

**Case No. 21-618-GA-RDR— Plant-in-Service & Capital Expenditure Program Audit**  
**Duke Energy Ohio, Inc. (Natural Gas)**  
**11/5/2021 SUPPLEMENT TO REPORT FILED ON 10/14/21**  
**ISSUE: Adjustment #7—Premature Plant-in-Service Date**

**Background**

In Case Nos. 13-2417-GA-UNC and 13-2418-GA-AAM, Duke Energy Ohio, Inc.—Natural Gas (“Duke” or “Company”) sought and was granted authority to create a capital expenditure program (CEP) and to begin deferring the related Post-In-Service Carrying Costs (PISCC) and depreciation and property tax expenses (the “CEP Deferral”) for capital investments that were not part of its accelerated infrastructure replacement program (IRP). The Commission authorized the CEP Deferral for the period January 1, 2013, and beyond, up to the point where the deferred amount would exceed \$1.50 per month for the General Sales—Small (GS-S) class of customers if it were included in customer rates. The Commission also restated its determination that it would consider the prudence, reasonableness, and magnitude of the CEP Deferral and capital expenditures when the Company applied for recovery.

In the 2019 CEP Alt Reg. Case, Duke sought and was granted authority to incorporate into rates all assets since date certain of the prior rate case, including all CEP assets from January 1, 2013, through December 31, 2018. Simultaneously, the Company sought and was granted, in Opinion and Order dated April 21, 2021, in Case No. 19-791-GA\_ALT, authority to establish a CEP Rider and authority to recover deferrals (as authorized in Case Nos. 13-2417-GA-UNC et al.) and the underlying assets for CEP investment from 2013 through 2018. The Company was also authorized to adjust the CEP Rider rate each year to collect from customers the prior calendar year’s CEP expenditures and related deferrals.

The Commission issued a request for proposal seeking bids to conduct a two-part audit of Duke’s non-IRP plant in service with a focus on CEP assets. Blue Ridge Consulting Services, Inc. (“Blue Ridge”) was awarded the audit. In accordance with the purpose outlined in the RFP, in the first part of the audit, Blue Ridge reviewed and attests to the accounting accuracy and used and useful nature of Duke’s capital expenditures and corresponding depreciation reserve for the period January 1, 2019, through December 31, 2020; in the second part, Blue Ridge simultaneously assessed and formed an opinion on the necessity, reasonableness, and prudence of Duke’s capital expenditures and related assets with an emphasis on the CEP expenditures and assets from January 1, 2019, through December 31, 2020. Blue Ridge filed its audit report on October 14, 2021.

**As-Filed Audit Adjustments**

As a result of its examination, and as reported in Blue Ridge’s filed audit report, the following adjustments were identified, resulting in an adjusted revenue requirement of \$61.89 million.

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**Table 1: Originally Filed Impact of Adjustments on Revenue Requirement  
for the Twelve Months Ended December 31, 2020 (\$ in millions)**

Adj #	Description	Plant In-Service	Accumulated Depreciation	Regulatory Assets	Deferred Income Tax	Net Rate Base	Operating Expense	Revenue Requirement
	As of December 31, 2020 - Company Filed	\$ 540.39	\$ (248.02)	\$ 125.31	\$ (66.00)	\$ 351.67	\$ 31.23	\$ 63.44
1	Post in Service Carrying Costs (PISCC)	-	-	(0.12)	0.02	(0.09)	(0.00)	(0.01)
2	Property Tax	-	-	(0.07)	0.01	(0.05)	(0.04)	(0.05)
3	2012 Rate Case Depreciation Offset - Formula	-	(31.90)	-	-	(31.90)	-	(2.92)
4	2012 Rate Case Depreciation Offset - Input	-	0.29	-	-	0.29	-	0.03
5	ADIT on Liberalized Depreciation	-	-	-	0.52	0.52	-	0.05
6	Non-CEP Related Propane Sewer Main	(0.57)	(0.03)	(0.06)	0.01	(0.65)	(0.04)	(0.09)
7	Premature Plant In-Service Date	(19.59)	(0.37)	(0.12)	0.27	(19.82)	(0.04)	(1.85)
8	Land Acquisition Above FMV	(0.10)	0.00	(0.00)	0.00	(0.09)	(0.00)	(0.01)
9	Over Accrued AFUDC	(0.06)	0.00	(0.00)	0.00	(0.06)	(0.00)	(0.01)
10	Understated Retirements	(0.29)	0.29	(0.00)	0.00	(0.00)	(0.00)	(0.00)
11	Restore CEP Assets Removed Due to Rate Cap	33.50	2.03	0.20	(0.55)	35.18	0.09	3.32
	Subtotal Blue Ridge Adjustments	\$ 12.89	\$ (29.69)	\$ (0.17)	\$ 0.29	\$ (16.67)	\$ (0.02)	\$ (1.55)
	As of December 31, 2020 - Blue Ridge Adjusted	\$ 553.28	\$ (277.71)	\$ 125.14	\$ (65.71)	\$ 335.00	\$ 31.21	\$ 61.89

**Removal of Adjustment #7—Premature Plant-in-Service Date**

Regarding Adjustment #7, in initially examining the selected sample work orders in the audit, Blue Ridge had found work order V8456—TIMP Transmission Integrity to have gone into service on 4/1/21. Blue Ridge questioned the Company as to why this work order was included in the CEP as of 12/31/20. The Company responded that the work order went into service in error in November 2020. The in-service date of the work order was reset in early 2021 and was removed from account 106 to be put back into CWIP (account 107). It was then placed into service in April 2021 and moved back to plant in service (account 106).<sup>1</sup> Because the work order was not, according to Duke's response, in service in 2020, Blue Ridge removed it from the 2020 CEP resulting in the calculations associated with Adjustment #7 in the filing of its audit report.

However, subsequent to the audit report filing, the Company discovered additional information and provided Blue Ridge with a supplemental response to its data request concerning work order V8456.<sup>2</sup> The supplemental response indicated that the work order had originally been marked as placed in service on October 30, 2020, but was then corrected to October 12, 2020. To make this in-service date adjustment, the Company removed the work order from Plant in February 2021 and then closed it again in April 2021. With the second closure, the plant accounting system erroneously picked up the April 2021 closing date as the in-service date. With the supplemental response, the Company provided a complete sequential history of the work order that included e-mail correspondence and Power Plant screen shots in support of how the work order received the incorrect April 2021 in-service date.

Blue Ridge reviewed the e-mail correspondence, Excel spreadsheets summarizing the plant information, cost data, and Power Plant Screen shots provided in the supplemental response. Blue Ridge was able to follow the sequence of events to verify that work order V8456 was, as the Company

<sup>1</sup> Duke's response to 2020 audit Data Request BR-DR-073.

<sup>2</sup> Duke's Supplemental response to 2020 audit Data Request BR-DR-073.

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now contends, placed in service in October 2020 and, therefore, should appropriately be charged to the 2020 CEP.

**Adjusted Revenue Requirement**

With the removal of Adjustment #7, Blue Ridge recalculated the Company's revenue requirement. However, upon removing the adjustment amount of \$19.59 million, Blue Ridge found that the Company exceeded the \$9.31 residential rate cap established for 2020. Accordingly, Blue Ridge ran the goal seek function to determine the amount of CEP additions above the cap. Thus, for Adjustment #11 (CEP Assets Removed Due to Rate Cap), rather than restore 100 percent of the Company-reported ineligible balance for 202, Blue Ridge restored only 90 percent.

The following table shows the resultant calculations yielding a revenue requirement of \$63.43 million.

**Table 2: As Adjusted Impact of Adjustments on Revenue Requirement for the Twelve Months Ended December 31, 2020 (\$ in millions)**

(\$ in millions)

Adj #	Description	Plant In-Service	Accumulated Depreciation	Regulatory Assets	Deferred Income Tax	Net Rate Base	Operating Expense	Revenue Requirement
	As of December 31, 2020 - Company Filed	\$ 540.39	\$ (248.02)	\$ 125.31	\$ (66.00)	\$ 351.67	\$ 31.23	\$ 63.44
1	Post in Service Carrying Costs (PISCC)	-	-	(0.12)	0.02	(0.09)	(0.00)	(0.01)
2	Property Tax	-	-	(0.07)	0.01	(0.05)	(0.04)	(0.05)
3	2012 Rate Case Depreciation Offset - Formula	-	(31.90)	-	-	(31.90)	-	(2.92)
4	2012 Rate Case Depreciation Offset - Input	-	0.29	-	-	0.29	-	0.03
5	ADIT on Liberalized Depreciation	-	-	-	0.52	0.52	-	0.05
6	Non-CEP Related Propane Sewer Main	(0.57)	(0.03)	(0.06)	0.01	(0.65)	(0.04)	(0.09)
7	Premature Plant In-Service Date <b>(WITHDRAWN)</b>	-	-	-	-	-	-	-
8	Land Acquisition Above FMV	(0.10)	0.00	(0.00)	0.00	(0.09)	(0.00)	(0.01)
9	Over Accrued AFUDC	(0.06)	0.00	(0.00)	0.00	(0.06)	(0.00)	(0.01)
10	Understated Retirements	(0.29)	0.29	(0.00)	0.00	(0.00)	(0.00)	(0.00)
11a	2019 CEP Assets Removed Due to Rate Cap - 100% Restoration	1.00	(0.03)	0.11	(0.05)	1.03	0.06	0.16
11b	2020 CEP Assets Removed Due to Rate Cap - 90% Restoration	29.05	2.07	0.09	(0.46)	30.75	0.03	2.84
	Subtotal Blue Ridge Adjustments	\$ 29.03	\$ (29.31)	\$ (0.05)	\$ 0.07	\$ (0.26)	\$ 0.01	\$ (0.02)
	As of December 31, 2020 - Blue Ridge Adjusted	\$ 569.42	\$ (277.34)	\$ 125.26	\$ (65.93)	\$ 351.41	\$ 31.24	\$ 63.43

With the change in Adjustment #7 and #11, Rate RS / RFT / RSLI / RFTLI Rates would be adjusted as follows.

**Table 3: Estimated Monthly Impact Rate RS / RFT / RSLI / RFTLI As Filed and Adjusted**

	2019		2020	
	Active Model	As Filed	Active Model	As Filed
Blue Ridge Report - Dated 10/14/2021	\$6.23	\$6.61	\$9.09	\$9.31
Revised to Remove Adjustment #7	\$6.23	\$6.61	\$9.31	\$9.31
Change in ... Rate RS / RFT / RSLI / RFTLI Rate	\$0.00	\$0.00	\$0.22	\$0.00

**Appendices**

Appendix B Data requests and Information Provided—Supplemental

- Duke's Supplemental response to 2020 audit Data Request BR-DR-073

Appendix C Workpaper—Supplemental

- WP ADJ Duke 2020 CEP Rider Case No. 21-618-GA-RDR, as filed R3.xlsm

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**Case No(s). 21-0618-GA-RDR**

Summary: Report Case No. 21-618-GA-RDR— Plant-in-Service & Capital  
Expenditure Program Audit Duke Energy Ohio, Inc. (Natural Gas) 11/5/2021  
SUPPLEMENT TO REPORT FILED ON 10/14/21 ISSUE: Adjustment #7—  
Premature Plant-in-Service Date electronically filed by Mrs. Tracy M Klaes on  
behalf of Blue Ridge Consulting Services, Inc