of transaction and amount, all details pertaining to new addition work orders: • D1598DS1 totaling $1,665,528 • F8425 totaling $2,694,829 • G1486 totaling $-1,015,895 • G8157 totaling $2,999,581 • G9970 totaling $-8,253	9/10/2018	1	9/21/2018
2-002	Please provide, in Excel Format, a listing by FERC account, resource type, date of transaction, description of transaction and amount, all details pertaining to new addition work orders: • H0359 totaling $1,246,914 • H0461 $1,141,066 • OEC920152 $1,058,948 • OH090158 totaling $514,082 • OIL049299 totaling $1,433,336	9/10/2018	1	9/21/2018
2-003	Please provide, in Excel Format, a listing by FERC account, resource type, date of transaction, description of transaction and amount, all details pertaining to new addition work orders: • OUB998939 totaling $566,594 • OUC261076 totaling $805,251 • P6282 totaling $1,027,434 • P7689 totaling $-320,576 • T1554DS1 totaling $3,756,058	9/10/2018	1	9/21/2018

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 18-1036-EL-RDR Annual Rider DCI Audit
Document Request #2

Item	Description	Date Requested	Priority	Date Received
2-004	For each of the new addition work orders listed in 2-001, 2-002, and 2-003 please provide a Work Order Authorization Information Report that details a work order description, approvals, addition and retirement cost estimates, property units retired, and unitization amounts.	9/10/2018	1	9/21/2018
2-005	For each of the new addition work orders listed in 2-001, 2-002, and 2-003 please provide in Excel Format, a listing by FERC account, resource type, date of transaction, description of transaction and amount, all details pertaining to the corresponding retirement work order (if retirement work was involved). These retirement transactions include costs of removal and salvage credits.	9/10/2018	1	9/21/2018
2-006	For each of the new addition work orders listed in 2-001, 2-002, and 2-003 please provide the CU Estimate Property Additions and Retirements Report and the construction print.	9/10/2018	1	9/28/2018

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 18-1036-EL-RDR Annual Rider DCI Audit
Document Request #3

Date Submitted: 9/12/2018

To: Dianne Kuhnell

CC: Elizabeth Watts, Sarah Lawler, Jay Brown, Doris McCarter, Devon Mackey

From: Kirk Balcom

General Notes:

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

Item	Description	Date Requested	Priority	Date Received
3-001	For each of the quarterly DCI Filing please provide, in Excel Format, details (including work order, transaction type, transaction date, and amount) of Retirement Work in Progress as noted below: • 9/30/17 ($32,930,713) • 12/31/17 ($37,321,369) • 3/31/18 ($42,733,406) • 6/30/18 ($53,465,525)	9/12/2018	2	10/5/2018
3-002	Please provide an explanation for the increase in Retirement Work in Progress from ($28,075,628) at June 30, 2017 to ($53,465,525) at June 30, 2018.	9/12/2018	2	10/5/2018
3-003	Please provide a reconciliation for the following Distribution Plant In Service Balance differences between FERC Forms and the DCI Filings: • 9/30/17 FERC Form $631,855 lower • 12/31/17 FERC Form $19,710,115 higher • 3/31/18 FERC Form $19,708,772 higher • 6/30/18 FERC Form $12,539,651 lower	9/12/2018	1	9/21/2018
3-004	Please provide a reconciliation for the following Distribution Plant Accumulated Depreciation Balance differences between FERC Forms and the DCI Filings: • 9/30/17 FERC Form $65,176 higher • 12/31/17 FERC Form $404,669 higher • 3/31/18 FERC Form $485,592 higher • 6/30/18 FERC Form $16,393,492 lower	9/12/2018	1	9/21/2018
3-005	REHMANN DR-01-004 requested Excel Spreadsheets for four quarterly Monthly Depreciation Reserve Activity	9/12/2018	1	9/21/2018

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 18-1036-EL-RDR Annual Rider DCI Audit
Document Request #3

Item	Description	Date Requested	Priority	Date Received
	Reports that lists by FERC account beginning reserve, provision, retirements, cost of removal, salvage and other credits, transfers and adjustments, impairments and gain or loss, and ending reserve from July1, 2017 through June 30, 2018. These Excel Spreadsheets agree to Accumulated Depreciation filed in the December 31, 2017 and March 31, 2018 FERC Forms but do not agree to the Accumulated Depreciation filed in the September 30, 2018 ($65,176 lower) and June 30, 2018 ($16,393,492 higher) FERC Forms. Please provide a reconciliation for the differences.			
3-006	REHMANN DR-01-001(m) Attachment stated ($20,341,970) in adjustments were made to the Q4 2017 and Q1 2018 quarterly filings. The rider filings in Q4 of 2017 and Q1 of 2018 were adjusted to correct an error related to Transmission assets being booked as Distribution assets during the unitization process. The adjustment was removed when a journal entry to correct the error was booked in June 2018. Please provide a response to the following questions related to the adjustment: • For December 31, 2017 the detailed supporting Excel Files for Plant In Service were $20,341,970 higher than the DCI Filing and for March 31, 2018 there was no difference between the Excel Files and DCI Filing. However, for June 30, 2018 the detailed supporting Excel Files for Plant In Service were $20,341,970 lower than the DCI Filing. Was the DCI Rider Filing for March 31, 2018 adjusted also and if so by what amount, or was it entirely corrected in the June 30, 2018 DCI Filing? • Is the support to the ($20,341,970) adjustment detailed in the June 30, 2018 Transfers Excel File? If so the June 30,2108 Transfers Excel File had a total of ($20,285,347); therefore was the difference of $56,623 the total of transfers that were not adjustments? • If the support to the ($20,341,970) adjustment is detailed in the June 30, 2018 Transfers Excel File, then most all of the transfer transactions have an engineering in service date before July 1, 2017; therefore were they originally recorded in Plant In Service in DCI Filings before the September 30, 2017 DCI Filing? If so could you please provide a	9/12/2018	1	10/5/2018

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 18-1036-EL-RDR Annual Rider DCI Audit
Document Request #3

Item	Description	Date Requested	Priority	Date Received
	schedule as to which DCI Quarterly Filings they were originally added to Plant In Service?			
3-007	Please provide, in Excel Format, a listing by FERC account, resource type, date of transaction, description of transaction and amount, all details pertaining to new addition work orders: • EMETEROH $4,111,818 • IOOHSP11 totaling $15,285,292 • OOUTUG totaling $1,433,336 • OTM875685 totaling $0 but had $84,040 unitized • PDOHRPLOH totaling $1,410,538 • VDREMVCOH totaling $1,156,550	9/12/2018	1	10/5/2018

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 18-1036-EL-RDR Annual Rider DCI Audit
Document Request #4

Date Submitted: 9/26/2018

To: Dianne Kuhnell

CC: Elizabeth Watts, Sarah Lawler, Jay Brown, Doris McCarter, Devon Mackey

From: Kirk Balcom

General Notes:

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

Item	Description	Date Requested	Priority	Date Received
4-001	Please provide the detailed support such as invoices for accounts payable transactions, payroll timesheets for internal labor, and detailed calculations for allocations such as AFUDC for the attached sample of 50 transactions (DR-04-001 50 Transactions Charged to New Additions).	9/26/2018	1	10/12/2018
4-002	Please provide the detailed support such as invoices for accounts payable transactions for the attached sample of 15 transactions (DR-04-002 15 Transactions Charged to Cost of Removal).	9/26/2018	1	10/12/2018
4-003	Please provide the detailed support for the attached sample of 10 transactions (DR-04-003 10 Transactions Charged to Plant Retirement Units). This support may be one of the following: • The Handy-Whitman calculation • Specific pricing • Statistical Aging Curve support by listing, for the retirement unit selected, the vintage year price and quantities in service at the vintage year the Curve selected; and then 10 vintage years before the vintage year the Curve selected and 10 vintage years after the vintage year the Curve selected (unless there are fewer than 10 years after) with their respective vintage quantities and vintage price. This information can be as of the date this document request is responded to.	9/26/2018	1	10/12/2018

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 18-1036-EL-RDR Annual Rider DCI Audit
Document Request #5

Date Submitted: 9/27/2018

To: Dianne Kuhnell

CC: Elizabeth Watts, Sarah Lawler, Jay Brown, Doris McCarter, Devon Mackey

From: Kirk Balcom

General Notes:

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

Item	Description	Date Requested	Priority	Date Received
5-001	Please provide the 2017 Valuation Notice that supports the "True Value Percentage" on page 10 of 12 of each of the quarterly DCI Filings.	9/27/2018	2	10/12/2018
5-002	Please provide the following Real Property County Tax Bills supporting the Real Property Tax Rate of 7.8532% used in the December 31, 2017, March 30, 2018 and June 30, 2018 DCI Filings as noted below: • Clermont County; 27-28-02C-016; 27-28-02C-016(US Route 52); value $11,651,220; paid $686,603 • Hamilton County; 083-0001-0221-00; 083-0001-00221-00 (WS Main St); value $3,559,890; paid $350,706 • Hamilton County;147-0007-0258-00; 147-0007-0258-00 (ES Gest St); value $2,466,500; paid $235,396 • Hamilton County;083-0001-0216-00; 083-0001-0216-00 (SWC 4th & Main St 115.09); value $2,267,170; paid $222,171 • Hamilton County;137-0003-0070-00; West Front St 200' irr.lots 62 to 6; value $793,190; paid $75,873 • Hamilton County; 600-0013-0077-00; Solzman Rd 433 x 1,015' Lot 2 Nordl; value $419,820; paid $34,638 • Hamilton County;076-0001-0027-00; Central Ave & Charles St, Boiler; value $392,290; paid $37,557 • Hamilton County;105-0002-0060-00; 814 Whittier St RE Bill; value $357,490; paid $34,105	9/27/2018	2	10/12/2018

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 18-1036-EL-RDR Annual Rider DCI Audit
Document Request #5

Item	Description	Date Requested	Priority	Date Received
	• Hamilton County; 242-0006-0007-00; Rear Corner May & Station ft.irr.; value $355,930; paid $33,956 • Hamilton County; 550-0070-0022-00; N.W. N.S. Audro Dr. 7.11 ac. Pars.; value $378,350; paid $29,366			
5-003	Please provide the Personal Property County Tax Bills supporting the Average T & D Rate of 9.783% used in the March 31, 2018 and June 30, 2018 DCI Filings as noted below: • HAMILTON 31-1110 $40,374,982 • BUTLER 09-0410 $5,947,657 • CLERMONT 13-0420 $3,438,162 • BUTLER 09-0060 $2,979,421 • HAMILTON 31-0960 $2,744,592 • HAMILTON 31-0080 $2,701,617 • HAMILTON 31-0030 $2,458,242 • BUTLER 09-0520 $2,261,485 • CLERMONT 13-0180 $2,187,922 • HAMILTON 31-0060 $2,139,765	9/27/2018	2	10/12/2018
5-004	Please confirm that the following Real Property is new property that is taxable beginning December 31, 2017: TREASURER OF HAMILTON COUNTY-WIRE Parcel 510-0071-0041-00 7600 Colerain Ave. 510-0071-0041-00 Tax value $177,870 Tax amount $16,742 TREASURER OF HAMILTON COUNTY-WIRE Parcel 510-0071-0165-00 7600 Colerain Ave. 510-0071-0165-00 Tax Value $75,890 Tax Amount $6,547 TREASURER OF BUTLER CO OHIO (DEO) Parcel M5610-001-000-045 M5610-001-000-045 Tax Value $124,920 Tax Amount $10,054	9/27/2018	2	10/12/2018

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 18-1036-EL-RDR Annual Rider DCI Audit
Document Request #5

Item	Description	Date Requested	Priority	Date Received
5-005	Please confirm that the proper tax rate was used on the following real property tax values beginning December 31, 2017: TREASURER OF WARREN COUNTY Parcel 11054000211, 11054000212, 11054000212 895 S Union Rd RE Tax Value $8,910 Tax Amount $6,208 CLERMONT COUNTY Parcel 18-24-04G-170, 18-24-04G-170 Deerfield Substation, 1487 State Route 131 Tax Value $89,920 Tax Amount $16,344	9/27/2018	2	10/12/2018

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 18-1036-EL-RDR Annual Rider DCI Audit
Document Request #6

Date Submitted: 10/11/2018

To: Dianne Kuhnell

CC: Elizabeth Watts, Sarah Lawler, Jay Brown, Doris McCarter, Devon Mackey

From: Kirk Balcom

General Notes:

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

Item	Description	Date Requested	Priority	Date Received
6-001	Please provide the detailed calculations supporting the balances of the individual unprotected and protected amounts that make up the $(198,476,539) of Excess Deferred Income Tax stated in Rehmann DR-01-013 Attachment.	10/11/2018	2	10/19/2018
6-002	Please provide the detailed calculations supporting the Journal Entries that make up the Accumulated Deferred Income Tax Per Books amounts at June 30, 2018 stated in Rehmann DR- 01-015 Attachment as noted below: • CIAC $(4,913,108.09) • Tax Depreciation $94,822,871.48 • 263A $23,683,358.16 • Non Cash Overheads $(4,750,377.10) • Tax Expensing $32,078,849.50	10/11/2018	2	10/19/2018
6-003	Please provide the detailed calculations supporting the Book Balance used to develop the Accumulated Deferred Income Tax Per Books Vintage Year 2016 amounts at June 30, 2018 stated in Rehmann DR- 01-015 Attachment and as noted below: • CIAC $(1,487,061.34) Excel Row 500 • Tax Depreciation $24,348,591.65 Excel Row 566 • 263A $6,911,435.56 Excel Row 1931 • Non Cash Overheads $824,729.02 Excel Row 2527 • Tax Expensing $7,815,893.70 Excel Row 2564	10/11/2018	2	10/19/2018

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 18-1036-EL-RDR Annual Rider DCI Audit
Document Request #7

Date Submitted: 10/15/2018

To: Dianne Kuhnell

CC: Elizabeth Watts, Sarah Lawler, Jay Brown, Doris McCarter, Devon Mackey

From: Kirk Balcom

General Notes:

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

Item	Description	Date Requested	Priority	Date Received
7-001	Please provide the balance of FERC Account 106 at June 30, 2018 pertaining to Electric Distribution FERC Subaccounts. Please then sort the detail balances by work order and then engineering in service date.	10/15/2018	2	10/26/2018
7-002	Please provide the goals and objectives for unitizing the backlog of charges to Electric Distribution FERC Account 106 at June 30, 2018. Also, please provide the methodology and resources that will be used to effectively and efficiently attain those goals and objectives.	10/15/2018	2	10/26/2018
7-003	Please provide explanations for differences between charges to FERC Account 106 and subsequent unitization to FERC Account 101 as detailed in Rehmann DR- 07-003 Attachment and as noted below: • 1972 $89,595 Difference • 2014 -$3,934,689 Difference • 2015 -$27,242,432 Difference Please confirm whether the total of $35,401,188 charged to FERC Account 101 and for engineering in service years before April 1, 2012 are in the base plant total at March 31, 2012 of $1,878,034,210 or were added to a DCI Rider on or after April 1, 2012.	10/15/2018	2	10/26/2018
7-004	Response to Rehmann DR-03-006 stated the $20,293,710.58 costs were originally added to the Q4 2016 DCI Rider filing. They were incorrectly classified as distribution plant and should have been classified as transmission plant. The correction was not made in the	10/15/2018	2	10/26/2018

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 18-1036-EL-RDR Annual Rider DCI Audit
Document Request #7

Item	Description	Date Requested	Priority	Date Received
	system until June 2018. The rates department made manual correcting adjustments in the DCI Rider filings for both Q4 2017 and Q1 2018 (the error was not known before that). Rehmann traced to the new additions detail provided to them for the first DCI Rider audit covering April 1, 2012 thru June 30, 2016 for work orders GLPRDOH and NBOH and noted the following: • GLPRDOH was charged a total of $9,271.40 of which $5,796 was charged June 30, 2018 • NBOH was charged a total of $257,143.64 of which $139,153.09 was charged on June 30, 2018 Please confirm which work orders charged the $20,293,710.58 to the DCI Rider quarter period ending June 30, 2016.			
7-005	Work order G1486 for -$1,015,895 was credited to FERC Account 106 and for work placed in service in 2011. These credits where recorded in the September 30, 2017 and December 31, 2017. Please confirm which FERC account (101, 106 or other) was debited September 30, 2017 and December 31, 2017 for $1,015,895 and which work orders received the debits. The work was placed in service in 2011. Please confirm whether the original $1,015,895 was part of the base plant in service balance at March 31, 2012 of $1,878,034,210 or was added to a DCI Rider on or after April 1, 2012. If on or after April 1, 2012 please provide which work orders were charged.	10/15/2018	2	10/26/2018

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 18-1036-EL-RDR Annual Rider DCI Audit
Document Request #8

Date Submitted: 10/23/2018

To: Dianne Kuhnell

CC: Elizabeth Watts, Sarah Lawler, Jay Brown, Doris McCarter, Devon Mackey

From: Kirk Balcom

General Notes:

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

Item	Description	Date Requested	Priority	Date Received
8-001	Rehmann reviewed the results of the sample of 50 transactions charged to new additions and listed questions in the DR-08-001 Attachment. Please provide a response to the questions within the attachment.	10/23/2018	2	11/5/2018
8-002	Rehmann reviewed the results of the sample of 15 transactions charged to cost of removal and listed questions in the DR-08-002 Attachment. Please provide a response to the questions within the attachment.	10/23/2018	2	11/5/2018
8-003	Rehmann reviewed the results of the sample of 10 retirement unit transactions and listed questions in the DR-08-003 Attachment. Please provide a response to the questions within the attachment.	10/23/2018	2	11/5/2018

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Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 18-1036-EL-RDR Annual DCI Rider Audit
Document Request #9

Date Submitted: 11/2/2018

To: Dianne Kuhnell

CC: Elizabeth Watts, Sarah Lawler, Jay Brown, Doris McCarter, Devon Mackey

From: Kirk Balcom

General Notes:

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

Item	Description	Date Requested	Priority	Date Received
9-001	Rehmann was advised in DR 01-017 Response that there were several changes to the Capitalization Policy, dated January 1, 2018, during the audit period. Only one change impacted the amount charged to Distribution Plant. Per ASU 2017-07 related to treatment of pension costs, beginning January 1, 2018 only the service component of pension costs can be capitalized. FERC has allowed a one-time election to adopt the same practice for Regulated books, which DEO has affirmed, and therefore the FERC and GAAP treatment is aligned. Please provide the fringe benefit loading rates for 2017 and 2018 for both union and non-union. Please then show that only pension service costs are in the 2018 rates and show that all pension costs are in the 2017 rates.	11/2/2018	1	11/9/2018
9-002	To assist in quantifying the impact of the Capitalization Policy change described in DR-9-001 above please provide summary totals of dollar amounts charged to the Rider DCI for the following resource codes or other resource codes from January 1, 2018 to June 30, 2018 that the fringe benefit loadings are applied to: Union loadings go against resource codes: • Labor union 11002 • Overtime union 12004 • Unproductive Labor Alloc-Union 18005 • Incentives Allocated Union 18401 Non -union loadings go against resource codes:	11/2/2018	1	11/9/2018

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Attorney-Client Privileged

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 18-1036-EL-RDR Annual DCI Rider Audit
Document Request #9

Item	Description	Date Requested	Priority	Date Received
	• Labor 11000 • Unproductive labor allocated 18001 • Incentives Allocated 18400			
9-003	Rehmann was advised in DR 03-003 that one reconciling item between the June 30, 2018 Rider DCI and FERC Form 3Q was a $4,487,077 on-top journal entry to re-classify CWIP dollars to plant-in-service. Please provide the work order(s) making up the $4,487,077 reconciling difference. Also, please confirm that this $4,487,077 will be included as new plant-in-service additions in the next September 30, 2018 DCI Rider Filing.	11/2/2018	1	11/9/2018
9-004	Work order H0359 had $1,246,914.43 in new additions. Field visit observations disclosed there was a potential for contribution in aid of construction (CIAC); however none has been received to date. Please confirm whether or not this work order will receive CIAC. If not, please describe the nature of the work that causes no CIAC to be billed.	11/2/2018	1	11/9/2018
9-005	The following work orders were charged with tree trimming: • H0461 $23,015.56 • OUB998939 $1,584.21 • P6282 $10,021.31 • P7689 $7,689.06 • T1554DS1 $27,491.50 Each of the work orders were field visited and observations disclosed that each overhead line appeared to be part of routine tree trimming maintenance. Please confirm whether or not these work orders qualified for capitalized tree trimming.	11/2/2018	1	11/9/2018
9-006	Please confirm which of the work orders in the DR-9-006 Attachment will or have received explanations or approvals for new addition or retirement over or under runs from the work order estimates.	11/2/2018	1	11/9/2018

Appendix B – Work Papers - Document Request Responses

REHMANN-DR-01-001
See REHMANN DR-01-001(a) – REHMANN DR-01-001(d) for the respective quarterly Excel Spreadsheets for additions.
See REHMANN DR-01-001(e) – REHMANN DR-01-001(h) for the respective quarterly Excel Spreadsheets for retirements.
See REHMANN DR-01-001(i) – REHMANN DR-01-001(l) for the respective quarterly Excel Spreadsheets for transfers.
See REHMANN DR-01-001(m) Attachment for adjustments made to the Q4 2017 and Q1 2018 quarterly filings.

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

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

REHMANN-DR-01-004
See REHMANN DR-01-004(a) – REHMANN DR-01-004(d) for the respective quarterly Excel Spreadsheets for Reserve activity.
See REHMANN DR-01-004(e) Attachment for adjustments made to the Q4 2017 quarterly filing.
See REHMANN DR-01-004(f) Attachment for adjustments made to the Q1 2018 quarterly filings.

REHMANN-DR-01-005
See Rehmann-DR-01-005(a) attachment for the 2017 FERC Form 1.
See Rehmann-DR-01-005(b) attachment for third quarter 2017 Form 3Q.
See Rehmann-DR-01-005(c) attachment for first quarter 2018 Form 3Q.
See Rehmann-DR-01-005(d) attachment for second quarter 2018 Form 3Q.

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

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

REHMANN-DR-01-008
There was no follow-up audit report recommended or completed as a result of the 11-28-17 Rehmann DCI Audit.

REHMANN-DR-01-009
See REHMANN DR-01-009 Attachment for the Excel Spreadsheets for Cost of Removal and Salvage activity from July 1, 2017 to June 30, 2018.

REHMANN-DR-01-010
See Rehmann-DR-01-010(a) for 2015 pay 2016 rate.
See Rehmann-DR-01-010(b) for 2016 pay 2017 rate.

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

REHMANN-DR-01-012
See Rehmann-DR-01-012(a) for support for rate used in 3rd quarter 2017 filing.
See Rehmann-DR-01-012(b) for support for rate used in 4th quarter 2017 filing.
See Rehmann-DR-01-012(c) for support for rate used in 1st and 2nd quarter 2018 filings.

REHMANN-DR-01-013
See Rehmann-DR-01-013 Attachment.

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

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

REHMANN-DR-01-016
There have been no new capital additions included in the smart grid Rider (DR-IM) since December 2015.
See REHMANN-DR-01-016 Attachment for supporting documentation of adjustments.

REHMANN-DR-01-017 Confidential
See REHMANN–DR-01-017(a) Confidential Attachment.
See REHMANN–DR-01-017(b) Confidential Attachment.

REHMANN-DR-01-018
No audit adjustments have been made as a result of Rehmann's audit in Case No. 16-1437-EL-RDR or Case No. 17-1118-EL-RDR.

Public Utilities Commission of Ohio
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REHMANN-DR-02-001
See Rehmann DR-02-001 Attachment.

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

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

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

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

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

REHMANN-DR-03-001
See attachments REHMANN-DR-03-001(a) – REHMANN-DR-03-001(d)

REHMANN-DR-03-002
The increase in retirement work in progress (RWIP) is due to an increase in cost of removal spend during the year driven primarily by refinements in the process to allocate costs between CWIP and RWIP.

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

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

REHMANN-DR-03-005
See Rehmann-DR-03-005 Attachment. Reconciling items are the same as provided in Rehmann-DR-03-004 Attachment.

REHMANN-DR-03-006
The entire amount of $20,341,970 was corrected in the June 30, 2018 filing. The amount transferred in the June 30, 2018 file that relates to the original filing adjustment of $20,341,971.05 was $20,293,710.58 (projects NBOH and GLPRDOH). These costs were originally added to the Q4 2016 DCI Rider filing.

REHMANN-DR-03-007
See Rehmann-DR-03-007 Attachment.

REHMANN-DR-04-001
See Rehmann-DR-04-001(a) Attachment for labor related samples.
See Rehmann-DR-04-001(b) Attachment for samples from the inventory system.
See Rehmann-DR-04-001(c) Attachment for samples related to unproductive labor.
See Rehmann-DR-04-001(d) Attachment for AFUDC Debt and Equity samples.
See Rehmann-DR-04-001 (e) Confidential Attachment for copies of the invoices.
See Rehmann-DR-04-001 (f) Confidential Attachment for a summary of the corresponding invoice detail.
See Rehmann-DR-04-001(g) Confidential Attachment for copies and reports of various miscellaneous entries.
See Rehmann-DR-04-001(h) Attachment for allocations.
See Rehmann-DR-04-001(i) Attachment for expenses.
See Rehmann-DR-04-001(j) Attachment for fleet services charges.
See Rehmann-DR-04-001(k) Attachment for service company overhead.
See Rehmann-DR-04-001(l) Attachment for cost of removal allocation.
See Rehmann-DR-04-001(m) Attachment for index of samples.

REHMANN-DR-04-002
See Rehmann-DR-04-002 (a) Confidential Attachment for invoices.
See Rehmann-DR-04-002 (b) Confidential Attachment for the corresponding invoice detail.
See Rehmann-DR-04-002 (c) Attachment for manual journal entries.
See Rehmann-DR-04-002(d) Attachment for Cost of Removal adjustment entries.
See Rehmann-DR-04-002(e) Attachment for Index of Transactions.

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

REHMANN-DR-05-001
See Rehmann-DR-05-001 Attachment.

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

REHMANN-DR-05-003
See Rehmann DR-05-003Attachment.

REHMANN-DR-05-004
See Rehmann DR-05-004 Attachment.

REHMANN-DR-05-005
See Rehmann DR-05-005 Attachment.

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

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

REHMANN-DR-06-003
See Rehmann-DR-06-003 Attachment.

REHMANN-DR-07-001
See Rehmann-DR-07-001 Attachment.

REHMANN-DR-07-002
The Company remains firmly committed to its goal for maintaining timely project completions, unitizations and retirements, while at the same time reducing the unitization backlog on older projects as quickly as reasonably possible.

REHMANN-DR-07-003
See Rehmann-DR-07-003 Attachment.

REHMANN-DR-07-004
See Rehmann-DR-07-004 Attachment.

REHMANN-DR-07-005
On 10/1/17, all costs in project IOOHSP11 were unitized and the charges were moved to FERC Account 101. The dollar impact of all of these adjustments to the four Rider DCI quarterly filings under the scope of this audit is zero. The dollar impact to Rider DCI since the inception of the rider is the two small adjustments noted above totaling a credit to the rider of ($19,585).

REHMANN-DR-08-001
See Rehmann-DR-08-001 Attachment.
See Rehmann-DR-08-001 Supplemental Attachment.

REHMANN-DR-08-002
See Rehmann-DR-08-002 Attachment.

REHMANN-DR-08-003
See Rehmann-DR-08-003 Attachment.

REHMANN-DR-09-001
See Rehmann-DR-09-001 Attachment.
See Rehmann-DR-09-001 Revised Attachment.

REHMANN-DR-09-002
See Rehmann-DR-09-002 Attachment.

REHMANN-DR-09-003
See Rehmann-DR-09-003 Attachment.

REHMANN-DR-09-004
Contribution in aid of construction is expected for this project. The amount is being determined and it will be billed at that time.

REHMANN-DR-09-005
Each of the five work orders charged with tree trimming costs were determined to qualify for capital versus operations and maintenance recording of tree trimming.

REHMANN-DR-09-006
See Rehmann-DR-09-006 Attachment.
See Rehmann-DR-09-006 Supplemental Attachment.

Appendix C – Work Papers Prepared by Rehmann Consulting

- Field visit observation summaries and pictures for 15 work orders (91 files)
- Excel file summary of sample of 15 work orders field visited
- Excel file of new additions work orders
- Excel file of retirement work orders
- Excel file of transfer work orders
- Excel file summary of sample of 50 transactions charged to new additions (plus 12 supporting schedules)
- Excel file summary of sample of 15 transactions charged to cost of removal (plus four supporting schedules)
- Excel file summary of sample of 10 retirement transactions
- FERC Form 1 detailed tests – PDF
- FERC Form 1 reconciliation of differences - PDF
- Excel file summary of accumulated deferred income tax tests (seven files)
- Property tax tests (five files)
- Depreciation tests - PDF
- Excel file summary of the CAT test
- Excel file summary of grid modernization tests
- Excel file summary of plant-in-service detailed tests of balances (three files)
- Excel File summary of accumulated depreciation detailed tests of balances (four files)
- Excel files quantifying impacts on revenue requirement (four quantification files)
- Excel file summary of RWIP buildup
- Excel file summary of un-unitized amounts by engineering in-service year
- Excel file summary of capitalization of pension service costs only
- Document requests (17 files)
- Document request responses (192 files)