Docket No. 21-0573-EL-RDR

Compliance Audit of the July 1, 2020 to June 30, 2021 Distribution Capital Investment Rider ("Rider DCI") Duke Energy Ohio

Submitted on December 2, 2021

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

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 21-0573-EL-RDR Annual Rider DCI Audit
Rehmann Consulting Prepared

Table of Contents

Rehmann

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 21-0573-EL-RDR Annual Rider DCI Audit
Rehmann Consulting Prepared

December 2, 2021
Devin Mackey
Public Utilities Commission of Ohio
180 East Broad Street, 3rd Floor
Columbus, OH 43215

Devin:

Attached is Rehmann Consulting's ("Rehmann") report on the compliance audit of the July 1, 2020 to June 30, 2021 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

Rehmann is an independent member of Nexia International. A member of Nexia International

675 Robinson Road, Jackson, MI 49203 517.787.6503

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 21-0573-EL-RDR Annual Rider DCI Audit
Rehmann Consulting Prepared

Executive Summary

Background Information

Ohio's electric law, Senate Bill 221, requires electric utilities to provide consumers with a standard service offer, consisting of either a market rate offer ("MRO") or an electric security plan ("ESP"). Section 4928.142 Revised Code. Duke Energy Ohio ("DEO") filed an application for approval of an ESP on May 29, 2014. After a hearing, the Commission modified and approved DEO's application, *In re Duke Energy Ohio*, Case No. 14-841-EL-SSO, et al., Opinion and Order (April 2, 2015) for the period June 1, 2015 through May 31, 2018. In its Opinion and Order, the Commission ("PUCO") established a Distribution Capital Investment Rider.

DEO filed an application for approval of a new ESP on June 1, 2017. On December 19, 2018, the Commission approved a Stipulation for the new ESP, to run through May 31, 2025, in Case No. 17-1263-EL-SSO. In its Opinion and Order, the Commission extended the Rider DCI.

Through the Rider DCI, DEO may recover property taxes, depreciation expense, Commercial Activity Tax, and earn a return on 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 June 30, 2016, 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 DCI Rider 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. 17-1263-EL-SSO, the Commission 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 includes the November 1, 2020 Rider DCI quarterly filing and the 2021 quarterly filings up to and including the August 1, 2021 filing. Capital additions recovered through other riders authorized by the Commission to recover delivery-related capital additions, were identified and excluded from the Rider DCI. The auditor's review shall also include an identification, quantification, and explanation of any significant net plant increase within individual accounts.

The auditor shall be familiar with and comply with all:

- Generally Accepted Accounting Principles ("GAAP")
- FERC Uniform System of Accounts
- Various accounting and tax changes or decisions issued since June 30, 2016

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 21-0573-EL-RDR Annual Rider DCI Audit
Rehmann Consulting Prepared

Scope

The auditor's investigation shall determine if DEO has implemented it's PUCO-approved Rider DCI in compliance with the Opinion and Order issued in Case No. 17-1263-EL-SSO.

General Project Requirements

According to the Request for Proposal No. RA21-CA-3, the auditor selected shall complete the following tasks:

- Review Case Nos. 14-841-EL-SSO and 17-1263-EL-SSO.
- Read all applicable testimony.
- Review Plant-in-Service related adjustments contained within the Order in Case No. 17-32-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, 2020.
- Verification with FERC Form 1 for year 2020.
- Obtain and review all appropriate documentation relating to DEO's compliance with its PUCO-approved Rider DCI.
- Obtain and review all appropriate documentation related to compliance DEO's quarterly filings in Case No.18-1378-EL-RDR and 19-1943-EL-RDR.
- Verification of the used and usefulness of incremental plant-in-service.
- Review all changes in capitalization policy and assess impact on the Rider DCI, previously authorized recovery as part of base rates, and impact on Operations and Maintenance ("O&M") expenses.
- Assess DEO'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 all appropriate documentation relating to the recommendations made in the auditor's report in Case Nos. 19-1287-EL-RDR and 20-1205-EL-RDR, as well as any Commission Orders in these cases, to determine if the recommendations have been addressed pursuant to the auditor's recommendation, and if not, the financial or operational impacts of DEO not addressing the identified concerns.
- Review DEO's manual adjustment for the impact of tree trimming for its adherence with the Commission Opinion and Order in Case No. 17-1118-EL-RDR.
- Review DEO's unitization of their plant and Retirement Work In Progress ("RWIP") backlogs per the Commission Opinion and Order in Case No, 18-1036-EL-RDR.
- Review DEO's procedures for estimating projects to ensure their accuracy and assess if cost controls are adequate within projects.
- Review DEO's adherence to its Vegetation Management policy and Danger/Hazard Tree Removal Capitalization Guidelines.
- Assess DEO's adherence to the capitalized incentive pay offset calculation and assess the financial impact of any recommendations.

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 21-0573-EL-RDR Annual Rider DCI Audit
Rehmann Consulting Prepared

Summary Findings and Recommendations by Task

Review Case Nos. 14-841-EL-SSO and 17-1263-EL-SSO.

Rehmann reviewed Case No. 14-841-EL-SSO and 17-1263-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 and applied the knowledge gained in the testimony to the compliance audit.

Review Plant-in-Service related adjustments contained within the Orders in Case No. 17-32-EL-AIR.

Rehmann reviewed Case No. 17-32-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, 2020.

Rehmann obtained records of all additions, retirements, transfers, and adjustments to current date value of plant-in-service that have occurred from July 1, 2020 to June 30, 2021 from PowerPlan (the source Plant-in-Service System that supports the Rider DCI filings). See Table 1: Plant-in-Service Change by FERC Account. Rehmann 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 $211,982,332, retirements of ($44,234,958), transfers of ($1,430,155), and adjustments of $0 reconciled to the four Rider DCI filings during the audit period. After ($8,552,000) of change in adjustments required to comply with the Rider DCI, net plant-in-service increased $157,765,218 since July 1, 2020. See Table 2: Plant-in-Service by Transaction Type. The most significant change in plant-in-service noted in Table 1 was a $34,372,728 (38%) net change in AMI Meters due to a project of converting from Echelon Meters to AMI Meters.

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, 2020 to June 30, 2021. The summary records of depreciation expense charged to the provision of $80,437,857, retirements of ($44,234,958), cost of removal of ($40,136,785), salvage credits of $2,566,335, transfers and adjustments of $0, and impairments of $0 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.

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. Retirements were lower this period due to $42,178,766 of retirements of Echelon Meters recorded last period. However, see task “Verification of the used and usefulness of incremental plant-in-service” for a description of unrecorded retirements and cost of removal charges and Rehmann’s recommendations.

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

Verification with FERC Form 1 for year 2020.

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 Rider DCI filings of which are insignificant and unexplained by DEO and Rehmann requested no further analysis:

- 9/30/20 FERC Form $2,735 higher
- 12/31/20 FERC Form $2,735 higher
- 3/31/21 FERC Form $2,735 higher
- 6/30/21 FERC Form $2,735 higher

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

- 9/30/20 FERC Form $26,855 lower
- 12/31/20 FERC Form $717,219 lower
- 3/31/21 FERC Form $26 higher
- 6/30/21 FERC Form $70,257 lower

The 12/31/20 FERC Form 3Q included a $717,219 RWIP allocation adjustment that was not included in the Rider DCI but was appropriately recognized in the 3/31/21 Rider DCI. Other significant differences included general equipment of $64,650 that was included in the 6/30/21 FERC Form but appropriately excluded from the Rider DCI.

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

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

Rehmann issued 9 Document Requests (‘DRs”) for documentation relating to DEO's compliance with its PUCO-approved Rider DCI. These requests are detailed in Appendix A. DEO prepared 162 responses and responded very timely to these requests. These responses 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 DEO's quarterly filings in Case No.18-1378-EL-RDR and 19-1943-EL-RDR.

DEO capitalizes costs to work orders from numerous resource types. These include direct costs of labor and materials, contract labor, material issues from inventory, and indirect cost allocations. The Asset Accounting Guidelines clearly detail costs that may be capitalized. Rehmann sampled 50 transactions totaling $3,154,403 that were charged as new additions to plant-in-service. (See

Table 5: Sample of Work Order Charges by Resource Type). All transactions were properly supported capital costs except one transaction for ($29,999) corrected labor charges to work order SG581MTRS that should have originally been charged to O&M. Other resource codes also required correction totaling $74,412 so the total capital overcharge to SG581MTRS was $102,411. This journal entry corrected the December 31, 2020 Rider DCI so the overcharge only impacted the September 30, 2020 Rider DCI. Rehmann quantified the impact on the Rider DCI filings for the one quarter during this audit period. The impact is summarized below in Table 12: Total Impact of Recommendations on Rider DCI Revenue Requirement.

<u>Rehmann recommends that the revenue requirement be reduced a total of ($12,391) for one quarterly Rider DCI filing.</u>

DEO processes retirement transactions using specific pricing or a statistical aging curve when retirement units have a vintage year value. Rehmann sampled 10 retirement transactions totaling ($355,712) for proper support of the valuation of the retirement unit selected. All transactions were properly supported. (See Table 6: Sample Retirement Transactions).

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 $328,154 that were charged on work orders to cost of removal. All transactions were properly supported.

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

Rehmann reviewed detailed schedules supporting the revenue requirements filed in the September 30, 2020 through June 30, 2021 Rider DCI filings.

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

Rehmann obtained Case No. 17-0032-EL-AIR 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 at 6-30-21 for the Rider DCI filing of depreciation expense of $81,736,892.

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

The property tax expense on June 30, 2021 was $124,603,293. Rehmann noted the following concerning property tax expense:

- The real property assessed value on June 30, 2020 was $4,591,153 but increased to $9,684,439 for each of the four Rider DCI quarterly filings. This large increase occurred because the real property value per return, which the real property assessed value is calculated on, changed from $33,347,550 to $85,490,302 in error. This assessment difference impacted all four quarterly Rider DCI Filings and resulted in a one quarter over statement of the revenue requirement of $1,435,615.
- The real property rate used for the June 30, 2021 Rider DCI Filing was 7.7750% when the actual real property tax bills support a rate of 7.9414%. This rate difference occurred because actual real property tax bills are received after the Rider DCI Filings are made. This rate difference impacted one quarterly Rider DCI Filing and resulted in a one quarter understatement of the revenue requirement of $8,485.

- The personal property rate used for the December 31, 2020, March 31, 2021 and June-30, 2021 Rider DCI Filings was 9.9341% when the actual personal property tax bills support a rate of 9.9166%. This rate difference occurred because actual personal property tax bills are received after the Rider DCI Filings are made. This rate difference impacted three quarterly Rider DCI Filings and resulted in a one quarter overstatement of the revenue requirement of $687,750.

These impacts are summarized below in Table 12: Total Impact of Recommendations on Rider DCI Revenue Requirement.

<u>Rehmann recommends that the revenue requirement be decreased for one quarter by a net $2,114,880 for the property tax expense corrections. In addition, Rehmann recommends more timely and accurate filings through using estimates that can be trued up after actual property tax bills are received.</u>

The incremental Commercial Activities Tax was $323,969 on June 30, 2021 and was properly calculated and supported for each quarterly filing.

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

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 25 work orders totaling $54,850,115 that included new additions to plant-in-service, retirements of plant-in-service, and costs of removal. See Table 8: Field Observations by FERC Account for the observation coverage by new additions to FERC Accounts during the Rider DCI period.

As part of the field observations, PUCO staff observed one work order that required Contributions in Aid of Construction ("CIAC"); however, CIAC had not yet been charged when the work order was placed in service on June 30, 2021. Work order MX1241764 had $593,652 of costs of which the customer was to be billed 53.57% of costs, or $318,019. Without an estimate of the CIAC recorded in the work order when the work order is placed in service, the revenue requirement is overstated. Rehmann quantified the impact on the Rider DCI filings for one quarter during this audit period. The impact is summarized below in Table 12: Total Impact of Recommendations on Rider DCI Revenue Requirement.

<u>While DEO has a process whereby when CIAC is not received before or during construction, an estimate of the CIAC to be billed to the customer is recorded in the work order. However, Rehmann recommends that DEO ensure the CIAC estimate is timely recorded in the Rider DCI filing.</u>

<u>Rehmann recommends that the revenue requirement be reduced a total of ($39,132) for one quarterly Rider DCI filing.</u>

As part of the field observations, PUCO staff also observed that cost of removal charges were recorded for four of 25 work orders totaling $693,506 however; only $56 retirement unit charges were recorded. Retirement transactions credit plant-in-service and debit accumulated depreciation. Without timely retirement transactions, property tax, depreciation, and commercial activities tax expense are overstated. These unrecorded retirements are due to untimely estimating of retirements at work order set up. Over the past two audit periods the ratio of cost of removal to retirements has been 91%. Therefore, Rehmann estimates that untimely processed retirements total $762,000 and quantified the revenue requirement impact over four quarters. The impact is summarized below in Table 12: Total Impact of Recommendations on Rider DCI Revenue Requirement.

> <u>Rehmann recommends that the revenue requirement be reduced a total of ($187,432) for the four quarterly Rider DCI filings.</u>
>
> <u>Rehmann recommends that DEO implement a process improvement, by December 31, 2022, such as more timely estimates of retirements at work order set up.</u>

As part of the field observations PUCO staff also observed that retirement units were recorded for seven of 25 work orders that estimated COR totaling $608,756 however; only ($6,046) was actually recorded. Cost of removal is recorded through PowerPlan Cost of Removal Derivation ("PPCORA") and PowerPlan Cost of Removal True up ("PPCORT") transactions that credits plant-in-service and debits COR (which translates to accumulated depreciation). Without timely PPCORA and PPCORT, property tax, depreciation, and commercial activities tax expenses are overstated. Most of the untimely recording of COR is due to estimates that used DEO labor versus contractor labor. Using the COR estimates Rehmann quantified the missing COR at $614,802. Rehmann quantified the revenue requirement impact on the Rider DCI filings for four quarters during this audit period. To further support this estimate, Rehmann also notes that the unitization process detects COR recorded in plant-in-service. Rehmann's test of 25 unitized work orders disclosed that two work orders had a total of $810,501 that resulted in moving charges from plant-in-service to COR. The impact is summarized below in Table 12: Total Impact of Recommendations on Rider DCI Revenue Requirement.

Rehmann recommends that the revenue requirement be reduced a total of ($151,224) for the four quarterly Rider DCI filings.

Rehmann recommends that DEO implement a process improvement, by December 31, 2022, to enhance the timeliness and accuracy of estimating cost of removal, such as timely recognition of when contractor labor replaces DEO labor.

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 reviewed all changes to the Asset Accounting Guidelines Dated January 1, 2021 and concluded the changes had no impact on the Rider DCI.

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

Assess DEO'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 including the impact of the Tax Cuts and Jobs Act of 2017 on future Rider DCI deferred taxes. See Table 9: Plant Related Accumulated Deferred Income Taxes at 6-30-21 for the June 30, 2021 Rider DCI filing of deferred taxes of ($528,364,702) after adjustments.

Rehmann substantiated the balance of deferred taxes and subcomponents as of the June 30, 2021 Rider DCI by testing:

- Detailed support to ($528,364,702), or the deferred tax amount resulting from deferred taxes calculated from all vintage year plant-in-service balances through vintage year 2019.
- The calculation of vintage year 2019 Federal deferred taxes of ($17,802,301) since the December 31, 2020 Rider DCI filing is the first Rider DCI filing that vintage year 2019 plant-in-service balances run through the PowerTax detailed deferred tax calculation.
- The reasonableness of the journal entry for ($75,449,432) that establishes the final balance of ($528,364,702) and represents the calculation of deferred taxes on vintage year 2020 and January 1, 2021 through June 30, 2021 estimated (through detailed allocations) plant-in-service balances.
- The balance of Excess Deferred Income Tax ("EDIT") of ($172,686,876) and the resulting balance of Accumulated Deferred Income Tax ("ADIT") of ($355,677,826).
- The amortization of the June 30, 2021 Unprotected EDIT balance of ($55,304,027) and Protected EDIT balance of ($117,382,849).

Rehmann tested the four quarterly Deferred Tax Schedules and noted that they included $895,189 of CWIP Differences on June 30, 2021, $903,400 on March 31, 2021, $901,968 on December 2020, and $538,126 on September 30, 2020. CWIP is not part of the Rider DCI and should not be considered in calculating the impact of deferred taxes on Distribution plant-in-service. DEO includes the CWIP Differences because the CWIP Differences are included in the base rate case. Revenue requirement is understated by a one quarter impact of $465,179 when eliminating both the base rate case and current rate case CWIP Adjustments amounts from this audit period. The impact is summarized below in Table 12: Total Impact of Recommendations on Rider DCI Revenue Requirement.

> Rehmann recommends that DEO exclude CWIP Differences upon filing a rate case that excludes the CWIP Differences from the base rates.

Review all appropriate documentation relating to the recommendations made in the Auditor's Report in Case Nos. 19-1287-EL-RDR and 20-1205-EL-RDR, as well as any Commission Orders in these cases, to determine if the recommendations have been addressed pursuant to the Auditor's recommendation, and if not, the financial or operational impacts of DEO not addressing the identified concerns.

Rehmann reviewed the Stipulation and Recommendation for Case No.19-1287-EL-RDR signed by DEO and the Staff of PUCO on August 25, 2020. The stipulations and Rehmann's steps to determine whether the recommendations were addressed are:

- No later than the first quarterly Rider DCI Filing after the Commission Order approving the Stipulation, DEO will reduce the total revenue requirement by ($880,052). Rehmann examined the December 31, 2020 Rider DCI Filing and noted that a net decrease to the revenue requirement of ($880,052) was applied.
- No later than the first quarterly Rider DCI Filing after the Commission Order approving the Stipulation, DEO will record transaction corrections to PowerPlan records to reflect the items noted above that reduced the revenue requirement by ($880,052). Rehmann examined the transactions prepared by DEO to reduce plant-in-service in PowerPlan and all were recorded for the December 31, 2020 Rider DCI Filing.
- DEO will reduce its revenue requirement to be charged to consumers by reducing incremental plant by the amount of earnings-based incentive pay charged to the distribution plant cost of removal account. Rehmann examined the application of this adjustment in the December 31, 2020 ($9,576), March 31, 2021 ($11,128), and June 30, 2021 ($12,744) Rider DCI Filings.
- DEO will implement a process change, to ensure consumers are correctly charged, whereby each project that charges a distribution plant work order and has a correlated transmission plant work order, will receive a second review to ensure that no distribution charges have been erroneously applied to transmission work orders and vice versa. This second review will be documented in writing. Rehmann examined supervisor signatures on invoices that document the second reviews.
- By September 1, 2021, to ensure consumers are charged correctly, DEO will perform an operational audit of contractor charges for the period of work completed from January 1, 2020 to June 30, 2020 to determine that competitive bids are being obtained; contractors are materially complying with their bid specifications; material contract terms are being adhered to; duplicate payments are not made; and contractor time sheets and equipment hours are being monitored by DEO. Rehmann examined the operational audit report completed by DEO's Internal Audit Department on May 6, 2021. Rehmann also inquired of the DEO Internal Audit Department of the detailed audit scope and noted the audit covered the stipulation requirements and had no observations requiring an assessment of the operational and financial impact of any observations.

- DEO will implement a process change, to ensure consumers are charged correctly, whereby Duke Energy Ohio Area Operations Directors and Project Managers will review and approve (or disapprove) requests from contractors to complete additional work beyond the hours estimated by Maximo, DEO's work management system. Such approvals shall document the specific reason for the additional work beyond the hours estimated by Maximo. Rehmann examined 25 work orders that exceeded the original estimate and noted that all had documented reasons for additional work and 18 had approved revisions in Maximo. See task "Review DEO's procedures for estimating projects to ensure their accuracy and assess if cost controls are adequate within projects" for additional explanation and a Rehmann recommendation.
- DEO will continue to comply with the Automatic Rules for Closing (ARC) rules and the Work Order Estimation Process Document created on September 30, 2019 in order to ensure plant unitization within one year. Rehmann examined records supporting the June 30, 2021 balance on un-unitized plant-in-service and concludes this is substantially implemented. See task "Review DEO's unitization of their plant and RWIP backlogs per the Commission Opinion and Order in Case No, 18-1036-EL-RDR" for additional explanation and a recommendation concerning RWIP unitization.
- DEO will perform an operational audit of hazard trees beginning July 2020 moving forward with the following steps that includes having pictures or videos and written documentation as to why hazard trees were removed:

    - The Contract Forester will identify hazard trees based on Duke Energy Ohio criteria on selected circuits where routine maintenance will not be performed during the calendar year (Off-Circuit Hazard Trees). Suppliers will identify hazard trees on circuits where they are completing routine maintenance (On-Circuit Hazard Trees).
    - The Distribution Tree Removal Forms shall be retained for at least 3 years.
    - At least 10% of the inventoried hazard trees will be randomly selected for pre-auditing before any mitigation is performed.
    - Pre-auditing will include quality control to ensure that the subject tree is eligible for its removal to be capitalized under DEO's Capitalization Guidelines. The pre-audit will also include recording the estimated height of the tree and estimated distance from the line. Tree mitigation or vegetation activity located within the already-established right-of-way shall be expensed.
    - DEO personnel will monthly pre-audit hazard trees identified by Contract Foresters. Contract Foresters or Duke Energy Ohio Personnel will monthly pre-audit hazard trees identified by Suppliers completing the mitigation. There shall be 4 weeks between the period of the pre-identification of the trees and the pre-audit such that PUCO personnel may either obtain and independently audit the list of pre-identified trees, or accompany the personnel conducting the pre-audit.
    - Any identified tree that does not meet the criteria to be capitalized under DEO's Capitalization Guidelines will be removed from the inventory and brought to the attention of the personnel who identified the tree for training purposes.
    - Annually at the end of the pre-audit period, DEO will determine the approval rate. If the approval rate of the pre-audited trees is less than 95%, DEO will remove the equivalent percentage of the test year capital costs associated with the Hazard Tree Program from recovery in the DCI. For illustrative purposes, if the approval

rate of the pre-audited trees for the 10% of trees pre-audited is 85%, DEO shall remove from plant-in-service 15% of the plant-in-service associated with tree removals.
  - A post-audit of hazard tree mitigation will also be performed whereby 25% of felled hazard trees will be randomly selected for the audit. This is a quality control audit to be completed by Contract Foresters.

Rehmann examined the pre-audit details reported on October 28, 2021 and noted that 729 out of a population of 2,719, or 27% of hazard trees were audited. The pre-audit disclosed that 6.17% of hazard tree removals were charged to capital but should have been charged to O&M. DEO applied the 6.17% rate against tree trimming charges of $3,009,987, resulting in a capital reduction of $185,716. Detailed pre-audit support noted that DEO reduced the September 30, 2021 Rider DCI by an estimated $184,571; however, the journal entry totaled $185,716 but posted after the September 30, 2021 Rider DCI Filing. Rehmann also examined the post-audit results and noted that 471 out of a population of 1,651, or 29% of hazard trees were audited. Nine out of 471, or 1.91% of hazard trees were inside of the right of way and did not support a capital charge. Rehmann was advised that all noted stipulations are part of the pre-audit and post-audit procedures and are applied if required.

- DEO will implement a process change, such that a Tree Trimming Supervisor will reject any invoices with incorrect accounting and request a corrected invoice from the vendor. Rehmann examined a sample of 25 tree trimming invoices (10 capital work orders that required tree trimming and 15 work orders designated for hazard tree removal) for evidence of this stipulation. See task "Review DEO's adherence to its Vegetation Management policy and Danger/Hazard Tree Removal Capitalization Guidelines" for additional explanation of the test results and a Rehmann recommendation.
- In the next annual Rider DCI audit, the auditor will be able to review a sample of tree-trimming invoices of the auditor's selection, as well as a sample of Distribution Tree Removal Forms. The auditor will have discretion to increase the size of the sample if the auditor identifies issues of concern. Rehmann examined a sample of 25 tree trimming invoices (10 capital work orders that required tree trimming and 15 work orders designated for hazard tree removal). See task "Review DEO's adherence to its Vegetation Management policy and Danger/Hazard Tree Removal Capitalization Guidelines" for additional explanation of the test results and a Rehmann recommendation.
- DEO will implement a process change, whereby all Contribution in Aid of Construction ("CIAC") entries will be posted to work orders immediately upon invoicing, to accrue when the project is placed into service. PUCO assisted Rehmann with field observations of a sample of 25 work orders. Included in the observations was a determination of whether CIAC was timely billed. See task "Verification of the used and usefulness of incremental plant-in-service" for additional explanation of test results and a Rehmann recommendation.
- By September 1, 2021 DEO will perform an assessment and verification for all CIAC postings unrecorded in work orders from July 1, 2018 to June 30, 2019. Any unrecorded CIAC will be quantified in a report by DEO's Internal Audit staff, and the revenue impact will be applied to the earliest possible Rider DCI filing. Rehmann examined the CIAC audit report completed by DEO's Internal Audit Department on August 19, 2021. Rehmann also inquired of the DEO Internal Audit Department of the detailed audit scope

and noted the audit covered the stipulation requirements. DEO identified one error totaling $3,268, which represented .05% of the total population of invoiced CIAC charges during the period. The error resulted from an executed customer agreement not charged to the customer. DEO quantified the revenue requirement impact for each quarter from September 30, 2018 through June 30, 2021 with a cumulative revenue requirement adjustment of $4,639, which will be reflected in the September 30, 2021 Rider DCI Filing.

Rehmann concludes that the tree trimming and CIAC stipulations have been substantially met.

Rehmann recommends that the next Rider DCI audit confirm that the revenue requirement has been reduced by a CIAC adjustment of $4,639 in the September 30, 2021 Rider DCI Filing.

There has been no Stipulation and Order for Case No. 20-1205-EL-RDR as of the filing of this report; however, Rehmann reviewed recommendations in the Case No. 20-1205-EL-RDR Compliance Audit of the July 1, 2019 to June 30, 2020 Rider DCI and noted the following corrective actions taken by DEO:

- DEO prepared a Net Plant Adjustment Column in their deferred tax calculations that eliminated plant-in-service that is adjusted from the Rider DCI. This adjustment reduced the total deferred taxes in the June 30, 2021 Rider DCI by $4,773,078.
- DEO corrected clerical errors in the deferred tax schedules.
- DEO is enhancing the work order estimate process through entering in MAXIMO approved Construction Unit ("CU") estimates due to such cost increases as additional labor, access time, flagging, and equipment.

Review DEO's manual adjustment for the impact of tree trimming for its adherence with the Commission Opinion and Order in Case No. 17-1118-EL-RDR.

Rehmann reviewed the Stipulation and Recommendation for Case No.17-1118-EL- RDR signed by DEO and the Staff of PUCO on September 26, 2018. DEO agreed to make a manual adjustment in future Rider DCI filings to reduce its revenue requirement for the impact of the tree trimming plant extrapolation estimate made by Rehmann of $2,011,170. This manual adjustment was to be made in all future Rider DCI filings, or other approved credit mechanism, until the $2,011,170 plant estimate is fully depreciated. DEO applied in the September 30, 2020, December 31, 2020, March 31, 2021 and June 30, 2021 Rider DCI filings a decrease to the revenue requirement of ($308,271), ($306,611), ($304,951) and ($303,291), respectively. These adjustments were accurately applied based on Rehmann's recommendations through amortizing $2,011,170 from September 30, 2019 through March 31, 2055.

Review DEO's unitization of their plant and Retirement Work In Progress ("RWIP") backlogs per the Commission Opinion and Order in Case No, 18-1036-EL-RDR.

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 in previous audits 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. In the Stipulation and Recommendation for Case No.18-1036-EL-RDR, DEO agreed that the Account 106 un-unitized plant backlog will be caught up within one year of the Commission's Order (October 23, 2019). Rehmann concurred with this timeline.

As noted below in Table 10: FERC Account 106 (Un-unitized Plant-in-Service) Comparison, DEO has made significant progress on its backlog of un-unitized work orders from in-service year June 30, 2020 and before by unitizing $213,511,677 of $239,822,051, or 89% of un-unitized plant-in-service during this audit period. Only $4,478,988 or 2% of the un-unitized plant-in-service was from December 31, 2019 and before. Of this amount, $2,745,868 pertained to work orders that had dollars placed in account 106 during the audit period so this unitization amount was not behind in meeting the one year commitment.

Rehmann tested 25 work orders unitized to plant-in-service, during the audit period, for the impact unitization had on plant-in-service. Rehmann noted that the unitization process detects COR recorded in plant-in-service. Two work orders (D1120DL5 for $453,931 and MX7077415 for $356,576) had a total of $810,507 that resulted in moving charges from plant-in-service to COR. This result further supports having timely recording of COR as recommended in task "Verification of the used and usefulness of incremental plant-in-service".

> Rehmann concludes that this stipulation is substantially met for un-unitized plant-in-service and has no other observations and no recommendations from this task.

In the Stipulation and Recommendation for Case No.18-1036-EL-RDR, DEO agreed that the Un-unitized RWIP backlog will be caught up within one year of the Commission's Order (October 23, 2019). Rehmann concurred with this timeline.

As noted below in Table 11: FERC Account 108.620 (Un-unitized RWIP) Comparison, DEO has made significant progress on its backlog of un-unitized RWIP work orders from in-service year June 30, 2020 and before by unitizing $27,141,101 of $40,659,443, or 67% of un-unitized RWIP during this audit period. However; $10,454,164 or 45% of the remaining un-unitized RWIP was from December 31, 2019 and before. The following five work orders totaling $10,765,433 make up most of the balance (note that there are numerous un-unitized work orders with credit balances):

Work Order	Un-unitized Balance
D1911DL1	$1,543,963
DPOLEFUOH	$3,791,852
MX0021163	$542,724
OOFRREM	$724,141
SCRAPOOH	$4,162,753

Rehmann tested 25 work orders unitized from RWIP, during the audit period, for the impact on RWIP. Rehmann noted that the unitization process resulted in only one accounting correction for work order OCMCOH that reduced RWIP by $276,996. This RWIP unitization was processed within one year of the charges being recorded in RWIP so it had no impact on Rider DCI Filings.

Rehmann concludes that this stipulation for un-unitized RWIP is not substantially met and recommends to substantially meet the stipulation that work orders over one year in RWIP and with balances over $500,000 receive top priority for unitization. Rehmann recommends the status of these work orders be reviewed in the next Rider DCI audit.

Review DEO's procedures for estimating projects to ensure their accuracy and assess if cost controls are adequate within projects.

Rehmann requested a listing of all work orders construction completed before April 1, 2021, and with work order charges in the audit period, along with their original estimates and actual costs. A total of 216 work orders were provided that totaled $50,656,760 of actual costs against original estimates of $37,643,310. Rehmann sampled 25 of these work orders with $8,684,145 of actual costs against original estimates of $3,539,194. These work orders had variances between actual costs and original estimates ranging from 566% to 111%.

Detailed variance explanations were provided by DEO. Rehmann noted that 18 of the work orders had approved revisions entered in Maximo along with detailed explanations of why the revision was required. Explanations of causes of additional costs above the approved revisions were also documented. While the remaining seven work orders did not have approved revisions in Maximo, they had documented causes of the overruns.

Rehmann concludes that DEO's procedures for estimating projects substantially meet the stipulation for Case No.19-1287-EL-RDR. Rehmann recommends all work orders receive approved revisions in Maximo when actual costs exceed the original estimate.

Review DEO's adherence to its Vegetation Management policy and Danger/Hazard Tree Removal Capitalization Guidelines.

Rehmann sampled 25 tree trimming invoices (10 capital work orders that required tree trimming and 15 work orders designated for hazard tree removal) charged during the audit period to determine whether they complied with the Vegetation Management Policy and Danger/Hazard Tree Removal (Accounting) Guidelines. DEO implemented a process change, whereby a Tree Trimming Supervisor will reject any invoices with incorrect accounting and request a corrected invoice from the vendor. Two of 25 invoices were charged to O&M but were changed to capital. DEO overrode the invoices without requesting and receiving new invoices from the tree trimming contractor.

Rehmann recommends that the requirement, to send tree trimming invoices back to the tree trimming contractor when the invoice has incorrectly recorded capital versus O&M charges, be communicated to all DEO Departments that use tree trimming contractors.

In addition, five work orders were observed in a field visit by PUCO staff that had tree trimming costs to determine whether the costs complied with the Vegetation Management Policy and Danger/Hazard Tree Removal (Accounting) Guidelines. PUCO staff observed one work order MX211696 that had tree trimming costs totaling $41,858 however; DEO confirmed they were O&M charges instead. Rehmann quantified the impact on the Rider DCI filings for one quarter during this audit period. The impact is summarized below in Table 12: Total Impact of Recommendations on Rider DCI Revenue Requirement.

Rehmann recommends that the revenue requirement be reduced a total of ($5,151) for one quarterly Rider DCI filing. In addition, $41,858 should be reduced from plant-in-service.

Assess DEO's adherence to the capitalized incentive pay offset calculation and assess the financial impact of any recommendations.

Beginning with the September 30, 2018 Rider DCI filing, DEO is required to capture capitalized incentive pay accrued since July 1, 2016 and offset the amount to Distribution Rate Base in future Rider DCI filings. The total offset through the June 30, 2021 Rider DCI was ($1,877,661).

Rehmann reviewed a sample of 10 incentive allocations totaling $46,401, charged to work orders during the audit period, to determine if DEO captured the incentive allocations for application of an adjustment to the Rider DCI Filings. One incentive for $527 from work order SG783TUGO was not captured for adjustment to the December 31, 2020 Rider DCI Filing. The incentive activity for SG783TUGO could not be found in the December 31, 2020 Detailed Incentive Adjustment Excel File due to an error in the Functional Class that was assigned in PowerPlan during project setup. The project was incorrectly assigned "Electric – General Plant" instead of "Electric – Distribution Plant". This Functional Class caused the activity to be excluded. DEO has corrected the project's functional class and the earnings related incentives totaling $5,039 will be removed in the September 30, 2021 Rider DCI Filing.

Rehmann quantified the impact on the Rider DCI filings for the four quarters during this audit period. The impact is summarized below in Table 12: Total Impact of Recommendations on Rider DCI Revenue Requirement.

Rehmann recommends that the revenue requirement be reduced a total of ($1,371) for the four quarterly Rider DCI filings. Rehmann also recommends the removal of earnings related incentives totaling $5,039 be reviewed in the next Rider DCI audit.

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 total a one quarter decreased revenue requirement of ($2,051,041) from the recommendations' impact throughout the audit period. These impacts are detailed below in Table 12: Total Impact of Recommendations on Rider DCI Revenue Requirement. Note that $465,179 of this total is a deferred tax impact recommended for application in the next base rate case.

Detailed Observations and Recommendations by Task

Review Case Nos. 14-841-EL-SSO and 17-1263-EL-SSO.

Rehmann reviewed Case No. 14-841-EL-SSO and 17-1263-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 and applied the knowledge gained in the testimony to the compliance audit.

Review Plant-in-Service related adjustments contained within the Orders in Case No. 17-32-EL-AIR.

Rehmann reviewed Case No. 17-32-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, 2020.

Rehmann obtained records of all additions, retirements, transfers, and adjustments to current date value of plant-in-service that have occurred from July 1, 2020 to June 30, 2021 from PowerPlan (the source Plant-in-Service System that supports the Rider DCI filings). See Table 1: Plant-in-Service Change by FERC Account. Rehmann 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 $211,982,332, retirements of ($44,234,958), transfers of ($1,430,155), and adjustments of $0 reconciled to the four Rider DCI filings during the audit period. After ($8,552,000) of change in adjustments required to comply with the Rider DCI, net plant-in-service increased $157,765,218 since July 1, 2020. See Table 2: Plant-in-Service by Transaction Type.

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 21-0573-EL-RDR Annual Rider DCI Audit
Rehmann Consulting Prepared

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

Plant	30-Jun-21	30-Jun-20	Difference	Percent Change
Land and Land Rights	$18,918,361	$19,394,278	($475,917)	-2%
Rights of Way	26,727,235	28,096,869	($1,369,634)	-5%
Structures and Improvements	23,512,957	21,937,362	$1,575,595	7%
Station Equip	297,399,847	299,633,108	($2,233,261)	-1%
Major Equip	145,466,467	139,921,148	$5,545,319	4%
Station Equip Electronic	10	10	($0)	-2%
Poles, Towers& Fixtures	403,708,738	384,412,575	$19,296,163	5%
Overhead Conductors & Devices	743,421,901	699,448,312	$43,973,589	6%
Underground Conduit	178,296,625	161,690,846	$16,605,779	10%
Underground Conductors and Devices	484,862,120	457,050,513	$27,811,607	6%
Line Transformers	451,526,341	432,855,599	$18,670,742	4%
Customer Transformer Installations	3,755,297	3,755,297	$0	0%
Sevices-underground	34,524,786	39,947,321	($5,422,535)	-14%
Services OH	96,781,021	94,721,245	$2,059,776	2%
Meters	0	0	$0	0%
Meter Instrument Transformers	15,861,444	14,797,802	$1,063,642	7%
Leased Meters	0	0	$0	0%
Leased Meter Instrument Transformers	0	0	$0	0%
AMI Meters	124,746,944	90,374,216	$34,372,728	38%
Echelon AMI Meters	508,058	621,622	($113,564)	-18%
Installation on Customers' Premises	137,732	368,335	($230,603)	-63%
Company Owned Outdoor Light	0	0	$0	0%
Leased Property on Cust Premises	102,503	102,503	$0	0%
Street Lighting	0	0	$0	0%
CGE Street Lighting OH	14,886,916	16,333,317	($1,446,401)	-9%
Street Lighting Boulevard	27,598,882	28,458,543	($859,661)	-3%
Light Security OL POL Flood	14,917,864	15,976,011	($1,058,147)	-7%
Light Choice OLE Public	0	0	$0	0%
Total	**$3,107,662,049**	**$2,949,896,831**	**$157,765,218**	**5%**

The most significant change in plant-in-service noted in Table 1 was a $34,372,728 (38%) net change in AMI Meters due to a project of converting from Echelon Meters to AMI Meters.

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

Period	Additions	Retirements	Transfers	Adjustments	Net Plant Before Adjustments	Change in Adjustments 6/30/20 - 6/30/21	Net Plant After Adjustments
7/1/20-9/30/20	$45,651,943	($6,525,945)	$0	$0	$39,125,998		
10/1/20-12/31/20	52,435,124	(8,245,963)	0	0	44,189,160		
1/1/21 - 3/31/21	62,502,797	(19,649,697)	0	0	42,853,100		
4/1/21-6/30/21	51,392,468	(9,813,353)	(1,430,155)	0	40,148,960		
Total	**$211,982,332**	**($44,234,958)**	**($1,430,155)**	**$0**	**$166,317,218**	**($8,552,000)**	**$157,765,218**

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, 2020 to June 30, 2021. The summary records of depreciation expense charged to the provision of $80,437,857, retirements of ($44,234,958), cost of removal of ($40,136,785), salvage credits of $2,566,335, transfers and adjustments of $0, and impairments of $0 agreed to the four Rider DCI filings during the audit period. See Table 3: Accumulated Depreciation Change by FERC Account and Table 4: Accumulated Depreciation Summary by Transaction Type.

Table 3: Accumulated Depreciation Change by FERC Account

Plant	30-Jun-21	30-Jun-20	Change
Land and Land Rights	$3,651	$3,651	$0
Rights of Way	5,815,826	5,443,701	$372,125
Structures and Improvements	6,000,786	5,617,380	$383,406
Station Equip	75,496,042	84,887,682	($9,391,640)
Major Equip	53,513,920	51,519,261	$1,994,659
Station Equip Electronic	1	0	$1
Poles, Towers& Fixtures	107,019,706	116,349,166	($9,329,460)
Overhead Conductors & Devices	49,987,613	64,017,467	($14,029,854)
Underground Conduit	44,126,334	42,319,168	$1,807,166
Underground Conductors and Devices	109,133,996	100,861,604	$8,272,393
Line Transformers	141,143,744	137,911,062	$3,232,682
Customer Transformer Installations	3,075,143	2,983,514	$91,629
Sevices-Underground	14,243,758	13,640,923	$602,835
Services-Overhead	57,207,115	57,271,658	($64,543)
Meters	10,654,668	8,392,705	$2,261,963
Meter Instrument Transformers	5,590,421	4,925,438	$664,983
Leased Meters	3,741,080	3,372,935	$368,145
Leased Meter Instrument Transformers	150,442	150,442	$0
AMI Meters	16,290,239	14,247,967	$2,042,272
Echelon AMI Meters	(23,264,435)	(33,301,865)	$10,037,430
Installation on Customers' Premises	40,098	6,178	$33,920
Company Owned Outdoor Light	0	0	$0
Leased Property on Cust Premises	(37,916)	(42,057)	$4,141
Street Lighting	0	0	$0
CGE Street Lighting OH	15,725,404	15,307,024	$418,380
Street Lighting Boulevard	11,612,832	10,923,712	$689,120
Light Security OL POL Flood	11,031,233	10,532,045	$499,188
Light Choice OLE Public	0	0	$0
Retirement WIP	(23,235,278)	(40,659,443)	$17,424,165
Total After Adjustments	695,066,423	676,681,317	$18,385,107
Total Before Adjustments	695,429,628	679,385,758	$16,043,870
Add Back Retirement WIP Before Adj.	23,248,022	40,659,443	($17,411,421)
Total Before Retirement WIP Before Adj.	718,677,650	720,045,201	($1,367,551)
Net Change in Accumulated Depreciation			**($1,367,551)**

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. Retirements were lower this period due to $42,178,766 of retirements of Echelon Meters recorded last period. However, see task "Verification of the used and usefulness of incremental plant-in-service" for a description of unrecorded retirements and cost of removal charges and Rehmann's recommendations.

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, 2020	$19,614,386	($6,525,945)	($16,658,931)	$2,498,960	$0	$0	($1,071,530)
December 31, 2020	19,947,308	(8,245,963)	(3,422,880)	21,109	0	0	8,299,574
March 31, 2021	20,249,041	(19,649,697)	(8,327,905)	44,126	0	0	-7,684,435
June 30, 2021	20,627,122	(9,813,353)	(11,727,069)	2,140	0	0	-911,160
Total	**$80,437,857**	**($44,234,958)**	**($40,136,785)**	**$2,566,335**	**$0**	**$0**	**($1,367,551)**

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

Verification with FERC Form 1 for year 2020.

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 Rider DCI filings of which are insignificant and unexplained by DEO and Rehmann requested no further analysis:

- 9/30/20 FERC Form $2,735 higher
- 12/31/20 FERC Form $2,735 higher
- 3/31/21 FERC Form $2,735 higher
- 6/30/21 FERC Form $2,735 higher

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

- 9/30/20 FERC Form $26,855 lower
- 12/31/20 FERC Form $717,219 lower
- 3/31/21 FERC Form $26 higher
- 6/30/21 FERC Form $70,257 lower

The 12/31/20 FERC Form 3Q included a $717,219 RWIP allocation adjustment that was not included in the Rider DCI but was appropriately recognized in the 3/31/21 Rider DCI. Other significant differences included general equipment of $64,650 that was included in the 6/30/21 FERC Form but appropriately excluded from the Rider DCI.

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

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

Rehmann issued 9 Document Requests ("DRs") for documentation relating to DEO's compliance with its PUCO-approved Rider DCI. These requests are detailed in Appendix A. DEO prepared 162 responses and responded very timely to these requests. These responses 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 DEO's quarterly filings in Case No.18-1378-EL-RDR and 19-1943-EL-RDR.

DEO capitalizes costs to work orders from numerous resource types. These include direct costs of labor and materials, contract labor, material issues from inventory, and indirect cost allocations. The Asset Accounting Guidelines clearly detail costs that may be capitalized. Rehmann sampled 50 transactions totaling $3,154,403 that were charged as new additions to plant-in-service. (See Table 5: Sample of Work Order Charges by Resource Type). All transactions were properly supported capital costs except one transaction for ($29,999) corrected labor charges to work order SG581MTRS that should have originally been charged to O&M. Other resource codes also required correction totaling $74,412 so the total capital overcharge to SG581MTRS was $102,411. This journal entry corrected the December 31, 2020 Rider DCI so the overcharge only impacted the September 30, 2020 Rider DCI. Rehmann quantified the impact on the Rider DCI filings for the one quarter during this audit period. The impact is summarized below in Table 12: Total Impact of Recommendations on Rider DCI Revenue Requirement.

Rehmann recommends that the revenue requirement be reduced a total of ($12,391) for one quarterly Rider DCI filing.

Table 5: Sample Work Order Charges by Resource Type

Resource Description	Amount Charged to Work Orders
Labor	($22,647)
Labor-Union	24,849
Overtime -Union	3,821
Exempt Supplemental	1,305
Labor Overhead Allocation	48,924
Unproduct Labor Allocation-Union	4,025
Allocated Payroll Tax	857
Allocated Fringes-Union	13,540
Incentives Allocated-Union	272
Service Company Overhead	856
Direct Material Inventory Cost	923,037
Material Allocations	1,352
Stores Loading	59,497
Advertising	2,037
Vehicle & Equip. Chargeback	2,547
Outside Engineering	8,350
Contract/Outside Services Non Labor	1,250,074
Baseload Contract Labor	551,606
Turnkey Service Contract Labor	44,566
Allocated S&E (Non-Labor)	182,615
Accounting Entry	29,556
AFUDC Debt	7,419
AFUDC Equity	15,945
Total	**$3,154,403**

DEO processes retirement transactions using specific pricing or a statistical aging curve when retirement units have a vintage year value. Rehmann sampled 10 retirement transactions totaling ($355,712) for proper support of the valuation of the retirement unit selected. All transactions were properly supported. (See Table 6: Sample Retirement Transactions).

Table 6: Sample Retirement Transactions

Description	Retirement Value	In Service Year
36200 - Station Equipment	($301,844)	1975
36400 - Poles, Towers & Fixtures	(2,526)	1901
36400 - Poles, Towers & Fixtures	(5,084)	1901
36400 - Poles, Towers & Fixtures	(2,585)	1940
36500 - Overhead Conductors & Devices	(5,042)	1901
36500 - Overhead Conductors & Devices	(22,708)	1901
36500 - Overhead Conductors & Devices	(7,379)	1901
36700 - Underground Conductors & Devices	(6,647)	1901
36800 - Line Transformers	971	1901
36800 - Line Transformers	928	1901
Total	**($351,916)**	

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 $328,154 that were charged on work orders to cost of removal. All transactions were properly supported.

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

Rehmann reviewed detailed schedules supporting the revenue requirements filed in the September 30, 2020 through June 30, 2021 Rider DCI filings.

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

Rehmann obtained Case No. 17-0032-EL-AIR 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 at 6-30-21 for the Rider DCI filing of depreciation expense of $81,736,892.

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

Table 7: Depreciation Expense at 6-30-21

Plant	30-Jun-21	Depreciation Rate	Depreciation Expense
Land and Land Rights	$18,918,361	0.00%	$0
Rights of Way	26,727,235	1.33%	355,472
Structures and Improvements	23,512,957	1.71%	402,072
Station Equip	297,399,847	1.97%	5,858,777
Major Equip	145,466,467	1.77%	2,574,756
Station Equip Electronic	10	0.00%	0
Poles, Towers & Fixtures	403,708,738	2.27%	9,164,188
Overhead Conductors & Devices	743,421,901	2.36%	17,544,757
Underground Conduit	178,296,625	2.00%	3,565,932
Underground Conductors and Devices	484,862,120	1.92%	9,309,353
Line Transformers	451,526,341	2.44%	11,017,243
Customer Transformer Installations	3,755,297	2.44%	91,629
Sevices-Underground	34,524,786	1.92%	662,876
Services-Overhead	96,781,021	2.90%	2,806,650
Meters	0	Amortization	2,251,310
Meter Instrument Transformers	15,861,444	4.55%	721,696
Leased Meters	0	Amortization	368,144
Leased Meter Instrument Transformers	0	4.55%	0
AMI Meters	124,746,944	6.67%	8,320,621
Echelon AMI Meters	508,058	Amortization	4,922,431
Installation on Customers' Premises	137,732	9.17%	12,630
Company Owned Outdoor Light	0	9.17%	0
Leased Property on Cust Premises	102,503	4.04%	4,141
Street Lighting	0	4.00%	0
CGE Street Lighting OH	14,886,916	4.00%	595,477
Street Lighting Boulevard	27,598,882	2.50%	689,972
Light Security OL POL Flood	14,917,864	3.33%	496,765
Light Choice OLE Public	0	5.53%	0
Total	**$3,107,662,049**		**$81,736,892**

The property tax expense on June 30, 2021 was $124,603,293. Rehmann noted the following concerning property tax expense:

- The real property assessed value on June 30, 2020 was $4,591,153 but increased to $9,684,439 for each of the four Rider DCI quarterly filings. This large increase occurred because the real property value per return, which the real property assessed value is calculated on, changed from $33,347,550 to $85,490,302 in error. This assessment difference impacted all four quarterly Rider DCI Filings and resulted in a one quarter over statement of the revenue requirement of $1,435,615.

- The real property rate used for the June 30, 2021 Rider DCI Filing was 7.7750% when the actual real property tax bills support a rate of 7.9414%. This rate difference occurred because actual real property tax bills are received after the Rider DCI Filings are made. This rate difference impacted one quarterly Rider DCI Filing and resulted in a one quarter understatement of the revenue requirement of $8,485.
- The personal property rate used for the December 31, 2020, March 31, 2021 and June-30, 2021 Rider DCI Filings was 9.9341% when the actual personal property tax bills support a rate of 9.9166%. This rate difference occurred because actual personal property tax bills are received after the Rider DCI Filings are made. This rate difference impacted three quarterly Rider DCI Filings and resulted in a one quarter overstatement of the revenue requirement of $687,750.

These impacts are summarized below in Table 12: Total Impact of Recommendations on Rider DCI Revenue Requirement.

> <u>Rehmann recommends that the revenue requirement be decreased for one quarter by a net $2,114,880 for the property tax expense corrections. In addition, Rehmann recommends more timely and accurate filings through using estimates that can be trued up after actual property tax bills are received.</u>

The incremental Commercial Activities Tax was $323,969 on June 30, 2021 and was properly calculated and supported for each quarterly filing.

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

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 25 work orders totaling $54,850,115 that included new additions to plant-in-service, retirements of plant-in-service, and costs of removal. See Table 8: Field Observations by FERC Account for the observation coverage by new additions to FERC Accounts during the Rider DCI period.

As part of the field observations, PUCO staff observed one work order that required Contributions in Aid of Construction ("CIAC"); however, CIAC had not yet been charged when the work order was placed in service on June 30, 2021. Work order MX1241764 had $593,652 of costs of which the customer was to be billed 53.57% of costs, or $318,019. Without an estimate of the CIAC recorded in the work order when the work order is placed in service, the revenue requirement is overstated. Rehmann quantified the impact on the Rider DCI filings for one quarter during this audit period. The impact is summarized below in Table 12: Total Impact of Recommendations on Rider DCI Revenue Requirement.

> While DEO has a process whereby when CIAC is not received before or during construction, an estimate of the CIAC to be billed to the customer is recorded in the work order. However, Rehmann recommends that DEO ensure the CIAC estimate is timely recorded in the Rider DCI filing.

> Rehmann recommends that the revenue requirement be reduced a total of ($39,132) for one quarterly Rider DCI filing.

As part of the field observations, PUCO staff also observed that cost of removal charges were recorded for four of 25 work orders totaling $693,506 however; only $56 retirement unit charges were recorded. Retirement transactions credit plant-in-service and debit accumulated depreciation. Without timely retirement transactions, property tax, depreciation, and commercial activities tax expense are overstated. These unrecorded retirements are due to untimely estimating of retirements at work order set up. Over the past two audit periods the ratio of cost of removal to retirements has been 91%. Therefore, Rehmann estimates that untimely processed retirements total $762,000 and quantified the revenue requirement impact over four quarters. The impact is summarized below in Table 12: Total Impact of Recommendations on Rider DCI Revenue Requirement.

> Rehmann recommends that the revenue requirement be reduced a total of ($187,432) for the four quarterly Rider DCI filings.

> Rehmann recommends that DEO implement a process improvement, by December 31, 2022, such as more timely estimates of retirements at work order set up.

As part of the field observations PUCO staff also observed that retirement units were recorded for seven of 25 work orders that estimated COR totaling $608,756 however; only ($6,046) was actually recorded. Cost of removal is recorded through PowerPlan Cost of Removal Derivation ("PPCORA") and PowerPlan Cost of Removal True up ("PPCORT") transactions that credits plant-in-service and debits COR (which translates to accumulated depreciation). Without timely PPCORA and PPCORT, property tax, depreciation, and commercial activities tax expenses are overstated. Most of the untimely recording of COR is due to estimates that used DEO labor versus contractor labor. Using the COR estimates Rehmann quantified the missing COR at $614,802. Rehmann quantified the revenue requirement impact on the Rider DCI filings for four quarters during this audit period. To further support this estimate, Rehmann also notes that the unitization process detects COR recorded in plant-in-service. Rehmann's test of 25 unitized work orders disclosed that two work orders had a total of $810,501 that resulted in moving charges from plant-in-service to COR. The impact is summarized below in Table 12: Total Impact of Recommendations on Rider DCI Revenue Requirement.

Rehmann recommends that the revenue requirement be reduced a total of ($151,224) for the four quarterly Rider DCI filings.

Rehmann recommends that DEO implement a process improvement, by December 31, 2022, to enhance the timeliness and accuracy of estimating cost of removal, such as timely recognition of when contractor labor replaces DEO labor.

Table 8: Field Observations by FERC Account

Description	Amount
36000 - Non-dep Land & Land Rights	$568,532
36100 - Structures and Improvements	1,575,596
36200 - Station Equipment	3,144,849
36202 - Major Equipment	4,877,095
36400 - Poles, Towers & Fixtures	3,596,795
36500 - Overhead Conductors & Devices	7,397,906
36600 - Underground Conduit	1,205,139
36700 - Underground Conductors & Devices	758,562
36800 - Line Transformers	1,080,188
36901 - Services - Underground	22,358
36902 - Services - Overhead	(106,934)
37002 - AMI Meters	30,602,827
37304 - Light Choice OLE - Public	127,202
Total	**$54,850,115**

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 reviewed all changes to the Asset Accounting Guidelines Dated January 1, 2021 and concluded the changes had no impact on the Rider DCI.

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

Assess DEO'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 including the impact of the Tax Cuts and Jobs Act of 2017 on future Rider DCI deferred taxes. See Table 9: Plant Related Accumulated Deferred Income Taxes at 6-30-21 for the June 30, 2021 Rider DCI filing of deferred taxes of ($528,364,702) after adjustments.

Rehmann substantiated the balance of deferred taxes and subcomponents as of the June 30, 2021 Rider DCI by testing:

- Detailed support to ($528,364,702), or the deferred tax amount resulting from deferred taxes calculated from all vintage year plant-in-service balances through vintage year 2019.
- The calculation of vintage year 2019 Federal deferred taxes of ($17,802,301) since the December 31, 2020 Rider DCI filing is the first Rider DCI filing that vintage year 2019 plant-in-service balances run through the PowerTax detailed deferred tax calculation.
- The reasonableness of the journal entry for ($75,449,432) that establishes the final balance of ($528,364,702) and represents the calculation of deferred taxes on vintage year 2020 and January 1, 2021 through June 30, 2021 estimated (through detailed allocations) plant-in-service balances.
- The balance of Excess Deferred Income Tax (“EDIT”) of ($172,686,876) and the resulting balance of Accumulated Deferred Income Tax (“ADIT”) of ($355,677,826).
- The amortization of the June 30, 2021 Unprotected EDIT balance of ($55,304,027) and Protected EDIT balance of ($117,382,849).

Rehmann tested the four quarterly Deferred Tax Schedules and noted that they included $895,189 of CWIP Differences on June 30, 2021, $903,400 on March 31, 2021, $901,968 on December 2020, and $538,126 on September 30, 2020. CWIP is not part of the Rider DCI and should not be considered in calculating the impact of deferred taxes on Distribution plant-in-service. DEO includes the CWIP Differences because the CWIP Differences are included in the base rate case. Revenue requirement is understated by a one quarter impact of $465,179 when eliminating both the base rate case and current rate case CWIP Adjustments amounts from this audit period. The impact is summarized below in Table 12: Total Impact of Recommendations on Rider DCI Revenue Requirement.

> Rehmann recommends that DEO exclude CWIP Differences upon filing a rate case that excludes the CWIP Differences from the base rates.

Table 9: Plant Related Accumulated Deferred Income Taxes at 6-30-21

FERC Account 282 Description	Per Books	Adjustments	Adjusted Total Company
263A	$ (57,713,347)	$0	($57,713,347)
AFUDC Debt	(1,895,694)	0	(1,895,694)
Casualty Loss	(6,792,903)	0	(6,792,903)
CIAC	16,587,321	0	16,587,321
CWIP Differences	(895,189)	0	(895,189)
FAS109	(22,252,594)	22,252,594	0
Miscellaneous	4,212,653	0	4,212,653
Non-Cash Overheads	10,321,000	0	10,321,000
Section 174	(368,607)	368,607	0
Software	0	0	0
TCJA EDIT Balance	170,535,198	0	170,535,198
Tax Depreciation	(390,723,570)	0	(390,723,570)
Tax Expensing	(103,157,341)	0	(103,157,341)
TIC	3,844,046	0	3,844,046
Total Plant-Related Accumulated Deferred Income Tax (a)	(378,299,027)	22,621,201	(355,677,826)
Total Plant-Related Excess Deferred Income Tax (a) (b)	(197,439,631)	24,752,755	(172,686,876)
Total Plant-Related ADIT and EDIT	($575,738,658)	$47,373,956	($528,364,702)

(a) 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.

(b) The $24,752,755 represents amortization of the unprotected EDIT.

Review all appropriate documentation relating to the recommendations made in the Auditor's Report in Case Nos. 19-1287-EL-RDR and 20-1205-EL-RDR, as well as any Commission Orders in these cases, to determine if the recommendations have been addressed pursuant to the Auditor's recommendation, and if not, the financial or operational impacts of DEO not addressing the identified concerns.

Rehmann reviewed the Stipulation and Recommendation for Case No.19-1287-EL-RDR signed by DEO and the Staff of PUCO on August 25, 2020. The stipulations and Rehmann's steps to determine whether the recommendations were addressed are:

- No later than the first quarterly Rider DCI Filing after the Commission Order approving the Stipulation, DEO will reduce the total revenue requirement by ($880,052). Rehmann examined the December 31, 2020 Rider DCI Filing and noted that a net decrease to the revenue requirement of ($880,052) was applied.
- No later than the first quarterly Rider DCI Filing after the Commission Order approving the Stipulation, DEO will record transaction corrections to PowerPlan records to reflect the items noted above that reduced the revenue requirement by ($880,052). Rehmann examined the transactions prepared by DEO to reduce plant-in-service in PowerPlan and all were recorded for the December 31, 2020 Rider DCI Filing.
- DEO will reduce its revenue requirement to be charged to consumers by reducing incremental plant by the amount of earnings-based incentive pay charged to the distribution plant cost of removal account. Rehmann examined the application of this adjustment in the December 31, 2020 ($9,576), March 31, 2021 ($11,128), and June 30, 2021 ($12,744) Rider DCI Filings.
- DEO will implement a process change, to ensure consumers are correctly charged, whereby each project that charges a distribution plant work order and has a correlated transmission plant work order, will receive a second review to ensure that no distribution charges have been erroneously applied to transmission work orders and vice versa. This second review will be documented in writing. Rehmann examined supervisor signatures on invoices that document the second reviews.
- By September 1, 2021, to ensure consumers are charged correctly, DEO will perform an operational audit of contractor charges for the period of work completed from January 1, 2020 to June 30, 2020 to determine that competitive bids are being obtained; contractors are materially complying with their bid specifications; material contract terms are being adhered to; duplicate payments are not made; and contractor time sheets and equipment hours are being monitored by DEO. Rehmann examined the operational audit report completed by DEO's Internal Audit Department on May 6, 2021. Rehmann also inquired of the DEO Internal Audit Department of the detailed audit scope and noted the audit covered the stipulation requirements and had no observations requiring an assessment of the operational and financial impact of any observations.
- DEO will implement a process change, to ensure consumers are charged correctly, whereby Duke Energy Ohio Area Operations Directors and Project Managers will review and approve (or disapprove) requests from contractors to complete additional work beyond the hours estimated by Maximo, DEO's work management system. Such approvals shall document the specific reason for the additional work beyond the hours estimated by Maximo. Rehmann examined 25 work orders that exceeded the original estimate and noted that all had documented reasons for additional work and 18 had approved revisions in Maximo. See task "Review DEO's procedures for estimating

projects to ensure their accuracy and assess if cost controls are adequate within projects" for additional explanation and a Rehmann recommendation.

- DEO will continue to comply with the Automatic Rules for Closing (ARC) rules and the Work Order Estimation Process Document created on September 30, 2019 in order to ensure plant unitization within one year. Rehmann examined records supporting the June 30, 2021 balance on un-unitized plant-in-service and concludes this is substantially implemented. See task "Review DEO's unitization of their plant and RWIP backlogs per the Commission Opinion and Order in Case No, 18-1036-EL-RDR**"** for additional explanation and a recommendation concerning RWIP unitization.
- DEO will perform an operational audit of hazard trees beginning July 2020 moving forward with the following steps that includes having pictures or videos and written documentation as to why hazard trees were removed:

    - The Contract Forester will identify hazard trees based on Duke Energy Ohio criteria on selected circuits where routine maintenance will not be performed during the calendar year (Off-Circuit Hazard Trees). Suppliers will identify hazard trees on circuits where they are completing routine maintenance (On-Circuit Hazard Trees).
    - The Distribution Tree Removal Forms shall be retained for at least 3 years.
    - At least 10% of the inventoried hazard trees will be randomly selected for pre-auditing before any mitigation is performed.
    - Pre-auditing will include quality control to ensure that the subject tree is eligible for its removal to be capitalized under DEO's Capitalization Guidelines. The pre-audit will also include recording the estimated height of the tree and estimated distance from the line. Tree mitigation or vegetation activity located within the already-established right-of-way shall be expensed.
    - DEO personnel will monthly pre-audit hazard trees identified by Contract Foresters. Contract Foresters or Duke Energy Ohio Personnel will monthly pre-audit hazard trees identified by Suppliers completing the mitigation. There shall be 4 weeks between the period of the pre-identification of the trees and the pre-audit such that PUCO personnel may either obtain and independently audit the list of pre-identified trees, or accompany the personnel conducting the pre-audit.
    - Any identified tree that does not meet the criteria to be capitalized under DEO's Capitalization Guidelines will be removed from the inventory and brought to the attention of the personnel who identified the tree for training purposes.
    - Annually at the end of the pre-audit period, DEO will determine the approval rate. If the approval rate of the pre-audited trees is less than 95%, DEO will remove the equivalent percentage of the test year capital costs associated with the Hazard Tree Program from recovery in the DCI. For illustrative purposes, if the approval rate of the pre-audited trees for the 10% of trees pre-audited is 85%, DEO shall remove from plant-in-service 15% of the plant-in-service associated with tree removals.
    - A post-audit of hazard tree mitigation will also be performed whereby 25% of felled hazard trees will be randomly selected for the audit. This is a quality control audit to be completed by Contract Foresters.

Rehmann examined the pre-audit details reported on October 28, 2021 and noted that 729 out of a population of 2,719, or 27% of hazard trees were audited. The pre-audit disclosed that 6.17% of hazard tree removals were charged to capital but should have been charged to O&M. DEO applied the 6.17% rate against tree trimming charges of $3,009,987, resulting in a capital reduction of $185,716. Detailed pre-audit support noted that DEO reduced the September 30, 2021 Rider DCI by an estimated $184,571; however, the journal entry totaled $185,716 but posted after the September 30, 2021 Rider DCI Filing. Rehmann also examined the post-audit results and noted that 471 out of a population of 1,651, or 29% of hazard trees were audited. Nine out of 471, or 1.91% of hazard trees were inside of the right of way and did not support a capital charge. Rehmann was advised that all noted stipulations are part of the pre-audit and post-audit procedures and are applied if required.

- DEO will implement a process change, such that a Tree Trimming Supervisor will reject any invoices with incorrect accounting and request a corrected invoice from the vendor. Rehmann examined a sample of 25 tree trimming invoices (10 capital work orders that required tree trimming and 15 work orders designated for hazard tree removal) for evidence of this stipulation. See task "Review DEO's adherence to its Vegetation Management policy and Danger/Hazard Tree Removal Capitalization Guidelines" for additional explanation of the test results and a Rehmann recommendation.
- In the next annual Rider DCI audit, the auditor will be able to review a sample of tree-trimming invoices of the auditor's selection, as well as a sample of Distribution Tree Removal Forms. The auditor will have discretion to increase the size of the sample if the auditor identifies issues of concern. Rehmann examined a sample of 25 tree trimming invoices (10 capital work orders that required tree trimming and 15 work orders designated for hazard tree removal). See task "Review DEO's adherence to its Vegetation Management policy and Danger/Hazard Tree Removal Capitalization Guidelines" for additional explanation of the test results and a Rehmann recommendation.
- DEO will implement a process change, whereby all Contribution in Aid of Construction ("CIAC") entries will be posted to work orders immediately upon invoicing, to accrue when the project is placed into service. PUCO assisted Rehmann with field observations of a sample of 25 work orders. Included in the observations was a determination of whether CIAC was timely billed. See task "Verification of the used and usefulness of incremental plant-in-service" for additional explanation of test results and a Rehmann recommendation.
- By September 1, 2021 DEO will perform an assessment and verification for all CIAC postings unrecorded in work orders from July 1, 2018 to June 30, 2019. Any unrecorded CIAC will be quantified in a report by DEO's Internal Audit staff and the revenue impact will be applied to the earliest possible Rider DCI filing. Rehmann examined the CIAC audit report completed by DEO's Internal Audit Department on August 19, 2021. Rehmann also inquired of the DEO Internal Audit Department of the detailed audit scope and noted the audit covered the stipulation requirements. DEO identified one error totaling $3,268, which represented .05% of the total population of invoiced CIAC charges during the period. The error resulted from an executed customer agreement not charged to the customer. DEO quantified the revenue requirement impact for each quarter from September 30, 2018 through June 30, 2021 with a cumulative revenue requirement adjustment of $4,639, which will be reflected in the September 30, 2021 Rider DCI Filing.

Rehmann concludes that the tree trimming and CIAC stipulations have been substantially met.

Rehmann recommends that the next Rider DCI audit confirm that the revenue requirement has been reduced by a CIAC adjustment of $4,639 in the September 30, 2021 Rider DCI Filing.

There has been no Stipulation and Order for Case No. 20-1205-EL-RDR as of the filing of this report; however, Rehmann reviewed recommendations in the Case No. 20-1205-EL-RDR Compliance Audit of the July 1, 2019 to June 30, 2020 Rider DCI and noted the following corrective actions taken by DEO:

- DEO prepared a Net Plant Adjustment Column in their deferred tax calculations that eliminated plant-in-service that is adjusted from the Rider DCI. This adjustment reduced the total deferred taxes in the June 30, 2021 Rider DCI by $4,773,078.
- DEO corrected clerical errors in the deferred tax schedules.
- DEO is enhancing the work order estimate process through entering in MAXIMO approved Construction Unit ("CU") estimates due to such cost increases as additional labor, access time, flagging, and equipment.

Review DEO's manual adjustment for the impact of tree trimming for its adherence with the Commission Opinion and Order in Case No. 17-1118-EL-RDR.

Rehmann reviewed the Stipulation and Recommendation for Case No.17-1118-EL- RDR signed by DEO and the Staff of PUCO on September 26, 2018. DEO agreed to make a manual adjustment in future Rider DCI filings to reduce its revenue requirement for the impact of the tree trimming plant extrapolation estimate made by Rehmann of $2,011,170. This manual adjustment was to be made in all future Rider DCI filings, or other approved credit mechanism, until the $2,011,170 plant estimate is fully depreciated. DEO applied in the September 30, 2020, December 31, 2020, March 31, 2021 and June 30, 2021 Rider DCI filings a decrease to the revenue requirement of ($308,271), ($306,611), ($304,951) and ($303,291), respectively. These adjustments were accurately applied based on Rehmann's recommendations through amortizing $2,011,170 from September 30, 2019 through March 31, 2055.

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

Review DEO's unitization of their plant and RWIP backlogs per the Commission Opinion and Order in Case No, 18-1036-EL-RDR.

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 in previous audits 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. In the Stipulation and Recommendation for Case No.18-1036-EL-RDR, DEO agreed that the Account 106 un-unitized plant backlog will be caught up within one year of the Commission's Order (October 23, 2019). Rehmann concurred with this timeline.

As noted below in Table 10: FERC Account 106 (Un-unitized Plant-in-Service) Comparison, DEO has made significant progress on its backlog of un-unitized work orders from in-service year June 30, 2020 and before by unitizing $213,511,677 of $239,822,051, or 89% of un-unitized plant-in-service during this audit period. Only $4,478,988 or 2% of the un-unitized plant-in-service was from December 31, 2019 and before. Of this amount, $2,745,868 pertained to work orders that had dollars placed in account 106 during the audit period so this unitization amount was not behind in meeting the one year commitment.

Rehmann tested 25 work orders unitized to plant-in-service, during the audit period, for the impact unitization had on plant-in-service. Rehmann noted that the unitization process detects COR recorded in plant-in-service. Two work orders (D1120DL5 for $453,931 and MX7077415 for $356,576) had a total of $810,507 that resulted in moving charges from plant-in-service to COR. This result further supports having timely recording of COR as recommended in task “Verification of the used and usefulness of incremental plant-in-service”.

Rehmann concludes that this stipulation is substantially met for un-unitized plant-in-service and has no other observations and no recommendations from this task.

Table 10: FERC Account 106 (Un-unitized Plant-in-Service) Comparison 6/30/2020 to 6/30/2021

In-Service Year	6/30/2020	6/30/2021	Increase (Decrease) 2020 to 2021
1999	($3,050)	($3,050)	$0
2000	724	724	0
2001	1,319	1,319	0
2002	0	0	0
2003	1,246	1,246	0
2004	0	0	0
2005	(2,240)	(2,240)	0
2006	0	0	0
2007	0	0	0
2008	129,109	0	(129,109)
2009	524,239	0	(524,239)
2010	(219,252)	(134)	219,118
2011	2,400,825	438	(2,400,387)
2012	(2,451,249)	0	2,451,249
2013	0	0	0
2014	(16,134)	(47,602)	(31,468)
2015	999,778	0	(999,778)
2016	2,957,690	0	(2,957,690)
2017	13,921,731	60,449	(13,861,283)
2018	26,151,478	662,554	(25,488,923)
2019	101,511,992	3,805,284	(97,706,707)
Subtotal	145,908,205	4,478,988	(141,429,218)
1/1/2020 - 6/30/2020	93,913,846	21,831,386	(72,082,460)
Subtotal	**239,822,051**	**26,310,374**	(213,511,677)
7/1/2020 - 6/30/2021	0	104,700,764	104,700,764
Total	**$239,822,051**	**$131,011,138**	**($108,810,913)**

In the Stipulation and Recommendation for Case No.18-1036-EL-RDR, DEO agreed that the Un-unitized RWIP backlog will be caught up within one year of the Commission's Order (October 23, 2019). Rehmann concurred with this timeline.

As noted below in Table 11: FERC Account 108.620 (Un-unitized RWIP) Comparison, DEO has made significant progress on its backlog of un-unitized RWIP work orders from in-service year June 30, 2020 and before by unitizing $27,141,101 of $40,659,443, or 67% of un-unitized RWIP during this audit period. However; $10,454,164 or 45% of the remaining un-unitized RWIP was from December 31, 2019 and before. The following five work orders totaling $10,765,433 make up most of the balance (note that there are numerous un-unitized work orders with credit balances):

Work Order	Un-unitized Balance
D1911DL1	$1,543,963
DPOLEFUOH	$3,791,852
MX0021163	$542,724
OOFRREM	$724,141
SCRAPOOH	$4,162,753

Rehmann tested 25 work orders unitized from RWIP, during the audit period, for the impact on RWIP. Rehmann noted that the unitization process resulted in only one accounting correction for work order OCMCOH that reduced RWIP by $276,996. This RWIP unitization was processed within one year of the charges being recorded in RWIP so it had no impact on Rider DCI Filings.

Rehmann concludes that this stipulation for un-unitized RWIP is not substantially met and recommends to substantially meet the stipulation that work orders over one year in RWIP and with balances over $500,000 receive top priority for unitization. Rehmann recommends the status of these work orders be reviewed in the next Rider DCI audit.

Table 11: FERC Account 108.620 (Un-unitized RWIP) Comparison 6/30/2020 to 6/30/2021

Transaction Year	6/30/2020	6/30/2021	Increase (Decrease) 2020 to 2021
1987	$10	$0	($10)
1993	26,358	0	(26,358)
1994	(130,308)	0	130,308
1995	65,681	0	(65,681)
1996	3,346	970	(2,376)
1997	3,510	0	(3,510)
1998	(67,912)	0	67,912
1999	287,617	0	(287,617)
2000	1,590,779	1,098	(1,589,681)
2001	1,333,125	(953)	(1,334,078)
2002	1,654,245	2,514	(1,651,731)
2003	2,037,139	(2,259)	(2,039,398)
2004	2,229,591	832	(2,228,759)
2005	1,660,539	1,483	(1,659,056)
2006	1,819,970	(141)	(1,820,111)
2007	(490,792)	(89,326)	401,465
2008	926,675	483	(926,193)
2009	(23,928)	0	23,928
2010	(12,186,901)	18,277	12,205,178
2011	343,401	(931,408)	(1,274,809)
2012	(1,400,326)	(1,590,499)	(190,172)
2013	(1,568,832)	(1,761,624)	(192,792)
2014	4,551,255	4,079,023	(472,232)
2015	5,082,390	4,743,536	(338,854)
2016	1,157,029	458,563	(698,466)
2017	(203,263)	1,726,044	1,929,307
2018	7,403,984	947,971	(6,456,013)
2019	15,083,361	2,849,581	(12,233,780)
Subtotal	31,187,744	10,454,164	(20,733,580)
1/1/2020 - 6/30/2020	9,471,699	3,064,178	(6,407,521)
Subtotal	**40,659,443**	**13,518,342**	**(27,141,101)**
7/1/2020 - 6/30/2021	0	9,729,680	9,729,680
Total	**$40,659,443**	**$23,248,022**	**($17,411,421)**

Review DEO's procedures for estimating projects to ensure their accuracy and assess if cost controls are adequate within projects.

Rehmann requested a listing of all work orders construction completed before April 1, 2021, and with work order charges in the audit period, along with their original estimates and actual costs. A total of 216 work orders were provided that totaled $50,656,760 of actual costs against original estimates of $37,643,310. Rehmann sampled 25 of these work orders with $8,684,145 of actual costs against original estimates of $3,539,194. These work orders had variances between actual costs and original estimates ranging from 566% to 111%.

Detailed variance explanations were provided by DEO. Rehmann noted that 18 of the work orders had approved revisions entered in Maximo along with detailed explanations of why the revision was required. Explanations of causes of additional costs above the approved revisions were also documented. While the remaining seven work orders did not have approved revisions in Maximo, they had documented causes of the overruns.

> Rehmann concludes that DEO’s procedures for estimating projects substantially meet the stipulation for Case No.19-1287-EL-RDR. Rehmann recommends all work orders receive approved revisions in Maximo when actual costs exceed the original estimate.

Review DEO’s adherence to its Vegetation Management policy and Danger/Hazard Tree Removal Capitalization Guidelines.

Rehmann sampled 25 tree trimming invoices (10 capital work orders that required tree trimming and 15 work orders designated for hazard tree removal) charged during the audit period to determine whether they complied with the Vegetation Management Policy and Danger/Hazard Tree Removal (Accounting) Guidelines. DEO implemented a process change, whereby a Tree Trimming Supervisor will reject any invoices with incorrect accounting and request a corrected invoice from the vendor. Two of 25 invoices were charged to O&M but were changed to capital. DEO overrode the invoices without requesting and receiving new invoices from the tree trimming contractor.

> Rehmann recommends that the requirement, to send tree trimming invoices back to the tree trimming contractor when the invoice has incorrectly recorded capital versus O&M charges, be communicated to all DEO Departments that use tree trimming contractors.

In addition, five work orders were observed in a field visit by PUCO staff that had tree trimming costs to determine whether the costs complied with the Vegetation Management Policy and Danger/Hazard Tree Removal (Accounting) Guidelines. PUCO staff observed one work order MX211696 that had tree trimming costs totaling $41,858 however; DEO confirmed they were O&M charges instead. Rehmann quantified the impact on the Rider DCI filings for one quarter during this audit period. The impact is summarized below in Table 12: Total Impact of Recommendations on Rider DCI Revenue Requirement.

> <u>Rehmann recommends that the revenue requirement be reduced a total of ($5,151) for one quarterly Rider DCI filing. In addition, $41,858 should be reduced from plant-in-service.</u>

Assess DEO's adherence to the capitalized incentive pay offset calculation and assess the financial impact of any recommendations.

Beginning with the September 30, 2018 Rider DCI filing, DEO is required to capture capitalized incentive pay accrued since July 1, 2016 and offset the amount to Distribution Rate Base in future Rider DCI filings. The total offset through the June 30, 2021 Rider DCI was ($1,877,661).

Rehmann reviewed a sample of 10 incentive allocations totaling $46,401, charged to work orders during the audit period, to determine if DEO captured the incentive allocations for application of an adjustment to the Rider DCI Filings. One incentive for $527 from work order SG783TUGO was not captured for adjustment to the December 31, 2020 Rider DCI Filing. The incentive activity for SG783TUGO could not be found in the December 31, 2020 Detailed Incentive Adjustment Excel File due to an error in the Functional Class that was assigned in PowerPlan during project setup. The project was incorrectly assigned "Electric – General Plant" instead of "Electric – Distribution Plant". This Functional Class caused the activity to be excluded. DEO has corrected the project's functional class and the earnings related incentives totaling $5,039 will be removed in the September 30, 2021 Rider DCI Filing.

Rehmann quantified the impact on the Rider DCI filings for the four quarters during this audit period. The impact is summarized below in Table 12: Total Impact of Recommendations on Rider DCI Revenue Requirement.

> <u>Rehmann recommends that the revenue requirement be reduced a total of ($1,371) for the four quarterly Rider DCI filings. Rehmann also recommends the removal of earnings related incentives totaling $5,039 be reviewed in the next Rider DCI audit.</u>

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 total a one quarter decreased revenue requirement of ($2,051,041) from the recommendations' impact throughout the audit period. These impacts are detailed below in Table 12: Total Impact of Recommendations on Rider DCI Revenue Requirement. Note that $465,179 of this total is a deferred tax impact recommended for application in the next base rate case.

Table 12:Total Impact of Recommendations on Rider DCI Revenue Requirement

Recommendation	Transaction Correction	9/30/20 Change in Revenue Requirement	12/31/20 Change in Revenue Requirement	3/31/21 Change in Revenue Requirement	6/30/21 Change in Revenue Requirement	Total One Quarter Change in Revenue Requirement by Recommendation
Work Order With Labor and Related Charges That Should Have Been O&M	($102,411)	($12,391)				($12,391)
Reduce Real Property Assessed Value	(4,579,148)	(357,151)	(361,112)	(361,712)	(355,640)	(1,435,615)
Use Actual Real Property Tax Rate	7.9414%				8,485	$8,485
Use Actual Personal Property Tax Rate	9.9166%		(226,030)	(229,251)	(232,469)	($687,750)
Unrecorded CIAC	318,019				(39,132)	(39,132)
Unrecorded Retirements	(762,000)	(46,858)	(46,858)	(46,858)	(46,858)	(187,432)
Unrecorded COR	(614,802)	(37,806)	(37,806)	(37,806)	(37,806)	(151,224)
Exclude CWIP Differences in Deferred Tax	1,317,745	91,955	124,568	124,696	123,960	465,179
DEO CIAC Audit Results	(3,268)				(4,639)	(4,639)
Tree Trimming O&M	(41,858)				(5,151)	(5,151)
Missed Incentive Pay Adjustment	(5,039)	(239)	(302)	(378)	(452)	(1,371)
Total	**($4,472,762)**	**($362,490)**	**($547,540)**	**($551,309)**	**($589,702)**	**($2,051,041)**

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 21-0573-EL-RDR Annual Rider DCI Audit
Rehmann Consulting Prepared

Appendix A – Work Papers - Document Requests

Document Request #1

Date Submitted: 8/3/2021

To: Dianne Kuhnell

CC: Elizabeth Watts, Larisa Vaysman, Jay Brown, Julie Whisman, Devin Mackey, Krystina Schaefer

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 Suralink
- 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, 2020 through June 30, 2021 and lists within each work order the FERC account, completion date, and total cost.	8/3/2021	1	8/17/2021
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, 2020 through June 30, 2021 and lists within each work order the FERC account, completion date, and total cost.	8/3/2021	2	8/17/2021
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, 2020 through June 30, 2021.	8/3/2021	2	8/17/2021
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 July 1, 2020 through June 30, 2021.	8/3/2021	1	8/17/2021

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 21-0573-EL-RDR Annual Rider DCI Audit
Rehmann Consulting Prepared

Item	Description	Date Requested	Priority	Date Received
01-005	Please provide the following Duke Energy Ohio, Inc. FERC Reports in PDF format: • FERC Form 1 for 12-31-20 • FERC Form 3Q for 9-30-20 • FERC Form 3Q for 3-31-21 • FERC Form 3Q for 6-30-21	8/3/2021	1	8/17/2021
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.	8/3/2021	2	8/17/2021
01-007	Please provide a copy of all other riders describing capital additions recovered that are excluded from the DCI.	8/3/2021	2	8/17/2021
01-008	Please provide a copy of Internal Audit Reports completed from July 1, 2020 through August 3, 2021, if any, completed as a result of previous Rehmann DCI Audits.	8/3/2021	2	8/17/2021
01-009	Please provide in an Excel Spreadsheet a report by work order for all FERC accounts, from July 1, 2020 to June 30, 2021, that lists the cost of removal and salvage charges and credits, the posting period, and the utility account description.	8/3/2021	1	8/17/2021
01-010	Please provide an Excel Spreadsheet of the support to the average real property tax rate used in the DCI filings for 2019 pay and 2020 statement year that includes county, parcels, statement description, current tax value, and current paid amount.	8/3/2021	2	8/17/2021
01-011	Please provide the support for the real property allocation by function.	8/3/2021	2	8/17/2021
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, 2020 T&D value, 20 pay and 21 tax rate, and 20 pay and 21 T&D tax.	8/3/2021	2	8/17/2021
01-013	Please provide the detailed calculations supporting the balances of the individual unprotected and protected amounts that make up the balance of Excess Deferred Income Tax per books listed in the June 30, 2021 Rider DCI Filing.	8/3/2021	2	8/17/2021
01-014	Please provide a detailed reconciliation of the FERC account 282 as of 6/30/21 to the DCI filing before adjustments as of 6/30/21.	8/3/2021	2	8/17/2021
01-015	Please provide detailed support to each of the account 282 Deferred Tax subaccounts making up the balance per books listed in the June 30, 2021 Rider DCI Filing.	8/3/2021	2	8/17/2021

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 21-0573-EL-RDR Annual Rider DCI Audit
Rehmann Consulting Prepared

Item	Description	Date Requested	Priority	Date Received
01-016	Please provide the detailed calculations supporting the Journal Entries that make up the Accumulated Deferred Income Tax for each of the account 282 Deferred Tax subaccounts per books listed in the June 30, 2021 Rider DCI Filing.	8/3/2021	2	8/17/2021
01-017	Please provide the detailed calculations supporting the Book Balance used to develop the Accumulated Deferred Income Tax Per Books Vintage Year 2019 amounts for each of the account 282 Deferred Tax subaccounts per books listed in the June 30, 2021 Rider DCI Filing.	8/3/2021	2	8/17/2021
01-018	Please provide four quarterly Excel Spreadsheets, which minimally lists, by work order and amount, all transaction activity from July 1, 2021 to June 30, 2021 supporting the adjustments column in the Plant in Service Summary and Accumulated Depreciation Summary.	8/3/2021	1	8/17/2021
01-019	Please provide a copy of the current Capitalization Policy. Please summarize any changes since July 1, 2020.	8/3/2021	2	8/17/2021
01-020	Please provide the balance of FERC Account 106 at June 30, 2021 pertaining to Electric Distribution FERC Subaccounts. Please provide in an Excel Spreadsheet the detail balances by work order and then engineering in service date.	8/3/2021	2	8/17/2021
01-021	For each of the quarterly DCI Filings please provide, in Excel Format, details (including work order, transaction type, transaction date, and amount) of Retirement Work in Progress.	8/3/2021	2	8/17/2021
01-022	Please provide all work orders from July 1, 2020 to June 30, 2021 that were charged to plant in service and had tree trimming charges. Please provide in Excel all account 107 detailed transactions to date for all of these work orders.	8/3/2021	2	8/17/2021
01-023	Please provide a listing of work orders in an Excel Spreadsheet that have construction completion before April 1, 2021 and have charges in Account 106 during our audit period July 1, 2020 through June 30, 2021. Please provide the work order estimate and total work order actual charges through June 30, 2021 for each work order.	8/3/2021	2	8/17/2021
01-024	Please provide the Excel spreadsheets supporting the incentive pay offset calculation for each quarterly offset from July 1, 2020 to June 30, 2021.	8/3/2021	2	8/17/2021

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 21-0573-EL-RDR Annual Rider DCI Audit
Rehmann Consulting Prepared

Document Request #2

Date Submitted: 8/27/2021

To: Dianne Kuhnell

CC: Elizabeth Watts, Larisa Vaysman, Jay Brown, Julie Whisman, Devin Mackey, Krystina Schaefer

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 Suralink
- 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 account 107 details pertaining to new addition work orders listed in Rehmann Document Request 02-001 Attachment.	8/27/2021	1	9/10/2021
2-002	For each of the new addition work orders listed in Rehmann Document Request 02-001 Attachment please provide a Work Order Authorization Information Report that details a work order description, approvals, addition and retirement cost estimates, property units retired, and unitization amounts.	8/27/2021	2	9/10/2021
2-003	For each of the new addition work orders listed in Rehmann Document Request 02-001 Attachment please provide in Excel Format, a listing by FERC account, resource type, date of transaction, description of transaction and amount, all details pertaining to the corresponding retirement work order (if retirement work was involved). These retirement transactions include costs of removal and salvage credits.	8/27/2021	1	9/10/2021
2-004	For each of the new addition work orders listed in Rehmann Document Request 02-001 Attachment please provide the CU Estimate Property Additions and Retirements Report and the construction print. In addition if the work order is a blanket work order please provide a construction print of a recent construction location that is a part of the blanket work order.	8/27/2021	2	9/10/2021

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 21-0573-EL-RDR Annual Rider DCI Audit
Rehmann Consulting Prepared

Document Request #3

Date Submitted: 8/31/2021

To: Dianne Kuhnell

CC: Elizabeth Watts, Larisa Vaysman, Jay Brown, Julie Whisman, Devin Mackey, Krystina Schaefer

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 Suralink
- Please be guided by each item's priority number (1= highest).

Item	Description	Date Requested	Priority	Date Received
3-001	Please provide the 2020 Valuation Notice that supports the "Assessment Percentage" and "Assessed Value" on page 10 of each of the quarterly DCI Filings.	8/31/2021	1	9/14/2021
3-002	Please provide the following Real Property County Tax Bills supporting the Real Property Tax Rate of 7.7750% used in all four quarters DCI Filings as noted below: • Hamilton County; 550-0070-0222-00; N.W. N.S. Audro Dr. 7.11 ac. Pars.; value $632,180; paid $54,435 • Hamilton County; 600-0013-0077-00; Solzman Rd. 433'x1,015' Lot 2 Nordl: value $594,770; paid $51,758 • Hamilton County; 242-0006-0007-00; Rear Corner May & Station ft. irr.; value $532,590; paid $51,377 • Hamilton County; 076-0001-0027-00; Central Ave. & Charles St., Boiler; value $410,420; paid $39,737 • Hamilton County; 600-0013-0076-00; 11783 East Kemper Rd. 443' irr. Pt.; value $304,210; paid $26,433 • Hamilton County; 510-0071-0559-00; 510-0071-0559-00 - Hamilton County: value $259,570; paid $24,959 • Hamilton County; 600-0013-0078-00; 7600 E. Kemper Rd. Pt. Lot # 1 Nord;value $281,450; paid $24,540	8/31/2021	2	9/14/2021

Item	Description	Date Requested	Priority	Date Received
	• Hamilton County; 600-0140-0032-00; S.E. N.S. 7600 Kemper Rd. (See Note; value $254,270; paid $22,093 • Hamilton County; 523-0002-0191-00: 523-0002-0191-00 - Hamilton County; value $171,890; paid $21,928 • Hamilton County; 620-0190-0036-00: 4.50 AC NS MONTGOMERY PL 16.49 FT N; value $238,810; paid $20,767			
3-003	Please provide the Personal Property County Tax Bills supporting the Average T & D Rate of 9.9341% used in the December 31, 2020, March 31, 2021 and June 30, 2021 DCI Filings as noted below: • HAMILTON 31-1110 $52,322,064 • BUTLER 09-0410 $8,194,364 • CLERMONT 13-0420 $4,491,215 • BUTLER 09-0060 $4,000,162 • HAMILTON 31-0080 $3,848,361 • HAMILTON 31-0960 $3,780,073 • HAMILTON 31-0030 $3,258,670 • CLERMONT 13-0180 $2,969,481 • HAMILTON 31-0060 $2,943,793 • HAMILTON 31-0330 $2,878,850	8/31/2021	2	9/14/2021
3-004	The assessment percentage for real property taxes as noted on page 11 of each quarterly Rider DCI Filing increased from 6.988% in June 30, 2020 to 13.987% for all four quarters thereafter. This increase is because, as noted in Rehmann-DR-01-011 Attachment, the real property cost per return increased from $33,457,550 to $85,490,302 even though real property increased only $3,539,072 per the FERC Form 1. Please confirm whether or not the $85,490,302 value is accurate and if not what the value should be. If inaccurate please provide a revised page 11 for each of the four quarterly Rider DCI Filings.	8/31/2021	1	9/14/2021
3-005	The real property tax rate as noted on page 11 of each quarterly Rider DCI Filing was 7.7750%. This tax rate has been used for six consecutive quarterly Rider DCI Filings. Rehmann understands that tax rate information is sometimes not available at the time the quarterly filings are due. Please provide what real property tax rate would have been used for each quarterly filing from the March 31, 2020 thru the June 30, 2021 quarterly filings, if real	8/31/2021	1	9/14/2021

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 21-0573-EL-RDR Annual Rider DCI Audit
Rehmann Consulting Prepared

Item	Description	Date Requested	Priority	Date Received
	property tax rate information was available timely. If a new real property rate is now available please provide in Excel the details (same as Rehmann DR-01-010 Attachment) supporting the new rate.			

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 21-0573-EL-RDR Annual Rider DCI Audit
Rehmann Consulting Prepared

Document Request #4

Date Submitted: 9/3/2021

To: Dianne Kuhnell

CC: Elizabeth Watts, Larisa Vaysman, Jay Brown, Julie Whisman, Devin Mackey, Krystina Schaefer

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 Suralink
- Please be guided by each item's priority number (1= highest).

Item	Description	Date Requested	Priority	Date Received
4-001	Rehmann Document Request 04-001 Attachment has 25 work orders that were over the work order estimate by more than 25%. Please provide a copy of the support that explains the over estimate amounts. Also, please provide a copy of the support that explains any actions taken as a result of the over estimate amounts.	9/3/2021	2	9/30/2021

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 21-0573-EL-RDR Annual Rider DCI Audit
Rehmann Consulting Prepared

Document Request #5

Date Submitted: 9/14/2021

To: Dianne Kuhnell

CC: Elizabeth Watts, Larisa Vaysman, Jay Brown, Julie Whisman, Devin Mackey, Krystina Schaefer

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 Suralink
- Please be guided by each item's priority number (1= highest).

Item	Description	Date Requested	Priority	Date Received
5-001	Please provide a reconciliation for the following Distribution Plant Accumulated Depreciation Balance differences between FERC Forms and the DCI Filings (before adjustments): • 9/30/20 FERC Form $26,855 lower • 12/31/20 FERC Form $717,219 lower • 6/30/21 FERC Form $70,257 lower	9/14/2021	2	9/28/2012

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 21-0573-EL-RDR Annual Rider DCI Audit
Rehmann Consulting Prepared

Document Request #6

Date Submitted: 9/23/2021

To: Dianne Kuhnell

CC: Elizabeth Watts, Larisa Vaysman, Jay Brown, Julie Whisman, Devin Mackey, Krystina Schaefer

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 Suralink
- Please be guided by each item's priority number (1= highest).

Item	Description	Date Requested	Priority	Date Received
6-001	Rehmann Document Request 06-001 Attachment has 25 work orders that were unitized from FERC Account 106 to FERC Account 101. Fifteen of the 25 have differences between what was originally charged to FERC Account 106 and what was eventually charged to FERC Account 101.Please explain what makes up the differences.	9/23/2021	2	10/7/2021
6-002	Rehmann Document Request 06-002 Attachment has 25 work orders making up the June 30, 2021 balance of RWIP of $23,652,329 but were labeled Account 108.000-RWIP-Unitized. For each of these 25 work orders please provide the FERC Plant Account 360 through 373 that the retirement costs were assigned to and the amount assigned. For each work order that has a credit amount, please explain the cause of the credit to Account 108.000. Also for each work order please provide the date the RWIP was unitized.	9/23/2021	2	10/7/2021

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 21-0573-EL-RDR Annual Rider DCI Audit
Rehmann Consulting Prepared

Document Request #7

Date Submitted: 9/27/2021

To: Dianne Kuhnell

CC: Elizabeth Watts, Larisa Vaysman, Jay Brown, Julie Whisman, Devin Mackey, Krystina Schaefer

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 Suralink
- Please be guided by each item's priority number (1= highest).

Item	Description	Date Requested	Priority	Date Received
7-001	Duke Energy Ohio prepared an Excel File entitled Q4 Incentive Cap entries to support a credit of $435,855 for the December 31, 2020 Rider DCI Filing. This Excel File credited $3,258,878 to open work orders with labor costs over October, November, and December 2020 and included allocating $411,297 to RWIP. After RWIP, $1,106,118 was credited to October 2020, $1,1046,095 was credited to November 2020, and $695,133 was credited to December 2020. Please provide a reconciliation of these monthly credits to the net credit of $435,855 in the December 31,2020 Rider DCI Filing.	9/27/2021	2	10/11/2021
7-002	Rehmann Document Request 07-001 Attachment has two work orders that received an incentive adjustment described in 7-001 above. Please provide the formula used to calculate the amounts recorded in column I which were recorded in the CWIP Account 107 records. Also please provide an explanation for the differences described in column M of the Attachment.	9/27/2021	2	10/11/2021
7-003	Rehmann Document Request 07-002 Attachment lists two work orders that had an incentive adjustment recorded in one quarter in the CWIP Account 107 records but were recorded in the Detailed Incentive Adjustment Excel File supporting a subsequent quarter in the Rider DCI Filing. Please provide an explanation for the one quarter delay. Rehmann Document Request 07-002 also lists two work	9/27/2021	2	10/11/2021

Item	Description	Date Requested	Priority	Date Received
	orders that had an incentive adjustment recorded in the CWIP Account 107 records but Rehmann was unable to locate the incentive adjustment in a Detailed Incentive Adjustment Excel File supporting the quarterly Rider DCI Filing. Please provide the location of the two incentive adjustments in the Detailed Incentive Adjustment Excel Files.			

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 21-0573-EL-RDR Annual Rider DCI Audit
Rehmann Consulting Prepared

Document Request #8

Date Submitted: 10/1/2021

To: Dianne Kuhnell

CC: Elizabeth Watts, Larisa Vaysman, Jay Brown, Julie Whisman, Devin Mackey, Krystina Schaefer

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 Suralink
- Please be guided by each item's priority number (1= highest).

Item	Description	Date Requested	Priority	Date Received
8-001	Rehmann Document Request 08-001 Attachment lists 25 tree trimming invoices. Please provide the data requested in columns W through AC.	10/1/2021	2	10/22/2021

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 21-0573-EL-RDR Annual Rider DCI Audit
Rehmann Consulting Prepared

Document Request #9

Date Submitted: 10/6/2021

To: Dianne Kuhnell

CC: Elizabeth Watts, Larisa Vaysman, Jay Brown, Julie Whisman, Devin Mackey, Krystina Schaefer

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 Suralink
- Please be guided by each item's priority number (1= highest).

Item	Description	Date Requested	Priority	Date Received
9-001	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 charged to new additions (Rehmann Document Request 09-001 Attachment).	10/6//2021	2	10/20/2021
9-002	Please provide the detailed support for the attached sample of 10 transactions charged to plant retirement units (Rehmann Document Request 09-002 Attachment). This support includes details of how the retirement units were valued. Please provide a screen shot of the value residing in PowerPlan for the plant unit that was retired.	10/6//2021	2	10/20/2021
9-003	Please provide the detailed support such as invoices for accounts payable or payroll time sheets for payroll transactions for the attached sample of 15 transactions charged to cost of removal (Rehmann Document Request 09-003 Attachment). Please provide detailed formulas of how the COR allocation amounts were calculated including the exact ratio of plant to COR that came from the work order estimate data.	10/6//2021	2	10/20/2021

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 21-0573-EL-RDR Annual Rider DCI Audit
Rehmann Consulting Prepared

Appendix B – Work Papers - Document Request Responses

DEO submitted 151 responses to Rehmann Document Requests:

Rehmann-DR-01-001
Rehmann-DR-01-001(a) Attachment
Rehmann-DR-01-001(b) Attachment
Rehmann-DR-01-001(c) Attachment
Rehmann-DR-01-001(d) Attachment
Rehmann-DR-01-001(e) Attachment
Rehmann-DR-01-001(f) Attachment
Rehmann-DR-01-001(g) Attachment
Rehmann-DR-01-001(h) Attachment
Rehmann-DR-01-001(i) Attachment
Rehmann-DR-01-001(j) Attachment
Rehmann-DR-01-001(k) Attachment
Rehmann-DR-01-001(l) Attachment
Rehmann-DR-01-002
Rehmann-DR-01-002(a) Attachment
Rehmann-DR-01-002(b) Attachment
Rehmann-DR-01-002(c) Attachment
Rehmann-DR-01-002(d) Attachment
Rehmann-DR-01-002(e) Attachment
Rehmann-DR-01-002(f) Attachment
Rehmann-DR-01-002(g) Attachment
Rehmann-DR-01-002(h) Attachment
Rehmann-DR-01-002(i) Attachment
Rehmann-DR-01-002(j) Attachment
Rehmann-DR-01-002(k) Attachment
Rehmann-DR-01-002(l) Attachment
Rehmann-DR-01-003
Rehmann-DR-01-003(a) Attachment
Rehmann-DR-01-003(b) Attachment
Rehmann-DR-01-003(c) Attachment
Rehmann-DR-01-003(d) Attachment
Rehmann-DR-01-004
Rehmann-DR-01-004(a) Attachment
Rehmann-DR-01-004(b) Attachment
Rehmann-DR-01-004(c) Attachment
Rehmann-DR-01-004(d) Attachment
Rehmann-DR-01-005
Rehmann-DR-01-005(a) Attachment
Rehmann-DR-01-005(b) Attachment
Rehmann-DR-01-005(c) Attachment
Rehmann-DR-01-005 SUPP
Rehmann-DR-01-005(d) SUPP Attachment
Rehmann-DR-01-006 Confidential

Rehmann-DR-01-006(a) Attachment
Rehmann-DR-01-006(b) CONF Attachment
Rehmann-DR-01-007
Rehmann-DR-01-008 Confidential
Rehmann-DR-01-008 CONF Attachment
Rehmann-DR-01-008 SUPP Confidential
Rehmann-DR-01-008(b) SUPP CONF Attachment
Rehmann-DR-01-009
Rehmann-DR-01-009 Attachment
Rehmann-DR-01-010
Rehmann-DR-01-010 Attachment
Rehmann-DR-01-011
Rehmann-DR-01-011 Attachment
Rehmann-DR-01-012
Rehmann-DR-01-012(a) Attachment
Rehmann-DR-01-012(b) Attachment
Rehmann-DR-01-013
Rehmann-DR-01-013 Attachment
Rehmann-DR-01-014
Rehmann-DR-01-015
Rehmann-DR-01-016
Rehmann-DR-01-017
Rehmann-DR-01-018
Rehmann-DR-01-018(a) Attachment
Rehmann-DR-01-018(b) Attachment
Rehmann-DR-01-019 Confidential
Rehmann-DR-01-019(a) CONF Attachment
Rehmann-DR-01-019(b) CONF Attachment
Rehmann-DR-01-019(c) CONF Attachment
Rehmann-DR-01-020
Rehmann-DR-01-020 Attachment
Rehmann-DR-01-021
Rehmann-DR-01-021(a) Attachment
Rehmann-DR-01-021(b) Attachment
Rehmann-DR-01-021(c) Attachment
Rehmann-DR-01-021(d) Attachment
Rehmann-DR-01-022
Rehmann-DR-01-022 Attachment
Rehmann-DR-01-023
Rehmann-DR-01-023 Attachment
Rehmann-DR-01-024
Rehmann-DR-01-024(a) Attachment
Rehmann-DR-01-024(b) Attachment
Rehmann-DR-01-024(c) Attachment
Rehmann-DR-01-024(d) Attachment
Rehmann-DR-01-024(e) Attachment
Rehmann-DR-01-Tax Attachment(2)

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 21-0573-EL-RDR Annual Rider DCI Audit
Rehmann Consulting Prepared

Rehmann-DR-02-001
Rehmann-DR-02-001 Attachment
Rehmann-DR-02-002
Rehmann-DR-02-002 Attachment
Rehmann-DR-02-003
Rehmann-DR-02-003 Attachment
Rehmann-DR-02-004 Confidential
Rehmann-DR-02-004(a) CONF Attachment
Rehmann-DR-02-004(b) CONF Attachment
Rehmann-DR-03-001
Rehmann-DR-03-001 Attachment
Rehmann-DR-03-002
Rehmann-DR-03-002 Attachment
Rehmann-DR-03-003
Rehmann-DR-03-003(a) Attachment
Rehmann-DR-03-003(b) Attachment
Rehmann-DR-03-003(c) Attachment
Rehmann-DR-03-004
Rehmann-DR-03-004(a) Attachment
Rehmann-DR-03-004(b) Attachment
Rehmann-DR-03-005
Rehmann-DR-03-005 Attachment
Rehmann-DR-03-005 SUPP
Rehmann-DR-03-005 SUPP Attachment
Rehmann-DR-04-001
Rehmann-DR-04-001 Attachment
Rehmann-DR-05-001
Rehmann-DR-05-001 Attachment
Rehmann-DR-06-001
Rehmann-DR-06-001 Attachment
Rehmann-DR-06-002
Rehmann-DR-06-002 Attachment
Rehmann-DR-07-001
Rehmann-DR-07-001 Attachment
Rehmann-DR-07-002
Rehmann-DR-07-002 Attachment
Rehmann-DR-07-003
Rehmann-DR-07-003 Attachment
Rehmann-DR-07-003 SUPP
Rehmann-DR-07-003 SUPP Attachment
Rehmann-DR-08-001
Rehmann-DR-08-001(a) Attachment
Rehmann-DR-08-001(b) CONF REDCTED Attachment
Rehmann-DR-08-001(c) Attachment
Rehmann-DR-08-001(d) SUPP Attachment
Rehmann-DR-08-001 SUPP

Public Utilities Commission of Ohio
Duke Energy Ohio, Inc.
Case No. 21-0573-EL-RDR Annual Rider DCI Audit
Rehmann Consulting Prepared

Rehmann-DR-09-001 Confidential
Rehmann-DR-09-001(a) Attachment
Rehmann-DR-09-001(b) Attachment
Rehmann-DR-09-001(c) CONF Attachment
Rehmann-DR-09-001(d) Attachment
Rehmann-DR-09-001(e) Attachment
Rehmann-DR-09-001(f) Attachment
Rehmann-DR-09-001(g) Attachment
Rehmann-DR-09-001(h) Attachment
Rehmann-DR-09-001(i) Attachment
Rehmann-DR-09-001(j) Attachment
Rehmann-DR-09-001(k) Attachment
Rehmann-DR-09-001(l) CONF REDCTED Attachment
Rehmann-DR-09-002
Rehmann-DR-09-002 Attachment
Rehmann-DR-09-002 SUPP
Rehmann-DR-09-002 SUPP Attachment
Rehmann-DR-09-003
Rehmann-DR-09-003 Attachment
Rehmann-INFREQ-01-001 CONF Attachment
Rehmann-INFREQ-01-001 Confidential
Rehmann-INFREQ-02-001 Confidential
Rehmann-INFREQ-02-001(a) CONF REDCTED Attachment
Rehmann-INFREQ-02-001(b) Attachment
Rehmann-INFREQ-02-001(C) CONF REDCTED Attachment

Appendix C – Work Papers Prepared by Rehmann Consulting

- Rehmann Compliance Audit Report 12-2-21 Docket No. 21-0573-EL-RDR
- Excel file tables supporting report (12 files)
- Excel file revenue requirement quantifications supporting report (16 files)
- Field visit observation summaries for 25 work orders (25 files) and supporting picture files (79 files)
- Excel file summary of sample of 25 work orders field visited and supporting files (6 files)
- Excel file of test of new additions work orders
- Excel file of test of retirement work orders
- Excel file of test of transfer work orders
- Excel file summary of a sample of 50 transactions charged to new additions and supporting schedules (12 files)
- Excel file summary of a sample of 15 transactions charged to cost of removal
- Excel file summary of a sample of 10 retirement transactions and supporting schedules (2 files)
- FERC Form 1 detailed tests (4 files)
- Excel file of FERC Form 1 reconciliation of plant-in-service differences
- Excel file of FERC Form 1 reconciliation of accumulated depreciation differences
- Excel file summary of accumulated deferred income tax tests and supporting files (9 files)
- Property tax tests (14 files)
- Depreciation tests (5 files)
- Excel file summary of the CAT test
- Excel file summary of plant-in-service detailed tests of balances
- Excel File summary of accumulated depreciation detailed tests of balances
- Excel file summary of un-unitized RWIP amounts by engineering in-service year
- Excel file summary of un-unitized plant-in-service amounts by engineering in-service year
- Excel file summary of 25 unitized plant-in-service work orders
- Excel file summary of 25 unitized RWIP work orders
- Excel file summary of 25 tree trimming invoices and supporting schedules (5 files)
- Excel file summary of 25 work order estimates versus actuals and supporting schedule (2 files)
- Excel file summary of incentive pay tests and supporting schedules (11 files)
- Excel file of quarterly Rider DCI filing (4 files)
- Excel file summary of Capitalization Policy changes
- Document requests (9 requests and 10 attachments to the requests)
- Document request responses (162)