

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Review of Duke :  
Energy Ohio, Inc.'s Distribution Capital : Case No. 19-1287-EL-RDR  
Investment Rider. :

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**COMMENTS  
SUBMITTED ON BEHALF OF THE STAFF OF  
THE PUBLIC UTILITIES COMMISSION OF  
OHIO**

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**I. BACKGROUND**

On December 19, 2018, the Public Utilities Commission of Ohio (Commission) modified and approved an application for an Electric Security Plan (ESP) filed by Duke Energy Ohio, Inc. (Duke or the Company) for the period June 1, 2018, through May 31, 2024.<sup>1</sup> In the SSO Opinion and Order, the Commission established a Distribution Capital Investment (DCI) rider to allow for the recovery of capital costs for distribution infrastructure investments.<sup>2</sup> The DCI rider was to be reviewed by Staff or an independent auditor annually for accounting accuracy, prudence, and compliance with the Commission's SSO Opinion and Order.<sup>3</sup>

In the instant case, on June 19, 2019, the Commission issued an Entry directing the

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<sup>1</sup> *In the Matter of the Application of Duke Energy Ohio, Inc. for Authority to Establish a Standard Service Offer Pursuant to R.C. 4928.143 in the Form of an Electric Security Plan, Accounting Modifications, and Tariffs for Generation Service*, Case No. 17-1263-EL-SSO, *et. al.*, Opinion and Order (December 19, 2018) (SSO Opinion and Order).

<sup>2</sup> *Id.* at 69-70

<sup>3</sup> *Id.*

Staff of the Public Utilities Commission of Ohio (Staff) to issue a Request for Proposal (RFP) to acquire audit services to assist the Commission with the review of DEO's DCI rider. On July 31, 2019, Rehmann Consulting (Rehmann or the Auditor) was selected as the contractor and was directed to file a final audit report. The Auditor filed its report (the Audit Report) on December 13, 2019.

## **II. REVIEW AND RECOMMENDATIONS**

Staff has reviewed the recommendations made by Rehmann and concurs with the recommendations in light of the Auditor's rationale and findings.

### **A. CONFIRMATION OF OPINION AND ORDER IN CASE NO. 18-1036-EL-RDR**

Firstly, Rehmann confirmed Duke has correctly made all of the recommended adjustments pursuant to the provisions of the Commission-approved Stipulation in Case No. 18-1036-EL-RDR.<sup>4</sup>

On page 10 of the Audit Report, Rehmann made various observations concerning Duke's effort to bring its non-unitized plant and Retirement Work in Progress (RWIP) current; however, Rehmann also noted that Duke has until October 23, 2020 to achieve

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<sup>4</sup> *In the Matter of the Review of Duke Energy Ohio, Inc.'s Distribution Capital Investment Rider*, Case No. 19-1287-EL-RDR, Report Compliance Audit of Rider DCI at 3 (Dec. 13, 2019) (2019 Audit Report).

these commitments, which were adopted by the Commission in its Opinion and Order in Case No. 18-1036-EL-RDR.<sup>5</sup>

## **B. AUDITOR RECOMMENDATIONS**

On page 5 of the Audit Report, Rehmann recommended that unposted retirements in Power Plan should be corrected as planned by the December 31, 2019 Rider DCI filing to minimize the need for significant on-top entries.

On page 7 of the Audit Report, Rehmann recommended that each invoice and payroll timesheet that charges a distribution plant work order and has a correlated transmission plant work order, receive a second review and signature on invoices and payroll time sheets to verify that no charges have been misapplied.

On page 7 of the Audit Report, Rehmann recommended that all distribution plant work orders that have a correlated transmission plant work order, and were charged to the Rider DCI from July 1, 2018 to June 30, 2019 be reviewed by Duke staff for appropriate charging between distribution and transmission plant. Any detected overcharges should be quantified in a report for the revenue requirement impact and the impact applied to the December 31, 2019 Rider DCI filing.

On page 9 of the Audit Report, Rehmann recommended that an operational audit of contractor charges be completed to determine whether competitive bids are being obtained, contractors are complying with their bid specifications, contract terms are being

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<sup>5</sup> *Id.* at 10.

adhered to, duplicate payments are not made, and contractor time sheets and equipment hours are being monitored by Duke staff. Any detected overcharges and operational improvements should be quantified in a report for the revenue requirement impact and the impact applied to the March 31, 2020 Rider DCI filing.

On page 9 of the Audit Report, Rehmann recommended that when a contractor's estimated hours needed to complete the work exceeds the estimated hours produced by the estimating system (Maximo), then Duke authorized personnel should evaluate whether or not to approve the contract change order for the overage.

On page 9 of the Audit Report, Rehmann recommended that Automatic Review for Closing (ARC) rules follow-up be completed within nine months (consistent with the Work Order Estimation Process Document that was created September 30, 2019 which Rehmann concurs with) and in conjunction with more-timely unitization.

On page 10 of the Audit Report, Rehmann recommended that the Vegetation Management Guidelines be evaluated for which processes should be applied at Duke. Any proposed changes to the Vegetation Management Guidelines which are in addition to the changes recommended in this audit, including the non-application of provisions of the Vegetation Management Guidelines to Duke, should be submitted to the Commission for approval.

On page 11 of the Audit Report, Rehmann recommended that before and after images should be taken of the removed danger trees that clearly demonstrates the removed tree meets the Vegetation Management Guidelines, and named with the

longitude and latitude of the tree location for six-year storage in a Vegetation Management network drive.

On page 11 of the Audit Report, Rehmann recommended that the Distribution Tree Removal Form include the height of a dead, dying, or diseased tree or length of a leaning tree compared to the distance from the power line.

On page 11 of the Audit Report, Rehmann recommended that the Vegetation Management Guidelines define that 10% of the danger trees are reviewed before they are removed and a different 10% are reviewed after they are removed. The Quality Assurance (QA) reviews should be documented on the Distribution Tree Removal Form.

On page 12 of the Audit Report, Rehmann recommended a separate detailed audit of all tree trimming invoices charged to the Rider DCI from July 1, 2018 to June 30, 2019, to cover the overcharge causes described in this Rider DCI Audit. Any detected overcharges should be quantified in a report for the revenue requirement impact and applied to the December 31, 2019 Rider DCI filing.

On page 12 of the Audit Report, Rehmann recommended that a Tree Trimming Supervisor sign, date, and list on the invoice the amount of any operation and maintenance (O&M) to capital overrides.

On page 12 of the Audit Report, Rehmann recommended that all Contributions in Aid of Construction (CIAC) entries be posted to work orders immediately upon invoicing.

On page 12 of the Audit Report, Rehmann recommended a separate detailed audit for any other CIAC postings unrecorded in work orders and therefore the Rider DCI from

July 1, 2018 to June 30, 2019. Any unrecorded CIAC should be quantified in a report for the revenue requirement impact and applied to the December 31, 2019 Rider DCI filing.

On page 13 of the Audit Report, Rehmann recommended that the cost of removal in RWIP should be captured for the incentive pay offset and for each future quarterly Rider DCI filing. Staff believes the capitalized incentive pay associated with RWIP should be credited back to customers and the adjustment made going forward.

On page 38 of the Audit Report, Rehmann quantified the revenue requirement adjustments associated with its quantitative findings. Rehmann provided the rationales for the individual adjustments on pages: 5, 7, 8, 11, 12, and 13. Staff has verified that Duke made all of the adjustments except those referenced on page 13, which are associated with an incentive pay adjustments for RWIP.

Respectfully submitted,

**Dave Yost**  
Ohio Attorney General

**John H. Jones**  
Section Chief

*/s/ Steven L. Beeler*

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**On behalf of the Staff of**  
**the Public Utilities commission of Ohio**

## **PROOF OF SERVICE**

I hereby certify that a true copy of the foregoing **Comments** submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served via electronic mail upon the following Parties of Record, this 28<sup>th</sup> day of February, 2020.

*/s/ Steven L. Beeler*

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### **Parties of Record:**

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Summary: Comments Submitted on Behalf of the Staff of the Public Utilities Commission of Ohio electronically filed by Mrs. Kimberly M Naeder on behalf of PUCO