

# THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE REVIEW OF DUKE  
ENERGY OHIO, INC.'S DISTRIBUTION  
CAPITAL INVESTMENT RIDER.

CASE NO. 21-573 -EL-RDR

## ENTRY

Entered in the Journal on October 5, 2022

### I. SUMMARY

{¶ 1} The Commission adopts the recommendations in the audit report of Duke Energy Ohio, Inc.'s Distribution Capital Investment Rider, subject to the Commission's modifications.

### II. DISCUSSION

{¶ 2} Duke Energy Ohio, Inc. (Duke) is an electric distribution utility (EDU) as defined in R.C. 4928.01(A)(6) and a public utility as defined in R.C. 4905.02, respectively. As such, Duke is subject to the jurisdiction of this Commission.

{¶ 3} R.C. 4928.141 provides that an EDU shall provide consumers within its certified territory a standard service offer (SSO) of all competitive retail electric services necessary to maintain essential electric services to customers, including a firm supply of electric generation services. The SSO may be either a market rate offer in accordance with R.C. 4928.142 or an electric security plan (ESP) in accordance with R.C. 4928.143.

{¶ 4} On May 29, 2014, Duke filed its third ESP application. On April 2, 2015, the Commission issued an Opinion and Order modifying and approving Duke's ESP application for the period of June 1, 2015, through May 31, 2018. *In re the Application of Duke Energy Ohio for Authority to Establish a Std. Serv. Offer in the Form of an Electric Security Plan*, Case No. 14-841-EL-SSO, et al., Opinion and Order (April 2, 2015). As part of the approved ESP, the Commission authorized the establishment of the distribution capital investment rider (Rider DCI) to allow for the recovery of capital costs for distribution infrastructure investments. Further, the Commission found that a compliance audit of the Rider DCI is to

be completed annually to ensure conformance with the Opinion and Order. On December 19, 2018, the Commission issued an Opinion and Order modifying and approving an amended stipulation establishing Duke's fourth ESP that extended Rider DCI through May 31, 2025, subject to certain conditions. *In re Duke Energy Ohio, Inc.*, Case No. 17-1263-EL-SSO, et al., Opinion and Order at ¶ 113-116 (Dec. 19, 2018).

{¶ 5} On June 2, 2021, the Commission issued an Entry directing Staff to issue a request for proposal for audit services to assist with the annual audit of Duke's Rider DCI costs for the period of July 1, 2020, through June 30, 2021. On July 14, 2021, the Commission issued an Entry selecting Rehmann Consulting (Rehmann or the auditor) to perform consulting activities for Duke's Rider DCI and directed Duke to enter into a contract with Rehmann for the purpose of providing payment for its auditing services. Thereafter, on December 3, 2021, Rehmann submitted its audit report.

{¶ 6} On December 22, 2021, the attorney examiner issued an Entry establishing a procedural schedule. The attorney examiner directed interested stakeholders to file motions to intervene and comments by January 21, 2022, and to file reply comments by February 4, 2022. In that same Entry, Ohio Consumers' Counsel (OCC) was granted intervention. Thereafter, initial comments were filed by Duke and OCC on January 21, 2022. Reply comments were filed by Duke on February 4, 2022.

### III.DISCUSSION

{¶ 7} In the audit report, Rehmann reviewed Duke's accounting accuracy, prudence, and compliance associated with Rider DCI. The review started with the Company's November 1, 2020 quarterly filing, and all other quarterly filings up through August 1, 2021. The audit report recommended several monetary adjustments to the Rider DCI revenue requirement, as well as recommendations as to Duke's process of managing Rider DCI. As to the monetary adjustments, the audit report, in total, recommended that the revenue requirement be reduced by \$2,051,041.

{¶ 8} In Duke's comments, the Company accepts almost all of the recommendations of the auditor. Duke disagrees with the auditor's recommendation that all work orders receive approved revisions in Maximo when actual costs exceed the original estimate. Duke contends it will make efforts to improve its estimating process but avers that the auditor's recommendation is not efficient. Instead of applying to all instances where actual costs exceed the original estimate, Duke states that a reasonable threshold wherein work orders would need to receive approved revisions in Maximo would be in instances of overages of 25 percent on specific (non-blanket) projects over \$1 million, within three months of the overage. Further, Duke asserts that documentation of the causes of such overruns outside Maximo can also serve as an adequate substitute where approved revisions are not present in Maximo.

{¶ 9} Additionally, Duke notes that the auditor recommends the Company exclude construction work in progress (CWIP) differences upon filing a rate case that excludes the CWIP differences from the base rates. Duke states that it does not object to the recommendation, but that the accompanying table in the audit report includes a \$465,179 increase to the revenue requirement based on this recommendation. Duke contends this is an inadvertent error and should be removed. Based on this, according to Duke, the revenue requirement should be reduced \$2,516,220, rather than the \$2,051,041 amount stated in the audit report.

{¶ 10} In its comments, OCC recommends that the auditor's recommendations be adopted by the Commission. OCC further asserts that there is insufficient information to determine whether the revenue collected by Duke was within the annual revenue cap. OCC asks that Duke be directed to document its discussions with Staff regarding any cap adjustments, that a full audit of Rider DCI collections be conducted, and that a review of Rider DCI programs be conducted in order to assess whether the programs are improving reliability.

{¶ 11} In response to OCC's comments, Duke asks that OCC's recommendations be denied. Duke disagrees with OCC's assertion that there is insufficient information to determine whether the revenue collected by Duke was within the annual revenue cap. Duke maintains that its cover letter with each quarterly filing describe how revenue collections relate to the cap. Duke additionally states that the auditor did not find any discrepancies. As to OCC's request that Duke be directed to document discussions regarding cap adjustments, the Company asserts such a request is unnecessary and burdensome. The Company maintains that fluctuations in revenues are to be expected and the amount of revenues over or under collected is calculated, and reconciled, at the end of the year. Finally, regarding OCC's request for a review of the effectiveness of Rider DCI programs, Duke contends such a review is outside the scope of the audit and is unnecessary.

{¶ 12} Upon review, the Commission finds that the auditor's recommendations regarding Rider DCI should be adopted, subject to our revisions below. As pointed out by Duke, the auditor appears to have inadvertently increased the revenue requirement in their chart summarizing the results and adjustments. The revenue requirement, as adjusted, should be reduced \$2,516,220. Additionally, regarding the auditor's recommendation that all work orders that exceed the original estimated cost require an approved revision in Maximo, the Commission will adopt Duke's accommodation. Thus, approved revisions in Maximo are required in instances of overages of 25 percent on specific (non-blanket) projects over \$1 million, within three months of the overage. Duke should document the causes of such overruns outside Maximo. The Commission directs that the effectiveness of this be assessed in the next Rider DCI audit. As to OCC's recommendations, the Commission declines to adopt them at this time. We find that sufficient data regarding Rider DCI revenue collection and its relation to the cap is regularly documented. As to an assessment of Rider DCI programs, the Commission determines additional review is not necessary. We note that in the previous Rider DCI audit, Case No. 20-1205-EL-RDR, a stipulation was approved by the Commission wherein Duke agreed to annually file a DCI Work Plan and the Company would regularly meet with OCC regarding the DCI Work Plan.

**IV. ORDER**

{¶ 13} It is, therefore,

{¶ 14} ORDERED, That the recommendations in the audit report be adopted subject to the modifications described in Paragraph 12. It is, further,

{¶ 15} ORDERED, That a copy of this Entry be served upon all parties of record.

**COMMISSIONERS:**

*Approving:*

Jenifer French, Chair  
M. Beth Trombold  
Lawrence K. Friedeman  
Daniel R. Conway  
Dennis P. Deters

NJW/mef

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**Case No(s). 21-0573-EL-RDR**

Summary: Entry adopting the recommendations in the audit report of Duke Energy Ohio, Inc.'s Distribution Capital Investment Rider, subject to the Commission's modifications electronically filed by Heather A. Chilcote on behalf of Public Utilities Commission of Ohio